International Labour Organization

ILO brief

Research Brief

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The wine supply chain in Chile
Lessons to analyse and improve regulatory compliance

Key points

- The Chilean wine supply chain has been a positive example of insertion in global markets, where Chile ranks 4th in the world, with 6.8% of the volume and 3.9% of the total value of global wine exports. However, the average price of exported Chilean wine is still below the world average.
- Large gaps in productivity and working conditions persist between large wineries on the one hand, and smaller enterprises, especially those dedicated to the production and sale of grapes for the production of wine, on the other.
- A tripartite pilot project initiated by the Chilean Labour Directorate and the ILO, involving wineries of different sizes and considering labour aspects of the supply chain, demonstrated the potential of global supply chain and responsible business conduct frameworks to improve labour compliance and working conditions.
- The conceptual framework of global supply chains has huge potential both for research on economic and labour dynamics and for development cooperation to contribute to responsible business conduct, regulatory compliance and decent work.

1. Introduction

Global supply chains can be defined as "the cross-border organization of the activities required to produce goods or services and bring them to consumers through inputs and various phases of development, production and delivery" (ILO, 2016, p. 1). Supply chain operations and decent work outcomes are shaped by different governance mechanisms, both public and private, and by a variety of different actors, including enterprises (both multinationals and domestic), government entities, and workers and their representatives. Understanding how they interact and the smart mix of policies needed on responsible business conduct to ensure decent work outcomes in supply chains is a priority for the ILO and for development cooperation in general.

This research brief seeks to illustrate the potential of this approach for the work of the ILO, based on its application to the wine supply chain in Chile, both as a tool for analysis and in terms of designing practical interventions that contribute to decent work.

Chile has been one of the most dynamic countries in international wine trade and has gone from very modest amounts exported until the 1980s to being the fourth most important exporter in the world and the first among the New World since the 2010s. The wine supply chain is an example of how a traditional food industry can become a highly competitive industry in the global market, using a trajectory based on importing and adapting knowledge (Guiliani, Morrisson and Rabellotti, 2011).

However, despite this success, the development of the Chilean wine supply chain currently faces two major difficulties. First, although Chilean export volumes and values have experienced a strong increase, the average price of exported wine has fallen since the start of the export boom in relation to the average price in international markets and has remained below the average. Second, development has been uneven across different types of enterprises. The dynamic development of the large wineries has coincided with stagnation in the weakest links in the chain, especially small grape producers who sell to large wineries at very low prices that barely exceed production costs. In addition, other producers, especially in the south of the country, have been disconnected from this export boom.

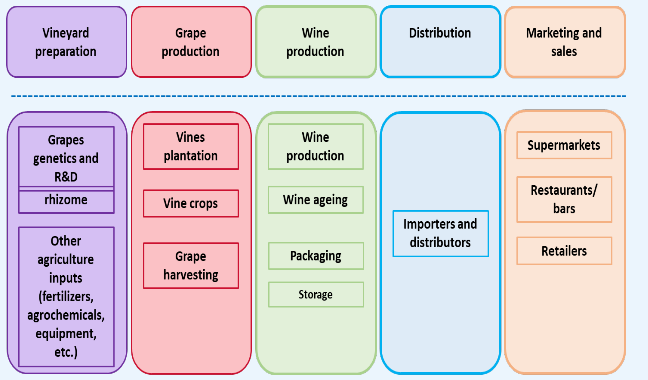
These inequalities are also manifested in employment, with a divide between a group of formal and permanent workers in large wineries and more precarious workers employed in smaller grape-producing companies. The more technologically advanced segments of the chain with greater added value generate more quality employment, higher average wages, greater formalization and a higher proportion of skilled labour. However, the demand for employment in these segments has lost dynamism due to mechanization. In the less technical segments, with small-scale producers of grape, precarious forms of work persist.

2. The wine supply chain: Chile and the world

a. The position of Chile in the global wine trade

Although from many points of view the world wine industry is an economic activity similar to others, in some respects it is a very particular product. Many aspects of its quality and value are difficult to measure in objective terms and strongly depend on the subjective assessments of consumers and experts, for which reason image and marketing play a much more central role than for other products. Likewise, the price divergence between one product and another, even from the same geographical area and the same grape variety, can also be extremely large.

