
# From root causes to real change: Using a systems approach to foster decent work deep in supply chains

## Key points

- **A systems approach can be used to understand and address key decent work deficits.** This brief provides an overview of how a systems approach can identify the root causes to decent work deficits in lower tiers of complex supply chains and the means to address them. Such an approach can inform long-term action by ILO constituents – governments and employers' and workers' organizations – and development practitioners to tackle common "systemic" issues to improve both business outcomes and working conditions.
- **Lower-tier suppliers face systemic constraints.** MSMEs in lower tiers often operate in competitive markets and face entrenched systemic issues such as limited access to finance, inadequate infrastructure, and weak regulatory enforcement, which limit their potential to grow and provide better working conditions to their workers.
- **A systems approach entails starting broad and sharpening the focus.** It helps identify and understand these broader systemic issues that impact both enterprises and working conditions, taking particular consideration for those in the lowest tiers of supply chains. The approach then becomes more targeted, prioritising the most pressing systemic issues and then identifying their root causes that could feasibly be addressed through action.
- **Thinking in long-term horizons for sustainable change.** Addressing systemic issues takes time and requires partnering with stakeholders who possess the motivation and/or capacity to address these issues in the long-term. For enduring impact, interventions should work toward strengthening incentives and capacities for governments, employers' organizations, trade unions and the private sector to lead this change.

## Supply chains: A tier-by-tier overview

**Supply chains are an engine of development for MSMEs and their workers**. They enable domestic and global trade, processing of raw materials into final products, and move produce from farms to markets to consumers. For MSMEs, links to supply chains can generate significant spillover effects, such as increased market information and opportunities, exposure to new technologies, production practices and skills, which in turn, can lead to increased competitiveness, growth and job creation. With MSMEs representing the lion's share of enterprises and workers in

the economy[1], improving MSMEs' access to supply chains and their benefits is critical for fostering economic development and decent work.

**Whether domestic or global, supply chains are complex with dynamic networks of interconnected suppliers**, which provide the materials and services needed to create a consumer-ready product. The supply chain is made up of various supplier tiers, with each tier – from raw material production to processing to marketing – providing an essential function toward building the final product.

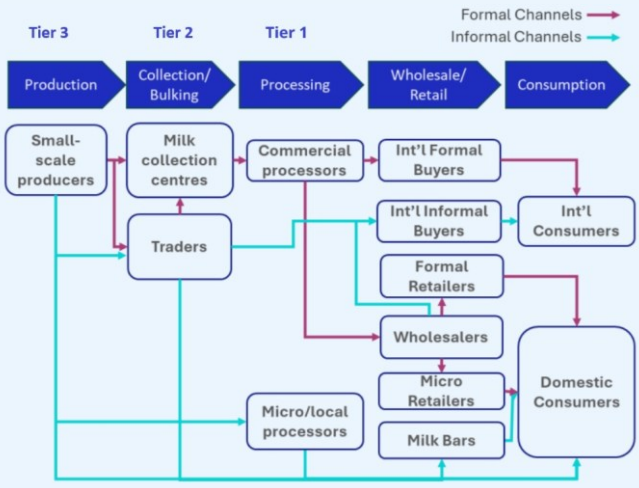
## A snapshot of the first tier

**Supply chains have generally benefited suppliers in the first tier.** First tier suppliers are often larger, formalised businesses which operate in the formal economy, and are thus subjected to more government oversight and enforcement of labour laws. Also, as first tier suppliers link directly to buyers, they respond more strongly to buyer requirements in terms of product specifications, quality, and social and environmental compliance.

This can be beneficial in two critical ways. First, buyers can more easily transfer technology and knowledge to these suppliers as well as develop long-term buyer relationships. This allows investment in capacity, skills and facilities, ultimately driving up supplier competitiveness. Second, first tier suppliers have a strong incentive to provide better working conditions for their workforce, given that they are often contractually obligated to meet voluntary and mandatory sustainability requirements as well as consumer, investor, and government requirements regarding human rights (including labour rights) and environmental protection, particularly for international markets.

