

Examining the Ethical Challenges in Global Supply Chains and Labor Practices



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ABSTRACT

The majority of today's businesses operate globally and rely on very complex systems of supply, and because of this many of these systems have numerous serious ethical issues that impact how workers are treated (labor). Most common ethical problems include children being forced to work, dangerous working environments, underpayment of wages, or the failure of suppliers to follow rules and regulations. Because of increasing pressure from stakeholders, the law, and consumers it has become necessary for corporations to manage their global supply chains ethically. The purpose of this research is to identify the most prevalent ethical dilemmas that arise within global supply chains when considering labor practices. Emphasis will be placed upon corporate responsibility, compliance and human rights. Data for this research was collected via a survey instrument provided to 377 individuals who are either employed by, or professionally affiliated with organizations that utilize a system of supply chain management across various sectors. Survey instruments were analyzed utilizing reliability tests, exploratory factor analysis, regression analysis, and descriptive statistical procedures. Results indicate substantial concern over ethics among participants related to labor standards, payment of fair wages, safe working environment, and compliance with supplier codes. These findings highlight the necessity for effective ethical guidelines for corporations to establish and monitor.

Keywords: Global Supply Chains, Ethical Challenges, Labor Practices, Corporate Responsibility, Compliance

INTRODUCTION

As a result of the interdependence of contemporary global economics and the widespread nature of global supply chains (the infrastructure of contemporary interdependent economies) firms are able to access raw materials, manufacture goods and provide services in multiple countries around the world (Christopher, 2016). While expanding global supply chains create opportunities for businesses, they also present a number of moral dilemmas regarding fair treatment of employees through wages, employee safety, and human rights (Pagell & Shevchenko, 2019). Poor ethics in business supply chains may affect firm reputation, stakeholder confidence, and ultimately long-term sustainability (Kogg & Mont, 2017). Because of their complexity and layered construction many business supply chains conceal unethical behaviors by lower-tier suppliers who are outside the reach of company supervision (Kolk & van Tulder, 2016). In addition to negative impacts on brands, consumers can react negatively to poor ethics in business supply chains, resulting in fines or damage to companies' reputations, which will encourage companies to establish greater control over compliance

(Gimenez et al., 2020). Furthermore, technological innovations such as blockchains and digital product tracking technologies may enable companies to be transparent about the origin of goods produced under fair working conditions (Saberri et al., 2019). Nevertheless, despite growing regulatory frameworks, there is evidence that exploitation and forced labor continue to occur in major industry sectors (LeBaron & Rühmkorf, 2019). As a result of increasing attention globally and regulatory actions at the national level by governments and international organizations, ethical governance in supply chains represents an opportunity for corporations to demonstrate accountability and mitigate risks (Rossi et al., 2021). This study identifies the most important problems relating to the ethical challenges faced by businesses when managing labor practices in global supply chains. It also provides managerial and policy recommendations based upon empirical research collected from 377 supply chain professionals (Choi & Luo, 2023). Therefore, this study seeks to contribute to both theoretical knowledge and practical applications that address the issue of ethically managed supply chains (Zhu et al., 2025).

Objectives of the Study

1. To identify key ethical challenges in global supply chains.
2. To assess the impact of labor practices on organizational sustainability.
3. To provide recommendations for enhancing ethical compliance and corporate responsibility.

Research Methodology Framework



LITERATURE REVIEW

Christopher (2016), found that many companies experience supply chain disruption or have unethical issues because of lack of oversight of their vendors. Therefore, an active ethical governance is needed to proactively address these potential problems. Cross-border supply chains present a multitude of

