

A GUIDE

TO THE

TRIPARTITE DECLARATION  
OF PRINCIPLES CONCERNING  
MULTINATIONAL ENTERPRISES  
AND SOCIAL POLICY



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## TRIPARTITE DECLARATION OF PRINCIPLES CONCERNING MULTINATIONAL ENTERPRISES AND SOCIAL POLICY

KNOWING AND USING UNIVERSAL  
GUIDELINES FOR SOCIAL RESPONSIBILITY

INTERNATIONAL LABOUR OFFICE  
Multinational Enterprises Programme  
Geneva, 2002

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## Foreword

Multinational enterprises are important agents of change in the process of globalization that affects us all. Their networks stimulate cross-border transfers of skills, know-how, resources, and technology. But the change that comes from connecting global economic activities with local markets inevitably bears risks as well as opportunities for those involved. Realizing the potential benefits of foreign investment and minimizing the costs of adjusting to change is a challenge to governments, employers and unions everywhere. The key to progress is a shared commitment to universal values that promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy addresses the challenge of finding ways to make globalization work for all. It is the universal basic reference point for social responsibility in the world of work. Its principles, which seek to increase and extend economic and social progress, were themselves adopted as a product of an interaction the ILO calls “social dialogue”. The principles foster mutual understanding, participation, transparency, and social responsibility – all pre-requisites to sustainable partnerships among global and local actors and markets. The goals of the Declaration, based on international labour principles, strive for decent work in all countries of MNE operation and influence.

This Guide to knowing and using the MNE Declaration was prepared on the basis of consultations with governments, business and workers’ organizations. In the hands of MNEs, local business, unions and governments, the Guide is intended to help chart ways to explore and pilot partnerships in a variety of contexts. Based on the shared values of the Declaration, the Guide provides a handy reference to these key actors in coordinating their roles and responsibilities across global and local markets to ensure that workers’ rights are respected, workplaces made safer, and skills and competencies built. This Guide is an invaluable tool to promote dialogue on how quality labour practices can secure sustained competitiveness on world markets.

Juan Somavia  
Director-General



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## Introduction

Economic globalization poses substantial benefits and risks to everyone caught up in its complex and rapid processes. While multinational enterprises (MNEs) operate centre stage as leading actors in the globalization “revolution”, MNEs themselves also confront and must cope with the unrelenting pressures of ever-changing markets and the imperative of returning profits at increasing rates. MNEs can enhance their own security by contributing to the social and political well-being of the communities around the world in which they operate. The results will include decent and productive work for women and men in conditions of freedom, equity, security and human dignity.

Productive partnerships that meet the diverse needs of MNEs and those involved in their operations, whether in home or host settings, can be achieved by recognizing the distinct yet interrelated roles and responsibilities of business, government, and labour. While partnerships are a valuable part of the process of operating in a responsible manner, there are risks inherent in sustaining the confidence of each partner and seeking to serve everyone’s long-term best interests. Ongoing dialogue and a common set of standards and values among the partners are indispensable parts of the partnerships for global markets. Voluntary initiatives in corporate social responsibility can enhance the context for working together. The initiatives discussed in this Guide include company policies and programmes, corporate reporting, agreements between MNEs and global unions, and the UN Global Compact.

This Guide offers practical suggestions on building relationships in global markets among business, government, and labour that encourage profits while caring for workers’ rights and socio-economic development. Its suggested markers are based on the *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* (MNE Declaration), last revised by the International Labour Organization (ILO) in 2000 and annexed to this Guide. The MNE Declaration provides added value as the only set of guidelines of its kind that acknowledges a unique balance of roles and responsibilities to be shared by government, workers’ organizations, and business – multinational and local. In particular, the Guide provides illustrations to multinational and local business, government and labour on how to set common expectations, maintain dialogue, and sustain partnerships that help return the mutual benefits while mitigating the risks to which MNE operations can give rise.

The Guide is intended to be a living document, changing with the needs and circumstances of government, business, trade unions and MNEs. Many of its practical examples draw from the experiences reported by ILO constituents around the world in the process of periodic surveys on the effect given to the MNE Declaration. Where sources are not otherwise noted, this edition uses examples from the Seventh Survey on the effect given to the Declaration covering experiences in MNE operations and partnerships across 100 countries in the years 1996-1999, available on-line at

[www.ilo.org](http://www.ilo.org), through [multi@ilo.org](mailto:multi@ilo.org), or upon request to ILO, 4, route des Morillons, CH-1211 Geneva, Switzerland. It also draws upon interpretations of the Declaration itself and reflects knowledge gained in promotional activities and applied research conducted by the International Labour Office in coordination with government, business and labour, and other international organizations. The International Labour Office offers this Guide as a means to encouraging the ongoing process of dialogue and partnership, especially in developing countries, that makes use of the MNE Declaration in the pursuit of social progress for all concerned in multinational operations.

Geneva, March 2002

Janelle M. Diller  
Multinational Enterprises Programme

## Universal values for MNE operations<sup>1</sup>

The added value of the MNE Declaration lies in its global baseline that draws upon universal values for the world of work. The MNE Declaration contains the only set of voluntary guidelines on social policy for multinational enterprises globally agreed by the three groups -- business, labour and government. This unique global foundation facilitates relationships based on common standards and values in both developing and industrialized countries. Its practical approach to partnerships can help achieve more productive and creative ways of dealing responsibly with rapid changes in the world of business while raising standards of living, sustaining high-quality employment, enhancing the quality of life for workers and their families, and respecting rights at work.

