

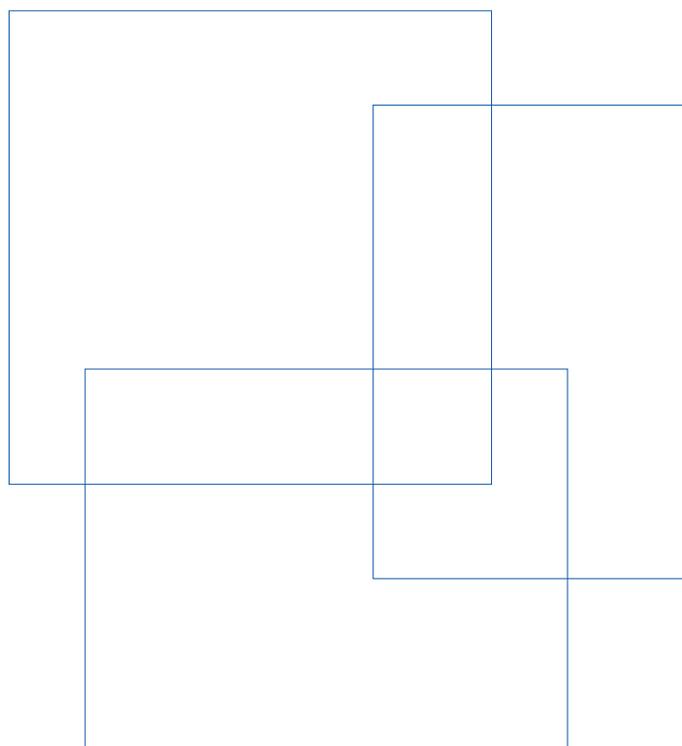


International
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Translating the 2030 Agenda for Sustainable Development into Action: Integrating trade, investment and decent work policies

Background Note by the International Labour Organization

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The 2030 Agenda and the SDGs set a new stage

The 2030 Agenda and its 17 Sustainable Development Goals (SDGs) stress that all three dimensions of sustainable development – economic growth, environmental protection and social justice - are of equal importance and must be pursued together as mutually supportive through an integrated approach to policy development and implementation.

UNCTAD XIV provides a major opportunity for member States to examine how trade, investment and decent work policies can be integrated more effectively and thus make a significant contribution to translating the 2030 Agenda for Sustainable Development into action. As the Report of the Secretary-General of UNCTAD to UNCTAD XIV recommends, “building productive capacity to transform economies through macroeconomic policies and developmental industrial policies that promote growth and generate jobs should be high on the post-2015 development agenda.”¹

The 2030 Agenda makes trade and investment instrumental to achieving sustainable development. “International trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development” (paragraph 68). “Private business, investment and innovation are major drivers of productivity, inclusive economic growth and job creation” (paragraph 67).

Furthermore, target 17.10 of SDG 17 on the Global Partnership aims to “Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda, while target 17.11 sets out to “Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2020”.

SDG 8, to “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, confers a considerable responsibility on the ILO and its mandate of decent work for all. It provides increased opportunities for ILO to seek partnerships with other actors, such as UNCTAD to support member States in harnessing the power of strong trade performance to growth processes that are inclusive and sustainable. A number of trade-related targets under SDG 8 reconfirm the potential of trade in contributing to this goal, including target 8.2 on diversification and technological upgrading, target 8.3 on formalization and growth of micro-, small- and medium-sized enterprises, and target 8a on Aid for Trade.

This marks a significant policy shift. Until now trade and investment have often been pursued as ends in themselves, while employment and decent work have sometimes been relegated to outcomes that would come about semi-automatically by simply going for growth.

The challenge world leaders have put before us with the 2030 Agenda will be to work together for an integrated policy response, to open markets and reduce trade restrictions – while at the same time, and better than before, put in place the crucial policies in other areas which are necessary for more inclusive economic growth and sustainable development.

While investment in human and physical infrastructure, including universal access to public health and education services, transportation and communication networks are all important,

¹ From Decisions to Actions: Report of the Secretary-General of UNCTAD To UNCTAD XIV

the ILO's Decent Work Agenda provides a crucial component of such a comprehensive and integrated approach, to make sure that trade and investment contribute to inclusive economic growth and sustainable development.

A closer look at recent developments in the world of work sheds light on why this shift is a timely necessity.

