



Governing Body

319th Session, Geneva, 16–31 October 2013

GB.319/INS/5(Rev.)

Institutional Section

INS

Date: 18 September 2013

Original: English

FIFTH ITEM ON THE AGENDA

A strategy for ILO wider engagement with the private sector

Purpose of the document

This paper proposes a strategy for the ILO's wider engagement with enterprises in the form of an enterprises initiative. It examines the world of work context; reviews the ILO's current engagement with enterprises; identifies the innovations that might be introduced to improve the ILO's reach and influence within the framework of its overall strategy to promote decent work, including for sustainable enterprises; and proposes certain principles on which basis this objective could be advanced.

Relevant strategic objective: All strategic objectives of the ILO.

Policy implications: See paragraphs 25–36.

Legal implications: None.

Financial implications: Yes, to be defined.

Follow-up action required: See paragraphs 37–40.

Author unit: Office of the Deputy Director-General for Policy (DDG/P) in coordination with the Office of the Deputy Director-General for Field Operations and Partnerships (DDG/FOP).

Related documents: GB.316/POL/6; GB.301/15, para. 28; GB.301/TC/1.

Introduction

1. This paper assesses the ILO's engagement with enterprises and proposes a strategy for the future. It examines the world of work context; reviews the ILO's current engagement with enterprises; identifies the innovations that might be introduced to improve the ILO's reach and influence within the framework of its overall strategy to promote decent work, including sustainable enterprises; and proposes certain principles on which basis this objective could be advanced.
2. Taking into account the private sector's role in and influence on development and wealth and job creation,¹ the innovations would aim: to draw on the potential of the private sector in contributing to inclusive and equitable growth and decent work; to respond to key areas of unmet demand;² to promote sustainable and responsible practices in the operations of enterprises, affiliates and partners and in supply chains in a context marked by the fragmentation of production processes along increasingly complex and dispersed chains; and to benefit from these closer contacts to improve knowledge, products and services to constituents.

The world of work context

3. The role of private enterprises in the global economy has grown greatly in the post-cold war era, which is a period commonly defined as being one of accelerating globalization. That increased importance has brought with it a corresponding increase in public interest in and scrutiny of the behaviour of enterprises, including with regard to the social and environmental impacts of their operations, and has generated a sometimes heated debate over appropriate governmental regulation.
4. Developments in the ILO have been influenced considerably by such debate. As far back as 1977, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (the MNE Declaration) was adopted in the context of a broad discussion about whether to subject multinationals to binding international regulation or establish agreed international standards of behaviour to which they were expected to conform. In the ILO, as elsewhere, the latter option was preferred, and the MNE Declaration remains the ILO's authoritative position of good corporate practice.
5. Nevertheless, the period since the adoption of the MNE Declaration has seen continued intensification of attention to the behaviour of enterprises as their perceived importance and influence has grown. On the one hand, there has been recognition that the success and sustainability of enterprises are crucial to economic growth and to addressing the global jobs crisis. This has led policy-makers to focus on providing an enabling environment for enterprises and for investment. On the other hand, against a backdrop in which there has been a long-term shift of income away from labour and towards capital, there is concern that enterprises may be benefiting excessively from the opportunities offered by

¹ The term "private sector" has various definitions but there is broad agreement that it includes all non-public entities including enterprises, foundations, non-governmental organizations and households. This paper focuses on enterprises (within a broad definition that includes multinational enterprises (MNEs)) and on other private sector actors most relevant to the strategy proposed.

² Demand as perceived by the ILO on the basis of requests from company managers or workers or from governmental or intergovernmental organizations developing policies that will influence company behaviour, and as identified in an Office mapping exercise carried out in July 2013, also referred to in paragraphs 15 and 16 below.

globalization that allow them to escape effective national regulatory frameworks and use their mobility to seek out locations that do not hold them to acceptable standards of conduct. The recent debate on tax evasion or avoidance is the latest example of this controversial issue.

