



## **Conclusions**

1. The emergence and development of global production systems may present an important opportunity to improve people's lives, reduce poverty and achieve progress towards the global goal of decent work. Even where companies directly linked to global markets might only represent a minority of the workforce, they often represent the leading edge of the economy and contribute much to economic and social progress. They are also a door through which developing countries can access modern technologies, acquire new technical and organizational skills and obtain higher productivity leading to better incomes. Global production systems can have an impact that extends beyond the immediate operations of the companies involved, generating employment and reducing poverty in other parts of the domestic economy as well.
2. Global production systems have a strong development effect when they engage small and medium-sized enterprises in the value chain, and lead to improved productivity. Furthermore, productivity improvements can lead to progress on poverty reduction. However, none of this will be achieved unless the fundamentals for investment, entrepreneurship and business start-ups are in place. These include good governance, the rule of law, an effective institutional framework and investment in infrastructure, education and public health. Human capital is central to economic growth.-, There needs to be complementary action by the State and by the private sector and an efficient human resource development plan to effectively leverage that potential.
3. Economic sustainability requires respect by all parties for human rights, labour standards and the environment. It is also important for the benefits of economic growth to be spread across all levels of societies, and that those parts that are not directly linked to the global economy also see improvements in standards of living. The Decent Work Agenda is an example of an organizing framework that helps to achieve balanced development at the national level. The poor are both producers and consumers. Increasing their productivity through education, training and better access to markets will help them out of poverty and lead to economic growth.

### **The regulatory framework**

4. National law is the most important component of the regulatory framework for global production systems. The national legal and administrative regime should ensure judicial independence and consistency in the application of law, accountability, transparency, flexibility and fight against corruption. It should also provide a regulatory framework which is business friendly and that encourages

investment. It should respect private property and ensure enforcement of lawful contracts.

5. The law should apply equally to everyone. Promoting foreign investment is important, but situations where foreign and domestic companies are treated differently in the implementation of the law with no objective justification have been inappropriate and damaging.
6. Core international standards on human and labour rights form an important part of the regulatory framework for global production systems. Even when specific international texts are not reflected in national legislation, there is an expectation in international markets that their principles will be respected by business. Compliance with such expectations is an important factor in keeping global markets open, and it is also an important element of competitive strength for suppliers.
7. Differences of substance between international standards and national law are a problem in some countries. There can be no uniform response in such cases, but creative solutions can often be found to resolve specific problems that arise for workers without the need to violate the law.
8. 'Soft law', such as company rules, voluntary codes and buyer codes can also play an important role in complementing the regulatory framework because they provide guidance on good practice beyond the prescriptions of formal law, and allow the flexibility needed to accommodate the wide variety of companies and the environments they operate in. It is important that these kinds of initiatives remain voluntary and flexible, and based on the objectives of national laws and internationally recognized standards and principles. Within the parameters of those objectives, companies should have the freedom to adopt any existing instrument, or to develop their own, to best fit their business model, operations and circumstances. It should be recognized that there are limitations to 'soft law' (or 'Codes of Conduct'), and that it cannot replace the need for hard law.
9. The enforcement of the law is a function of the State, which is the only authority with the legitimacy required for such a role. However, the inability or unwillingness of the State to enforce the law is a major factor that threatens global production systems. Calls on the private sector to assume the responsibilities of States in this respect are, however, inappropriate and unworkable. Yet companies have an interest in addressing this gap to ensure within the spheres of their own influence that the behaviour of business partners does not affect their own reputation. This interest should not lead to an abdication by the State from its responsibilities, or a transfer of those responsibilities to non-State actors.

#### **Issues related to supply chains**

10. In response to this gap, multinational companies have demanded that suppliers from developing countries comply with human rights, labour and environmental standards, both in global sourcing of products and services and in local procurement policies. While compliance with national law is a dominant demand,

there is also reference to internationally recognized standards. Sometimes the international standards promoted in this manner are not a part of local value systems, and this can lead to compliance difficulties and tensions in the value chain. While fundamental human rights have to be respected, value chain regimes need to be sensitive to local value systems. This would involve long-term commitments to work with suppliers to address compliance problems.

11. Compliance can have costs. Some cost-related compliance problems are created by the very demanding and irregular purchasing practices of some buyers, which place suppliers in difficulty, and can in many cases oblige them to outsource to others and to require at times what can be considered excessive overtime. When combined with price pressures, this situation makes compliance with buyer standards more difficult. Other costs may relate to the multiplicity of demands and inspections from buyers, often due to the absence of government enforcement of the law. Buyers need to be conscious of the implications of their decision making procedures and purchasing practices, and work together with suppliers to explore possibilities to improve this situation, for instance, by better demand forecasting and sharing of information.
12. There is an opportunity for mutual gain when buying companies have an embedded relationship with their suppliers. Mutual sharing of information and understanding of challenges contributes to an increased ability to remain competitive in the face of changing market conditions. A stronger and longer-term relationship can help supplier efforts to integrate compliance into everyday processes. Internal management that competently oversees compliance issues reduces the demand for auditing.
13. Improved productivity makes firms more competitive and produces better incomes and standards of living for workers and the communities they live in. Research shows that improved productivity and improved work organization are correlated with better standards performance, especially where workers are multi-skilled, work in teams, perform problem-solving tasks, have quality responsibilities and performance incentives. Productivity related investment and the adoption of new leaner forms of work organization should be encouraged as part of efforts to promote better compliance.
14. A culture of compliance, including better law enforcement, understanding of standards, benchmarking and similar means should be promoted. All relevant actors, in particular governments and workers, should be involved in the discussions leading to a better culture of compliance.
15. As with the overall regulatory framework, one of the main problems in achieving compliance with fundamental rights is the failure of the State to effectively enforce the law. Efforts to reinforce labour administration and labour inspection are central to improving State capacity. This is especially important in the domestic sector. The ILO has a key role and responsibility in assisting states in the achievement of this.

### **The role of business associations/employers' organizations**

16. The main role of business associations is to represent their members and influence policy at the national and international level. Success in this mission will result in better performing firms and better employment and income outcomes for society. To be effective in this role they need to both expand their membership to cover as many firms as possible and build partnerships with other actors, especially other business groupings. In this regard, reaching out to the small scale enterprises and operators in the informal economy can result in stronger advocacy impact.
  17. Employers' organizations have an important role to play in helping members involved in global production systems comply with social and labour standards. This includes awareness raising on relevant standards, information and advice on good practices, training related to productivity improvement and image-building campaigns. In order to strengthen the internal capacity to provide such services, employers' organizations need to train their staff and build networks with other institutions, both nationally and internationally.
  18. The effectiveness of employers' organizations also depends on the environment in which they operate. They should promote democratic values, the rule of law, and remain independent. Government policies that disregard these values and principles can seriously undermine the organizations. In their interaction with government employers' organizations should help build transparent, democratic procedures for internal consultation and decision-making. Here too, coalitions with other organizations strengthens them and improves their effectiveness.
  19. Effective employers' organizations have a key role to play in the promotion of the policies and practices needed to achieve an inclusive and fair globalization to their members and other external actors, in particular governments, and to contribute to the global goal of decent work for women and men everywhere.
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