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Inequality in Supply Chain Management

By

Dana Zotti

A Major Research Paper
Submitted to the Faculty of Graduate Studies
through the Odette School of Business
in Partial Fulfillment of the Requirements for
the Degree of Master of Business Administration
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December 11, 2020

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ABSTRACT

This paper addresses the importance and effects of supply chain management practices. Supply chain management practices have a strong influence on businesses and workers worldwide. When overlooked, supply chain management practices can cause detrimental impacts on a social, economic, and environmental level. The paper discusses economic and social inequality, and unethical practices in supply chain management. Supply chain management is examined on a global scale first, then nationally in Canada and across a number of other comparison countries. Disparities and inequalities across supply chain management are discussed. Further, the potential impact of the COVID-19 pandemic is discussed and related to inequality in supply chain management. This paper addresses the inequality issues prevalent in supply chain management and proposes multiple recommendations, such as the implementation of audits by management, to help mitigate or prevent inequality. Finally, key recommendations for further research and the main contributions are provided.

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CHAPTER 1

PROBLEM IDENTIFICATION, PURPOSE, AND STRUCTURE

Problem Identification

Businesses strive for increased efficiency in production because the greater the efficiency the lesser the costs. Due to greater efficiency, reduced costs, and business operations, corporate Canada has potentially enabled inequality in supply chain management. The problem that I will address in this paper is the existence of inequality in supply chain management. Supply chain management involves different processes; however, retrieving raw materials and the labour and supply of product and services are key processes that will be addressed.

Costs can be lowered by looking at external factors in other countries. For example, wages in lower cost countries are rising, improved process and robotics permits plants to be operated with far less people, and local firms are becoming strong competitors in almost every single industry (Perkins & Wailgum, 2017). Global supply chain has provided the “ability to scatter patents and manufacturing sites around the globe, which allowed companies to report profits in countries with low corporate taxes” (Perkins & Wailgum, 2017, p. 4). However, this can be seen as both an advantage and disadvantage since companies doing so are being challenged and investigated

In order for corporations to avoid large fines and illegality, the United States, the European Union and others have created new reporting requirements for large companies that make or simply handle physical products that apply even if a third party manages a company’s supply chain (Perkins & Wailgum, 2017). In order to successfully implement supply chain management, companies must understand and comply with laws in varying countries. However,

simply following rules and regulations may not be enough. It is important for businesses to remember that if something is legal, it may not be right or ethical (Baldelomar, 2016). In addition to this, the outbreak of the COVID-19 pandemic has caused disruption and spillover effects across the world and across industries with changes in supply and demand (Craighead et al., 2020).

Purpose

The following paper will examine inequality in supply chain management. Research questions addressed include: How does inequality exist in supply chain management practices? What is the impact of COVID-19 on inequality in supply chain management? How can sustainable supply chain management systems be implemented?

An overview of key concepts relating to supply chain management will be explained to provide a deeper understanding of the problem addressed. A literature review about inequality in supply chain management will be conducted. Although supply chain management consists of many different processes, the focus of the paper is retrieving raw materials and the labour and supply of products and services. The literature review will be conducted on a global level and then specifically for Canada. Given that this study took place at a Canadian University, Canada's inequality is examined and contrasted with global inequality. In addition to this, the influence of COVID-19 on inequality in supply chain management will also be introduced. Finally, recommendations will be made about implementing sustainable supply chain management.

The target audience for this paper is any individual interested in continued research on supply chain management in Canada or globally. This paper may contribute to managers that would like to understand supply chain management and how to manage a company's supply

chain successfully and sustainably. Another contribution is to researchers interested in learning about supply chain management. They can also refer to this paper to understand the difference in legal supply chain management and ethical supply chain management. Additionally, researchers interested in the COVID-19 pandemic may find this paper of interest due to its potential influence on inequality in supply chain.

CHAPTER 2

INEQUALITY

Social Inequality

Social inequality is defined as “the condition where people have unequal access to valued resources, services, and positions in the society” (Blackburn, 2008, p. 250). Social inequality is concerned with social stratification such as power, class, status, money, and lifestyle. It is present when people are given unequal access to services, valued resources, and positions in society (Blackburn, 2008). Inequality is shown to be systematically inserted in society all around the world. This can be seen through continued discriminatory practices, opportunities and allocation of resources evident through the massive gap between the rich and the poor. Inequality practices are connected to society through history, culture, and specifically politics; they are fluid and dynamic, adapting accordingly to generational change (Acker, 2006).

Social inequality is present in corporations. CEOs of many major corporations (i.e., McDonald’s) make excessively more money than workers closer to the bottom (Campbell, 2019). Their pay has also grown much more rapidly than the typical worker. In 1965, CEOs earned 16 times more than the average worker, compared to a 221-to-1 ratio in 2018 (Mishel & Wolfe, 2019). Although CEOs have more responsibilities than other employees within a corporation, the rising value of pay does not reflect rising value of the skills of CEOs but reflects an advantage of power to set their own pay (Mishel & Wolfe, 2019). CEO pay has exponentially increased over time, but disproportionately when compared to typical workers (Mishel & Wolfe, 2019). This increasing power at the top of corporations is what increases inequality (Baker et al., 2019). Compensation is viewed as a function of power and influence with the notion that pay is a

fair exchange for “the CEO’s human and social capital, institutions of governance, or the market for managerial talent” used to maximize shareholder wealth (Takacs et al., 2017, p. 557). However, scholars have acknowledged numerous cases of what seems to be pursuit of extraordinary personal wealth with very little care for shareholder concerns (Takacs et al., 2017). The power and compensation imbalance create the concept of executive greed. Greed is defined as “the pursuit of excessive or extraordinary material wealth” (Takacs et al., 2017, p. 556). This increases inequality because CEOs have the power to shift corporate decisions to their own self-interest. Due to high levels of freedom, high managerial discretion allows a CEO to gain excessive material wealth (Takacs et al., 2017). With freedom and insufficient monitoring, a CEO can pursue personal wealth-maximizing goals at the expense of a corporation, including the corporation’s average workers (Takacs et al., 2017).

When individuals see others doing better, they feel disadvantaged and maybe even underprivileged, especially if the others are not working as hard (García-Muñoz et al., 2019). Social inequality has a negative impact on subjective well-being (García-Muñoz et al., 2019). It also has a negative impact on societies all over the world and has been increasing (Blackburn, 2008). Rising inequalities negatively and indirectly impact “political instability, social distrust, status anxiety, alteration in the perceptions of justice, and social status” (García-Muñoz et al., 2019, p. 1).

Economic Inequality

Between countries and within countries there are huge social and economic inequalities (Blackburn, 2008). For this reason, economic inequality will now be examined. Economic inequality is the presence of a gap between the rich and the poor because of unequal

opportunities which includes wealth and income inequalities (Baumann & Majeed, 2020). Throughout history, economic inequality has fluctuated. In the 1920s and 1930s, economic inequality was exceptionally high in both Canada and the United States but changed to be exceptionally low around 1970 (Baumann & Majeed, 2020). During the start of the 1920s to the late 1930s, income was highly concentrated in Canada and the United States, with the top one percent of the population earning between 15 and 20 percent of all market income (Green et al., 2017). This significantly declined throughout the 1950s and early 1980s to between seven and nine percent in the United States and a little higher in Canada (Green et al., 2017). Despite these fluctuations, current economic inequalities have risen in both countries to exceed the rates that once existed in the 1920s and 1930s (Baumann & Majeed, 2020).

There are three historical economic downturns that have impacted global economic inequality and have had devastating outcomes. The Organization of the Petroleum Exporting Countries (OPEC) decided to respond to the United States after it sent arms supplies to Israel in 1973 by stopping oil exports to the country and its allies (Bondarenko, n.d.). This caused an increase in inflation, a decrease in consumer spending, high unemployment, and an unstable economy (Amadeo, 2020). The Great Depression was a worldwide phenomenon that started near the end of the 1920s. It originally stemmed from the United States, but caused drastic declines in output, severe unemployment, and acute deflation in almost every single country all around the world (Romer & Pells, 2020). The Great Depression's most devastating impact was human suffering because in a short period of time, world output and standards of living significantly dropped (Romer & Pells, 2020). Similarly, the Great Recession was a period of very low economic activity and is associated with a sharp downturn in the economy, especially the United States. The Great Recession played a major role in changing the economy and negatively

affected individuals and families of all income and wealth levels (Baumann & Majeed, 2020). However, the consequences were much greater for the individuals and families with the lowest levels of wealth and income, which resulted in even greater inequality after this time period passed (Baumann & Majeed, 2020). According to studies implemented by economists at the University of Toronto, the University of Minnesota, and the University of Michigan, the average working-age adult in the lower ten percent of wealth and income suffered a loss of pay two and a half times larger than the top ten percent (Kopf, 2017).