6. It is in this context that the growth of voluntary initiatives commonly labelled as “corporate social responsibility initiatives” has taken place, leading to further consideration of the respective roles of and interlinkages between public regulation, private action and industrial relations processes.
7. The evolution of the globalized economy confirms that the internationalization of enterprises and production processes is a defining characteristic of today’s world of work and continues to take place, notwithstanding the crisis that broke out in 2008. The process initiated in the 1990s and recently termed “hyperglobalization”³ has seen stocks of foreign direct investment grow from under 10 per cent in the early 1990s to 30 per cent of gross domestic product (GDP) in 2010 worldwide, while 80 per cent of trade is now taking place in value chains linked to multinational enterprises.⁴
8. At the same time, there has been considerable industrial concentration: observers have identified the emergence of dominant “systems integrator” enterprises operating extensive international value chains;⁵ just 100 firms account for over three-fifths of the total research and development expenditure of the world’s top 1,400 companies;⁶ and in 2012 the combined revenues of five companies were the equivalent of 2.9 per cent of global GDP with one company recording revenues that exceeded the GDPs of 171 countries.⁷
9. It remains true that most jobs are created in small and medium-sized enterprises. Yet, in many respects, it is large companies, through their investment, technology transfer and sourcing decisions, that influence their operating environment and growth prospects.
10. In addition, and in keeping with the overall rebalancing of the global economy, recent decades have seen the diversification of the countries of origin of major multinational enterprises. The stereotype of the dominance of multinationals from the mature industrialized economies of the North has been dismantled by the appearance of global

³ A. Subramanian and M. Kessler: *The Hyperglobalization of Trade and its Future* (Global Citizen Foundation, June 2013).

⁴ See United Nations Conference on Trade and Development (UNCTAD): *World Investment Report 2013: Global Value Chains: Investment and Trade for Development* (United Nations, New York and Geneva, 2013).

⁵ There are two globally dominant businesses in the manufacture of large commercial aircraft and carbonated drinks sectors; three in the mobile telecommunications infrastructure and smart phones sector; four in the beer, elevators, heavy-duty trucks and personal computers sectors; six in the digital cameras sector; and ten in the motor vehicles and pharmaceuticals sectors. In these sectors, dominant businesses supply between half and all of the world market. See P. Nolan: *Is China buying the world?* (Cambridge, United Kingdom, Polity Press, 2012); and M. Wolf: “Why China will not buy the world”, in *FT.com*, 9 July 2013, www.ft.com/cms/s/0/28d1a4a8-e7ba-11e2-babb-00144feabdc0.html#axzz2fhAeQjVI [accessed 23 Sep. 2013].

⁶ P. Nolan, op. cit.

⁷ Global Trends: *Corporate clout 2013: Time for responsible capitalism*, www.globaltrends.com/knowledge-center/features/shapers-and-influencers/190-corporate-clout-2013-time-for-responsible-capitalism [accessed 23 Sep. 2013].

corporations based in emerging and developing economies as well as by the fragmentation of production along complex global value chains.

The ILO and enterprises

11. The ILO already has established policies concerning enterprises and a number of programmes with enterprises as their focus. The following summary review of what is being done could serve to inform decision-making on what new initiative might be appropriate.
12. The ILO Declaration on Social Justice for a Fair Globalization expresses the conviction that productive, profitable and sustainable enterprises are critical to sustainable economic development and employment opportunities. It recognizes that the creation of an institutional and economic environment in which all enterprises are sustainable is an integral component of the Decent Work Agenda and of the ILO's constitutional mandate. Detailed guidance on how these ILO responsibilities are to be carried out is provided in the conclusions concerning the promotion of sustainable enterprises adopted by the International Labour Conference (ILC) in 2007, the year preceding the adoption of the Declaration.
13. At its 102nd Session (2013), the ILC adopted a Programme and Budget for 2014–15 that retains Outcome 3 “Sustainable enterprises create productive and decent jobs” embodying indicators concerning regulatory frameworks, entrepreneurship development, responsible and sustainable enterprise practices and the 1977 MNE Declaration. It also establishes “productivity and working conditions in small and medium-sized enterprises” as one of the eight areas of critical importance and provides for a range of other activities of clear relevance to enterprises.
14. The ILO is implementing a number of programmes that aim to create an enabling environment for enterprise development, to support and engage with micro-, small and medium-sized enterprises, as well as with cooperatives, and to promote entrepreneurship. It is also implementing programmes in the area of social finance. The interest in and demand for support in these areas is reflected in a large number of country programme outcomes.
15. While it has been less well reflected in country programme outcomes so far, demand for work on multinational enterprises and global value chains has been on the rise. In this regard, the result of the internal mapping exercise undertaken by the Office is instructive.⁸ The exercise identified five areas where the Office has been called upon to respond to demands from constituents, namely:
 - the development of policies and management systems for responsible and sustainable enterprise practices;
 - the implementation of such policies in enterprise operations;
 - the implementation of policies in enterprise supply chains;
 - the development and implementation of national public policy frameworks on enterprise practices; and