Graph 1. The global wine supply chain

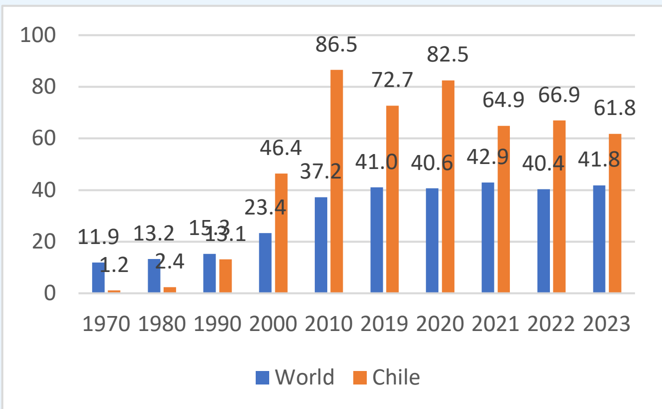


Source: Fernández-Stark and Bamber (2016).

Looking at the global wine industry using a supply chain approach allows a holistic look, incorporating, in addition to the production of grapes and their transformation into wine, research and development and the preparation of the vineyards at the beginning of the chain, as well as activities related to international trade, distribution, marketing and sales to final consumers at the other end of the chain (Graph 1).

International wine trade has intensified in recent decades, with only 11.9% of global wine production exported in 1970, compared to more than 40% in the 2020s (Graph 2).

Graph 2. Export of wine in percentages of production for Chile and the world (in volume), 1970-2023



Source: Own elaboration based on Anderson and Pinilla (2021) and International Organization of Vine and Wine (OIV) (2021; 2022; 2024).

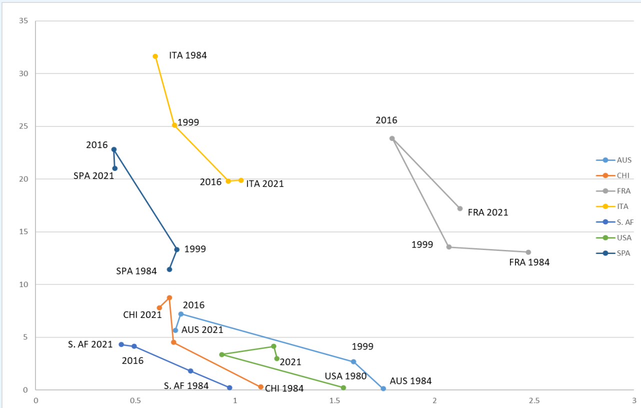
In the short term, the global wine supply chain was favoured by the COVID-19 pandemic, due to changes in consumption behaviour, favouring wine, including higher price segments, during periods of mandatory confinement. However, between 2021 and 2023, global production, exports and consumption of wine have shown a downward tendency.

The wine supply chain offers opportunities for Chile for economic and social upgrading. Unlike other natural resource-based commodities that continue to dominate Chile's export matrix, wine allows the continuous move towards higher value-added products through positioning in the higher-value wine segment. However, global pressures that could lead to downgrading also exist, as the division between production (export of bulk wines) and packaging could give more power to supermarkets and other retail stores in destination countries, and this would exert pressures towards structural changes in production (Mariani et al. 2012, p. 37).

Chilean wine exports almost tripled between 2000 (580.5 million US dollars) and 2010 (1,528 million US dollars). Despite some fluctuations in exports, Chile currently ranks 4th in the world ranking, with 6.8% of the volume and 3.9% of the total value of global wine exports in 2023 (Anderson and Pinilla, 2021; OIV, 2024).

A pending challenge for Chilean wine is to increase its unit value. As shown in Graph 3, the boom in the volume of exports was accompanied by a drop in the price, compared to the global average. It can also be observed that prices remain below the world average and have stagnated throughout the period 1999-2021. In this sense, Chile's trajectory is similar to that of other producing countries in the New World, such as South Africa and Australia, as well as Spain in the Old World, which also accompanied the increase in the volume exported with a decrease in the relative price. However, the United States managed to stop the price decline and return to selling at a price slightly above the global average price. Instead, France consistently managed to sell at prices above the international average and Italy, which sold cheap wines in the 1980s, in 2016 and 2021 was close to the global average.

Graph 3. Share in the volume of global wine exports (percentage) and average unit value (global average = 1), 1984-2021 (selected countries)



Source: Source: Own elaboration based on Cusmano et al. (2010), Anderson and Pinilla (2020) and OIV (2017 and 2022).
Note: 1984 corresponds to the average between the years 1980 and 1984; 1999, to the average between the years 1995 and 1999.

