

Conclusions concerning the promotion of sustainable enterprises

International Labour Conference, June 2007

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Foreword

Sustainable development is the most widely endorsed framework for national and international discussions on development issues. Commitments to promote the integration of the three components of sustainable development – social, economic and environmental – have been made at a number of international forums, including the Johannesburg World Summit on Sustainable Development in September 2002. Although some progress has been made, effectively implementing a well-balanced approach to sustainable development, at the national and international levels, and in terms of private sector investment and enterprise growth, remains an overarching challenge. But there is now a heightened global awareness and public concern regarding key drivers of sustainability, its social and environmental dimensions, the nature and impact of climate change, the role of governments, private enterprises, trade unions and other players.

As I argued in my Report to the 2007 International Labour Conference *Decent work for sustainable development* in the ILO, we need to anchor the vision of sustainable development as the overarching paradigm within which the Decent Work Agenda can make its key contribution to progress and development. An essential part of the Decent Work Agenda is the promotion of full and productive employment and, of course, the private sector as the engine of growth plays a crucial role in this as well as in poverty reduction efforts.

The discussion on the promotion of sustainable enterprises at the International Labour Conference, 2007, was therefore particularly timely. The conclusions of this discussion provide an important contribution agreed by the ILO's tripartite constituency of governments, employers' and workers' organizations on how to promote enterprise development in a manner that aligns enterprise growth with sustainable development objectives and the creation of productive employment and decent work.

Promoting sustainable enterprises is about strengthening the institutions and governance systems which nurture enterprises – strong and efficient markets need strong and effective institutions. It is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity. This calls for new forms of cooperation between government, business, labour and society at large to ensure that the quality of present and future life and employment is maximized whilst safeguarding the sustainability of the planet.

As these conclusions show, the ILO is able to inject an essential impetus to the drive for an integrated approach to sustainable development because it is in workplaces that the social, economic and environmental dimensions come together inseparably. Furthermore, to ensure the progress of the Decent Work Agenda, it is necessary to situate it more clearly in a framework of sustainable development. The conclusions, arrived at through tripartite discussion, provide guidance on what is meant by an environment conducive to sustainable enterprises, on responsible and sustainable enterprise-level practices and on the roles of the Office and constituents in working

towards making real the goal of sustainable development through the promotion of sustainable enterprises.

I believe that these conclusions are useful to policy-makers as a vision to frame policies for enterprise development, for entrepreneurs in companies of all sizes to develop their competitive strategies, and for workers to put into perspective the social, economic and environmental dimensions of the world of work. These conclusions will provide guidance to the ILO's work over the coming years and will help enhance policy coherence at the national and international levels, including for the work of the entire UN system and also the Bretton Woods institutions, through increased recognition of the value of tripartism and the centrality of decent work to sustainable development.

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ILO.

Preface

In June 2007, the International Labour Conference discussed the promotion of sustainable enterprises. The challenge was to take stock of the international debate on the role of the private sector and sustainable enterprise in overall social and economic development; to assess the relevance and implications of recent trends for the implementation of the Decent Work Agenda; to provide an ILO contribution to the debate; and to provide guidance to the Office with respect to its work in this area.

The conclusions of the discussion on the promotion of sustainable enterprises reproduced in this publication provide detailed guidance on what constitutes a conducive environment for sustainable enterprises, noting that such an environment combines the legitimate quest for profit with the need for development which respects human dignity, environmental sustainability and decent work. It underscores the principle that sustainable enterprises need sustainable societies and that business tends to thrive where societies thrive and vice versa. The conclusions identify and elaborate on 17 pillars of such a conducive environment; outline six enterprise-level characteristics of a sustainable enterprise; and provide guidance to governments, the social partners and the ILO on their roles in promoting sustainable enterprises.

The conclusions recognize that, in addressing the challenges of promoting sustainable enterprises, it is important to ground policy in the instruments which guide the ILO's wider Decent Work Agenda and in the guidance outlined in the Global Employment Agenda which provides a set of policies, including enterprise development policies, aimed at achieving full and productive employment and decent work for all. The conclusions also place the promotion of sustainable enterprises in the broader policy coherence context, including through Decent Work Country Programmes and wider UN reform.

These conclusions are forward looking, they draw on the latest thinking on sustainable development, private sector development and good corporate citizenship. Therefore, they add real value and guidance. Policy-makers, employers' and workers' organizations, companies of all sizes as well as anyone concerned with addressing the multidimensional sustainability challenges that face us should find the guidance provided by the document very relevant and useful.