⁸ In this exercise, information on the ILO's engagement with enterprises and other private sector actors was collected from headquarters units, field offices and the International Training Centre of the ILO in Turin.

- the development and implementation of international frameworks concerning enterprise practices.
16. The conclusion was that, while the ILO has been responsive to a significant proportion of demands, particularly those regarding small and medium-sized enterprises and entrepreneurship development, it has been able to deal with large enterprises only on an ad hoc basis. Such interaction is not underpinned by a coherent strategy, by defined modes of engagement, or by an adequate range of relevant products or services. Exceptions have generally been where existing ILO programmes (such as the BetterWork programme, the Sustaining Competitive and Responsible Enterprises programme, the International Programme on the Elimination of Child Labour and the Special Action Programme to combat Forced Labour) have provided a supportive framework for supply chain management. Experience has been most limited in respect of the development and implementation of the policies that MNEs apply to their own operations. The ILO Helpdesk for Business on International Labour Standards has been a valuable source of information in both contexts, but in its current form does not serve as a vehicle for engagement.
17. Regarding modalities for engagement, it should be noted that the public–private partnerships that are subject to the policy agreed by the Governing Body in 2008⁹ have so far been a limited subset of ILO engagement activities with the private sector, primarily focused on resource mobilization. The great majority of the 78 public–private partnerships concluded since 2008 have been with private organizations, such as foundations, rather than with enterprises. Even so, the existing procedures have proven to be heavy with inconsistencies in their application.
18. To tap their unrealized potential, it seems most useful at this stage to simplify, streamline and clarify the procedures relating to public–private partnerships as appropriate through a consultative process and communicate these procedures more effectively throughout the Office, paying particular attention to the measures that would ensure that the Bureau for Employers’ Activities (ACT/EMP) and the Bureau for Workers’ Activities (ACTRAV) are engaged at the earliest stage of such partnerships, and ensure timely responses by all those involved in the process. Consideration could also be given to shorter and lighter processes for certain public–private partnerships, for example those with universities and similar institutions. Improved coordination between the regions and headquarters, an objective of the reform process, will also facilitate the improved application of procedures.
19. Overall, the evidence of the ILO’s engagement with enterprises to date suggests a number of inhibiting factors and related challenges. These include:
- **a governance challenge:** the lack of an agreed policy providing guidance on all types of engagement with enterprises, including on corporate social responsibility;
 - **a communications challenge:** limited awareness or misunderstanding in the private sector of what the ILO does and can do;
 - **a product development challenge:** the lack of practical guidance on the implementation of specific provisions of the MNE Declaration and other relevant ILO instruments; and

⁹ For an excerpt from the relevant Governing Body document, see the appendix. See also GB.301/15, para. 28.

- **an operational challenge:** the ILO has not developed an appropriate range of partnership and engagement models through which enterprises can engage with it. It has proven difficult for the ILO to respond sufficiently quickly and practically to specific approaches from enterprises, in part because of concerns about compromising the integrity of the Organization and its standards.

