Integrating International Labour Standards in Enterprise Culture:
a social responsibility and a competitive advantage

Yukiko Arai
Multinational Enterprises and Enterprise Engagement Unit
ILO Geneva

18 November 2016
Bali, Indonesia
1. Global trends on CSR

2. ILO’s approach to CSR: MNE Declaration

3. Engaging with MNEs: examples of country-level action
Foreign Direct Investment (UNCTAD WIR 2014)

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

Of the top 20 countries, more than half are from developing economies + transition economies.
Global Supply Chains (GSC) Impact and Challenges

- "Race to the Bottom"
- Concerns about the quantity and quality of jobs generated
- Repeating disastrous incidents

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

NO!!

- 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
To promote the creation of more and better jobs for men and women everywhere.

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

Social philanthropy - social investment
Outside of direct business operations

*ILO does not include this as ‘CSR’*

ILO MNE Declaration

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)
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 the Pacific…? Hotel/tourism sector?
Impact of monitoring through CoCs on working conditions and workers rights improvement

- Improvements in OSH
- Accidents decreased

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...
Impact

- 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.
- Joint action to address common challenges through dialogue

Compliance is a critical management issue
ILO instruments that directly speak to enterprises


- Declaration on Fundamental Principles and Rights at Work, 1998
Fundamental principles and rights at work

- Respect freedom of association and the right to bargain collectively
- End forced labour
- End child labour
- Fight discrimination

- Commits all ILO member States (irrespective of ratification of convention) to respect, promote and realize these fundamental rights and principles
  - moral duty to respect
- Incorporated in MNE Declaration – calling on all parties to contribute to realization of the FPRW
ILO MNE Declaration
- Normative guideline for Labour 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’
- Equally applicable to domestic companies
- Maximizing the employment impact, ‘developmental approach’ (sustainable development)
- 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
Employment

- Contribute to employment, directly and through backward and forward linkages

- Equality of opportunity and treatment

- Employment security in set-up and changes of MNE operations
Training and Skills

- Governments should develop effective national policies for vocational training and guidance

- Enterprises should contribute to skills development for employability
Conditions of Life and Work

- Working conditions (wages, hours) in MNEs as favourable as those of comparable employers or best possible conditions

- Basic worker amenities of a good standard

- Safe and healthy workplaces

- No child labour

- No forced labour
Industrial Relations

- Freedom of association and right to organize
- Recognize and facilitate collective bargaining
- Develop systems for consultations
- Establish individual and joint grievance processes
- Establish voluntary conciliation machinery to prevent and settle disputes
MNE Declaration & other CSR Instruments

MNE Declaration, 1977, 2000, 2006

Declaration on Fundamental Principles and Rights at Work, 1998

4 Labour Principles

2 Human Rights Principles

ISO 26000 Social Responsibility 2010

Labour chapter
Human Rights chapter


Employment and Industrial Relations Chapter

Human Rights chapter


UN Global Compact

ILO Human Rights

2 Human Rights Principles

ISO 26000 Social Responsibility 2010
ILO support to companies

- Provide information on international labour standards through the ILO Helpdesk: assistance@ilo.org

- Engagement platforms, webinars

- Guides and tool kits such as:
  - Tool kits on eliminating child and forced labour
  - HIV/AIDS code of practice
  - OSH management guidelines
  - Databases on national minimum wages, hours of worker, termination of employment, and other issues

See: http://www.ilo.org/business
Country-level action

- Research
- High-level policy dialogues
- Seminars/roundtables 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
Country-level action

Focus sectors: mining, manufacturing, tourism/hotel
Barbados, Jamaica**, Myanmar, Fiji, Indonesia*
- Focus on the hotel/tourism sector
- Promoting youth employment within global hotel chains and their supply chains
- Addressing the skills gap
- Forging business linkages with the local economy

Similar experience in **West Africa**: engaging with MNEs to promote youth employment
- Businesses lead the Task Force on Youth Employment Promotion and Responsible Investment
- Tripartite-plus dialogue and engagement platform
- Skills gap, MNE-SME linkages, mining sector
I. Public-Private Partnership for Employment

- Action-oriented research -

- Recognise important role of MNEs in development

- Promote engagement of MNEs in dialogue on areas of mutual interest

Foster a partnership approach that supports countries’ national development goals while ensuring that the MNEs also benefit through enhanced longer-term competitiveness.
**Action-oriented research programme**

**Boost youth employment within MNEs and within their supply chains**
- Job creation
- MNE’s contribution towards provision of training, internship etc.