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The conclusions at a glance

Committee on Sustainable Enterprises International Labour Conference, 2007

Conditions for a conducive environment for sustainable enterprises

1. Peace and political stability
2. Good governance
3. Social dialogue
4. Respect for universal human rights
5. Entrepreneurial culture
6. Sound and stable macroeconomic policy
7. Trade and sustainable economic integration
8. Enabling legal and regulatory environment
9. Rule of law and secure property rights
10. Fair competition
11. Access to financial services
12. Physical infrastructure
13. Information and communications technology
14. Education, training and lifelong learning
15. Social justice and social inclusion
16. Adequate social protection
17. Responsible stewardship of the environment

Role of government in the promotion of sustainable enterprises

1. Facilitating and participating in social dialogue
2. Labour law enforcement through efficient labour administration, including labour inspection
3. Encouragement of voluntary concept of corporate social responsibility
4. Promotion of socially and environmentally responsible public procurement, lending and investment
5. Promoting sectors and value chains
6. Flexibility and protection to manage change
7. Targeted programmes
8. Research and innovation
9. Access to information and business and financial services
10. Policy coordination and coherence
11. International policies
12. Production and consumption patterns
13. Supporting skills development

Enterprise-level principles for sustainable enterprises

1. Social dialogue and good industrial relations
2. Human resource development
3. Conditions of work
4. Productivity, wages and shared benefits
5. Corporate social responsibility
6. Corporate governance

Role of the social partners in the promotion of sustainable enterprises

1. Advocacy
2. Representation
3. Services
4. Implementation of policies and standards

Conclusions concerning the promotion of sustainable enterprises

Introduction

1. There is a broad and wide-ranging international debate on the important role of the private sector and sustainable enterprises in social and economic development, including employment creation and decent work and environmental protection. Therefore, the Governing Body of the International Labour Office decided to include the item of the promotion of sustainable enterprises on the agenda of the 96th Session of the International Labour Conference as a means to achieve decent work within the wider framework of sustainable development.
2. At the Johannesburg World Summit in 2002, a commitment was made to promote the integration of the three components of sustainable development – social and economic development and environmental protection – as interdependent and mutually reinforcing pillars. Poverty eradication, changing unsustainable patterns of production and consumption, and protecting and managing the natural resource base of economic and social development are overarching objectives of, and essential requirements for, sustainable development. The international system, including the ILO, has not yet built strong synergies between social, environmental and economic sustainability. As a result, little progress has been made in terms of policy convergence and practical results.
3. Wealth creation depends on the productive interactions of all parts of society. Sustainable enterprises are a principal source of growth, wealth creation, employment and decent work. The promotion of sustainable enterprises is, therefore, a major tool for achieving decent work, sustainable development and innovation that improves standards of living and social conditions over time. Governments and the social partners need to cooperate to promote the integration of the three components of sustainable development – economic, social and environmental – as interdependent and mutually reinforcing pillars. The ILO is uniquely placed to contribute to sustainable development through the promotion of decent work because it is in workplaces that the social, economic and environmental dimensions come together inseparably.
4. In addressing the challenges of sustainable enterprise promotion, it is important to recall instruments which guide the ILO's wider Decent Work Agenda. The ILO Constitution, including the Declaration of Philadelphia, as well as the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, 1998, emphasize that economic and social policies are essential and mutually reinforcing components in order to create broad-based sustainable development and promote social justice. The ILO's Global Employment Agenda adopted by the ILO's Governing Body provides a set of policies, including enterprise development policies, aimed at achieving full and productive employment and decent work for all.

