



Issue Brief

Work, Workers and Employment Relationships in a World of Value Chains

By Sabina Dewan

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Cover Photo: "Seychelles women thrive in male-dominated industry"
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Introduction

In 1994, Gary Gereffi's landmark paper discussed the emerging organization of production into global supply chains that span nations.¹ Cheaper transport, advanced technology and lower tariffs have made it easier to move goods and services across borders propelling a fragmentation of production processes with different degrees of value added at each stage. Today, trade in finished products is no longer the norm. Rather global value chains (GVCs) – defined as, “the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond”² define patterns of exchange. Countries from Ethiopia to Bangladesh are competing to stake their claim in these production chains and are eager to leverage integration to propel their economic growth.

The restructuring of trade into fragmented and increasingly complex value chains is documented by a rise of trade in intermediate goods; that is parts manufactured in different places that are assembled into a final product. Over half of all manufactured products today are intermediate goods, and world trade in intermediates is more than all other non-oil traded goods combined.^{3,4}

The restructuring of trade into GVCs has had a significant impact on labor markets. Research suggests that today, one in five jobs is related

to global supply chains.⁵ Manufacturing has historically been a key source of formal employment that is more likely to be under the purview of state schemes and regulations. Moreover, the aggregation of workers on the factory floor is conducive to collective bargaining and industrial relations that tend to fuel better wages in the sector. But the shift from in-state to cross border production complicates the straightforward notion that all manufacturing jobs are good jobs.

In this world of global supply chains, multinational companies and brands are the star players with trade increasingly enacted through private contracts between firms.

In an effort to capture a piece of the production chain, some developing countries seek to capitalize on their low-cost, surplus labor to attract investment. The focus in such countries is on capturing the most labor-intensive parts of the value chain. This has

fueled a scenario in which developed countries specialize in higher value-added activities, such as marketing, engineering or design of products, with developing countries taking on lower-value added, labor-intensive manufacturing and assembly processes.⁶

In this world of global supply chains, multinational companies and brands are the star players with trade increasingly enacted through private contracts between firms.⁷ 80 percent of global trade, measured in gross exports, is linked to

the production of multinational firms.⁸ With production processes distributed internationally, companies can also engage in rent seeking moving business to countries with weak tax, environmental and labor regulations, and working with suppliers that offer goods at lower cost. Under pressure from big brands and buyers, a focus on creating value relative to cost can drive suppliers to produce goods as cheaply as possible. This can have an adverse impact on wages and working conditions, particularly in developing countries where enforcement of regulations and labor protections tend to be weaker.⁹ These challenges are compounded by the demands of just-in-time production and large-scale demand.

Now that such fragmented, dispersed and complex patterns of trade through supply and value chains are apparent, there is a need to better understand how these impact the world

Understanding Global Supply and Value Chains

To remain competitive, multinational firms build GVCs and supply chains to optimize profits relative to the costs of production. Profits, in turn, are tied to the product's value, or the amount a customer is willing to pay for a given product.¹⁰ A global supply chain centers on sourcing materials and supplies, manufacturing and distributing the final product in a cost-efficient manner. A global value chain is about value-generation at different

of work. How do we actively shape this evolution to create inclusive economies where more people benefit from an expanding economic pie?

This brief provides a broad overview of the main considerations in examining the relationship between global value chains and work, workers and employment relationships. Section two discusses the distinction between supply chains and value chains and explains the dimensions along which they can be analyzed. Section three outlines the main considerations in assessing the relationship between value chain integration and the quantity and quality of employment. Part four sheds light on the gaps in the governance of global value chains. Section five concludes with some recommendations to help shape the restructuring of trade in a way that benefits more people.

stages of the production process, for instance, from design of the product through steps like marketing to consumers (**Table 1**).

Within a firm's supply chain, several actors, including firms, factories, and governments are involved in production and export. In addition, multiple steps—representing jobs in the supply chain—are required to turn inputs into finished goods (**Figure 1**).