Responding through an enterprises initiative

20. The establishment of a platform for ILO engagement with enterprises to contribute to the Organization's goals was one of the seven possible centenary initiatives presented in the Report of the Director-General to the 102nd Session of the ILC.¹⁰
21. In support of such an initiative, the Report:
- recalled the ILO's mandate, recognized in the 2008 Declaration on Social Justice for a Fair Globalization, to promote sustainable enterprises as an integral part of the Decent Work Agenda;
 - noted the establishment of a new Enterprises Department as a response to the need for the ILO to be better informed of and responsive to the realities and needs of enterprises;
 - underlined that employer representation in the ILO was and would continue to be assured through employers' organizations;
 - recognized the very rapid growth of corporate social responsibility initiatives in recent years, many of which make references to ILO standards and instruments, and that the ILO had been largely passive in respect of them;
 - identified the management of international supply chains as a high-profile issue on which ILO involvement might be considered.
22. Within a context of wide support for the proposed centenary initiatives, several speakers at the Conference made specific observations on the idea of an enterprises initiative.
23. Responding to the debate, the Director-General concluded that while there had been general agreement concerning the need for the ILO to establish a platform of engagement with enterprises as one of the centenary initiatives, there were differing emphases in respect of how and on what to engage. Embedded in the interventions were, among other things, a message on the importance of the sustainable enterprise agenda and a concern about the implication of such an initiative for established representational arrangements in the ILO and the need for an inclusive tripartite process.
24. It is proposed that the strategy for a wider engagement with the private sector be focused on areas of unmet demand and pursued through the enterprises initiative.

¹⁰ ILO: *Towards the ILO centenary: Realities, renewal and tripartite commitment*, Report of the Director-General, International Labour Conference, 102nd Session, Geneva, 2013.

The strategic components of an ILO enterprises initiative

25. The case for an ILO enterprises initiative rests upon its potential to advance established ILO objectives through engagement with enterprises on a qualitatively different basis from the arrangements and activities that currently exist.
26. The innovations entailed by the initiative would be to the detriment neither of established activities under programme and budget Outcome 3 nor of the area of critical importance relating to small and medium-sized enterprises. Agreed work in these areas will continue; the aim will be to enhance its effectiveness and ensure its continued relevance and coherence with other ILO action. It is encouraging that the independent high-level evaluation of the ILO's strategy to promote sustainable enterprises and decent work (Outcome 3), the results of which are before the Governing Body,¹¹ gives positive indications of work in these areas. The Governing Body's consideration of the evaluation will be helpful to the current discussion.
27. The suggested strategic components of an initiative are set out in the paragraphs that follow.

1. *Enterprise and supply chain policies and practices*

28. This component would involve:

- (a) providing advice, information and assistance to enterprises seeking it on aspects of their policies and practices which fall within the competence of the ILO and on which the ILO has the necessary expertise;
- (b) developing enterprises' networks on specific themes. There is some experience already of the benefits to be had from working in partnership with groups of enterprises on specific themes, for example on disability, child labour and HIV/AIDS. Other subjects might easily be envisaged, for example youth employment or gender equality;
- (c) providing expertise and know-how at the enterprise, sectoral or cross-sectoral levels on the management of supply chains in accordance with the principles of decent work; and
- (d) providing support as appropriate to the development and implementation of international framework agreements.

2. *Building knowledge and outreach*

29. This component would aim to enable the ILO to access and learn from the direct experience of enterprises in addressing decent work issues, including corporate social responsibility initiatives, to develop its engagement and to facilitate the sharing of information. It might include:
- (a) carrying out research on trends and experiences in the field of company policy on corporate social responsibility;

¹¹ See GB.319/PFA/8.

- (b) reviewing partnership and engagement models being used inside¹² and outside the ILO and developing options that are of interest to enterprises and which meet principles for ILO engagement;
- (c) convening roundtables and workshops of practitioners of corporate social responsibility;
- (d) developing the ILO's knowledge on socially responsible investment as the basis for considering possible action in this area in the future; and
- (e) enhancing outreach to business schools and other relevant academic institutions with a view to promoting awareness of the ILO and keeping the ILO abreast of cutting-edge thinking in respect of relevant issues.