5. Promoting sustainable enterprises is about strengthening the rule of law, the institutions and governance systems which nurture enterprises, and encouraging them to operate in a sustainable manner. Central to this is an enabling environment which encourages investment, entrepreneurship, workers' rights and the creation, growth and maintenance of sustainable enterprises by balancing the needs and interests of enterprise with the aspiration of society for a path of development that respects the values and principles of decent work, human dignity and environmental sustainability.
6. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably in order to achieve sustainable innovation, enhanced productivity and other development needs of the enterprise, the benefits of which will be shared equitably within the enterprise and the wider society. This calls for new forms of cooperation between government, business, workers and society to ensure that the quality of present and future life and employment is maximized, while safeguarding the sustainability of the planet. Tripartism, including social dialogue and collective bargaining, is a vital element in this regard.
7. Sustainable enterprises need sustainable societies: business tends to thrive where societies thrive and vice versa. This requires social and economic inclusiveness, as well as equity in the distribution and access to resources. Women's economic empowerment is crucial for sustainable societies. It requires equal access to entrepreneurship opportunities, financial services and labour markets. Fostering social and economic opportunities for disadvantaged groups is particularly important, including the need to support youth. Sustainability also entails confidence in public policies and regulatory frameworks to deliver on the promise of prosperous, stable and equitable societies.
8. Enterprises need to be viable in order to be sustainable, but this does not deny the fact that in vibrant, dynamic economies some enterprises will inevitably contract or fail and there is an ongoing process of entry and exit. The principles and values of decent work provide as much guidance in the case of enterprises which contract or fail as they do in those which succeed and grow. In this regard, active labour market policies and social protection are very important for managing efficient and socially just transitions that take into account national circumstances.
9. The goals of the Decent Work Agenda are universally applicable. However, there is no one-size-fits-all solution to the design and implementation of policies to promote sustainable enterprises. Policies need to recognize diversity of country situations in line with the level of development, resources and institutional capacity of countries without undermining the importance of labour and environmental standards. Similarly, the diversity in size and types of enterprises and their place in the value chain requires a range of differentiated interventions, while recognizing that small and medium-sized enterprises (SMEs) are one of the main instruments of job creation. The promotion of sustainable enterprises also needs to place particular emphasis on supporting the transition of informal economy operators to the formal economy and ensuring that laws and regulations cover all enterprises and workers.

An environment conducive to sustainable enterprises

10. An environment conducive to the creation and growth or transformation of enterprises on a sustainable basis combines the legitimate quest for profit – one of the key drivers of economic growth – with the need for development that respects human dignity, environmental sustainability and decent work.

11. The enabling environment for sustainable enterprise development comprises a large array of factors, the relative importance of which may vary at different stages of development and in different cultural and socio-economic contexts. However, there are some basic conditions that are generally considered to be essential. These interconnected and mutually reinforcing conditions are the following:

- (1) *Peace and political stability.* Peace and political stability are basic preconditions to nurture the formation and growth of sustainable enterprises while war and civil conflict are major deterrents of investment and private sector development.
- (2) *Good governance.* Democratic political institutions, transparent and accountable public and private entities, effective anti-corruption measures and responsible corporate governance, are key conditions for making market economies and enterprises perform in superior ways and be more responsive to the values and long-term goals of society.
- (3) *Social dialogue.* Social dialogue based on freedom of association and the right to collective bargaining, including through institutional and regulatory frameworks, is essential for achieving effective, equitable and mutually beneficial outcomes for governments, employers, workers and wider society.
- (4) *Respect for universal human rights and international labour standards.* Competitiveness should be built on values. Respect for human rights and international labour standards, especially freedom of association and collective bargaining, the abolition of child labour, forced labour and all forms of discrimination, is a distinctive feature of societies that have successfully integrated sustainability and decent work.
- (5) *Entrepreneurial culture.* Governmental and societal recognition of the key role of enterprises in development and strong support, both public and private, to entrepreneurship, innovation, creativity and the concept of mentorship, particularly for start-ups, small enterprises and targeted groups such as women and youth, are important determinants of a conducive business environment. Respect for workers' rights should be embedded in programmes targeting entrepreneurial culture.
- (6) *Sound and stable macroeconomic policy and good management of the economy.* Monetary, fiscal and exchange rate policies should guarantee stable and predictable economic conditions. Sound economic management should balance the twin objectives of creating more and better jobs with combating inflation and provide for policies and regulations that stimulate long-term productive investment. Attention should also be given to increasing aggregate demand as a source of economic growth contingent on national conditions. In the case of developing and least developed countries, achieving sound macroeconomic conditions usually requires the decisive support of the international community through debt relief and official development assistance.
- (7) *Trade and sustainable economic integration.* The varying development levels of countries must be taken into account in lifting barriers to domestic and foreign markets. Efficiency gains caused by trade integration can lead to positive employment effects either in terms of quantity or quality of jobs or a combination of both. However, as trade integration can also lead to job dislocation, increased informality and growing income inequality, measures must be taken by governments in consultation with the social partners, to better assess and address the employment and decent work impact of trade policies. Actions are also needed

at regional and multilateral levels to remove trade distortions and to assist developing countries in building their capacity to export value-added products, manage change and develop a competitive industrial base.

