



► The ILO MNE Declaration: a framework to integrate decent work and RBC into FDI promotion strategies; the role of IPAs

Maria Joao Vasquez, MNEs and RBC specialist, ILO

► This session aims to



Identify opportunities and challenges related to FDI and Decent Work



Build a common understanding why sustainable investment and the promotion of more and better jobs is relevant for IPAs



Look at the ILO MNE Declaration as a framework

Decent Work

“More and better jobs for men and women everywhere”



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



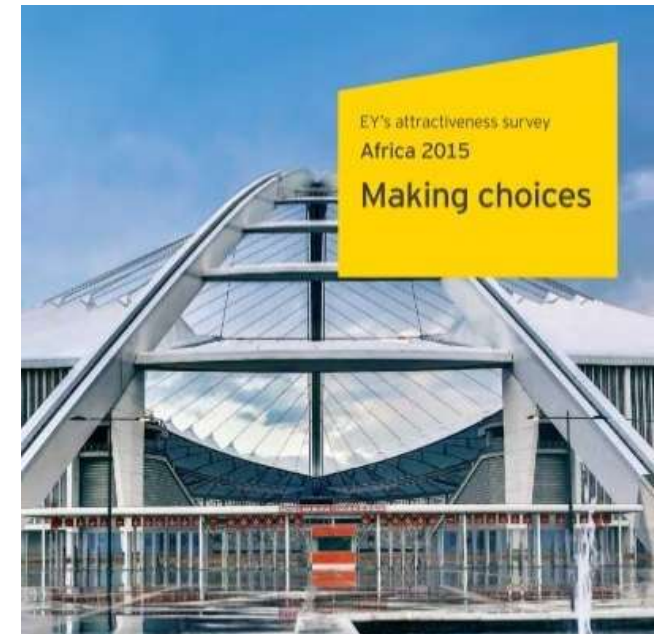
Origins of “Decent Work”: the International Labour Organization

- UN Specialized agency: to promote the creation of more and better jobs for men and women everywhere
- 187 Member States
- Unique tripartite structure
- Establishes international labour standards: Conventions and recommendations → benchmarks for companies



► An assessment of FDI impacts in Africa

- ❑ Workers in Africa are not being included into fast growing, knowledge-based sectors, dampening human capital spillovers.
- ❑ Furthermore, the use of migrant workers has diverted human capital gains away from resident Africans...Migrant workers limit employment creation and multiplier effects resulting from FDI into Africa.
- ❑ Human capital can be underdeveloped as a result of dubious ethical standards on the part of the foreign project owners. Desperate attempts by governments to make their countries attractive to investors, particularly in the form of “low wages and a lax regulatory environment”, actually harm development. Thus, poor FDI can erode human capital.



► What's your experience?

What benefits have trade and investment brought to your country and what decent work challenges?



▶ Protecting workers' rights does not reduce FDI inflows



“Low labor standards are, on the aggregate level, not significantly correlated to FDI inflows and indicate that low labor rights may be a hindrance, rather than an attraction, for foreign investors.”

Dani Rodrik, *Labor Rights in International Trade: Do They Matter and What Do We Do about Them?*

► But misguided beliefs persist

“There is evidence that countries are competitively undercutting each other’s labor standards to attract foreign investment.”

William W. Olney, "A Race to the Bottom? Employment Protection and Foreign Direct Investment"

"[Aggregate] FDI data suggests that core labour standards are not primary factors in the majority of investment of OECD companies. Nonetheless, some governments in non-OECD countries have restricted labour rights (especially in export processing zones) in the belief that so doing would help attract inward FDI from both OECD and non-OECD investors."

Christian Häberli, Marion Jansen, José-Antonio Monteiro,
"Regional Trade Agreements and domestic labour market regulation"

► Ways host countries lower labour standards

General

- Lower protection afforded by domestic labor laws
- Decrease public enforcement

Investment-specific

- Reduce or eliminate labour protections in export processing zones
- Include stabilization clauses in investment contracts

ICC views on host country FDI policies to promote decent work

- Host country governments should:
- enforce all national labour laws
 - respect, promote, and realize the ILO fundamental rights
 - ensure access to labour courts
 - ensure a well-educated and skilled workforce
 - provide clear and consistent national laws and procedures



► ICC views on home country FDI policies to promote decent work

- The home country governments should:
- help build capacity
 - work with ILO
 - assist skills development the host country



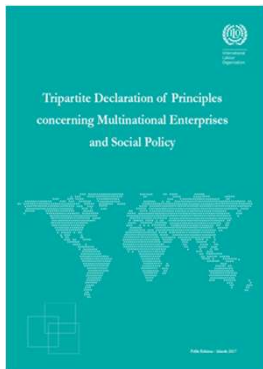
► ICC views on investors' responsibilities in host countries

► The investor should:

- comply with national labour laws and respect ILO fundamental rights
- provide employment opportunities, occupational development, promotion, and advancement for local personnel.
- provide decent wages, benefits, and conditions of work
- ensure occupational health and safety
- give reasonable notice of changes in operations
- encourage business partners and suppliers to follow the above recommendations

Do these
expectations
sound
familiar?