Relationship Between Social and Economic Inequality

Economic inequality negatively affects social inequality due to its increase in the gaps between the rich and the poor. If an individual receives a greater amount of income, this individual will likely have greater access to resources. For this reason, the disparity between the rich and the poor increases. According to the international charity Oxfam, the richest one percent of the entire world's population owns two times as much wealth as the poorest 88 percent (Girard, 2020). Economic inequality can be observed all around the world. The terms "first world countries" and "third world countries" adequately display the so-called rich countries versus the so-called poor countries. These terms are popular in today's language, however, "second world countries" are rarely spoken of; showing the norm of having solely rich and solely poor countries with no in between. This national gap is detrimental, but people ignore or rationalize the negative outcomes of economic inequality because they believe in the incentive to eventually move up and make more money (Macchia et al., 2019). This is ultimately the cause of power structures, which are established and maintained as institutionalized norms and beliefs

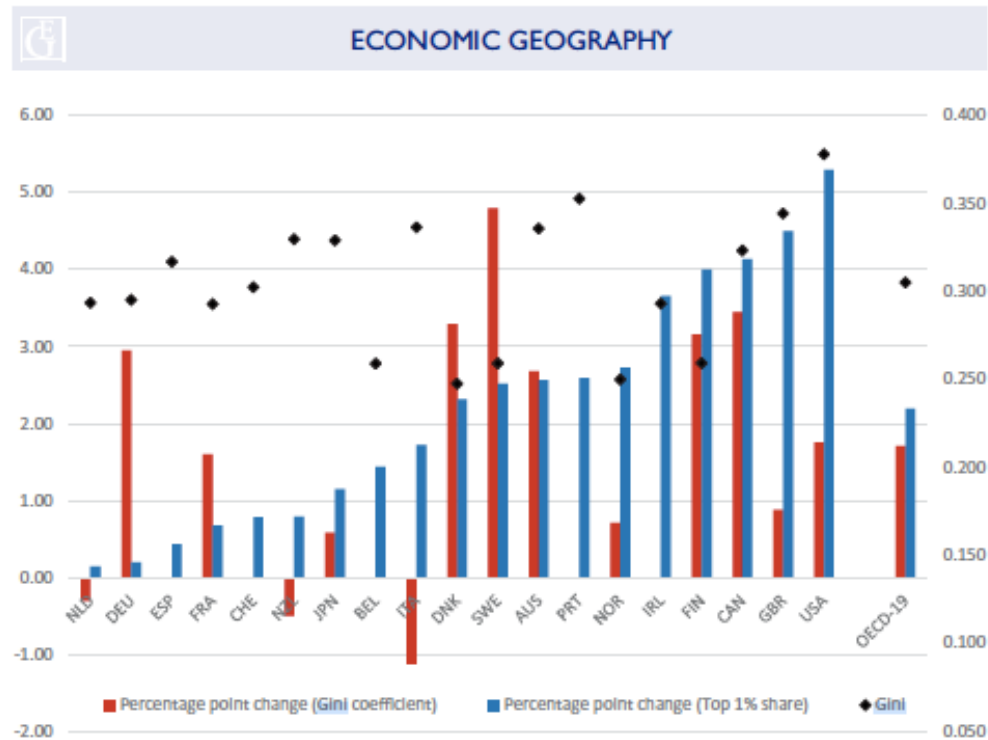
that affect both social and economic lives of individuals within and outside of firms on a national and global level (Bapuji & Chrispal, 2018).

The Gini Coefficient

The Gini coefficient is a statistical measure of gross inequality that has been, and continues to be, used as a measure for distributive injustice (Everett & Everett, 2015). In income or wealth, the Gini coefficient simply measures and compares the relationship between an actual distribution and an equal distribution based on income or wealth (Everett & Everett, 2015). If, for example, 20 percent of the people receive 20 percent of all income or have 20 percent of all wealth, then complete equality exists, and the Gini coefficient would equal zero. However, if one person has all of the wealth or income in a society then the Gini coefficient would equal one. In any real society, the Gini coefficient will be a number between zero and one (Everett & Everett, 2015). The closer it is to zero, the more equal the society and the closer it is to one, the less equal the society. The increase and trends in inequality across nineteen countries involved in the Organization for Economic Cooperation and Development (OECD) in the early 1990s to the late 2000s can be seen in Figure 1 (Marchand et al., 2020).

Figure 1

Changes in inequality across OECD countries, early 1990s to 2000s.



Note. The percentage point change in Gini coefficient is based off of the left axis and the percentage point change of the top one percent share is based off of the right axis. The bars are a cumulation of change between the 1990s and the 2000s. For example, the Gini coefficient had around a 3.50 percentage increase in the 2000s. The Gini coefficients shown using the black diamonds are for the late-2000s. It is clear that between the 19 countries shown, only three had a decrease in the Gini coefficient between the 1990s and 2000s, moving them closer to zero, whereas the others had an increase in the Gini coefficient between the 1990s and 2000s, moving them closer to one.

Canadian Economic Inequality

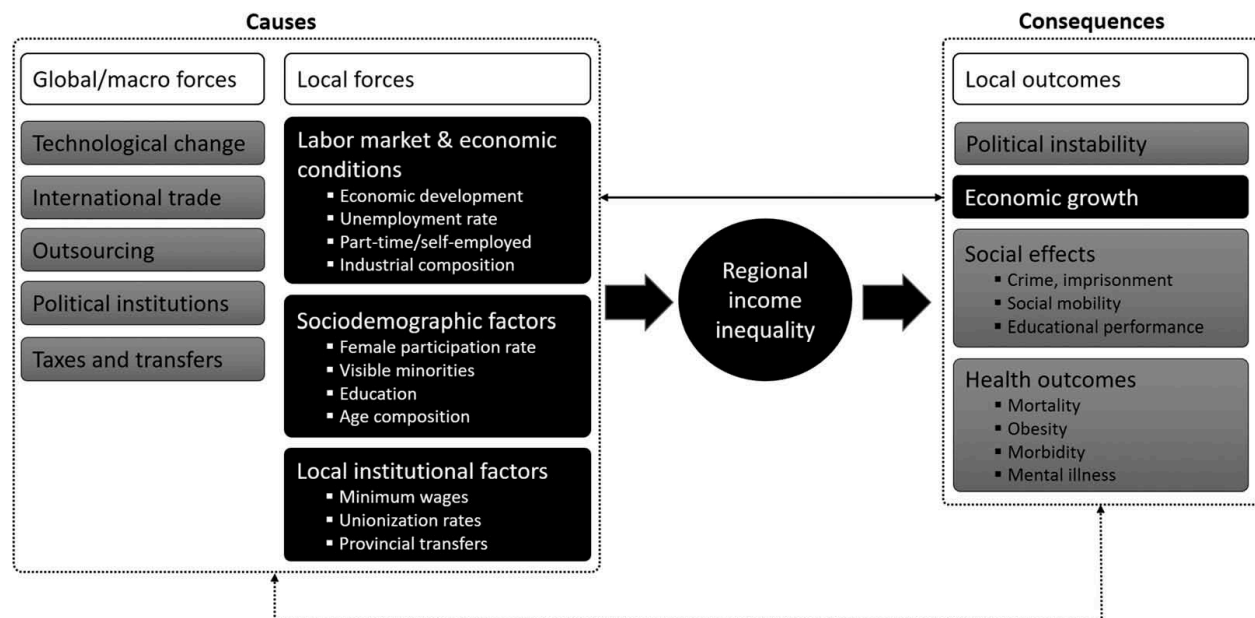
The economic inequality present in Canada is specifically examined because this study took place at a Canadian University. For this reason, inequality is examined and contrasted with global inequality. According to a report released by the Parliamentary Budget Officer (PBO), “the top one percent in Canada owns about as much as the poorest 80 percent” (Girard, 2020, para. 5). According to Lemieux and Riddell, between the early 1990s to the mid-2000s, “75 percent of income gains in Canada have gone to the top ten percent of earners while by itself, the top one percent of earners have captured 37 percent of total income growth in Canada” (Marchand et al., 2020, p. 85). As shocking as these statistics may be, in comparison to Canada, the gap between the rich and the poor is greater in the United States. The United States is known as the world’s ‘most unequal advanced capitalist country,’ where the three richest people own as much as the poorest 50 percent of the population (Girard, 2020).

