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FOURTEENTH ITEM ON THE AGENDA

Report of the Director-General

First Supplementary Report: Report of the Meeting of Experts to Promote Decent Work and Protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones

(Geneva, 21–23 November 2017)

Purpose of the document

The document provides information on the outcome of the Meeting of Experts on to Promote Decent Work and Protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones that took place in Geneva from 21 to 23 November 2017. It contains the adopted Conclusions and thus the recommendations by the experts for follow-up. The Governing Body is invited to endorse the conclusions and to decide how to give practical effect to them (see draft decision in paragraph 9).

Relevant strategic objective: All.

Main relevant outcome/cross-cutting policy driver: Outcome 4: Promoting sustainable enterprises.

Policy implications: Subject to approval by the Governing Body, the conclusions and the recommended follow-up will provide guidance for future work by the Office on promoting decent work and protecting fundamental principles and rights at work for workers in export processing zones.

Legal implications: None.

Financial implications: The follow up to the conclusions in the form of an action plan will have implications on the overall workplan of the Office with extra-budgetary funding being sought for the operationalization of such an action plan.

Follow-up action required: See the draft decision in paragraph 9.

Author unit: Enterprises Department (ENTERPRISES).

Related documents: GB.328/INS/5/1; GB.328/INS/5/1(Add.) and GB.329/INS/22.

Background

1. At its 328th Session (October–November 2016), the Governing Body requested the Office to “organize in 2017 a tripartite Meeting of Experts to identify possible action to promote decent work and protection of fundamental principles and rights at work for workers in export processing zones (EPZs)”.¹
2. The Meeting was convened from 21 to 23 November 2017. Eight experts were nominated by the Governments of Belgium, China, Indonesia, Nicaragua, Peru, South Africa, Thailand and Tunisia; eight experts were appointed after consultation with the Employers’ group; and eight experts were appointed after consultation with the Workers’ group. The Meeting was attended by seven experts from Governments, seven experts from the Employers’ group and eight experts from the Workers’ group, as well as by ten Government observers. There was also one observer from the European Commission.
3. The Meeting was chaired by an independent Chairperson, Ms L. Hasle (Norway). The Vice-Chairpersons were Mr E. Espinoza Peña (Government member, Nicaragua), Ms C. Jøker Lohmann (Employer member, Denmark) and Ms C. Passchier (Worker member, Netherlands).
4. The Office had prepared a report² to serve as a basis for the Meeting’s deliberations. The report provided a general overview of the existing knowledge on the situation of EPZs, their impact on fundamental principles and rights at work and decent work, as well as some suggested points for discussion.

Overview of the Meeting’s conclusions

5. The Meeting reviewed the report prepared by the Office and elaborated on proposed conclusions.³
6. The Meeting unanimously adopted the final version of the conclusions under the title *Conclusions to promote decent work and protection of fundamental principles and rights at work for workers in EPZs*.
7. The Meeting also considered how to give practical effect to the conclusions. The Meeting agreed on the following recommendations contained in the conclusions:

For the constituents

- Government EPZ policies should ensure that workers’ rights are protected and that, at a minimum, the fundamental principles and rights at work are not compromised in any policy to attract investors to EPZs. Concerted efforts should be made to guarantee

¹ [GB.328/PV](#), para. 83 and [GB.328/INS/5/1\(Add.\)](#), para. 7.

² *Promoting decent work and protecting fundamental principles and rights at work in export processing zones*, report for discussion at the Meeting of Experts to Promote Decent Work and Protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones (Geneva, 21–23 November 2017), International Labour Office, Enterprises Department, Geneva, ILO, 2017.

