

Social Sustainability and the Supply Chain



■ Trade and Transportation

By Thomas O'Brien

Jerry Brown will (once again) take office as the next governor of California on January 3, 2011. What a Brown administration means for the goods movement industry remains to be seen. In the meantime, however, we have the Schwarzenegger legacy to consider. To many, our current governor has proven something of a paradox. Democrats will likely remember him as someone who took the fun out of a good legislative majority. To hear Republicans talk, they continue to wonder if he was ever one of them in the first place.

Schwarzenegger's supply chain score card will also be viewed as a mixed bag by both sides. Some will remember him as the one responsible for vetoing container fee legislation, a move that had the support of the goods movement industry. But one of his last actions as Governor—signing Darrell Steinberg's Senate Bill (SB 657), also known as the California Supply Chain Transparency Act of 2010 - was opposed by many in the business community.

The Supply Chain Transparency Act requires retailers and manufacturers doing business in

California to publicly disclose on their Web sites the policies they have voluntarily put in place to eliminate slavery and human trafficking in their supply chains. It applies only to companies with over \$100 million in worldwide gross receipts, which in this state has been estimated to mean something in the range of 3,000 companies.

The hope is that major shippers will demonstrate what their standards are with regard to human trafficking and slavery and what training procedures are in place to make sure that company employees and contractors are aware of them. The legislation is also intended to shed light on how companies verify that their vendors do not rely upon human trafficking or slavery, how they conduct audits both internally and externally, and how they respond when they become aware of potential cases. The idea is that customers will use the information to make more informed purchases.

Groups like the California Chamber of Commerce raised concerns over what it means to comply with the legislation when certain aspects of a company's supply chain are under the direct control of a vendor or a third party logistics coordinator (and not the company itself). There were also concerns that the Steinberg bill would be used by competitors in other states as just another example of California's "bad-for-business" regulatory environment. That concern may be short lived however. Soon after Schwarzenegger signed the bill in October of this year, New York Congresswoman Carolyn Maloney announced her intent to propose federal legislation that would essentially mirror SB 657 and bring the California disclosure and reporting standards nationwide.

In general however, the industry response to SB 657 has been fairly muted. For one thing, what company wants to go on the record opposing legislation that seeks to contribute to the end of slavery and human trafficking? And the concerns are real. The U.S. Office to Monitor and Combat Trafficking in Persons (TIP) conservatively estimates that more than 12 million people throughout the world are enslaved, a large portion of whom support activities like agriculture that are part of global supply chains. One other reason for the muted response is that the legislation asks about voluntary measures that an individual company has adopted. It doesn't mandate that any of these measures be undertaken.

But I suspect that the main reason that the industry didn't go the mat on the California Supply Chain Transparency Act of 2010 is because it is already beginning to understand that a sustainable supply chain means more than measures that eliminate waste and ensure environmentally responsible purchasing. It's likely why a company like Levi Strauss has a senior manager of social and environmental sustainability, the Gap has a senior VP of global responsibility and Tyco has a manager for corporate citizenship. It's not only good PR; it's also good for business. A sustainable supply chain is one way that a company can distinguish itself from competitors. And good supply chain management which identifies unethical and unreliable vendors helps to eliminate uncertainty in the supply chain. That also should improve the bottom line.

We shouldn't hold any illusions that in the absence of global trade, human trafficking and slavery wouldn't exist. Thomas P. M. Barnett makes a good case in *The Pentagon's New Map* that it is precisely global connectedness, including international trade, which brings bad behavior to light and ultimately establishes the foundation to eliminate it through moral suasion and economic integration. When the issue is eliminating human trafficking and slavery, it doesn't hurt to have both industry and the Governor on your side.