



## TWELFTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 12 November 2002. It elected Ms. Kilpatrick (Government, United Kingdom) as its Chairperson. Ms. Hornung-Draus (Employer, Germany) continued as Employer Vice-Chairperson while Ms. Burrow (Worker, Australia) was nominated Worker Vice-Chairperson.
2. A representative of the Director-General (Mr. Hultin, Executive Director, Employment Sector) and the Chairperson thanked the outgoing Chairperson, Ms. Robinson (Government, Canada) and the previous Worker Vice-Chairperson, Mr. Patel (Worker, South Africa) for their contribution to the work of the Subcommittee in previous years.

**Follow-up to the Tripartite Forum on Promoting the  
Tripartite Declaration of Principles concerning  
Multinational Enterprises and Social Policy,  
and consideration of options for the Eighth  
Survey on the effect given to the Declaration**

3. A representative of the Director-General (Mr. Hofmeijer, Director a.i. of the Multinational Enterprises Programme) introduced the paper before the Subcommittee.<sup>1</sup> He informed the Subcommittee that the Proceedings of the Tripartite Forum on Promoting the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), held in March 2002, were now available in English in printed form and on the ILO web site. The Spanish and French versions would be published shortly. The Forum had come up with a number of recommendations and suggestions for a more effective promotion of the MNE Declaration. The first was to organize similar forums in the regions, possibly in cooperation with other multilateral organizations and institutions and with regional groupings. The second suggestion was to pursue a sectoral approach through closer cooperation with the Sectoral Activities Programme, and through meetings with sectoral industry associations and international trade union secretariats. A third suggestion was to combine the regional and sectoral approaches. Another proposition was to target the chief executives of multinational enterprises when promoting the MNE Declaration. The

<sup>1</sup> GB.285/MNE/2.

representative of the Director-General indicated that this was to some extent already being done through the ILO's participation in Global Compact activities. The Forum had further recommended that the Office should continue and intensify the gathering and dissemination of information on good practices in line with the MNE Declaration. The representative of the Director-General pointed out that taking action on one or more of the recommendations would most likely have budgetary implications that would need to be examined by the Subcommittee and by the Programme, Financial and Administrative Committee.

4. Regarding the next survey on the effect given to the MNE Declaration, the representative of the Director-General reminded the Subcommittee that during its previous sitting, there had been broad agreement that the existing survey process was too time-consuming and that the information produced, although valuable, was not easy to access. He summarized the different options proposed in the paper to improve the process. The first option did not involve major changes as it consisted mainly in improving the wording of the questions to facilitate comparability. The second option was to supplement the survey with a questionnaire to be sent directly to multinational enterprises, international industry associations and global trade unions. The third option was to increase the frequency of the survey, but use a simplified standard general questionnaire covering all areas of the MNE Declaration while adding, on a cyclical basis, more detailed questions concerning one specific area of the MNE Declaration. One advantage of this option would be that the responses would presumably provide the Office with a better basis to develop targeted technical cooperation activities to help constituents give greater practical application to the principles of the MNE Declaration. A fourth option would be to reduce the frequency of the survey so as to free up resources to undertake in-depth surveys and studies at the country level. The results of these surveys and studies could then be used to stimulate social dialogue between MNEs and local ILO constituents and promote decent work based on the principles of the MNE Declaration. Of course, depending on the option chosen, there would be budgetary consequences to consider.
5. The Employer Vice-Chairperson indicated that in the view of the Employers, the Forum had been a success and the informal discussion among all partners had been a frank exchange of experiences. The Forum had highlighted the important and positive role that multinational enterprises were playing in developing and transition countries. ILO documents often implied that multinational enterprises had negative effects on development. This was clearly not the case. One should not generalize on the basis of a few negative experiences. She regretted not having received the Forum Proceedings earlier, but understood that there were technical reasons for the delay. Regarding the paper before the Subcommittee, she hoped that future papers would take into account that not all members were familiar with the abbreviations and acronyms used in the Office. She drew attention to two sentences in the fourth paragraph of the paper that, in her opinion, did not correctly reflect the conclusions of the Forum. The first was a reference to the MNE Declaration as being of higher quality and more comprehensive than other voluntary initiatives and codes. Rather, the Forum had agreed that the MNE Declaration could be seen as a basis for voluntary initiatives by companies. The second was the use of the words "critical areas", since the qualification "critical" could lead to misunderstandings. The Employers advocated the promotion of the MNE Declaration as a positive and constructive instrument to help companies develop initiatives. Not all MNEs were large enterprises, and this should be taken into account. Any actions and initiatives by the Office to promote the Declaration needed to be based on close consultations with Employers and Workers.
6. The Employer Vice-Chairperson supported the idea of organizing regional and subregional activities. Regional organizations of employers and workers needed to be fully involved in such activities. The ILO's Multidisciplinary Teams could play a more active role in

