



TENTH ITEM ON THE AGENDA

**Report of the Subcommittee on
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 18 March 2009. Ms Zappia (Government, Italy) was the Chairperson. Ms Horning-Draus (Employer Vice-Chairperson) was replaced at the sitting by Ms Goldberg and Ms Burrow (Worker Vice-Chairperson) was replaced at the sitting by Mr Gurney (Worker, United Kingdom).

Update on strategic priorities for 2008–09

2. The Committee had before it a document for debate and guidance.¹ A representative of the Director-General (Mr David Lamotte, Acting Director of the Job Creation and Enterprise Development Department) introduced the paper providing an update on strategic priorities for 2008–09. The manager of the ILO Helpdesk (Ms Sims) gave a detailed explanation of the Helpdesk to provide expert advice on the realization of the international labour standards and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).
3. The Workers hoped that the position of head of the Multinational Enterprises Programme of the International Labour Office would be filled as soon as possible. The Helpdesk was an important step forward in providing visibility and speedy delivery of information and advice, established through a process that built trust among the parties and collaboration among different units of the house. A necessary second step to be taken was the review and development of materials to support and publicize it, including promotional material on the MNE Declaration.
4. The Workers appreciated that collaboration with the ILO International Training Centre (Turin Centre) had become operational. Training courses related to the promotion of the MNE Declaration and corporate social responsibility (CSR) should include a sufficient number of workers' representatives, through either reducing costs or allocating more funding to support these representatives. The training materials should be geared towards action. Industrial relations and the regional dimension should be covered more extensively, and other topics such as discussion of the Global Compact should be reduced. Training should target company managers, human resource staff and trade unions. Training for social auditors was important to ensure that they had a substantial knowledge of the ILO, its standards and the MNE Declaration. There was also a need to train public labour

¹ GB.304/MNE/1.

inspectors along the same lines. Lastly, the MNE Declaration should be mainstreamed into wider ILO training activities.

5. In reference to the work with other intergovernmental organizations, the Workers strongly supported the joint work with the OECD, given the complementarities between the MNE Declaration and the OECD Guidelines, and requested more information, in particular on a recent OECD initiative bringing together the instruments of different international organizations including the ILO. The ISO work continued to be a concern, and they asked the Employers' group to encourage their colleagues taking part in national mirror committees to defend the existing text on the ILO and international labour standards. With regard to the Global Compact they welcomed the Global Compact Guide but stressed the need to shift the focus to the implementation of labour standards and principles.
6. The Workers strongly supported the development of a guide on the MNE Declaration and called for more country-level promotional activities. They looked forward to receiving follow-up information on the work in the SADC region, and were encouraged by the establishment of a partnership with the ASEAN secretariat but stressed the importance of close consultation with the Officers of the Subcommittee. They further suggested incorporating work on the MNE Declaration into the Decent Work Country Programmes.
7. They welcomed the studies referred to in the paper but stressed the need for dissemination, validation and coordination of research. Concerning how research was selected, a research agenda was necessary to establish priorities. With respect to the financial and economic crisis, the MNE Declaration should be a strong ILO vehicle for policy advice.
8. Concerning the Social Justice Declaration, new partnerships should be developed between the Office and MNEs and trade unions operating at the international sectoral level. The Office should develop an action plan, rather than a paper, on this issue for the next sitting of the Subcommittee with the active involvement of the Officers, the groups' secretariats, and ACTRAV and ACT/EMP.
9. The Employers largely agreed with the Workers. The global crisis, which was a financial, economic and social crisis, set the context for the deliberations of the Subcommittee and its ongoing work. Multinational enterprises were experiencing pain and challenges. The biggest difficulty was how to deal with the trade-off between business decisions to cut costs and the desire to retain and support employees. The Subcommittee could provide guidance of particular importance at this difficult time. The Subcommittee needed to concentrate on creative and more energetic ways to stimulate the understanding and use of the guidelines provided by the MNE Declaration. The Helpdesk was particularly relevant in this respect.
10. One of the benefits of the Helpdesk was that it provided a learning and educational tool, including for ILO staff. The body of knowledge and materials acquired should be used to promote the use and understanding of the MNE Declaration to members of employers' and workers' organizations. To facilitate this, it would be useful to collect some information – such as the nature of the requests, regions and sectors concerned – while maintaining user confidentiality. In addition, replies should include contact details of the appropriate employers' and workers' organizations.
11. In relation to the training course at the Turin Centre, it would be useful to have the responses and reactions of those who took the course in order to understand the utility of the courses.
12. The process of drafting the guide to the Global Compact had set a good precedent for the production of a guide on the MNE Declaration. However, given the complexities of the

MNE Declaration it might be useful to start incrementally with the FAQs of the Helpdesk and aim to provide a variety of tools to promote the MNE Declaration. The Employers also referred to work with other organizations, in particular the OECD. The ILO and the OECD had different instruments, which deserved different processes to be strengthened.

