



European Economic and Social Committee

REX/462
**Decent work in global
supply chains**

Brussels, 25 May 2016

OPINION

of the
European Economic and Social Committee
on
Decent work in global supply chains
(own-initiative opinion)

—————
Rapporteur: **Ms Emmanuelle Butaud-Stubbs**
—————

On 21 January 2016, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

Decent work in global supply chains.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 April 2016.

At its 517th plenary session, held on 25-26 May 2016 (meeting of 25 May), the European Economic and Social Committee adopted the following opinion by 187 votes to 1.

*

* *

1. Conclusions and recommendations

- 1.1 The issue of decent work in global supply chains (GSCs), such as textile-clothing and footwear, electronics, minerals, and agro-industries is indeed a critical issue for all public and private actors involved at national and international levels in supply chains management.
- 1.2 The European Economic and Social Committee (EESC) has adapted its internal proceedings in order to be in a position to give its opinion before the 105th session of the International Labour Conference (ILC) in Geneva on the issue of decent work in GSCs.

The EESC recommends:

- 1.3 That the European Commission adopts a comprehensive and ambitious strategy in order to promote with all its internal (access to EU public procurement, labelling etc.), and external policies (trade, development, neighbourhood policy etc.) the decent work in GSCs.
- 1.4 To adopt a common language, common definitions, and to assess the statistical data between the various stakeholders: OECD, the ILO¹, WTO, the European Commission, World Bank and IFM in order to avoid confusion and misinterpretation, and to elaborate a coherent policy between the public bodies involved in this field, with various competences.
- 1.5 Taking into account the UN Guiding Principles on Business and Human Rights, we need to recognise and promote the available best practices and initiatives in the existing "tool box": the OECD Guidelines for Multinational Enterprises, OECD sectorial due diligence guidance (textile and garment, minerals, agriculture and finances), trade aid, financial schemes to compensate damages, codes of conduct, labels, standards and self-assessment tools. The aim

¹ International Labour Organization

is to put in place gradual, consistent and sustainable policy in the responsible management of GSCs.

- 1.6 To promote practical and suitable, risk-based approaches that will take into account the specific nature of the global value chain and the GSC (linear or modular, simple or complex, short or long organisation).
- 1.7 Based on an assessment of existing practices, to promote the format of multi-stakeholders, involving public and private actors, social partners, NGOs, experts etc., in order to develop the best portfolio of actions inspired by the OECD guidelines to identify risks, to prevent and to mitigate them, to communicate and report on the action plan. The measures involved in the action plans could include both, legislative and non-legislative measures, best practices, financial incentives, access to training, and capacity building for social dialogue and the trade unions.
- 1.8 To push for a specific reflection on the kind of transparency tools that could be put in place in order to inform the final consumers about the social conditions of production.
- 1.9 That the upcoming ILO conference should consider the possibilities for the ILO to play an active role in securing decent work along the global supply chains, including exploring the development and future adoption of any relevant and suitable instruments, that with the commitment of all the stakeholders will contribute to an effective improvement of working conditions.

2. **The issue of decent work in global supply chains: definitions, context and stakes**

2.1 **Definitions**

- 2.1.1 **Global value chain (GVC):** this concept emerged in the mid-90s in order to describe "the full range of activities that are required to bring a product from its conception, to its design, its sourced raw materials and intermediate inputs, its marketing, its distribution and its support to the final consumer"².

GVCs are supposed to favour "process upgrading" (the producer adopts better technology to improve efficiency) and "functional upgrading" (the ability for a producer to develop design, branding and marketing abilities). However, a number of examples show that it is not always the case.

The issue of achieving a sustainable and responsible management of GVCs is at the top of the international agenda (OECD, ILO, G7, G20, EU, the UN) given that the increasing amount of trade and investment world-wide occurs through GVC and that outsourcing and cross border

² www.globalvaluechains.org/concept-tools.

coordination of global production by lead firms have significant social impacts. Some of them are positive, e.g. better paid jobs, greater female employment, job creation enabling access to employment, skills development and dissemination of knowledge and technology. Others are a matter of concern, such as precarious work, poor working conditions (including in the area of health and safety at work), lack of social rights (including lack of social security coverage), and infringement of human and fundamental labour rights.