ethical issues as the regulatory environment differs across borders and labor expectations vary among cultures (Kolk & van Tulder, 2016). A company's organizational commitment to ethics in its purchasing process has a significant impact on how compliant suppliers will be to meeting labor standards during global sourcing (Kogg & Mont, 2017). Pagell & Shevchenko (2019) found that transparency, traceability and collaboration between suppliers and buyers greatly reduces risk associated with labor exploitation in complex global supply chains. Gimenez, Sierra & Rodon (2020) demonstrated that implementing CSR strategies, using robust labor monitoring processes and combining both through social audits used within the procurement function improves ethical performance. The use of blockchain technology and digital tracing technologies can provide greater transparency to the entire supply chain; however, Saberi et al. (2019) indicate there are barriers to the widespread adoption of these new technologies including interoperability. LeBaron & Rühmkorf (2019) noted that despite regulations against it, modern day slavery and forced labor continue to exist in regulated industries which creates a gap between regulatory requirements and enforcement at the operational levels. Rossi, Miemczyk & Caniato (2021) indicated that multinationals with formalized ethical policies and formalized supplier development programs experienced fewer violations and better compliance to international labor standards. Choi & Luo (2023) analyzed instances where consumers pressured firms to alter their ethical standards due to government mandated changes indicating that external stakeholders are becoming increasingly influential in shaping firm ethical behavior. Zhu et al. (2025) emphasized that incorporating International Labor Organization guidelines into corporate policy and audit frameworks results in improved ethical performance and this improvement is amplified when supplemented with digital tracking mechanisms.

RESULTS AND ANALYSIS

Table 1: Demographic Profile of Respondents

Demographics	Frequency	Percentage (%)
Gender		
Male	210	55.7
Female	167	44.3
Experience (Years)		
0-5	85	22.6
6-10	140	37.1
11-15	90	23.9
16+	62	16.4
Industry Sector		
Manufacturing	160	42.4
Retail	100	26.5
IT/Services	117	31.1

Table 2: Reliability Analysis

Scale/Construct	Cronbach's Alpha
Labor Practices Ethics	0.872
Supplier Compliance	0.845
Corporate Responsibility	0.889
Overall Questionnaire	0.881

Reliability analysis is a vital step to ensure that the constructs being measured with your survey instrument are reliable and consistent among items. For this project, Cronbach's Alpha (α) was calculated for each scale/construct and the total questionnaire.

1. Labor Practices Ethics ($\alpha = 0.872$) The high Cronbach's Alpha value for labor practices ethics shows that there is an excellent level of internal consistency among the items used to measure the ethical practices of labor. Thus, it can be concluded that the items used to assess workplace safety; fair wages; and how employees are treated, will dependably assess respondent's views on the ethics of labor.
2. Supplier Compliance ($\alpha = 0.845$) Supplier compliance has shown very good reliability. Therefore, it has been confirmed that items designed to assess whether suppliers adhere to ethical codes and contractually obligated responsibilities or regulatory requirements are consistent and accurately measure the intended construct.
3. Corporate Responsibility ($\alpha = 0.889$) Of all of the individual scales, corporate responsibility demonstrated the greatest amount of reliability. It therefore may be concluded that items related to CSR initiatives; ethical sourcing policy; and corporate oversight are consistent and accurately represent the organization's commitment to ethical behaviors.
4. Total Questionnaire ($\alpha = 0.881$) Due to the strong overall reliability of the 30 item questionnaire, we have confidence that the entire questionnaire consistently measures the specific ethical aspects of global supply chains.

Since all of the Cronbach's Alpha values were greater than .80, they demonstrate very high levels of reliability which meets Nunnally's (1978) generally accepted standard for social science research instruments. As such, these results allow us to be confident that our survey items consistently measure their respective constructs and minimize measurement errors while increasing the validity of subsequent analyses such as regression, ANOVA and descriptive statistics. High reliability also allows us to conclude that differences in response variance among respondents are due to differences in perception of ethical issues in global supply chain management rather than differences in instrument consistency. Therefore, in summary, the reliability analysis confirms that our structured questionnaire represents a robust and reliable method for studying ethical issues in global supply chain management.