Trade and investment have been drivers of growth, development and poverty reduction

While the world as a whole sustained an average growth rate of close to 3 per cent from 1995 to 2014, world trade in goods and services increased on average twice as fast. Thus, trade went up from 20 percent of world GDP in 1995 to 30 per cent in 2014. Following the accession of China, the world's most populous country, to the WTO in 2001, developing countries' exports share of world trade increased from 26 percent to 44 per cent in the same period.

In parallel, and clearly related to these developments in global trade, developing countries' share of both inward and outward foreign direct investment has increased dramatically. They received more than half and invested externally 35 percent of the world total in 2014, up from less than 20 and 10 percent respectively in 2000.²

For the world of work, it is particularly important to note that the integration of emerging and developing countries into the globalized economy has increased the supply of labour in an increasingly global labour market. Two countries alone, China and India, have a combined workforce of 1.3 billion people, approximately 40 per cent of the world's total.

These dramatic shifts have certainly had welcome effects; contributing to global growth, fighting poverty and generating employment and decent work. Over the past two decades, important progress has been made in reducing poverty in the majority of countries. Nevertheless, in emerging and developing countries, taken as a whole, it is estimated that nearly 2 billion people live on less than 3.10 USD per day (adjusted for cost-of-living differences across countries). This represents around 36 per cent of the population in the emerging and developing world. While the numbers are still high, this poverty rate has been nearly cut in half since 1990. During the same period, extreme poverty – defined as people living on less than 1.90 USD per day – declined at an even faster rate to reach 15 per cent of the total population of emerging and developing countries in 2012, the latest year with available figures.³

But too many have been left behind – or pulled back.

Progress has, however, been very uneven. While many countries, notably China and Latin-America, have made significant improvements, poverty remains stubbornly high in Africa and parts of Asia.

And developed countries, especially in Europe, have recorded *increased* poverty. Estimates indicate that 300 million people in developed countries were living in poverty in 2012 (defined in relative terms based on incomes under 60 per cent of the median). Also, in developed countries where quality jobs are scarce, there is growing anxiety among middle-class families about their ability to sustain their income position. The recent deterioration in economic

² UNCTAD, World Investment Report 2015

³ ILO, World Employment and Social Outlook 2016

prospects in Asia, Latin America, the Arab region and countries rich in natural resources has begun to expose the fragility of the recent employment and social advances. Lack of economic diversification has made many countries, especially Least Developed Countries (LDCs), particularly vulnerable to the volatility of globally integrated markets.

Equally troublesome is the continuing high level of global unemployment. Global growth, both in GDP and trade, has stalled since the financial crisis in 2008 and does not seem to gain traction under current circumstances. As a consequence, the number of people unemployed has steadily continued to increase, reaching 197.1 million in 2015, trending upwards also this year and expected to pass 200 million people by 2017.

There has been increasing wage and income inequality

There are good reasons to believe that many of today's labour market challenges are related to the tectonic shift in the ratio of labour to capital following the rapid integration of emerging and many developing countries into the globalized and increasingly interdependent world economy, a process driven to a great extent by trade and investment flows – and the political agreements that frame and facilitate these flows.

As trade and investment-driven globalization has intensified, it is important to note that from 2006 to 2013 the average wage in G20 emerging economies increased by 6.4 per cent per year – while the average figure for G20 developed countries was 0.3 per cent per year. In other words, from 2006 to 2013 the average wage in emerging G20 economies increased 21 times faster than for workers in developed G20 economies.

These wage improvements, however, did not always reach into the large informal economies of many developing countries. Indeed, slowing growth has led to a stagnation in the gradual transition out of informality into formal employment which is a central feature of a transformative and sustainable development trajectory. The ILO's Global Wage Report 2014/2015 confirms that inequalities have been rising in many developing and developed countries.⁴

Decent work is a necessary, though not sufficient, condition for eradicating poverty. Achieving the global goals of the 2030 Agenda will not be possible unless people are given a fair chance to sustain themselves through work. And not any job will do. After all, almost one-third of the extreme and moderate poor in emerging and developing countries actually have a job. However, these jobs are vulnerable; sometimes unpaid, in low-skilled occupations and often without social protection, two-thirds in low-productivity agriculture. In developed countries, more than 80 per cent of the working poor are in wage and salaried employment.

Against this background, and in light of the paradigm shift provided by the 2030 Agenda for Sustainable Development, there are now compelling reasons to revisit the policy nexus of trade, investment, decent work and sustainable development. The integrated approach of the 2030 Agenda and the ILO's own Decent Work Agenda show the way forward.