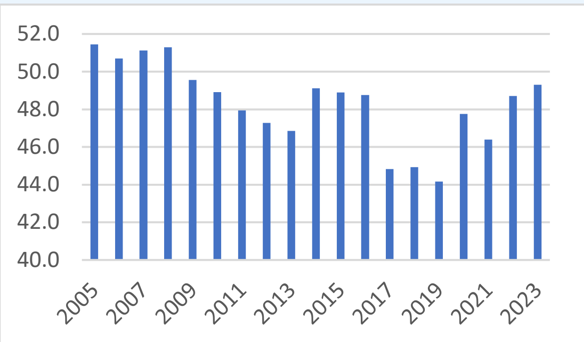
Some causes of the lower unit value of Chilean wine compared to some world competitors are the following:

- There is comparatively less appreciation of the "terroir", that is, of the characteristics of the soil and the climate in specific areas of grape production for wine. The greatest added value in the most expensive wines occurs mainly in winemaking and marketing.
- Although there is a system of designation of origin, this is much less decisive for the final value of the product than in the producing countries of the old world. Thus, although in Chile the percentage of wine with designation of origin in total production increased from 55.7% in 1996 to 81.1% in 2021 (Lima, 2015, p. 22; ODEPA, 2022, Table 13), this did not automatically lead to an increase in the average price.
- The average size of wine-producing companies and the concentration of sales and exports in the most important companies is extremely large, which makes it more difficult to generate an image of exclusivity -generally associated with small quantities and scarcity-, linked in turn with higher prices.

Within the aggregate trend of the Chilean wine chain as a whole, there are important differences by market segment and by supply chain link. Historically, there has been a consistent divide in quality, price and market access between the producers of wine from French grape varieties brought over in the mid-19th century in the central zone and the producers in the south, who specialized in traditional varieties such as País, brought in the 16th century. Significant gaps also exist between the integrated companies that have vineyards and industrial facilities for the production of wine and the small grape producers that sell their production to these companies. For all these reasons, the incorporation of Chilean wine production into global supply chains through the export boom, which began in the 1980s/90s, was also incomplete.

Chilean producers have managed to establish and maintain their own brands for most of their exports. However, the start of the export boom mainly relied upon the largest wineries, while smaller producers only benefitted to a lesser degree. Modernization thus combined with a relative massification, that is, improved winemaking techniques permitted to associate successful brands with an ever-increasing volume of exported wine. Therefore, compared to other countries, the high concentration of Chilean wine exports stands out. The concentration of exports, measured by the participation of the five main economic groups in total exports, increased in 2020 after having had a slight downward trend in previous years and remained on very high levels since then, reaching 49.3% in 2023 (Graph 4).

Graph 4. Proportion of total wine exports in US dollars FOB of the five most important economic groups for each year, 2005-2023



Source: Own elaboration based on Intelvid data.

The concentration of exports far exceeds the concentration in hectares planted: in 2014, the five largest wineries accounted for 17.0% of the planted area (Lima, 2015, p. 34), compared to 49.1% of exports. This is due, on the one hand, to the fact that the large groups buy grapes from external suppliers, in addition to vinifying their own grapes, and on the other, to the greater dedication to exports of the largest wineries.

One of the difficulties for external producers that sell grapes to wineries is that the price of the grape does not seem to vary much between different qualities of the same grape variety (Lima, 2015) and the big wineries prefer to produce their highest-priced wines with grapes from their own vineyards. This would seem to indicate the risk of a vicious circle: lack of incentives to produce better quality grapes causes quality stagnation, which in turn leads established wineries to forgo outside suppliers for their better-quality wines. This decision, in turn, further diminishes the incentives to produce better quality grapes.

On the other hand, since the 2010s there has been a significant boom in natural wine[1] in smaller production quantities. This niche is linked to two main factors: heritage vineyards that have vines up to 200 years old that still produce, and good phytosanitary and climatic conditions to produce without using chemicals in the vineyard. In this context, the País grape variety and other Spanish grapes for quality wines were rediscovered, complementing the offer based on grape varieties of French origin.

Between these extremes in recent decades, small and medium-sized producers of natural or boutique wines have managed to position themselves in different areas of the country; but its profitability in many cases was affected by the need to go through intermediaries to reach both domestic (distributors) and international (exporters) markets.