*Entry point: ILO MNE Declaration*

**Key questions:**
- Q. What types of jobs are found within the MNEs and their supply chain?
- Q. What is the prospect of more and better jobs through MNEs?
- Q. What are the needed skills?
- Q. Is there a role for MNEs to play in narrowing the “skills gap”?

**Country-level exercise:**
- Mapping of multinational enterprises
- Interviews and focus group discussion with ILO constituents, MNEs etc
- Promotion of ILO tools
- Awareness-raising, capacity building
- Generation of employment data within MNEs (direct employment)
- Analyse supply chain dynamics (indirect employment)
- Collection of statistics/data/literature
- Analysis of FDI policy and trends & youth employment challenges

**And beyond…**
- High-level dialogue
- Policy formulation
- Foster partnership
- Pilot activities
- Additional research
- Establishment of Task Forces

**Input for future action**
Employment profiles of participating MNEs
*(direct employment)*

<table>
<thead>
<tr>
<th>Sector</th>
<th># of MNEs identified</th>
<th># of MNEs interviewed</th>
<th># of full time employees</th>
<th>Employees under 35 years of age</th>
<th>Female employees</th>
<th># of expatriates</th>
<th>Future job prospects (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country A</td>
<td>9</td>
<td>7</td>
<td>8,631</td>
<td>1,336 (15%)</td>
<td>253 (3%)</td>
<td>22</td>
<td>5,310</td>
</tr>
<tr>
<td>Country B</td>
<td>8</td>
<td>6</td>
<td>475</td>
<td>287 (60%)</td>
<td>42 (9%)</td>
<td>33</td>
<td>4,560</td>
</tr>
<tr>
<td>Country C</td>
<td>15</td>
<td>11</td>
<td>15,367</td>
<td>1,277 (8%)</td>
<td>10%</td>
<td>47</td>
<td>60</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country A</td>
<td>10</td>
<td>6</td>
<td>641</td>
<td>322 (50%)</td>
<td>14 (2%)</td>
<td>29</td>
<td>13,515</td>
</tr>
<tr>
<td>Country B</td>
<td>8</td>
<td>3</td>
<td>844</td>
<td>519 (61%)</td>
<td>12 (1%)</td>
<td>53</td>
<td>1,580</td>
</tr>
<tr>
<td>Country C</td>
<td>9</td>
<td>4</td>
<td>588</td>
<td>313 (53%)</td>
<td>16.25%</td>
<td>8</td>
<td>1,500</td>
</tr>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country A</td>
<td>5</td>
<td>4</td>
<td>751</td>
<td>542 (72%)</td>
<td>245 (32%)</td>
<td>21</td>
<td>855</td>
</tr>
<tr>
<td>Country B</td>
<td>13</td>
<td>4</td>
<td>544</td>
<td>379 (70%)</td>
<td>272 (50%)</td>
<td>12</td>
<td>98</td>
</tr>
<tr>
<td>Country C</td>
<td>12</td>
<td>8</td>
<td>2,069</td>
<td>1,282 (62%)</td>
<td>45.50%</td>
<td>17</td>
<td>184</td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country C</td>
<td>9</td>
<td>4</td>
<td>2,390</td>
<td>1,414 (59%)</td>
<td>36.25%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>
### Example:
Job Profile and Skills Gap (Agriculture)