Table 1

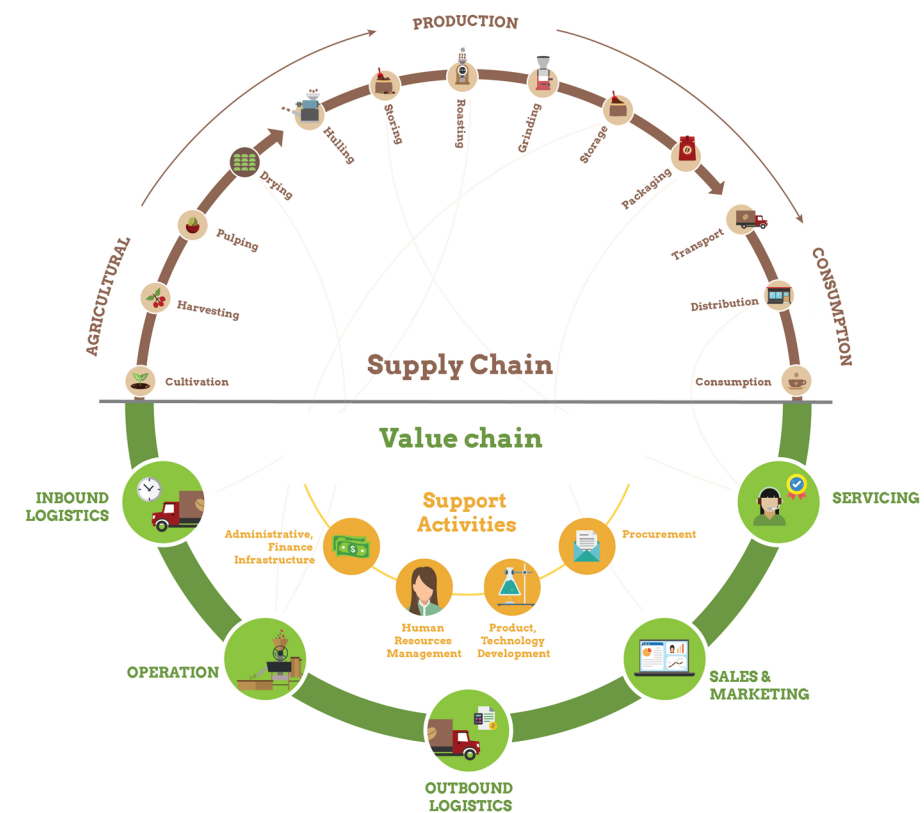
Production by Multinational Firms: Key Aspects of Global Supply and Value Chains

	Supply chain	Value chain
Key activities	Procurement of materials, processing, manufacturing, transport, distribution	Research & development; branding, marketing, and market research; customer support
Primary objective	Fulfill customer orders at low cost relative to goods' profits	Increase customer's perception of good's value and willingness to buy

Source: JustJobs Network analysis of Feller, A.; Shunk, D.; and Tom Callarman. (2006). Value chains versus supply chains. BPTrends.

Figure 1

Adding Value Through Global Supply Chains



Source: JustJobs Network

Analysis of GVCs, and the global supply chains involved, can take place along one or more of the following five dimensions.¹¹

1. Input-output structure: Outlines the segments of a value chain and production process (which involves the supply chain), and provides information on the value added by each country and actor in the value chain.
 - a. Datasets that allow measurement of trade in intermediate goods, such as the World Input-Output Database (WIOD)¹² and the Organization for Economic Cooperation and Development's (OECD) Trade in Value Added (TiVA),¹³ enable a more nuanced understanding of the value added by each country in global value chains.
2. Geographic dispersion: Captures the length of the value chain – how it spans across countries, as well as how many firms in each segment of the value chain are within particular countries.
3. Global governance: Describes whether multilateral, bilateral, regional or preferential

trade agreements and policies affect the extent and way in which a country integrates into GVCs and supply chains.

4. Hierarchical structure – Assesses how actors in the supply chain control and coordinate activities.
 - a. Buyer-driven chains are characterized by large and successful retailers and brands that can direct suppliers to meet their standards and protocols.¹⁴
 - b. In producer-driven chains, firms build on the contributions of a range of independent suppliers. Other large or multinational firms are included in a given production chain in this model.¹⁵
5. Local institutional context: Explores how the local context, such as policies and regulations within a country, and domestic social context and economic conditions, affect participation in the GVC.

