



International
Labour
Office

Development and decent work: New directions for multinational enterprises in shaping a fair globalization

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Table of Content

1.	Introduction.....	3
2.	Multinationals and employment: contributions and challenges.....	5
3.	A comprehensive framework for action: The ILO MNE Declaration	7
	Content of the ILO MNE Declaration	7
4.	Examples of coordinated solutions to decent work deficits in global supply chains	11
5.	Way forward	15

1. Introduction

Multinational enterprises (MNEs) are main drivers of globalization. Their influence and visibility place them at the heart of the concerns of the critics of globalization as well as of its most ardent proponents. Recognizing the key role they can play in pursuing the goals of sustainable development, a fair globalization and decent work for all, subscribed to by the international community, MNEs have started embarking on a wide range of voluntary initiatives, such as codes of conduct and other practices.

The World Commission on the Social Dimension of Globalization¹ underlined that a fair globalization should be based on the framework of universally shared values and it calls for contributions from all actors in globalization – States, civil society, business, trade unions, international organizations and individuals. The World Commission also urged making decent work – more and better jobs for women and men everywhere – a key goal of economic policy at national and global levels, by giving priority to employment creation, protecting fundamental rights at work, strengthening social protection and promoting social dialogue.

This appeal received worldwide endorsement by many governments and international institutions, including that of the Summit of the United Nations General Assembly in 2005.² The ILO and other multilateral agencies are actively engaged in supporting national and international efforts to follow-up on the commitment to promote decent work objectives as a means towards a fairer globalization and as an important component of the development and poverty alleviation agenda.³ In this connection, the International Labour Conference recently adopted a *Declaration on Social Justice and a Fair Globalization* aimed at strengthening ILO capacity to support member states to pursue the goal of decent work for all.⁴

As regards the role of multinational enterprises, the challenge is to harness individual business initiatives to ensure systemic improvements in the contribution of foreign direct investment (FDI) to developmental goals, including poverty reduction; and to help shape an environment conducive to sustainable development and decent work in the developing countries that are host to multinational enterprises. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) is a

¹ “A Fair Globalization: Creating Opportunities for All”, Report of the World Commission on the Social Dimension of Globalization, ILO, Geneva, 2004.

² Paragraph 47 of the Outcome Document of the UN World Summit 2005 reads as follows: “We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.”

³ For a review, see “Report of the ILO Forum on Decent Work for a Fair Globalization, Lisbon, 31 October-2 November 2007”, Geneva, 2008. The connection between decent work and poverty alleviation is outlined in “Working Out of Poverty”, Report of ILO Director-General to the International Labour Conference, Geneva, 2003.

⁴ ILO Declaration on Social Justice for a Fair Globalization. International Labour Conference, 2008.

key instrument for companies, host and home country governments, and employers' and workers' organizations that are committed to addressing this challenge.⁵

This presentation looks at how business endeavours can contribute to the promotion of decent work and explains the value of the ILO MNE Declaration for companies, governments and workers' and employers' organizations seeking to put in place a policy framework that maximises the linkages between FDI and the process of sustainable economic, social and environmental development.

⁵ Adopted by the ILO's Governing Body in 1977 and most recently updated in 2006, the ILO MNE Declaration is the main international voluntary instrument as regards the employment and labour dimension of MNE activities. For further information, see www.ilo.org/multi

2. Multinationals and employment: contributions and challenges

The private sector, investment and entrepreneurship are key factors in generating and sustaining economic growth; therefore they play a central role in attempts to address poverty and vulnerabilities. Recognizing this, the ILO constituents – governments, employers', and workers' organizations – decided to discuss “The promotion of sustainable enterprises” at their International Labour Conference in June 2007. Through that discussion, they agreed on the need to promote enterprise development in a manner that aligns enterprise growth with sustainable development objectives and the creation of productive employment and decent work.⁶

In an ever increasingly globalized world, MNEs are an important part of the private sector in many developing and industrialized countries. They have been main actors in the unleashing of market forces that swept the developing world over the past 30 years. In a number of countries, FDI has made a clear contribution to economic growth and the creation of decent jobs. There is general consensus among experts that FDI stimulated technological and skills spillovers in host countries; by this means it facilitated local industrial learning and the growth and diversification of exports – key factors in order to deepen and sustain economic growth.

