

## **The ILO approach to CSR**

**Remarks by Jose M. Salazar, ED, Employment**

**At Council for Multilateral Business Diplomacy Lunch**

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I would like to give you all a warm welcome to the ILO. We are very glad to be able to continue to contribute with the Council for Multilateral Business Diplomacy by hosting your meeting and our continuing dialogue with Katherine and all of you.

As you know today and tomorrow are very special days for us at the ILO in that we are having an event to celebrate the 30<sup>th</sup> Anniversary of the Tripartite Declaration concerning Multinational Enterprises and Social Policy, and I hope all of you are registered to participate in this event.

We have more than 40 Multinational Companies participating, along with representatives of workers and employers organizations and governments, some of them participating in the current meeting of our Governing Body. We also have a good number of experts and academics.

Let me give share with you some thoughts on CSR to then come back to our approach and the role of the MNE Declaration in this.

### **CSR Today**

I think you will agree with me that CSR has never been as diverse and as important for companies as it is today. It is certainly expanding along various avenues. Perhaps the most important of them is along supply chains. The CSR movement began by addressing environmental concerns. However, today, the social dimension is essential and many companies and initiatives address labour conditions in value chains, many of them using ILO instruments as

benchmarks. And while a number of initiatives started in the textiles and apparel sectors, now they range across many sectors including sporting goods, electronics, and extractive industries.

Another notable avenue is the increased commitment to labour standards by the development finance institutions. To give some examples, the World Bank Group's International Finance Corporation (IFC) adopted the Performance Standards and Guidance Notes on environmental and social standards in February 2006. This included a commitment by the IFC to apply ILO core labour standards as well as standards on safety and health and retrenchment, in relation with private sector clients of the IFC. The European Bank for Reconstruction and Development (EBRD) decided to update their current Policy, specifically in response to the adoption of the IFC policy. They expect to cover beyond core labour standards including retrenchment and OSH. Also, the Asian Development Bank just recently published a handbook in this area in December 2006. We have been working with the IFC and the European Bank in developing training and tools to correctly interpret the relevant ILO standards and conventions in their applications.

Procurement is another growing area. In November 2006, the Building and Wood Workers International (BWI) and the Confederation of International Contractors Association (CICA) issued a joint statement on "corporate social and environmental responsibility". Through this responsible partnership, they have agreed to promote the adoption of improved health and safety and welfare standards in contracts.

Yet another avenue is via the so called socially responsible investment, a movement that is growing among institutional and private investors in many financial markets. A number of innovative companies have emerged in Wall Street, London and other key capital markets that provide ratings of companies with rigorous methodologies based on a triple bottom line: economic, social and

environmental. Increasingly, investors are paying attention to these three dimensions of sustainability in their investment decisions.

Another initiative that is contributing towards the expansion of CSR and the Global Compact with which the ILO works closely.

### **The ILO's key instrument on CSR - the MNE Declaration**

So what tools do we offer to help support CSR efforts?

Our key tool is precisely Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (which we refer to as the "MNE Declaration"). This pioneering declaration was first adopted in November, 1977, and it was an important first step at the time to bring the social dimension to the forces shaping globalization. It was adopted with the objective of providing principles "to encourage the positive contribution that multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise."

In fact it is an instrument that has grown more and more relevant as the years has passed. The Declaration has undergone a number of revisions, most recently last year, to keep it updated, but the message of 1977 remains substantially the same today.

The Declaration provides recommendations in five main areas:

- General policies, such as respect for the law and international labour standards and encouraging enterprises to consult with governments, employers and workers organizations
- Employment: is the second area, and here the principles include issues such as to endeavour to increase employment opportunities, build linkages with local enterprises by sourcing

locally, extend equality of opportunity and treatment in employment and other employment related principles

- Training: is the third area, and includes principles such as investment in the skills of employees, active promotion of partnerships for skills development with local enterprises and national institutions
- Conditions of work and life, is the fourth area, including principles regarding wages, benefits and conditions of work, no child labour, maintain the highest standards of safety and health at work,
- The fifth area is Industrial relations, where principles include respect for freedom of association and the right to collective bargaining, support to representative employers and workers organizations, provide for regular consultation on matters of mutual concern and other principles.

In 2006, the ILO launched what we call an In-Focus Initiative on CSR, which seeks to advance the ILO's leadership in this area by promoting the principles laid down by the MNE Declaration. The areas of focus of this initiative emphasize

- Research
- Education and training
- Awareness-raising and good practice exchange
- Support to multi-stakeholder initiatives
- Cooperation with Member States
- Supporting small and medium-sized enterprises
- The international dimension of CSR

In terms of partnerships and cooperation we cooperate with a number of partners as I already suggested.

### **ILO approach.**

Let me next comment on a few fundamental concepts regarding the ILO approach to CSR. From an ILO perspective, it is important to be

clear of the distinction between the responsibilities of business and that of government.

The ILO sets and supervises international labour standards, directed at States, and it assists States to implement them at the national level. The ILO does this in a tripartite manner, as standards are best formulated and also implemented by those who represent the world of work.

The ILO sees the responsibility of governments as being that of ensuring respect for international labour standards at the national level and to implement these in their national legal framework.

It is then the responsibility of businesses to obeying the law of their own country as well as that of the country in which they are operating.

In this framework, for the ILO, CSR represents a voluntary undertaking on the part of businesses and while it can supplement, it cannot substitute for the role of the law and of public administration.

Then CSR is conceived as enterprise policies and activities which go beyond compliance with the law. In countries where the rule of law is well established, these distinctions are clear. However, major challenges emerge in countries and contexts with governance deficits and weak institutions. In these cases, companies face ethical and practical challenges in their commitment and social responsibility to meet minimum legal requirements. This is particularly sensitive as regards workers' rights. And this is where the ILO's position that CSR cannot substitute for the law, strong public institutions, and labour inspection systems become very important.

## Promotion of sustainable enterprises

Let me conclude by saying that our work on CSR is only one part, although a very important one, of our wider work to support private sector development as a central pillar in the promotion of productive employment and decent work throughout the world.

This year the International Labour Conference, our highest governance body, adopted by tripartite consensus a document with Conclusions on the Promotion of Sustainable Enterprises. This is a forward looking document, that draws on the latest thinking on sustainable development, private sector development and corporate citizenship.

It provides a comprehensive framework for what constitutes a conducive environment for sustainable enterprises, including 17 pillars; it outlines six enterprise level principles for sustainable enterprises which include CSR but also social dialogue and good industrial relations; human resource development; conditions of work; productivity, wages and shared benefits and corporate governance. And it provides a series of orientations for the role of governments and public policy, as well as for the role of employers and workers in promoting sustainable enterprises.

I really would like to listen to what Mr. Miguel Pestana will tell us. So let me stop here and wish you a fruitful meeting and a productive participation in our 30<sup>th</sup> Anniversary event.