

Background Note for the Special Session

“Promotion and Application of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in Asia and the Pacific”

Context

1. The [Report of the Director General](#), submitted to the 16th Asia and the Pacific Regional Meeting, highlights the significant progress made in the region over the past decade and the challenges that remain with regards to decent work.¹ On the one hand, the region’s high economic growth rates,² the recent increases in wages and income, the development of social protection, and innovative policies across the region have contributed to a reduction of extreme poverty and progress towards decent work.³ On the other hand, challenges to decent work remain entrenched, as shown by the large number of workers living in poverty, those in vulnerable employment, low social protection levels, forced labour, child labour, or rising inequalities.⁴
2. Many of the trends that are affecting the future of work in the region relate to the operations of multinational enterprises (MNEs), facilitated by investment and trade agreements, including those with a regional scope. Moreover, and as the Report of the Director General indicates, suppliers across global supply chains account for 60% of the region’s jobs.⁵ While the operations of multinationals present significant opportunities for socioeconomic development, including through the participation of domestic firms in global supply chains, they also pose risks if their potential negative effects are not managed properly. In this regard, [ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#) is an important frame of reference, which recognizes the important role of MNEs in social and economic development and seeks to encourage their positive contribution and minimize potential negative impacts.

The MNE Declaration’s implementation strategy

3. The Governing Body of the International Labour Office (ILO) adopted in March 2014 the decision on the [“Implementation strategy for the follow-up mechanism of and promotional activities on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(MNE Declaration\)”](#), and “instructed the Office to commence the approved implementation strategy in 2014”. The strategy includes, among others:

¹ ILO. 2016. *Building an inclusive future with decent work: Towards sustainable development in Asia and the Pacific*, paragraph 2

² *Ibid.*, paragraph 5

³ *Ibid.*, paragraph 8

⁴ *Ibid.*, paragraphs 9-14

⁵ *Ibid.*, paragraph 67

- (i) an information-gathering system to collect information directly from the tripartite constituents from a region through a questionnaire prepared by the Office and distributed prior to each Regional Meeting;
 - (ii) the preparation, by the Office, of a regional report about the state of implementation of the MNE Declaration, considering, among others, the information obtained through the questionnaire;
 - (iii) the inclusion of a session in each Regional Meeting to present the regional report and discuss the implementation of the MNE Declaration in the region.
4. The [Report on the promotion and application of the tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in Asia and the Pacific](#) presents an overview of trends in foreign direct investment (FDI) in Asia and the Pacific and the opportunities and challenges that such investment represents towards decent work. Also, it details the initiatives undertaken by governments, employers' organizations and workers' organizations in the ILO member States of the region to raise awareness and promote the application of the recommendations set forth in the MNE Declaration.
 5. Both inflows and outflows of FDI in Asia and the Pacific have recently shown an increasing trend, and the region now accounts for just under one-third of the world's flows. Intraregional FDI flows are also important, particularly in East Asia, and the region is home to an increasing number of the world's largest MNEs. Generally, the manufacturing and service sectors attract most of the investment; increasingly, these investments target higher-value-added industries. While these flows have been accompanied by the creation of jobs, some decent work deficits in the region remain entrenched, such as unemployment (especially with regard to youths), as well as non-standard forms of work, informality and forced labour. Adequate policies and frameworks and a strong industrial relations system are crucial elements to ensure that FDI contributes to the creation of more and better jobs in the region.
 6. As part of the follow-up mechanism of the MNE Declaration, adopted by the Governing Body at its 320th Session in March 2014, a questionnaire was distributed through various channels to the tripartite constituents of the member States taking part in the 16th Asia and the Pacific Regional Meeting. Responses were received from 70 constituents from a total of 29 countries, representing 62% of the region's member States. Although each country's experience to boost the positive impact of FDI is unique, respondents' views often converged on which areas of the MNE Declaration are relevant in their national context.
 7. Areas of the MNE Declaration identified as relevant almost uniformly across constituents were wages, benefits and conditions of work (82% for governments, 77% for employers' organizations and 83% for workers' organizations), and training (88%, 82% and 83% respectively). Training was also the most often cited area on average across all three groups (selected by 84% of respondents), followed by employment promotion (selected by 83% of the respondents). Discrepancies in the relevance attributed by constituents were noted concerning the areas of freedom of association and the right to organize (65% for government, compared to 46% for employers' organizations and 90% for workers' organizations) and collective bargaining (71%, 55% and 93%, respectively).
 8. Respondents also shared their views regarding the challenges and opportunities posed by FDI. Many of them pointed out that although they considered the recommendations of the

MNE Declaration to be relevant, challenges often kept them from being fully implemented. Challenges mentioned by respondents relating to the operation of MNEs in their countries included skills mismatch and the lack of training opportunities, the risk of divestment, informality, weak labour inspection, subcontracting practices, low wages, differentiated treatment of workers, child labour, safety and health concerns, the complexity or perceived weakness of the industrial relations system and lack of dialogue, and discrepancies between law and practice. However, respondents also noted opportunities, such as the higher capacity of MNEs to create more and better jobs, through for example, the implementation of policies that give priority to the employment of nationals. They also highlighted the crucial role of dialogue to strengthen industrial relations.

9. Respondents described diverse mechanisms that are in place to facilitate dialogue and consultations on the operations of MNEs. The responses indicated a significant level of formal outreach and engagement of governments and employers' and workers' organizations with MNEs: many of them indicated having established a contact point for foreign MNEs. Also, more than a third of the respondents in each group organized consultations on MNE activity with foreign MNEs, or with employers' and workers' organizations from other countries.
10. Almost half of the respondents recently organized events that promoted the principles of the MNE Declaration. More than half of these events or initiatives were organized with ILO technical assistance, more than two-thirds with governments or other organizations, and more than half with governments or organizations from other countries.
11. Numerous respondents requested the Office to increase efforts to promote the MNE Declaration in Asia and the Pacific and expressed willingness to step up their own promotional efforts. In this line, several of them highlighted the relevance of sharing knowledge on the implementation of the MNE Declaration in other countries of the region. A number of constituents also underlined the importance of appropriate regulatory and policy frameworks to advance the application of the principles of the MNE Declaration, and a few of them emphasized the need to conduct research on the impact of MNE activity on labour markets. Finally, numerous respondents expressed the need for more advocacy and further capacity building, as well as for assistance from the Office in this regard.

Special Session on the Promotion and application of the MNE Declaration

12. A Special Session on the "Promotion and application of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in Asia and the Pacific" will take place on the Thursday, 8 December 2016. The objectives of this Special Session are to:
 - (i) present the report about the state of implementation of the MNE Declaration in Asia and the Pacific with the participation of representatives of the tripartite constituents;
 - (ii) provide a dialogue platform among the tripartite constituents with a view to exchange experiences and identify challenges and opportunities at the national and regional level;

(iii) consider the formulation of recommendations and concrete initiatives regarding, for example, future promotional activities or technical assistance required from the Office.

13. Questions to guide the tripartite discussion during the Special Session are:

- What are the opportunities and challenges posed by the operations of MNEs in countries of Asia and the Pacific?
- What is the way forward in the region for a better promotion and application of the principles of the MNE Declaration in the region?