

Business and Decent Work

The Roles of Multinational Enterprises in Enhancing the Employment and National Development by Applying the Principles of the MNE Declaration and the Labour Dimension of 'Corporate Social Responsibility'

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Job creation: top priority



- 670 million... jobs needed to be created
- 75 million... jobless youth
- One in two... jobs is casual or unpaid
- 1 in 4 workers... support their family on less than US\$2 a day
- A good job.. is the number one priority around the world

Foreign Direct Investment (UNCTAD WIR 2014)



Figure 1. FDI inflows, global and by group of economies, 1995–2013 and projections, 2014–2016 (Billions of dollars)

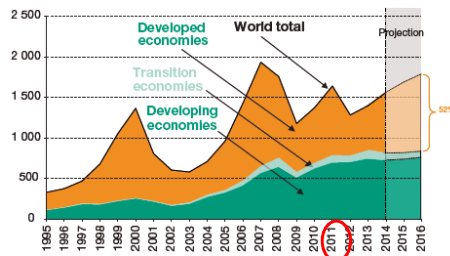
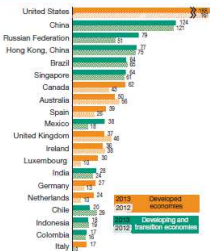


Figure 2. FDI inflows: top 20 host economies, 2012 and 2013 (Billions of dollars)



Of the top 20 countries, more than half are from developing economies + transition economies

- MNEs have expanded the global production systems.
- The potential for job creation is especially high in developing economies.

Not just quantity but quality



*“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.**”*

Ernest and Young Africa Attractiveness Survey 2015

Global Supply Chains (GSC) Impact and Challenges



NO!!



YES!

- Many developing economies became integrated into the global economy through GSCs
 - > Enterprise development, job creation, economic growth
- Transfer of knowledge and technology
 - > Increased productivity
 - > More profitability, better business

- ✓ Generation of more and better jobs through GSCs
 - > Maximising the potential of GSCs
- ✓ The need to apply **International Labour Standards (ILS)** and their principles and promote Decent Work



International Labour Organization (ILO)

- Specialized Agency of the **United Nations**
- **HQ:** Geneva, Switzerland
- **Member States: 187**
- **Sets International Labour Standards**







ILO is represented by the **Government, Employers, and Workers** of each ILO member State



«To promote the creation of **more and better** jobs for men and women everywhere»



Category of CSR initiatives

«Compliance challenges» Weak governance Weak implementation of laws Especially supply chain challenges - subcontracting down to informality Social auditing - due diligence - «Do no harm approach»	«Contribution of business to development» Job creation Local content - business linkages Local economic development Technology transfer Skills - human capital development «Development approach» ILO MNE Declaration	Social philanthropy - social investment Outside of direct business operations <i>ILO does not include this as 'CSR'</i>
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Responsible Business Development for Sustainable and Inclusive Growth

Private Compliance Initiatives (PCIs)



- ☐ Increased attention in connection with promoting governance within global supply chains
- ☐ Labour-related CSR initiative
- ☐ Existence of measurement criteria for enterprise performance

- ✓ Setting Code of Conducts (CoCs)
- ✓ Audit, Monitoring
- ✓ Certification, labelling
- ✓ Information disclosure (reporting)

The majority include reference to ILS

About PCIs



- ☐ **80%**
% of global business that check CSR of their suppliers through PCIs
- ☐ **1000**
of PCIs estimated back in 2003. Rapid increase in recent years.
- ☐ **Where?**
 - Mainly in developing economies with labour compliance challenges
 - Labour intensive industry (manufacturing) > expansion into agriculture and services
 - Geographic characteristics
 - ☐ **Asia:** dominantly in manufacturing, agri-processing, mining
 - ☐ **Africa:** agri-processing, mining, apparel (north)
 - ☐ **Europe/US:** self evaluation system, disclosure of non-financial information
 - ☐ **And in Indonesia...?**

Impact of monitoring through CoCs on working conditions and workers rights improvement



- Improvements in OSH
- Accidents decreased
- Impact at a large scale

At the same time...

R. Locke study of Nike (2006)

- ☐ Over 800 Nike suppliers in 51 countries
- ☐ Big improvements only when measurements to address the **root causes** of the problems were introduced at the same time

EU Commission report (2013)

- ☐ Improvements observed amongst suppliers' working practices; however, often not leading to sustainable improvements
 - Child labour, long working hours, wages, discrimination, etc

Terrible accidents continue...

Results



- ☐ Transparency through information disclosure, trust-building
- ☐ Limitation of the 'Check-box' compliance approach
 - ✓ *How can sustainable improvements be made?*
 - ✓ *'audit fatigue' felt by the suppliers*
 - ✓ *many issues go beyond those that individual companies can deal or solve*
- ☐ The need for effective use of the data collected through monitoring

Towards a Partnering & Development Approach



A shift from 'police & sanction' 'do-no harm approach'

- ❑ **“Commitment”** through analysing the root causes of the problems, promotion of dialogue, capacity building training.
- ❑ Focusing on the **“prevention”** of non-compliance.
- ❑ **“Sustainable compliance”** that brings about continued improvements.