Key Tenets of the Relationship between Global Supply Chains and Employment

The relationship between trade through global value chains, economic growth and employment outcomes is not straightforward. Integration into value chains contributes to economic growth and expands employment, but uneven

participation can fuel inequality. The impact of GVC participation on the quantity and quality of work varies depending on factors such as the sector; whether the firm hires domestic workers or migrant workers; whether production is for

export or not; whether a firm is private or public; and on the stringency of national regulatory frameworks and their enforcement.¹⁶

Participation in GVCs and the ability to leverage integration into GVCs for economic growth differs across countries. In terms of input-output structures, value-added trade as a part of GVC production is estimated to make up an average of 30 percent of Gross Domestic Product for developing countries, compared to an average of 18 percent for developed countries.¹⁷ Moreover, Formai and Cafarelli (2015) find a positive effect of GVCs participation on labor productivity and total factor productivity, especially in countries where barriers to importing intermediate goods are low.¹⁸

However, not all countries have the capacity or access to participate global production chains. Participation in GVCs is lower among less-developed countries. The OECD and World Bank (2015) found that low-income developing countries contributed to 11 percent of GVCs trade in 2011.¹⁹ When these nations do participate in global value chains, their participation tends to be limited to agriculture or low value-added, labor-intensive sectors.

In terms of the number of jobs, Shepherd & Stone (2011) find that firms with international linkages, such as exports, imports of intermediate goods or foreign ownership, tend to employ more workers compared to firms that focus on the domestic market only, though there are caveats.²⁰ For example, this effect is more pronounced for firms in emerging economies like Brazil, China, India, Indonesia and South Africa.²¹

Timmer et. al. (2013) disaggregate the number of jobs associated directly and indirectly with production of final manufacturing goods (what they define as GVC jobs), by country, sector and skill level. They conclude that between 1995-2008, as a whole, GVC jobs declined by 1.8 million in the European Union (EU). However, disaggregating this number by skill level reveals that the number of high-skilled jobs increased by 4 million, while low-skill jobs declined by more than 6 million.²² In another paper, Timmer, Los and De Vries (2014) find that low-and medium-skilled jobs have increased in developing countries like China, India and Mexico.²³

Multinational firms and brands are key drivers of GVCs and supply chains. Decisions by leading buyers/ brands such as where to source suppliers, locate manufacturing plants and other foreign direct investment (FDI) have deep impacts on the employment outcomes for national economies.²⁴ In their quest to attract investment and be competitive, governments can loosen regulations in favor of capital over labor and can discourage or disallow independent unions and collective bargaining. All of these have an adverse impact on wages and working conditions.

Economic growth or upgrading from GVCs does not lead to equitable improvements in the quality of work, such as employment standards and rights at work, social protection, and social dialogue. For example, better working conditions from participation in GVCs are limited to regular (permanent) workers— conditions may even worsen for casual, contractual or migrant workers, according to Barrientos, Gereffi

and Rossi (2011).²⁵ Rossi (2011) shows that even as firms move into higher value-added production, working conditions improve and worsen simultaneously, for regular and irregular workers, respectively.²⁶ Regular workers with stronger employer attachment have easier access to statutory employment protection and

Governance of GVCs

Multilateral and regional efforts

Inclusive industrialization is a core principle of the Sustainable Development Goals (SDGs) that seek to raise industry's share of employment and GDP by 2030.^{30,31} While the SDGs refer to inclusive industrialization, they do not define what it means. Truly inclusive industrialization must go beyond creating more jobs to ensure that integration into global supply and value chains generates good jobs and raises living standards for more people.

This, in turn, is contingent on the governance of global supply chains at the multilateral, multinational, national and grassroots levels. Trade is no longer only characterized by exchange of finished goods between countries, or governance by international trade policy. Trade is increasingly an exchange among corporate entities, carried out through the private law of contracts, and determined by individual companies' objectives to improve bottom-line profits.³²

For example, to maintain a competitive advantage, firms may hire a formal, smaller workforce of

benefits.²⁷ Employment security increases their ability to participate in workplace-based trade union organizations and reduce fear of reprisals.²⁸ Irregular workers, with their weak employer attachment, are less able to avail themselves of employer-based protection.²⁹

skilled and high-wage workers to ensure quality standards in production, and depend on an irregular workforce of low-skilled and low-wage workers for other aspects of production.³³ Firms that use sub-contractors can also become several layers removed from control and visibility of their operations.³⁴ These conditions can lead to informal, low-wage jobs in unsafe working environments.³⁵

Another challenge are weak regulatory capacities and industrial relations systems in some countries where multinational firms operate. Where labor ministries, inspectors and courts are under-resourced, the voice and representation for workers, and more vulnerable workers such as migrants and women, is weak.³⁶ Current multilateral governance structures such as that of the World Trade Organization are geared toward the governance of trade, not that of value chains. These structures need to be reformed to meet the demands of a 21st century economic landscape.