During the COVID-19 pandemic crisis, the restaurant sales channel suffered the consequences of confinement, while the e-commerce sales channel experienced significant growth. This increase in online commerce during the COVID-19 pandemic allowed small producers to have direct access to final consumers and better position themselves in the supply chain. However, not all producers were well

[1] Although there is no agreed definition of natural wine, it is generally considered as such the wine obtained with the minimum possible intervention, both in the cultivation of the vineyard and obtaining the grapes, as well as in the process of making and transforming it into wine in the winery.

prepared to take advantage of these opportunities, and connectivity gaps between urban and rural areas continue to be a major obstacle. These uneven opportunities are also reflected in the quality of work in the different links in the chain.

b. Employment, wages and regulatory compliance in the Chilean supply chain

Analyzing the employment situation in the wine supply chain in quantitative terms is difficult, due to the fact that household surveys are not designed for the necessary disaggregation that captures the two main segments: production of grapes for wine and wine production. For this reason, tabulations based on the administrative records of the Internal Revenue Service (SII) were used for this research, which, despite excluding by their nature informal companies and jobs, resulted in better coverage of the information.

▶ Table 1. Formal employment in wine production, 2022

	Grapes for wine production	Wine	Total
Total (throughout the year)			
Salaried workers	16,918	21,969	38,887
Independent workers (a honorarios)	3,189	4,351	7,540
Total	20,107	26,320	46,427
Share of women (salaried)	28.6	30.0	
Yearly average			
Salaried workers	9,565	14,414	23,979
Independent workers (a honorarios)	838	1,108	1,946
Total	10,403	15,522	25,925
Share of women (salaried)	25.2	28.6	
Yearly average / Total	0.52	0.59	0.56
Net income salaried women (as a share of men´s income)	81.4	81.1	

Source: Own elaboration based on SII data.
Available at https://www.sii.cl//sobre_el_sii/estadisticas_de_empresas.html

From these data it can be deduced that between 2019 and 2022 the average annual employment in the wine chain fell slightly from 26,807 to 25,925 people. Of those 25,925 formal workers on an annual average, 10,403 worked in companies dedicated to grape production and 15,522 in wine production (Table 1). The total number of workers reported in a year is almost double the annual average, which indicates the presence of high turnover and the use of temporary contracts. In grape growers, the difference between reported workers and the annual average is even larger than in wineries, indicating a higher degree of turnover.

In 2022, in the annual average, female workers were 25.2% of the total in grape production and 28.6% in wine production. Their average annual remuneration was around 81% of men's remuneration. The data also reflects the greater precariousness of employment in grape-producing companies, with average remunerations of less than two thirds of the remunerations in the wineries (65.9% in 2022). The gap would probably be even greater if informal employment were included in the statistics. Moreover, beyond these statistical data, qualitative evidence suggests that the gaps between larger wineries on the one hand, and smaller wineries and producers of grapes for wine production, on the other hand, also exist regarding other dimensions of working conditions (see section 3 below).

The analysis by company size shows that sales are strongly concentrated in the segment corresponding to the largest, that is, those with 250 or more workers. The fact that this occurs even in the production of grapes for wine could indicate that an important part of the sales corresponds to informal companies, whose data is not registered in the Internal Revenue Service. Data also indicate a strong wage gap by company size: the average income reported in grape production is more than double in companies with 250 or more workers than in those with 1 to 9 people employed, and nearly double in wine production (Reinecke and Torres, 2023).

c. The governance of the wine chain in Chile

This section analyses the institutional and public policy factors that are shaping production and decent work outcomes in the Chilean wine supply chain.

Training, research and development

The availability of skilled labour at the middle levels and the capacity for research and technological development (R&D) depend on public policies, vocational and higher education institutions and research centers, as well as strategies of companies.

Despite the existence of several universities and research centers, the R&D capacity in Chile still appears limited in relation to other wine-producing countries (Kunc and Tiffin, 2011). Although in Chile there are 22 research centers that develop lines of work in viticulture (Cárdenas, 2020), the relative weakness of associative efforts and collaboration between wineries to exploit synergies between wineries, detected, for example, by Visser (2004, p. 37), continue to be an obstacle). In this sense, it is important for the future to continue implementing public policies aimed at strengthening collaboration, enabling wineries of all size classes for direct marketing to final consumers via digital channels, and closing the digital gap, both with respect to connectivity and digital literacy.

