

## Multinationals and socially responsible labour practices: Better business - Looking back, looking forward

*A major international forum in Geneva has marked the 30th anniversary of one of the first initiatives by the international community to put the social dimension into globalization. Andrew Bibby reports on a key tool to encourage multinational businesses to adopt socially responsible labour practices.*

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GENEVA – The ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy – or, more simply, the Multinational Enterprises (MNE) Declaration – was a pioneering document when it was first adopted in 1977. Since then it has proved a valuable tool in establishing a framework under which global companies can operate as good corporate citizens of the world, and in the ILO's work of promoting socially responsible labour practices.

These days, talk of corporate social responsibility (CSR) is widespread, and both companies and their customers are increasingly likely to take an interest in the ethics of business operation. Companies with strong CSR policies appreciate the importance of considering both environmental factors and the employment conditions they offer their workers, and it is this latter area that the ILO's Multinational Enterprises Declaration inspires good practice.

Globalization has developed apace since the late 1970s when that phrase was first drawn up, and multinational enterprises have become even more important as global employers. Today around 65,000 multinationals between them employ more than 90 million people, or one in 20 of the global workforce – with the top hundred multinational companies directly responsible for the employment of about 15 million people. But they are indirectly responsible for many millions more: they have a potentially major role in the lives of millions of workers by helping to shape the employment conditions and opportunities for social dialogue in the countries in which they operate.

So it is heartening that some, at least, of these businesses are prepared to sign up publicly to the principles behind the Declaration. Attending the 30th anniversary forum in Geneva in November 2007 were senior executives from a number of major world companies, among them household names such as Nestlé, Panasonic, Telefónica and Manpower. Representing the ILO's tradition of tripartism, they were joined, too, by the general secretaries of a number of the Global Union federations, including Union Network International and the International Metalworkers' Federation.

According to ILO Director-General Juan Somavia, the Multinational Enterprises Declaration remains as relevant today as it was back in the 1970s when governments, business and union leaders first debated and discussed its shape. Opening the forum, Mr. Somavia described the Declaration as reflecting the shared recognition that the needs of business and the welfare of workers go hand in hand. "The Declaration was ahead of its time," he claimed. "It is very much part of ILO history: now we have to make sure that it is also part of the future."

His words were echoed by one of the other speakers at the event, Nestlé's CEO and Chairman Peter Brabeck-Letmathe. "The Multinational Enterprises Declaration has been and will be for many years a strong document which underscores a key element of business: that, in order to have long-term success, you have to care about and create value for people. That's the only reason why a company can exist," he told his audience of senior business and trade union leaders.

### **The ILO multinational enterprises declaration: What does it say?**

The Declaration begins by establishing some general principles, designed to promote good practice for all. Multinationals are asked to support the ILO's call for adherence to the Fundamental Principles and Rights at Work, and to work in harmony with the development priorities and aims of the countries they operate in.

There follows a section on employment promotion, job security, and issues of equality of opportunity and treatment. A second section of the Declaration focuses on the need to encourage skills training: multinationals "should ensure that relevant training is provided for all levels of their employees in the host country", to help improve skills and career opportunities for individual workers and to assist the development policies of the countries they are in.

A third section, entitled *Conditions of Work and Life*, covers issues of wages, employment benefits and employment conditions, as well as minimum age requirements. Additional clauses promote appropriate

action to ensure high occupational safety and health standards.

Finally, the Declaration includes a section encouraging sound industrial relations. Multinationals “should observe standards of industrial relations not less favourable than those observed by comparable enterprises in the country concerned”, the text states. The right of workers to freedom of association is spelled out, as are workers’ rights to organize and to negotiate their terms and conditions through collective bargaining. There are clauses on consultation, grievance procedures and dispute resolution.

The overall theme lying at the heart of the Declaration is also spelled out. It is “to encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise”.

