



THIRTEENTH ITEM ON THE AGENDA

## Report of the Subcommittee on Multinational Enterprises

1. The Subcommittee on Multinational Enterprises met on 14 November 2008. It elected the following Officers:

*Chairperson:* Ms M. Zappia (Government, Italy)

*Employer Vice-Chairperson:* Ms R. Hornung-Draus

*Worker Vice-Chairperson:* Ms S. Burrow, replaced at the sitting by Mr E. Patel

### Update on strategic priorities for 2008–09

2. A representative of the Director-General (Mr D. Lamotte) introduced the paper <sup>1</sup> providing an update on strategic priorities for 2008–09.
3. The Employer Vice-Chairperson emphasized the importance of the Subcommittee for the Employers and noted the good working relations between the social partners and how that had facilitated and advanced the work of the Subcommittee. She conveyed the high expectations that the Employers had for the Help Desk. She stressed the need to get the initiative right, as it could be considered as a door to the outside world. She suggested holding the first meeting of the Advisory Group in January 2009 to make sure that all the bodies were working. She encouraged the Office to continue the “Frequently asked questions” and to start the pilot phase. She would be pleased to see the Help Desk completely operational and tested not later than March 2009, stressing the need for it to use a language that practitioners from outside the ILO could understand.
4. She stressed the importance for the Employers’ group of field-testing an alternative modality to evaluate the effect given to the MNE Declaration and agreed with the Office proposal for the structure of this field-testing. However, she suggested consulting the Workers and Governments further on the sectoral study and expressed her interest to have results.
5. The speaker highlighted the importance of training for both employers and workers and was pleased to note the two courses to be held at the International Training Centre in Turin for ILO staff and the outside public, as well as the presence at the Subcommittee meeting

<sup>1</sup> GB.303/MNE/1.

of the Director of the Turin Centre, Mr François Eyraud. Lastly, concerning the follow-up to the OECD–ILO Conference on Employment and Industrial Relations: Promoting Responsible Business Conduct in a Globalizing Economy, she was in favour of further discussions between the ILO and the OECD but expressed strong reservations about mixing the MNE Declaration and the OECD National Contact Points, as that risked diluting the global nature of the MNE Declaration.

6. The Worker Vice-Chairperson said he was very enthusiastic about working with the Chairperson and Employer Vice-Chairperson, as well as other members of the Subcommittee, and stressed the importance of the work of the Subcommittee in the context of the global economic crisis and the adoption of the ILO Declaration on Social Justice for a Fair Globalization. He suggested that the March 2009 meeting of the MNE Subcommittee consider how the crisis would affect the work of the Subcommittee and how the strategic priorities should be reshaped in the light of the new Declaration. He called for an update of the MNE Declaration to include a reference to the ILO Declaration on Social Justice for a Fair Globalization and other recently adopted standards such as Recommendation No. 198. He also took note of the most recent report of the Special Representative of the Secretary-General on business and human rights (Mr John Ruggie) and proposed that the next agenda for the Subcommittee include a discussion of the implications of the report for the role of the ILO.
7. The speaker welcomed the launching of the Help Desk, which would allow the ILO to provide expert advice to companies, and employers' and workers' organizations that were willing to implement the MNE Declaration and international labour standards. He congratulated Ms Emily Sims on her appointment to head the Help Desk, which would enable the ILO to respond to very practical problems. The Help Desk should focus on how to package the work of the ILO so as to add value to it. He called for the sustainability of the position and for resources to be made available to the technical units concerned, especially NORMES.
8. He went on to call for the field-testing of an alternative modality to evaluate the effect given to the MNE Declaration, to be put into the context of the cyclical review under the ILO Declaration on Social Justice for a Fair Globalization whose focus in 2010 would be on employment. Multinational enterprise issues had to feature in the cyclical review on employment. It was important to complement the exercise with a global sectoral study.
9. He welcomed the implementation of the two training courses for constituents and ILO staff and the process of consultations in the development of the course outlines. However, he noted that the limited funding for the social partners dealing with multinational enterprises to participate risked reducing the impact of the training. A revision of the strategy on capacity building was therefore called for.
10. Concerning relations with the OECD, he welcomed a discussion on how the National Contact Points could promote the implementation of the MNE Declaration; however, national machinery for promoting the MNE Declaration was needed first. Work on global supply chains building upon the synergies of both instruments should be promoted. The question of the Memorandum of Understanding with the OECD was beyond the scope of the MNE Subcommittee and required wider consultation, but he supported the idea of an exchange of letters on the summary points which came out of the OECD–ILO Conference. That issue should be considered in March 2009. Regarding work with the ISO, he called for a re-evaluation of the risks and benefits of the ISO developing a standard on social responsibility. He also raised questions about the added value of working with the United Nations Global Compact and wondered how the Compact was promoting the implementation of the ILO's labour principles.

