



## ELEVENTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 17 March 2010. Ms Zappia (Government, Italy) chaired the meeting. Ms Hornung-Draus (Employer, Germany) and Mr Gurney (Worker, United Kingdom) were Vice-Chairpersons.
2. A representative of the Director-General, Mr Salazar-Xirinachs, Executive Director of the Employment Sector, welcomed the members and highlighted key developments, in particular in relation to the work of the Helpdesk that had been launched a year earlier, the Office's role in promoting the Tripartite Declaration concerning Multinational Enterprises and Social Policy (MNE Declaration) in the context of the update of the OECD Guidelines, the Office's involvement in the development of the ISO Guidance Standard on Social Responsibility (ISO 26000) and the ILO's participation in activities of the UN Global Compact.

**Update on strategic priorities 2008–09**

3. A representative of the Director-General, Ms Ricarda McFalls, introduced the paper for discussion and suggested to review the paper in three sections to allow for feedback and discussion at intervals. The first section concerned the provision of guidance and expert technical assistance by the Helpdesk. An update on the activities of the Helpdesk since November 2009 was presented.
4. The Employer Vice-Chairperson congratulated the Office on the success of the Helpdesk. She emphasized the need to conduct further discussions on its governance and operating procedures, stressing the importance of the Helpdesk working within its mandate and its role in disseminating information needed by non-governmental actors and in helping those who seek information to put it into operational practice. She warned, however, that many outside actors, not being fully aware of the purpose and mandate of the Helpdesk, may approach the Helpdesk for queries that were beyond its mandate. In this case, a process for redirecting these requests through alternative channels should be established. It was important to be more precise on what kind of questions could be handled by the Helpdesk. The Helpdesk Advisory Group would address these issues in its upcoming meeting. She concluded by calling on the Office to use the experiences learned during this first year to further operationalize the Helpdesk.
5. The Worker Vice-Chairperson reiterated the Workers' strong support for the Helpdesk. He encouraged the Office to continue its ongoing work in redesigning the web tools and links

in order to have a better, more user-friendly and efficient web page for the Helpdesk. He urged that whilst further developing the Helpdesk page and making it more user-friendly, the Office should go further and also revamp and improve the visibility of the web page of the MNE Declaration. The Office should also make sure that the Helpdesk page contained links to the NORMES databases, so that users were able to see the obligations of governments, including the ratifications of ILO Conventions. The Workers supported the idea of increased outreach of the Helpdesk. The Worker Vice-Chairperson suggested to provide ILO field offices with the promotional materials for further dissemination. Such materials should be regularly used in sectoral activities and should be provided to the Bureaux for Workers' and Employers' Activities (ACTRAV and ACT/EMP) for further dissemination by constituents. He ended by stressing the importance of the ILO country-level activities in promoting the Helpdesk and the MNE Declaration.

## Training and research

6. Mr Francois Eyraud, Executive Director of the International Training Centre of the ILO, Turin (the Turin Centre) provided an update on training courses on the promotion of the principles of the MNE Declaration, namely a course for private sector participants on "Implementing labour standards into global supply chains" (July 2010) and a course for constituents on "Promoting Labour Standards through CSR" (August/September 2010). These two courses, already organized in 2009, had been improved based on the comments received from participants and inputs from constituents. He pointed out that the future strategy would be to organize similar training courses in the regions and to tailor them for specific economic sectors. However, the possibility of developing such regional and sector-level courses would depend on financial resources of the Turin Centre.
7. The Subcommittee was also informed about a new area of collaboration across the ILO where the Office had an opportunity to promote the principles of the MNE Declaration on a larger scale, notably through the newly created *Global Business Schools' Network* bringing together academics from leading business schools with a focus on sustainability, corporate social responsibility and business ethics. This network would be expected to move forward from common interest to common action in promoting and strengthening a sustainability agenda in business education through collaborative research, joint development of case studies and teaching and training materials, as well as the development of a shared web platform.
8. The Subcommittee was provided with an updated list of countries that had officially requested to work with the Office on the promotion of the principles of the MNE Declaration. In this context, a staff member presented the main findings of the action-oriented research project on "Promoting job creation for young people in multinational enterprises in the Mano River Union Countries" undertaken as a component of the UNIDO-ILO youth employment project, funded by the Government of Japan.
9. The Worker Vice-Chairperson thanked the Office for a very interesting presentation. He wondered about the methodology used as he could not see a clear reference to engagement with the trade unions in the countries concerned and stressed that such an engagement was critical for the Workers. He welcomed the collaboration with the Turin Centre on courses for the private sector but underlined that there was a need for a consistent approach in the courses offered for the constituents and the ones aimed at the private sector. He stressed that the MNE Declaration should be the *fil rouge* in these different courses and the same applied to courses organized at the regional and sectoral levels. The Worker Vice-Chairperson asked when the consultation on the revision of the course for social auditors would take place, as agreed during the previous session of the Governing Body. He underlined that the Turin Centre needed to be adequately resourced, including sponsorship