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promoting the MNE Declaration at regional and local level and the MNE Declaration should also be highlighted during ILO Regional Meetings.

7. Concerning the recommendation for a sectoral approach, her group had serious reservations. The ILO's role was to promote the MNE Declaration with the help of global employers' and workers' organizations, not to strengthen and promote sectoral organizations. This was not compatible with its mandate or with the voluntary character of the MNE Declaration. Regarding the suggestion to bring the MNE Declaration to the attention of chief executives of large multinational enterprises, she indicated that the International Organisation of Employers (IOE) would be happy to intensify its efforts in that direction and to work with the Office in promoting the MNE Declaration. She proposed that the Office provide the IOE with a tool which it could use for this purpose. The tool could take the form of a revision of the recently issued User's Guide. She had reservations about the Office contacting multinational enterprises directly.
8. Concerning the survey on the effect given to the MNE Declaration, she reminded the Subcommittee that the original Conference decision was to have a regular report on the effect given to the MNE Declaration, but not necessarily a survey. She wondered what alternatives could be considered. In its current form, the survey was too bureaucratic, even though its findings were very interesting. The problem was that few people read the reports. She wondered what the cost of previous surveys had been and what would be the budgetary implications of the different options to improve the process. In summary, the Employers' group felt that the survey needed to be less bureaucratic, shorter and simpler. It agreed with having a more streamlined questionnaire focusing on specific areas on a cyclical basis. It also agreed to reducing the frequency in order to have more in-depth studies. It did not agree, however, with the option of sending questionnaires directly to multinational enterprises, since that was not compatible with the tripartite structure of the ILO. Nor did it agree with the option of increasing the frequency of the survey, and had some reservations concerning the idea of undertaking individual country studies. The Employer Vice-Chairperson proposed that at its next session, the Subcommittee should have before it a document outlining in more detail the different options and their budgetary implications. She concluded by pointing out that the debate on the promotion of the MNE Declaration was directly linked to the debate on globalization. Promotion of the MNE Declaration could make a positive contribution to the social aspects of globalization because its application could help allay the fears raised by the globalization process.
9. The Worker Vice-Chairperson considered that the Subcommittee had a critical function in contemporary global developments, especially in the wake of Enron and other corporate collapses. Multinational enterprises were increasingly concerned with repairing investor, stakeholder and consumer confidence, and those demonstrating good corporate behaviour were moving to distance themselves from those that did not. The ILO was well placed to help them do so by promoting more actively the application of the principles of the MNE Declaration. In fact, the ambition should be to make the MNE Declaration the pre-eminent instrument, whether in the context of the Global Compact reporting frameworks such as the Global Reporting Initiative, governments seeking to promote national standards or companies and trade unions bargaining to reach global framework agreements. Whatever the context, the ILO should be seen as an obvious source of advice and assistance. The Subcommittee had already laid the groundwork for these aspirations and, with a more strategic focus, the debate in the Subcommittee could become central to the ongoing debate concerning the role of multinational enterprises in the global economy. The Subcommittee should be aware that there was a massive amount of activity elsewhere: cases were being brought to OECD National Contact Points (NCP), more and more companies were supporting the Global Compact, the European Union was becoming more and more active as was the International Organization for Standardization (ISO). She

expressed concern, however, that some companies seemed to use the Global Compact as a tool for marketing and promotion, rather than adopting responsible behaviour.