Regulation on unfair competition

Like other countries, Chile has legislation and institutions to prevent unfair competition and monopolistic practices by companies with a dominant position in the market. In the wine supply chain, this has been especially relevant with respect to the purchasing power of large wineries versus small grape growers.

In December 2015, the *Coalición Nacional de Viñateros de Chile* filed a complaint with the *Fiscalía Nacional Económica* (FNE) and asked that authority to investigate "exploitative abuses due to dominant position and unfair competition."[2] In the final report of the FNE of 2017, it is not possible to identify a dominant position of any company in the terms of Chilean legislation: "none of the agents that buy wine grapes enjoys a dominant position."[3] Nevertheless, the report points out some problematic characteristics of the chain, including grape collectors who operate as intermediaries. It also describes how the segment of wine grape producers is subdivided internally between medium and large producers, who tend to produce premium grapes, and small producers, who present great heterogeneity, but generally tend to produce more basic quality grapes.

Legislation on subcontracting and seasonal agricultural work

The volume of employment in the wine chain varies greatly due to the need for additional labour during the harvest. The quality of these temporary jobs is usually precarious, especially when it occurs through triangular subcontracting figures. With the Subcontracting Law of 2006, subcontracting and in general the supply of labour, are better regulated than previously. There has been a trend towards a more orderly operation of temporary work in subcontracting modality and the emergence of contractors that are more formal and comply better with the legislation (Urra and Jofré, 2008). Currently, the challenge is to maintain these achievements in the context of the ever more massive arrival of migrant labour and avoid an equally massive return to the figure of the informal recruiter.

Additionally, Chilean legislation contemplates the figure of seasonal agricultural work, which, although it provides adequate protection in terms of health and safety, remuneration, and other benefits, implies a more precarious figure in relation to an indefinite work contract, especially in terms of collective rights.[4]

The functioning of the labour inspection

One of the strengths of the labour inspection in Chile is its territorial coverage through provincial and communal inspections. The employment formality rate is relatively high in Chile, compared to other countries in the region. This also facilitates the inspection work. However, informality continues to be a critical challenge. There are a number of companies that remain unchecked, since, being informal, they are not on the lists of the Directorate of Labour. Chilean authorities recognize this shortcoming and although quantitative data do not exist, it is very likely that these informal companies are precisely the ones with the highest labour non-compliance.

Currently, attempts are being made to reach the entire set of companies through institutional strengthening and greater proactivity through programmed inspection campaigns. A promising approach to reach out to smaller and more informal companies is to combine these actions from public regulation with responsible business conduct of enterprises along the entire supply chain.

Social actors in chain governance

Beyond government policies, regulations and their application, social partners' strategies towards decent work in the chain should also be taken into account. In this

[2] https://unctad.org/system/files/non-official-document/ciclp2016c06_ccchile_es.pdf

[3] http://www.fne.gob.cl/wp-content/uploads/2017/06/inpu_007_2017.pdf (p. 25 for the quote indicated).

[4] See direct request of the Committee of Experts on the Application of ILO Conventions and Recommendations, available at https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:13100:0::NO::P13100_COMMENT_ID,P13100_COUNTRY_ID:4054877,102588

regard, it should be noted that the unions in Chile in general and in the wine chain in particular are relatively weak, which makes it difficult to reach solutions through social dialogue.[5] On the other hand, Chilean exporting companies have faced increasing pressure in the destination markets where consumer organizations and other NGOs monitor in various ways the environmental and labour conditions under which the wine has been produced. Both factors are also directly linked with the tripartite pilot project that is described in the next section.

3. Improving regulatory compliance in wine employment in Chile: Tripartite pilot project for decent work

a. Responsible business conduct and supply chains as an entry point

The global supply chains approach allows conceptualizing both public and private governance as a space to improve economic and labour conditions. It also makes it possible to link international and national regulation on responsible business conduct based on the respect of human and labour rights, as well as emerging due diligence requirements and the sectoral dynamics of the production of specific goods and services.

Three multilateral instruments provide the framework for responsible business conduct. First, the United Nations approved the Guiding Principles on Business and Human Rights[6] in 2011. According to these Guiding Principles, companies and governments are obliged to respect and protect human rights in their operations as well as to provide remedies for violations. At a minimum, the rights set out in the International Bill of Human Rights[7] and the ILO Declaration on Fundamental Principles and Rights at Work[8] are considered.