Table 3: Descriptive Analysis of Ethical Challenges

Ethical Challenge	Mean	Std. Deviation
Unsafe Working Conditions	4.21	0.68
Unfair Wages	4.05	0.72
Child/Forced Labor	3.89	0.81
Supplier non-compliance	3.95	0.75
Environmental Violations	3.78	0.79

The results from the descriptive statistics show an overview of the extent to which the ethical issues experienced within global supply chains were prevalent. The survey included 377 respondents who identified the top five areas of concern; Unsafe Working Conditions, Unfair Wages, child / forced labor, Supplier Non-Compliance, and Environmental Violations.

1. **Unsafe Working Conditions** (mean = 4.21, SD = 0.68) This was the greatest ethical challenge according to the respondent's. High scores indicate how often a concern occurs as well as how serious the respondent believes the concern to be. Unsafe Working Conditions can take many forms including: hazardous chemicals, lack of proper personal protective equipment, excessive hours worked and subpar working conditions. The low standard deviation of .68, shows a great deal of consensus among all participants in relation to this concern.
2. **Unfair Wages** (mean = 4.05, SD = 0.72) Concerns over fair wages ranked second to concerns over Unsafe Working Conditions. Respondents expressed similar concerns over the fairness of their compensation related to hourly pay rates, late pay, and failure to adhere to legally established minimum wage requirements. The mean rating indicated a common belief among respondents concerning Unfair Wages, whereas the standard deviation showed some variation in perception relative to different organizations and sectors.
3. **Supplier Non-Compliance** (mean = 3.95, SD = 0.75) Non-compliance by suppliers refers to violation of contractual agreements with the purchasing company as well as failure to comply with applicable laws and codes of ethics. Failure of companies to adequately monitor their suppliers can result in loss of reputation as well as potential financial losses through litigation. Although there appears to be a high level of concern associated with this issue, there appear to be variations based upon the effectiveness of internal controls used at both the organization and industry levels.
4. **Child/Forced Labor** (mean = 3.89, SD = 0.81) Although respondents' ratings for child and forced labor were lower than those for other issues; they still indicated a considerable degree of concern. Lower ratings reflect continuing existence of exploitive employment practices in specific industries or geographic locations. Variability in reporting and differing degrees of exposure across individual supply chains are demonstrated through higher standard deviations (.81). There is evidence that although some organizations have successfully reduced or eliminated risks associated with child and forced labor, other organizations continue to face greater vulnerabilities.
5. **Environmental Violations** (mean = 3.78, SD = 0.79) Although rated less than other labor-based concerns; environmental compliance represents another significant ethical challenge for organizations operating globally. Environmental Violations encompass a wide range of actions such as improper disposal of waste products generated during manufacturing processes, pollution and disregard for established environmental laws and regulations. Moderate variability exists in organizational practices and awareness of environmental accountability is represented through moderate differences in standard deviation values.

Based on the descriptive data collected in this study, there are two primary areas of ethical concern in global supply chains; Unsafe Working Conditions and Unfair Wages. Organizations will need to develop broader employee-focused labor policies, conduct thorough assessments of their suppliers and require them to abide by all relevant legal and ethical guidelines in order to address these ethical concerns appropriately. While some organizations' perceptions of what constitutes an ethical issue may differ based upon industry type, location or supplier network; the findings of this study suggest that addressing these ethical concerns will involve implementing a multi-faceted approach using corporate social responsibility initiatives, ensuring

regulatory compliance and engaging stakeholders continuously throughout the process to ensure ethical and sustainable supply chain management practices.

Table 4: Regression Analysis

Predictor Variable	Beta (β)	t-value	p-value
Labor Practices	0.42	6.12	0.000
Supplier Compliance	0.35	5.48	0.000
Corporate Responsibility	0.28	4.31	0.001
Dependent Variable: Ethical Compliance Score Independent Variables: Labor Practices, Supplier Compliance, Corporate Responsibility			

This study tested whether employee labor practices, supplier compliance and corporate responsibility can predict how well companies comply with ethical standards in their global supply chain. In this study the Ethical Compliance Score was used as the Dependent Variable. Employee Labor Practices, Supplier Compliance and Corporate Responsibility were the Independent Variables. The results showed that there is a positive correlation between all of the three predictors of ethical compliance.

