

BALI DECLARATION POLICY BRIEF NO. 8 | 2018 UPDATE

PROMOTING DECENT WORK IN GLOBAL SUPPLY CHAINS

BALI DECLARATION PRIORITY:

Recognizing the potential of global supply chains (GSCs) and addressing decent work deficits in line with the conclusions of the 2016 ILC discussion on decent work in GSCs

The Bali Declaration was adopted at the 16th Asia and Pacific Regional Meeting of the ILO on 9 December 2016. The Declaration serves as a call to action for governments, workers' and employers' organizations in the region to do more to promote inclusive growth, social justice and decent work. This series of Policy Briefs aim to focus attention on the priorities for policies and actions at national level and by the ILO as defined in the Declaration.

The Asia-Pacific region is heavily rooted in GSCs, which plays a significant role in both economic growth and job creation. Closing governance gaps and tackling decent work deficits within GSCs would contribute further to inclusive growth in the region.

Advances in technology and an enabling policy environment have allowed businesses to operate through GSCs, internationalizing their operations across multiple locations in order to increase efficiency, lower costs and speed up production. The Asia-Pacific region plays a prominent role in global production and employment through GSCs.

There are positive impacts of GSCs on employment, offering opportunities for an increasing number of women and men to gain a foothold in the world of formal work. GSCs have been especially instrumental to increasing female labour force participation, giving many women in the region, especially those in rural areas, a first opportunity for paid work outside of their homes. In particular, enterprises engaged in final assembly tasks as part of GSCs have large shares of women in their workforce (ILO, 2017). But when good governance is lacking and labour standards are not applied, GSCs can also be a source for the spread of poor quality work and labour rights violations – with faulty records on occupational safety and health, excessive working hours, discrimination, contract abuses and even the proliferation of child labour and forced labour. Decent work deficits in GSCs are largely attributed to legal gaps and inadequate enforcement capacity on the part of local authorities and an inability among multinational enterprises (MNEs) to monitor the many actors in their lower-tier supply chains.



GSCs can take the form of either: (a) foreign direct investment (FDI) by multinational enterprises (MNEs) through wholly-owned subsidiaries and joint ventures, where workers are employed directly; or (b) arms-length transactions, in which lead firms outsource their products or services through contractual relationships with their first-tier suppliers, who in turn tend to resort to a network of sub-contractors to provide various inputs.

DEFINING THE CHALLENGE

One of the key characteristics of the global economy is the increasing fragmentation of production into different activities and tasks along GSCs. The rise in GSCs has been facilitated by the reduction in trade and transport costs and by advancements in information and communication technology. Measurement of employment in GSCs is subject to considerable limitations and challenges, not least in defining GSC integration and finding suitable data for a wide range of countries. Recently, the ILO produced estimates for 40 developed and emerging economies that account for around two thirds of the global labour force. According to these estimates, more than one in five workers – 20.6 per cent – in 2013 were linked to GSCs, up from 16.4 per cent in 1995 (ILO, 2015; Kizu, Kühn and Viegelahn, forthcoming). Shares tend to be higher in smaller trade-oriented economies.

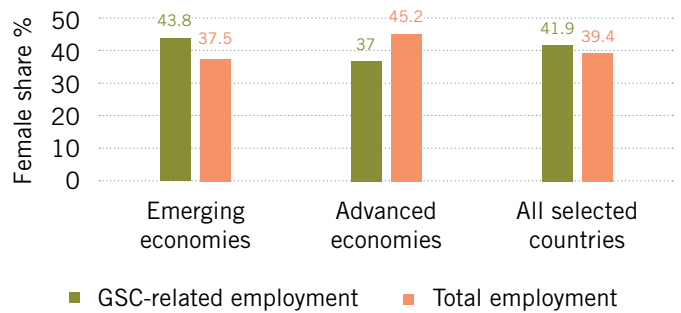
In terms of trade, the Asia-Pacific region as a whole dominated GSC-intermediate products (as opposed to export and import of final products). The main Asia-Pacific intermediate export goods were from the apparel and footwear, automotive, agro-food and electronics industries, with the latter's prominence decreasing as the others increased in significance.

In East and South-Eastern Asia, GSC participation tended to be higher within the region than outside it. High levels of intra-regional trade might be explained by the increasing role of China and the ten economies of the Association of Southeast Asian Nations (ASEAN) in GSCs.

Among GSC industries, competition is high at all levels, and players are constantly seeking ways to decrease costs and maintain or improve profit margins. One means of keeping costs down is by paying low wages to workers, subcontracting work and mandating flexible working hours. Statutory minimum wages are now common in certain GSC sectors like the garment sector, but compliance issues are rife (Cowgill and Huynh, 2016). Many of the low-paid workers use overtime to offset low wages which raises issues of occupational safety. Excessive overtime was found in all clothing factories assessed by the Better Work Programme (ILO, 2014).