Within regional trade agreements, there is a greater shift toward including provisions for

the governance of value chains. For instance, when trade agreements such as the Trans Pacific Partnership (TPP), the Trans-Atlantic Trade and Investment Partnership, Regional Comprehensive Economic Partnership (RCEP) and Free Trade Area of Asia-Pacific (FTAAP) were proposed, they all propagated going beyond tariff and nontariff barriers and establishing clear rules for investment, services and trade facilitation. These agreements all tried to chart a new path for governance of trade and GVCs, but they still have some ways to go.

Several organizations have developed guidelines and instruments to facilitate good governance by multinational firms (**Box 1**). For instance, the Organization for Economic Cooperation and Development has developed the Guidelines for Multinational Enterprises. John Ruggie, Special Representative to the United Nations, also issued Guiding Principles on Business and Human Rights to implement the United Nations "Protect, Respect and Remedy" Framework. In addition, the International Labor Organization (ILO) has launched the Better Work Program and adopted a Treaty for Decent Work in Global Supply Chains.

^a OECD. (2008). OECD guidelines for multinational enterprises. Available at: <http://www.oecd.org/investment/mne/1922428.pdf>

^b Business & Human Rights Resource Centre. (2008). Protect, respect and remedy: The UN Framework for Business and Human Rights. United Nations. Available at: <https://www.ihrb.org/pdf/Ruggie-protect-respect-remedy-framework.pdf>

^c International Labor Organization (ILO). (2019). The ILO's decent work agenda. Decent work. [Accessed Jan. 28, 2019]. Available at: <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

Box 1

Global Supply and Value Chain Governance Guidelines for Multinational Corporations

OECD guidelines^a include:

- General policies
- Norms for disclosure
- Employment and industrial relations
- Protecting the Environment
- Combating bribery
- Consumer interests
- Science and technology
- Competition
- Taxation

UN "Protect, Respect and Remedy" Framework^b outlines the following:

- the state's duty to protect against human rights abuses by third parties, including business entities;
- corporate responsibility to respect human rights; and
- the need for more effective access to remedies.

ILO's Decent Work in Global Supply Chains Agenda and Better Work Program^c includes the following:

- Promoting jobs
- Guaranteeing rights at work
- Extending social protection
- Promoting social dialogues

Source: JustJobs Network.

A number of non-governmental organizations are also engaged as independent brokers between corporations, governments and workers. Organizations such as the Fair Labor Association, Institute for Human Rights and Business, and the Business Coalition for Global Development, focus on working with multinationals to improve the governance of their supply and value chains.

Initiatives by multinational firms

Multinational firms also perform internal audits of their value chains. For multinational firms with a major role in GVCs and global supply chains, the reputational risk, among other costs, of factory disasters such as the Rana Plaza collapse in Bangladesh or Foxconn suicides in China is high.

Box 2

Rana Plaza collapse, Bangladesh^{a,b}

Rana Plaza was an eight-story commercial building outside Dhaka, Bangladesh. It housed five garment factories that supplied global brands from Europe and North America, such as Benetton and Primark. On the morning of April 24, 2013, the concrete building caved in and killed more than 1,100 people and injured over 2,000 others. The collapse of the Rana Plaza is considered the deadliest disaster in the history of the garment industry.

Several days before the collapse, concerns were raised about visible cracks in the building; and there were reports of cracking plaster and an engineer determination that the building was unsafe the day before the collapse. Despite these reports, workers said they were told to enter the building, and Sohel Rana, the building's owner, is accused of ordering workers to return to work.

International outcry in the wake of the collapse has highlighted abysmal conditions for some factory workers within global supply chains.

Two major agreements between global retailers and brands and trade unions – **the Accord on Fire and Building Safety in Bangladesh** and the **Alliance for Bangladesh Worker Safety** – were signed after the tragedy to make Bangladesh's garment industry safer.