In addition to this, income inequality has significantly increased in Canada over the last 35 years (Marchand et al., 2020). This is important because the extent of inequality is high and has resulted from the excessive gap between the top and the bottom population. The accumulation of wealth in the hands of very few and the evident widespread poverty of the general population are products of the capitalist profit system that result in inequality (Girard, 2020). Capitalism specifically is often defined as an economic system where private individuals own, and control property based on self-interests (Jahan & Mamud, 2015). The capitalist profit system is these private individuals gaining profit through capitalism, usually at the expense of others. According to a data set for Canada that includes information on 284 regions observed at five-year intervals, the increase in inequality nationally has been accompanied by an even greater increase in cross-regional inequality (Marchand et al., 2020). The rise in regional inequality in

Canada can be attributed to key factors like differences in the level of economic development, unstable labour market conditions, and socioeconomic factors (Marchand et al., 2020). From a regional perspective in Canada, a conceptual framework summarizing the most common causes of inequality can be found in Figure 2 (Marchand et al., 2020).

Figure 2

Causes and consequences of regional income inequality



Note. The left-hand side of this figure summarizes the underlying causes of rising interregional inequality. However, greater unwarranted labour market conditions are key in explaining patterns of inequality in Canada because they are linked with higher levels of regional inequality (Marchand et al., 2020). The right-hand side of this figure shows the importance of inequality and its potential consequences. It is important to note the consequences of rising regional inequality is just as important as the causes of it.

CHAPTER 3

SUPPLY CHAIN MANAGEMENT

Supply Chain Management Definition

According to Keith Oliver and Michael Webber, two professional consultants that coined the term “supply chain” in 1982, supply chain is “a network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer” (Asgari et al., 2016, p. 353). It is the chain of different businesses that provide the supply of a product or service to the customer. This includes activities, people, resources, organizations, and information (“Supply Chain,” 2020). More simply, a supply chain includes everything involved in the process of moving a product to the end-user. Supply and demand must be balanced throughout the chain in order to meet the needs of customers. An example of a supply chain could begin with raw materials, flow to a supplier or manufacturer, then move on to a distributor, then a retailer, to finally reach the consumer. Not every business has the same supply chain, but almost every business must have a process to manage its supply chain, this is supply chain management.

Supply chain management is the process of integrating resources a business needs to create a product or service to reach the end-user. This includes both internal and external business processes relating to the product or service creation. The supply chain can include but is not limited to suppliers, manufacturers, distributors, and retailers. All businesses included in the supply chain work together to not only satisfy the consumer, but to do so in the most efficient and effective way. Varying organizations may not be in the same country as many supply chain

processes occur internationally, especially for cost saving measures. The purpose of supply chain management is to improve the supply chain and perform to the best of its ability while being efficient and effective. Supply chain management also helps to maximize customer value and potentially achieve a sustainable competitive advantage (Handfield, 2020).

There are generally five basic components in the process of supply chain management. They are planning, sourcing, making, delivering, and returning (“Supply Chain,” 2020). Planning involves estimating demand and working the supply chain quantity and quality around the estimated demand in order to efficiently meet customer needs and expectations. Sourcing means choosing certain suppliers and partnering with organizations that help provide the product or service. It is important to select a trustable business so that a relationship can be created. Making is actually creating the product or service and ensuring all resources, organizations, and people involved are coordinated and overall standards are met (“Supply Chain,” 2020). Delivering and returning deal directly with the customers. Ensuring products or services reach customers and can be returned by customers is the job of logistics. Each of these five components is an essential part of successful supply chain management.

Supply Chain Management Design

In recent years, managers have sought out international manufacturing sources, whether company-owned or external suppliers, because of reduced cost, increased revenues, and improved reliability (Meixell & Gargeya, 2005). For this reason, supply chain management is a major component of almost every business. Corporations partner with manufacturers that normally set up foreign factories in order to benefit from low cost direct labour, tariff and trade concessions, capital subsidies, and reduced logistics costs in foreign markets (Meixell &

Gargeya, 2005). There is an increase of outsourcing to both domestic and global locations. Outsourcing manufacturing to offshore supplier locations has grown and because of this, managers must design supply chains that include both corporate and supplier facilities (Meixell & Gargeya, 2005). Suppliers are selected based on certain criteria that meet the needs of corporations and their managers. This is why it is essential to include suppliers and their criteria into the supply chain of each corporation. Supply chain has a great influence on costs, so it is important to constantly work on improving the processes involved in supply chain to reduce overall cost (Lapinskaite & Kuckailyte, 2014). According to Christopher and Gattorna (2005), it has been recognized by some that the key to major cost reduction is not in the internal activities of a corporation but in the greater external supply chain. External does not simply mean relating to the corporation but includes all influencing factors. A large and growing number of customers, investors, regulators, and the public are actively seeking information about aspects of a firm's supply chain that extend far beyond traditional aspects like cost, quality, and financial performance (Klassen & Vereecke, 2012).

Globalization

The world has significantly changed over the past decade. Technological advancements have shaped the lives of individuals all across the world. Technology has changed life through every aspect: transportation, food, shopping experience, romance, entertainment and more. What is depended on and used every single day by millions did not exist only a few years ago. Technology has not only impacted individuals all over the globe but has played a pivotal role in the way businesses operate. Due to the increase in ease and accessibility of international relationships and exchanges, many businesses operate in or with multiple countries on an

international level. This internationalism of businesses can be referred to as globalization. Globalization can be described as interdependence of the world's economic, social, political, cultural, religious, and legal relationships and dimensions, all interlinked in a complex way (de Sousa Santos, 2016).

According to the Stanford Encyclopedia of Philosophy, globalization refers to “fundamental changes in the spatial and temporal contours of social existence, according to which the significance of space or territory undergoes shifts in the face of a no less dramatic acceleration in the temporal structure of crucial forms of human activity” (Scheuerman, 2018, para. 1). In simple terms, globalization has caused a significant shift in the way humans interact and has changed experiences of time and place everywhere. This change inevitably undermines boundaries between countries and even within countries in addition to the value of time. Since time needed to connect distinct geographical locations is reduced, distance and space are essentially annihilated. For this reason, there are both positive and negative aspects introduced with this relatively new concept of globalization.

Globalization created a new stage of economic internalization. This stage is described by an increasingly prominent impact of external factors on the development of all countries in the world, on the creation of transnational capital, as well as on a strengthening of the global integration process in consequence of the global operations of transportation network companies (Zvarych, 2018). Countries are no longer separated and isolated; what happens in one country or area in the world is known all over the world and even potentially impacts others around the world. Globalization played a major part in the creation of global supply chain management. Around 25 years ago, one of the many reasons that companies created global supply chains was to take advantage of lower wages and costs in other countries (Perkins & Wailgum, 2017).

External factors resulting from globalization have strongly influenced supply chain management in businesses all around the world.

Race and Gender Disparities in Supply Chain Management

Inequality is present when there is an unfair distribution or available access to services, resources, and positions (Blackburn, 2008). Within supply chain management, leadership disparities are prevalent, as there are low numbers of supply chain executives of colour and existing disparities in middle management (Esper et al., 2020). This results in significant inequality within supply chains due to some of the highest racial diversity percentages among frontline supply chain workers (Esper et al., 2020). Simply put, there is little diversity in groups of supply chain executives, yet high diversity in frontline workers. There is lack of multicultural representation in higher levels of supply chain management.

In addition to the lack of racial and cultural representation, there is a lack of women in the workforce in supply chains (Maurelli & Mussomeli, 2020). According to a Gartner study conducted in 2019, women make up only 39 percent of the total supply chain workforce and only 11 percent of supply chain executive leadership positions (Maurelli & Mussomeli, 2020). In addition to fewer women working in supply chain management, women that do work are paid less. Although the pay gap between men and women is narrowing, female supply chain professionals between the ages of 30 and 39 still have pay that is only 93 percent the size of male supply chain professionals (Leonard, 2020). For workers over the age of 50, the gap is greater as female supply chain professionals make about 79 percent of male supply chain professionals (Leonard, 2020). According to a survey conducted by the Association for Supply Chain Management, the longer an individual stays in their position, the greater the pay disparity

between men and women workers (Leonard, 2020). Discrimination and different career choices are two factors that play into the gender pay disparity (Eshkenazi, 2018). However, although supply chain management has pay disparities, the pay gap between men and women among supply chain professionals matches the existing average in all careers (Eshkenazi, 2018).

