

## Summary of MULTI Forum '07

### Overview

The Forum to mark the 30<sup>th</sup> anniversary of the MNE Declaration took place in Geneva, 15-16 November 2007. Over 180 people, including representatives from 50 companies, participated in the unique open discussions between management and workers and in breakout sessions looking at specific challenges in the manufacturing, agriculture, extractives and services sectors.

The Forum helped raise the profile of the MNE Declaration, and generated valuable conclusions to guide the Office. Participants agreed that the MNE Declaration is unique, has significant potential added value, and is more relevant than ever. However, it remains relatively unknown; and ILO needs to intensify its promotional work among MNE and employers' and workers' organisations, through e.g. development of training materials and setting up a help desk function. Furthermore, the ILO should collaborate with other organisations such as OECD.

### Themes touched upon during the Forum

#### *Changing context in which MNEs operate*

Speakers noted that many things have changed in the last 30 years. MNEs are now more often referred to as "global companies." Global companies may be large or small, and operate in all types of sectors. FDI has grown phenomenally in recent years, and no longer flows just from the developed countries, but increasingly from developing countries to both developed and developing countries, making it even more important to have rules that embrace everyone and a mechanism for dialogue and common solutions.

Supply chains are also playing an increasing role in global production, with accompanying subcontracting reaching out to the informal economy. A session on social auditing drew attention to the challenges global companies face in understanding the labour issues in their supply chains, and limited impact to date of external verification systems, particularly those which do not simultaneously help to build capacity of suppliers or include a role for workers' representatives.

The breakout sessions also highlighted some of the particular challenges specific sectors are facing, including: limited control over suppliers and contractors in particular sectors; the high level of fatal accidents in dangerous sectors; the challenges of rural development and the need for infrastructure for advancing economic development; the importance of improving productivity of suppliers, through government policies and public-private partnerships. Attention was also drawn to the plethora of initiatives, particularly in certain sectors, and the need for a more rationalized approach which is also clear about the appropriate role for the state.

## Challenges

Global companies face particular challenges operating in countries where the principles of the MNE Declaration are not respected.

Global companies need to be partners in the shaping of economic and social policy in their host countries, in open chambers of the institutions of national social dialogue. This is so the accommodation requested makes sense to the polity as a whole, and people understand the costs and benefits of decisions taken.

Social and economic policy that creates a realistic balance between the demands of investment and consumption, growth and redistribution, economic and social gains, depends on deeply entrenched understanding and support from all social actors, and the electorate as a whole. Achievement of the noble goals of the MNE Declaration often involve tough choices, with no correct or incorrect answers which can be taken from others' experiences. The only way to develop the local "correct" answer is for society as a whole to develop it for itself, through open social dialogue.

Initiatives will only have meaning if they shape behaviour in company operations around the world. The true enforcers of such consistency are unions, governments, representative business organizations, and communities.

### *Changing approaches to addressing social issues*

The home base of a global company shapes the character of company and how it operates abroad.

Many multinational enterprises are putting the principles of the MNE Declaration into practice—promoting employment and skills development, protecting workers' rights, and fostering good industrial relations. Participants shared their experiences, such as: playing a leading role in challenging the denial of full trade union rights for black miners during Apartheid South Africa; working to support local farmers through transferring technology, providing micro-credit and supporting infrastructure development; and supporting cross-border dialogues between management and worker representatives; engaging in partnership with government, trade unions, NGOs and international organisations to combat the worst forms of exploitation.

#### *The MNE Declaration as a valuable tool*

Several speakers noted that the MNE Declaration was one of the first attempts by the international community, including employers and workers organisations, to introduce a social dimension to the forces shaping globalization. Back in the early 70's it wasn't easy to find in the world much common ground between employers, workers and governments—and the shared responsibility in seeing that the needs of business and the welfare of workers go hand in hand. Consequently, the MNE Declaration was highly innovative, in particular because it has an on-going follow-up system through the Governing Body Subcommittee on Multinational Enterprises.