This leads to development and implementation of diverse instruments at the national and international level, such as ILO conventions, OECD Guidelines or UN Guiding Principles on Business and Human Rights (see also paragraph 2.3.3), and policy frameworks, such as 2030 Agenda for Sustainable Development³ and the accompanying Addis Ababa Action Agenda on Financing for Development⁴ supporting respect for labour standards and promoting decent work, as well as further development of trade, investment, private sector and supply chains.

2.1.2 **Global supply chain (GSC):** a GSC is made up of the interrelated organisations, resources and processes that create and deliver products and services to end customers. As such, it is a part of GVC dedicated to the sourcing and not to the conception, or distribution of the goods or the services.

A general discussion on decent work in GSCs will take place at the June 2016 session of the ILC (ILO supreme decision making body). It is meant to help the ILO constituents (i.e. governments, employers and workers) to gain a better understanding on how engagement in GSCs can help national and local economies to grow in a sustainable and inclusive manner, contributing to enterprises creation and growth, as well as to promotion of quality jobs and respect for labour standards. This Opinion is intended as the EESC contribution to that debate.

2.1.3 **Decent work:** concept formulated by the ILO's constituents and adopted by the ILC in the Declaration on Social Justice for a Fair Globalisation⁵ - covers national and local programmes put in place in order to achieve four strategic goals:

- promoting jobs creation, skills development and sustainable livelihoods,
- guaranteeing rights at work and in particular for disadvantaged and poor workers,
- extending social protection for men and women in order to provide adequate compensation in case of lost or reduced income, and access to adequate healthcare,
- promoting social dialogue through the involvement of strong and independent workers' and employers' organisations.

³ http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

⁴ http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

⁵ http://www.ilo.org/global/meetings-and-events/campaigns/voices-on-social-justice/WCMS_099766/lang--en/index.htm.

As the world-wide standard setting body, the ILO has adopted a number of conventions being of relevance for global supply chains. These include fundamental (core) labour standards (i.e. promotion of freedom of association and the right to collective bargaining, promotion of non-discrimination at work, and prohibition of forced and child labour), as well as conventions in the area of health and safety at work, labour inspection and others. The countries ratifying them are obliged to bring their legislation and practice in line with the conventions. Moreover, based on the ILO 1998 Declaration on Fundamental Principles and Rights at Work⁶, all ILO member states are obliged to respect and realise in the legislation and practice the core labour standards, even if they have not ratified the relevant conventions.

2.2 Structure and weight of GVCs and GSCs in international trade

- 2.2.1 The weight of GVCs in the world trade has increased rapidly and, according to the WTO, OECD, ILO and UNCTAD 2013⁷, represents between 60% and 80% of the international trade and over 20% of jobs globally⁸. The sectors covered by such interrelated organisational components as conception, production, distribution and consumption, driven by multinational enterprises (MNEs), include agriculture, industry (e.g. automotive, aeronautics, textile-clothing, toys, electronics) and services (e.g. call centres, information technologies).
- 2.2.2 The shapes and structures of those GVCs vary as well: some of them are rather short (small number of activities) while others are longer, implying economic, social and financial ties between companies established in numerous and remote countries (from the US, to the EU and Asia). According to Gary Gereffi⁹, there are three dominant types of governance: buyer-driven GVCs and, in most cases, cost-driven (this is the case of the garment and footwear GVCs) and producer-driven GVCs with some technological competences of the suppliers in developing countries including design and innovation (electronics).
- 2.2.3 The GSC being a component of the GVC is based on the relationship between buyers and suppliers and potential sub-contractors. This "chain" can be shaped in various ways: vertically integrated, captive chain, modular chain governance (the major suppliers are able to operate independently of the lead firm) or market chains for the commodity markets.

6 <http://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm>.

7 http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf.

8 http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_368626.pdf.

9 "The organisation of Buyer-Driven Global Commodity Chain: How US Retailers Shape Overseas Production Networks", Commodity Chains and Global Capitalism", Wesport, 1994.