11. The speaker welcomed the work of the Office with financial markets and supported its continuation. He urged the Office to explore how workers' and employers' organizations could better monitor the practices of financial institutions in the areas related to the MNE Declaration, such as application of the IFC Performance Standards. Lastly, the Worker Vice-Chairperson stressed that workers' organizations should be involved in activities at the country and regional level.
12. The representative of the Government of the Republic of Korea welcomed the achievements with regard to the strategic priorities for 2008–09. She particularly welcomed the launch of the Help Desk. She recommended that more strategic and specific plans be considered for future work relating to multinational enterprises in the context of the plans for 2010–15, and that ILO work with multinational enterprises be reflected as specific outcomes, or as a separate strategic objective.
13. The representative of the Government of Argentina informed the Subcommittee that an event had been organized to mark the 30th anniversary of the MNE Declaration in November 2007. Furthermore, a subregional event was planned for April 2009. The tripartite constituents had agreed to undertake the country-level survey exercise, and the first working group to launch the exercise was scheduled for the week ahead. She expressed her appreciation of the technical support provided by the Office so far and hoped that the collaboration would continue. Concerning the follow-up to the joint OECD–ILO Conference, where Argentina's Minister of Labour had made an opening statement, and given that most cases brought to the OECD's National Contact Points were related to labour issues, she felt that Argentina could be involved in the follow-up to the Conference.
14. The representative of the Government of India stressed the need for a continuous commitment by businesses to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. The MNE Declaration was particularly important in that area, which showed the positive contribution that MNEs could make to economic and social progress. He informed the Subcommittee of the work of the newly established Indian Institute of Corporate Affairs, and he stressed that corporate social responsibility (CSR) should not be unduly linked to labour standards and thus become an indirect means of creating trade barriers.
15. The representative of the Government of Belgium had the impression that the Office was still trying to find its way in implementing the MNE Declaration. He welcomed the Help Desk but pointed out that a really good promotional campaign was needed to convince enterprises of the usefulness of the services being offered. He wondered how the Office would draw on information on "good practice", as he had not yet seen anything specific. With regard to the OECD, he regretted that there had been no immediate follow-up to the Conference, but he agreed with the Workers' group that there had to be coherence as to the advice international organizations were providing. He was concerned about the shift in decision-making power for the development of ISO 26000 from the working group to country-level mirror groups, which were not tripartite, and he sought information on how other countries had dealt with the matter in their national mirror groups. Lastly, he noted the need for tripartism in activities promoting the MNE Declaration, which was itself tripartite in nature.
16. The representative of the Government of the United Kingdom welcomed the launching of the Help Desk and strongly supported the call for good promotional material aimed at companies. The Help Desk should endeavour to be practical and dynamic and to react quickly to companies' inquiries; it should not give the impression that its response was being held up by bureaucratic barriers, as companies might be put off if they had to wait two weeks for an answer.