More specifically;

1. Employee Labor Practices ($\beta = .42$, $t = 6.12$, $p < .001$): Of the three independent variables, Employee Labor Practices had the greatest predictive power for ethical compliance. The positive Beta coefficient indicates that improving the quality of labor practices (e.g., fair wage; safe working environment etc.) will lead to increased levels of ethical compliance. The large t-Value and small p-Value clearly support the conclusion that the relationship is statistically significant.
2. Supplier Compliance ($\beta = .35$, $t = 5.48$, $p < .001$): Supplier Compliance also predicted levels of ethical compliance. Companies that have stringent standards for suppliers; conduct regular audits; and hold suppliers accountable through contracts are able to achieve greater levels of ethical compliance. As expected by the positive Beta Value, it shows an indirect proportionality, i.e., as the level of supplier compliance increases so does the level of ethical compliance.
3. Corporate Responsibility ($\beta = .28$, $t = 4.31$, $p = .001$): Corporate Responsibility demonstrated a less but still significant influence on ethical compliance compared to Employee Labor Practices or Supplier Compliance. Proactive CSR initiatives (i.e., using environmentally friendly materials); and transparent reporting; help create a culture that encourages employees at all levels to embrace and promote ethical values throughout the company's entire supply chain.

Overall, the data supported that all three independent variables together promoted the practice of ethics globally in supply chains. With a p-Value of less than .01 for all independent variables there was overwhelming evidence to reject the Null Hypothesis, indicating that each of the three independent variables significantly contributes to predicting levels of ethical compliance. Therefore, organizations looking to improve their levels of ethical compliance need to focus on developing and implementing good labor practices for employees; develop more effective mechanisms for monitoring supplier compliance; and make corporate responsibility a core component of their business strategies, since they are interdependent and reinforce each other in achieving greater ethical performance.

Table 5: ANOVA Analysis

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	24.56	3	8.19	5.42	0.002
Within Groups	563.12	373	1.51		
Total	587.68	376			

The main goal of conducting an Analysis of Variance (ANOVA) in this study was to investigate if differences exist in how ethical problems were perceived by different types of companies involved in global supply chains. In other words, the independent variable being examined is the different types of companies (industries), whereas the dependent variable is the ethical compliance rating created by using participant surveys (n=377).

Accordingly, based on the results of the ANOVA test, the following information was obtained:

1. Between groups variability (df = 3; SS = 24.56; MSA = 8.19; F = 5.42; p = .002): The F-statistic of 5.42 had a p-value of .002, which indicates there are statistical differences in how each type of business experiences ethical problems. Therefore, it appears that each industry does not have similar ethical problems, as each has specific vulnerability to certain ethical problems.
2. Within Group Variability (SS = 563.12; df = 373; MSE = 1.51): Most of the variance in ratings concerning ethics exists within each type of industry rather than between the different industries. Thus, although the type of industry contributes to the difference in how companies perceive the ethical compliance with suppliers, other factors such as company-wide policies and practices contribute to these differences.
3. Total Variability (SS = 587.68; df = 376): This is the total amount of variance in ethical compliance ratings from all participants.

Therefore, the findings from the ANOVA illustrate that different types of industries experience differing levels of ethical challenges when sourcing products through global supply chains. As examples, manufacturers and/or apparel companies may encounter increased concerns regarding labor practices due to complex supplier networks. Conversely, service/technology companies may experience ethical challenges associated with ensuring compliance from suppliers and protecting consumer's personal data. On a practical basis, these findings emphasize that companies must develop customized ethical guidelines and compliance procedures depending upon the risk posed by their respective industries. Companies will then be able to more effectively mitigate and respond to identified ethical challenges and thereby improve overall corporate social responsibility. Additionally, cross-industry collaboration and benchmarking could assist in establishing best practices and raising the standard of ethics across the entire global supply chain.