- 10.** The Worker Vice-Chairperson reminded the Subcommittee that during its previous session it had requested the Office to: prepare a plan of activities for the future work of the Multinational Enterprises Programme; identify technical references in the MNE Declaration that required updating, in particular in respect of ILO Conventions and Recommendations; and prepare a summary of broad trends and issues arising from developments in other organizations. She requested a verbal report on steps undertaken and progress to date, as well as information on the experience of ILO constituents in the dissemination and use of the User's Guide and promotional poster.
- 11.** Regarding the Forum, the Worker Vice-Chairperson agreed that it had been informal, exploratory and full of opportunity to build new partnerships. The paper before the Subcommittee correctly pointed out the main dimensions identified for the promotion of the MNE Declaration – regional, sectoral and work with other international organizations. She reminded the Subcommittee that at its previous session, the representative of the Government of Namibia had already called for more decentralized and regionally oriented activities. It would be useful for the Subcommittee to have information on ILO activities carried out in the field to promote the MNE Declaration.
- 12.** With respect to the sectoral approach, the Worker Vice-Chairperson reminded the Subcommittee of its previous commitment to sectoral activities. That was especially important, given that the Governing Body was reviewing the Office's Sectoral Activities Programme. This should help facilitate closer collaboration between the two programmes, and sectoral ILO meetings should be used more actively to promote the MNE Declaration. Responding to the concerns expressed by the Employer Vice-Chairperson, she considered that if the MNE Declaration were not promoted on a sectoral basis developments in the outside world would bypass the ILO. The ILO should provide leadership based on tripartite consensus. Global trade unions and multinational enterprises that had already entered into global framework agreements provided a good starting point. Many of these agreements were rooted in ILO core labour standards, as well as other relevant sectoral standards, providing best practice examples for the industry concerned. The ILO should be the "knowledge bank" for such agreements and use them for advocacy purposes.
- 13.** Contacts with other international organizations should be intensified. A start could be made by organizing a meeting with OECD to discuss cooperation and building synergies between the two organizations' respective instruments. The Multinational Enterprises Programme and the Bureau for Workers' Activities should work more closely together in capacity building for workers' organizations to deal with multinational enterprise activities, especially in developing countries. More generally, the Programme should work more closely with other parts of the Office to promote the MNE Declaration.
- 14.** Regarding the options for the next survey, the Worker Vice-Chairperson considered that the point of departure for the discussion should be the understandings reached during the previous sittings of the Subcommittee. The strength of the survey lay in the active participation of Governments, Employers and Workers, and the need for broader involvement of all constituents had already been agreed. The options outlined in the paper should be considered in a holistic manner, not regarded as being antagonistic. It should be possible to achieve both greater efficiency in terms of the work involved and enhanced outcomes without additional cost or delay.
- 15.** The first option in fact went hand in hand with the third option. The second and fourth options were natural additions to the survey process if the Subcommittee was serious about promoting the MNE Declaration. The Worker Vice-Chairperson was surprised at the

mention of budgetary implications, since a two-part questionnaire, with a simplified general first part and a second part going into greater depth concerning one of the four main areas of the MNE Declaration on a rotating basis, should not affect costs, while outcomes would be enhanced and more useful.