Despite the range of benefits, first tier suppliers can still have many challenges, especially related to compliance. For example, first tier suppliers have to simultaneously comply with domestic labour law, meet a variety of consumer and destination market requirements for social and environmental compliance and follow buyer-specific requirements that often align to one certification scheme or another. This may lead to supplier confusion over which standard or legal framework to follow or even audit fatigue. Or worse, it can weaken first-tier supplier compliance with national labour law as they may prioritise compliance to private requirements over domestic (legal) ones given that they may perceive private requirements as more important for market access sale.

**▶ Overview of various tiers of Uganda's dairy supply chain**




Source: ILO, 2025[2]

## Unpacking lower-tier suppliers

Lower-tier suppliers have the greatest need for compliance with national laws and private requirements[3] and ultimately, for enhancing working conditions. This is due to three key reasons:

- Lower-tier suppliers generally operate in an environment with weak governance, rule of law and government enforcement of labour laws in informal settings;

[1] Small Matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs. ILO. 2019.

[2] Finding the milky way: A market systems analysis of Uganda's dairy sector with a focus on trade and employment. ILO. 2025.

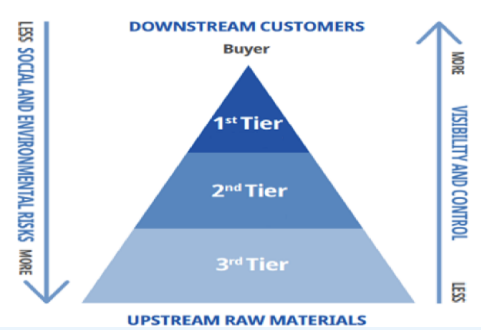
[3] Workplace compliance in global supply chains. ILO, Sectoral Policies Department. Geneva: ILO, 2016.

- While responsible business regulations have started to permeate beyond tier 1 and are pressuring lower-tier suppliers to comply[4], responsible business practices implemented by first-tier actors generally do not reach MSMEs in lower tiers; and

- Lower-tier MSMEs, by nature, are small and operate in highly competitive, price-sensitive markets. Thus, they lack the resources to enhance working conditions in their own firms[5] when their competitors do not, and the ability to effectively advocate for a more supportive enabling and regulatory environment.

In supply chains where factories make up the bulk of first tier suppliers, first tier suppliers may subcontract part of their production to lower tier MSME subcontractors such that they can more easily meet compliance requirements while maintaining price competitiveness and addressing production capacity constraints. These smaller, more informal lower tier suppliers do not have direct relationships with buyers, are difficult to trace, and have far less compliance oversight. This provides an environment for lower tier suppliers to offer price competitive inputs without investing in meeting social, environmental and regulatory standards and requirements.[6]

▶ **Risks, visibility and control per supply chain tier**




Source: Adapted from Getting Beyond Tier 1. ILO. 2020

In **commodity supply chains**, where this type of sub-contracting is not common, lower-tier suppliers are still exposed to a range of systemic constraints that impact both businesses and workers alike. For example, a small-scale cocoa farmer will generally be harder to trace, have poorer working conditions on the farm (child labour, inadequate earnings, lack of social security etc.), and fewer opportunities to grow and expand (lack of access to finance, information on best practices, or formal markets) than a cocoa processor or exporter. However, in a typical cocoa supply chain, the number of people working at the farm level is far greater than those working solely in processing[7].

As a result, a high proportion of workers is found in lower tier MSMEs that are exposed to acute decent work deficits in supply chains.[8]

**Poor working conditions in the hard-to-trace, lower tiers end up adversely impacting the entire supply chain**. Research shows that more than a third of all supply chain disruptions result from problems with lower-tier suppliers.[9] Decent work deficits and other issues in lower tiers can also create additional challenges for enterprises in the top tiers, both in terms of resilience and overall social and environmental compliance.