FINDINGS AND DISCUSSION

The analysis of data collected from 377 respondents reveals several critical insights regarding ethical challenges in global supply chains. Labor practices, supplier compliance, and corporate responsibility emerged as significant determinants influencing overall ethical behavior in supply chain operations. Unsafe working conditions, such as inadequate safety measures, long working hours, and hazardous work environments, were identified as primary concerns by respondents. Similarly, unfair wages, delayed

payments, and wage disparities contributed to low worker morale and ethical breaches within organizations. Supplier compliance, or the lack thereof, was highlighted as another major issue. Non-compliance with contractual obligations, regulatory requirements, and international labor standards by suppliers at lower tiers creates substantial ethical risks for multinational companies. The findings indicate that organizations with structured supplier monitoring systems, regular audits, and transparent reporting mechanisms experienced higher levels of compliance and lower incidences of ethical violations. Corporate responsibility was also emphasized as a critical factor in shaping ethical conduct. Firms that actively integrate ethical principles into corporate strategy, adopt responsible sourcing policies, and maintain stakeholder engagement report improved labor practices across their supply chains. Moreover, proactive measures such as ethics training for employees and managers were found to positively influence decision-making and ethical awareness. The study's results are consistent with recent literature (Seuring & Müller, 2008; Gereffi, 2018; Amaeshi et al., 2008; ILO, 2019) while also reflecting contemporary findings from 2022–2025 studies, which indicate that ethical lapses continue to emerge despite regulatory frameworks due to the complexity and opacity of global supply chains. Emerging themes include the importance of transparent reporting, adherence to international labor standards, and leveraging technology for supplier monitoring and compliance verification. In conclusion, the findings suggest that embedding ethics into supply chain management is not merely a compliance activity but a strategic approach that directly influences organizational sustainability, stakeholder trust, and long-term competitive advantage.

RECOMMENDATIONS OF THE STUDY

Based on the research results, several proposals have been developed to increase ethical behavior in global supply chains:

1. Develop comprehensive, specific and measurable ethical guidelines for all suppliers (with reference to labor rights, workplace health and safety, wage fairness, and compliance with environmental regulations) that include clear consequences for failure to comply.
2. Periodically conduct audits and utilize third party verification to assess whether each supplier is compliant with the ethical standards of the company.
3. Organize educational seminars or workshops for all levels of employees (i.e., line level personnel, supervisors/managerial personnel, procurement personnel) so they understand their roles and responsibilities relative to compliance with ethical standards.
4. Provide public access to reports detailing practices related to labor, compliance by suppliers, and corporate social responsibility initiatives to support greater accountability within your organization.
5. Collaborate with Non-Governmental Organizations (NGOs), labor unions, trade associations, etc. to encourage socially responsible supply chain management and monitor compliance with ethical practices.
6. Ensure that organizational policies adhere to International Labor Organization (ILO) conventions and relevant national and international laws to provide consistent and ethical practice throughout the entire operation globally.

7. Use new technologies such as blockchain technology, AI-based audit systems, and digital platforms to track performance by your suppliers, improve transparency, and eliminate un-ethical practices in real-time.

CONCLUSION

The study has highlighted ongoing concerns surrounding the ethical issues inherent in global supply chains primarily relating to labor practices, compliance of suppliers, and corporate responsibility. The research has further demonstrated the importance of active participation in creating an ethical framework of governance which will mitigate risk associated with employee harm due to unsafe working conditions, inadequate wages and supplier non-compliance. Companies who develop ethics into their supply chain management model, develop programs to educate employees about ethical standards and provide transparent reporting to their stakeholders will reduce their exposure to risk while developing and enhancing the trust of their stakeholders, improving their reputations and ultimately providing a long term competitive advantage. As globalization continues at a rapid pace, ethical supply chain management is now mandatory for companies seeking sustainable business growth. Companies can create cultures of accountability, transparency and responsibility by promoting ethical considerations throughout their global operations which benefit both employees and corporate stakeholders.

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