16. The Worker Vice-Chairperson pointed out that the Director-General had asked for a strategic approach to budgeting. Obtaining first-hand information on developments in one of the major areas of the globalized world of work and combining it with a consensual approach to promoting the MNE Declaration was indeed strategic. A myriad of new codes, guidelines and auditing systems was being developed and adopted - many of which were often issued unilaterally by companies and not adopted on the basis of consultations. The ILO was fortunate to have a tool that had been adopted on the basis of tripartite consensus and to which the partners had expressed commitment. She proposed that the Office start a process of consultations with a view to drafting a preliminary questionnaire for examination at the next sitting of the Subcommittee in March 2003.
17. The representative of the Government of the United States wondered why regional, sub-regional and sectoral approaches to promoting the MNE Declaration were not already in place as such approaches were all worth pursuing. The ILO had an important role in information gathering and dissemination on good practices in line with the MNE Declaration. Regarding the options concerning the next survey, the first option would leave the existing structural problems in place. He questioned the relevance of a global survey, since statistical information was difficult to obtain. For example, the United States did not distinguish between domestic and multinational enterprises.
18. He supported the idea of reducing the frequency of the global survey or even replacing the global survey with an alternative, if possible, noting that the Conference had not mandated a regular survey but a report. He agreed that it would be useful to clarify the mandate and objectives of the Subcommittee, taking into account current trends and issues. The ILO's multidisciplinary teams needed to be supported so that they could assist the tripartite constituents at the local level on the basis of an integrated approach.
19. Concerning the next survey, the representative of the Government of Kenya felt that some combination of the four options could be devised. It would be appropriate to encourage multinational enterprises through the survey to develop the skills and the infrastructure necessary for a knowledge economy. With regard to the follow-up to the Forum, he supported the sectoral approach and targeting chief executives to promote the MNE Declaration. He regretted that few host countries were represented on the Subcommittee. Consideration should be given to expanding its membership. He further suggested that, in order to give it greater visibility, the MNE Declaration could be the subject of a general discussion at the International Labour Conference.
20. The representative of the Government of the United Kingdom considered that the Forum had been an excellent opportunity for an open exchange of views. Insofar as there were conclusions, the main one was that the Office and the constituents should all intensify efforts to promote the MNE Declaration as a guide and instrument for helping multinational enterprises to contribute fully to the aim of decent work for all.
21. There was an ever-increasing interest in corporate social responsibility and the MNE Declaration should be one of the key instruments for encouraging corporate social responsibility, in tandem with the 1998 Declaration of Fundamental Principles and Rights at Work. Both were essential to achieving the goal of decent work. The revision of the MNE Declaration in March 2000 had made that linkage very clear. The Subcommittee should look for ways of ensuring that all work by the Office in this area was coordinated and coherent.

22. The Subcommittee needed to ask itself whether it aimed at promoting the MNE Declaration as an end in itself, or whether it could contribute to achieving the strategic goals of the Organization more generally. If the latter, it could not ignore other international initiatives, especially the Global Compact and individual corporate action. It could also consider extending the membership of the Subcommittee. Most importantly, the Subcommittee should discuss how the ILO could engage meaningfully and effectively with corporations and reach out to those not yet “converted”. The dynamism of the MNE Declaration should be exploited to link it to the twenty-first century agendas of corporate social responsibility and decent work.
23. At its next sitting, the Subcommittee should discuss ways to improve linkages between work on the promotion of the MNE Declaration and other activities of the Office and the future composition of the Subcommittee, including any cost implications.
24. Concerning the next survey, the representative of the Government of the United Kingdom considered streamlining of the survey to be highly desirable. Although a questionnaire for multinational enterprises was an attractive idea, experience in her country showed that there was a real danger of “questionnaire fatigue”. Many organizations, both in Government and civil society, already send questionnaires to corporations to assess their actions on social and environmental responsibility. The third and fourth options could also help strengthen operational activities to promote decent work.
25. The representative of the Government of Canada asked that the Office convey the Subcommittee’s thanks to the outgoing head of the Multinational Enterprises Programme (Ms. Diller) for her work in raising the profile of the MNE Declaration. She noted her Government’s satisfaction with the Forum and the consensus it had reached on moving forward with promotional activities. She agreed that there was a need to look at other initiatives in the area of corporate social responsibility. It was important to take another look at the survey process, and she noted her own Government’s difficulties in replying to the survey. Expressing a clear preference for the fourth option presented, she suggested that at its next sitting the Subcommittee should have an Office paper with more details.
26. The representative of the Government of Japan expressed his satisfaction with the Forum and its outcome. His Government was holding regular seminars for multinational enterprises and continued its efforts to promote responsible practices. The MNE Declaration was an important part of this work. With regard to the next survey, he preferred the first option.
27. Ms. Brighi (Worker, Italy) agreed with the Employer Vice-Chairperson that many multinational enterprises were in fact small and medium-sized. This should be taken into account in undertaking activities to promote the MNE Declaration. In view of the many initiatives in the area of corporate social responsibility that had labour dimensions, such as the Global Compact, the OECD Guidelines for Multinational Enterprises, ISO standards, and the European Commission’s Green Paper and communication, it was important for the ILO to mainstream the MNE Declaration in global debates on corporate social responsibility. A strategic implementation plan was necessary to do this. Such a plan could involve training at the International Training Centre in Turin, cooperation with other organizations, technical cooperation activities and strengthening work in the area of factory inspection and monitoring in the context of voluntary initiatives.
28. The Employer Vice-Chairperson disagreed that many companies were using the Global Compact mainly for public relations purposes. Most companies were serious about their participation in the Global Compact and made real efforts to give its principles substantive meaning. She warned the Subcommittee against moving towards discussing corporate social responsibility in more general terms, as this included areas beyond the ILO’s