*Sustainable enterprise is a critical **management** issue*

MNE Declaration



- Most comprehensive global instrument on the labour/employment dimension of CSR
- Aim: Maximize the positive contribution of Foreign Direct Investment and business to socio-economic development
- How? By closer alignment of private policies and practices with national development priorities
- Principles indicate «good practices» for business, but also responsibilities for governments
- Underlying mechanism: dialogue

ILO MNE Declaration

- Normative guideline for Labour dimension of CSR-



- ☐ Socially responsible labour practices amongst MNEs in the host countries of their operations
 - *Legal compliance + contribution to development through core business operations = 'Compliance Plus'*
- ☐ Maximizing the employment impact, 'developmental approach'
- ☐ Underpinned by International Labour Standards
- ☐ **Distinct roles of government and business**
- ☐ Includes the 4 Fundamental Principles and Rights at Work
- ☐ **5 topic areas:** General Policies, Employment, Training and Skills, Conditions of Life and Work, Industrial Relations



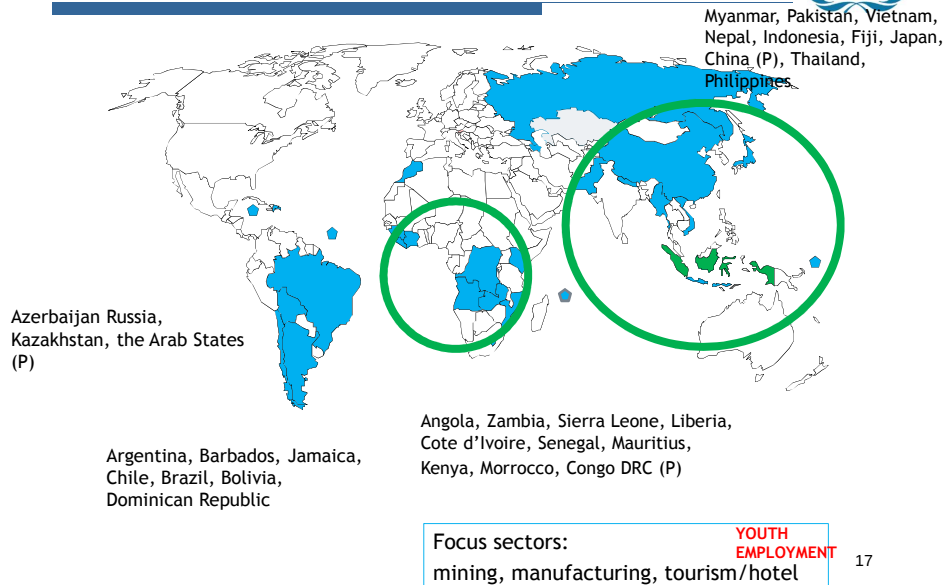
Country level action in promoting the principles of the MNE Declaration



- ☐ Research
- ☐ High-level policy dialogues
- ☐ Seminars with business
- ☐ Application of the international labour standards, promotion of the ILO MNE Declaration
- ☐ Labour Administration
- ☐ Promote dialogue between home and host countries of FDI/MNE
- ☐ Documentation and sharing of good practices
- ☐ ILO Helpdesk for Business on International Labour Standards <http://www.ilo.org/business>

