



Case Study

Procurement

NHS Supply Chain

Implementing Ethical Procurement for Health – the Labour Standards Assurance System (LSAS)

Labour standards' abuses were documented across some supply chains that provide medical equipment, ultimately used by the NHS. In 2011, the Department of Health (DH), Ethical Trading Initiative and British Medical Association jointly published guidance to support the inclusion of ethical and labour standards in the health and social care sector's procurement. NHS Supply Chain has put in place an implementation programme to ensure that these issues are embedded within high risk contracts, suppliers and supply chains.

What was the issue being addressed?

To support health and social care organisations, NHS Supply Chain developed a Supplier Code of Conduct, based on the UN Global Compact. The Code outlines the values that NHS Supply Chain suppliers are expected to adhere to and implement within their own supply chains.

However, a more practical approach was needed in order to effectively manage the large portfolio of contracts and suppliers and demonstrate how they are managing product areas where there are known and documented labour standards risks.

What action was taken to overcome the issue?

The LSAS was developed in collaboration with DH. It is a practical, risk-based approach, which ensures that ethical procurement principles are embedded within supplier and supply chain relationships.

Suppliers must demonstrate that they have effective systems to manage labour standards across their supply chain. LSAS forms part of the contract conditions; successful suppliers are required to undergo a third party audit, at their own expense, and demonstrate incremental progress in achieving milestones. It relies on effective



supplier engagement at the early stages of the procurement process (PIN) with the support of appropriate labour standards experts. LSAS was first piloted on a high-risk framework agreement in March 2012. It is currently in place for four national NHS Supply Chain framework agreements (Surgical Instruments, Textiles, Transacted Textiles and Ophthalmology).

What was the impact?

It is anticipated that, by 2016, LSAS will affect approximately £250m of contract spend annually. Whilst the process aims to engage, educate and support suppliers, it also has provisions for failures to comply; with some suppliers being removed for not meeting obligations. This means that health and social care sector organisations that source high risk products through NHS Supply Chain can be assured that labour standards and ethical issues are managed throughout the supply chain.

A recent report on the effects of the Ethical Procurement for Health (EPH) policy demonstrated a clear connection between a strong implementation approach (the buyers' side) and an improvement in labour conditions on the ground (manufacturers).

Suppliers are also beginning to notice commercial benefits and are increasingly interested in recognition for their efforts. NHS Supply Chain is currently developing a 'LSAS assurance' flag that will indicate supplier achievement.

Lessons learned / success factors?

LSAS is based on engagement, awareness and collaboration, which has been particularly successful with suppliers. A review has been done and as a result, further supporting materials

were developed to assist suppliers in their implementation. Raising awareness within NHS Supply Chain's own procurement team was also instrumental.

“The Labour Standards Assurance System (LSAS) represents a huge step forward in monitoring labour standards across the supply chain. The approach helps suppliers to implement systematic practices for managing and assuring labour standards, in line with those of the International Labour Organisation (ILO).”

David Wathey, Head of Sustainable Procurement, Department of Health

Scaling up

The LSAS process continues to be rolled out to a wider range of contracts. In addition, it is tried and tested and available to any organisation committed and resourced to implement it on their own procurement.

For further information on this project please contact:

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