³ A full report of the Meeting’s proceedings is under preparation.

freedom of association and protection of the right to organize and to bargain collectively in EPZs. Governments should further place a high priority on strengthening labour inspection systems in both EPZs and the broader economy in countries where they are currently inadequate to fully protect workers' rights. Access to remedy should be speedy and fines for violations of workers' rights should be sufficiently dissuasive. Capacity building should prepare labour inspectors for the complex nature of supply chains. Governments should also ratify Conventions and apply the provisions of ratified Conventions in law and practice to the whole of the country, including EPZs. Authorities responsible for labour rights need to be part of actions taken in EPZs. Governments should promote collective bargaining and ensure an enabling environment for sustainable industrial relations; improve working conditions and social protections, including maternity protection; take appropriate measures to ensure that non-standard forms of work are not used to undermine workers' rights; develop occupational safety and health systems which also apply in EPZs; strengthen labour inspection in EPZs and provide speedy access to effective remedy when violations are found; support dialogue at national, regional and local levels to identify challenges posed by EPZs; and support enterprises to undertake due diligence. More broadly, they should adopt industrial policies to diversify into higher added-value economic activities and strengthen skills development.

- Employers' organizations should encourage and support enterprises to respect fundamental principles and rights at work and promote decent work; abide by national law; not engage in anti-union practices; support public labour inspection in EPZs; carry out due diligence; and use their leverage with business partners in their value chains to advance fundamental principles and rights at work and decent work. Employers' organizations should also engage in social dialogue concerning policies to promote decent work in EPZs.
- Workers' organizations should provide targeted support to workers in EPZs, in particular women, youth, migrant workers and refugees. They should also engage in social dialogue at all levels and promote linkages between different levels in union activities.

For the Office

- The ILO could play a role in providing support to tripartite constituents in countries operating EPZs to better promote decent work and protect fundamental principles and rights at work. The ILO could also provide guidance to promote productive employment and decent work and protect fundamental principles and rights at work in EPZs. Support could include the following:
 - improve the knowledge base to obtain up-to-date information and a more holistic picture of the nature of EPZs;
 - strengthen the capacity of national labour inspection systems, including inspection in EPZs;
 - promote and expand the Enabling Environment for Sustainable Enterprises (ESEE) programme to include EPZs;
 - provide technical assistance to tripartite constituents;
 - advocate for ratification and implementation of the fundamental Conventions, as well as relevant standards on occupational safety and health and social protection,

- and encourage cooperation across various ministries involved with EPZs, to promote policy coherence at national level;
- support the social partners to engage in industrial relations and broader social dialogue to reduce fundamental rights and decent work challenges and deficits in EPZs;
 - build the capacity of employers' and workers' organizations, and through them enterprises and workers operating in EPZs;
 - address shortages of skilled labour through skills development, education and vocational training, including in EPZs, and assist member States in becoming knowledge-based economies;
 - provide technical assistance to governments and social partners in mainstreaming the fundamental principles and rights at work and decent work for workers in EPZs;
 - document good practices by governments, social partners and enterprises in realizing fundamental principles and rights at work and addressing decent work challenges and deficits in EPZs and share these experiences more broadly; and
 - support the development of social dialogue at all levels.
- With regard to the multilateral system, the ILO should:
- intensify the collaboration and coordination with international organizations to ensure better understanding of the role of EPZs in the context of the 2030 Agenda for Sustainable Development;
 - cooperate with international financial institutions and regional banks to further promote decent work and respect for fundamental principles and rights at work for workers in EPZs;
 - work with the G20, taking into account its recent commitment to promote sustainable global supply chains as part of the broader agenda for achieving an inclusive, fair and sustainable globalization;
 - engage in UN Development Assistance Frameworks (UNDAFs) and with the World Association of Investment Promotion Agencies (WAIPA) to increase the effectiveness, sustainability and alignment of EPZs with the Sustainable Development Goals and the Decent Work Agenda.

Additional considerations by the Office

8. In the light of the recommendations of the Meeting of Experts, as called for in the conclusions, for the actions to be concrete and time bound, when needed, and aligned with existing ILO programmes that promote fundamental principles and rights at work and decent work, the Office will, subject to the Governing Body decision, develop the content and modalities for an action plan on EPZs, as called for in the 2016 ILC conclusions on decent work in global supply chains. In support of these efforts a dedicated resource mobilization strategy would be desirable.