17. The representative of the Government of the Bolivarian Republic of Venezuela highlighted the role of governments in the follow-up to the MNE Declaration at the national level and pointed out that, at the Office level, the follow-up must be conducted on a tripartite basis. He remarked that the creation of the Help Desk had been carried out rapidly in accordance with the decision taken by the Governing Body at its 301st Session. He added that on the same occasion the Governing Body had also requested from the Office information regarding its cost implications and reiterated such request.
18. The representative of the Government of Kenya welcomed the establishment of the MNE Help Desk. While expressing his appreciation of the ILO's training activities, he called for the greater involvement of his region. Commending the Office on its excellent initiatives to promote the MNE Declaration, he emphasized the need to highlight the important role of governments. Consultation with governments was also important. In conclusion, he urged the Office to support the labour enforcement capacity of government officials and to promote the MNE Declaration as an instrument of social justice.
19. The Chairperson confirmed that she would actively liaise between Government representatives and the Office.
20. The representative of the Government of Nigeria was concerned about the "one-size-fits-all" approach of the Help Desk and stressed the importance of finding ways to communicate information that met various cultural and geographical challenges. The current global financial crisis should not be used as an excuse for reducing assistance to developing countries, especially those in Africa.
21. Commenting on the Worker Vice-Chairperson's proposal, the Employer Vice-Chairperson stated that the MNE Declaration had just been updated in 2006 and cautioned against updating it too frequently. With respect to the survey exercise, she pointed to the need for further discussion within her own group, as well as with the Workers' and Government groups, to define the study of the sectoral approach. She suggested that the decision on the sectoral component be taken at the March 2009 session of the Governing Body, while requesting the Office to proceed with the other two components. Lastly, she expressed no objection to the Worker Vice-Chairperson's proposal to refer to the report of the Special Representative of the United Nations Secretary-General on the issue of human rights and transnational corporations and other business enterprises and suggested that it be one of the points taken up in the paper giving an update on CSR activities outside the Office.
22. The Worker Vice-Chairperson agreed to return to the discussion on updating the MNE Declaration at the March 2009 session of the Governing Body. It was important to clarify the scope of the sectoral component of the survey exercise during the week ahead so that the Office could consult those concerned at the regional level. Regarding the OECD, it was clear that further discussion was needed in order for the two groups to reach a common position. In response to points raised by Government representatives, he supported the view of the representative of the Government of Belgium that an assertive work programme and more resources were necessary to support efforts to promote the MNE Declaration. At the March 2009 session of the Governing Body a discussion would be held on reporting under the new ILO Declaration on Social Justice for a Fair Globalization, and that would influence and reshape the work of the Subcommittee.
23. Replying to various comments, the representative of the Director-General reiterated the Office's commitment to make the MNE Help Desk sustainable in the longer term. In response to the question raised by the representative of the Government of the Bolivarian Republic of Venezuela, he pointed out that regular budget funds were allocated for its establishment. He welcomed the help offered by the Employers' group regarding the appropriate language for its promotion. Recalling the statements made by the

representatives of the Governments of the United Kingdom and Kenya, he said that their support ensured that the efforts deployed would target the right people. With regard to the ISO and because of the time constraints, he proposed that a separate discussion be held after the Subcommittee meeting. Lastly, on the subject of tripartism and the sectoral component of the survey exercise, he confirmed that the report would be published only after a tripartite review. A tripartite methodology had been adopted which reaffirmed the central role played by the Governments in Argentina and Ghana.

24. The Chairperson noted the Committee's understanding that the views expressed during the discussion of the item would be taken into consideration in drawing up the agenda for the March 2009 session of the Governing Body.

**Update on corporate social responsibility (CSR)-related activities: (a) within the ILO (including the InFocus Initiative on corporate social responsibility and the International Training Centre); and (b) within other organizations**

25. Due to time constraints, it was decided to postpone discussion of the second paper<sup>2</sup> on CSR-related activities to the March 2009 session of the Governing Body, with the understanding that the Office would submit an updated paper.

Geneva, 14 November 2008.

<sup>2</sup> GB.303/MNE/2.