There is also ample evidence of good direct jobs as a result of multinational investments. Workers employed by MNEs generally enjoy wages, working conditions and other benefits that are at least equal and often higher than those of employees in comparable domestic enterprises. This at times can spill over to domestically owned firms and plants.⁷

From a broad development and decent work perspective, however, the fact remains that the geographical distribution of foreign investment remains highly skewed. With the exception of investment in extractive industries, which is location-specific, FDI largely flows across industrialized economies or accrues to just a few large countries in the developing world. Too many small and poor countries are unable to participate.

Equally important is the fact that even in those developing countries that receive FDI the impact has been clearly beneficial only where local manufacturing capabilities and able governments were already in place.⁸ FDI comes in many forms, but its impact in the host country does not only depend on the overall quality of the MNE “package”. Rather, it is the local capacity to absorb and use that package – together with the presence of an environment favourable to the flourishing of sustainable enterprises – which can generate a

⁶ “The promotion of sustainable enterprises (general discussion and conclusions)”, International Labour Conference, 96th session, Geneva, 2007. Available at: <http://www.ilo.org/public/english/standards/realm/ilc/ilc96/pdf/pr-15.pdf>

⁷ See T. Moran, “A Perspective from the MNE Declaration to the Present: Mistakes, Surprises, and Newly Important Policy Implications”, Employment Working Paper N.11, ILO, Geneva, 2008.

⁸ For a discussion, see “Trade, foreign investment and productive employment in developing countries”, ILO’s Governing Body Committee on Employment and Social Policy, Geneva, November 2004. The importance of “increasingly capable, credible and committed government” in fostering sustained and inclusive growth was underlined by the World Commission and is a central message of “The Growth Report: Strategies for Sustained Growth and Inclusive Development” released in May 2008 by the Commission on Growth and Development, see www.growthcommission.org.

virtuous circle. Where that capacity is weak and the environment not enabling, FDI alone is hardly enough to generate growth.

Moreover, for historical and structural reasons, the large majority of the workforce in developing countries is stuck in the vast informal economy and can hardly access the opportunities offered by FDI and global competition. Overall, MNEs are estimated to directly employ over 95 million people, mainly concentrated in industrialized economies. They account for only 3.4 per cent of the world's total employment of about 2.8 billion.⁹

There are several factors behind the weakness of labour market institutions and the lack of compliance with labour law that seem common to many developing countries. Often, Ministries of Labour and other agencies dealing with labour market and social issues do not have the capacity or resources to fulfil their mandate. In some cases, the labour law is unclear or not well understood by employers. In others, strict enforcement is undermined by the perception of government that domestic and foreign investors may prefer more lax jurisdictions.¹⁰ Dysfunctional institutions, scant resources and lack of capabilities are the central policy issues that should be addressed in order to improve the labour market impact of investment in host developing countries.

The ILO MNE Declaration recognizes the importance of the policy and institutional environment in host countries as a key determinant of the impact of FDI on the quantity and quality of jobs, drawing the attention of managers and policymakers towards issues such as training for creating and developing local skills through the transfer of technology and know-how; backward linkages to local suppliers and SME development; measures to minimize restructuring effects; improvements in working conditions; and good industrial relations. By focusing on key issues of developing country labour markets, the ILO MNE Declaration contributes to foster cooperation between MNEs and governments in overcoming barriers to more equitable growth and better labour market outcomes.

⁹ See Kee Beom Kim, "Direct employment in multinational enterprises: Trends and implications", EMP/MULTI working paper N.1, ILO, Geneva, 2006.

¹⁰ That labour market institutions are considered just a cost to employers is shown by the way their presence is weighted in indicators of national competitiveness such as the World Bank's "Doing Business" Report. For a comprehensive discussion, see Janine Berg and David Kucera (eds.), "In Defence of Labour Market Institutions: Cultivating Justice in the Developing World", Palgrave Macmillan, 2008.

3. A comprehensive framework for action: The ILO MNE Declaration

The ILO MNE Declaration provides guidance on good corporate behaviour and citizenship¹¹ based on the values enshrined in the international labour standards agreed upon by governments and representatives of employers and workers. Although it is a voluntary instrument, the ILO MNE Declaration refers to national legal frameworks and practices, relevant international labour standards, the international Covenants adopted in the United Nations, and the ILO Declaration of Fundamental Principles and Rights at Work.