Source: JustJobs Network.

^a Safi, M. and D. Rushe. (2018). Rana Plaza, five years on: safety of workers hangs in balance in Bangladesh. The Guardian. [Accessed: Jan. 28, 2019]. Available at: <https://www.theguardian.com/global-development/2018/apr/24/bangladeshi-police-target-garment-workers-union-rana-plaza-five-years-on>

^b AP. (2017). Rana Plaza: Bangladesh jails owner of factory building that collapsed in 2013 for corruption. ABC. [Accessed Jan. 28, 2019]. Available at: <https://www.abc.net.au/news/2017-08-29/rana-plaza-owner-of-collapsed-bangladesh-building-jailed/8854240>

Box 3

Foxconn Suicides, China^a

A supplier based in China, Foxconn manufactures gadgets for Apple, Sony, Nintendo and HP, among many others, and carries a grim history of suicides. While the company is said to have better working conditions than other factories, it is marked by sweatshop-like conditions such as long hours, abusive management and unkept promises for benefits and compensation. Harsh working conditions in Foxconn factories have been linked to anxiety, depression and suicide. The following suicides occurred between 2009-2017, though the company has a history of many more lives lost under its employment:

In July 2009, Sun Danyong, a 25-year old male Foxconn communications department worker, committed suicide by jumping from his apartment building. He allegedly lost a prototype iPhone and was beaten up by security guards.

In 2010, 18 workers threw themselves from the top of the company's buildings in a collective suicide attempt, which resulted in 14 deaths. Foxconn installed safety nets in some of its factories and hired counsellors for its workers after the incident.

In 2012, a group of 150 workers in a Foxconn factory protested against working conditions by standing on the roof of a building and threatening to commit suicide. One worker said that the protest was the result of workers being moved to a new factory location where conditions were unbearable.

In 2017, Li Ming died after falling from a building in Zhengzhou, where iPhoneX is manufactured.

^a Adapted from Fullerton, Jamie. (2018). Suicide at Chinese iPhone factory reignites concern over working conditions. The Telegraph. [Accessed 28 Jan. 2019]. Available at: <https://www.telegraph.co.uk/news/2018/01/07/suicide-chinese-iphone-factory-reignites-concern-working-conditions/>

As a result of worker deaths and public scrutiny, multinational firms have developed innovative collaborations for GVC production. For example, H&M has created multiple initiatives such as the Fair Wage Method, Industrial Relations Project and the Social Dialogue Program to support sustainable global supply chains in the apparel industry (**Box 4**).

However, many multinational companies complain of the opacity of the suppliers' networks in their value chains, and claim that this makes it hard to monitor employment and working conditions. They complain of the failure of national governments to institute and implement their labor laws and hold suppliers accountable for violations. There is some truth to these contentions. Some national governments

Box 4

H&M Initiatives for Workers^a

1. Fair Wage Method - Support pay structures that enable fair living wages, and improve dialogue between employers and factory employees.
2. Social Dialogue Program - Support democratically elected employee committees at factories.
3. Industrial Relations Project, in partnership with International Labor Organization- Facilitates collective negotiations and discussion between employees and employers about rights and obligations, and aims to resolve conflicts peacefully and effectively.

^a Adapted from H&M Group. (2016). H&M Fair Living Wage Strategy update. [Accessed Jan. 28, 2019]. Available at: <http://about.hm.com/en/media/news/hm-fair-living-wage-strategy-update.html>

in developing countries and low-income developing countries seek to capitalize on an abundant, cheaper workforce. In conjunction with technological advancements and cheaper transportation, a low-cost workforce allows for large-scale and faster production that is flexible to shifting consumer preferences in Europe and North America.

Efforts by international and national trade unions & grassroots organizations

Leveraging a greater supply of low-wage, and/or low-skilled labor as a comparative advantage comes with several problems. It creates perverse incentives to maintain low standards, and an uneven playing field in which some countries comply with international labor standards, while others skirt them for economic gain. These conditions also lead to a disempowerment of social institutions, such as unions, that fight for higher standards and fair compensation.

Against this tide, grassroots organizations such as national and international trade union confederations are working to improve the governance of global supply chains. They advocate to national governments to improve regulations pertaining to trade and value chains, and they are critical to holding domestic suppliers and multinational firms accountable for misconduct related to workers and working conditions.