3. *International initiatives on enterprise behaviour*

- 30.** ILO standards are acknowledged as being authoritative in many initiatives relating to the social and labour policies of enterprises. That confers important standing on the ILO in the field, yet there is a certain anomaly and even danger in such a circumstance if the ILO remains largely passive or inactive in relation to the manner in which its instruments are cited and applied.
- 31.** That is one reason in favour of the ILO engaging very much more actively in international initiatives on enterprise behaviour with a view to occupying a position of leadership.
- 32.** Clear opportunity exists in respect of the multilateral system's flagship in this area, the United Nations Global Compact. The Compact has grown and evolved significantly since its establishment in 1999. Yet, as the Director-General's Report to the Conference notes, the ILO's involvement in it "has been fluctuating and, in some respects, marginal".
- 33.** The more recent adoption in 2011 of the United Nations Guiding Principles on Business and Human Rights, implementing the United Nations "Protect, Respect and Remedy" Framework, has been widely welcomed, and is regarded as a major development in respect of international governmental expectations of enterprise behaviour in support of human rights. While ILO constituents have engaged in the process of elaboration and implementation and the Office has provided technical inputs, the guiding principles have not been the subject of discussion in the ILO's decision-making bodies.
- 34.** By contrast, there has been Governing Body consideration of relevant developments in the International Organization for Standardization (ISO) although this has basically been of reactive nature, with a view to managing the consequences of ISO entry into areas which fall within the competence of the ILO and, more particularly, its standard-setting activities.
- 35.** The most appropriate course of action for this component of an enterprises initiative would be to take stock of the current situation in the light of developments in these and other international initiatives, including the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development, which were most recently revised in 2011, and to assess their implications for future ILO work. This work would need to include the continued promotion of the MNE Declaration.

¹² For instance, the Office has been experimenting with facilitating engagement models using the MNE Declaration as a basis for meaningful dialogues between constituents (government and social partners) and MNEs, integrating a rights-based approach and enterprise development, and building constituent capacity to this end.

36. This work should also produce a clearer understanding of how the ILO might engage in national-level public policy initiatives aiming to address and promote socially responsible enterprise behaviour.

Making the initiative work

37. A fair assessment of reactions from tripartite constituents to the proposed enterprises initiative is that it has the potential to make an important contribution to ILO objectives but that it raises significant concerns in respect of its governance. It is therefore important to establish from the outset some basic principles that would guide its implementation.
38. In this context, it will be recalled that the Governing Body adopted, at its March 2008 session, guiding principles for engagement with the private sector. They concern: conformity with ILO values; promoting the Decent Work Agenda; fostering tripartism; gender equality; accountability; sustainability; impartiality; and non-preferential treatment and non-endorsement. It will be recalled too that they address the specific issue of the ILO's development of public-private partnerships.¹³ The Governing Body may wish to consider to what extent those principles could serve as a useful basis to define the purposes and guide all types of ILO engagement with the private sector, bearing in mind the more specific purposes for which they were adopted.
39. In the light of the above, it would be important to establish the following working methods for the enterprises initiative:
- (a) The initiative will recognize the fact that enterprises are composed of employers and workers and that their activities are of concern to governments both as a matter of public policy and when enterprises are wholly or partially public owned. Accordingly, the principle of tripartism will help shape the operation of the initiative.
 - (b) Nothing in the implementation of the initiative would modify representational arrangements in the ILO and its tripartite governance bodies.
 - (c) Given their role in relations with the private sector, international and national employers' organizations should be informed from the outset of the involvement of enterprises in activities under the initiative and should play a valuable facilitating role in such engagement.
 - (d) To this end, contacts from or with enterprises with a view to initiating an engagement would be referred from the outset to ACT/EMP for advice. This would also require, among other things, close consultations with ACTRAV. Work under the initiative would be done by the relevant departments and field offices. Coordination and overall management would be provided by the Enterprises Department.
 - (e) All activities under the initiative would contribute demonstrably to the achievement of ILO objectives, and would be subject to evaluation to verify the result.

¹³ For an excerpt from the relevant Governing Body document, see the appendix. See also GB.301/15, para. 28.

