

Chapter 8

Supply Chain Social Sustainability and Manufacturing

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ABSTRACT

This chapter gives the overview of social sustainability in the supply chain of manufacturing industry. The author through literature survey identifies various definitions to social sustainability and suggest the approach to social sustainability problem in the supply chain. The readers are exposed with different social sustainability problems and what are the enablers and barriers to address such problem. In addition, the author identifies various social dimensions related to manufacturing supply chain and suggest as to how it can be addressed by various practices. Finally, the author identifies the research gaps in developing countries such as India, and suggests directions for future research. This is a vital contribution to the development of theory related to social sustainability in manufacturing Industries.

1. INTRODUCTION

The importance of sustainability in manufacturing has been talked over many decades. Formerly, the corporations were focusing predominately on fast paced production and innovative technologies. Now the focus has changed to sustainable manufacturing, because of increased awareness on limited resources, coupled with strict regulations, and corporate voluntary actions to meet the stakeholder's requirements. Sustainability is defined as "the development that meets the needs of today without compromising the ability to serve the future generations" WCED (1987) cited by Watkinson (2009). Due to climatic change and global warming, sustainability though it encompassed three dimensions such as environment, economic, and social, much emphasis was given on environmental dimension for over a decade. However, increasing stakeholder's awareness on safety, health, equity issues, and living conditions put back the

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focus on socially sustainable manufacturing and business practices. As more companies commit to sustainability and CSR policies, there is increasing pressure to consider social impacts throughout the supply chain. United Nations Human development Index (HDI) measures the countries based on income disparity, education and mortality, and the countries are ranked accordingly. This acts as a motivating factor for these countries to improve upon social sustainability activities. Majority of the developing countries were rated poorly because of social issues.

There were measures such as Sarbanes-Oxley act, Dow Jones's economic index (1896) and financial reporting making mandatory requirements for the corporations to be economically sustainable. Similarly, there has been tremendous research done on environmental aspects of sustainability in the supply chain. However, very little has been done in terms of social sustainability in the supply chain because of very complex human issues involved in it. On the other hand, the research to study the inter relationship among the economic, environment, and society are integral to the concept of sustainability. It is very essential to characterize their interactions to understand overall impact on future generations. Although, social sustainability was included and considered as an integral part of sustainability, the role played by social is rarely equal to the economic and environmental concerns. The Global Reporting Initiative (GRI, established in 1997) has reported that social performance occurs infrequently and inconsistently across organizations. This was again described by the recent major study by Western Australian Council of Social Services (WACOSS), who noted that, "while there has been tremendous work done relate to environment and economic aspects, the social has tended to fall off the sustainability agenda.

Further, social sustainability studies were so far, discussed and emphasized on legislative, health and safety rather on comprehensive way of focusing all the relevant issues. Especially, in manufacturing supply chain, studies on social issues are bit scant. In manufacturing, the sustainability is measured based on the entire value chain of the corporate. When it comes to sustainability in the supply chain, the supply chain comprises of many individual companies. The sustainability of the chain is depending on many standalone companies who are part of the corporate value chain. The impact of sustainability is not only restricted to the manufacturing companies but also its suppliers (Ashby et al., 2012). More recently many manufacturing companies develop their supplier capabilities in developing countries for low cost advantage. Invariably, the actions and behavior of these suppliers to the societies where they operate from, impacts the global companies in their own locations. We can notice these incidents, for example the recent development of unethical standards followed by Chinese manufacturing companies, the usage of melamine tainted milk and lead-tainted toys and toxic tooth paste, defective tires and fake medicines led to 24 million customer settlements by menu foods and many companies in China (Tybout & Roehm, 2009). These acts not only tarnished the image of the buyer, it also impacted on their financial performance. Yet another example of unethical actions such as "expired meat" supplied by one of the Mc Donald's largest meat supplier damaged the image of the company. This was resulted in suspension of burger products in China and US (CBS News, 2014). There were several other incidents of social issues related to supply chain. More recently, Wal-Mart's most preferred "shrimp" was procured from Thailand based supplier, whose facilities lack the basic living conditions, health and hygiene, and poor wages, etc. This was highlighted by many social organizations.

Especially, in developing countries, the issues related to social sustainability, still needs to be addressed. The recent noble price winner Khailash Satyarthi and his social efforts recovered and rehabilitated many child and bonded labourers from manufacturing set up in India. Further, TATA, a leading corporate brand was questioned by the World Bank, for the employee living conditions in their plantations. These are many social sustainability issues faced by the employees in the supply chain of manufacturing industries

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