2.3 **GSC management in the Corporate Social Responsibility (CSR) Strategy: key players and tool box**

2.3.1 The EU definition of CSR recognises the "responsibility of the enterprises for their impacts on society"¹⁰.

2.3.2 On the basis of a certain number of problems occurring over the last twenty years, particularly in sectors like electronics, sports goods, and garments, the following issues have been identified, in particular by the OECD, as critical for a sustainable management by a MNE, as a lead firm, of its GVC and its GSC:

- a) identifying the risks of major infringements to human and labour rights, environmental damage and corruption;
- b) preventing the occurrence of such risks through a due diligence approach and the implementation of sustainable management through an assessment of the country risk-profile and the individual assessment risk of the supplier¹¹;
- c) mitigating risks by coherent, robust and long lasting CSR policies regarding the supply chain: choice of supplier, requirements and contract with existing suppliers, social audits, and upgrading criteria to assess the progress achieved;
- d) reporting to and communicating with various stakeholders inside the company, such as trade unions, and outside the company, for instance, NGOs or public administration in charge of health and safety at work or the implementation of the ILO conventions on the improvement of the sustainable management of GSCs.

2.3.3 A wide range of actors: numerous public and private, national, European and international organisations and bodies are currently working on those issues particularly after the drama of the Rana Plaza (Bangladesh) that killed more than 1100 employees in 2013:

- a) at the national level, in addition to legislative measures in areas covered by decent work and human rights (e.g. UK Modern Slavery Act 2015 with provisions on transparency in supply chains)¹², the government and Parliament with the support of social partners, interested parties like NGOs and the support of OECD National Contact Point develop and implement diverse initiatives (e.g. national Action Plans on Business and Human Rights or on CSR, and others, such as recent initiatives e.g. in France or Germany on due diligence);

¹⁰ http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm.

¹¹ See for example the self-assessment tool developed by Euratex and IndustriAll with the support of the European Commission for EU textile and clothing companies.

¹² <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>.

- b) at the EU level, action has been taken in various internal and external policies, both in the context of broader partnerships with third countries and through sector-specific initiatives. For example, trade and sustainable development chapters in the recently negotiated and implemented EU trade and investment agreements include binding commitment by the Parties to respect the core labour standards (including by progressing towards ratification of the fundamental ILO conventions and striving towards higher levels of domestic labour protection), to implement effectively the ratified ILO conventions, to promote decent work, fair trade schemes and CSR practices. They also envisage the establishment of a civil society monitoring mechanism (in addition to the government-to-government body), including social partners, to oversee the implementation of these provisions and advise the Parties on matters related *inter alia* to trade and labour. Tariff preferences for developing countries granted under the GSP+ scheme grant a full tariff removal on over 66% of tariff lines to vulnerable countries which make a binding undertaking to ratify and effectively implement 27 core international conventions including the eight ILO fundamental ones¹³. The EU has also developed and implements a strategy on CSR, the revision of the 2013/34/EU directive on extra-financial reporting (environmental and social issues, human rights, the fight against corruption, the diversity of company boards, etc.); the Bangladesh Sustainability Compact (an EU-led international initiative aiming at improved respect for labour rights, health and safety at work and building safety standards in the Ready-Made Garment sector in the country)¹⁴; a new EU trade and investment strategy, including responsible management of GSC¹⁵, and the current EU (Dutch) Presidency puts emphasis on the responsible management of GSCs.
- c) at the international level, discussions and work are conducted at OECD (e.g. preparation of the Due Diligence Guidance for Responsible Supply Chain in the Garment and Footwear Sector¹⁶, Guidelines for MNEs¹⁷, launch of the Guidance for Responsible Agricultural Supply Chains¹⁸), the UN (e.g. Global Compact and the Guiding Principles on Business and Human Rights¹⁹) and the ILO (review of the Tripartite Declaration on Multinational Enterprises and Social Policy and preparation of debate at the ILC in June 2016 devoted to decent work in GSCs).

