

## **New modes of production at the global level: Opportunities and challenges for the world of work**

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The conference offers an international forum for enabling a high-level discussion on the labour dimension of global value chains (GVCs) among experts, social partners and policy makers. While moving towards the centenary of the ILO in 2019, this debate stimulates the reflection on “the future of work”, on the developments and major challenges of the world of work, as well as on the role of the ILO in the XXI century.

In the past decades the modes of production have changed significantly. International trade and investment increasingly takes place between firms interconnected and coordinated by Multinational Enterprises (MNE). The development of Global Supply Chains (GSCs) (Barrientos et al. 2011) aims at integrating the concentration of activities beyond national borders, from conception to distribution of the product.

At the G20 Summit in Los Cabos, in June 2012, the heads of government reaffirmed “*the relevance of regional and global value chains to world trade, recognising their role in fostering economic growth, employment and development and emphasizing the need to enhance the participation of developing countries in such value chains.*” The G20 countries called for increased attention to “*analysing the functioning of global value chains and their relationship with trade and investment flows, development and jobs.*” In September 2014, the G20 ministries of labour declared that improving workplace safety and health was an urgent priority and committed to take actions in order to “*promote responsible business practices and effective supply chain engagement to improve occupational safety and health*”.

This is a timely topic also for the International Labour Organization (ILO) as the agenda of the ILO 2016 International Labour Conference (ILC) includes the decent work dimension of GSCs. In preparation of the Conference, the overall objective, i.e. the identification of best practices with regard to productive employment and decent work in GSCs, as well as the priority areas of intervention have been selected. A first element refers to key structural changes, trends and drivers, including its contribution to national and local economic development. A second element refers to implications with regard to job creation, skills, employment, and working conditions, including wages, working time and occupational health and safety (OHS). Finally, a whole range of governance issues are addressed, ranging from the role of international labour standards, distinct roles and responsibilities of state and non-state actors and participation in decision-making through social dialogue.

### **The impact of the GSC on the quantity and quality of jobs**

In 2007 the ILO promoted a research network on “*Capturing the gains: Economic and social upgrading in production networks*” which aimed at analysing the linkages between exchanges, production and employment in the GSC. The results of the research have been published in 2011 in the International

Labour Review.<sup>1</sup> This study shows that a significant portion of workers around the world is employed in GSCs. The development of GSCs has therefore allowed for an increased number of workers to access employment opportunities as well as for their family to secure a new revenue source. However, the creation of new employment opportunities varies among sectors and between developed and emerging economies.

There are some concerns on the impact of GSCs on the quality of jobs, i.e. working conditions including wages, working time and OHS, as well as employment relation and informality. Furthermore, additional concerns remain with regard to gender equality, freedom of association and collective bargaining.

Previous studies show that the development of new modes of production comes along with ambivalent social and economic effects. Firms receive a dual pressure that varies according to the sector and the country considered. On the one hand, firms have to comply with certain quality standards that enhance the skills- improvement factor of the labour force. On the other hand, competitive pressure can lead to lowering the costs of production and therefore, a risk of casualization of labour, and the increase of informality.

From a macroeconomic perspective, it is interesting to analyse the employment impacts of interconnected economies based on GSCs. Such an analysis needs to take into account the conditions that would have prevailed in the absence of GSCs. This research is especially relevant given the expansion of GSCs in both North-South and (more recently) South-South relations.

### **New governance policies with regard to GSCs**

This discussion opens the door to considerations on the normative and institutional options available in order to secure a positive correlation between economic and social upgrading. GSCs function in complex normative frameworks that include national legislations, multilateral trade and investment agreements, initiatives on corporate social responsibility, as well as international standards such as those set up by the ILO. The roles of the actors involved have also become more complex. For instance, trade unions, employer organisations and civil society are increasingly involved in both negotiation and implementation of codes of conduct.

The proliferation of GSCs has strengthened the role of large suppliers relative to the State in the governance of labour standards. Consequently, there are a number of initiatives of corporate social responsibility which involve a multitude of actors at different levels, i.e. enterprises, sectorial organizations, global trade unions and other non-governmental organizations, the states and inter-governmental organizations. The conference will shed light on the coverage and effectiveness of the different initiatives. In conclusion, this discussion opens the floor for elaborating innovative responses to the rapidly changing global productive patterns.

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1. See International Labour Review, Special Feature on 'Decent work in global production networks', Vol. 150, No 3-4 (2011).