Harnessing the potential of trade and investment as an important stimulus for the generation of decent work opportunities and sustainable development is a vital component of the global

⁴ ILO, Global Wage Report 2014/2015

partnership for the implementation of the 2030 Agenda. The ILO brings several interconnected policy tools and supporting research to such a new global partnership.

Decent work in global supply chains

It is estimated that between 60 and 80 per cent of world trade is now conducted through global supply chains and are therefore central to the world of work. Against this background, the International Labour Conference this year discussed “Decent Work in Global Supply Chains” and adopted a comprehensive resolution that will guide ILO’s action and is also of particular relevance to the theme of UNCTAD XIV.⁵

Global supply chains can have a number of benefits, including contributions to economic growth, job creation, poverty reduction, entrepreneurship and transition from informal to the formal economy. There is also recognition that failures at all levels of global supply chains have contributed to decent work deficits, including undermining labour rights, particularly freedom of association and collective bargaining. Decent work deficits are pronounced in a significant number of Export Processing Zones linked to global supply chains. Governments may have limited capacity and resources to effectively monitor and enforce compliance with laws and regulations. The expansion of global supply chains across borders have exacerbated these governance gaps.

The ILO’s international labour standards provide a governance framework for member States that underpins the goal of inclusive growth and decent work (SDG 8). Meeting the challenge of assuring progress towards decent work throughout global supply chains will require the strengthening of a range of labour market institutions, including the capacity to effectively monitor and enforce compliance with laws and regulations.

The ILO recommends that Governments should:

- Actively promote social dialogue and fundamental principles and rights at work, including freedom of association and the right to collective bargaining for all workers, regardless of their employment status, including in Export Processing Zones. As the ILO MNE Declaration emphasizes: “Where governments of host countries offer special incentives to attract foreign investment, these incentives should not include any limitation of the workers’ freedom of association or the right to organize and bargain collectively.”
- Consider to include fundamental principles and rights at work in trade agreements, taking into account that the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage and that labour standards should not be used for protectionist trade purposes.

An important objective is to help small and medium-sized enterprises to create quality jobs and decent work through participation in global supply chains. The most important action is to promote policy coherence by establishing inter-ministerial and tripartite policy working groups at national level, to analyse, design, implement and monitor trade-related policies and programmes to make sure they contribute to generating employment and decent work. At the international level, the ILO is prepared to drive policy coherence among all multilateral

⁵ Resolution concerning decent work in global supply chains http://www.ilo.org/ilc/ILCSessions/105/texts-adopted/WCMS_497555/lang--en/index.htm

initiatives and processes related to decent work in global supply chains, working in partnership with international organizations.

Harnessing trade and investment incentives for more decent work

The Better Work programme is a partnership between the ILO and the World Bank's International Finance Corporation (IFC) operating in eight developing countries around the world. It builds directly on harnessing trade and investment incentives for more decent work in the global garment industry. Better Work focuses on the tripartite structure of workers, employers and governments to participate in shaping policies regarding global supply chains and their impact on decent work. Global buyers are key stakeholders to the programme. Their sourcing decisions, often largely influenced by international trade and investment regimes, are critical in shaping Better Work's interventions and ensuring their success.⁶

Impact assessments show good results not only in the garment sector itself, but also beyond the workplace, as a tool for broader and more sustainable development. Empirical evidence at the factory level shows that improved working conditions are closely associated with worker wellbeing, higher productivity and profitability, as well as enhanced gender equality and better health and education outcomes for workers and their family members. Evidence from Better Work also confirms that trade incentives can play a pivotal role in driving higher compliance with international labour standards and national legislation.

International investment and the promotion of decent work

The ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration,) is the ILO framework adopted and supported by business, unions and governments to maximize positive social and employment impacts of multinational enterprises and resolve possible negative impacts. It sets out roles and responsibilities for governments (home and host), multinational enterprises, and workers' and employers' organizations and brings these actors together to solve decent work challenges and identify opportunities for inclusive growth. Its principles cover areas of employment, training, conditions of work and life and industrial relations.

In collaboration with UNCTAD, the ILO leads international efforts to promote sustainable investment and decent work. This includes joint events for information sharing and capacity building based on the promotion of the MNE Declaration and UNCTAD's Investment Policy Framework for Sustainable Development. The ILO also cooperates with the World Association of Investment Promotion Agencies (WAIPA) on training of IPA staff on investment facilitation and sustainable development. In addition, the ILO cooperates with the European Union to enhance their policy on corporate social responsibility, including the promotion of more socially responsible supply chains, and participates actively in various other international initiatives at the country level.

