



## SECOND ITEM ON THE AGENDA

### **Outcome of the field exercise towards an alternative modality to evaluate the effect given to the MNE Declaration**

#### **Introduction**

1. In March 2006, following the presentation and discussion of the results of the eighth survey on the effect given to the MNE Declaration, the Governing Body requested the Office to prepare a paper outlining different options for evaluating the effect given to the MNE Declaration.<sup>1</sup> The request was based on the concern about the low response rate to the survey and the lack of detail in the replies.<sup>2</sup> In November 2006, the Subcommittee discussed possible options for modifying the survey process, building on past practice and noting procedures of other international organizations.<sup>3</sup>
2. In March 2008, the Governing Body decided to suspend until this session the decision taken at its 258th Session to conduct surveys every four years, and requested the Office to test the proposed alternative exercise and report on its outcome in November 2009.<sup>4</sup> This paper responds to the latter request.
3. The exercise consisted of three components:<sup>5</sup>
  - *a global holistic scan*, primarily through a desk review, of the effect given to the areas covered by the MNE Declaration;
  - *country-level exercises*, primarily through interviews and focus group meetings, on the role multinational enterprises play with regard to the areas covered by the MNE Declaration;

<sup>1</sup> GB.294/PV, para. 228.

<sup>2</sup> GB.294/10, paras 6–13.

<sup>3</sup> GB.297/MNE/3; GB.297/13(Rev.), paras 28–35.

<sup>4</sup> GB.301/PV, para. 232.

<sup>5</sup> GB.303/MNE/1.

- *a global sectoral exercise*, primarily a desk review and a survey, focusing on the role that MNEs in a particular sector are playing with regard to the subject areas of the MNE Declaration.
4. While the MNE Declaration was not included in the 2009 General Survey on employment, it will be discussed in the context of the recurrent discussion report on employment at the International Labour Conference in 2010. The MNE Declaration is relevant in this context not only because many of its principles are drawn from the international labour standards addressed in the report, but also because it applies the interrelated approach to the strategic objectives as called for in the ILO Declaration on Social Justice for a Fair Globalization.

## Lessons learned

### Global holistic scan

5. The purpose of this component was to determine the extent to which secondary data could supplement the survey in evaluating the effect given to the principles of the MNE Declaration in the five areas covered (general policies, employment, training, conditions of work and life, industrial relations), with a view to defining a framework that could be helpful for conducting global periodic studies in the future. The Office carried out a broad review of data and trends in the areas of the MNE Declaration <sup>6</sup> and prepared a bibliography of key sources to inform future global and national studies.
6. Three lessons can be drawn from the exercise. First, available data do not cover adequately and equally all five areas of the MNE Declaration and all regions of the world. For example, much of the internationally available data tends to focus on foreign direct investment (FDI) and direct employment creation, while for other important areas of the MNE Declaration (e.g. industrial relations) adequate data do not exist. Research is concentrated in large economies, with very little coverage of least developed countries. At the company level, research tends to focus on the largest, best known brands, and is therefore not necessarily representative. Second, global holistic scans are best suited to identify broad trends and issues to be further analysed through more in-depth specialized studies. Third, desk reviews can complement country- and sector-level studies as shown by the country-level exercises described below, where desk reviews informed the tripartite dialogue by helping constituents to focus on key challenges.

### Country-level exercises

7. The Office conducted exercises in Ghana and Argentina. They included a desk review, workshops or focus group meetings, and survey questionnaires.
8. In each country a desk review of available data from national sources profiled the degree of FDI inflow, sectors where multinational enterprises were concentrated, their role in the national economies in relation to economic growth and employment, and trends relating to earnings, skills transfer, working hours, and industrial relations. In both countries national tripartite working groups were established to operationalize the exercise, which involved a number of tripartite and individual constituent workshops.

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<sup>6</sup> R. Markey and K. Ravenswood: *The effects of foreign direct investment and multinational enterprises on the areas covered by the 1977 MNE Declaration of the ILO* (forthcoming).