Supply Chain Management – Global Level

Over the last ten years, social and environmental issues have drawn increased scrutiny and debate. Many managers have provided great efforts that respond to and plan for environmental issues, in addition to governments increasingly implementing laws and regulations that require standardized reporting by firms of pollutants, such as Toxic Release Inventory in the United States (Klassen & Vereecke, 2012). Unfortunately, management of social issues in the supply chain is not advancing as rapidly, rather it falls far behind (Klassen & Vereecke, 2012).

There are many innovative and sophisticated corporations all over the world that continue to struggle with how to define, understand, and plan for social issues (Klassen & Vereecke, 2012). Issues such as labour and workforce practices, product safety, and sourcing raw materials are being strictly monitored by firms and especially by non-governmental organizations (NGOs). The combination of economic, social, and environmental performance can be thought of as a “triple bottom line.” These three major concerns and challenges are not specific to one region, one type of firm, or even one industry. Rather, these issues cut across the entire supply chain, which include multiple tiers of suppliers, internal operations, and both direct and final consumers (Klassen & Vereecke, 2012). So, corporations are clearly held to responsibilities for numerous stakeholders, including social responsibilities. With respect to supply chain management,

“responsibility is conferred when a firm has authority to make decisions independently, and has the ability to control, pressure, or induce action by suppliers and customers” (Klassen & Vereecke, 2012, p. 104). Essentially, firms all over the world have the power to influence conditions, by acting or not, relying not just on legal obligations but ethical ones too.

Social issues, while challenging to businesses, can still be managed. The important thing to note is the bottom line is not simply to profit and make money. Many other external factors are to be taken into consideration by corporations all over the globe. Social issues can include the following (Yawar & Seuring, 2018):

- Poverty alleviation
- Improving livelihood strategies and community development
- Empowering the supplier and economic communities
- Economic well-being of suppliers
- Access to basic amenities like health, education, and housing
- Fair trade practices
- Local procurement
- Decent wages
- Securing livelihood strategies

Managing societal issues can make a difference to all that are involved in the supply chain, such as leading to community development. For example, it is argued that “development initiatives of the buying firms improve income mobility for small suppliers and alleviate poverty in sub-Saharan Africa” (Yawar & Seuring, 2018, p. 229). If simply managing the supply chain to incorporate social and societal issues can alleviate poverty, what happens if corporations do not take these issues into consideration? Management of societal issues directly and indirectly affect

the livelihood of small and medium-scale suppliers, and many other stakeholders that are directly or indirectly involved (Yawar & Seuring, 2018).

Global supply chains normally run between both industrialized and developing countries. Supply chains can be difficult to manage because of differences in economies, legislations, regulations, and standards by countries all across the globe (Galal & Moneim, 2016). Developing countries usually supply or manufacture raw materials. However, these countries face problems that negatively impact the performance of supply chains, such as “instability of governments and policies, corruption, labour intensive industries, deteriorated infrastructure and limited use of new technologies, underemployment, child labour, and low education level of population” (Galal & Moneim, 2016, p. 419). Developing countries like Bangladesh have a lack of control, monitoring, and sanctions. For example, sometimes corporations will pollute and pay the fine because it is less than the cost of the clean up or prevention fine (Galal & Moneim, 2016). This is often the case in developing countries mainly because of insufficient resources, especially when compared to developed countries (Galal & Moneim, 2016). For example, when comparing South Africa and Indonesia to European countries, these two countries struggle to meet European standards because the standards do not reflect production and extraction conditions within each country (Galal & Moneim, 2016). This essentially digs deeper holes for developing countries. When standards and regulations cannot be met due to inadequacy or inapplicability, countries will fall even more behind developed countries whether it is with respect to labour standards, environment standards, or any other kind of standards and regulations.

There are numerous countries that report high levels of corruption and mock compliance among companies, certification bodies, and the government. Such countries include but are not limited to, Brazil, South Africa, Indonesia, and Bangladesh (Galal & Moneim, 2016). Many

countries face inequality in supply chain management through labour exploitation and other unethical practices. Labour exploitation can be defined as “a spectrum, ranging from ‘severe exploitation’, i.e., criminalised practices such as human trafficking and forced labour on one extreme, to ‘routine’ or ‘less severe’ exploitation on the other that typically breach labour law, for example underpayment and unfair dismissal” (Davies & Ollus, 2019, p. 88). Many forms of exploitation, including labour exploitation are a universal phenomenon that are caused by structural changes within the economy and society (Davies & Ollus, 2019). In addition to this, suppliers are pressured for low costs and prices because buyers have the opportunity to purchase products from numerous suppliers. For this reason, the bargaining power of buyers tends to be strong and suppliers may find that the only way to meet expectations is through unethical exploitation. The next section outlines some countries that have dealt with, and still deal with, corporate harm through labour exploitation as part of an efficient and effective supply chain.

Australia

Employers in Australia were found to be taking advantage of people on ‘working holiday’ visas called ‘417 visas’ that work in the fresh produce supply chain, picking and packing fruit, vegetables, and meats (Szörényi, 2016). These workers with an insecure status, specifically from Hong Kong and Taiwan, described extremely long hours of work in painful and unsafe conditions, sexual harassment, and underpaid wages (Szörényi, 2016). It was reported by an Australian national broadcaster named Four Corners that they worked on farms and in fresh food companies, producing food for the three main supermarket chains of Australia and for fast food outlets but were exploited, harassed, underpaid, and injured (Szörényi, 2016). It was evident by the workplace environment and the number of hours worked that the workers were being

unfairly taken advantage of while the supermarket chains and fast food outlets were obviously profiting.

According to Four Corners, workers were forced to work up to 18 hours a day every single day without proper bathroom breaks and in the cold crying from pain of frozen hands while getting yelled at to work faster (Szörényi, 2016). This is a type of unethical practice that is not acceptable in the supply chain. Although it may be cheaper for the Australian supermarket chains and food outlets to have this kind of labour, it is definitely subject to serious concern. It was discovered through interviewed informants that businesses were able to outsource labour provision without holding any responsibility or accountability for pay and working conditions because third-party labour hire companies managed most of the labour conditions (Szörényi, 2016). This was a loophole for businesses to avoid being held liable for illegal practices while continuing to benefit from the migrant workers.

Australia's dependence on the migrant workers plays a role in the country's long history of exploitation of migrant and Indigenous labour, which has proven to be necessary to the nation (Szörényi, 2016). These are clearly illegal and unethical practices that have the potential to lead to inequality not only because of poor working and living conditions, but because of the unfair pay. Four Corners reported that these workers stayed in company houses with 20 people sharing one bathroom or even horse barns, and some workers were paid 50 percent less than the legal minimum wage and were paid late and irregularly (Szörényi, 2016). It is clear that Australia is a prime example of unethical supply chains due to the exploitation of migrant workers, in addition to the poor working and living conditions and inequitable pay.

Finland

In all of Europe, specifically Finland, a lot of cleaning services and work offered that were previously done in-house are now outsourced (Davies & Ollus, 2019). An increase in competition in the cleaning industry has resulted in competition through price-setting, poor quality cleaning services, and bad wages and working conditions for cleaners (Davies & Ollus, 2019). The cleaning sector of Finland consists of many small companies with fewer than five employees but is highly concentrated with a few large corporations (Davies & Ollus, 2019). The problems of exploitation occur specifically in the smaller company, especially going down the supply chain (Davies & Ollus, 2019). The further down the supply chain, the greater the amount of subcontracting. However, this is where informality and poor oversight, like labour intermediaries root from (Davies & Ollus, 2019). Exploitation consists majorly of cheap and unequitable labour pay and conditions because of the existing intermediaries in the chain (Davies & Ollus, 2019).

In Finland, the Occupational Safety and Health Administration (OSHA) is the main authority in charge of scrutinizing safety, health, and working conditions, but there are also specialized labour inspectors that specifically monitor employers of migrant workers (Davies & Ollus, 2019). These labour inspectors have minimal supervision and responsibilities. They simply check the validity of the workers' work permit, check the working and employment conditions, and if there is any misconduct, they provide recommendations to the employers (Davies & Ollus, 2019). They are also required to report to the police anything suspected to be a labour crime. However, human trafficking for work is not considered to be a labour crime (Davies & Ollus, 2019). Even though laws and regulations governing work against labour exploitation exists, there is no systematic way to counter it (Davies & Ollus, 2019).