The ILO has developed materials to highlight the role of the private sector in achieving the SDGs, in particular SDG 8, while also providing capacity building to its tripartite constituents (governments, workers and employers) to engage more effectively in policy discussions and decision on trade and investment and with multinational enterprises in order to maximize the

⁶ For more on Better Work, see <http://betterwork.org/global/>

positive impacts of their operations in host countries, in line with SDG 8 and national development priorities.

At the country level ILO facilitates and supports tripartite plus dialogues to issues related to inclusive growth opportunities and operations of MNEs, based on the principles of the MNE Declaration and national development priorities. Such dialogues have been conducted and led to national public and private action plans in the extractive sectors in Africa⁷ as well as youth employment.⁸

Supporting skills development for successful participation in trade

The ILO's Skills for Trade and Economic Diversification (STED) programme supports country level work on integrating skills development into trade and development policies for tradable sectors of developing countries. Our work involves working closely with national and sector partners, including government, industry organizations, employers, workers organizations, providers of education and training and other institutions, to analyse and anticipate the skills needs of priority sectors, and contribute to responding to these needs. Our work finds that skills are one of the major factors impacting on the ability of firms in tradable sectors to participate effectively in export markets, to connect to global and regional supply chains and to hold their own when their domestic market opens to foreign competition. The extent to which skills development systems respond to the skills needs of employers and workers in tradable sectors varies significantly between countries. Dialogue between sector stakeholders has proven to be crucially important to getting this right.

Against this background the ILO promotes capacity building for countries to take on this work through their own institutions sustainably.

Providing technical advice and assistance on labour provisions in trade agreements

More trade is conducted within the framework of bilateral and plurilateral trade agreements than outside: almost 55 per cent of goods exported took place within such frameworks in 2014, compared with 42 per cent in 1995. Furthermore, it is increasingly common for new trade agreements to include labour provisions, and currently a quarter of the value of trade that takes place within the trade agreements framework falls under the scope of such provisions.

An ILO report on labour provisions in trade and investment agreements shows that labour provisions in trade agreements do indeed have a positive effect on labour force participation rates, in particular that such provisions increase the female labour force more than the male.⁹ Country studies also show that labour provisions in trade agreements can have a positive effect on labour market outcomes.

Against the backdrop of trade negotiations and agreements, and as part of their implementation, members in different parts of the world, both in developing and developed countries, have requested advice and technical assistance from the ILO in relation to labour standards, including fundamental principles and rights at work. Very significant most recently is the case of Viet Nam, where the ILO is providing support for the Government's labour market reforms

⁷ http://www.ilo.org/empent/units/multinational-enterprises/WCMS_449662/lang--en/index.htm

⁸ http://www.ilo.org/empent/units/multinational-enterprises/WCMS_329520/lang--en/index.htm

⁹ Assessment of labour provisions in trade and investment arrangements, International Labour Office. – Geneva: ILO, 2016

following the Trans-Pacific Partnership Agreement, where freedom of association and the right to collective bargaining are important elements.

Social Justice for a Fair Globalisation

Eight years after the ILO adopted its Declaration on Social Justice for a Fair Globalization, the International Labour Conference reviewed in 2016 the extent of progress on the objectives of the Decent Work Agenda.

The Decent Work Agenda has four strategic objectives, considered to be equally important and mutually reinforcing:

- Set and promote standards and fundamental principles and rights at work
- Create greater opportunities for women and men to decent employment and income
- Enhance the coverage and effectiveness of social protection for all
- Strengthen tripartism and social dialogue

The resolution on Advancing Social Justice through Decent Work adopted by the Conference commits the ILO to work actively with partner international agencies to support member States in the implementation of the 2030 Agenda. It also mandates the ILO to foster policy coherence by offering evidence-based policy advice and closely working with relevant government ministries and departments, and by facilitating the participation of the tripartite constituents in national sustainable development strategies and related United Nations planning frameworks.

The ILO therefore looks forward to enhancing its collaboration with UNCTAD to offer coherent policy advice on linking trade and investment policies to the promotion of the four strategic objectives of decent work in support of implementation of the 2030 Agenda. The ILO stands ready to assist governments, workers' and employers' organizations in these endeavours, including in the context of developing and implementing national strategies for sustainable development and decent work.