13. The representative of the Government of India thanked the Office for its efforts to operationalize the Helpdesk, including the various strategies developed to promote it. He hoped that the international instruments in the area of CSR would increase understanding about the opportunities and challenges associated with CSR in developing countries and how multinational enterprises could assist. The MNE Declaration and the implementation of the Decent Work Agenda had a crucial role to play in the attainment of a fair globalization.
14. The representative of the Government of the Republic of Korea stated that it was timely to reshape priorities in light of the current global financial and economic crisis. The MNE Declaration provided good guidance to enterprises on how they could respond to the crisis. She urged the Office to take quick steps to strengthen its capacity to respond to questions related to the crisis and to develop a practical guide for governments, employers and workers to promote the MNE Declaration. Her Government welcomed the activities of the Helpdesk and supported close cooperation with other international organizations.
15. The representative of the Government of Kenya, speaking on behalf of the Africa group, appreciated the work undertaken to set up the Helpdesk. He noted, however, that it was not very clear what involvement government representatives had had in these efforts. He was concerned that training provided had not included government representatives and sought clarification.
16. The Chairperson clarified that some government representatives had been involved in training, and that she could serve as a bridge between governments and the Office, including the Turin Centre.
17. The representative of the Government of Argentina urged the Turin Centre to take training to the field. He indicated that there was a need to pay special attention to the development of the ISO standard on social responsibility. He supported development of a detailed document explaining the MNE Declaration.
18. The representative of the Government of Austria indicated that information about the role and mandate of the Helpdesk should be circulated widely. She proposed that a letter be sent to the governments which they could forward to the social partners.
19. The representative of the Government of the United Kingdom indicated that in order to promote the Helpdesk it would be useful to issue press releases and provide information at CSR meetings and conferences. He supported the Workers' comments regarding social auditors. He stressed that there was a continuous need to connect with business in order to demonstrate relevance and credibility.
20. The representative of the Director-General welcomed the comments of the Subcommittee. He noted that the establishment of Helpdesk FAQs on the financial crisis was only one line item in an array of Office responses that had been developed. The feedback from the recent training exercise had been positive but company representatives indicated that they would like the training to be even more practical. Once the training course had been perfected in Turin, rolling it out to different locations would help reduce the cost of the training and therefore probably increase participation. He took note of the views expressed in relation to the ISO standard. On the issue of government input, he indicated that it was not generally a problem engaging government representatives and cited examples of the work

in Ghana, Argentina, Zambia and China, where this had been an important element. In relation to research, he noted the recommendations to study smaller multinational enterprises and those investing in the South. He indicated that there had been a sector-wide review of the research agenda in order to produce work that was more responsive to the field and better coordinated. He indicated that the work of the Office concerning promotion of the MNE Declaration was contained under outcome 3, indicator 4, of the Strategic Policy Framework. He welcomed the renewed interest in the promotion of the MNE Declaration. Projects like the one in Argentina would provide an opportunity for learning that could be used in other countries.

Update on progress towards an alternative modality to evaluate the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

21. The Committee had before it a document for information.² Introducing the paper, the representative of the Director-General suggested that, in light of the advantages and limitations of the current exercise, there was a need to combine the strengths of the previous survey methodology with the good practices of the current exercise, and that the outcome of the exercise would be reported to the Subcommittee at its next sitting.
22. The Employers commended the Office for the work done so far and stressed that, despite some difficulties, the current exercise was bringing added value in terms of learning and useful information. They encouraged the Office to be creative in testing new tools and methodologies and suggested to build upon the experience of the ongoing country-level studies in Argentina and Ghana. Possibilities existed to reduce costs of the country-level studies such as using videoconferences and the Internet.
23. The Workers suggested that more information on the country-level studies should be provided and that the Office should consider adding more countries to the exercise, including a developed country (Norway) and an Asian country, building on research work already done by the Institute. They agreed with the suggestion to explore new techniques in conducting the exercise, using structures already in place, and reiterated a previous request to clarify how issues related to multinational enterprises and, in particular, the design and outcome of the field testing exercises would feature in the 2010 cyclical review on employment under the Social Justice Declaration at the 99th Session of the International Labour Conference in 2010.
24. The representative of the Government of Austria stressed the importance of involvement of multinational enterprises in the country-level exercises and called for in-depth research in the participating countries. She sought more information on the questionnaires used in the exercise.
25. The representative of the Government of Argentina emphasized that the country-level study in Argentina was helping to strengthen social dialogue. So far the exercise had involved analysis of the information on the relationship between employment and foreign direct investment, development of the questionnaires for different social actors and the multinational enterprises, and selection of the participating organizations from the chosen economic sectors (food, commerce and the automobile industry). The next steps would include the organization of the tripartite workshop to sensitize tripartite constituents and to