The ILO Multinational Enterprises Declaration has since been joined by other international instruments, including the OECD Guidelines for MNEs and the UN’s Global Compact introduced in 1999, as well as by other international initiatives. Encouragingly, today there is much greater recognition in the business community of the importance of corporate social responsibility than there was in 1977. Nevertheless, the ILO Declaration remains unique in having been produced by the ILO’s tripartite process of social dialogue – a global agreement negotiated by representatives of both employers and workers, with a positive message at its core. It is a valuable tool in the global journey towards socially responsible labour practices.

## **Doing good and doing well**

According to Juan Somavia, there is increasing pressure on business from consumers who are choosing to buy from companies with good social practices. “There is growing awareness for the need of a fair globalization, because the present course is widely recognized as being morally unacceptable and politically unsustainable,” he told his audience in Geneva. “To be sustainable, enterprises have to be socially competitive.” “Doing good and doing well are mutually reinforcing,” said Mr. J.-M. Salazar-Xirinachs, Executive Director of the ILO’s Employment Sector.

Although it is a voluntary code of practice for companies, the Declaration has a weight beyond individual companies’ own statements of social responsibility as an international statement of good practice drawn up through the ILO’s formal tripartite structures – in other words, by employers, workers’ representatives and governments working together. This was a point made by another speaker at the forum, Ebrahim Patel, executive member of the Congress of South African Trade Unions (COSATU). “Codes developed by companies to guide their own conduct – however helpful it may be to the company – can clearly not be an alternative to arrangements that are developed by consensus,” he said. “In politics, the limits of unilateralism have become clear. In industrial relations, similarly, unilateralism, represented by arrangements that companies develop on their own and impose as their practice, cannot replace the value of commonly-developed instruments.”

As well as Nestlé, senior executives of Panasonic, Manpower and Telefónica signalled their commitment to the principles underlying the Declaration. For example, Panasonic’s involvement in what would now be called corporate social responsibility went right back to the company’s founder Konosuke Matsushita, said Panasonic HR director Danny Kalman. As far back as 1929, Mr. Matsushita had called for industrialists to take responsibility for the growth and development of society and for the well-being of individuals in society, Mr. Kalman explained, referring to the Panasonic founder’s well-known book *People before Products*.

Telefónica’s director of human resources Oscar Maravar Sánchez-Valdepeñas told the forum how his firm has changed from a company operating only in Spain with 67,000 employees in 1984 to today’s position where it undertakes business in 23 countries and employs more than 240,000 people. As part of this process of radical change, Telefónica’s model of industrial relations and collective bargaining has also been transformed, Mr. Maravar said. He described how, in the 1980s, Telefónica took a strategic decision to move away from the old conflictual model of industrial relations, which had built up when the company was Spain’s monopoly supplier of telephone services, to one based on partnership and dialogue with the trade unions. “The new model of relationship required full mutual trust on both sides. It’s been very complicated, but we’ve achieved it. The model is based on four goals: social dialogue, total transparency in terms of information, balance between the two parties, and a search to find solutions which are win/win,” he said.

He said that in countries where labour conflicts had been endemic previously, disputes had been avoided in recent years. “We’ve learned to have dialogue. Trade unions have been playing a strategic role,” he said.

Sitting beside him at the forum was Philip Jennings, general secretary of Union Network International (UNI), the service sector global union with whom Telefónica signed a Global Framework Agreement in 2001. Mr. Jennings had a similarly upbeat message about the benefits of social dialogue at global level between multinationals and unions, pointing out the benefit of having a high-level mechanism in place to sort out issues and problems as they arose. He spoke strongly in favour of Global Framework Agreements, arguing “I say to all the companies in this room, and the hundreds of thousands who aren’t here, that if you are concerned about your brand and your reputation, and the public perception of you as a business, a Global Framework Agreement based on the ILO Declaration and Conventions should be paramount.”

Philip Jennings was concerned, however, about the difficulties which subcontracting by global firms could raise in relation to the workings of the Multinational Enterprises Declaration. It was a point also made by COSATU’s Ebrahim Patel, speaking particularly in relation to conditions in developing countries. “One change since 1977 has been the growth of subcontracting by MNEs,” he said. “Multinational companies have built up often complex global supply chains which reach out to millions of contractors and suppliers. In some key sectors, relationships between firms are transaction-based rather than hierarchical. This has transformed the employment relationship, since MNEs now state that they are not responsible for workers at the end of the supply chain.” It is necessary, he implied, to ensure that the ILO Declaration remains relevant to business circumstances like these.