ILO dialogue framework for trade and investment



General
policies



Employment



Training

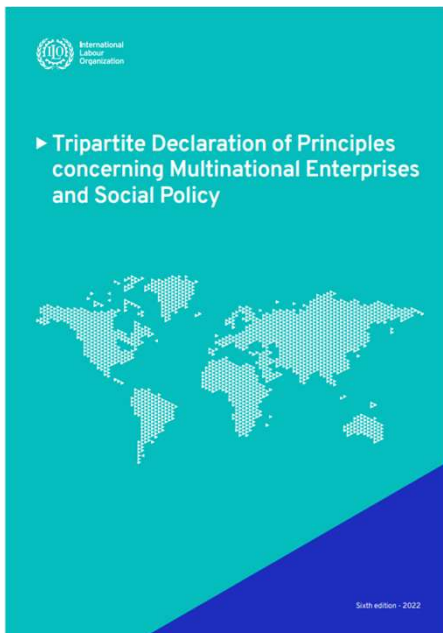


Conditions of
work and life



Industrial
relations

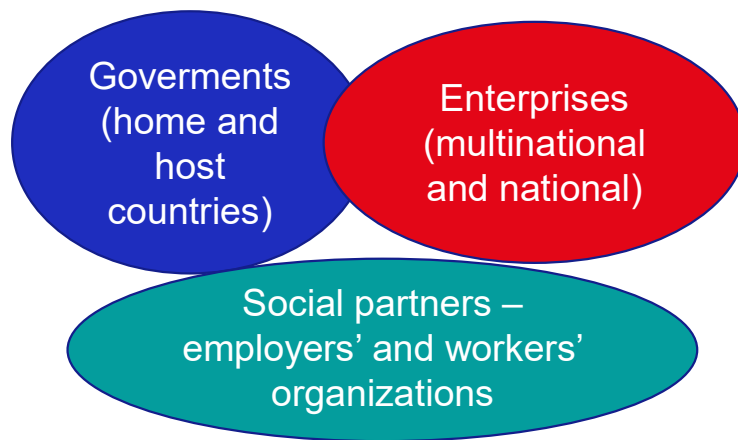
The MNE Declaration - its unique features



- ✓ The MNE Declaration is the only ILO instrument that directly addresses companies (multinational and national) on the policies and practices they should adopt.
- ✓ But it also addresses governments and social partners, recognizing their distinct and complementary roles and responsibilities.
- ✓ It is the only global instrument on corporate social responsibility that has been drawn up and adopted by governments, employers and workers from all over the world.

MNE Declaration – its approach

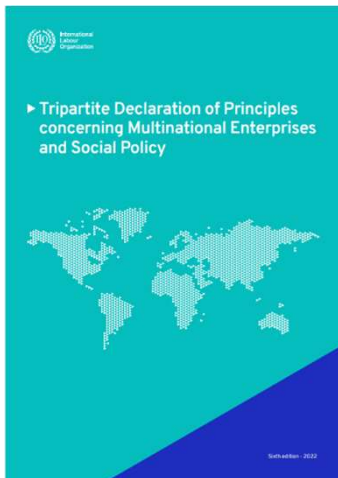
Principles addressed to



Dialogue at various levels

- ✓ Between government and social partners (social dialogue)
- ✓ Within the enterprises between management and workers (industrial relations)
- ✓ Between government, social partners and multinational enterprises (tripartite plus dialogue)
- ✓ Between home and host countries of multinational enterprises (cross-border social dialogue)

The MNE Declaration - recommendations in 5 areas



General policies

- Fundamental Principles and Rights at Work
 - due diligence
- Consultations between host and home country

Employment

- Employment promotion
 - Formalization
 - Social security
 - Forced labor
 - Child labor
- Equality of opportunity and treatment
- Security of employment

Training

- national policies for vocational training and guidance, closely linked with employment
- training and lifelong learning opportunities

Conditions of work and life

- Wages, benefits and conditions of work
- Safety and health

Industrial relations

- Freedom of association and the right to organize
- Collective bargaining
 - Consultation
- Access to remedy and examination of grievances
- Settlement of industrial disputes

► Key elements for investment contracts

Specify investor's obligations: employment, training, local purchases, business development plan, compliance with local laws, etc.