Draft decision**40. The Governing Body decides to:**

- *endorse the approach to the enterprises initiative set out in this paper as the basis for wider ILO engagement with the private sector, which the Office should pursue taking into account the guidance provided; and*
- *request the Office to provide an update on the progress made at the November 2014 session of the Governing Body.*

Appendix

Guiding principles

(excerpt from GB.301/TC/1)

15. At its 95th Session (2006), the International Labour Conference reiterated certain basic principles that should guide the ILO's development of public–private partnerships.¹ The following are based on those principles:
- 15.1. *Conforming to ILO values.* The ILO will enter into public–private partnerships that are consistent with and supportive of the ILO mandate and objectives. It is thus essential for the ILO to work together with public and private sector entities that share its values, and respect its mandate in their own operations. This also involves taking into account the ILO's status as a public international organization and the policies agreed by its tripartite constituents, such as those reflected in the Declaration on Fundamental Principles and Rights at Work (1998)² and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (2006, fourth edition), as well as of fundamental principles concerning human rights, environment and anti-corruption.
- 15.2. *Promoting the Decent Work Agenda.* The value added of a partnership in terms of its potential contribution to advancing decent work, including through the four strategic objectives of the ILO, will be explicit in the design of any partnership activity, as will be the end results foreseen for the women and men, girls and boys who are the ultimate beneficiaries of such partnerships.
- 15.3. *Fostering tripartism, a fundamental principle of the ILO.* A unique and defining characteristic of the ILO is tripartism, the fully fledged participation in ILO decision-making and operational activities of governments, employers' organizations and trade unions. While ILO policy-making is governed solely by the system of tripartite procedures and partners defined in the ILO Constitution, the principle of tripartism and participation of the tripartite constituents will help shape the operation of public–private partnerships in which the ILO is involved, whether at a national, regional, sectoral or international level. The appropriate involvement of governments and the social partners – in both beneficiary and donating countries – should be envisaged in the main partnership phases (design, negotiation, implementation, monitoring and evaluation).
- 15.4. *Gender equality.* The ILO is committed to mainstreaming and promoting gender equality, and will strive to systematically promote this objective through public–private partnerships. Specifically, this implies the involvement of both women and men in consultations and analysis; data disaggregation by sex and gender in research, surveys and analyses; the formulation of gender-sensitive strategies and objectives and gender-specific indicators, inputs, activities and outputs; striving for gender balance in representation in institutional structures set up under projects; and gender equality criteria and gender expertise in evaluations.

¹ ILO: *Provisional Record* No. 19, International Labour Conference, 95th Session, Geneva, 2006.

² Freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; EFFECTIVE abolition of child labour; and elimination of discrimination in respect of employment and occupation – which are the subject of the fundamental Conventions of the ILO.

- 15.5. *Accountability.* As a public international organization, the ILO is accountable for its actions to the Governing Body and its tripartite members. The ILO also assumes a responsibility to those directly concerned or involved in public–private partnerships. It is thus important that partnership activities are designed and implemented in such a way as to ensure clear and agreed responsibilities among the actors in the partnership as well as defined timelines and measurable outputs. The active involvement of ILO tripartite constituents will serve not only to strengthen national ownership but also to ensure accountability of partnership. It is essential that any ILO public–private partnership initiatives be fully transparent and that ILO tripartite constituents are consulted. Information on partnership activities is to be made publicly available and reported to the ILO Governing Body.
- 15.6. *Sustainability.* Partnership activities should be planned to promote sustainability (economic, environmental and social), to make optimum use of the resources of each participant in the partnership, and to foster local and national ownership. This principle is important to the ultimate results to be achieved by the partnership, as well as the methods to be used, such as consultation with and participation of those directly concerned and the design of effective exit strategies.
- 15.7. *Impartiality.* All public–private partnership activities are implemented in accordance with applicable ILO regulations, rules and procedures, including the Financial Regulations and Rules, and the Staff Regulations. While partnership activities aim to advance decent work and thus offer a means by which ILO technical cooperation and standard-setting activities are mutually supporting, the partnerships themselves and their participants operate separately from the policy and normative systems of the ILO, including its standard-setting and supervisory machinery. Thus, the fact of participation in partnerships with the ILO does not imply access to or influence on the Organization’s policy-making system or structures.
- 15.8. *Non-preferential treatment and non-endorsement.* The ILO acts on a non-exclusive basis and, in order to avoid giving impressions of endorsing a single participant, reserves the right to engage in similar arrangements with others in the same industry sector. The identity of partnership participants is always made known.