The size and country-based membership structure of multilateral organizations makes it difficult for them to adapt to rapid restructuring of trade into global supply chains, and multinational firms and national governments are constrained either because of a lack of will or because of capacity limitations to monitor and govern supply chains. However, trade unions are much more dynamic institutions that are playing a key role in improving the governance of supply chains. New and innovative trade union-led approaches

are evolving in this regard. For example, after the collapse of Rana Plaza, the Accord on Fire and Building Safety in Bangladesh (Accord) was created. The Accord is an independent, legally binding agreement between brands and trade unions to help create a safer readymade garment industry in Bangladesh (**Box 5**).

At a time when workers need a collective voice, unionization rates are at an all-time low. Establishing a global trade agenda that

distributes the benefits of trade more broadly will require updating the governance of global supply chains to make it work for more people. This can be made possible by rethinking the employment relationships between multinational organizations, suppliers, trade unions and national governments, which multilateral organizations can facilitate. Empowering unions and strengthening the right to collective bargaining is fundamental to this effort.

Box 5

The Accord on Fire and Building Safety in Bangladesh (the Accord),^a

signed on May 15th 2013, is a five-year independent, legally binding agreement between global brands and retailers and trade unions. Companies signing onto the Accord include H&M, Benetton and American Eagle Outfitters. The Accord is designed to help create a safe Bangladeshi readymade garment industry and prevent fires, building collapses or other accidents with appropriate safety measures.

The agreement consists of the following key components:

1. Independent inspections supported by brands, with the involvement of workers and trade unions.
2. Public disclosure of all factories, inspection reports and corrective action plans.
3. Commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships.
4. In all factories, democratically elected health and safety committees to identify and act on health and safety risks.
5. Worker empowerment through an extensive training program around the world, complaints mechanisms and the right to refuse unsafe work.

^a Adapted from Business & Human Rights Resource Centre. (2013). The Accord on Fire and Building Safety in Bangladesh. [Accessed Jan. 28, 2019]. Available at: <https://www.business-humanrights.org/en/the-accord-on-fire-and-building-safety-in-bangladesh>

Conclusion and Recommendations

Trade, and its restructuring into GVCs, is but one conduit of integration. Trade and integration into GVCs comes with benefits and costs. Increasingly open and unrestricted trade in goods and services improves productivity and contributes to economic growth. The availability of a greater variety of cheaper products, the creation of new and different opportunities for work, and the possibility for countries to specialize in the production of that which they are good at³⁷ has lifted millions out of poverty and raised living standards for many. An exchange in goods and services also comes hand in hand with an exchange of new ideas, innovations and technologies.

But every coin has two sides. The opportunity to capture parts of global production has increased competition and set off restructuring of economic activity within countries that favors some sectors, industries and even segments of the population, over others. In the process, some workers gain jobs while others lose them; some workers see their wages rise while others see them stagnate or decline,³⁸ some have seen improvements in working conditions, while many become victims to exploitation.

What's more, fragmentation of trade into more complex and sprawling supply and value chains has outpaced their governance. With the restructuring of trade into GVCs, existing

mechanisms and regulations to govern trade are less effective than they used to be. Trade agreements need to be aligned with how trade happens today – through private entities and through elaborate supply chains.

Increased interactions and dialogue between multiple stakeholders, including trade unions, grassroots organizations, multilateral organizations, multinational firms and national governments would assist in shared prosperity. For example, Swedish Prime Minister Löfven's "Global

Trade agreements need to be aligned with how trade happens today – through private entities and through elaborate supply chains.

Deal between Capital and Labour" is an initiative that seeks to do this, including engaging the private sector, labor organizations and policymakers to chart a new vision for employment relationships.

It is a collective initiative including states, union organizations, companies and international organizations designed to combat inequalities and unfair working conditions and promote social dialogue.

To improve employment, working conditions and employment relationships, in an ideal world, trade unions and grassroots organizations would be able to push multilateral organizations, multinational firms and national governments to improve the governance of GVCs and global supply chains. Companies should collect information about their supply chains,

be transparent about their suppliers, and create standards that apply across all factory locations, regardless of the country's regulatory environments. National governments should take measures to ensure a basic level of protection for workers, to hold companies accountable for their actions, and to support negotiations between companies and their domestic employees. More detailed recommendations are outlined below.