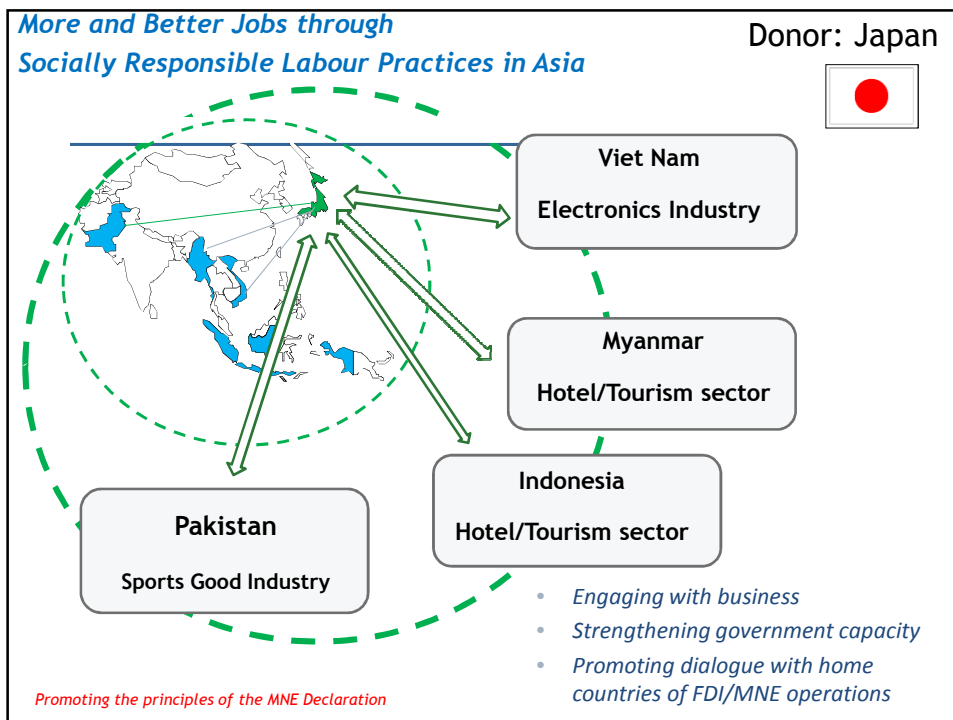


Country-level action



- ❑ **Barbados, Jamaica, Fiji, Myanmar, Indonesia**
 - Focus on the hotel/tourism sector
 - Promoting youth employment withing global hotel chains and their supply chains
 - Addressing the skills gap
 - Forging business linkages with the local economy
- ❑ **Engaging with MNEs to promote youth employment in Africa:**
 - Action-oriented study > seminar with business, high level policy dialogue
 - Employers' org lead the Task Force on Youth Employment Promotion and Responsible Investment
 - Tripartite-plus dialogue and engagement platform
 - Skills gap, MNE-SME linkages, mining sector
- ❑ **Similar experience in Argentina** with the Ministry of Labour, Employment and Social Welfare

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- ❑ 'Race to the bottom' type survival strategies are in the long-run detrimental to workers' livelihoods, enterprise performance, and national development.
 - ❑ Also serious negative publicity effects, ultimately backlash on enterprise reputation of lead coordinators of the production networks, critically undermining overall business performance
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- ❑ Socially responsible labour practices are not just effective for mitigating risks, but constitute **good and sustainable core business practices**.
- ❑ How genuine **competitiveness enhancing business strategies can at the same time be 'socially responsible'** that generate more and better jobs
 - > *Business and labour practices that are compatible with the **ILO MNE Declaration***

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1. Aligning competitiveness and socially responsible practices

Strong commitment of an MNE to build capacity of its supplier firms in terms of socially responsible corporate conduct

Example of Fuji Xerox: CSR procurement support: self-check exercise using CoCs, MNEs provide technical support to overcome shortcomings

- ❑ Primary motivation: not to prepare their suppliers to properly abide by the CoC *per se*, but to prevent the occurrence of "*line stop*" at both the suppliers and their own
- ❑ Main reasons for disruptions: worker-employer disputes related to working conditions (and the strikes that follow) - have strong effects to competitiveness of the suppliers and MNEs.
- ❑ Systematic cost-benefit analyses based on quantitative data suggest robust and positive correlations between such practices and profits

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Aligning competitiveness and socially responsible practices - contd.



Example of Apple and Foster Danang:

an win-win engagement through social audit based on Apple CoC, corrective action verification system that also help address strategic business issues

- Engagement with suppliers as one of the key sources of overall competitiveness
 - Business model based on mutually dependent structures between buyer MNE and suppliers
- Process as a tool to engage and build trust based relationship with suppliers; not just as a tool to build capacity of suppliers

Key conditions for success:

- ✓ Level of trust embedded in interfirm relationship between buyer MNEs (Apple and Fuji Xerox) and their suppliers (Foster Danang, in the case of Apple).
- ✓ Built and maintained through regular dialogue.

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2. Building trust and strengthening commitment (Panasonic)



- Establishing long term relationships with their workers as well as with their suppliers
- One of the most important objectives for MNEs is to attract and retain the workers to establish relationships that are stable and long-term based to build and accumulate capacity for tacit knowledge (high skilled workers)
- Improving workers' opportunities to achieve a better work-life balance, prioritizing on issues that were deemed as important from the workers perspectives.
- The key to this was to hold regular dialogue between management and workers, and to genuinely commit to the outcomes of such dialogue.

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The way forward



- 'Decent work for all' in the global supply chains as a common agenda
- Increased competitiveness through labour CSR, active disclosure of '**good practices**'
- **Engagement for addressing** common challenges
 - A long-term **Win-Win-Win** relationship through dialogue and collaboration at all levels for sustainable development

Socially responsible labour practices constitute good and sustainable core business practices; **management and leadership issue**.



For more information

- MULTI website: www.ilo.org/multi
- The MNE Declaration: www.ilo.org/mnedeclaration
- ILO Helpdesk for business: www.ilo.org/business
assistance@ilo.org
- E-learning of the MNE Declaration: www.ilo.org/mnelearning