- (8) *Enabling legal and regulatory environment.* Poorly designed regulations and unnecessary bureaucratic burdens on businesses limit enterprise start-ups and the ongoing operations of existing companies, and lead to informality, corruption and efficiency costs. Well-designed transparent, accountable and well-communicated regulations, including those that uphold labour and environmental standards, are good for markets and society. They facilitate formalization and boost systemic competitiveness. Regulatory reform and the removal of business constraints should not undermine such standards.
- (9) *Rule of law and secure property rights.* A formal and effective legal system which guarantees all citizens and enterprises that contracts are honoured and upheld, the rule of law is respected and property rights are secure, is a key condition not only for attracting investment, but also for generating certainty, and nurturing trust and fairness in society. Property is more than simply ownership. Extending property rights can be a tool for empowerment and can facilitate access to credit and capital. They also entail the obligation to comply with the rules and regulations established by society.
- (10) *Fair competition.* It is necessary to establish, for the private sector, competition rules that include universal respect for labour and social standards, and to eliminate anti-competitive practices at national level.
- (11) *Access to financial services.* A well-functioning financial system provides the lubricant for a growing and dynamic private sector. Making it easier for SMEs, including cooperatives and start-ups, to access financing, for example, credit, leasing, venture capital funds or similar or new types of instruments, creates appropriate conditions for a more inclusive process of enterprise development. Financial institutions, particularly multilateral and international ones, should be encouraged to include decent work in their lending practices.
- (12) *Physical infrastructure.* Enterprise sustainability and human development critically depend on the quality and quantity of the physical infrastructure available, such as physical facilities for enterprises, transportation systems, schools and hospitals. Reliable and affordable access to water and energy also remains a major challenge, especially in developing countries. Enterprises are also particularly assisted by local access to supporting industries such as service providers, and machinery suppliers and producers.
- (13) *Information and communication technologies.* Expanding access to information and communication technologies (ICTs) is another crucial challenge in the era of the knowledge economy. The use of ICTs is, therefore, fundamental to the development of sustainable enterprises and must be fully utilized in this regard. Affordable broad-band technology is also of extreme importance to countries and enterprises and should be facilitated.
- (14) *Education, training and lifelong learning.* Human talent is the single most important productive factor in today's economy. Focusing on the development of a skilled workforce and the expansion of human capabilities through high-quality systems of education, training and lifelong learning is important for helping workers to find good jobs and enterprises to find the skilled workers they need.

Financial support should also be made available to enhance access of poor workers to training and skills upgrading. In this way, society can achieve the twin goals of economic success and social progress.

- (15) *Social justice and social inclusion.* Inequality and discrimination are incompatible with sustainable enterprise development. Explicit policies for social justice, social inclusion and equality of opportunities for employment are needed. Effective exercise of the right to organize and bargain collectively is also an effective means to ensure fair distribution of productivity gains and adequate remuneration of workers.
- (16) *Adequate social protection.* Sustainable tax-based or other national models of universal social security that provide citizens with access to key services such as quality health care, unemployment benefits, maternity protection and a basic pension, are key to improving productivity and fostering transitions to the formal economy. Protecting workers' health and safety at the workplace is also vital for sustainable enterprise development.
- (17) *Responsible stewardship of the environment.* In the absence of appropriate regulations and incentives, markets can lead to undesirable environmental outcomes. Tax incentives and regulations, including public procurement procedures, should be used to promote consumption and production patterns that are compatible with the requirements of sustainable development. Private market-based solutions, such as the use of environmental criteria in assessing credit risk or investment performance, are also effective means to tackle this challenge.

Responsible and sustainable enterprise-level practices

12. At the enterprise level, sustainability means operating a business so as to grow and earn profit, and recognition of the economic and social aspirations of people inside and outside the organization on whom the enterprise depends, as well as the impact on the natural environment. Long-term viability implies that the management of enterprises should be based on the three pillars of sustainability: economic, social and environmental. This allows enterprises to create wealth and decent work.

13. Sustainable enterprises should innovate, adopt appropriate environmentally friendly technologies, develop skills and human resources, and enhance productivity to remain competitive in national and international markets. They should also apply workplace practices based on full respect for fundamental principles and rights at work and international labour standards, and foster good labour–management relations as important means of raising productivity and creating decent work. The following principles are applicable to all enterprises:

- (1) *Social dialogue and good industrial relations.* Sustainable enterprises engage in social dialogue and good industrial relations, such as collective bargaining and worker information, consultation and participation. These are effective instruments to create win-win situations, as they promote shared values, trust and cooperation, and socially responsible behaviour. Social dialogue includes examples at international level, such as the conclusion of International Framework Agreements between multinational enterprises and global union federations in different industrial sectors. Social dialogue supports the adoption of long-term and socially responsible investment strategies. It can contribute to higher productivity and

innovation, health and safety in the workplace, as well as equity, fairness and the development of skills that meet the needs of enterprises and the need of workers for recognized and transferable skills.