Second, the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (ILO MNE Declaration),[9] adopted in 1977 and last updated in 2022, provides a series of guidelines to governments, employers' and workers' organizations and enterprises, in order to promote the positive contribution that multinational enterprises can make to economic and social progress and to the achievement of decent work for all, as well as to minimize and address the difficulties that their operations may give rise to. And it considers the imperative of effective social dialogue and the protection and promotion of fundamental principles and rights at work in the operationalization of responsible business conduct through corporate due diligence.

Third, the Organization for Economic Cooperation and Development (OECD) Guidelines for multinational enterprises on responsible business conduct[10], adopted in 1976 and last updated in 2023, which cover all areas of corporate responsibility, and thus also include labour issues and human rights, whose implementation in terms of due diligence is reinforced by the OECD Due Diligence Guidance for Responsible Business Conduct.

These instruments all constitute the common framework of understanding among governments and stakeholders, for responsible business conduct, which includes the relationship between human and labour rights, companies and their supply chains, and recommend corporate due diligence as its main operationalization tool.

b. Design, characteristics, and results of the pilot project

In the context of the institutional landscape of responsible business conduct and emerging new regulation on human rights and environmental due diligence in France, Germany

[5] According to administrative registry data kindly provided by the Directorate of Labour (as of June 2024), unionisation in the wineries (2558 unionized workers, which, comparing to the latest available 2022 figures of annual formal employment, would imply a rate around 18%) is slightly below national average (around 20%). However, using the same estimation approach, the unionisation rate in grape producers (546 unionized workers) is only around 6%.

[6] https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_sp.pdf

[7] Available at https://www.ohchr.org/es/what-are-human-rights/international-bill-human-rights

[8] Available at https://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--es/index.htm.

[9] Available at https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_124924.pdf

[10] Available at https://www.oecd.org/daf/inv/mne/MNEguidelinesESPANOL.pdf

and the European Union, the ILO Subregional Office for the South Cone of Latin America and the Labour Directorate of Chile developed a pilot plan in 2021 to begin to translate into practice the notion of due diligence in matters of fundamental principles and rights at work in enterprises in the Chilean wine supply chain to advance the achievement of decent work in this chain.

The pilot design relied on three main factors: (i) the preponderance of Chilean wine exports as a flagship product of the national economy; (ii) the interest of Chilean winemakers to improve their practices and policies; (iii) the share of wine exports to countries and markets with stricter regulations on due diligence in human rights, particularly the European market.

In view of the national and international regulations, strengthening the Labour Directorate (*Dirección del Trabajo*) in its capacity to monitor compliance in supply chains was identified as a priority. This included a collaborative approach between companies and their workers' unions in the elimination of child and forced labour, as well as in the protection of other fundamental principles and rights at work. The objective of this pilot project was to enhance the labour inspection system by transforming it into a preventive service that operates beyond a purely punitive approach.

This first phase of the pilot plan was implemented between May and November 2021, in the rural districts of Talagante and Melipilla, Metropolitan Region, where there is significant agricultural and wine production. The plan was developed under the logic of a working group on good labour practices, with the participation of wineries that were interested in being part of this pilot, their workers and workers' organizations and officials of the Labour Directorate, with the technical assistance of the ILO.

The Labour Directorate and the ILO jointly carried out inspection visits to the companies and their supply chains. Labour inspectors also analysed commercial contracts with suppliers and distributors, ethics policies and codes of conduct, employment contracts and labour documentation, and carried out interviews with managers, workers and unions in the field. Based on this information, the Labour Directorate prepared inspection reports on gaps in compliance, promotion, and protection of fundamental labour rights in the supply chains, with a special focus on the prevention of forced labour and child labour. The pilot included training sessions for the companies' management and workers' representatives.

The pilot targeted both small and medium enterprises and large wine producers. The investigation process revealed gaps in terms of the prevention of child and forced labour, and in terms of the promotion and protection of other fundamental rights. It was also verified that there are no control, traceability or audit systems, especially in SMEs, regarding the working conditions of the companies that supply their inputs or distribute their products. Although all fully comply with labour regulations in terms of hiring age, full consent in engaging in employment relationships and overall working conditions in their own operations, this could not be concluded regarding seasonal subcontracted workers that engage in labour during the grape harvesting season.