Draft decision

9. *The Governing Body decides to:*

- (a) *take note of the outcome of the Meeting of Experts, endorse the conclusions, and authorize the Director-General to publish the conclusions of the Meeting;***
- (b) *request the Director-General to include the recommended follow-up action in the implementation of subsequent programmes and budgets.***

Appendix

Conclusions to promote decent work and protection of fundamental principles and rights at work for workers in EPZs

The Tripartite Meeting of Experts to Promote Decent Work and Protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones (EPZs),

Having met in Geneva from 21 to 23 November 2017,

Adopts this twenty-third day of November 2017 the following conclusions:

1. These conclusions are in line with the decision taken by the Governing Body at its 329th Session (March 2017), which set the agenda of the Meeting:
 - to discuss possible action to promote decent work and fundamental principles and rights at work for workers in export processing zones (EPZs);
 - to adopt conclusions which will provide guidance on the content and modalities for an action plan on EPZs as called for in the 2016 ILC conclusions on decent work in global supply chains.
2. These conclusions build on the 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-Up and on previous discussions regarding EPZs. The conclusions affirm the 1998 *Conclusions: Priorities and guidelines for improving social and labour conditions in EPZs* while recognizing the need to update them; and affirm the 2016 *conclusions concerning decent work in global supply chains* of the International Labour Conference, which highlight the application of fundamental principles and rights at work and decent work to all territories, including EPZs, as well as the 2017 *conclusions concerning the strategic objective of fundamental principles and rights at work* of the International Labour Conference.
3. There are limited recent empirical studies on EPZs in general, on the decent work impacts of EPZs and on the promotion of decent work and protection of fundamental principles and rights at work for workers in EPZs. Some recent publications are forced to draw on empirical studies dating back to the mid-1990s to mid-2000s, or sometimes as far back as the mid-1980s. However, there seems to be a general trend towards an increase in the number of EPZs and other types of free trade zones and the countries using them since the last ILO count in 2006. This approximately ten-year gap in knowledge on how EPZs affect decent work, as well as the heterogeneity of EPZs, underscore the need for up-to-date information and counsel against a one-size-fits-all approach.
4. EPZs have become a widely used instrument in both developing and industrialized countries to stimulate enterprise development, job creation, skills development and economic growth. They help attract foreign exchange earnings, provide crucial capital and materials for production, can spur industrialization, and they may be a more manageable first step to participating in global economies. Technology transfers and demonstration effects can also stimulate domestic enterprises to move up value chains. Companies located in EPZs operate in the formal economy, and often create a pathway to formal employment for youth, in particular young women. Workers in EPZs also tend to earn higher wages and to be included in social protection schemes.
5. Challenges and deficits in realizing fundamental rights and decent work are well documented in many EPZs. Workers commonly face barriers to exercising their right to organize and unions may face barriers and discrimination. Collective bargaining remains rare. Non-standard forms of employment can impact adversely on these rights. Women workers are at risk of harassment and discrimination in the workplace. In some cases, workers face

delays in payment or non-payment of wages due upon dismissal, and social protections in law do not always materialize in practice. Relative wage premiums do not necessarily imply adequate wages and hours of work also tend to be long, with high production quotas intensifying the pace of work, putting workers at greater risk of accidents and injuries. Forced overtime can also exist. Migrant workers are particularly vulnerable. These challenges are not unique to EPZs and tend to reflect the broader formal economy.