The ILO MNE Declaration is a universal instrument, applicable to all ILO member states, in both developed and developing countries. It is accompanied by a periodic follow-up survey process carried out under tripartite supervision and includes a procedure to request an interpretation of its principles in concrete situations.

The ILO MNE Declaration is recognized as a key reference for consultation and cooperation among governments, MNEs and employers' and workers' organizations on labour and employment issues. It is increasingly common for voluntary initiatives to reference international labour standards covering many, if not most, of the key areas addressed by the ILO MNE Declaration, the remaining exception being industrial relations. More broadly, in the area of financial markets, the two most influential socially responsible investment (SRI) stock indexes where MNEs are likely to be publicly listed—the Dow Jones Sustainability Index and FTSE-4-Good—both reference the ILO MNE Declaration for labour practices.

Content of the ILO MNE Declaration

The ILO MNE Declaration stresses the critical role that host country governments play in fostering an 'enabling environment' that encourages multinational and other enterprises to undertake actions to promote decent work, which governments in developing countries are increasingly acting on. For instance, Ghana, in partnership with employers and workers, has developed a Business Code, which addresses issues related to human rights, labour standards, environment, anti-corruption, and ethical business practices, and aims to create an enabling environment that encourage companies to operate in a socially responsible manner.

The ILO MNE Declaration also encourages governments of home countries to promote good social practice in accordance with its principles, having regard to the social and labour law, regulations and practices in host countries as well as to relevant international standards. Both host and home country governments are invited to be prepared to have consultations with each other, whenever the need arises, on the initiative of either.¹²

The ILO MNE Declaration covers five areas: general policies, employment, training, conditions of work and life, and industrial relations. Each of them includes guidance to both governments and enterprises, and suggests some ways in which they can work

¹¹ "Conclusions concerning the Promotion of Sustainable Enterprises", International Labour Conference, 96th Session, Geneva, 2007, paragraph 13 (5).

¹² ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977, revised 2006), paragraph 12.

together to maximize the contribution of multinational and other enterprises to economic and social development. A brief description of guidance for companies under each area is provided below (see also Annex), along with some examples of how they—alone or in cooperation with government and the social partners—have put these principles into practice.

General policies

The ILO MNE Declaration stresses the importance of obeying national laws and respecting the principles contained in international labour standards, in particular the fundamental principles and rights at work. Companies are also encouraged to consult with government and employers' and workers' organizations to ensure that operations are consistent with national development priorities.

Some examples of how companies have given effect to these principles include:

- A prominent South African MNE played a leading role in challenging the denial of full trade union rights for black miners during Apartheid South Africa and remains actively engaged in local and national dialogue on issues of mutual concern for the company and the communities in which it operates.
- A global leader in placement services is supporting cross-border dialogues between management and worker representatives; engaging in partnership with government, trade unions, NGOs and international organizations to combat the worst forms of exploitation of migrant workers.

Employment

The ILO MNE Declaration calls on companies to increase employment opportunities and standards, to the extent possible, taking the employment policies and objectives of governments into account. They should give priority to the employment, occupational development, promotion and advancement of nationals of the host country; use technologies which generate employment, both directly and indirectly; and build linkages with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment. Companies also are urged to extend equality of opportunity and treatment in employment. Lastly, companies should assume a leading role in promoting security of employment, providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal.

Companies, by their very operations, contribute to employment generation. However, some are thinking more strategically about how to strengthen their suppliers to help them become more competitive and hence generate greater employment.

- A MNE operating in Brazil worked with the national and local government to ensure that the sale of an operation did not result in any job losses.
- An international food producer is working to support local farmers in developing countries to increase their productivity and competitiveness through skills development, transferring technology, providing micro-credit for upgrading and supporting infrastructure development.
- A major phone service provider used its existing industrial relations mechanisms to develop an agreement between employees and management to tackle discrimination and improve job satisfaction and performance through equal opportunities for both female and male colleagues.

- A mining company held consultations with its employees and with the local authorities in order to offer sustainable economic occupations after the mine closed. Together they developed an agriculture-retraining programme and other vocational training programmes for the displaced workers and the community as a whole.