Despite these challenges, **supply chains can offer lower-tier MSME suppliers a range of opportunities to upgrade**, and provide better working conditions. If lower-tier suppliers can successfully "plug" into supply chains by providing goods or services to markets with more demanding requirements in terms of quality and sustainability standards, they can capture a greater share of the value-addition. This can help these MSMEs increase productivity, grow, create jobs and increase wages – particularly in labour-intensive industries –as they need to hire and retain staff to meet additional demand[10].

[4] Knut, Alicke and Foster Tacy. Supply chains: Still vulnerable. Mckinsey & Company. 14 October 2024.

[5] Fenwick, C.; Howe, J.; Marshall, S.; Landau, I. Labour and labour-related laws in micro and small enterprises: Innovative regulatory approaches, SEED Working Paper No. 81. ILO. 2007.

[6] Getting Beyond Tier 1: Using a systems approach to improve working conditions in global supply chains. ILO. October 2020.

[7] For example, small-scale agriculture employs more than half of Africa's workforce. Sourced from: Raising Africa's Agricultural Productivity: Chapter 2 – Feed Africa. The African Development Bank. 2021.

[8] Getting Beyond Tier 1. ILO. October 2020.

[9] Ibid.

[10] Ibid.

# ▶ A snapshot of the "systems" approach: Identifying and addressing root causes in complex supply chains

To break this cycle, it is necessary to **identify the key barriers** that hinder lower-tier business performance and investment in workers, **understand why these challenges persist**, and determine **who is best positioned to drive long-term solutions**. This broader, systemic perspective lies at the core of a "systems approach."[11]

At its core, a systems approach for decent work seeks to address the root causes of poor business performance and working conditions such as forced labour, poor productivity, weak occupational safety and health (OSH), or discrimination rather than addressing the symptoms. It recognises that the performance of every enterprise is linked to a web of other actors and factors that lie beyond the business itself and affect a wider array of similar, lower-tier suppliers.

Common, "systemic" issues, that limit such suppliers are segmented into two categories, which can include[12]:

- **Supporting functions** such as access to financial services, infrastructure, standards, access to technology, sectoral coordination and dialogue; and
- **Rules and regulations** such as existing policies, sustainability standards, social norms, laws and the application and enforcement of such laws that guide day-to-day attitudes and conduct.

In a systems approach, the idea is to develop strategic interventions that can address the root causes to systemic issues that negatively impact all suppliers within the system. This approach helps address core challenges for a number of suppliers rather than working 'directly' with each supplier to address its own individual challenges.[13] It also takes a long-term view, with a focus on developing interventions that can be led by constituents or key stakeholders, for **sustainable** and **scalable outcomes** rather than resolve challenges with quick fixes or short-term solutions.

## ▶ Case study 1: Using a systems approach to identify decent work deficits and their root-causes in the garment supply chain in Viet Nam

The ILO used a systems approach in Viet Nam to identify the drivers of poor working conditions within the garment sector. The goal of the analysis was to: (i) identify decent work deficits in the garment supply chain; and (ii) unpack the underlying reasons for these constraints i.e., the systemic issues.

**The analysis identified the several decent work deficits.**

Tier I suppliers struggled to find quality subcontractors that could also meet their social compliance requirements. This meant first tier suppliers often needed to train subcontractors on social compliance, demonstrating that deficits at lower tiers can have significant impact on higher tiers.

For workers in tier I factories,

- Wages increased more slowly than inflation and cost of living increases.
- 70 per cent of manufacturers fell short of acceptable OSH standards.
- 80 per cent of manufacturers had excessive working time, exceeding daily limits on overtime hours, with peak seasons typically requiring between 65 to 75 hours of work per week.
- Women earned about USD 5.32 less per week than men, and had inadequate changing rooms.