6. Incentives to attract investment to EPZs largely concern ways to help enterprises innovate and drive economic progress, such as investment and infrastructure and streamlined administrative services. However, incentives can also create weaker protections for workers' rights in those EPZs where the government has deemed some labour law provisions and inspection to be a deterrent to attracting investment.
7. The enclave nature of EPZs can limit the positive spillovers to domestic producers of good practices in respecting workers' rights and of upgrading technology, management and skills. Enhancing linkages between enterprises in EPZs and producers in the broader economy could contribute significantly to realizing fundamental rights and addressing decent work challenges and deficits in the economy as a whole and accelerate enterprise development, particularly for small and medium-sized enterprises (SMEs), as well as promote greater access of domestic companies in EPZs. However, the enclave nature can also present some benefits: EPZs can be a way for countries to test opening up their economies to the world market. In countries where there are challenges that present barriers to broader development, such as widespread corruption, EPZs offer the opportunity to kick-start critical reforms on a more manageable scale, which can be extended later to the economy more broadly. Likewise, in countries where decent work deficits persist, particularly concerning the fundamental principles and rights at work, EPZs could offer a space to initiate reforms to strengthen protection of workers' rights that could be progressively extended to the nation as a whole.
8. Governments agree that EPZs offer both challenges and opportunities and recognize the benefits that EPZs may provide. It is encouraging that many governments have made progress in their administration of EPZs, such as taking action to remove restrictions to workers organizing in EPZs.
9. Government EPZ policies should ensure that workers' rights are protected and that, at a minimum, the fundamental principles and rights at work are not compromised in any policy to attract investors to EPZs. Concerted efforts should be made to guarantee freedom of association and protection of the right to organize and to bargain collectively in EPZs. Governments' responsibilities extend also to the active promotion of these enabling rights.
10. Access to incentives in EPZs, where appropriate, should be conditioned on a commitment to upholding decent work. Examples of effective policies are needed to support governments and the social partners in attracting investment which will foster decent work and the fundamental principles and rights at work.
11. EPZs are often linked to global supply chains. The strategies companies employ for sourcing may also impact the rights of workers in EPZs in significant ways. All companies have a responsibility to respect workers' rights and use their leverage to take steps to ensure that the rights of workers in their supply chains are also respected and that workers have access to remedy when their rights are violated, as advocated for in the UN Guiding Principles on Business and Human Rights and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration). Technical assistance to tripartite constituents in countries operating EPZs is essential to protect and promote fundamental principles and rights at work and decent work in EPZs and should be part of the ILO Decent Work Country Programmes.
12. Governments should place a high priority on strengthening labour inspection systems in both EPZs and the broader economy in countries where they are currently inadequate to fully protect workers' rights. Access to remedy should be speedy and fines for violations of

workers' rights should be sufficiently dissuasive. Capacity building should prepare labour inspectors for the complex nature of supply chains.

13. Governments should ratify Conventions and apply the provisions of ratified Conventions in law and practice to the whole of the country, including EPZs. Authorities responsible for labour rights need to be part of actions taken in EPZs.
14. Governments should promote collective bargaining and ensure an enabling environment for sustainable industrial relations; improve working conditions and social protections, including maternity protection; take appropriate measures to ensure that non-standard forms of work are not used to undermine workers' rights; develop occupational safety and health systems which also apply in EPZs; strengthen labour inspection in EPZs and provide speedy access to effective remedy when violations are found; support dialogue at national, regional and local levels to identify challenges posed by EPZs; and support enterprises to undertake due diligence. More broadly, they should adopt industrial policies to diversify into higher added-value economic activities and strengthen skills development.
15. Employers' organizations should encourage and support enterprises to respect fundamental principles and rights at work and promote decent work; abide by national law; not engage in anti-union practices; support public labour inspection in EPZs; carry out due diligence; and use their leverage with business partners in their value chains to advance fundamental principles and rights at work and decent work. Employers' organizations should also engage in social dialogue concerning policies to promote decent work in EPZs.
16. Workers' organizations should provide targeted support to workers in EPZs, in particular women, youth, migrant workers and refugees. They should also engage in social dialogue at all levels and promote linkages between different levels in union activities.
17. The multilateral system can help to strengthen governance in EPZs and promote policy coherence at global levels in areas impacting EPZ development, such as policies on inclusive and sustainable growth, trade and investment policies, industrialization and SME development strategies, and protection of human rights. A key focus of the multilateral system should be on supporting better coordination among actors at national and international levels: tripartite constituents, related stakeholders, foreign investors, SMEs and international organizations. International instruments such as the Sustainable Development Goals combined with the Addis Ababa Action Agenda on Financing for Development, the UN Guiding Principles on Business and Human Rights, the UN Principles for Responsible Investment, the UN Principles for Responsible Contracts, the ILO MNE Declaration, the OECD Guidelines for Multinational Enterprises, and international labour standards can help foster policy coherence.
18. The ILO could play a role in providing support to tripartite constituents in countries operating EPZs to better promote decent work and protect fundamental principles and rights at work. The ILO could also provide guidance to promote productive employment and decent work and protect fundamental principles and rights at work in EPZs. Support could include the following:
 - (a) Improve the knowledge base to obtain up-to-date information and a more holistic picture of the nature of EPZs. The focus of research could include: data collection on the number, location, size, form and function of EPZs; net effects of EPZs on job creation, respect for the fundamental principles and rights at work and decent work more generally, including social protection; impacts of EPZs on workers' rights, including the right to organize and collective bargaining in enterprises inside and outside EPZs; impacts on recruitment practices inside and outside EPZs; impacts of EPZs on the rights of women workers, including gender discrimination in skills development and wages; impacts of EPZs on fundamental rights and decent work as compared to broader national labour markets; impacts of robotics and artificial intelligence on employment creation in EPZs against the background of changing needs and trends in the future of work; the role of industrial relations in creating positive