China

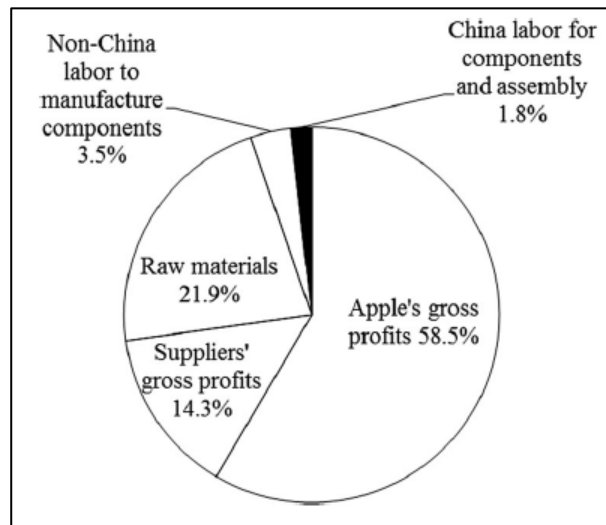
Foxconn is a multinational electronics manufacturer of more than 50 percent of the world's electronic products (Pun et al., 2016). The Taiwanese-owned international manufacturer assembles products and components for Apple, Hewlett-Packard, Dell, Sony, Nokia, and Nintendo and has factories all throughout China (Guo et al., 2012). In 2010, 18 workers between the ages of 17 and 25 attempted suicide at Foxconn facilities with only four survivors (Pun et al., 2016). The working issues of Foxconn have been compared and tied to sweatshop issues (Guo et al., 2012). Again, what exists is labour exploitation of overseas workers and these issues are far from the major companies that people know and love. Although popular companies, such as Apple and Dell are far from the problems faced in manufacturing companies like Foxconn, this does not mean problems are limited to just the manufacturers and the labour conditions. The problems do not stop at the factory floor; Foxconn and other multinational producers and smaller companies face a tight profit squeeze from corporate giants like Apple, Microsoft, Hp, Samsung, and Sony (Pun et al., 2016). The corporate giants and Foxconn working together have resulted in unacceptable working conditions in China, even though the Chinese rural migrant workers (the core of the labour force) play a major role and contribute to the multinationals' successes (Pun et al., 2016).

Apple is known to introduce new products with fast rollouts so that every customer can be satisfied by meeting demands (Pun et al., 2016). At one point in time, Foxconn was the only manufacturer of Apple, where workers toiled all day and night to increase production and supply enough iPhones for the corporation's consumers (Pun et al., 2016). As Foxconn was the only manufacturer of Apple when the iPhone 4 was released, the pressure to increase working pace meant tougher labour conditions. In order for Foxconn to meet deadlines, the manufacturer

transferred the pressure to the frontline workers that were referred to as the industrial army of Terry Gou, the CEO of Foxconn (Pun et al., 2016). Workers had multiple security checkpoints, constant surveillance, and even 24-hour guards that could initiate a total lockdown (Pun et al., 2016). The labour environment and conditions were depressing and unethical to say the least. One interviewed worker stated that Foxconn was considered its own force, like a country, through its army, police, and military-inspired drills, and another commented about beatings in the workplace being a normal and common thing (Pun et al., 2016). In addition to an extremely poor work environment and labour conditions, workers faced poor living conditions and very low wages of 950 Yuan per month, which was approximately US\$149 (Pun et al., 2016). Apple profited from the products sold while the workers struggled to live. The breakdown of value for the iPhone between Apple and its suppliers can be found in Figure 3 (Pun et al., 2016).

Figure 3

The distribution of value for the iPhone in 2010



Note. Apple captures more than 50 percent of the profits and value of the iPhone, compared to only 14.3 percent for the corporation's suppliers. This shows that workers at Foxconn are strongly impacted by the unequal portion of profits received. Suppliers need to save costs due to the small portion of value created from production of iPhones. Particularly notable is that labour costs in China are the smallest share of just 1.8 percent, which is around US\$10 of the US\$549 retail price of the 16GB iPhone 4 (Pun et al., 2016). So, it is clear workers of the manufacturing company deserve more pay and better working conditions at the cost of Apple, rather than vice versa.

The labour conditions and issues of Foxconn occurred in 2010, and in 2011 after the worker suicides, Apple released its Supplier Responsibility Progress Report to show the remedial processes at Foxconn. However, it is important to note that these measures were taken only after Apple was in the eye of the public in a negative light (Pun et al., 2016). The remedies did not

seem legitimate because none of them addressed core issues like “speedup, illegal levels of compulsory overtime work, and dangerous and unsafe conditions in Foxconn factories,” which made Apple a direct contributor to violations of rights by supplier factories (Pun et al., 2016, p. 177). This was a problem because the issues of the labour conditions were not resolved. Apple and other multinational corporations at the time cared for a quick public relations fix more than the actual and fundamental problems associated with labour conditions of outsourcing (Pun et al., 2016). To add to this, Apple’s supply chain management goal is based on the principle of “competition against time,” showing that the release of new products has repeatedly taken priority over worker health and safety and rights protection (Pun et al., 2016). Regardless of the “effort” Apple and other multinational corporations put into fixing labour conditions, the tremendous pressure on suppliers like Foxconn to cut corners continued and even intensified (Pun et al., 2016).

It is clear that supply chain management involves many different players that contribute to the unethical labour conditions of workers. Even though supply chain companies involved may not intend harm to occur to workers further down the process, it still occurs through the attempt to maximize profits, minimize losses, and stay competitive (Davies & Ollus, 2019). To add to this, shorter supply chains, both geographical distance and number of businesses involved, reduce the risks and vulnerabilities that can cause exploitative practices, no matter how well-intentioned individual supply chain organizations, such as Apple, might be (Davies & Ollus, 2019).

The three country examples have been included in the supply chain management section of this paper because each country shows a different aspect of labour exploitation. Australia, out of many countries, is an example of the working conditions present in supply chains. Not only do

unprotected workers feel unsafe at work, but also in their own homes. They are underpaid and have very minimal rights that are taken advantage of because they can be. Finland is an example of unenforceable authority and supervision in supply chains. The OSHA is in charge of enforcing health and safety, yet there is no solid way to challenge prevalent unethical practices. This identifies an issue other than the working conditions and unfair treatment of workers: legislation. There are laws and regulations governing supply chain labour; however, they are not being enforced. China is an example of the pressure caused by multinational corporations like Apple resulting in tougher and unsafe working conditions. It also shows the unfair profit splitting among suppliers, manufacturers, and the corporations, which is important because if profits were split proportionately, workers could have greater pay. These three countries illustrate the supply chain in greater detail and help find the sources of inequality.

Supply Chain Management – Canadian Level

Supply chain management is an integral part of a business model. The supply chain is one of the most important sectors of the Canadian economy (*The Digital Supply*, 2018). According to consulting firm PwC, “companies that operate best in class supply chains have 50 percent higher sales growth and are 20 percent more profitable” (Farrow, 2016, p. 1). Canadian companies have many different supply chains all over the world. Examples include General Motors needing parts from all over the world to build GMC Terrains in Ingersoll, Ontario and Suncor needing high-tech equipment to obtain oil and get it to market (Farrow, 2016). The supply chain of Canada includes numerous different industries, including but not limited to manufacturing, retail, natural resources, services, construction, and Canada’s public sector (Farrow, 2016). In addition to the industries, Canada’s supply chain operates within Canada and

on a global level. For example, manufacturers and producers of a vaccine have to distribute flu shots to vaccinate ten million Canadians per year. This is a prime example of the importance of the success of supply chain management within Canada.

Although Canadian supply chains extend all over the world, a major supply chain partner of Canada is the United States. The Canada-United States trade relationship is unique compared to other global trade links for two reasons. One reason is because a very large part of this trade relationship is in intermediate goods, and another is because rather than ships being the main transportation between the two countries, trucks are the most important freight mode for the Canada-US trade as they made up 62 percent of total trade by value in 2016 (Anderson et al., 2019). The Great Lakes and St. Lawrence (GLSL) binational region is one of the most significant concentrations of industrial production in the world and consists of the most active pathways for product movements in the Canada-US trade relationship (Anderson et al., 2019). The greatest industry of the GLSL is the automobile and truck manufacturing industry with strong geographical concentration in Detroit specifically, Michigan, Ohio, Indiana, Illinois, and the province of Ontario (Anderson et al., 2019). The strong trade relationship is evidently made possible with the numerous borders between the two countries. Additionally, the transportation and logistics sector accounts for nearly \$66 billion in gross domestic product and represents more than four percent of Canada's total gross income (*The Digital Supply*, 2018). Fourteen of Ontario's top 25 export industries are also its top 25 import industries, which makes the Canada-US trade relationship an intra-industry trade (Anderson et al., 2019).