<table>
<thead>
<tr>
<th>Position</th>
<th>Nature of Job</th>
<th>Skill Needs/Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unskilled Rubber Tapper</td>
<td>Involves physical endurance, the ability to use incision instruments to cut tree for tapping, using protective gear for chemicals used, collecting latex and carrying latex to processing plant</td>
<td>Literacy, ability to calculate precisely how and where to make incisions on the tree for maximum yields. Motivation, initiative, and work ethic are also desired traits</td>
</tr>
<tr>
<td>Land Clearer</td>
<td>Involves physical endurance, the ability to use a machete to clear land and plantation, and carry large amounts of weight</td>
<td>Literacy, ability to calculate the amount of land needing to be cleared and time management</td>
</tr>
<tr>
<td>Weighers</td>
<td>Requires literacy, the ability to weigh latex collected from the day and report daily yield to supervisor</td>
<td>Literacy, high school or college degree; mathematical skills; time management, and ability to understand weight differential calculations of raw material from water weight to dried weight</td>
</tr>
<tr>
<td>Managers</td>
<td>Requires literacy, high school degree, ability to learn and be trained, motivation and desire for advancement</td>
<td>College or advanced degree, experience managing plantations and people, understanding of agronomical principles in relation to business objectives</td>
</tr>
<tr>
<td>Plantation/Factory managers</td>
<td>Requires numerous years’ experience working on plantations, motivation, and good work ethic. These positions are usually held by expatriates due to companies’ inability to identify skilled local labour</td>
<td>College degree with experience working on plantations, management skills, human resources skills, work ethic</td>
</tr>
<tr>
<td>Supervisory staff</td>
<td>Requires numerous years’ experience working on plantation, trustworthy, motivated, and good work ethics</td>
<td>Requires college or advanced degree, experience managing employees, management skills, human resources management, and soft skills particularly listening and delegating</td>
</tr>
<tr>
<td>Grafters</td>
<td>Cloning plant species, grafting buds together to form one tree, and planting</td>
<td>Requires knowledge of clone species, how to graft buds together to form one tree, planting methodologies and agriculture principles, and a university degree</td>
</tr>
<tr>
<td>Accountants</td>
<td>Processing of payments and invoices, assisting with all financial aspects of the company including payment of staff and vendors</td>
<td>The skills and competences required here include an understanding of basic accounting principles, bookkeeping, computer skills, basic mathematics skills and a university degree</td>
</tr>
<tr>
<td>Quality Controllers</td>
<td>Identifying and examining quality of raw product and auditing the extraction and processing flows of product</td>
<td>The skills needed and valued for this position include the ability to perform audits, identify quality products, experience working on plantations, and understanding of farming principles</td>
</tr>
<tr>
<td>Administrative and Operations Management</td>
<td>Managing staff, overseeing the daily operations of plantations, and preparing financial reports. These positions are usually held by expatriates due to companies’ inability to identify skilled local labour</td>
<td>The skills and requirements for this position include an advanced university degree, particularly in business administration and the ability to manage staff, overseeing the daily operations of plantations, and preparing financial reports</td>
</tr>
</tbody>
</table>
Example: Potential job creation (agriculture) through expansion and diversification

1. Future direct job prospects within the sample MNEs in the agriculture sector within the coming year

<table>
<thead>
<tr>
<th>Sector</th>
<th>Future Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture/Agro forestry</td>
<td>5,310</td>
</tr>
<tr>
<td>Rubber</td>
<td>810</td>
</tr>
<tr>
<td>Palm and Timber</td>
<td>4,500</td>
</tr>
</tbody>
</table>