[11] Cross-Border Value Chain Development: A Rough Guide to Market Systems Development for Decent Work. ILO. 2022.
[12] Ibid
[13] Getting Beyond Tier 1. ILO. October 2020.

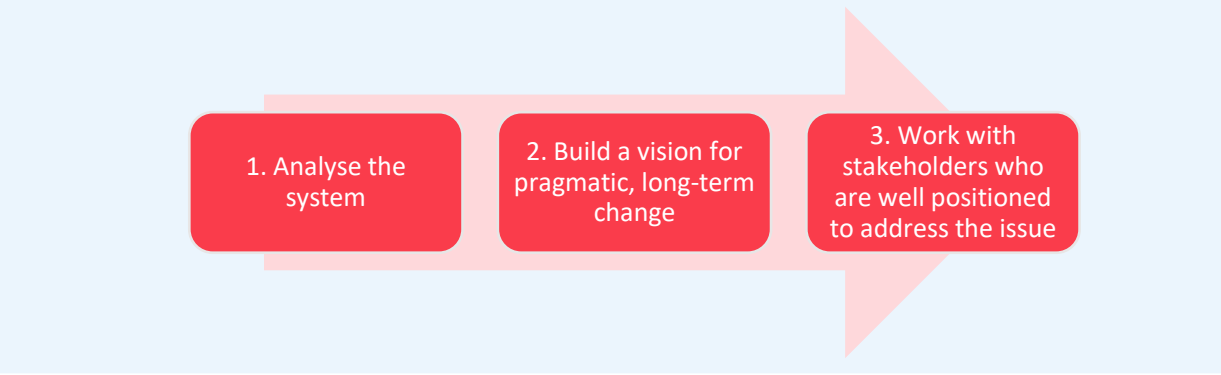
Subcontractors and tier II suppliers had limited bargaining power and substantial pressure on prices and delivery times, which were difficult to manage. Workers had little oversight and were exposed to dangerous substances during fabric manufacturing. During washing, practices such as sandblasting denim levied with occupational health risks.

**Looking to the underlying causes of decent work deficits.**

Company decisions about their workers are directly influenced by an array of 'supporting functions' and 'rules and regulations'. In looking at the broader system, the ILO identified the following constraints to better working conditions for lower tier-suppliers, which they themselves could not resolve.

- **Public and private regulation*:*** Despite some progress, weak supply chain transparency, public regulation and private requirements limited suppliers. As a result, subcontractors and tier II suppliers were precariously 'sandwiched' between complying with labour laws and meeting time-pressured orders from international brands.
- **Equitable access to finance*:*** Local suppliers need access to growth capital, but often face significantly greater challenges to accessing affordable credit than their foreign-invested counterparts. This constrains working capital and disincentivizes investing in working conditions.
- **Labour supply and skills.** Garment production is a low-skilled, labour-intensive industry, yet buyer demands for full-service production and the potential use of intelligent technologies emphasises the importance of upskilling the workforce. However, worker demand for vocational training is limited, the quality of training supply is poor, and professional recruitment services are not developed. At the same time, the market capacity to absorb a wave of more skilled workers is uncertain.

# ▶ The systems approach in practice: A step-by-step guide




## Step 1: Analyse the system

A systems approach starts with a thorough analysis of how the system works. The goal is to understand the system-level dynamics at work within a supply chain to identify and better understand the most pressing and prominent challenges to both enterprises and better working conditions in supply chains – taking particular consideration for those in the lowest of the tiers.[14]

A systems analysis normally follows the following steps:[15]

[14] Getting Beyond Tier 1. ILO. October 2020.

[15] Cross-Border Value Chain Development. ILO. 2022.