Labour exploitation, corporate harm, and forced labour (known as modern slavery) are faced by people and corporations all over the world. Stakeholders, businesses, civil societies, investors, and governments worldwide are recognizing and acknowledging the reality of modern

slavery and of individuals, both children and adults, being at the risk of exploitation at some point along the countless supply chains that feed and drive the economy globally (Phung et al., 2019). Canada is behind compared to many other jurisdictions to confront and challenge this issue. However, the discussion and action of change has been growing (Phung et al., 2019). According to a study conducted in 2019 that analyzed the experiences and perspectives of 26 participating Canadian companies, only 29 percent of them actively look past the first layer of supplier partners, even though labour exploitation is known to normally occur in lower layers of global supply chains (Phung et al., 2019). Previous research has found that over \$34 billion of goods imported into Canada every year are at high risk of having been produced by forced labour, including child labour and “more than 1,200 companies operating in Canada were identified as having imported one or more of these high-risk goods” (Phung et al., 2019, p. 12). However, several Canadian companies view forced labour as a major issue and are trying to effectively manage it (Phung et al., 2019).

CHAPTER 4

COVID-19 ON INEQUALITY IN SUPPLY CHAIN MANAGEMENT

COVID-19 Outbreak

The outbreak of COVID-19 paralyzed individuals all over the globe. What once seemed impossible and unrealistic became a real-life scare. The entire world went into complete lockdown with schools, businesses, and everything closing and people needing to quarantine for safety. The feeling of “normal” was no longer existent because everything changed. The global economy was negatively impacted, with many businesses shutting down temporarily at first, then permanently because of the extent of the impact. The COVID-19 pandemic induced the worst economic downturn since the Great Depression and was one of the most impactful events in modern history (Craighead et al., 2020). Many firms were not prepared to effectively respond to the pandemic or its worldwide disruption of every industry (Craighead et al., 2020). The COVID-19 pandemic made the importance of supply chain management evident, more than any other event in the last few decades (Craighead et al., 2020). Its effect on supply chain management can be shown along three interrelated dimensions: scope, spillover, and shifts (Craighead et al., 2020). The scope of the coronavirus affected the whole world and all industries, the spillover intends the surge of wave spills from region to region and sector to sector, and the shifts are the extreme changes of supply and demand, such as the high increase in demand for toilet paper and hand sanitizer (Craighead et al., 2020).

Before and After COVID-19

Before the COVID-19 pandemic, optimization was prioritized by pushing for constant supply, low inventory levels, just-in-time manufacturing and delivery, and scheduled logistics (Hasan, 2020). After the pandemic, priorities changed from optimization, cost competitiveness, and lead times to making stock available and accessible (Hasan, 2020). Due to business closures and the global shut down, it became difficult getting required materials and components where they are needed. This resulted in substantial disruptions in business and operations, such as the need to lessen the effects of decreased supply and the need to manage logistics suppliers due to the disruptions (Hedwall, 2020). The pandemic has impacted the supply and demand for products all over the world and resulted in a severe decline in world trade (Inman, 2020). Global trade sharply dropped by 27 percent in the second quarter of 2020 (Ramirez, 2020). However, China, a major international supplier experienced an increase of 338 percent in exports of COVID-19 related medical products (Ramirez, 2020). Demand for foods, cleaning products, and medical goods peaked and strained global supply chains, forcing supply chains to continue operating with production and logistics networks restrictions (Ramirez, 2020). Supply chains are highly interconnected with China, but there are rising Chinese labour costs, worries over labour practices and environmental standards, and poor administration of intellectual-property laws (Ramirez, 2020). For this reason, businesses and countries are aiming to manufacture locally and regionally (Ramirez, 2020).

The Impact on Workers

The COVID-19 pandemic has dramatically changed the lives of people all over the globe. The result is a substantial impact on the economy, with job losses or pay reductions in numerous

industries. However, for workers that receive low pay within international supply chains, the impact has been overwhelming and devastating (Lewry, 2020). The pandemic has caused demand reductions within the value chain and although this affects all manufacturers in a supply chain, the financial burden is not likely to be shared equally by partners and workers in the supply chain (Meester & Ooijens, 2020). According to the International Labour Organization, approximately 25 million jobs could be lost globally because of the COVID-19 crisis, and that specific groups, such as less protected workers and low-paid jobs (i.e., migrant workers), will be disproportionately affected (Lewry, 2020). Inequalities in healthcare and employment protections implies that less protected workers are at an increased risk of infection and for many, self-isolating is not an option because this means 14 days without pay (Lewry, 2020). In addition to this, “workers in back-office positions, hard-hit product segments and unspecialized employers are likely to be affected” (Meester & Ooijens, 2020, p. 6). Those in the lowest segments and tiers of supply chains are likely to be impacted the most. Inequality patterns of these workers can be seen in Figure 4 (Meester & Ooijens, 2020).

Figure 4

Impact of COVID-19 on Informal Workers (i.e., migrant workers)

Region	Expected rise in relative poverty levels		Expected median earnings (2016 PPP\$)	
	Before COVID-19 crisis	First month of COVID-19 crisis	Before COVID-19 crisis	First month of COVID-19 crisis
Europe & Central Asia	34%	80%	1253	387
Asia and the Pacific	22%	36%	549	430
Americas	27%	84%	1298	244
Africa	21%	83%	518	96

Note. Based on the numbers before and after the COVID-19 pandemic, it is evident that workers in lower tiers of supply chains received a significant decline in median earnings. In the Americas and Africa, the pay after the first month of the COVID-19 crisis decreased by more than five times. This has contributed to a rise in relative poverty levels in each region. In the Americas alone, there was 211-percentage increase in the relative level of poverty.

The COVID-19 pandemic has detrimentally and specifically impacted low-income female workers in global supply chains (Yost & Moffat, 2020). Gender inequalities are present, and COVID-19 makes these inequalities greater as it disproportionately affects women and girls (Yost & Moffat, 2020). There are around 190 million women working in global supply chains, and the outbreak has resulted in an increased risk of violence against women and added financial hardships (Yost & Moffat, 2020). The shortage of work together with the pre-existing gender gap in pay and financials makes female workers more vulnerable (Yost & Moffat, 2020). This is a gender inequality that has intensified due to the pandemic.

The COVID-19 pandemic has revealed significant flaws in supply chains, especially critical ones such as medical supplies (Simchi-Levi & Simchi-Levi, 2020). Healthcare workers have experienced shortages of personal protective equipment and hospitals have experienced shortages in medical supplies, such as ventilators (Simchi-Levi & Simchi-Levi, 2020). These shortages have occurred during the worldwide crisis because global supply chains have focused on being lean and efficient through the allocation of production to low-cost regions, a decrease in the level of inventory held throughout the supply chain, and implementation of just-in-time manufacturing (Simchi-Levi & Simchi-Levi, 2020).

COVID-19 Impact on Canada

According to research found by The Conference Board of Canada, the COVID-19 pandemic has resulted in Canadian businesses sourcing more inputs from domestic suppliers, which could permanently change how supply chains are managed (Adès & Nelson, 2020). With the coronavirus outbreak, not only did businesses shutdown, but so did borders across the world. This made the global supply chain challenging to work with because of the restrictions carried out on a global level. A recent trade survey conducted by the Global Commerce Centre showed that 43 percent of Canadian organizations plan to source inputs from local suppliers even after the pandemic is over (Adès & Antunes, 2020). Julie Adès, a Senior Economist in The Conference Board of Canada says the reason for this is believed to be a “part of a strategy to mitigate the effect of future global supply chain shocks” yet sourcing locally may not mitigate supply chain risk as effectively as some business leaders believe (Adès & Nelson, 2020, para. 3). During a global lockdown and pandemic, no matter where inputs are sourced the supply chain is inevitably bound for some sort of challenge. More than two-thirds of organizations sourcing

Canadian inputs still experienced local supply chain disruptions because of the pandemic (Adès & Nelson, 2020). For this reason, leaning towards domestic suppliers and avoiding foreign suppliers is not the right approach. Canadian organizations can introduce strategies such as working with a network of trusted suppliers and diversifying suppliers (Adès & Nelson, 2020). This is important because a study by the Organization for Economic Cooperation and Development found that an increase in sourcing inputs locally would “add further GDP losses to the economic slowdown that was caused by the COVID-19 pandemic” (Adès & Antunes, 2020, para. 6). As the global economy recovers from the pandemic, trade-dependent industries must remain globally competitive because inefficiencies could hurt competitiveness and result in higher costs and lower economic activity (Adès & Antunes, 2020).