2. Potential skilled jobs in agriculture identified by sampled MNEs

<table>
<thead>
<tr>
<th>Position</th>
<th>Required Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified rubber technicians</td>
<td>Secondary, advanced education, or technical training, and certification with knowledge of scientific methodology for extracting rubber, tree conservation, and monitoring the amounts of rubber to be collected on a regular basis</td>
</tr>
<tr>
<td>Rubber manufacturing engineers</td>
<td>University degree in engineering and agriculture; understanding of developing mold and production specifications, experience working in the rubber industry and manufacturing, and mold design</td>
</tr>
<tr>
<td>Agronomists</td>
<td>Advanced degree in the areas of plant genetics, plant physiology, meteorology, and soil science with experience in managing plantations</td>
</tr>
<tr>
<td>Product Development Technicians</td>
<td>Agriculture-based university degree with knowledge and skills in crop production, identification of weeds, machinery operation, trial methodology, and insects and crop diseases</td>
</tr>
<tr>
<td>Heavy Equipment Operators</td>
<td>University degree with the ability and experience to operate heavy equipment such as caterpillars, sprayers, combines, harvesters, planters, seeders, and tractors. Also requires knowledge and skill in maintenance</td>
</tr>
</tbody>
</table>
## Sectoral challenges and current MNE Efforts

<table>
<thead>
<tr>
<th>Sector</th>
<th>Challenges</th>
<th>Current Activities</th>
</tr>
</thead>
</table>
| Agriculture | • Lack of skills  
• Lack of a sector training institution  
• Lack of interest on the part of youth  
• Unreliable infrastructure          | • Subsector associations are currently active  
• Dialogue has taken place but is not well organized  
• Training provided at firm level   |
| Mining   | • Lack of labour (quantity)  
• Lack of skilled labour within a small pool  
• Poor quality of education          | • Training provided at firm level  
• Financial support given to schools at firm level   |
| Banking  | • Lack of skills  
• Lack of training institutions  
• Poor work ethics                  | • Active association  
• Dialogue intra-bank                 |
eg.) Recommendations on the role that MNEs could play in promoting youth employment through partnership -- voices of the companies…

1. Participating in strategic public-private partnerships
2. Strengthening and expanding partnership within the business community
3. Enhancing the employment dimension of sectoral dialogues
4. Helping to improve the quality of education and vocational training
5. Participating in innovative pilot public-private partnership projects
6. Participating in efforts to foster linkages between MNEs and local suppliers
7. Participating in a review of employment-related provisions of concession agreements

>> Sector-specific recommendations were made
Public-Private Partnership for Employment

• Seminar with business paves way to dialogue
• High-Level Policy Dialogue
  - Validation of findings and recommendations of the MNE Study
  - Evidence-based policy discussion

Outcomes:

• Establishment of the Socially Responsible Business Task Force
  - spearheaded by the private sector/MNEs
  - in collaboration with academic and training institutions, government institutions;
  - thematic and sectoral working groups
• Highest levels of commitment by public and private sector
II. More and Better Jobs through Socially Responsible Labour Practices in Asia

- Myanmar Hotel/Tourism sector
- Viet Nam Electronics Industry
- Pakistan Sports Good Industry

- Tripartite Joint Statement
- Launch of the Task Force on promoting responsible business and compliance
- Enhance the ‘Sialkot brand’

Donor: Japan

Expanding the operational model to: China, Thailand, Philippines, Japan (2017-)
‘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.
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*
- *Lead by good practices.*
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
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 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.
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.
III-a). JAMAICA TOURISM Linkages study

An assessment of the existing and potential linkages between multinational/large companies in the Tourism Sector and the small and medium-sized enterprises in Jamaica

- Procurement Policies and Practices
- Local Sourcing
- Employment and Labour
- Recommendations
Special efforts made by hotels to purchase local products.

One hotelier stated that 55% of their spending for the operation of the hotel is on local goods.