- **Acquire a deeper understanding of the supply chain** through "mapping" all the stages, processes and exchanges that are needed to produce raw materials, transform them into a product and sell it to an end-user.
- **Investigate the supporting functions**, which includes looking at the context- and sector-specific functions that inform, support and shape the quality of exchange such as information, skills, infrastructure, finance and access to markets.
- **Investigate the rules and regulations** i.e., legislative and regulatory environment, as well as policies voluntary standards and social norms that guide day-to-day attitudes and conduct that govern transactions along the supply chain. Formal rules include legislation impacting how an enterprise operates (from land rights to labour legislation), trade regulations (both tariff and non-tariff, free trade agreements and cross-border trade formalities/trade facilitation), and other market-specific requirements, such as voluntary standards and other forms of supply chain governance.

For each of these three areas, it is then critical to understand "why" these systemic issues occur such that the underlying causes for them can be targeted through implementation.

## ▶ Case study 2: Creating shared value in the Dominican Republic's banana industry[16]

Using a systems analysis, the ILO identified common constraints to banana suppliers and their workers in the Dominican Republic, as well as their root causes. Based on this, it identified intervention areas that would target these root causes, in a way that could support better business productivity and better worker wages.

The analysis explored the following questions:

- **What are the reasons for high product losses in banana plantations in the Dominican Republic?**

  The market analysis identified key pressing constraints as vulnerability to crop disease and drought, insufficient research and development and technological innovation, lack of value addition, volatile market demand and, most importantly, the low retail price of bananas. However, the analysis noted that "low labour productivity" was the most feasible constraint to address.

- **Could enhancing labour productivity improve wage outcomes for workers?**

  Analysis of existing data reported by plantations showed a positive correlation between wages and labour productivity. In a simple linear regression analysis, each salary increase of USD 10 per month per worker correlated with improved productivity amounting to plantation revenue increases of USD 150. Some of this can be attributed to a Fairtrade premium of USD 1 per banana box produced that is paid back to farmer groups to use as they like.

- **Why is labour productivity so low?**

  The analysis zoomed in on deep-rooted issues, which identified the following inhibiting factors to labour productivity:

  - Lack of necessary soft skills, especially teamwork and communications in workers.
  - Inadequate worker understanding of current plantation performance-incentive schemes.
  - Weak plantation management and supervision systems.

Following this analysis, interventions were developed to address these causes in a broader way that can be sustained. This included working with the government to set-up a soft skills training aimed at plantation workers, putting in place sustainable plantation management and supervision training and tweaking existing performance payment schemes, all of which were designed to improve business performance and worker pay.

[16] Creating shared value in the Dominican Republic banana industry: A market systems analysis of plantation business performance and worker wages. ILO. 2017

## Step 2: Build a vision for a pragmatic, long-term change

It takes more time to address deep-rooted practices than providing "quick fixes" that temporarily address the issue.[17] Progress takes place incrementally rather than in an instant, which requires looking towards long-term value creation and relationship-building with suppliers and their service providers.[18]

For instance, at the production level of an agriculture supply chain, a systems project would not invest in distribution seeds to farmers to increase the use of more productive seeds that can help them earn more. While that may have short-term benefit to farmer incomes, it would not continue after the intervention closes for a range of reasons. For example, farmers may not have access to the inputs in the future as they may not be stocked at local input seller or even supplied in that country all together.

Instead, a systems project would try to identify how to improve the system in the long-term by working to enhance the seed distribution system – perhaps by working with private seed multipliers to get more productive seeds to the market or expand commercial outreach and marketing. This allows farmers to have long-term access to the seed.

In building a vision, **a systems project would work across a range of intervention areas within a system that supports better working conditions and better business performance in lower tier suppliers**. Here, a project can build a strategy around addressing several systemic constraints to lower tier suppliers and their workers, such as poor sector coordination, poor business development services, inadequate access to finance and weak regulatory enforcement, with a range of interventions that could address different root causes for each constraint. Projects use this "portfolio approach" understanding that some new innovations and interventions will be more successful than others. This helps a project test a wide range of ideas and address systemic challenges from multiple angles.