- (2) *Human resource development.* Human resource development in sustainable enterprises should be based on social dialogue and workers' participation. Sustainable enterprises view skilled workers as a major source of competitive advantage and view employees both as assets and agents for change. The development of relevant skills and competencies and their effective use ensure high productivity and competitiveness of enterprises. Enterprises need to identify and determine the skills they require, invest in training of workers and managers, promote a culture of lifelong learning and innovation, encourage workplace learning and facilitate knowledge sharing. Workers should make use of education, training and lifelong learning opportunities. The development of skills and competencies ensures employability of workers and their ability to adjust to changing technologies and work organization. Sustainable enterprises integrate human resource development into their business strategy that respects genuine employment relationships and gives equal treatment to men and women workers in developing their skills, competencies and productivity.
- (3) *Conditions of work.* Sustainable enterprises offer conditions of work that provide a safe and motivating working environment and mutually beneficial flexible work organization. They adopt workplace practices that are free of discrimination, harassment and intimidation. They promote gender equality and equal opportunity and treatment of vulnerable groups. They apply workplace practices that maintain a sustainable balance between work, life and family, and recognize the role of women in sustainable development. Good workplaces are safe and healthy, and allow workers to contribute to changes and improvements. Sustainable enterprises also respect the relevant labour standards including minimum age for employment, reject the worst forms of child labour, reject forced labour and, where relevant, address tuberculosis, malaria, HIV/AIDS and other chronic and life-threatening diseases. In this context, the ILO code of practice *HIV/AIDS and the world of work* is a useful point of reference. They recognize that such practices improve productivity and strengthen the innovativeness and competitiveness of enterprises.
- (4) *Productivity, wages and shared benefits.* Workers need to be able to participate in the success of enterprises and to gain a fair share in the benefits of economic activities and increased productivity. This helps to contribute to a more equitable distribution of income and wealth. Important vehicles for achieving this are through collective bargaining and social dialogue.
- (5) *Corporate social responsibility (CSR).* Sustainable enterprises can use CSR to complement their pursuit of sustainable strategies and outcomes. CSR is a business-driven voluntary initiative and refers to activities that are considered to exceed compliance with the law. CSR cannot substitute for legal regulation, law enforcement and collective bargaining. However, where CSR is transparent and credible and based on genuine partnership, it can provide workers and other stakeholders with further opportunities to engage enterprises on the social and environmental impact of their activities. In this regard, ethical and fair trade initiatives help promote CSR in value chains. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the OECD Guidelines for Multinational Enterprises provide guidance on good corporate behaviour and citizenship.

- (6) *Corporate governance and business practices.* Good corporate governance and business practices are based on values such as accountability, fairness and transparency, respect for the rule of law and for fundamental principles and rights at work. The principles of sustainable enterprises should be promoted along supply chains. Sustainable enterprises adopt responsible business practices and standards which take into account economic, social and environmental objectives, ensure appropriate management incentives, systems and responsibilities, and workplace consultation.
14. Sustainable enterprises should be firmly committed to abide by the laws that affect their operations and those governing their relationship with the rest of society. They contribute to society's efforts to remove corruption and improve transparency.

Role of government

15. The role of governments in the promotion of sustainable enterprises is threefold:
 - (1) creating an enabling environment by ensuring the basic conditions for sustainable enterprise development listed earlier, including through the implementation and enforcement of labour and environmental standards;
 - (2) going beyond these basic conditions by proactively establishing programmes and policies to create incentives for enterprises to develop and behave in a responsible and sustainable way, for instance, through the dissemination of examples of best practice; and
 - (3) behaving as sustainable enterprises, both as employers and procurers of goods and services where applicable.
16. Government can act as regulator, facilitator and promoter of sustainable enterprises through a range of policies and practices, such as:
 - (1) *Facilitating and participating in social dialogue.* Social dialogue, freedom of association and the right to collective bargaining are relevant tools in the promotion of sustainable enterprises and should be expanded to cover all sectors of the economy.
 - (2) *Labour law enforcement through efficient labour administration, including labour inspection systems.* Well-designed labour legislation and policies are important to the development of sustainable enterprises. Governments should implement and enforce labour legislation through well-resourced systems of labour administration and labour inspection. Experience gained from implementation and enforcement of legislation should inform reviews. Special attention should be given to extending coverage of labour law to all workers, in particular to women and men in the informal economy or workers in disguised employment relationships.
 - (3) *Encouraging the voluntary concept of corporate social responsibility (CSR).* Governments should promote, facilitate and raise awareness of CSR, taking into account the specific needs of SMEs, and support efforts of the social partners to jointly address issues of CSR.
 - (4) *Promotion of socially and environmentally responsible public procurement, lending and investment.* Governments should promote social and environmental standards in public procurement and investment programmes and in lending policies, including at the bilateral and multilateral levels. They should strengthen

