



## ELEVENTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 13 November 2009. Mr Salazar-Xirinachs, Executive Director of the Employment Sector, welcomed the members and introduced new Office managers. Ms Zappia (Government, Italy) chaired the meeting. Ms Hornung-Draus (Employer, Germany) and Mr Gurney (Worker, United Kingdom) were Vice-Chairpersons.
2. The Subcommittee remembered the death of Mr Jack Coates, an Employer representative from the United Kingdom who had made a significant contribution to the drafting of the MNE Declaration.

**Update on strategic priorities 2008–09**

3. The Representative of the Director-General (Ms Ricarda McFalls) introduced the paper providing an update on strategic priorities for 2008–09.<sup>1</sup>
4. The manager of the ILO Help Desk (Ms Emily Sims) provided an update on the use of the Help Desk against the goals set by the Subcommittee.
5. Mr Salazar-Xirinachs, in his capacity as Chairperson, reported on the conclusions of the Help Desk advisory group.<sup>2</sup> The advisory group had noted the substantial progress made since the launch of the Help Desk in March 2009. The group had noted with appreciation the contribution of the experts team<sup>3</sup> members, who were playing a central role in the operation of the Help Desk. The smooth and efficient functioning of the experts team, although stretching the capacity of its members, provided a positive example of how the Office was putting into practice the integrated approach called for in the ILO Declaration on Social Justice for a Fair Globalization (Social Justice Declaration). The group had recommended that the Office prioritize making the knowledge management system fully operational as a first step to strengthen the service. The group had agreed to continue with the current strategy until its next meeting in March 2010. It had asked the Office to engage

<sup>1</sup> GB.306/MNE/1.

<sup>2</sup> GB.301/MNE/2, para. 21.

<sup>3</sup> GB.301/MNE/2, para. 20.

in informal consultations among the members and prepare a background note on issues such as a growth strategy for further outreach to potential users and receivability criteria. Overall, the advisory group had been very positive about the functioning of the Help Desk to date and optimistic about its potential for further development.

6. A representative of the International Training Centre of the ILO in Turin (Mr Valter Nebuloni) reported on training activities related to the MNE Declaration. These included a training course in October 2009 for social auditors on implementing core labour principles in global supply chains and a training course in April 2009 for ILO staff on supporting constituents and addressing companies' efforts in making the principles of the MNE Declaration operational. The course for private sector social auditors was particularly well attended. It represented a good case of in-house synergy and had gained from constructive, practical input from the social partners. The training had provided an exchange of learning between ILO experts and field practitioners. Feedback from participants in both events was positive and the Centre was ready to replicate and expand similar training events, especially for capacity-building in the regions, if resources were available.
7. The Employer Vice-Chairperson congratulated the Office on the efficient and professional management of the ILO Help Desk. She emphasized that the feedback from companies sending requests had been consistently positive. At the same time, she underlined the need to define the boundaries of the Help Desk. She stressed that the Help Desk had been designed as an information tool to give concise information to concrete questions and not as a tool to promote ILO standards or the MNE Declaration. Further, a distinction should be made between answering specific questions and ongoing dialogue and cooperation in projects, which would overburden the Help Desk and should be dealt with through a separate structure. She stressed the importance of developing operational methods for in-depth cooperation and encouraged the next Help Desk advisory group meeting to discuss different mechanisms for involving the Bureaux for Employers' and Workers' Activities.
8. The Employer Vice-Chairperson congratulated the Office on the training activities, especially the course for social auditors, and stressed that the feedback from employers and observers has been consistently positive and scope for more training has been identified. In this regard, she called for a better translation of the international labour standards in social auditing practice and suggested to allow more space for exchange of views among participating firms. She welcomed regional seminars and offered the assistance of the employers' organizations in mobilizing participants and providing a stronger involvement of the social partners in the development of content and curricula for the seminars. She ended by saying that the Employers valued the work of the Office related to ISO 26000 and would like to see strong ILO involvement during the final phase of its development.
9. The Worker Vice-Chairperson expressed his satisfaction with the progress of the Help Desk and reaffirmed the Workers' strong support. The trends in use of the Help Desk were going the right way with a range of interesting questions coming from the companies, governments, multi-stakeholder initiatives and multilateral institutions. However, the Help Desk should achieve a higher visibility and this could be done in particular through the ILO web site and ILO TV. He highlighted a functional knowledge management system as a priority which should serve as a platform for companies. He suggested that a possible reason for fewer requests from workers' and employers' organizations to the Help Desk was due to the fact that they were used to channelling their questions through the Bureaux for Employers' and Workers' Activities. Nevertheless, specific promotional materials for employers and workers on the Help Desk and the MNE Declaration could be developed. The Workers were willing to collaborate in promoting such materials through Global Union federations and other channels. At the same time, the Worker Vice-Chairperson expressed disappointment with the second part of the paper outlining the Office's work with other intergovernmental organizations related to the MNE Declaration. Beyond the

activities reported, he wanted to know, what the strategy of the ILO was in its involvement with other organizations such as OECD, UNCTAD, UNIDO, the Global Compact and ISO to ensure coherence with ILO instruments and the Decent Work Agenda. These agencies could also be a good source of information including, for example, the Investment Policy Reviews and the *World Investment Report* by UNCTAD. A follow-up meeting was suggested to devote more time to development of a practical action plan.