It is important to remember that GSCs exist not just in the industrial sector. Also in services, there are many examples of how engagement in global supply chains have allowed for social and economic upgrading in countries in the region (see ILO, 2016, box 1). Increasingly, services are provided as an input into manufacturing GSCs, also in the Asia-Pacific region (Kizu, Kühn and Viegelahn, forthcoming; UNESCAP, 2017).

WOMEN MAKE UP A SIGNIFICANT SHARE IN EMPLOYMENT IN GSCs



Note: This chart shows the share of female employment as a percentage of GSC-related jobs in 2013.

Source: ILO (2015)

AREAS OF ACTION AND LESSONS LEARNED

The following approaches have proven to show positive results in addressing labour issues in GSCs in the region:

Public governance initiatives:

States take responsibility for promoting compliance with and enforcement of national labour legislation. This includes ratification and implementation of international labour standards. Effective enforcement mechanisms include: (a) labour administration and inspection; and (b) dispute resolution and prosecution of those found in violation of labour legislation. Government initiatives can also aim at promoting compliance with and enforcing labour law and international labour standards in Export Processing Zones (EPZs). In Thailand, for example, the government recently became the first country in Asia to ratify the Work in Fishing Convention (C188) to ensure better working conditions for fishermen.

Private governance initiatives:

These measures comprise voluntary initiatives promoted by individual enterprises, including MNEs, employers' organizations, or sectoral coalitions. The Responsible Business Alliance (formerly known as the Electronics Industry Citizenship Coalition) is an example of a corporate-driven initiative led by MNEs, while a good example of a voluntary employers' federation driven initiative is "Compliance+" in Sri Lanka.

Social governance initiatives:

Social partner initiatives at national and international enterprise, sectoral, or industry levels have included: (a) international framework agreements (IFAs), where the private sector cooperates with trade unions; and (b) multi-stakeholder initiatives (MSIs), where NGOs may also play a role in promoting workers' and consumers' interests in GSCs. MSIs include the Ethical Trade Initiative (ETI), whose members include MNEs, trade unions and NGOs, which provides a code of good labour practices incorporating UN and ILO Conventions.

Transnational social dialogue initiatives:

Due to the complexity of labour relations and the different actors involved in GSCs, ILO facilitates the dialogue between countries in which suppliers to GSCs are located and major investor countries. One example is Viet Nam, where this dialogue is facilitated as part of the implementation of a Joint Action Plan (JAP). The JAP addresses: the marginalisation of Vietnamese enterprises (especially SMEs) in the global electronics value chain; the shortage of relevant skills in the local labour market; the lack of effective vocational and training institutions; inadequate working conditions, especially in Vietnamese SMEs; and the need for increased policy coherence and inter-ministerial coordination.

Multilateral instruments and initiatives:

These measures have included the ILO MNE Declaration, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Guidelines for Multinational Enterprises of the OECD, EU directives, and other policy-making mechanisms. MNEs usually pursue multilateral initiatives as starting points to demonstrate their aim of tackling labour issues and other concerns in their supply chains.

WHERE DO WE GO FROM HERE?

The ILO continues to provide technical support to governments and social partners in closing legal gaps and in ensuring and promoting decent work in GSCs. Areas of action are:

- Providing integrated policy advice and capacity building to support the development of comprehensive legislation, as well as national compliance and enforcement strategies, including those that harness the additional resources and opportunities provided by global supply chains;
- Building or strengthening labour administrations, compliance and enforcement institutions and systems, particularly labour inspectorates and grievance and dispute settlement mechanisms and access to remedies, in line with international labour standards, including those on gender equality and non-discrimination;

- Strengthening the capacity of the social partners and governments to address both women and men's safe work and compliance issues through national and cross-border social dialogue and collective bargaining institutions and mechanisms; and
- Improving occupational safety and health and workplace compliance through sector-specific, gender-responsive research, advocacy and capacity building, including in global value chains, notably through the ILO Flagship Programmes on Better Work and on Global Action for Prevention on Occupational Safety and Health.
- Setting up dialogue platforms comprising government and the social partners on sustainable and environmentally responsible business practices.
- Designing and implementing specific programmes on decent work in global supply chains in a way that supports and strengthens the capacity of all relevant stakeholders, especially national labour market institutions.