² GB.304/MNE/2.

validate the methodology, to be followed by the discussions of the focus groups, and by the second tripartite workshop to discuss the results of the exercise.

26. The representative of the Director-General agreed that the use of new technologies would be appropriate. He thanked the representative of the Government of Argentina for providing more details on the study and explained that the field exercise was using a methodology with some core elements but adjusted to different groups of respondents and to different country and sector contexts. He agreed that more countries should participate in the exercise and invited government representatives to consider their countries' participation. The results of the field exercise would contribute to the 2010 cyclical review on employment.
27. The Workers agreed that the country exercise stimulated tripartite work on the ground and stressed that all the topic areas of the MNE Declaration should be covered by the exercise.
28. The Employers stressed the importance of encouraging countries to participate in the study and suggested that the opportunity to attract investments would be one of the possible motivators.

Overview of recent and upcoming corporate social responsibility events

29. Introducing the paper on this subject,³ the representative of the Director-General explained that this was a standing report. While it used to outline how the ILO was engaging in the topic of CSR, it had evolved in nature and style to the report that was under discussion. There were challenges in compiling the report, including finding out what was happening in an organization the size of the ILO and, given the differing definitions among staff and constituents, about what constitutes CSR. The challenge was to present the information in a manner that was of interest and relevance while respecting the value of the work of the contributors. He asked the Governing Body for guidance on how the paper should continue this process of evolution.
30. The Workers stated that they did not want an exhaustive list of ILO activities but rather an assessment of the impact and outcomes of ILO involvement in CSR activities. The paper should provide more detail on the Office's activities to promote the MNE Declaration and good practices in CSR. They requested information on work concerning the textiles sector in China, Global Compact networks and the Green Jobs Initiative. Regarding the bigger issues in CSR, they suggested that Professor Ruggie be invited to address an InFocus Forum in November.
31. The Employers complimented the Office on the paper and noted that it was an evolving product. In considering its evolution, there was a trade-off between being comprehensive and providing interesting and useful content. The Office should be selective, prioritizing key developments and providing analysis that was interesting and relevant. They supported the proposal to invite Professor Ruggie to speak at an InFocus Forum in November.
32. The representative of the Government of India noted that the paper had labelled as CSR some activities which were, in fact, legal responsibilities, namely strengthening labour inspection and promoting ratification of international labour standards.

³ GB.304/MNE/3.

33. The representative of the Government of Argentina commented that the Office paper would benefit by being more focused and detailed on some of the priority issues. He also supported the intervention by the representative of the Government of India.
34. The representative of the Government of Belgium stressed that it was important to analyse the activities in the context of the Decent Work Agenda and the Social Justice Declaration. The global trends section of the paper helped define the framework for ILO activities.
35. The representative of the Director-General thanked the Subcommittee for its guidance. He noted the consensus that in the future this paper on promotion of the MNE Declaration and updates on relevant CSR activities should profile key events. In reply to the comments of the representative of the Government of India, he acknowledged that the caption in the appendix could be rephrased as “Implications for promoting the MNE Declaration”. Lastly, he explained that Professor Ruggie had been invited as a guest speaker but was unable to come during this Governing Body session. Another invitation would be extended for November.
36. The Workers recalled that the Social Justice Declaration stated “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”.
37. The Executive Director of the Employment Sector, Mr Salazar-Xirinachs, noted that the Helpdesk could provide a good example of the integrated approach called for in the Social Justice Declaration. He affirmed that the Office was engaged in consultations on the cyclical report, which would include issues related to the MNE Declaration. He was pleased that the work on promoting the MNE Declaration in the field was generating valuable tripartite dialogue and collaboration. Lastly, he agreed with the suggestion of the Employers to focus on how to make countries more attractive for foreign direct investment by using the MNE Declaration as a key tool.

Geneva, 20 March 2009.