Economic Inequality in the United States

The United States is known to foster one of the richest economies in the world. For this reason, and as a comparison to Canada, the effect of COVID-19 on inequality of supply chain management in the United States is discussed in this section. The coronavirus made clear the fragility of its economy regardless of strength (Boushey & Park, 2020). Over the past several decades, the economy of the United States has been depicted by “high economic inequality and a lack of strong, stable, and broadly shared economic gains and well-being” because economic power at the top has created social and political power spread among a few privileged elite (Boushey & Park, 2020, para. 8). The idea of markets alone being enough to solve all problems in addition to unfair and unneutral rules creates a greater economic risk on people and families and a lesser economic risk on institutions, which has been more apparent amidst the coronavirus pandemic (Boushey & Park, 2020). COVID-19 shows how this shift in risk affects all

communities. Death rates are higher in communities of colour and jobs that make it possible for families to go to work every day, such as nursing homes and schools, are heavily made up of women, especially women of colour and immigrants (Boushey & Park, 2020). Although these jobs are key building blocks of a functional economy, these workers are paid the least (Boushey & Park, 2020).

CHAPTER 5

RECOMMENDATIONS FOR SUSTAINABILITY

Definition and Importance of Sustainable Supply Chain Management

Although the success and efficiency of supply chain management is important, sometimes sustainable supply chain management is not considered in strategy and business operations. It is important to integrate the notion of sustainability together with core business functions of supply chain management, like logistics. This has created an integral and interdisciplinary field called “Sustainable Supply Chain Management” (Morali & Searcy, 2013). According to Galal and Moneim (2016), sustainable supply chain management is defined as the following:

The management of material, information, and capital flows as well as cooperation among companies along the supply chain while integrating goals from all three dimensions of sustainable development, i.e., economic, environmental, and social, which are derived from customer and stakeholder requirements. (p. 419)

It is the same thing as supply chain management, but in addition to business operations and success, ethical aspects are integrated into strategy. The three dimensions of sustainability, known as the triple bottom line: economic, environmental, and social need to constantly be assessed through the performance of the entire supply chain because failure of one stage in the supply chain will affect the entire functioning of it (Galal & Moneim, 2016).

In 2017, business relations were changing from organizations producing goods within wholly owned facilities to organizations engaging in supply chain partners and this initiated the change of the notion of Corporate Social Responsibility (CSR) (Paulraj et al., 2017). CSR is

defined as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” and shows a corporation’s success in meeting social responsibilities and obligations (Brammer et al., 2015, p. 326). Rather than CSR be emphasized and implemented by individual firms, it is now viewed as an element of supply chains (Paulraj et al., 2017). For this reason, supply chain partners and organizations are responsible for their impacts, even if the impact is caused by one supply chain partner (Paulraj et al., 2017). The importance of sustainable supply chain management does not stop at the responsibilities and liabilities of businesses. Rapid development has led to unintended environmental deterioration through industrial accidents, ozone depletion, and global warming (Paulraj et al., 2017). Sustainable supply chains create greener economies which results in prosperity because of the better utilization of natural resources (Paulraj et al., 2017). In addition to this, a number of studies have found environmental awareness to be positively related to firm performance because it can help “boost employee morale, enhance customer goodwill, and improve relationships with stakeholders” (Paulraj et al., 2017, p. 241). Sustainable supply chain management practices also help improve brand image and firm reputation with all stakeholders, which improves an organization’s sustainable competitive advantage (Paulraj et al., 2017). With globalization and the rapid development of emergent nations, there has been a significant increase in transparency and the free flow of information, thus enabling faster awareness of events and occurrences around the world (Meixell & Luoma, 2015). Certain business processes and corporate harm that were once easily hidden from the world, such as profiting as a result of labour exploitation or negatively affecting the environment, are now clearer and more apparent than ever.

As Albert Einstein famously quoted: “in the midst of every crisis lies great opportunity.” The COVID-19 crisis provides an opportunity for managers to foster transilience to better cope

with the next pandemic and for scholars to capitalize on this opportunity provided to managers (Craighead et al., 2020).

There are various methods involved in implementing a sustainable supply chain. It is not just the responsibility of businesses, but the government, civil society, and even investors. Throughout the paper, prevalent inequality in supply chain management is explored through race and gender disparities, unsafe working conditions, unfair pay, and unequitable distribution of profits. In addition to these issues, laws and regulations are not completely enforced. This section of the paper will address how these issues can potentially be addressed and recommendations will be provided for multiple stakeholders, including the most important stakeholders: businesses.

Recommendations for Businesses

Although businesses focus most importantly on making profit, strategies should include other motives. Rather than addressing gender and race gaps and sustainability issues from a public relations perspective, a business can address these issues through strategy. The implementation of a sustainable business results in a business model that creates value to all stakeholders, rather than the traditional business model that creates value for shareholders at the expense of other stakeholders (Whelan & Fink, 2016). This is important because failing to establish good relationships with stakeholders can lead to greater conflict and less cooperation, which disrupts the ability of a business to operate on schedule and within budget (Whelan & Fink, 2016). Through investment decisions, sustainability can be a risk management tool and can drive innovation with new business opportunities (Whelan & Fink, 2016). To be more successful in the face of inequality, a business can incorporate goals respective to these issues into

operations and mission. A corporation can create diversity policies and set goals to hire a certain amount of people from a certain social group, such as men and women. For example, a goal could be to hire an executive team of 50 percent women and 50 percent men. These goals can be implemented throughout supply chain partners. The prioritization of diversity provides many organizational benefits. Diversity offers a variety of perspectives, ideas, and opportunities (Schindler, 2019). It creates social cohesion, and this over time leads to greater economic growth (Dishman, 2016). According to a study done by Gallup, businesses with higher gender diversity and employee engagement had 46 to 58 percent better financial performance when comparing revenue and net profit, than businesses with less diversity and engagement (Riffkin & Harter, 2016). Therefore, workplace diversity is critical for businesses to understand and implement.

In addition to this, managers can use something called the Materiality Assessment. This is a tool that management can use for supply chain development and helps a company align its financial, economic, and social concerns, rather than just focusing on profit (Birnie & Rotchild, 2018). The Materiality Assessment identifies and addresses the most important (material) issues throughout a supply chain by ranking issues based on magnitude of impact versus importance to stakeholders (Birnie & Rotchild, 2018). The most important issues with the greatest impact can be strategically measured and managed with goals and targets (Birnie & Rotchild, 2018). This is an assessment that will enable businesses to incorporate sustainability issues into business strategy and prevent solely focusing on finances and profits. Financial targets and shareholders are often prioritized at the expense of other stakeholders. The Materiality Assessment is a way to ensure all stakeholders are considered because when good relationships are established with stakeholders other than a limited few, a business has a greater potential for success (Whelan & Fink, 2016). For example, across six international markets, approximately two-thirds of

consumers believe it is their responsibility to purchase products that are environmentally and socially acceptable and that global impact from businesses is something that is expected (Whelan & Fink, 2016). Sustainability helps manage risk, create new business opportunities, and keep the operations of a business running smoothly, on schedule, and within budget (Whelan & Fink, 2016).

Labour exploitation and sustainability issues should be addressed by businesses. Supply chains all over the globe are vulnerable and things such as climate change, scarcity of resources, and poor labour conditions would increase risk and vulnerabilities (Whelan & Fink, 2016). Sustainable supply chain management practices also improve brand image and firm reputation. A positive reputation can be a source of competitive advantage that results in improved performance (Paulraj et al., 2017). According to research from Oxford University, sustainability correlates with lower operating costs, better profitability, and greater share price performance (Fiestas, 2019). So, it is both critical and beneficial for businesses to act on unethical or unsustainable matters, such as labour exploitation.

In order for businesses involved in supply chain management to challenge existing labour exploitation issues, the first thing that should be implemented is incorporating standards into business policies. These should not only be met by the corporation but should be set as conditions for any supply chain partners, no matter what tier. It is important for businesses to practice due diligence at all levels of suppliers because the further down the supply chain the greater the risk of unethical and potential illegal practices (Phung et al., 2019). There are two ways for managers to ensure that due diligence and ethical and legal standards are being met across the entire supply chain. The first is for there to be a contractual international agreement. This agreement should include but is not limited to working conditions, minimum pay, living

standards, and the treatment of workers. It will vary based on country, but it will include the same standards that will be required as a contractual obligation. This agreement must be signed by any supply chain partner no matter the tier or level they are in. If refused to sign, then no partnership should be created and if a contract is breached, the partnership will end in addition to other legal consequences.