and reinforce a culture of respect for workers' rights by setting a strong example, as well as promoting sound environmental practices.

- (5) *Promoting sectors and value chains.* Governments often promote investment in specific sectors and engage in industrial policy initiatives which are important to increase the employment content of growth. These policies should fully incorporate social and environmental objectives, take into account the whole of the value chain and not hinder or stifle domestic investment initiatives, nor weaken workers' rights.
- (6) *Flexibility and protection to manage change.* Sustainable enterprises and economies must develop the ability to adapt to rapidly changing conditions in the marketplace. In order to support enterprises and their workers to cope with such challenges, governments should develop a legal and institutional framework, including labour regulation, social protection, active labour market policies and efficient employment services which also support enterprises' capacity to adapt. Such policies should be developed in full consultation with the social partners.
- (7) *Targeted programmes.* Governments should promote sustainable enterprise development programmes and encourage a culture of sustainable entrepreneurship within specific groups, such as women, youth and disadvantaged groups, and in specific sectors and areas.
- (8) *Research and innovation.* Governments should facilitate investment in research and development to promote academic partnerships, technology transfer and innovation in sustainable enterprise development. Furthermore, all enterprises are assisted by good access to research institutions to assist them in growth through innovation.
- (9) *Access to information, and business and financial services.* Governments should provide appropriate mechanisms and frameworks for compiling and disseminating relevant information and provide services for employers and workers, thereby reducing barriers to information. This should include information and services designed to aid understanding of regulations and procedures for enterprises and of workers' rights, and to facilitate access to credit and other financial services, particularly for micro-, small and medium-sized enterprises. Information should include examples of best practice in achieving decent work objectives.
- (10) *Policy coordination and coherence.* There is a need for policy coherence and collaboration within government, as sustainable enterprises have needs which transcend line ministry boundaries. Good governance calls for effective intra-government coordination and collaboration.
- (11) *International policies.* There is an important international dimension to the promotion of sustainable enterprises. This calls for the formulation of effective policies at the international level in the areas of trade, finance, debt relief, investment, labour migration, and the social and environmental dimensions of globalization, as well as in terms of the coherence between these policies.
- (12) *Production and consumption patterns.* Governments have a role in implementing policies to encourage more sustainable forms of production and consumption.
- (13) *Supporting skills development.* In a rapidly globalizing world, governments' increased investment in human capital, through non-discriminatory, high-quality education and training systems and lifelong learning is essential in order to

facilitate entry and re-entry into the labour market for all groups, and to increase levels of productivity and quality of employment. Skills acquired should be recognized and respond to continuously changing and demanding needs of the labour market and contribute to personal development, access to culture and active citizenship. The involvement of the social partners is important. Vocational training also facilitates mobility of workers, which is important in light of new evolving structures of production and work. Reforming vocational education and training systems and, in this context, the development of school-to-work schemes, could function as a driving force for the cultivation of entrepreneurial culture. Governments should invest in and create the conditions to reduce illiteracy and to enhance education and training at all levels and continuously upgrading the education system.