Quantify targets (e.g., how many jobs, at what levels, target dates for increased local linkages)

Limit stabilization provisions

Export processing zones: ILO tripartite conclusions

Can add value to a country with production of outputs that can compete globally and stimulate domestic producers to achieve the same level of competitiveness.

Can attract the badly needed FDI, especially in developing countries.

More manageable first step for governments to introduce the market reforms needed to progressively open their economies to globalization.

Can provide channels for skills and technology spillovers; and stimulate enterprise development, job creation, and economic growth.



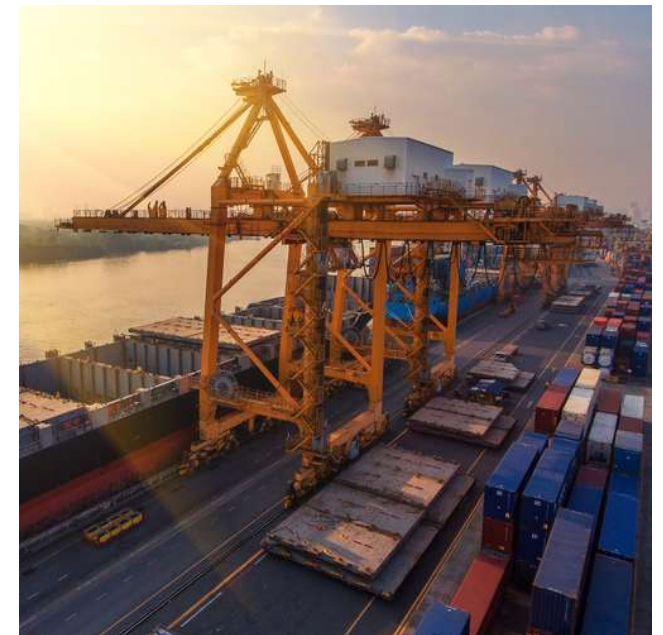
However, ...

Zone development and attracting investors requires lots of resources; and private zone developers rarely prioritize decent work.

Often promised quality jobs, spillovers effects to local producers, and broader industrial development remain unrealized.

Investments and incentives to investors should be harnessed for achieving decent work.

Tripartite dialogue is essential to ensure that EPZs contribute to decent work.



► Role of IPAs

- **Key conduit for the flow of information between government and foreign investors**
- **Help shape FDI policies**
- **Gather important data**
- **Showcase country progress and contribution to SDG 8**
- **Help build a reputation as a Sustainable Hub**

The role of IPAs

Key factors enabling or constraining IPAs in linking FDI to more and better jobs



Why a Community of Practice for IPAs on FDI for More and Better Jobs?

- ▶ IPAs play a central role in shaping the quality and impact of FDI, yet many face similar challenges and **growing pressures to demonstrate that investment indeed delivers more and better jobs and supports sustainable development.**
- ▶ A shared platform helps **IPAs learn from each other's approaches** and access practical tools that strengthen inclusive and sustainable investment strategies.
- ▶ Peer exchange accelerates problem solving, supports capacity building and creates a **global network** that can showcase experiences, leverage collective expertise and inform future guidance and support.
- ▶ ILO has a long history of working with IPAs to deliver more and better jobs



ILO-WAIPA Collaboration

- ▶ Since 2016 the **ILO** and **WAIPA** have a partnership supporting IPAs in advancing SDG 8 on inclusive economic growth and decent work
- ▶ ILO-WAIPA *Effective Investment Facilitation and Sustainable Development* courses have been delivered over the past 10 years
- ▶ Survey: The contribution of IPAs to achieving SDG 8
- ▶ The survey led to the development of KPIs to support IPAs in assessing the impact of FDI on decent work



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26-30 MAY 2025



► Important links

<https://www.ilo.org/resource/news/ilo-and-waipa-launch-global-platform-drive-better-jobs-through-responsible>

<https://www.ilo.org/about-ilo/organizational-structure-international-labour-office/ilo-department-sustainable-enterprises-productivity-and-just-transition/tripartite-declaration-principles-concerning-multinational-enterprises-and>

<https://www.ilo.org/resource/other/mne-declaration-and-trade-and-investment>

Conclusion

- Trade and investment policies have substantial impacts on decent work, particularly for developing countries.
- EPZs, are a particularly important component of trade, holds a lot of potential to address decent work in trade in a more manageable fashion.
- Social dialogue is key to effect policies on maximizing the contribution of trade and investment to decent work.
- The MNE Declaration provides a framework for these dialogues and a benchmark for effective policy.



➤ Menti on priorities in assessing the impact of FDI in DW