Training

The ILO MNE Declaration stresses the importance of multinational and other enterprises providing training for all levels of employees to meet needs of enterprises as well as development policies of the country. MNEs should participate in programs to encourage skills formation and development and provide opportunities for local management to broaden their experience.

Companies commonly invest in their workforce; and a growing number are realizing the benefits of investing in skills development for workers in their supply chains. Some also are collaborating with government at the policy and institutional level.

- For instance, numerous companies are working with the Tanzanian government to develop a system of skills certification.
- A major software company has been implementing in several Latin American countries training programmes to boost employability by providing free information technology courses to unemployed workers in less developed areas.
- In the Mexican automobile industry, firms are committed to cooperate with the government in making the skills certification process formal and transferable to help jobseekers and employers in both internal and external labour markets.

Conditions of work and life

The ILO MNE Declaration states that multinational and other enterprises should provide wages, benefits and conditions of work not less favourable than those offered by comparable employers in the country concerned; and encourages them to provide the best possible wages, benefits and conditions of work, within the framework of government policies, to meet basic needs of employees and their families. Furthermore, companies should respect the minimum age for admission to employment. And they should maintain highest standards of safety and health at work; examine the causes of industrial safety and health hazards; provide information on good practice observed in other countries; and undertake necessary improvements.

Some company examples include:

- Many multinational enterprises offer medical care services to their employees and their families, in particular when they operate in sectors where private life is closely linked with professional activity such as the plantation sector. In Africa, medical services often include HIV/AIDS treatments and counselling to prevent it. In other regions, such as Latin America, they can go as far as supporting their employees' efforts to control their weight in order to prevent obesity and related health complications.
- Concerning the elimination of child labour, many companies have become involved in initiatives at the sectoral and national level, such as ILO tripartite projects to eliminate child labour in the tobacco and cocoa sectors.

- A company in the sugar plantation and processing industry contributes to raising the level of occupational safety and health standards by implementing the same OSH policy it applies in its home country in all countries of operation. Guidelines for using the policy are translated into all relevant languages and distributed to all employees, who also receive specific training as well as the necessary personal protective clothes and equipments. In order to keep the number of accidents to a minimum, there is a constant monitoring.

Industrial Relations

The ILO MNE Declaration highlights the importance of sound industrial relations. Companies should observe industrial relations standards no less favourable than those observed by comparable employers. They should respect freedom of association and the right to collective bargaining, and provide facilities and the information required for meaningful negotiations. Companies should also provide for regular consultation on matters of mutual concern; and examine worker grievances pursuant to an appropriate procedure. Furthermore, all enterprises should support representative employers' organizations.

Some examples of how MNEs have become active in promoting good industrial relations in their global operations include:

- Many MNEs have signed international framework agreements with the global union federation counterparts for their particular sector. These agreements provide a basis to build trustful relationships and transform industrial relations in countries where social dialogue is not fully developed. There are now over 50 such agreements.
- A major manufacturer of household care items is active not only in its home country employer organization, but at the international level and in host countries through subsidiaries.
- A multinational tea plantation has established a comprehensive policy on management-labour relations, which includes in addition to collective bargaining, regular consultations as well as simple and effective joint mechanisms for addressing conflicts.
- A multinational affiliate in the paper industry maintains with the trade union that represents its workers a policy of transparent communication, which includes sharing information concerning its performance.

The ILO MNE Declaration has much guidance to offer both governments and companies. But its greatest value is highlighting the importance of a coordinated approach between governments and enterprises, whenever possible, to maximize the positive impacts of enterprises on economic and social development. While this section explained the guidance contained in the ILO MNE Declaration on how enterprises and governments can contribute, both individually and in a harmonized fashion, to decent work; the next section provides some concrete examples of companies engaging in collective efforts—at the sectoral level and with public institutions—to strengthen and expand protection of workers' rights.

4. Examples of coordinated solutions to decent work deficits in global supply chains

Public concern about compliance with labour standards in global supply chains has led MNEs to introduce corporate codes of conduct and to audit working conditions in their factories as well as among their overseas suppliers. These developments have brought improvements in some areas, but have also shown some limitations. A review of growing literature about the auditing model brings up the following issues:¹³

- There are vast inefficiencies in multiple audits for the same supplier by each buyer;¹⁴
- There is widespread cheating and double-book-keeping on the part of suppliers;
- There are limited capabilities of third party and in-house auditors to understand and detect violations, particularly of freedom of association;
- There is a focus on policing and finding flaws, rather than on advising and fixing problems;
- There is limited scope for reaching sub-contractors and the more vulnerable casual and home-based workers;
- There is internal misalignment within firms between social responsibility and economic imperatives;
- There is lack of engagement with public labour inspections and any other efforts to improve governance and compliance over the long term.

