



February 2017

**B20 Key Messages
to second G20 Germany Employment Working Group Meeting
15 – 17 February 2017, Hamburg**

Sustainable Supply Chains

1. Global supply chains contribute significantly to productive employment and decent work
 - Global supply chains are not only an important reality in today's global economy, they also contribute significantly to productive employment and decent work.
 - Local communities and businesses *want* to be part of global supply chains, as they have been proven to present opportunities for economic and social development.
 - Global supply chains are highly diverse, as are national circumstances. For instance, cross-border trade is not only conducted by large multinational enterprises (MNEs), but also by many medium-sized companies.
 - Global supply chains are extremely complex and dynamic business networks are constantly changing and shifting in response to economic factors and market conditions.
 - A buyer's ability to influence the business conduct of the supplier depends on their market position. Not only do small and medium-sized enterprises often have little leverage over their suppliers, but large MNEs may also find themselves similarly constrained when they source only a marginal quantity of the supplier's production, or when the supplier has a monopoly. As is the case with some intermediaries, the supplier may just be a much bigger company. Furthermore, it is often impossible, or impractical, either economically or logistically, to control all suppliers and subcontractors.
 - Failing to recognise the full range of realities and global supply chains relationships will result in a misunderstanding of a substantial part of the issue.
2. There are decent work challenges in some global supply chains, just as there are decent work challenges in some economies generally
 - The cross-border flow of goods and services does not pose a unique challenge to decent work and effective labour regulation. What is missing is clear data on working conditions on global supply chains in comparison to purely domestic firms.
 - Research suggests that working conditions in companies in global supply chains are much better than those in domestic companies.
3. There is no regulatory gap to be bridged at the international level
 - The production of goods within any jurisdiction is subject to the laws and regulations of that jurisdiction. Connectivity to global supply chains does not and will not alter this fact.

- Thus, there is no regulatory gap to be bridged at the international level. Rather, the challenge to ensure better implementation and enforcement of legislation at the national level.
4. There is a need to develop strong national institutions that can implement and enforce national laws
- The only way to ensure that all workers are equally protected is to develop strong national institutions that can implement and enforce laws covering all companies and workers within its borders, regardless of whether they participate in global supply chains or not.
 - It is the role of governments to enact and implement national legislation that can prevent business-related human rights abuses and this task cannot be delegated to companies.
 - Businesses, on the other hand, have the responsibility to comply with national law and respect human rights wherever they operate.
 - Many companies are already very active with regard to risk prevention and mitigation in their global supply chains through private compliance efforts, including auditing, supplier capacity building and even supplier financing.
 - G20 governments should give due recognition to the various initiatives taken by companies to promote sustainable supply chains. In addition, governments should also adopt clear laws which are duly implemented and enforced in order to provide investors with the confidence to invest in a country, thereby creating great opportunities for both countries and companies.
5. Strengthen follow-up of adopted initiatives rather than come up with new ones
- At the international level, the UN Guiding Principles on Business and Human Rights are the authoritative UN framework on business and human rights, which spell out clear duties of governments and responsibilities for companies.
 - In addition, the German G7 already established a strong focus on Global Supply Chains in 2015. It is important to focus on implementing and rolling out these commitments. The Vision Zero Fund, for instance, is still very much in its infancy and now needs to be energetically promoted to make it take flight. Thus, it does not make sense to try to come up with new flagship projects and initiatives every year. Rather, it is important to ensure that the initiatives and projects that we have created are strengthened and make a difference on the ground.
 - The ILO International Labour Conference saw an intense debate on the topic of decent work in global supply chains in June 2016 which led to the adoption of a detailed and clear list of recommendations to governments. Due to the fragility of this compromise, it is important that the G20 does not go beyond the fragile consensus established, but rather it should focus on implementing these recommendations at the national level.
 - It is the duty of governments to ensure that the fundamental principles and rights at work of *all* workers, not just those in enterprises linked to global supply chains, are protected through proper implementation and law enforcement mechanisms.
 - An important outcome of the discussion at the International Labour Conference was the establishment of a one-stop-shop for companies, which helps enterprises through country-specific advice in their human and workers' rights due diligence. This support

structure is the right approach for companies and the G20 governments should financially support this ILO endeavour.