Selection of suppliers based on price, high quality standards and/or certification of products

Global hotel chains have utilized strategic sourcing as part of their procurement strategy to maximize their benefits along three main tenets:
1. Cost
2. Sustainability practices
3. Corporate responsibility.
LOCAL SOURCING:
QUANTIFICATION OF PROCUREMENT UNIVERSE

JAMAICAN HOTEL CHAIN

Food & Beverage
($33.27M)

- Fruits & Vegetables (80%)
- Fish & Seafood (50%)
- Meat & Poultry (75%)
- Groceries (75%)
- Beverages:
  - Alcoholic (80%)
  - Non-Alcoholic (70%)

Furniture, Fixtures & Equipment ($35M)

- Bedding & Fabric (40%)
- Furniture (20%)
- Interior Finishing & Floorcovering (30%)
- Equipment (20%)
- Lighting (20%)

Operating Supplies & Equipment ($23.4M)

- Linens & Toweling (20%)
- Uniforms (80%)
- Chemicals, Cosmetics & Pharmaceuticals (50%)
- Glassware, Chinaware, Flatware, Hollowware (20%)
- Equipment (15%)
Five (5) main products (or category of products) that the hotels indicated were sourced locally are as follows:

1. Fruits & vegetables
2. Dairy products
3. Uniforms
4. Beverages
5. Building supplies

Five (5) main products (or category of products) that hotels noted that they would like to source locally are as follows:

1. Furniture
2. Linen
3. Seafood
4. Chinaware
5. Glassware
The hotels ideally will buy from any supplier as long as that supplier meets the company’s requirements.

However, there is a **rigid process of selecting suppliers**. Evaluations are based on criteria including financial stability, delivery performance, product performance, industry-wide reputation, responsiveness in solving problems.

**Supplier obligation**: commit to provide its products and services at contracted prices, maintain sufficient inventory levels, deliver the products at scheduled times, provide monthly pricing reports, and many other services to help the hotel perform at the highest levels.

Practice of extended payment delays and an infrequency of hotels to establish formal contracts with small businesses observed. These practices serve to inhibit MSMEs ability to plan for demand and sometimes lead to a depletion of working capital among small local suppliers.
Employment grew by 6.2 percent to 80,500

The Distribution of Employed Labour Force by Sectors, 2012-2014

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel and Restaurant Service</td>
<td>76.3</td>
<td>75.8</td>
<td>80.5</td>
</tr>
<tr>
<td>Construction</td>
<td>81.1</td>
<td>83</td>
<td>80.09</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>77</td>
<td>71.9</td>
<td>72.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>201.2</td>
<td>202.4</td>
<td>207.9</td>
</tr>
</tbody>
</table>
Only 9.5% of the managerial and professional non-managerial staff was foreigners.

- Vast amount of management personnel were Jamaicans.

- No full time foreign employee in the semi-skilled and unskilled category.

- The male to female ratio was 3:1 in the categories of Managerial, Professional non-managerial and skilled/Semi skilled staff in the hotels but a 1:2 ratio among the unskilled categories.

- Majority of females are more likely to be working in the unskilled category, such as housekeeping.

- The male to female ratio among foreigners in the managerial category was 2:1 and 1:1 in the professional non-managerial category.
Employment and Labour: challenges

- Frequent dismissals/suspensions
- Low job security
- Limited union representation
- Low compensation and wages
- Limited social benefits
- Limited social planning and community development for tourism workers
- Exploitation of trainee staff
- Low observation of OSH practices
- Migration of skilled workers
- Lack of succession planning
- Foreign language skills gap
- Low levels of certification (both skilled and unskilled)
RECOMMENDATIONS
LOCAL PROCUREMENT

- Prioritize Objectives
- Prioritize Products and Supplies
- Help Entrepreneurs enter into Global Hotel Chains
- Help Hotels achieve Locally Sustainable Procurement Strategies
**Prioritize Objectives**
- Define objectives to be gained from local sourcing
- Align and identify objectives with lead stakeholders of the Linkages Hub
- Build management support

**Prioritize Products and Supplies**
- Identify potential new products, or current products that could be shifted to local suppliers
- Prioritize local sourcing opportunities, according to quality, quantity, price, feasibility, quick win potential, logistics, contractual obligations, and knock-on benefits
- Turn problems in the supply chain into opportunities to bring in local business

**Help Local Entrepreneur Enter Supply Chain**
- Enhance efficiency to reduce price of local products
- Improve quality and certification of products
- Improve supply of products affected by seasonality or unreliable production/delivery schedules
- Improve marketing of local production
- Create strategic alliances with the Tourism industry
- Mitigate against predatory intermediaries