13 In 2011, the EESC adopted an Opinion on the scheme: <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.21735>
14 <http://trade.ec.europa.eu/doclib/events/index.cfm?id=1433> and <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1447>
15 http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf.
16 <https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm>.
17 <https://mneguidelines.oecd.org/text/>.
18 <http://www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm>
19 http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf.

Various private initiatives have been put in place either on a permanent or a temporary basis, e.g. for improving health and safety in Bangladeshi garment factories following the Rana Plaza catastrophe (Bangladesh Accord on Fire and Building Safety)²⁰.

2.3.4 All these public and private actors are engaged in development and implementation of various tools and instruments aimed at improving working conditions, and rights at work:

- regulation, law, conventions,
- codes of conduct,
- social dialogue, including in the cross-border context²¹,
- certifications in CSR and social accountability,
- funding schemes in order to compensate victims,
- other multi-stakeholder initiatives,
- aid and development programmes, including capacity building (health and safety at work, social dialogue, implementation of ILO conventions, etc.).

3. Assessment of some best practices in two different economic sectors

3.1 The clothing and footwear GSC

3.1.1 The garment and footwear industry GSC covers various actors and production processes. The Asia-Pacific region accounted for \$601 billion of global exports of garments, textiles and footwear, which represents 60% of the total world trade, China having the lion's share. Countries such as Bangladesh or Cambodia increase their specialisation in the production and export of garments and footwear with respectively 89.2% and 77.4% of total merchandise exports in 2014²². This is mainly due to the sharp increase in wages in the Chinese garment and textile industry, which led international buyers to seek out new suppliers in Asia.

According to the ILO²³, in 2014 average earnings were less than \$200 a month in the majority of countries. Monthly minimum wages for unskilled garment workers apply in China (up to \$297), the Philippines, Malaysia, Indonesia (\$247), Thailand, Vietnam (\$145), India (\$136), Cambodia (\$128), Pakistan (\$119), Bangladesh (\$71) and Sri Lanka (\$66).

The major risks are the lack of a living wage, forced or child labour, poor industrial relations due to weak protection of freedom of association and limited collective bargaining, poor occupational health and safety, insufficient labour inspection, underdeveloped occupational

20 <http://bangladeshaccord.org/>.

21 It can take a form of transnational company agreements (TCAs), also known as International Framework Agreements (IFAs). For details, see REX/443 Information Report, page 8: <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.35349>.

22 http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_419798.pdf.

23 Ibidem

injury schemes, water pollution, exposure to chemical substances, and exploitation of the female workforce.

- 3.1.2 On 24 April 2013, the collapse of the Rana Plaza building in Bangladesh occupied by garment factories caused the death of 1 136 employees, mainly female. The magnitude of the accident, arising from the very poor state of repair of the building and the absence of fire exits, has led to an exceptional mobilisation of governments (the EU and Member States, USA, Canada, Norway), international organisations (ILO, OECD and World Bank), international and local stakeholders with an ambitious set of actions aimed at encouraging national short-term measures (compensation for families of victims, inspection of garment factories and remedy actions, new auditing methods, revision of the Labour Law), national medium-term measures (e.g. development of independent trade unions and strengthening of labour inspection), and systematic measures in order to promote responsible management of global supply chains.

Graphic n°1: Assessment of the progress made in the Bangladesh Ready-made Garment sector since the Rana Plaza collapse (January 2016)

- *The Bangladesh Accord on Fire and Building Safety: signed by 220 apparel buyers.*
- *The Alliance for Bangladesh Workers' Safety: established in May 2013 by 26 mainly North American brands.*
- *341 new trade unions have been created in the Ready Made Garment sector in Bangladesh till January 2016 (132 in 2014).*
- *Till January 2016, inspections have been carried out in 3 734 export-oriented readymade garment factories for structural, fire and electrical safety*
- *235 new inspectors have been hired²⁴*
- *The Better Work Bangladesh programme: 38 factories supplying garments to 17 brands and retailers.*
- *Compensation of victims: 24.1 million US\$ for 3 490 claims received.*

- 3.1.3 The OECD is preparing a Due Diligence Guidance on Responsible Supply Chains in the Garment and Footwear Sector.