A second speaker from South Africa, from a business rather than a union background, had a different point to make. Bobby Godsell, until his recent retirement the CEO of AngloGold Ashanti and before that a director of the Anglo American Corporation, focused on the role global companies need to play in the “host” countries where they are operating. These, he said, should be “not behind the closed doors of private meetings with presidents and ministers, but rather in the open chambers of the institutions of social dialogue.

“Common sense tells us that full democracy, truly independent trade unions, and full gender and race equality do not exist in 181 countries around the world. The conclusion I draw from this is that global companies wishing to conform to the values of the MNE Declaration will often have to do more than merely comply with the laws of their home countries,” he went on.

#### **Putting principles into practice**

“Many multinational enterprises are putting the principles of the MNE Declaration into practice,” says Mr. J.-M. Salazar-Xirinachs, Executive Director of the ILO’s Employment Sector. “They are doing interesting and important things to promote employment and skills development, protect workers’ rights, and foster good industrial relations”:

- AngloGold played a leading role in South Africa in challenging the denial of full trade union rights for black miners during apartheid.
- Nestlé is working to support local farmers through transferring technology, providing microcredit and supporting infrastructure development.
- Panasonic has supported cross-border dialogue between management and worker representatives, including the Panasonic European Congress.
- Manpower is engaging in partnership with government, trade unions, NGOs and international organizations to combat the worst forms of exploitation.
- Telefonica has effectively used its global framework agreement with UNI to build trustful relationships and transform industrial relations in countries where social dialogue is not fully developed.

#### **The changing world of work**

The world of work has changed in many ways since 1977, not least in the growth of new employment models based on temporary work placement, agency working, cross-border outsourcing and flexibility.

For some, flexible working might seem to suggest greater vulnerability at work. David Arkless, Manpower Inc. Senior Vice President, argues however that flexibility should be seen as a good thing. There is a virtuous circle, he told the ILO forum, whereby flexibility improves productivity, which improves business competitiveness, which in turn strengthens national economies and helps create more jobs. His industry has, he said, a “huge role” to play in the time ahead. Already, Manpower was placing almost 4.5 million people into permanent, temporary and contract jobs each year, he said, making it the largest employer outside the public sector.

But he was adamant that flexible working should not mean a retreat on employment conditions for workers. "We are absolutely with you in partnership for improved working standards," he told the ILO forum. He went on to acknowledge the role of trade unions, together with NGOs, in that partnership: "I think you have a large and increasing role to play. Together we can do something," he said.

He pointed out that multinational companies often had access to plants from which trade unions were currently excluded, and he called for global corporations to use their influence and power in a positive way in situations like these to promote the ILO Declaration and ILO Conventions and Recommendations. He also described his efforts to recruit global businesses in the fight against human trafficking, a campaign which he has been particularly actively engaged in through the End Human Trafficking Now! movement.

Manpower works closely with the service sector global union Union Network International, and UNI's Alke Boessiger welcomed this partnership. "We want to work with Manpower, Adecco and Randstad, who have committed to dealing with staff in a decent manner," she said, pointing out that it was in everyone's interest to ensure that the temporary work sector was a "clean" industry, where players played by the rules. But she expressed concerns that ILO Convention 181, covering private employment work agencies, had only received ratifications from twenty countries in the ten years since it was adopted in 1997.

Thirty years on, in other words, it would be a mistake to be complacent. Marcello Malentacchi, general secretary of the International Metalworkers' Federation, described the ILO Declaration as "a good initiative" but claimed that it lacked the implementation and supervision mechanisms to ensure that it was followed. Philip Jennings had a similar message, arguing that the Declaration by itself wasn't necessarily adequate as a way of making improvements. "I would like to find a way of making the ILO more relevant," he said. He added that the increasingly important private equity community needed to be brought in to the discussions.