### ▶ Case study 3: Enhancing employment outcomes in the tourism sector[19]

Since 2015, the ILO has conducted systems analyses in a variety of tourism contexts: urban and rural, winter and summer, Asian, African and Latin American. In looking at the analyses in these contexts, the ILO found common constraints and key opportunities that can help design new projects create more and better jobs – particularly for smaller businesses (local tour operators and tour guide) that do not link directly to international tour companies.

- **Weak sector coordination**

  **Constraint:** In many contexts, the tourism sector is represented by range of associations with a specialised focus on their most relevant issues, but do not have an overarching sectoral body to push for action on broader, sectoral issues. For example, the hoteliers' association might advocate for more effective hotel regulation but stop short of working toward improving collective goods (e.g., better destination marketing or market demand data) that can be good for them as well as for other organisations such as the tour operators association, tour guides association and local destination management organisations. This limits the effectiveness of government policy, investment and enforcement in tourism as well as coordinated destination marketing. So, why don't these associations work better? This is because small sector employer business membership organisations (EBMOs) have finite resources and need to keep a tight focus, meaning that larger issues seem out of reach.

  **Systemic intervention:** In a systemic intervention, a project could bring the fragmented bodies together to identify their collective priorities that can serve several associations – i.e. destination marketing can benefit both hoteliers and tour guides. A new project could then work with one or two EMBOs to help them build toward long-term financial and operational sustainability, focusing on creating membership value and engagement through addressing

[17] Getting Beyond Tier 1. ILO. October 2020.

[18] Ibid

[19] Accelerating tourism's impact on jobs. Lessons from market system analysis in seven countries. ILO. 2020

collective issues and taking incremental steps to strengthen their work, perhaps through setting out a new operating model which can aim to tackle larger issues in collaboration with other willing associations.

- **Poor market information**

  **Constraint:** Good market data can equip tourism actors with knowledge of changing trends and preferences, and support businesses to adapt and create new products in line with consumer preferences. It can help target marketing which can attract more tourists and keep them at a destination for longer. Despite its importance, many contexts lack solid market information. This is because the collection responsibility falls through the cracks, with few organisations seeming to believe that it is their core function to do it. Additionally, most markets lack effective expertise to conduct meaningful surveys and collect reliable and useful data.

  **Systemic intervention:** To address this, a project could support those already collecting data to see if collection can be reoriented for more meaningful data without increasing resource burden. It could also work closely with a sector EBMO to collect user-friendly data that brings value to its members, allowing them to take ownership of the collection process in the medium-term. Where no data is available, trends from better resourced neighbouring countries or similar destinations can be used as a proxy.

## Step 3: Involve stakeholders who are well positioned to handle the issue

**Applying the systems approach requires partnering with the right stakeholders to support interventions.** In a systems approach, a project will first identify which stakeholders – public or private – are positioned to address the issue, and then assess how well they are suited and incentivised to address it in the long-term. This process should include ILO constituents including the Ministry of Labour, employers' organizations and workers' organizations, while often also encompassing a wider network of public and private actors that have direct influence on businesses and workers in the sector.

In this regard, one must consider which stakeholders have both the motivation and capacity for change and if they can lead an intervention that lasts beyond the period of project support. Here, the **will-skill** framework is commonly used to assess how well-suited potential partners are to lead interventions[20]:

- "**Will**" demonstrates the willingness of a potential partner to lead the change process. This implies that the stakeholder concerned must have an incentive to not only contribute to the change but carry it forward after the project concludes and perhaps even work towards scaling it up. For the private sector, profit is the core incentive – if an intervention cannot lead to commercial viability, it will not be run after the project ends. For the public sector, incentives may include delivering to organizational KPIs on its mandate, gaining political support or improving reputation.[21]
- "**Skill**" demonstrates capacity or competence in terms of technical expertise, management capacity and/or human resources.