In addition, at times a selective approach is taken to respecting the fundamental principles and rights at work, leaving out rights such as freedom of association and collective bargaining, or non-discrimination. The recognition of those limitations is directing attention towards different, more comprehensive approaches that cover several or all of the topics addressed in the ILO MNE Declaration.

Development and decent work problems that, directly and indirectly, involve MNEs can be given successful responses through projects involving a multiplicity of stakeholders – private and public, national and international – at territorial or industry levels. These coordinated solutions are aimed at ensuring sustainable compliance with labour standards along global supply chains, but at the same time they enhance job opportunities in low-income countries and help MNEs maintain their reputation. They usually combine monitoring with a mix of incentives as well as training and capacity building. Three examples of such coordinated initiatives are outlined below.

¹³ This list has been compiled by the ILO-IFC Better Work Team based on examples drawn from studies such as : Institute of Development Studies (2006); Ethical Trading Initiative Impact Assessment; Business for Social Responsibility (2007) *Beyond Monitoring: A New Vision for Sustainable Supply Chains*; O'Rourke, Dara, (2006) *Outsourcing Regulation: Non-Governmental Systems of Labour Standards and Monitoring*.

¹⁴ The proliferation of corporate codes of conduct increases the costs of compliance particularly for the smallest suppliers and it may get in the way of their efforts to diversify and broaden their clientele. It also increases information costs for the responsible consumer.

(a) Better Work

A joint initiative by the ILO and the International Finance Corporation (IFC) of the World Bank Group, the Better Work programme is built on a successful project launched in Cambodia in 2001 and widely recognised by academics, development bodies and CSR opinion leaders as the most advanced model for improving labour compliance in global supply chains.¹⁵ *Better Factories Cambodia* helped the textiles and garment industry develop and became the country's main engine of growth, accounting for 80 per cent of Cambodia's exports and over 65 per cent of employment in manufacturing. Among the project's outcomes are the improvement in working conditions in the industry, the increase in trade union membership and a contribution to the redistribution of income to the rural population, women in particular. Unlike in other developing countries, the industry in Cambodia has not suffered from the expiry of the Multifibre Arrangement: exports have increased as the country has been able to create its niche as a socially responsible supplier in the international market.¹⁶

Drawing from the experience in Cambodia, *Better Work* redefines the way labour standards compliance is implemented in supply chains with a focus on the development of sustainable solutions in supplier countries. It combines enterprise assessments of compliance with labour standards at the factory level, with training and capacity building. The key to success is the active engagement of the relevant employers' and workers' organizations, the national government and international buyers.

To date, country-level activities have focused on establishing national tripartite industry schemes. Participating in Better Work can help enterprises access new contracts with international buyers, thus contributing to generate new employment opportunities. Better Work assesses enterprise compliance with international core labour standards and national law related to health and safety and working conditions. Assessment results are reported publicly and to buyers, which creates immediate incentives for improvement.

In each of its project countries, Better Work develops a strategy for building capacity and working with the public labour inspectorate. The strategy includes: on the job training for inspectors with Better Work teams; sharing of aggregate compliance data for the purposes of risk rating; and co-developing software for tracking inspections.

The programme is now developing global tools and is engaging in the garment sector in three countries, Jordan, Lesotho and Viet Nam. Along with *Better factories Cambodia*, the first phase directly benefits 1.2 million working people with the

¹⁵ The *Better Factories Cambodia* project was originally linked to an innovative trade agreement between the US and Cambodia which provided trade incentives, in the form of quotas, in return for improving working conditions. Later it became a self-financing local entity relying on corporate social responsibility (CSR) rather than trade agreement incentives; see www.betterfactories.org.