Role of social partners

17. Employers, workers and their organizations have a vital role to play in supporting governments in the development and implementation of policies to promote sustainable enterprises, as outlined above. Tripartism, bipartism and effective social dialogue are fundamental to sustainable enterprise development. Social partners can play an effective role through:

- (1) *Advocacy.* Recalling the mutually reinforcing relationship between decent work, sustainable development and the promotion of sustainable enterprises, social partners should participate in national processes to advocate and design appropriate policies and regulations in order to encourage sustainable enterprise development.
- (2) *Representation.* Social partners have a vital role to play in reaching out to workers and owners of enterprises and in particular those of SMEs and the informal economy, and in general, increasing the representation of their membership to ensure deeper and broader benefits of association, representation and leadership, including in the field of public policy advocacy, its formulation and implementation.
- (3) *Services.* Social partners provide a variety of important services to their members that can have a significant impact on the formation and growth of sustainable enterprises including knowledge management, training, awareness-raising, advice and guidance on how to access public and private services, links to research and consultancy resources, and advice on innovative practices at the workplace. Furthermore, they have a role in providing information on good practice in collective bargaining and in sharing information about CSR.
- (4) *Implementation of policies and standards.* Social partners have a fundamental role to play in giving effect to decent work, including in relation to the implementation of labour standards and policies on human resources development. For example, social partners have an important role to play in promoting occupational safety and health at the national as well as the enterprise level, including developing and implementing policies related to HIV/AIDS in the world of work.

Role of the ILO

18. The ILO's work in promoting sustainable enterprises must be guided by its mandate, budget and comparative advantage, and be firmly grounded in its unique

standard-setting role and in the Decent Work Agenda. In this respect, it should draw fully on its tripartite structure, its genuine connections to the actual world of work through representative organizations of employers and workers, an established culture of social dialogue and a normative framework as a standard-setting organization.

19. The ILO should promote the ratification and application of the international labour Conventions, and promote the application of the Recommendations, relevant to the promotion of sustainable enterprises (see annex).

20. The Office should work closely with ILO constituents on an ongoing basis to assess its current practice with reference to these conclusions including:

- (1) the centrality of the Decent Work Agenda to this practice;
- (2) the need to enhance the quality of programme delivery and outcomes;
- (3) the alignment of sustainable enterprise programmes to DWCPs to ensure that they address local priorities and conditions;
- (4) the field structure review which should provide the opportunity to enhance the delivery and quality of sustainable enterprise programmes; and
- (5) the importance of full participation of constituents in the ILO activities.

In its interventions, the ILO needs to focus on practical and demand-driven responses such as tools, methodologies and knowledge sharing that are of practical value to the social partners in their activities.

21. Creation of sustainable enterprise is a key element to achieving decent work outcomes. The ILO's work on sustainable enterprise development is based on the Global Employment Agenda which, as the employment pillar of the Decent Work Agenda, provides guidance for the attainment of full and productive employment and decent work for all. In this respect, it must be coordinated with the three other strategic objectives: rights at work, social protection and social dialogue.

22. The goal of decent work is universal, but bearing in mind that policy and practice in the promotion of sustainable enterprises will vary between countries having different levels of development, the ILO has to provide situation-specific practical support and tools to governments and social partners. Training programmes need to be developed and delivered in collaboration with the International Training Centre of the ILO. The Centre should focus its work in the area of enterprise promotion programmes on the key elements of sustainability and decent work.

23. The ILO should undertake research and policy development to promote employment and decent work and cooperate with relevant international organizations so that it brings to bear its expertise on the relationship between employment and macroeconomic and trade issues. The ILO should also support developing countries to develop and implement policies on industrial development to create sustainable enterprises.

24. The DWCPs are the main mechanism for ILO's cooperation with constituents throughout the world. Each DWCP organizes ILO cooperation in a coherent framework that effectively enables a member State to make progress towards achieving decent work. The Office's work on sustainable enterprises development should provide direct and relevant support to the strategies contained within DWCPs. This support needs to contribute to:

- (1) *Strengthen capacity of governments and social partners to establish an enabling environment for sustainable enterprises.* The ILO needs to support governments to establish policies and regulations which contribute to an enabling environment for sustainable enterprise creation, which contributes to growth in the formal economy and ensures respect for workers' rights and gender equality. In this regard, the ILO should support governments and social partners by:
 - (a) developing information resources, tools and methodologies to support enterprises to make sustainable decisions based on an increased understanding of labour market and economic and social conditions, particularly in the developing world;
 - (b) providing guidance on ways that policies and regulations can support improved working conditions, an enabling business environment for sustainable enterprises, the transition of informal economy operators to the formal economy and economic and social development;
 - (c) providing guidance and technical assistance to member States to enable them to produce more accurate and reliable statistics to help them in evaluating the achievement of decent work through sustainable enterprise;
 - (d) gathering and disseminating information on the relationship between policies responding to cross-cutting social issues, such as gender and the need to empower women, and the development of sustainable enterprises;
 - (e) providing support to employers' and workers' organizations to promote workers' rights, to close the representational gap and improve their capacity to analyse the dynamics of their business and labour environment so that they are able to advocate for the development of sustainable enterprises; and
 - (f) providing technical assistance to support start-ups, micro- and small and medium-sized enterprises to become sustainable through, for example, networking, developing workers' capabilities and competencies, and upgrading regional and global value chains and clusters.
- (2) *Value-chain upgrading and clustering.* The ILO needs to support governments and social partners to develop and upgrade clusters/sectors that have the potential to create sustainable enterprises and decent work. Specifically, the ILO should undertake research and analysis to inform the identification of sectors with decent employment creation potential and the development of strategies to take advantage of these opportunities.
- (3) *Local development strategies.* The ILO should provide support through research, training, knowledge sharing and technical cooperation projects to governments and social partners in the design and implementation of strategies at subnational levels that contribute to the creation of sustainable enterprises and decent work. Such strategies are particularly relevant in regions where major economic sectors and traditional industries are under competitive and environmental pressures, and new opportunities for growth and employment creation are needed, as well as in post-crisis situations.
- (4) *Application of responsible and sustainable workplace practices.* The ILO should support the documentation, dissemination and replication of good workplace practices at national, sectoral and enterprise levels and use its expertise to assist enterprises with unsustainable practices to achieve sustainability. Specific guidance

should be provided to enterprises to promote responsible workplace practices along their supply chains, including through the use of the MNE Declaration. This would include the integration of the concept of decent work, the role of employers' and workers' organizations, the importance of workers' rights and the business case for sustainable practices into broader enterprise development programmes. The ILO should contribute its expertise on fostering labour–management relations and partnerships for improved productivity and working conditions. Such programmes need to include trainers and materials designed for enterprise managers and representatives and workers to improve their engagement in social dialogue and collective bargaining, and ensure that entrepreneurs are introduced to the concept of decent work, the role of trade unions and the importance of respect for workers' rights in the ILO's enterprise start-up and training programmes.

- (5) *Targeted programmes for specific and marginalized groups.* Particular attention needs to be given to micro-, small and medium-sized sustainable enterprise development, promotion of cooperatives, youth employability and employment, and entrepreneurship (including in-school curricula), women's empowerment and entrepreneurship, and entrepreneurship programmes for disadvantaged groups. Specific attention is required regarding the informal economy. The ILO could provide guidance on the relationship between regulation and informality, working conditions and economic growth, and the development of programmes that support the transition of informal economy operators to the formal economy.

25. In undertaking the above work, it is important that the ILO leverage its comparative advantage to achieve greater success by forging partnerships to promote the Decent Work Agenda with other United Nations agencies and bodies (particularly in the context of UN reforms), including the World Health Organization and the United Nations Environment Programme, to ensure consistency and avoid duplication of effort. It should also work with the Bretton Woods institutions and other international and regional financial institutions, the Organisation for Economic Co-operation and Development, the World Trade Organization, academia and other relevant partners involved in the promotion of sustainable enterprises and decent work. It should work with international, multilateral and bilateral institutions in order to ensure sustainable procurement and lending practices that demonstrate an understanding and application of the principles contained in international labour standards and the MNE Declaration. Additionally, the ILO should consider working together with other agencies and bodies in the UN family and external organizations to develop modules on decent work, social and environmental issues, to be included in tool kits for business start-ups.

26. Due to increasing proliferation of different private standards of CSR, the ILO should promote further discussion with constituents on how to achieve a coherent approach.

27. Furthermore, within the parameters of the programme and budget, the Office should build its knowledge base on emerging issues (for example, through research in such areas as the link between sustainability, impact of climate change on enterprises and employment), facilitate the sharing of knowledge and practice across countries (through, for example, web sites and databases on such subjects as collective agreements and industrial relations and the enabling environment for sustainable enterprises) and strengthen its technical cooperation programmes.

Annex

Instruments of the International Labour Organization that relate to the promotion of sustainable enterprises including:

I. Conventions

- Labour Inspection Convention, 1947 (No. 81)
- Labour Clauses (Public Contracts) Convention, 1949 (No. 94)
- Workers' Representatives Convention, 1971 (No. 135)
- Maternity Protection Convention, 2000 (No. 183)

II. Recommendations

- Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189)
- Promotion of Cooperatives Recommendation, 2002 (No. 193)
- Human Resources Development Recommendation, 2004 (No. 195)
- Employment Relationship Recommendation, 2006 (No. 198)