mandate, such as environmental and corporate governance issues. She reminded the Subcommittee that the MNE Declaration included recommendations for all the actors to which it was addressed, not just multinational enterprises. It was particularly important that governments shouldered their responsibilities, rather than trying to offload them onto multinational enterprises.

29. The Worker Vice-Chairperson supported the proposal by the representative of the Government of Kenya to combine elements from the different options for the next survey, and looked forward to discussing a first draft at the next sitting of the Subcommittee. Regarding the timing of the survey, she felt that reporting every four years on such an important instrument could hardly be considered a burden for constituents. The specific concerns of the United Kingdom, the United States and Canada could most likely be accommodated if the survey were properly designed.
30. Supporting the statement by the representative of the Government of Japan that the MNE Declaration was one of the most important ILO instruments, she endorsed the proposal by the representative of the Government of Kenya to place the MNE Declaration as an item for general discussion on the agenda of the International Labour Conference, as well as the proposal by the representative of the Government of Canada that the Office should cooperate with other international organizations to promote the MNE Declaration. She also agreed with the representative of the Government of the United Kingdom that the Decent Work Agenda needed to have an integrated approach and should therefore take into account the MNE Declaration and corporate social responsibility issues more generally.
31. In his reply to the questions raised during the debate, the representative of the Director-General indicated that it was difficult to indicate the exact cost of previous surveys. In addition to the nominal allocation of one professional work-year and \$100,000 in other costs, the process had usually involved contributions by a number of non-remunerated interns as well as technical inputs from other units in the Office. Regarding the issue of the criteria applied in selecting countries for operational activities, he pointed out that this could possibly be done on the basis of the information provided through the survey, the volume of foreign direct investment and whether a country was one of the “decent work countries” targeted by the Policy Integration Department. Concerning the questions raised by the Worker Vice-Chairperson, he indicated that a report on the activities of the Multinational Enterprises Programme and proposals for future work, as well as a report on developments in other organizations, were usually discussed during the March session of the Subcommittee. The Office would therefore prepare the relevant papers for the next sitting of the Subcommittee. In view of the fact that the MNE Declaration had been revised and amended only two years earlier, it was probably not justified to propose another revision in 2003, but the Office would definitely keep the matter under review and alert the Subcommittee when it felt that a new revision was necessary.
32. The Worker Vice-Chairperson said that the survey was important, particularly for host countries. The increasing response rate confirmed this. She agreed with those members who had emphasized that the work on the MNE Declaration should be better integrated with other Office activities in support of decent work and sustainable development. She was willing to discuss the issue of membership of the Subcommittee. She also agreed that the Subcommittee should limit its debate on corporate social responsibility to issues within the ILO’s mandate, but pointed out that there was sometimes overlap and in those cases ILO should stake its ground. For the Office to be able to do so, a strategic action plan was essential.

33. *The Subcommittee recommends that the Governing Body request the Office to prepare proposals for action to promote the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy during the period 2003-05 on the basis of the views expressed during the discussion of the Subcommittee concerning the suggestions made during the Tripartite Forum on Promoting the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.*
34. *The Subcommittee also recommends that the Governing Body request the Office to prepare, in consultation with the Officers of the Subcommittee, more detailed proposals, including possibly a draft questionnaire, for the Eighth Survey on the effect given to the Declaration of Principles concerning Multinational Enterprises and Social Policy.*

Geneva, 15 November 2002.

*Points for decision:* Paragraph 33;  
Paragraph 34.