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International G7 Stakeholder Conference: promoting decent work worldwide through sustainable supply chains Berlin, 10-11 March 2015

Preliminary IOE Comments

Delivered at the G7

Proper and adequate supply chain management is a priority for companies, as well as their representative business and employers' organisations at national and international level. This is reflected in the engagement by the International Organisation of Employers (IOE) in a range of activities, including direct involvement in supply chain initiatives, constructive participation in debates at all levels, organisation of forums to facilitate the exchange of experience between buyers and suppliers, informing companies and member federations through publications, workshops and webinars about developments and trends, raising awareness and contributing to training and capacity building efforts.

Employers welcome the focus by the G7 on OSH, which is also a high priority for business. The G7 initiative can boost action at national and international level and contribute to safer workplaces around the world. **The G7 initiative must not however undermine the different roles governments and business have:** Governments have the primary role and responsibility of setting up effective labour inspection systems and OSH frameworks, as well as judicial systems which give people access to remedy in the event of unanticipated adverse impacts of undertakings. Business cannot take over this role of governments. Moreover, in a democracy, many elements of civil society play important roles in educating, advising, and informing governments on matters of public policy. As the creators of wealth and jobs, as well as of the products and services necessary to development and prosperity, enterprises and their representatives have a particularly important role to play in this regard. **It is the role of governments, however, to translate policies into enforceable laws and effective programs.**

Against this background, the IOE appreciates the opportunity to comment on the G7 supply chain initiative.

1.) Supply chains are a global issue and should be debated in global forums

The IOE acknowledges that the focus of the German G7 Presidency on global supply chains may contribute to a clearer understanding of the distinct roles of the actors concerned (governments, suppliers, buyers). However, the discussion in **the G7 can only be a starting point. Indeed, the discussion on supply chains is a matter for truly representative global debate** and would be best served by taking place in a forum such as the International Labour Conference in 2016. A recent lesson learnt from the experience of the application of the OECD MNE Guidelines is that some important emerging economies do not want to subscribe because they have not been involved in the development of the Guidelines. The G7 supply chain initiative risks the same fate, with emerging economies not participating in the outcomes because they have not been involved in the design and development. In view

of the growing prevalence of supply chains of multinational companies from emerging economies, this would be a real shortcoming of the initiative and the future “Vision Zero Fund”.

2.) Activities for improving workplace safety must address the national OSH context generally, not only supply chain companies

The fact that the vast majority of companies and workers are not involved in global supply chains, but produce for the domestic market, underlines the need to promote and enforce OSH at national and local level generally, independently of whether the company is part of a supply chain. It would be essential to avoid creating a two-tier system in which employees in a purely domestic company enjoy less protection than the workers in a company producing for the global market. This is tantamount to discrimination. **Any G7 initiative to improve prevention and to strengthen OSH systems should therefore not be restricted to supply chains, but must address the national OSH context generally.**

This is also important for achieving sustainable improvements and outcomes. Business relationships are not necessarily long-term. Once a business relationship ends, the sustainability of improvements achieved in the supplier company can come under threat. **Thus, national governments and social partners must be fully involved in the activities of any “Vision Zero Fund”. Moreover, in further efforts to ensure sustainability, funds should only be made available to those governments that take initial steps towards improvements themselves,** with the “Vision Zero Fund” only being available in tranches once various benchmark levels are met by domestic actors. Such conditionality would ensure that the “Vision Zero Fund” does not jeopardize and undermine efforts to strengthen the responsibility to invest in OSH frameworks and to strengthen labour inspection systems. Nor should the fund encourage an attitude that it is up to the international buyers or donors to undertake investments and efforts in this area.

3.) Any “Vision Zero Fund” must receive funding primarily from governments

Companies with global brands are often at the forefront with regard to human rights, OSH standards, and industrial relations. Such companies are already very active in improving working conditions and workplace safety through proactive supply chain management. BSCI, for instance, is one of many such initiatives. Employers and business fully support the approach of the G7 Presidency in focusing on strengthening prevention. **However, any “Vision Zero Fund” must receive funding primarily from governments as a precondition for success. The principal task of the “Vision Zero Fund” will be to support primary governmental obligations, such as strengthening labour inspection systems and setting up OSH frameworks.** Moreover, companies will need to continue their own individual activities with regard to due diligence, monitoring and training of the supply chain, since the “Vision Zero Fund” will not and should not take over these responsibilities.

4.) The focus of the “Vision Zero Fund” must be on prevention - not on remedy

Although the UN Guiding Principles on Business and Human Rights and the OECD call on companies to “*seek to prevent or mitigate an adverse impact where they have not contributed to that impact*”, the texts also clearly stress the responsibility of suppliers for their undertakings. The OECD Guidelines emphasize that it “*is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.*”

The G7 supply chain initiative must fully recognize the responsibility of the supply chain companies, as well as of the governments of producing countries, for their own action or lack of it. The idea that some part of the fund will be used for the purpose of ensuring remedy in the event of negative incidents will jeopardize any effort to strengthen the accountability of enterprises and states that fail to have in place, and to implement, proper labour inspection systems. If, at the end of the day, the “Vision Zero Fund” pays out, why should the enterprises and states responsible change their behaviour? Furthermore, the fund will never be sufficient to compensate for all OSH-related incidents that occur and will only raise expectations that cannot be met, which may lead to litigation against donors.

5.) Social Partners must be fully involved in the development of the “Vision Zero Fund”

The G7 supply chain conference on 10/11 March 2015 in Berlin can be only the starting point in the discussion with social partners about the development of the “Vision Zero Fund”. The representative international employers’ organisations must be fully involved in the development of the “Vision Zero Fund” and must also later be fully engaged in its management.

Conclusion

- **It is the role of governments to set up effective labour inspection systems and OSH frameworks, as well as judicial systems that give people access to remedy. The G7 initiative on OSH and supply chains must not undermine efforts to strengthen the role and responsibility of governments in producing countries.**
- **The G7 discussion on supply chains can only be a starting point in a broader debate that fully involves the emerging economies. The International Labour Conference in 2016 is a global platform that has the legitimacy and credibility to deal with the issue in a comprehensive and inclusive manner.**
- **Funding for the “Vision Zero Fund” must come primarily from governments to help to establish OSH frameworks and build up labour inspection systems in producing countries.**

- The “Vision Zero Fund” must improve OSH systems generally, and must not be limited to supply chain companies. The full involvement of local actors, including national governments, and the conditionality of funding are key in this regard.
- The IOE is committed to continue participating in the discussion on improving working conditions in supply chains as well as the development of the “Vision Zero Fund.”