to allow full Worker participation in tripartite courses, and informed the Subcommittee that ACTRAV Turin, alone or possibly with ACT/EMP, should be asked to develop a specific course on the MNE Declaration. He then stressed that it was vital that the information on the Helpdesk and, as previously suggested, experiences with the Better Work programme, should be prominently used in the training courses.

10. With regard to country-level and sector-level studies, the Worker Vice-Chairperson asked the Office to coordinate with ACTRAV on the choice of countries and sectors. He asked for an update on the study of the food sector and encouraged the Office to expand this work to other sectors and suggested that one area for future research could be on government procurement, MNEs and the use of the MNE Declaration. The Worker Vice-Chairperson informed the Subcommittee that ACTRAV had almost finalized the Guide entitled “The MNE Declaration: What’s in it for workers” to be used in trade union activities and that ACTRAV was planning at least one activity per region in the upcoming biennium. ACTRAV’s intention was to promote both the MNE Declaration Guide and the booklet on “Collective bargaining” that had stemmed from the ACTRAV symposium in October 2009. Lastly, he welcomed the *Global Business Schools’ Network* initiative and suggested its close collaboration with the Global Labour University.
11. The Employer Vice-Chairperson expressed her appreciation of the Office’s initiative of the *Global Business Schools’ Network*, aimed at reaching out to the business leaders of tomorrow. She thanked the Turin Centre for the update on the training activities and expressed concern for the financial situation of the Turin Centre. She hoped that the dilemma that the Turin Centre was facing in terms of its objective to offer courses that were strategically important for the ILO, on the one hand, and the objective to generate income, on the other hand, would be resolved soon. The Employer Vice-Chairperson conveyed the Employers’ satisfaction with the courses offered by the Turin Centre last year and scheduled again for 2010. She stressed that the MNE Declaration was a practical tool to be used by companies and the more practical training on this tool the Turin Centre could give, the more it would contribute to the realization of the MNE Declaration. She expressed satisfaction with the MNE-related country-level studies presented and stressed that the relevance of such studies depended on how much the country-specific challenges were taken into account. The Employer Vice-Chairperson praised the Mano River project for researching the local effects MNEs generate and the link within countries between MNEs and their supply chains on the one hand and the local economy on the other hand. She stressed that the intention of the MNE Declaration is to address, in particular, the spill-over effects of the MNEs and to focus on an “inclusive approach” that looks at how the MNEs behave locally and whether or not the local infrastructure is indeed conducive to such an inclusive approach.

## Promotion of the MNE Declaration

12. The Employer Vice-Chairperson commented on the ILO’s involvement in the OECD Guidelines revision process and the development of ISO 26000. Whilst it had been reported in November 2009 that the Subcommittee had been notified by the OECD Investment Committee of its interest in preliminary input from the ILO on possible updates to the OECD Guidelines, there was now a need to discuss in greater detail on how to proceed in the consultation process. The ILO’s input, in her view, should have reflected specific ILO-added value to the OECD Guidelines. She reminded that the OECD Guidelines were written for the governments of the OECD countries and their companies. The ILO, on the other hand, had a global coverage and this was its added value. From the Employers’ perspective, this work should be a priority; it should be practical and concrete. The outreach and how the ILO could add value in the process would become important in the revision process. She emphasized that it should be practical and not purely political as

the Employers were concerned about too many political references being made, such as references to the ILO Declaration on Social Justice for a Fair Globalization. She noted that this Declaration did not hit the point when talking about application by companies and that the ILO's input should not be overloaded by political documents that discourage companies. Moreover, she stated that the OECD Guidelines should avoid a protectionist touch since in this case the global dimension could be at stake. She proposed to move ahead in view of the next round of public consultations scheduled for June 2010. The Employer Vice-Chairperson requested that the ILO produces a policy paper for discussion with the Officers of the MNE Subcommittee. The Employers were not happy with the preliminary inputs that the Office had sent to the OECD. For example in relation to the notion of discrimination, the Office wording had not been careful enough.