impacts of EPZs; how supply chain management operations impact workers' rights in EPZs and good practices in sharing benefits between buyers and workers in their supply chains; an assessment of which policies facilitate links to local producers; good practices for governments to undertake a cost–benefit analysis of their EPZ policies; and good practices concerning the use of investment policies, trade agreements or codes of conduct to promote fundamental principles and rights at work and decent work in EPZs.

- (b) Strengthen the capacity of national labour inspection systems, including inspection in EPZs.
- (c) Promote and expand the Enabling Environment for Sustainable Enterprises (ESEE) programme to include EPZs.
- (d) Provide technical assistance to tripartite constituents using the provisions of the ILO MNE Declaration in tripartite discussions on policies shaping how EPZs can contribute to decent work and fundamental principles and rights at work.
- (e). Advocate for ratification and implementation of the fundamental Conventions, as well as relevant standards on occupational safety and health and social protection, and encourage cooperation across ministries involved with EPZs, including Labour, Finance, and Foreign Affairs, and with EPZ authorities, both public and private, to promote policy coherence at national level.
- (f) Support the social partners to engage in industrial relations and broader social dialogue to reduce fundamental rights and decent work challenges and deficits in EPZs.
- (g) Build capacity of employers' and workers' organizations, and through them enterprises and workers operating in EPZs, on fundamental principles and rights at work and the Decent Work Agenda, and industrial relations.
- (h) Address shortages of skilled labour through skills development, education and vocational training, including in EPZs, and assist member States in becoming knowledge-based economies.
- (i) Provide technical assistance to governments and social partners in mainstreaming the fundamental principles and rights at work and decent work for workers in EPZs. National action plans developed under the UN Guiding Principles on Business and Human Rights may be a vehicle for this.
- (j) Document good practices by governments, social partners and enterprises in realizing fundamental principles and rights at work and addressing decent work challenges and deficits in EPZs and share these experiences more broadly.
- (k) Support the development of social dialogue at all levels.

19. With regard to the multilateral system, the ILO should:

- (a) Intensify the collaboration and coordination with international organizations such as the United Nations Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD) and the World Bank to ensure better understanding of the role of EPZs in the context of the 2030 Agenda for Sustainable Development, including developing joint data collection and research on EPZs to ensure a comprehensive understanding of their form, composition, function and impact on economic and social development.
- (b) Cooperate with international financial institutions and regional banks to further promote decent work and respect for fundamental principles and rights at work for workers in EPZs.

- (c) Work with the G20, taking into account its recent commitment to promote sustainable global supply chains as part of the broader agenda for achieving an inclusive, fair and sustainable globalization.
 - (d) Engage in UN Development Assistance Frameworks (UNDAFs) and with the World Association of Investment Promotion Agencies (WAIPA) to support the promotion of decent work and protection of fundamental principles and rights at work in EPZs and increase the effectiveness, sustainability and alignment of EPZs with the Sustainable Development Goals and the Decent Work Agenda.
20. The above actions should be concrete and time bound, when needed, and be aligned with existing ILO programmes that promote fundamental principles and rights at work and decent work, such as the 2016 programme of action on decent work in global supply chains and the plan of action arising from the recurrent discussion on the strategic objective of fundamental principles and rights at work at the 106th Session (2017) of the International Labour Conference.