9. As decided by the Governing Body, the Office developed targeted questionnaires based on a critical evaluation of previous survey instruments and focused on a set of core questions for each of the following respondent groups: governments, employers' organizations, workers' organizations, and multinational enterprises.<sup>7</sup> These questionnaires were then adapted to each country in consultation with the national tripartite working groups.<sup>8</sup>
10. Four lessons can be drawn from the exercise. First, in both countries,<sup>9</sup> it was considered as beneficial for a number of reasons. Through the desk review, it provided for a stocktaking of local data on FDI and employment trends, as well as up to date information on the implications of the economic and financial crisis. It further raised awareness of the MNE Declaration and built local capacity for understanding and disseminating its principles, and measuring uptake. Through the tripartite working groups, it created a country-level platform for (tripartite or separate) policy dialogue on the topic areas of the MNE Declaration, in particular in Argentina. And it had some tangible policy results. For example, in Ghana it led government agencies to improve statistics on the role of multinational enterprises in employment and economic growth. In Argentina, a follow-up capacity-building workshop with nine government agencies will further strengthen the role that the government could play in creating an enabling environment for realizing the principles of the MNE Declaration. In addition, multinational enterprises were able to actively participate and to provide information on their practices and the challenges they face.
11. Second, field exercises are intensive, take time and require collaboration between headquarters and the field. More specifically: several missions are necessary; the whole exercise might take six to ten months; financial resources are required for local consultants and convening costs; and, given the content and scope of the MNE Declaration, local consultants need extensive support from the Office.
12. Third, the Office was able to refine the methodology during the implementation, which will provide guidance for similar exercises, including the one being proposed for Indonesia.
13. Fourth, it was difficult to identify countries where all constituents were willing to participate because work concerning multinational enterprises is not commonly included as a priority in Decent Work Country Programmes.

## Sectoral exercise

14. Two sectoral studies are under way – one on oil and gas production and oil refining and the other on food manufacturing. For the oil and gas sector, questionnaires were sent to the participants of the Tripartite Meeting on Promoting Social Dialogue and Good Industrial Relations from Oil and Gas Exploration and Production to Oil and Gas Distribution that took place in Geneva in May 2009. For the food manufacturing sector, the exercise

<sup>7</sup> In Argentina, constituents suggested to combine the one for employers' organizations and the one for the multinational enterprises.

<sup>8</sup> For the sector-level exercise two more modifications were developed: one for headquarters of multinational enterprises and one for Global Union federations.

<sup>9</sup> The two country studies (S. Sarpong and I.K. Otoo: *Survey on the implementation of the MNE Declaration in Ghana*; M.E. Fazio, L. Goldberg, A. Lopez, D. Ramos and V. Vila: *Ejercicio piloto para evaluar el curso de la Declaración sobre las Empresas Multinacionales de la OIT*) will be published in the near future on the ILO web site.

contributes to the ongoing Office study on global food chains operations and implications for decent work.

**15.** The following preliminary lessons can be drawn from the exercise:

- It is difficult and time consuming to reach an agreement on the selection of sectors and the way the exercise was to be conducted.
- To ensure that questionnaires are adapted to sectoral specificities, specialized technical knowledge is required. This requires Office-wide collaboration among different departments.
- This type of exercise has the potential to contribute substantially to ILO sectoral meetings.
- A sector-level exercise can deliver meaningful transnational data that are difficult to capture through individual country-level studies. It allows for an effective evaluation of the entire international supply chain, including headquarters' and country-level operations of multinational enterprises and the relationship between these levels. It also benefits from inputs from Global Union federations, which play a key role in sectoral activities.

## **Conclusions**

- 16.** The alternative modalities to evaluate the effect given to the MNE Declaration tested do not meet the requirement of universal coverage. A global holistic scan relying on secondary data cannot deliver tripartite perspectives or specific data on all of the areas of the MNE Declaration.
- 17.** Country-level exercises supported by constituents, in addition to facilitating data collection from primary sources, offer the benefit of contributing to raise awareness of the MNE Declaration and building a country-level platform for policy dialogue and follow-up. However these exercises are resource intensive, and, given resource constraints, can only focus on a selected number of countries. Most importantly, country-level exercises revealed that active local engagement is a critical prerequisite for boosting both quantity and quality of survey responses.
- 18.** Sectoral studies offer the possibility to collect information about multinational practices, particularly in the context of transnational activities and globalization. However, in addition to the difficulty of getting constituents' agreement on the selection of sectors, these studies are also subject to resource constraints, and they cannot provide a clear picture beyond the sectors involved.
- 19.** Based on the experiences outlined above, two options may be considered for discussion and decision.

