

Trends of Global Supply Chains and the Challenges Facing Japanese Corporations

Keynote Speech:

Ms. Alette van Leur, Director, Sectoral Policies Department, ILO Geneva

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1. Discussion of the International Labour Conference in June 2016

I would like to present an overview of the important discussion that we had at the International Labour Conference in June of 2016. One of the agenda items was a general discussion on decent work in global supply chains. During the preparatory process, the Office consulted with a broad tripartite working group, academics, and other multilateral agencies to synthesize their perspectives and present a background report to help inform the constituents' discussions at the Conference.

The first topic of debate was the definition of global supply chains. For the purposes of the discussion, the report refers to global supply chains 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. This includes foreign direct investment by multinational enterprises in wholly owned subsidiaries or in joint ventures. It also includes the increasingly predominant mode of international sourcing where the engagement of lead firms is defined by the terms and conditions of contractual relationships with suppliers and subcontracted firms. There are always arguments on this definition, but this, for the purpose of discussion in ILO, was considered to be a good basis.

Some might ask why the ILO is actually involved in the global organization of production and trade, and what does it have to do with the ILO's mandate. The first reason is that the ILO is the UN agency responsible for the promotion of decent work and social justice for workers around the world, particularly for the promotion of productive employment. Secondly, we are the only UN agency that has a tripartite governance structure. We bring together governments, workers' and employers' organizations to set the agenda, and decide on conclusions on the basis of consensus. Thirdly, we have a large body of international labor standards and adopt a normative approach. And the fourth reason is because we have in-depth knowledge and expertise in the world of work. We have accumulated this knowledge and expertise during our almost 100 years of existence.

We started the preparations for this discussion by following a path of two tracks. There is, on the one hand, economic upgrading, meaning enterprises and workers moving to higher value activities, and on the other hand, social upgrading, that is the process of achieving decent working conditions. We have concluded, based on our research, that global supply chains can effectively contribute to sustainable development on the condition that economic and social upgrading are aligned and go hand-in-hand. We have also found that this link between economic and social

upgrading does not come automatically. It requires targeted interventions by governments, but also by other stakeholders in the world of work.

2. Conclusion of the committee adopted by the ILC

The committee on decent work in supply chain, faced some difficulties in reaching consensus. I would like to use this opportunity now to also thank the government of Japan very much for its constructive participation in the discussion throughout, and ensuring that a consensus was reached. The discussions led to the adoption of conclusions and the report. Areas of consensus during the ILC tripartite discussion included:

- the first and most important conclusion – that global supply chains are complex, diverse, fragmented, and also that they do contribute to economic growth and job creation.
- acknowledgement that failures within the supply chains have contributed to decent work deficits and to the undermining of rights at work. That is particularly so in the case of groups that are vulnerable to discrimination. There was a particular focus in another complex discussion on export-processing zones. We discussed that governments may have not been able to cope with the rapid transformation in their countries.
- the existence of “governance gaps” within the systems of enforcement of legislation, and that many different stakeholders have undertaken all kinds of initiatives. There are public governance systems, where the governments are trying very hard to set up their labor inspectorate systems, but also businesses have to play their role. We should not underestimate how much effort has been made by business to make sure that they manage the risks of operating overseas, leading to promote an abundance of private compliance systems. During my trip here I note that Japanese companies, social partners and multinational enterprises in Japan also have embarked on what we call cross-border industrial relations. I understand there are now three global framework agreements in existence, which is a positive development. These can also further contribute towards sustainable management of global supply chains.

Now focusing on the roles and responsibilities of the various partners, governments, businesses and social partners, who have complementary but different responsibilities. The UN Guiding Principles state that while states have the duty to enforce legislation, business enterprises are required to ensure compliance and carry out due diligence. Social partners are requested to jointly promote decent work and fundamental principles and rights at work.

The next set of obligations concerns the role of the ILO. The ILO should continue to promote the ratification and the full implementation of its International Labor Standards, and particularly those relevant to global supply chains. ILO should also embark on capacity development, technical assistance, for governments, but also for social partners, particularly focusing on the aspect of legal enforcement and compliance. The ILO is also asked to promote social dialogue, particularly the cross-border industrial relations. Further work at the sectoral level to address decent work challenges in global supply chains is also needed. A very important role of the ILO is to ensure policy coherence. It is interesting to see the efforts of various agencies and organizations such as UN agencies, the OECD, the G7 and the G20. The conclusions further call for a proactive role of the ILO in generating and making accessible, reliable data and research, and the collection of statistics on decent work in global supply chains.

The tripartite constituents also advised that the conclusions should inform the review process of the ILO MNE Declaration. The conclusions further request the ILO to assess whether its international labor standards are still fit for purpose for the promotion of decent work in global supply chains. The core issue of global supply chains is how to close governance gaps at the various levels.

3. Looking forward

After adopting these conclusions, the Governing Body last November requested the ILO to organize a series of meetings. In 2017, there will be an expert meeting on decent work in export processing zones. In 2018, a tripartite meeting will be held on cross-border social dialogue.. Ultimately during our centenary year, our 100th year of existence, the final meeting in this series will investigate what additional guidance, programmes, measures, initiatives or standards will be needed.

I am hoped that the series of meetings is helping to shape the thinking and policy formulation around the best and most effective ways to promote decent work in supply chains. Thank you very much.