- 3.1.4 The ILO, in cooperation with international donors, governments, workers and employers, implements projects in the garment sector (e.g. in Asia) aiming at increased access to information on wages, working conditions and industrial relations to improve the quality of social dialogue on labour standards, strengthening social partners capacity and collective bargaining mechanisms, as well as assuring labour standards at the factory level²⁵.

²⁴ "Progress in implementation, outcome of the Review meeting on the Sustainability Compact for Bangladesh", 11 January 2016

²⁵ http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-islamabad/documents/publication/wcms_363149.pdf.

- 3.1.5 The European Commission is working on a flagship initiative on a sustainable garment supply chain including joint planning, coordinated funding, joint implementation of programmes, awareness raising among consumers, and so forth.
- 3.1.6 EU social partners from textile and clothing sector have developed a joint initiative, supported by the European Commission, with a CSR Risk Assessment Tool relevant for GSCs. They are currently finalising it to prepare for dissemination amongst SMEs and other stakeholders.
- 3.1.7 The Dutch EU Presidency wishes to explore means of reinforcing synergies between the EU's development and trade policies in order to contribute to the sustainability of GVCs.
- 3.1.8 The German Federal Minister for Economics, Cooperation and Development, Mr Gerd Muller, put in place a specific alliance for "sustainable textiles" involving the major partners. At the last G7 he made a very concrete summary of the situation: "It would cost one euro to take responsibility, one single euro per dress, per jacket or pair of trousers, to ensure that hard work in Bangladesh, Cambodia or in Africa pays off and children and seamstresses have opportunities in life"²⁶.
- 3.1.9 A proliferation of private initiatives has brought experience and help in sharing best practices. Among them, ICS (Initiative Clause Sociale) with 22 major retailers such as Monoprix, Carrefour or Casino, representing more than €243 billion of turnover, sharing a similar methodology for their social audits; and BSCI (Business Social Compliance Initiative), launched in 2003 by the FTA (Foreign Trade Association) located in Brussels, with more than 1 700 retailers and importers from 36 countries in business relations with 30 000 plants.

3.2 **The electronics GVC and GSC**

- 3.2.1 According to the study on GVCs by Sturgeon and Kawakami²⁷, "intermediate inputs to the apparel industry appear to be far less important in terms of the value of the intermediate goods trade than inputs to the electronics and passenger vehicle industries."
- 3.2.2 The electronics GVC is one of the most important in the goods sector with more than 17% in total Manufactured Intermediate Goods in 2006, compared to 2.7 % in chemicals and plastics and 1.9% in aircraft parts. The two leading countries in the export of electronics intermediates are China/Hong Kong and the United-States.
- 3.2.3 The three firm actors running the "value chain modularity" are the following:
- the lead firms (mainly in the industrialised countries),

²⁶

http://www.bmz.de/g7/en/Entwicklungspolitische_Schwerpunkte/Menschenwuerdige_Arbeit/index.html.

²⁷

"Was the crisis a Window of Opportunity for Developing Countries?", Timothy J. Sturgeon, Momoko Kawakami, Policy Research Paper of the World Bank.

- the contract manufacturers in charge of component purchasing, circuit-board assembly, final assembly and testing, mainly in China, Taiwan and Vietnam,
- the platform leaders, defined as "companies that have been successful in implanting their technology (in the form of software, hardware or combination) in the products of other companies."

The modularity of this specific value chain lies in the codification and standardisation of key business processes like computer-aided design, production planning and inventory and logistic control.

- 3.2.4 Consumer electronics have short product life cycles, ranging from three to 18 months, with a quick end-of-life time frame. As a result, suppliers of these products face increasingly fast time-to-market orders. For example, when the Apple iPhone was introduced in 2007, the time to market was six months; in 2012, it had shrunk to less than two weeks²⁸. For the manufacturers and workers this is a challenge and there is need to develop and implement solutions to address it.