The companies participating in this pilot program distribute and market their products to large retail chains, many of them multinational companies, and export part of their production to countries belonging to the European Union. Although business due diligence with respect to supply chains is not yet mandatory in Chile, this obligation would be enforceable in the short term indirectly from commercial relations with companies belonging to jurisdictions where this regulation already exists.

As a result of the support and training process, those companies that did not have codes of ethics or conduct for their suppliers and distributors adopted them, and highlighted the value of promoting fundamental principles and rights at work, zero-tolerance of child or forced labour, and the extension of these obligations to their business counterparts. In addition, the companies pledged to review their commercial contracts to include clauses for the protection of fundamental rights, including processes for auditing and terminating these contracts in the event of detecting real or potential risks or damages that are impossible to prevent or remedy.

A second phase of the project was carried out in 2023, and focused on the harvest process, at which time the presence of seasonal subcontracted workers, especially migrant workers, drastically increases. It included inspection visits to detect and prevent violations related to child and forced labour, and accompany companies in the process of improving their monitoring procedures and protection of labour rights, in line with international standards on due diligence. The lessons of the pilot project will be used to increase the impact, for example, through communication campaigns and strategies to reach out to more wineries, for example through employers´ organizations in the wine supply chain.

4. Synthesis and conclusions

For Chile, participating and upgrading in global supply chains represents a development opportunity.

The Chilean wine supply chain stands out for its solid integration in international markets. Between 2000 and 2023, Chilean wine exports increased more than three times. In 2023, Chilean wine represented 3.9% of the value and 6.8% of the total volume of world wine exports, levels that classify the country as the fourth world exporter (OIV, 2024). In addition, the main Chilean companies have begun to invest in wine and wine production outside of Chile, especially in Argentina. The Chilean wine industry has managed to improve processes thanks to the partial mechanization of the production of agricultural inputs in order to increase productivity, reduce the cost per unit and alleviate the cost of worker shortages.

However, downward pressures on the quality of the product are also present (Reinecke and Posthuma, 2019) due to the increase in the proportion of bulk wine over the total volume of exported wine and the impossibility of increasing its unit value, which remains below the world average. When the export of Chilean wine began in 1980, its price was higher than the world average. However, in 1999, in 2016 and in 2021 it was significantly below that average, which indicates that Chile has established itself in the segment with the lowest added value of world markets, in which it participates by promoting economies of scale.

Grape producers in the initial phases of the chain suffer from precarious market conditions and an unfavourable incorporation into the chain, as a result of the low price of grapes, which hardly varies between the different qualities of the same variety, discouraging the production of superior category and quality. The high added value of the most expensive wines tends to be obtained through production and marketing, rather than with higher quality raw materials, as is the case in most agricultural supply chains. On the contrary, in the wine chain of most of the European countries, the highest price and the highest proportion of added value are obtained thanks to the superior category grapes produced in certain clearly defined geographical areas.

The average formal employment in the production of grapes for wine and in the production of wine was 26,807 people in 2019 and 25,925 people in 2022. Women represent a little more than a quarter of employment in the sector, with average remunerations of around 81% of men's remunerations. Other aspects of decent work that are more difficult to grasp through available statistical data, such as the impact of seasonality, the use of temporary contracts, and indicators related to fundamental principles and rights at work, deserve additional attention. This also implies more research on the divide between large producers and wineries on the one hand, and small producers and external grape producers in the lower segments of the chain, where work is more informal, on the other.

The tripartite pilot project initiated by the Directorate of Labour and the ILO demonstrated the potential of harnessing global supply chains and responsible business conduct to improve compliance with labour regulations and working conditions. Companies that did not have codes of ethics or conduct for their suppliers and distributors adopted them, and included the promotion of fundamental principles and rights at work and zero-tolerance of child or forced labour, both within the wineries and in their supplier companies. The wineries also pledged to review their commercial contracts to include the protection of fundamental rights. In a second phase, in 2023, it incorporated seasonal workers during the harvest season.

When thinking about a strategy for the future of the Chilean wine supply chain, it is also important to consider its heterogeneity and the need for tailored approaches to different segments, oriented to different markets. Therefore, in addition to a strategy for traditional wineries to advance in the premium segments and increase the average unit price of exported wine, the opportunities for smaller wineries in the emerging segment of heritage wines with little mechanical and chemical intervention should also play a central role. In both strategies, increased attention to terroirs and grape quality should also entail special attention to job quality, both in large and smaller companies, and especially in the production of wine grapes.

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