6. Living wages are a very complex issue

- The main problem with living wage lies in the ambiguity of the “livability” concept. First, the basic needs of workers and their families are diverse and it is difficult to define and measure them in an objective manner. Second, the intrinsic ambiguity of the concept makes it likely to lead to unrealistically high wage levels and create dilemmas for companies, incurring negative consequences for job creation and competitiveness. Finally and most importantly, it risks shifting onto companies the responsibility that public authorities should assume in ensuring the basic needs of individuals by way of national social protection policies.
- Not only do we not have a definition of living wages, but the leverage of corporate buyers for wages in their global supply chains is rather limited. At the end of the day, governments have a primary responsibility to deal with this issue at the national level, by setting appropriate minimum wages and enabling an enabling environment for social dialogue.

Future of work

1. Dynamic processes today provide a myriad of opportunities to society while at the same time presenting considerable challenges

- With the new and affordable capabilities made possible by digitalisation, a significant number of job opportunities and new markets will continue to be created.
- The changes in capacities and skills needs and the transformation in the organisation of work will better cater to the needs of individuals and companies.
- They will also provide for different work opportunities, accommodate a better work-life balance and provide easier access to income opportunities wherever they arise.
- But they also pose challenges with regard to forms of work, the polarisation of skills and the adequacy of existing institutional or social protection frameworks, among others.

2. For businesses, it is important to focus not only on the risks and challenges of technological change but also on the opportunities

- We should not wait for change to be played out in the future, but rather we need to start shaping the future now.
- The G20, more precisely, should take a comprehensive approach to ensure that we fully harness the potential of technological change.

3. Better education and training systems need to be built to provide people with the skills that they require in the new economy

- An important aspect of skilling and re-skilling are the vocational education and training systems which are underutilized by many, but which provide a legitimate pathway to employment and the advancement for workers.
- G20 governments should implement their commitments, notably the ILO G20 training strategy, the G20 principles for quality apprenticeships as well as the G20 apprenticeships initiative.

- The B20 launched an action-driven initiative at the end of 2013 to promote skills for businesses and jobs for youth, notably through apprenticeships in the form of the Global Apprenticeships Network (GAN).
4. Active labour market policies and upskilling programmes that develop transition pathways and appropriate safety nets for those whose jobs are at risk from industrial restructuring
- The best way of protecting individuals in the face of current labour market developments is by ensuring their continued employability in the labour market. This can only be done by ensuring that an effective and efficient mechanism is in place to support various transitions throughout an individual's life.
 - A healthy, well-functioning and competitive economy is key to creating an efficient well-functioning labour market that not only promotes the growth of various forms of work, but also has in place appropriate safety nets for individuals who are constantly in transition.
5. Need for clear and consistent regulations that allow for innovation
- Governments need to establish clear and consistent regulations for businesses to operate and innovate in.
 - The Structural Reform Agenda, which was adopted under the Chinese G20 Presidency, took the approach to rebalance protection from jobs to workers. This is the right way to modernize the G20 labour markets.
6. Fostering entrepreneurship
- Clear and consistent regulations are especially relevant for small and medium enterprises, which are the main employers globally.
 - But these enterprises are themselves fragile entities and would require the help of governments to grow through the relaxation of unnecessary costs or regulations.
 - G20 governments should, thus, closely cooperate with businesses to ensure an optimal regulatory framework to foster innovation.
 - In this regard, the Chinese Presidency has been an important one as it took a fresh approach to rising global unemployment, focusing particularly on innovation and entrepreneurship as a means for creating employment, growth and development.
 - An important initiative coming out of the Chinese G20 is the Entrepreneurship Action Plan, which has the potential to contribute to more dynamic labour markets, generating more jobs and enabling people to reach their full potential by opening their own businesses, instead of just being employed.