

How Unseen Economic Impacts Pose a Threat to Society

Have you ever considered where the products you own really come from? What people were involved, and how many of them worked to deliver the products to you? Or perhaps, which factors have impacted those who are affected by the manufacturing of the products?

Indirect economic impacts are currently one of the fundamental aspects of [sustainability](#). Specifically, it deals with the economic dimension of sustainability, concerning issues such as inclusive [economic growth](#), ethical [business](#) practices, or the [well-being](#) of people who are working in supply and delivery chains of production. The impacts of such a process are assessed, measured, and reported according to certain criteria. However, you may still ask why we as consumers should care about it?

What is indirect economic impact?

Generally speaking, indirect economic impacts refer to the influence an organization places on the economic conditions of its stakeholders. Rather than focusing on the financial condition of an organization, it concerns an organization's impacts on economic systems at the local, national, and global levels.

An economic impact can be defined as an influence on a community's or stakeholder's well-being and longer-term prospects for development. These influences occur as a result of changes in the productive potential of the economy ([GRI Standards 2016](#)).

Some examples of indirect economic impacts could be:

- How many people are supported through the income of a single job
- The availability of products and services for those receiving low-incomes
- Enhanced skills and knowledge in a professional community or a geographic location
- The number of jobs supported in a supply or distribution chain
- Infrastructure investments and services supported by an organization

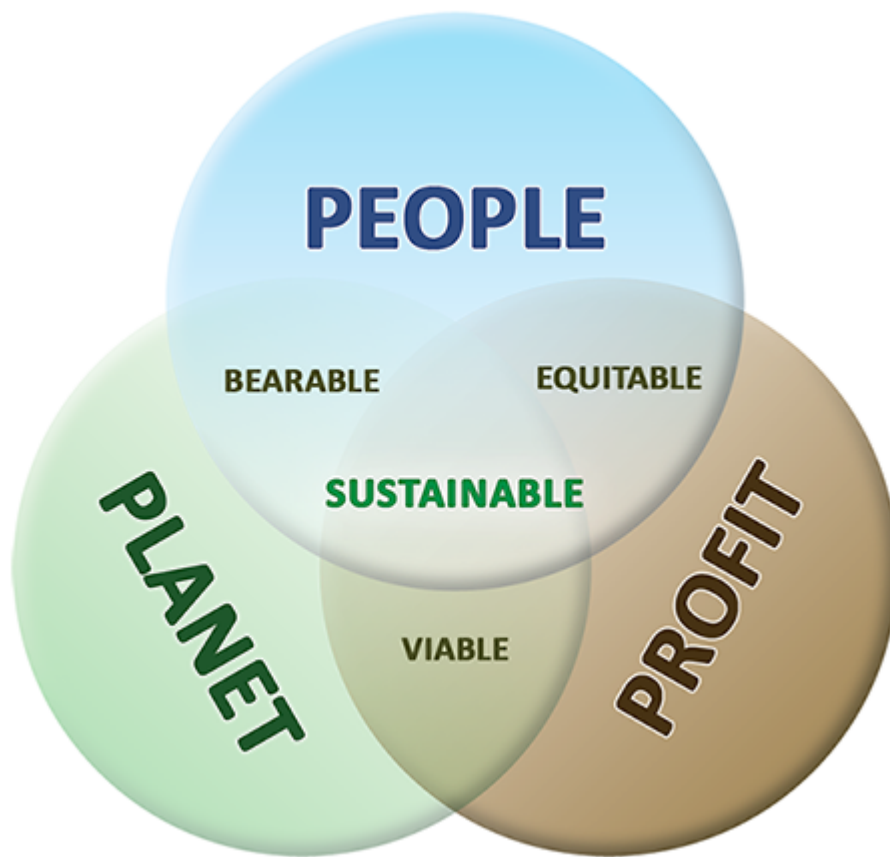


Caption. Source: XXXXXXXX

Indirect impacts are also described as impacts that do not result directly from a company's operations, but are rather produced by other entities within a value chain.

Why we should consider the indirect economic impacts?

In today's economy, there is a focus on costs and profits when it comes to [business](#). This leaves little consideration as to the social and environmental [impacts](#) they place. Competition and rapid consumption ensure that excessive pressure is placed on production, supply and delivery chains, often leading to profits being placed ahead of [human welfare](#). In addition, the decision to take action is often based on price and costs, rather than an understanding of how a business can affect people and the environment. For instance, global outsourcing has become one of the best cost-saving strategies. "Whilst there are cost savings to be derived from outsourcing services to less developed countries, [challenges remain in the area of doing so sustainably](#), i.e., not at the detriment of the local people or environment" (Fedeli 2020). Furthermore, assessing the economic and [environmental impacts](#) of businesses in relation to local communities and regional economies should not be neglected, as sustainability matters in all contexts.



Sustainable business model. Source: XXXXX

Supply chain sustainability

[The fashion industry](#) is one of the largest profit-making industries with a significant number of stakeholders in its supply and delivery chains, mostly outsourced from developing countries. It is estimated that 75 million people are currently involved in the manufacturing of our clothes, and 80% of the apparel is made by young women between the ages of 18 and 24. Evidently, a significant number of jobs have been created in developing countries within the supply chain.

Despite positive impacts, there are also negative impacts that cannot be ignored. For instance, employees within the fashion industry work under harsh conditions, compensated with minimum wages which can barely sustain their livelihood. Although employment should act as a means through which poverty can be escaped, [working is clearly not a guarantee of a better future if working conditions are indecent.](#)

For example, garment workers in [Bangladesh](#) factories- responsible for the

manufacturing of brands such as H&M, Mango and Next- received a minimum wage of \$22 a week, or less than 45 cents an hour, as of November 2018. As a result of simply fighting for an adequate living wage, these employees faced mass firings, violence, and false arrests.



Caption. Source: XXXXX

We need ethical businesses

Ethical business means that retailers, brands, and their suppliers take responsibility for improving the working conditions of the people who make the products they sell. Most of these individuals are employed by supplier companies around the world, and many of them are based in low socio-economic countries. Under such conditions, the laws designed to protect workers' rights are inadequate or not [enforced](#) ([Ethical trading initiative](#)).

To achieve the [Sustainable Development Goals](#), businesses are therefore responsible for stepping up, and taking a broader view of their role in society. They must explore how they can take action in order to support those who exist within their value chain. Evoking change at such a level continues to exist as one of the most important methods through which businesses can create a positive impact in the world, with an estimated 80% of global trade passing through these supply chains ([UN Global Compact, 2015](#)).

Globally, a number of initiatives have been put in place to encourage industries to

submit [sustainability reporting](#) for transparency. This plays a crucial role in both raising awareness. and encouraging the transition of [businesses towards sustainable and ethical practice](#). In order to incorporate sustainability requirements into their supply and delivery chains, it is important for businesses to identify who is included, and what impacts they place. For example, many businesses have taken initiative, and now publish their supplier list. On top of this, Marks & Spencer have also made public an interactive map of the factories that produce its food and clothing around the world. The map covers 67 countries and details 1,720 factories employing 994,512 workers ([Blanchard, 2019](#)).

Consumers have the power to change

Today, [consumers](#) have an unprecedented degree of influence over businesses. This power should be utilised to encourage widespread ethical and sustainable operation. As time passes, consumers are less willing to tolerate a lack of awareness from major corporations. Rather, they are drawn towards choosing a substitute which minimizes environmental and social impacts