### **Option A: Existing survey with universal coverage without country-level interventions**

- 20.** If the Governing Body wishes to continue to carry out a tripartite, periodic, and universal review with coverage of all areas of the MNE Declaration, it is recommended that the survey method be streamlined based on the experience of the pilot exercise. The survey could also be strengthened by combining it with a desk review.

21. This approach would lead to an improved survey process but, without simultaneous or follow-up interventions at the country level, it would not contribute to the attainment of indicator 3.4 under outcome 3 of the Strategic Policy Framework 2010–15,<sup>10</sup> which calls for significant results at the level of member States. Under this option the Office would proceed with a ninth survey covering the period 2006–09. The results could be reflected into the recurrent discussion reports under the follow-up to the ILO Declaration on Social Justice for a Fair Globalization.

**Option B: Focus on a number of in-depth country-level exercises in line with the Strategic Policy Framework 2010–15 and the Programme and Budget for 2010–11**

22. It is important to note that the text of the MNE Declaration itself does not refer to a specific follow-up process in the form of a survey. Rather the decision to conduct surveys was taken by the Governing Body, when in March 1979 it requested the Office “to make a factual survey of the degree of acceptance of the terms of the MNE Declaration and of patterns of action to give effect to it; to consider difficulties or inadequacies which may be exposed by the survey and to suggest ways of dealing with them; and to advise on further follow-up procedures”.<sup>11</sup> In contrast, the Subcommittee could recommend to further suspend or even discontinue the regular global survey process and focus exclusively on country-level and, possibly, sector-level exercises. The Office would carry out these exercises under the guidance of the Governing Body and report on progress made towards the attainment of indicator 3.4, using the measurement criteria provided in the Programme and Budget for 2010–11.<sup>12</sup>
23. The resources that would become available if a decision were taken not to undertake the ninth survey would enable the financing of four or five country- or sectoral-level exercises. The choice of countries could be based on requests coming from constituents and Office expertise concerning their needs in the area of multinational enterprise operations. The choice of sectors could be proposed to the Governing Body in consultation with sectoral experts.
24. This approach would be consistent with the results-based management approach of the Office. It would be more cost effective in terms of reaching a limited number of targets, build on the lessons reported in this paper, and apply the methodologies developed through this exercise. It would also contribute to integrating the MNE Declaration in Decent Work Country Programmes and country priorities.

**25. *The Subcommittee may wish to recommend that the Governing Body:***

- (a) *approve a revised approach to its 1979 decision to report periodically on the effect given to the MNE Declaration, while strengthening and streamlining the survey method (option A); or***

<sup>10</sup> The target number of member States that, with ILO support, adopt policies that integrate the principles of the MNE Declaration is five for 2010–11; ten for 2012–13; and ten for 2014–15; see GB.304/PFA/2(Rev.), p. 11.

<sup>11</sup> GB.209/205, para. 3. The International Labour Conference subsequently endorsed the reporting process. See the resolution concerning the follow-up to the World Employment Conference, I(B), 1(f), International Labour Conference, 65th Session, Geneva, 1979.

<sup>12</sup> ILO: *Programme and Budget for the biennium 2010–11*, Geneva, 2009, p. 32.

- (b) replace its 1979 decision with country-level and possibly sector-level exercises to support adoption by member States of policies that integrate the principles of the MNE Declaration (option B); and*
- (c) request the Office to implement the modality approved, subject to existing resources, and prepare an implementation plan for discussion at the 307th Session (March 2010) of the Governing Body or take such other action as may be appropriate.*

Geneva, 20 October 2009.

*Point for decision:* Paragraph 25.