13. On ISO-related matters, while congratulating the Office on the progress achieved, the Employer Vice-Chairperson alerted to possible "hijacking" attempts by standard and certification agencies. She pointed out that it was in the ILO's interest to protect international labour standards. She added that the ILO needed to ensure that this danger was diverted, and to stop money-making by standard organizations as it had adverse effects on the ILO's and social partners' work in this area.
14. The Worker Vice-Chairperson stated that the work on the revision of the OECD Guidelines was of utmost importance and that close monitoring was necessary. He appreciated the Office's involvement and the procedure followed to date. While acknowledging the Employer Vice-Chairperson's concern, he noted that Worker and Employer inputs would mainly be given via the Trade Union Advisory Committee (TUAC) and the Business and Industry Advisory Committee (BIAC). He noted that reference to the ILO Declaration on the Fundamental Principles and Rights at Work as well as the ILO Declaration on Social Justice for a Fair Globalization were necessary given that they were both practical texts valuable for both companies and tripartite constituents. He expressed the view that the OECD Guidelines review needed to inspire the ILO to revisit its MNE Declaration as its revisions in 2000 and 2006 were not substantial. There was also an immediate need to update the list of instruments appended to the MNE Declaration. He suggested that the cyclical review on employment should be used for reviewing the way forward while also raising the need to look at its follow-up mechanisms.
15. On ISO-related matters, the Worker Vice-Chairperson concurred with the Employer Vice-Chairperson and expressed concerns about the way it was heading. While supporting some concepts that were included in the ISO document, he raised concerns about its possible use and stated the need to carefully monitor developments. With regard to the work with the UN Global Compact, he stated that the experience had been less positive. He pointed out that the work of the Human Rights Working Group, especially its work in relation to the labour principles, had been problematic. He raised concerns about the ways in which industrial relations were taken up, and cautioned about the Office's resources being invested in this work. On the other hand, he wished that more work be done in connection with the Labour Working Group and asked for a full update on the upcoming UN Global Compact Leaders' Summit. Furthermore, he welcomed the collaboration with UNIDO. The Worker Vice-Chairperson pointed out that the work in West Africa was in relation to youth employment but that the Office should promote all areas of the MNE Declaration. He requested continued feedback on the work so that its relevance for other parts of Africa and beyond could be assessed. He welcomed the invitation extended to Professor John Ruggie as it would both feed into ILO discussions and increase his awareness of the synergies between his role and the work of the ILO. Lastly, in relation to the discussion of the Governing Body reform, he stated that the Subcommittee could become a regular committee which would meet once a year for a full day. He added that the new committee could involve interactive dialogue with key companies and Global Union Federations.