While in some companies agreement has been reached on working overtime or in shifts in the peak season and to compensate it over the rest of the year, others record a substantial increase in temporary contracts and hiring agency workers or migrants (e.g. in Mexico in 2009, 60% of the workforce in the electronics industry were temporary agency workers rising to 90% in the peak season)²⁹. This often means reduced workers' rights, e.g. lower wages, lack of social security coverage or prohibition to join trade unions. The solutions could include, in addition to national legislation, agreements at the enterprise level, as well as a better coordination and information sharing between buyers and suppliers, thus enabling a better production planning and recourse to the permanent workers rather than temporary ones.

- 3.2.5 The questions of respect for human and labour rights relate the electronics industry also with the issue of minerals sourced in conflict affected and high risk areas, such as Africa's Great Lakes Region³⁰. Further to adoption of the US legislation (Dodd-Frank Act), the European Commission presented in 2014 a proposal for a Regulation establishing a self-certification mechanism for importers of tin, tantalum, tungsten and gold onto the EU market to ensure that proceeds from extraction and trade in these minerals do not support local armed conflict. Instead, due diligence accompanied by other measures should contribute to transparency along the supply chain, and have positive impacts on job creation and working conditions in mines, such as health and safety at work, income levels or turning their activity into a formal

28 http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/meetingdocument/wcms_345445.pdf.

29 http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/meetingdocument/wcms_317267.pdf.

30 In October 2013, the EESC adopted an Opinion on essential imports to the EU, including minerals and raw materials: <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.28358>

one. This would also allow for a continued sourcing in Africa instead of turning towards other regions in the world, not affected by the conflict³¹.

3.2.6 The OECD has developed Due Diligence Guidance for Responsible Supply Chains in Minerals from Conflict Affected and High Risk Areas³².

3.3 GVCs and GCSs in other sectors

3.3.1 The EESC would also like to emphasise that GVCs and GSCs in other sectors, such as services and agro-industry³³ could face problems of working conditions, in particular health and safety at work.

3.3.2 The ILO's support for decent work in the rural economy³⁴ focuses on 3 priority areas for action: decent work for disadvantaged and marginalized and vulnerable rural populations, decent work for rural workers in supply chains, decent work for rural workers in plantations.

4. The EESC contribution on how to ensure decent work in GSCs

In view of the 105th session of the International Labour Conference in June 2016 (Geneva), the EESC would like to make public its contribution with various recommendations on the most effective ways and means to ensure an improvement of the working conditions of workers in supplier or subcontracting companies engaged in production capacities within GSCs.

4.1 To clarify the role of every stakeholder

The roles and responsibilities of each stakeholder should be clarified in order to avoid confusion:

- Governments are in charge of elaborating, implementing and enforcing the national labour and social law, ratification and effective implementation of the ILO conventions, and in the case of the EU Member States also transposition and implementation of EU directives; it is also their duty to provide all the administrative and financial resources, including for labour inspection, to ensure compliance with the legal framework.
- International organisations set standards and develop global initiatives in order to promote international labour standards and responsible business conduct. In this context, documents, such as the UN Guiding Principles on Business and Human Rights ("protect,

31 http://europa.eu/rapid/press-release_MEMO-14-157_en.htm.

32 <http://www.oecd.org/corporate/mne/mining.htm>.

33 Opinion in preparation on the GSCs in agriculture

34 http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_311653.pdf

respect and remedy" framework) provide guidance as to the roles and responsibilities of the main actors.

- Social partners are encouraged to engage and to promote social dialogue on labour standards and working conditions, including in the sector and cross-border context, and governments should ensure that freedom of association and collective bargaining is effectively protected and promoted.
- MNEs should be in compliance with the laws applicable in countries in which they operate; they are also encouraged to commit themselves to CSR and due diligence approaches.
- NGOs complement other actors' efforts and play a key role in awareness raising related to the labour rights, as well as in denouncing abuses.

Given the complexity and the obvious overwhelming risks involving these key players, the EESC makes a plea in favour of structured, transparent and inclusive stakeholder platforms to tackle such complex issues.