**Where a potential partner is promising on one front but lacks on the other, the project could provide support to address the weaker characteristic.** For instance, where a potential partner has the will but lacks skill, the project could work towards strengthening their capacity through advice, training and mentoring. Where motivation is lacking, the project could 'make the case' for change by jointly undertaking research to build understanding and evidence on the opportunity, co-fund trials to test a concept or contribute temporary financial support to 'buy down' the initial risk of trialling a new innovation.[22]

[20] The Operational Guide for the Making Markets Work for the Poor (M4P) Approach. 2nd edition funded by SDC & DFID. The Springfield Centre. 2015.

[21] Bentchikou, Ines. Bending the rules: How to use a systemic approach to improve the rules of the game. ILO. 2020

[22] The Operational Guide for the Making Markets Work for the Poor (M4P) Approach. The Springfield Centre. 2015.

## ▶ Case study 4: Selecting the right partners to improve working conditions in Georgia's dairy sector[23]

The Alliances Caucasus Programme (ALCP) used a systemic approach to create benefits for lower-tier suppliers in Georgia's dairy supply chain. This resulted in benefits for farmers who enhanced productivity, quality and income. To do this, ALCP worked with a range of partners who had the capacity and incentives to address key issues in the dairy system beyond the life of the project.

- **Quality assurance:** To address unfair competition, add value and improve the sustainability and quality of cheese producers, the project worked with the Business Institute of Georgia to establish the Georgian Milk Mark (GMM). This quality assurance mark, with its accompanying audit system, guarantees that cheese is Hazard Analysis Critical Control Point (HACCP) compliant and sourced from Georgian cattle which are predominantly grass fed. Cheese needs to have GMM to be sold in higher value supermarkets or export markets, which can provide a "pull" for farmers and cheese processors to improve quality.
- **Information:** ALCP worked with highly-skilled regional newspapers, a national TV and a radio station to develop attractive formats and content for farmers that would enable them to improve their practices and inform them about services and standards. This work expanded into social media and digital platforms, and led to the development of agri-journalism as a discipline at 12 universities. An ALCP study estimated that by 2018 nearly 624,000 people had regularly obtained information from the media it had supported. The national TV programme Perma, which focused on crops and farmers, is among the most popular programmes on the public station. It no longer receives financial support from ALCP. The project also invested in two media associations to establish trainings for agri-journalists to further facilitate sustainability and scale.
- **Animal regulation:** ALCP worked with the National Food Agency (NFA), who is tasked with regulatory compliance in the dairy sector, to strengthen animal health and cattle registration. After initial ALCP support, NFA now operates bio-security checkpoints during two critical periods of the year, disinfecting, vaccinating and treating cattle for free. This helps stop the spread of animal disease, reduces mortality and thus, improves farmer productivity. With some initial support, NFA set-up a programme to register cattle. As only farmers with registered cattle can have their milk HACCCP-certified, it has created a "pull" for farmers to register, allowing for better disease control, strengthening consumer confidence and facilitating export growth. NFA is well positioned to carry both initiatives beyond the life of ALCP.

## ▶ Case study 5: Building better working conditions in Rwanda's building construction sector

The ILO's Boneza project used a systemic approach to improve working conditions for informal workers in Rwanda's building construction sector – a sector with a 98 per cent informal workforce often subjected to a range of OSH risks and hazards, sexual harassment, poor contract stability, lack of social protection, and poor wages for the most vulnerable workers.

Through its systems analysis[24], the ILO found that **labour law enforcement was a key systemic constraint** to improving working conditions. Through its analytical work, the ILO realised that labour inspectors had never inspected a construction site and that contractors felt no threat of inspection. While large-scale construction contractors oriented toward high-value international or government contracts typically had better OSH practices – in line with client demands or because they had more visibility to procurement inspection - most MSME contractors did not. As MSME contractors operated in an environment without enforcement penalties for non-compliance and where lowest cost proposal wins contracts, MSME contractors cut labour costs and limited spending on OSH prevention, social protection and wages to remain competitive.