- 16.** The representative of the Government of Kenya, speaking on behalf of the Africa group, pointed at the need to further disseminate the philosophy and principles of the MNE Declaration among the numerous supply chains with a view to assist workers and employers in engaging in inclusive social dialogue and promoting labour standards and general working conditions. He stressed that while outsourcing of non-core business allowed for employers' flexibility in improving competitiveness, productivity and investment, this process should not compromise the protection of workers' rights. The Africa group therefore welcomed the development of knowledge management systems and the implementation of the web-based tools for global and national awareness. Such tools could include a monitoring, tracking and evaluation toolkit. He noted the need to work closely with labour inspectors and employment agencies. In relation to the Turin Centre, he requested that more courses be focused on social dialogue and competitiveness. In relation to research, he stated the need for continued research on sectors and indicated the need to "domesticate" the principles of the MNE Declaration. Lastly, he noted that the partnerships with the UN Global Compact, ISO, OECD and UNIDO could add value.
- 17.** The representative of the Government of the Bolivarian Republic of Venezuela, speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC), welcomed the strategic cooperation with OECD, the UN Global Compact and ISO. He felt that the Office should seek new ideas to make the MNE Declaration a reference instrument for constituents and companies taking up social responsibility. On the Helpdesk, he welcomed the information provided and stated that further implementation should help the promotion of the MNE Declaration. In relation to research, GRULAC hoped that it could offer useful information to assess the Office's efforts in promoting the MNE Declaration. He pointed out that Latin America was not included in the list of proposed country-level activities. He sought clarification on the process for countries to express interest and to be included in the study. Lastly, he welcomed the event with Professor John Ruggie during the International Labour Conference.
- 18.** The representative of the Government of Argentina stated that his country was committed to the promotion of the MNE Declaration. He reported that a capacity-building workshop had taken place in December 2009 as a follow-up to the pilot exercise in Argentina conducted earlier, which strengthened the Government's role in the promotion and implementation of the MNE Declaration. He informed the Subcommittee that an inventory of good practices related to sustainable business management was being developed. He welcomed the research conducted in West Africa. In relation to the OECD, he stressed that his country was working on the national-level intervention. The ILO member States that had adopted the ILO Declaration on Social Justice for a Fair Globalization included the OECD member countries, and for that reason he supported references to the Social Justice Declaration in the ILO's submission. He valued the ILO's involvement in ISO while cautioning that the Office must preserve the values being promoted as the members of ISO are different from those of the ILO. He explained that participation of developing countries was limited and requested that the ILO's past work should be reflected.
- 19.** The representative of the Government of Nigeria thanked the Office for the report on the Helpdesk and wished that the accessibility in Asia and Africa be increased. In relation to the Turin Centre, he requested regional participation. On the study in West Africa, he stated that the topic of youth employment was very up to date and relevant to developing countries and that it should be brought on board in more countries.
- 20.** The representative of the Government of India welcomed the knowledge management system including the frequently asked questions, the web site and its outreach focus. He stated that the collaboration with the Turin Centre would be important for capacity building. Furthermore, he appreciated the action-oriented research on youth employment in West Africa. Lastly, he noted the need for business to go beyond legal obligations and to

go into societal obligations, adding the importance of seeking partnership in reaching the Millennium Development Goals.

- 21.** The representative of the Director-General responded to the series of interventions made. On the OECD revision process, she informed that further consultations would be necessary, including on how to proceed. In relation to ISO, the Office appreciated the comments and concerns expressed and would take them into consideration as it proceeded with its cooperation on ISO 26000 under the Memorandum of Understanding between the two organizations. In response to the Workers' request for more active visibility of the UN Global Compact Labour Working Group, she advised that the Office, which served as secretariat, would take this up with the Group members. She acknowledged the need for better monitoring of the work on labour issues by the UN Global Compact Human Rights Working Group. While there had been increased monitoring of and participation in some areas of its work, the Group's activities were prolific and often global, making it difficult for the Office to cover all areas. She reported that driving the agenda and consulting the constituents to take on their concerns had presented challenges for the Office, particularly due to time constraints. The Office would identify ways to provide an update on activities closer to the date of the MNE Subcommittee sittings. On the Helpdesk, she informed that the web site would be developed with the arrival of the new communications expert. In relation to the country-level studies, she mentioned that priority countries had been identified through the programme and budget process and that the Office responded to requests coming from the regions. She was pleased to learn about the African region's strong interest in working on the topic areas of the MNE Declaration. In this connection, the Office was considering organizing another MultiForum in 2011, following the one organized in the Southern Cone countries in 2009.
- 22.** The Executive Director of the Turin Centre stated that the consultation process with the employers and the workers in relation to the review of evaluation of courses involved the appointment of focal points for each of the groups. ACTRAV and ACT/EMP at headquarters and in Turin were developing their own programmes on specific topics as there were specific requirements for each group. Collaboration with the Better Work programme was ongoing but a clear distinction was necessary due to different level of intervention, with the Turin Centre programmes aiming more at macro-level interventions. Lastly, on Africa, he reported that the Centre had specific activities and that they were all complementary.
- 23.** The Chairperson informed the Subcommittee that, in relation to the OECD Guidelines revision process, the Office would continue to consult with the constituents, including for the June consultations, through ACTRAV and ACT/EMP, on policy issues that might arise in the process.
- 24.** The representative of the Bolivarian Republic of Venezuela sought clarification on the selection of countries for the country-level studies. The Executive Director of the Employment Sector clarified that the studies in the Mano River Union countries were undertaken as part of a partnership programme with UNIDO and were funded by the Government of Japan. He explained that the project had a larger scope while a new component related to foreign direct investment had been incorporated. Countries could make requests for similar studies, while priority would be provided to those coming through the Decent Work Country Programmes.

- 25.** The Chairperson reminded the Subcommittee of the value of participating in the visit of Professor Ruggie at the side event during the International Labour Conference which had been arranged at its request,

Geneva, 17 March 2010.