4.2 **To meet the statistical challenge of the measurement of trade and investment flows**

The EESC has the ambition of assessing the reality of GVCs and GSCs, in terms of value, growth and jobs, as well as their recent qualitative developments. This means working e.g. with EUROSTAT and DG TRADE on the available data collected by WTO and OECD. This better understanding of the new organisation of international trade will certainly lead to new proposals on the use of the traditional tools of the trade and development agreements, such as removal of tariffs, regulatory convergence, better access to public procurement, common rules of origin, capacity building and trade aid.

4.3 **To push for a genuinely integrated EU approach concerning e.g. trade, development and neighbourhood policy**

The EESC supports the willingness of the European Commission expressed in the recent communication on the EU trade and investment policy to use the range of EU external policies in order to encourage sustainable development in third countries, particularly developing countries such as Bangladesh, Vietnam, Myanmar³⁵, Cambodia, or Laos, as well as countries in other continents, through various instruments. This should include trade and sustainable development chapters to be included in currently negotiated and future FTAs, a better link between trade policy and aid/capacity building, promotion of responsible business conduct in investment policy and private sector development, dedicated projects aiming at

³⁵ e.g. Myanmar Labour Rights Initiative (ILO, US, Japan, Denmark, EU)

improved respect for labour standards, support to national social partners in training, and information seminars, and so on.

4.4 To propose realistic commitments

The EESC has much experience in the field of sustainability, with participation in the implementation and monitoring of dedicated chapters in FTA, involvement in a wide range of Civil Society Committees that enable it to propose a fair balance between necessary legal requirements in the field of human and labour rights, transparency, the fight against corruption and the necessary flexibility of MNEs to organise and develop their GSCs in an effective manner suited to the various local situations.

4.5 To promote effective preventive measures

World-wide, the SMEs engage increasingly in GSCs and there is still a substantial untapped potential for them in this respect. Therefore, the EESC would like to give more publicity to some concrete tools available on the market, already tried and tested by companies, which will help SMEs to get involved in sustainable management of their GSCs, including the mapping of suppliers, self-assessment tools, standards and proposals for contractual clauses.

4.6 Helping to create a new generation of audits

Social audits appeared in the 1990s and have been criticised both on their technical aspects (e.g. qualification of the auditors, ways to conduct the audits, nature of the questions) and on substantial aspects (a provisional measurement for one supplier, no systemic and gradual progress, third parties in charge of the improvement of social conditions, etc.) The EESC would like to support the emergence of a new generation of audits that will cover not only social but also environmental and governance issues with more ambitious goals. The ultimate purpose will be to replace standardised questionnaires with multi-criteria diagnoses specific to individual companies in specific global supply chain and introduce a robust follow-up procedure with the support of the social partners.

4.7 To invent efficient tools of transparency for the consumer

The G7 summit in December 2015 welcomed, for instance, practical tools such as apps on mobile devices, which can help consumers to compare and understand social and environmental product labels.

The EESC supports current EU efforts to measure and display the carbon footprint of certain categories of consumer goods and is ready to promote the best national practices in the field of environmental labelling, such as the experiment in multi-criteria environmental labelling conducted in France between 2010 and 2013.

4.8 **To support capacity building programmes and other initiatives aiming at fostering social dialogue and multi-stakeholder approaches**

The global economic performance of companies and the observance of decent work principles are closely linked to the existence of independent trade unions and employers' organisations, quality of social dialogue and the wellbeing of the labour force.

The EESC supports the "Better Work programme" conceived by the ILO, the aim of which is to help local social partners to play an effective role and to be able to conduct collective bargaining.

Sector-wide initiative, such as the Bangladesh Accord on Fire and Building Safety in the Ready-Made Garments, can mobilise buyers, producers and trade unions to develop and implement a comprehensive and effective approach covering the entire industry.

The EESC also supports cross-industry social dialogue, including TCAs/IFAs. Existing TCAs/IFAs have proved to be an important tool in promoting workers' rights in global supply chains. Further development or broader application should however take into account the need to preserve flexibility for both content and follow-up mechanisms of such agreements. Based on lessons learned in terms of implementation, the partners should also strive for their continuous improvement.

Brussels, 25 May 2016

The President
of the
European Economic and Social Committee

Georges Dassis