**Help Hotels achieve Locally Sustainable Procurement Strategies**
- Implement or enhance sustainability into hotels’ purchasing strategy
- Adjust exclusionary procurement policies and practices
- Encourage corporate Responsibility Initiatives in Procurement Strategy
Stimulate Higher Level Employment in Services

Promote Training in Women and Special Needs; youth

Improve Training and Skills needs

Improve Dialogue between Management and Staff
Other recommendations

- Assist MSMEs enter the Supply Chain by enhancing efficiency to reduce price of local products
- Improve quality and certification of products
- Improve supply of products affected by seasonality or unreliable production/delivery schedules
- Improve marketing of local production
- Create strategic alliances with the Tourism industry and mitigate against predatory intermediaries.
- Help Hotels achieve **Locally Sustainable Procurement Strategies** by implementing or enhancing sustainability into hotels' purchasing strategy, adjusting exclusionary procurement policies and practices and encourage corporate Responsibility Initiatives in Procurement Strategy.
- Improve tourism employment by stimulating higher employment in services, promote training in women and special needs, **improve training and skills needs generally** and improve disparate relations between management and staff
- **Improve working conditions** relating to job security, low wages and union representation
- Improve social benefits relating to pensions, health care, etc.
AREAS FOR TRIPARTITE DISCUSSIONS

**Policy Review**
- Streamline and Support of Linkages Hub
- Continuous Review and Alignment of Incentive Programmes
- Strengthen Investment Promotion and Aftercare

**Capacity Building**
- Marketing
- Quality Standards and Certification Schemes
- Business Development and Management

**Market Development**
- Mentorship, Training and Skills Development
- Market Intelligence
- Favourable Credit Terms
Second Study looked at CSR Policies in the Jamaican Hotel Chains

- The study was a desk review to look at CSR policies of major hotel chains in Jamaica
- Mapping of hotel chains’ or MNEs’ socially responsible practices
- 7 major hotel chains operating in Jamaica: Sandals, Superclubs, Hendrickson Group of Hotels, Island Outposts, RIU, Jewels and Iberostar
## Elements of the Policy

<table>
<thead>
<tr>
<th>Overarching</th>
<th>CSR Statement/Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Management</td>
<td>Sustainability Management System, Legal Compliance, Employee Training, Health and Safety</td>
</tr>
<tr>
<td>B. Social and Economic</td>
<td>Community Development, Local Employment, Support to local Entrepreneurs, Equity Hiring, Incorporation of Culture</td>
</tr>
</tbody>
</table>
## Elements of Policy

<table>
<thead>
<tr>
<th>Overarching</th>
<th>CSR statement/policy</th>
</tr>
</thead>
</table>
| C. Environmental             | Energy Consumption
                                           Water Consumption
                                           Wastewater
                                           Reduce and Recycle
                                           Other Pollutants
                                           Conserving Biodiversity, Ecosystems, and Landscapes |
Main Findings

- Many hotels have a strong environmental, philanthropic and staff welfare aspects of their operations, but **few have a robust CSR policy and programmes in place** that sets targets, works towards them or even report them.

- The aspects of CSR that are less developed are **working with suppliers**

- **Next steps:** collection of good practices, roundtables with hotel chains on labour dimension of CSR
The way forward

- ‘Decent work for all’ in the global supply chains
- 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

More sustainable development and inclusive growth through socially responsible labour practices
For more information

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

Q1. Local sourcing
a) What are the challenges in finding local suppliers?
b) Any initiatives that foster backward/forward linkages?

Q2. Youth employment
a) What are the key obstacles in recruiting local youth?
b) What policies/programmes exist that promote creation of jobs for youth?

Q3. Labour market challenges
a) What are the employment and labour related challenges in the sector?
b) What policies/regulatory framework exist for promoting socially responsible labour practices in Indonesia?