¹⁶ See Corinne Vargha, "Promoting decent working conditions in global production chains: the experience of Better Factories Cambodia", in Isabelle Daugareilh (ed.), *Responsabilité des entreprises transnationales et mondialisation de l'économie*, Bruylant – Brussels, forthcoming, 2008; Don Wells, "Best practice" in the regulation of international labour standards: lessons of the US- Cambodia textile agreement, *Comparative Labor Law and Policy Journal*, Vol. 27, 357, p. 360; Sandra Polaski, *Combining Global and Local Forces; The Case of Labor Rights in Cambodia*, Carnegie Endowment for International Peace Policy Brief, 2006, p. 12.

potential for reaching millions more in sectors such as agribusiness, light manufacturing, transport, mining, construction and electronics.¹⁷

(b) Wine and Agricultural Ethical Trade Association (WIETA)

Workers in the wine and agricultural sectors of South Africa, particularly off-farm temporary workers and migrant workers, face many issues related to their lack of employment security, low pay, poor access to benefits, inadequate childcare, lack of training, and lack of, or low-quality on-farm housing. The search for a solution started with discussions among trade unions, NGOs, retailers and producers of the Western Cape wine supply chain exporting to the United Kingdom, which led to the creation of a local monitoring initiative called the Wine Industry Ethical Trade Association (WIETA).¹⁸

Formally established as a non-profit membership organization in 2002, WIETA changed its name to Wine and Agricultural Ethical Trade Association in 2006, broadening its scope to encompass all sectors of agriculture. Its members include a significant number of South African wine producers, retailers, trade unions, non-governmental organizations and the government, and more recently, cut flower and deciduous fruit growers. Its mission is to promote the adoption of a code of good practice while educating producers and workers, organising independent social auditing, and monitoring the implementation of corrective actions in case of non-compliance. Funds come from a variety of private and public sources – a UK wine buyers group, the South African Wine Industry Trust, National and Provincial Governments, the Ethical Trading Initiative, local NGOs.

An independent assessment indicated that WIETA was able to build bridges between stakeholders, and to establish local inspection mechanisms and contacts to local governments. As it concerns labour conditions, the following improvements were reported: better terms and conditions of employment for seasonal/temporary workers, better management systems and risk control measures for occupational health and safety, payment of overtime for long working hours, reduction of hours in extreme (illegal) cases of peak season hours, ending racial and gender discriminatory practices, and many other changes and alignments of managerial practice with the labour laws as they apply to agriculture in South Africa.¹⁹

From the outset, the Department of Labour has participated as an observer in the Executive Committee, to maximise synergies with its labour inspection services. The Department of Labour inspectorate helped to establish viable and relevant benchmarks for compliance monitoring and compliance decisions. WIETA, in turn, has contributed to the Department of Labour's inspectorate training programme. As a result, monitoring efficiency and corrective action implementation has significantly improved. These are important achievements considering that the agriculture sector is a main earner of foreign currency and a large employer. Wine, in particular, is South Africa's top exported agricultural product: South African winemakers have significantly increased their share of the global market in recent years, making the country the world's ninth largest exporter.

¹⁷ See www.betterwork.org

¹⁸ See www.wieta.org.za

¹⁹ See “Initiative to improve compliance with labour laws: The case of WIETA”, Multinational Enterprises Programme, ILO Geneva, mimeo, 2007.

(c) GTZ/ILO/Volkswagen Project: Better Health and Safety for Suppliers

This pilot programme was launched in 2004 in 3 countries – Brazil, Mexico and South Africa. It is a clear example of the common interest of the public and the private sector in creating sound social, economic and environmental conditions in developing countries. Set within the framework of the UN Global Compact, the ILO's International Labour Standards and Volkswagen's Social Charter, the project aimed at reducing occupational safety and health (OSH) risks for employees at Volkswagen and its suppliers in the target countries, which would improve the quality and productivity in the supply chain, thus ultimately leading to higher competitiveness through reduced OSH risks and fewer accidents, less work hours lost, less absenteeism and higher motivation of the workforce.

The project had also mechanisms to ensure national sustainability through the establishment of national OSH and CSR committees, the introduction of a Process Optimizing Consulting (POC) method, and the development of an internet based prevention system that can be used outside Volkswagen' supply chain. Labour inspectors are involved and participate in enterprise visits, thereby they receive on-the-job training and can learn new approaches to prevention. The project is currently being evaluated; some preliminary results for South Africa are showing visible improvements among the local suppliers.²⁰

The Better Work, WIETA and the GTZ/ILO/Volkswagen projects show many differences in terms of scope, objectives and the industries and countries covered. In each case, however, the interplay between different actors, private and public, was instrumental in strengthening the sustainability and competitiveness of a set of economic activities and at the same time improving conditions of work and workers' welfare.