David Arkless shared this concern, and called for the ILO to have much stronger procedures for ensuring that both ILO Conventions and the MNE Declaration are implemented. "There is no point in having a Declaration unless you really police it," he said. The MNE Declaration in particular he described as a "fantastic framework", but he said it had to demonstrate that it could be effective in practice. He ended his contribution to the anniversary forum with a stirring call for action: "Let's use the anniversary of the Multinational Enterprises Declaration to supercharge what we're doing," he said. "We can do it together."

#### **The ILO in support of socially responsible labour practices - In multinationals: brief highlights**

Since 2004 **Volkswagen**, in collaboration with the ILO and GTZ (German Corporation for Technical Cooperation), has been implementing a Global Compact and Safety and Health project to improve working conditions in their supply chain. The ILO manages the project. Through partnership with Volkswagen suppliers, the company strengthened labour inspection to ensure legal compliance. The project reaches out to small and medium enterprises, helping them increase productivity by improving safety at the workplace level in the countries of operation – Brazil, Mexico, and South Africa. "In just five days we had already implemented many of the recommendations without any large costs involved," said one South African Managing Director.

**Magyar Telekom**, Hungary's largest telecommunications company with operations in Bulgaria, Macedonia, Montenegro and Romania, is a fully-consolidated subsidiary of Deutsche Telekom. Although Magyar Telekom's corporate culture already encompasses CSR-related activities, it participated in an ILO training in 2006 on equal opportunities and diversity policies "to gain support in rethinking the various initiatives and programmes already in place in the company in a more systematic way". In 2007 Magyar Telekom won the Diversity Award among member companies of the Deutsche Telekom Group.

Also in Hungary, in 2007 ILO-STEP issued a call from proposals from companies to share **good practices in equal opportunity and diversity management** at the workplace. Nine companies responded, including subsidiaries of foreign multinationals as well as large state-owned companies and one small business. They described 32 initiatives, now published by the ILO Office in Budapest.

The ILO has recently carried out **research on value chains** in two sectors, agribusiness and electronics. The electronics study was launched on the occasion of the Tripartite Meeting on the Production of Electronic Components for the IT Industries in May 2007.

A new **ILO Helpdesk** is to be launched in 2008 to provide expert advice on how companies can realize international labour standards and the principles of the ILO Tripartite Declaration on Multinational Enterprises and Social Policy. It responds to the ever-growing interest of companies in referencing international labour

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| standards and internalizing them into their operations, including in global value chains. |
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“From all of this, it is clear that the ILO has much important work still remaining,” said Mr. Salazar-Xirinachs in summing up. He particularly identified four elements:

- To assist multinationals and other companies to better understand how the MNE Declaration can help them to contribute more effectively to economic and social development
- To assist governments to better understand and implement the recommendations of the MNE Declaration aimed at helping them attract investment which will contribute to Decent Work in their countries
- To assist employers' and workers' organizations to engage more fully and effectively with multinational enterprises to achieve productivity and growth through socially responsible labour relations
- To reach out to groups the ILO has not worked with in the past. For example, the ILO might have a role to play in helping financial markets understand the objectives of the MNE Declaration. “Although we may not be able to persuade financial markets to take a 250-year time horizon for investments, following Panasonic's founding philosophy, we might be able to get at least some of them past focusing only on the next quarter,” he said.

For ILO Director-General Juan Somavia, one challenge for the future is how to promote the importance of social dialogue as the cornerstone of social responsibility in business. “Being socially responsible does not mean ‘doing things’ for workers. It means sitting down and talking about a range of issues with unions and workers’ representatives. It means dialogue,” he said. Dialogue can be difficult and complicated, he acknowledged, but he argued that the results which come from the process are longer-lasting. The task, he said, is to work for a fair globalization where business is profitable and sustainable, and also where social equity is promoted and natural resources conserved.

Please see [www.ilo.org/multi](http://www.ilo.org/multi) or contact [multi@ilo.org](mailto:multi@ilo.org) for further information.