[23] Better cheese, better work The Alliances Caucasus Programme's Impact on Informality and Working Conditions in Georgia's Dairy Sector. ILO. 2020

[24] Laying a foundation for better working conditions: A market systems analysis in Rwanda's building construction sector. ILO. 2018

Following the analysis, the **ILO looked to its options for strengthening the enforcement function** in the construction sector. While a common intervention might be to build the technical capacity of labour inspectors, this did not address the main challenge that the government did not have enough resource power to effectively enforce labour legislation in the sector[25]. Instead, the ILO looked for an inspection function that worked in construction – which was inspection for compliance to the building code – and explored how it could bring in better working conditions into it. Here, the project worked with the Rwanda Housing Authority, who was in the process of revising the Rwanda Building Code, to include provisions for better OSH on construction sites.

In 2019, **a revision to the Rwanda Building Code came into law which promoted significant, long-lasting behaviour changes for contractors, benefitting tens of thousands of workers**. In fact, a 2023 survey of 15 construction contractors indicated that the change to the building code impacted their operations and ability to offer better OSH to their workers:

- 87 per cent of contractors changed their investment into OSH following the building code revision. Of these, 80 per cent changed investment into PPE, 67 per cent into prevention trainings, 33 per cent into contracting a safety officer.
- 93 percent of contractors were aware of a penalty for non-compliance with the building code, and that it was sufficient enough to change their investment into OSH.
- 93 per cent of contractors reported that frequency of worker accident reduced following the change to the building code.

## ▶ Reflections on applying a systems approach to lower-tiers

Supply chains offer tremendous potential to create decent work and sustainable growth, particularly within lower-tier suppliers. However, entrenched systemic issues, ranging from inadequate access to finance and poor regulatory enforcement to gaps in skills and technology, hinder their ability to meet standards to access new or higher value markets, where returns tend to be greater. **For buyers, suppliers and policymakers alike, investing in the systems approach is a strategic necessity to secure resilient and competitive supply chains**.

The systems approach presents a transformative path forward. By identifying the systemic constraints to lower-tier suppliers and their workers and then addressing their root causes, it enables lower-tier suppliers to move away from cycles of low margins and poor working conditions.

This approach emphasizes a strategic, long-term perspective. Rather than incentivizing top-down mandates, it focuses on empowering local stakeholders, building capacities, and ensuring that interventions are self-sustaining. Through systems analyses, targeted interventions and stakeholder collaboration, a systems approach ensures that solutions are both pragmatic and scalable. As evidenced by implementing a systems approach in Rwanda's construction sector or Georgia's dairy industry, addressing systemic constraints can lead to stronger businesses and better working conditions for many.

However, it is important to recognize that a systems approach is not a cure-all for supply chain challenges. For example, projects that use a systems approach can struggle to conduct targeted analyses that identify root causes they can feasibly address, making it difficult to translate insights into meaningful action.[26] Additionally, projects using the approach often stall early on, as it can take considerable time to operationalise systems theory into concrete and fruitful partnerships that address key systemic issues.[27]

[25] As an example, at the time, the government only had only had two labour inspectors to monitor all sectors in Kigali.

[26] All analysis and no action? Lessons from 64 ILO market systems analysis which can improve their use. ILO. 2023

[27] Starting strong: Getting inception right in projects using the MSD approach. ILO. 2024

Finally, while ILO constituents, namely governments, employers' and workers' organisations, are key systems approach project partners, it should be recognised that the approach requires reasonable financial and human resources to implement. Thus, for optimal impact, constituents should prioritise initiatives that fall within available resources, and align to organisational priorities and technical strengths.

ILO Priority Action Programme on Decent Work in Supply Chains

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**DOI: https://doi.org/10.54394/EFVN3627**