These programmes illustrate that the approach promoted by the ILO MNE Declaration based on dialogue and partnerships among enterprises, governments and trade unions, can effectively contribute to achieving important common goals. The contribution each programme made to strengthening the capabilities and deepening the institutional texture of public labour inspection services was not always a major explicit objective, but it might well be the critical outcome for the purposes of achieving sustainable development and decent work.

²⁰ Global Compact Case Study, Better Health and Safety for Suppliers- A partnership project between Volkswagen, ILO>Z, by *Maria Kristjansdottir*, Reykjavik University, School of Law.

5. Way forward

ILO is working to promote greater awareness and application of the rich and valuable guidance provided by the MNE Declaration. An important component of this work focuses on building the capacity of governments, social partners, and enterprises to promote and apply the MNE Declaration.

In this regard, the ILO is concentrating its efforts in the following areas:

- Providing policy guidance to governments on maximizing the social and economic benefits of MNE operations.
- Developing information resources, case studies, tools and methodologies to encourage coordinated approaches between governments and enterprises whenever possible at national, local and sectoral levels.
- Providing training and supporting capacity building. Introductory training materials have been developed to help build the capacity of constituents and companies to use the ILO MNE Declaration. Currently more specialized training materials are being prepared for governments and social partners, as well as a wider target audience.
- Fostering knowledge sharing and dialogue: Networks at country and regional levels are important to better raise awareness, encourage social dialogue in areas of common interest and support efforts of companies and constituents. The ILO field offices and Decent Work Country Programmes in a number of countries provide a platform for tripartite dialogue which could promote the awareness and use of the ILO MNE Declaration. The trend towards the harmonization of donors' interventions, the United Nations Development Assistance Framework and Poverty Reduction Strategy Paper exercises, and the call for greater policy coherence could provide opportunities and platforms for those dialogues.
- Providing technical assistance for specific questions of application. The ILO will soon launch an MNE Helpdesk, which will provide concrete guidance to companies and constituents about how the principles contained in the ILO MNE Declaration, and international labour standards, can be realized in practice.

In undertaking the above work, it is important that the ILO forges partnerships with other relevant international, multilateral and bilateral institutions to leverage its comparative advantage to achieve greater success and impact. This is particularly important in the context of the UN reforms. This joint meeting with OECD highlights the importance that we attach to this partnership approach.

Thank you.

Annex: Short overview of the Principles of the ILO Tripartite MNE Declaration

Areas covered	Enterprises are encouraged to:
General Policies	<ul style="list-style-type: none"> • Obey national laws and respect international standards. • Contribute to the realization of the fundamental principles and rights at work. • Consult with government, employers' and workers' organizations to ensure that operations are consistent with national development priorities.
Employment	<ul style="list-style-type: none"> • Endeavour to increase employment opportunities and standards, taking the employment policies and objectives of governments into account. • Give priority to the employment, occupational development, promotion and advancement of nationals of the host country. • Use technologies which generate employment, both directly and indirectly. • Build linkages with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment. • Extend equality of opportunity and treatment in employment. • Assume a leading role in promoting security of employment, providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal.
Training	<ul style="list-style-type: none"> • Provide training for all levels of employees to meet needs of enterprises as well as development policies of the country. • Participate in programs to encourage skill formation and development. • Afford opportunities within MNE for local management to broaden their experience.
Conditions of work and life	<ul style="list-style-type: none"> • Provide wages, benefits and conditions of work not less favorable than those offered by comparable employers in the country concerned. • Provide the best possible wages, benefits and conditions of work, within the framework of government policies, to meet basic needs of employees and their families. • Respect the minimum age for admission to employment. • Maintain highest standards of safety and health at work. • Examine the causes of industrial safety and health hazards, provide information on good practice observed in other countries, and effect necessary improvements.
Industrial Relations	<ul style="list-style-type: none"> • Observe industrial relations no less favorable than those observed by comparable employers. • Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations. • Support representative employers' organizations. • Provide for regular consultation on matters of mutual concern. • Examine the grievances of worker(s), pursuant to an appropriate procedure.