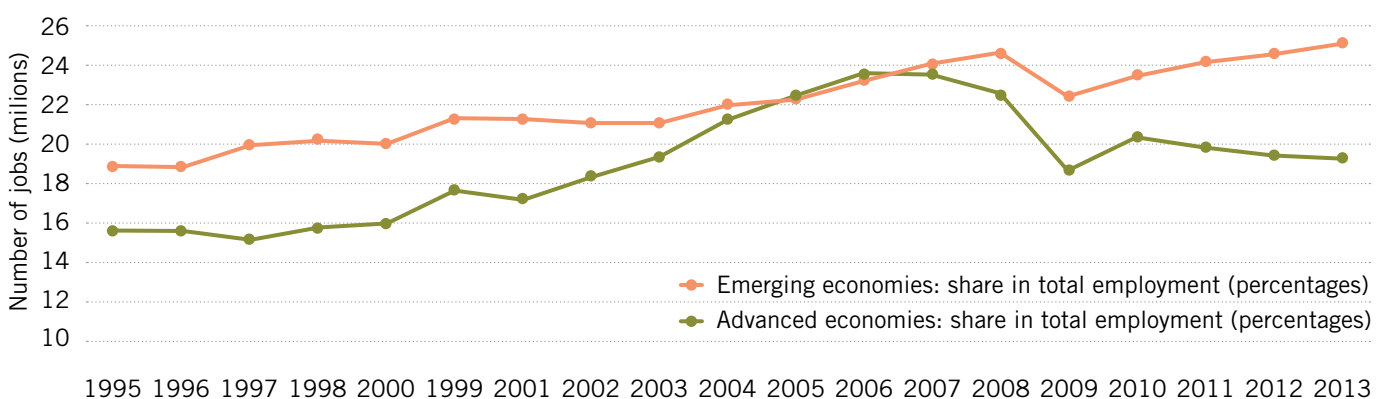
Some recent events

On 13 September 2018, the ILO and the Myanmar Centre for Responsible Business (MCRB) hosted a Responsible Business Seminar in Yangon, with focus on decent work issues. The seminar intended to provide Myanmar and foreign businesses with practical advice and facilitate dialogue on how to promote effective industrial relations and workplace dialogue as an essential part of responsible supply chains.

A National Capacity Building Workshop on the Sustainable Global Supply Chains project was conducted in October 2018 in Nepal to build the capacity of trade unions and community/membership based organizations to engage with workers in lower tiers of economy including the home workers and home based workers.

On 27-28 September 2018 in Hanoi, Viet Nam, the ILO and the ASEAN Secretariat conducted the 7th ASEAN Labour Inspection Conference on the theme "Strategic labour inspection for decent work including Global Supply Chains".

GSC-RELATED JOBS, WORLDWIDE, 1995-2013 (% OF TOTAL EMPLOYMENT)



Note: See ILO (2015) box 5.1 for details on the methodology and the list of countries included in the calculations illustrated.

Source: ILO (2015)

Partnerships and projects

The ILO, in collaboration with its member States, can lead global measures to address decent work challenges in GSCs. The Vision Zero Fund, established by the Group of Seven (G7), presents an example of such action, where the ILO plays a central role in raising occupational safety and health standards in production countries.

Better Work is one of ILO's flagship programmes and consists of a global partnership between the ILO and the International Finance Corporation (IFC). Launched in February 2007, it aims to improve labour standards and competitiveness in global supply chains of the garment industry. In the Asia-Pacific region, Better Work have projects in Bangladesh, Cambodia, Indonesia and Viet Nam.

The ILO project "Labour Standards in Global Supply Chains" is funded by the Government of the Federal Republic of Germany, with the current phase (July 2017–Dec 2018) having a budget of US\$2.4m. The project's target countries are Cambodia, Indonesia, and Pakistan, while the project also has regional and global activities.

ILO's Sustaining Competitive and Responsible Enterprises (SCORE), Phase III (November 2017–October 2021). This project aims to improve productivity and working conditions in SMEs. With funds from the Governments of Norway and Switzerland, the ILO assists government agencies, training providers, industry associations and trade unions in emerging economies to offer SCORE Training to enterprises. In Asia, the service is now offered by 16 organizations in China, India, Indonesia, Myanmar and Viet Nam and more than 20 brands and 800 factories, representing 180,000 workers, have participated in SCORE Training.

The project "Responsible Supply Chains in Asia" (December 2017–December 2020) is a joint partnership between the European Union, the ILO and the OECD and aims to promote sustainable and inclusive growth, by ensuring that investors, businesses, policy makers and relevant stakeholders have a better understanding and practical examples of socially responsible practices in global supply chains. The project aims to create a policy environment conducive to promoting a socially responsible conduct among businesses, by supporting policy dialogue on good practices, challenges and opportunities in relation to socially responsible global supply chains. The project targets specific sectors in six Asian countries, including China, Japan, Myanmar, Philippines, Thailand and Viet Nam.

Useful references:

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