It was also noted that the MNE Declaration is uniquely comprehensive, addressing workers' rights while also encouraging global companies to engage more broadly in economic and social development, including contributions to employment promotion, skills development and technology transfer. And it encourages global companies to engage in social dialogue with government and workers' and employers' organisations, a recommendation which was quite innovative 30 years ago.

#### *The role of constituents*

A key theme coming out of the experiences was dialogue and active engagement with a wider range of partners to find more effective solutions to challenges global companies increasingly face.

Social responsibility entails sitting down and talking about a range of issues with unions and workers representatives, which involves dialogue. Furthermore, companies need to become active corporate citizens in

national business organisations and participate in institutions for social dialogue which business and labour create.

Participants shared how trade unions are making important contributions by engaging in dialogue with multinational enterprises and supporting and representing workers throughout supply chains. Several global union federations spoke about how they are engaging with leading companies to address key issues in dialogue and partnership; as paper commitments do not in themselves bring about changes. Two companies shared their positive experiences working with a global union federation and how each has effectively used a global framework agreement to build trustful relationships and transform industrial relations in countries where social dialogue is not fully developed. On the other hand, another participating company challenged the notion that workers are best represented at the international level; in its experience dialogue was most effective at the local level.

Several companies explained how they are engaging government in social dialogue at the national level. One company presenter stressed that "the only way to develop the 'correct' answer [to many of the challenges companies and communities face] is for society as a whole to develop it for itself, through an honest and open process of social dialogue, which can help to build or strengthen democratic institutions."

### *Challenges for ILO*

More and more demands are being put on companies. A key challenge put to the ILO was "whether the MNE Declaration is the 30 year old dame or bachelor at the ball, all dressed up and ready to dance but waiting for a partner; or if it has a central role to play in helping to maximize the benefits of MNE operations in host countries and to minimize the challenges."

The presentations during the Forum clearly indicated that the later is true—the MNE Declaration is more relevant than ever; but its impact is not a foregone conclusion. The ILO must work to make sure this happens: The ILO will take what we have learned during the Forum and use it to strengthen our assistance to companies and constituents.

However, participants clearly identified many remaining challenges. The MNE Declaration needs to guide the behaviour of global companies from both developed and developing countries.

Some speakers also stressed the need to clarify that the principles of the MNE Declaration apply to all workers, whatever their employment relationship with the global company. Even companies with the best of intentions have great difficulty bringing about significant improvements in respect to workers' rights and industrial relations further down supply chains where employment relationships are often informal.

*Implications for future work of ILO in the area of responsible business practices*

The discussions highlighted that ILO has much important work still remaining. Not enough people know about this instrument. Visibility is steadily growing. For instance, the two most highly influential stock indexes that measure sustainability both reference the MNE Declaration—the Dow Jones Sustainability Index and FTSE-4-Good. And an increasing number of multi-stakeholder initiatives are referring to the MNE Declaration and are seeking technical advice from the Office. But more work needs to be done.

ILO should improve its capacity to assist multinationals and other companies to better understand how the MNE Declaration can help them to contribute more effectively to economic and social development. The helpdesk, which is under development, should greatly facilitate this process.

Concerning the constituents, ILO should assist governments to better understand and implement the recommendations of the MNE Declaration aimed at helping them to attract investment which will contribute to Decent Work in their countries. It also should assist employer and worker organisations to engage more fully and effectively with multinational enterprises to achieve productivity and growth through socially responsible labour relations.

ILO should also reach out to groups it has not worked with in the past, such as the financial markets. One company speaker stressed that "the art of management is reaching the right compromise between unions' position and financial market expectations. ILO may have a role to play in helping financial markets to understanding the objectives of the MNE Declaration, including reaching out to equity funds.

A common point of agreement across the sector-specific breakout groups was the need for increased ILO engagement with sectoral and global organisations.

The importance of continuous improvement was also stressed. ILO should never be satisfied, but always remain optimistic about our ability to do better.

Furthermore, speakers stressed the importance of embedding private initiatives in an overall strategy of increasing governance capacity, including that of the state to regulate the employment relationship.

As a first step in better promoting the MNE Declaration, it was suggested to organise similar Forum events at regional level.