Recommendations

1. To mobilize reforms, **trade unions** could do the following:
 - a. Lobby to ensure that trade agreements include strong provisions for national governments and international organizations to hold multinational corporations and suppliers accountable for protecting workers in global supply and value chains. For example, trade unions should advocate for a dispute settlement mechanism for global supply and value chains that, at the very least, allows workers to file complaints that trigger a consultation process, but preferably also has repercussions for non-compliance.
 - b. Mobilize to ensure that multinational corporations gather information and are transparent about their supply chains, and maintain a supplier's code of conduct. To ensure compliance with these and other provisions, they should advocate for multilateral organizations to establish a global labor inspectorate with monitoring and enforcement powers.³⁹

- c. In addition, international trade union confederations should coordinate with domestic trade unions in countries where production by multinational firms is taking place, to design an effective incentive structure to motivate private entities. The Accord is one key example of this approach, but it only speaks to the apparel sector. The efficacy of this approach for other sectors and countries should be researched. For example, trade unions could coordinate with grassroots organizations and industry bodies to institute a directory of 'good practice' suppliers across countries and sectors. Companies who join this directory could attract conscientious consumers who consider brands' ethical positions when buying goods and services
2. To ensure good practice and fair working conditions in production, **multinational firms** should gather information about their supply chains and be transparent about these operations. In addition, every supplier factory of the supply chain should converge to the brand's single code of conduct, to ensure consistent standards for employees across all production locations.
3. To manage separate and joint priorities, **trade unions and multinational firms** should enter into joint agreements and collaborations, such as:
 - Global Framework Agreements: serve as a voluntary tool to institute high standards for trade union rights, health, safety and environmental practices, and principles for maintaining the quality of work across a

company's global operations, regardless of existing standards in a given country. Global trade unions are critical actors in establishing and monitoring these agreements.

- **National Collective Agreements:** a domestic method to protect and promote the interest of workers while maintaining competitive business promotion. For example, one such joint effort is the National Collective Agreement (2014-16) between the Confederation of Norwegian Enterprise and the Norwegian Hospitality Association on one side, and The Norwegian Confederations of Trade Unions and The Norwegian United Federation of Trade Unions, on the other.⁴⁰
- **Co-Governance (Box 6):** Develop and implement a Co-Governance model at the national level. Co-Governance actively engages businesses, labor and government stakeholders. It is considered a sustainable and replicable approach to labor relations in countries that lack adequate rule of law and good governance, and has been recognized by the U.S. Department of State as a best practice in

corporate citizenship.⁴¹ Co-Governance models promote industry-wide collective bargaining and apply local law and ILO standards such as freedom of association. This model has also provided capacity-building for constructive problem-solving.

4. To support trade agreements, and domestic political and economic policies, national governments should participate in negotiations with international buyers and brands. Such negotiations should not be left to employers or employers' associations alone. They should also collaborate with domestic trade unions to develop labor provisions for domestic and export-based businesses in the country, which should be binding with effective redressal mechanisms for non-compliance. An illustrative example is the Swedish government's policy for corporate social responsibility. This policy includes a code of conduct in line with international guidelines, encompasses regular monitoring, transparent reporting and dialogue, which sends a clear message of the government's expectations from all businesses in the country.

Box 6

Examples of existing Co-Governance Frameworks:

1. The Freedom of Association Protocol of Indonesia – (FOA Protocol, 2011)^a: Signed in June 2011, the protocol brought together Indonesian trade unions, employers, and global sportswear brands to ensure decent pay, better working conditions and freedom of association at supplier factories.
2. The IndustriALL Global Union Action, Collaboration, Transformation (ACT) Initiative^b: ACT is an agreement between global brands, trade unions and retailers in the garment and textile industry to ensure purchasing practices are linked to collective bargaining. 18 companies are signatories to the MOU of the initiative, including H&M, Inditex, Tesco, Kmart, Coles and Primark.
3. The H&M – IndustriALL – IF Metall Global Framework Agreement (2015)^c: The agreement aims to improve the capacity of trade unions and support implementation with effective industrial relations. It applies to about 1.6 million workers of the 1,900 factories that produce for H&M globally.

Source: JustJobs Network.

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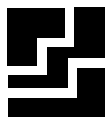
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