10. The Worker Vice-Chairperson reiterated the need to update the MNE Declaration with regard to recent standards, the Social Justice Declaration and the Global Jobs Pact to ensure that the MNE Declaration remained a living document. The Office was urged to organize an exchange between the Subcommittee and John Ruggie, the Special Representative of the United Nations Secretary-General on business and human rights in March 2010. With regard to strategic priorities, the work of the Subcommittee and cooperation across departments within the Office, as well as with the Turin Centre, had to be enhanced. He regretted that the course for social auditors had covered only the core labour standards and had not addressed issues such as wages and broader working conditions. He ended by suggesting a meeting among social partners to review and improve the course contents and training materials.
11. The representative of the Government of Egypt noted that most users of the Help Desk were from Western Europe and that the service should be promoted to increase the number of users from other regions. He also stressed that the MNE Declaration should be promoted in accordance with the Social Justice Declaration.
12. The representative of the Government of Kenya, speaking on behalf of the Africa group, welcomed the paper and thanked the Office for the work done. Seconding the comment from the representative of Egypt, the Africa group would welcome increased knowledge sharing, capacity-building, technical cooperation and guidance to reach a more geographically balanced participation in the services of the Help Desk.
13. The representative of the Government of Nigeria supported the statement made by the representative of the Government of Kenya. He stressed that on the issue of promoting the MNE Declaration at the country and regional levels, Nigeria would also like to commend the efforts of coverage, especially on the West African subregion. He asked the Office to assist the Nigerian Government in extending the study on “Productive and decent work for youth in Mano River Union countries” to the Niger Delta area.
14. The representative of the Government of Argentina informed the Subcommittee on the regional activities regarding the promotion of the MNE Declaration such as the Southern Cone MultiForum 2009. In June 2009, both the MNE Declaration and the conclusions concerning the promotion of sustainable enterprises had been included in the resolution “Promotion of corporate social responsibility in the hemisphere” of the Organization of American States.
15. The representative of the Government of the United Kingdom welcomed the success of the Help Desk and the contributions made from across the Office and encouraged its continued promotion to business users.
16. The representative of the Government of India expressed appreciation for the efforts to develop and create awareness of the MNE Declaration. He informed the Subcommittee of the initiatives of the Government of India aimed at improvement of regulations and corporate governance related to the promotion of fair globalization, social justice and corporate social responsibility (CSR). In India, CSR could play a key role in the achievement of Millennium Development Goals (MDGs).

17. The representative of the Government of the Republic of Korea thanked the Office for its efforts, but noted that further efforts had to be made to facilitate the use of the Help Desk in regions other than Western Europe. She welcomed the objectives set out in the Strategic Policy Framework 2010–15 and the Global Jobs Pact with regard to the MNE Declaration.
18. Mr Salazar-Xirinachs thanked members of the Subcommittee for their positive feedback and ideas on how to further improve the work of the Help Desk. He assured the Worker Vice-Chairperson that his disappointment with the second part of the paper was taken seriously and elaborated on some of the past and future activities. Referring to the collaboration with the OECD, he highlighted the intention to negotiate a new Memorandum of Understanding between the Office and the OECD secretariat. He informed the Subcommittee that Mr Ruggie had not been available for previous Governing Body sessions but would again be invited to the next session.