Although sustainability practices can be costly, it can be profitable. In 2018, Bank of America Securities (then known as Bank of America Merrill Lynch) found that businesses with better sustainability measures produced higher three-year returns, had a greater chance of high-quality stocks, and were less likely to go bankrupt (Gurnani, 2020). Sustainability is an investment and increasing evidence shows the significant positive financial performance of sustainable corporations that investors value (Whelan & Fink, 2016). Simply put, sustainable practices are long-term investments that have high returns. In addition to this, Arabesque, a global asset management firm, and the University of Oxford found that 90 percent of literature studies show sustainable standards lower the cost of capital, 88 percent show that sustainable standards lead to better operational performance, and 80 percent show a positive correlation of sustainability practices with stock price performance (Whelan & Fink, 2016). Taking this into consideration, the second way to ensure due diligence and ethical and legal standards are being met is to dedicate an executive person or team strictly for the purpose of reviewing and auditing the entire supply chain. A team of dedicated employees are responsible for ensuring policies, standards, and laws are being met. Random audits can be implemented in person to review working conditions, talk to workers, and even check their health if deemed necessary. This allows workers to feel cared for and potentially comfortable enough to express concerns. If in person cannot be done, virtual audits can be conducted through payroll checks, virtual interviews

with workers, and even live footage review of a workplace. If suppliers are not meeting standards, then training should be provided by the executive team dedicated to supply chain (Birnie & Rotchild, 2018). The two ways mentioned can either be implemented individually or together, but it is better to have both. Doing so ensures compliance and promotes collaboration with supply chain partners. Management of supply chain partners can also be involved in the process and express any concerns to auditors, such as time shortage or an increase in pressure.

A final recommendation to businesses is to not concentrate the entire supply chain into one country or region. Companies should consider diversifying supplier options to increase flexibility and prevent or mitigate the chances of shortages (Hasan, 2020). Relying on a single supplier is too risky for any business especially when there are potential disruptions such as political stalemate, regional recessions, and civil war (Hasan, 2020). Businesses also have the option of manufacturing or producing some products or services in-house.

Legal Frameworks and Legislation

According to the American Production and Inventory Control Society (APICS), there is no standard to monitor supply chains across industries. Just as the accounting industry has the International Financial Reporting Standards (IFRS) that must be met to avoid fraudulent accounting, international standards should be created for supply chains on a global level that not only take legal matters into consideration, but ethical ones as well. This can increase supervision, oversight, and audits of supply chains. It will also force corporations to abide by certain standards and make them binding, rather than organizations doing so voluntarily. It should require companies to report on their supply chains to ensure legal and ethical practices. For example, in Canada, organizations have no legal obligation to report on their supply chains and

no legal oversight of supply chain management (Birnie & Rotchild, 2018). For this reason, legal framework and standards should be created in detail for organizations to follow. When organizations and corporations collaborate and work together to emphasize the importance of sustainability, industrywide sustainability standards can be created and enforced (Villena & Gioia, 2020). If legal standards are created on an international level, organizations have an obligation to follow these standards. The onus of inequality potentially becomes a priority on a global level.

The Sustainability Accounting Standards Board (SASB) is a non-profit and non-governmental organization founded in 2011 to create standards for consistent, comparable, and reliable disclosures about sustainability (Riesenberg & Beller, 2019). This is an organization with sustainability standards that global businesses can choose to follow. The purpose of the SASB standards is to address financial materiality for investors in the United States and globally (Riesenberg & Beller, 2019). The SASB established the importance of investors obtaining easily available, reliable, and comparable sustainability disclosures but these standards are not legal (Riesenberg & Beller, 2019). The initial plan of the SASB was to certify its standards through the Securities and Exchange Commission (SEC) but many businesses were reluctant to do so (Riesenberg & Beller, 2019). The five disclosure topics of the SASB are environment, social capital, human capital, business model and innovation, and leadership and governance (Goelzer & Hackett, 2014). In 2019, a total of 120 firms were using the standards and of them, 76 firms were based in the United States and 44 were based overseas (Ashwell, 2019). Although these are sustainability standards, they are meant to be useful to global investors (Ashwell, 2019). However, the standards are still beneficial to be used for disclosing information about sustainability practices. A drawback of the SASB is it is a non-governmental organization, which

means all standards are not legally required. Businesses have an option to follow these standards and with only 120 firms in 2019, it is evident many businesses are opting out. The SASB would greatly improve if its standards can be passed by law to first start in the United States and gradually make its way throughout the world. These standards are also about disclosures mainly used by investors, so another improvement needed is to establish benchmark metrics for businesses to follow. For example, only a certain amount of carbon emissions can be released, otherwise there will be a large fine.

The Modern Slavery Act (MSA) of the United Kingdom was passed in 2015 and introduced transparency in supply chains (Birnie & Rotchild, 2018). This act makes it a legal obligation for commercial businesses to release a statement about how they ensure no modern slavery exists within their business operations or their supply chain (Birnie & Rotchild, 2018). The legislation states that a commercial business is one with a total annual turnover set at £36 million or more (Martin-Ortega & Krupinska, 2018). The MSA does not have a way of checking what businesses are required to report and does not have any civil liability attached (Birnie & Rotchild, 2018). This is also a model that can be followed by businesses, but the MSA only enforces limited oversight of modern slavery. For this reason, when following this model, sustainability issues other than forced labour are to be considered as well.

CHAPTER 6

CALL FOR FURTHER RESEARCH

The key recommendation of this paper is to continue research on inequality in supply chain management but not solely for profit and greater economic value, rather for the purpose of diversity, human rights, and the importance of ethics as well. Further research needs to be conducted to explore in greater detail the impact of existing inequality in supply chain management and the direct and indirect results on society, not just businesses. The societal side of this needs to be further addressed so that an emphasis on inequality in supply chain management can be made and potential international standards created. Additional research can include how workers that are discriminated against are affected and the impact this has on society, rather than solely focusing on how the business is affected. Further research can also include the impact of COVID-19 in the coming months, since the pandemic is still ongoing. When supply chain management is thought of, one automatically thinks business. However, these issues are important to analyze because they do not strictly affect business but affect many other factors such as people on an individual and social level. Further research is critical in understanding root causes and the extent of impact to take proactive measures instead of reactive precautions, especially in unprecedented times.

Further research is especially important when considering the limitations of this study. There is limited research about the direct and indirect effects of supply chain management on inequality. Many of the literatures found ran statistical analyses for the impact of supply chain management on business operations, but there was very minimal research on the impact of supply chain management on society and the economy. Another limitation of this study is only

about three months of research was dedicated to it. More years of dedication would have provided deeper insights and greater research into the topic of inequality in supply chain management. This is especially applicable to Chapter 4 because of COVID-19. It would have been beneficial to add long-term effects of COVID-19 on inequality in supply chain management, but with the pandemic lasting for almost a year now, there is not enough data for this.

Although limitations exist, there are key implications of this study. This research paper puts an emphasis on the connection between business supply chain management and inequality. Although it may not seem initially apparent, business is a great influence on the lives of people all over the world. It is a function of life and does a lot more than just provide a product or service. This should be recognized by society in order to be able to make a change and positive impact on a general level. This paper may also have an impact on future research by promoting business research on a holistic level. Rather than isolating business in itself, this paper shows the importance of how business can positively or negatively affect people and society on a global level. A lot of previous research isolates business in a world of its own. However, business is connected to almost everything in life.

CHAPTER 7

CONCLUSION

Inequality in supply chain management is a topic of concern for numerous stakeholders including but not limited to customers, employees, and organizations. Supply chain management is an integral part of business and should be managed in a legal and ethical manner. The majority of the research about inequality in supply chain management revealed the importance and effect of supply chain management on the success of business. The central focus of studies, articles, and reports was implementing ethical and legal supply chain management because of long-term profit and economic value. This paper examined inequality in supply chain management and found that inequality exists through race and gender disparities, especially in groups of supply chain executives. Inequality is also evident around the world through labour exploitation resulting from unsafe working conditions, inequitable pay, unenforceable authority, pressure from multinational corporations, and unfair profit splitting. The impact of the COVID-19 pandemic on inequality in supply chain management was negative and disproportionately affected workers all over the world. Although inequality is prevalent, sustainable practices are possible. Recommendations for sustainable supply chain management explained in this paper include creating diversity policies, enforcing conditions on supply chain partners, dedicating an individual or team to review and audit the entire supply chain, and diversifying supplier partners. Although this means added labour and costs, businesses will benefit from sustainable supply chain practices over time and consider these measures an investment.

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