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

19. The representative of the Director-General presented the paper for this item.<sup>4</sup> Mr Nikolai Rogovsky provided more detailed information on the results of the field exercise and acknowledged Ms Yukiko Arai who had managed the Argentina exercise.
20. The Worker Vice-Chairperson stated that the decision to explore alternative modalities for carrying out the ninth survey were needed to test a different path in view of the upcoming cyclical review on employment in 2010. He expressed disappointment that the “global holistic scan” had not been prepared ahead of the Governing Body, and added that simply having up to date information on foreign direct investment and direct employment creation would have been extremely valuable for deciding how to move forward. Additional information on global supply chains would also be required. Prompt research and data collection across the Office in relation to these subjects were needed. He noted that new research conducted on collective bargaining, industrial relations, wages and conditions of work had not been noted in the report and called for the various technical units of the Office to work together in shaping a common agenda, for example to have a global product on multinational enterprises. The experiences of the country-level exercises showed both strengths and weaknesses. He noted that in the countries where the studies had taken place the constituents at the national level had renewed their commitment to bring the MNE Declaration to life but he cautioned that this must be weighed against the high costs involved. He shared the Office’s concern that the work concerning multinational enterprises was not commonly included as a priority in Decent Work Country Programmes and wondered whether this was a result of inadequate promotion. He suggested that the choice of countries could be based on taking into account countries covered by other related programmes such as Better Work, SCORE or IPEC. This would facilitate synergies between existing national level activities and MNE operators on the ground. He considered that the sectoral studies needed more time to find solutions to the problems encountered and see results. He proposed to have the survey questionnaires become part of the preparatory work for sectoral meetings so that participants could review the findings and discuss them during the meetings. In his view, it was too late to seek a general survey at this time unless the deadlines were postponed; therefore, the Office should prepare a general study which would combine the stocktaking exercise with research already done as part of the upcoming cyclical review, as well as research undertaken by the Office across

<sup>4</sup> GB.306/MNE/2.

departments, fostering collaboration. This approach could be complemented by country-level and sector-level activities.

21. The Employer Vice-Chairperson agreed in principle with the analysis presented by the Worker Vice-Chairperson. She indicated that the MNE Declaration was a universal instrument. Therefore, the follow-up activity should not abandon the universality. She was confident that this could be done in a cost-effective way. She proposed a desk study in lieu of the survey to be underpinned by country and sectoral studies. She welcomed the Office awareness that the sectoral studies needed more sector specificity and invited further consultations. She agreed with the Worker Vice-Chairperson that the sectoral studies needed pre-planning and could make use of sectoral meetings. Regarding the decision point, she considered that neither option A (universal survey without country-level exercises) nor option B (country-level exercises alone) were optimal and proposed that an exercise be conducted with the following elements: (i) to undertake a universal global desk study; (ii) to conduct concrete sectoral and country-level exercises covering 2007–10; and then (iii) to complete in 2011 a flagship report, which would include a survey.
22. The representative of the Government of Nigeria stated that the country and sectoral activities offered better outcomes and supported option B.
23. The representative of the Government of Argentina reported that the alternative modality tested in her country had been a success and thanked Ms Arai for her efforts. She stressed that the tripartite dialogue structure was critical and supported the methodology used, which was adapted to the local context. The exercise had resulted in strengthening local capacity and follow-up training activities were planned. Based on her country experience, she supported option B.
24. The representative of the Government of the United Kingdom suggested that it was logical to go with option B. He added that he wished to see a list of expected outcomes in the implementation plan, reflecting the changes in corporate and government approaches as a result of undertaking the exercise.
25. The representative of the Government of Canada supported option B.
26. The representative of the Government of Australia noted the difficulty of implementing a universal survey and supported option B.
27. The representative of the Government of Belgium stated that option B was more convincing and suggested that a follow-up mechanism similar to the OECD national contact point system be considered.
28. The representative of the Government of India supported option A, but requested more information on the methodology and statistics to be collected.
29. The representative of the Government of Kenya, speaking on behalf of the Africa group, supported option B.
30. The representative of the Government of Austria supported option B. She stated that the proposals put forward by the Employer and Worker Vice-Chairpersons were interesting, but should only be considered if the Office had sufficient funds and human resources to implement them.
31. The representative of the Government of the Bolivarian Republic of Venezuela supported option B. He stressed the need to seek new and creative alternatives and suggested to

establish a system of recognizing good practices that would encourage multinational enterprises to implement the principles of the MNE Declaration.

32. Taking into consideration opinions expressed during the discussion, the Chairperson proposed a revised point for decision which was adopted as follows.

33. *The Subcommittee recommends that the Governing Body:*

(a) *request the Office to undertake, for the next report, evaluating the effect given to the MNE Declaration, an exercise consisting of the following elements:*

(i) *completing within the next two years: (1) a global desk review for the period 2007–10; and (2) concrete exercises at the country and sectoral levels; and*

(ii) *subsequently completing a flagship report informing about the main trends and findings, building on items (1) and (2) above; and*

(b) *decide, following completion of the exercise above, and no later than 2011, to review its 1979 decision to report periodically on the effect given to the MNE Declaration, in light of the experience gained.*

34. The representative of the Director-General, noting the overwhelming support for option B to carry out more country-level exercises, appealed to those governments who had urged for more activity in their countries to make their requests known as part of the 2010–11 biennium planning process currently underway, referencing outcome indicator 3.4.

Geneva, 16 November 2009.

*Point for decision:* Paragraph 33.