The global threshold of values agreed in the MNE Declaration does not change across countries of operation or investment. It applies equally among MNE parents and affiliates and their business partners. For MNEs, a publicly endorsed and global strategy can bring legitimacy and effective risk assessment and control over brand name integrity and reputation. For local business in developing countries, a shared understanding on fair workplace practices can help create and sustain partnerships with buyers and MNEs. For workers and their trade unions, good working conditions and training opportunities build skills, adaptability, and motivation that result in higher productivity, fair wages, good health and safety conditions, initiative to improve working methods and solve problems, and employability for the future. For governments, this way of attracting MNEs brings more and better jobs, meaningful social dialogue, and a stable economy to reduce poverty by creating opportunities for decent and productive work.

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### 1.1. Introduction and overview

The provisions of the Declaration are interlocking and are to be taken together as a whole to define its aims and purposes. The introductory paragraphs define the purpose and scope of application of the voluntary principles (paragraphs 1-7), and emphasize that no precise legal definition of multinational enterprises is necessary to serve the Declaration's purpose. The twin interdependent aims of the Declaration are (1) to encourage the positive contributions of MNEs to economic and social progress, and (2) to minimize and resolve the difficulties to which their operations may give rise. The principles of the Declaration seek to advance this aim by guiding the measures

<sup>1</sup> This section summarizes key aspects of the Declaration based on the textual language, ILO interpretations, and drafting history. The summaries do not fully set out the details found in the text reprinted in Annex I, to which the user is recommended.

and actions taken by governments, employers' and workers' organizations, and MNEs. No one party can be considered as a main beneficiary of the Declaration since the guidelines are designed to contribute to the central aim of stimulating a process of mutual engagement that balances dynamic entrepreneurship and social stability.

The principles cover five sets of standards and values that are accepted globally yet remain responsive to local social norms and priorities. These guidelines, highlighted below, are drawn from principles underlying international labour standards found primarily in ILO Conventions that address government obligations, and ILO Recommendations that provide non-binding guidance. Almost all international labour standards address state (government) action only, but they inherently depend for success upon action by employers' and workers' organizations, and MNEs themselves – together with their local business partners.

---

## 1.2. General policies

*Socially sustainable development and human rights in the workplace.* In paragraphs 8-12, MNEs, government, and business and trade union organizations alike are recommended to obey national law, take into account local practices, and respect international human rights and labour standards. Along with fundamental human rights instruments, all parties are exhorted to respect the ILO Constitution and its principles “according to which freedom of expression and association are essential to sustained progress”.

- For governments, priority is given to ratifying and complying with the fundamental labour Conventions and, in any event, applying to the greatest extent possible the principles embodied therein;
- For MNEs, strategies include consultations with government, and, wherever appropriate, national employers' and workers' organizations, to help make operations consistent with national policies, development priorities, and social aims and structure of countries of operation;
- For both multinational and national enterprises, the principles seek to reflect good practice and, whenever the principles are relevant to both, it is recommended that both be subject to the same expectations;
- For home country governments, emphasis is put on promoting good social practice in their MNEs abroad and consulting with host country governments.

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## 1.3. Employment

*Employment promotion.* The goal of promoting “full, productive and freely chosen employment”, addressed in paragraphs 13-20, involves governments in pursuit of active targeted policies, and MNEs in taking into account such policies by consulting with local government, business and labour before and during operations.

- For MNEs, working in this way means increasing employment opportunities and standards, recruiting, promoting and training workers in the host country; using

technologies that generate employment directly and indirectly; and building linkages with local business that are consistent with the principles.

*Employment equality.* Specific measures for promoting employment equality and eliminating employment discrimination are suggested in paragraphs 21-23.

- For governments, priority is put on pursuing policies in line with ILO Conventions on discrimination and equality and encouraging MNEs to do so;
- For MNEs, equality is promoted when qualifications, skill and experience are made the basis for recruitment, placement, training and advancement.

*Employment security.* Proactive strategies to address the impacts of MNE operations on employment and labour markets are found in paragraphs 24-28.

- For governments, enhancing security involves studying the employment impact of MNEs in different sectors of operation, and providing income protection upon termination.
- For MNEs, equally with national enterprises, addressing employment security includes:
  - (1) conducting active human resource planning, observing freely negotiated obligations concerning employment stability and social security, providing stable employment for their employees, and avoiding arbitrary dismissal procedures; and
  - (2) providing prior notice of possible changes in operations that would have major employment effects and, together with local government and workers' organizations, examining steps to mitigate or minimize adverse employment effects of changes.

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## 1.4. Training

Ways to leverage training to promote employability<sup>2</sup> are found in paragraphs 29-32. Governments develop national policies for vocational training and guidance, which in turn provides a framework within which MNEs can pursue recommended training policies.

- For MNEs, specific activities conducted in cooperation with local government and, as appropriate, employers' and workers' organizations, include:
  - (1) providing employees in the host country with training;
  - (2) participating, along with national enterprises, in local programmes to encourage skill formation, including making available resource people to help conduct training; and
  - (3) affording opportunities within the MNE worldwide to broaden the experience of local management.

---

<sup>2</sup> "Employability ... encompasses the skills, knowledge and competencies that enhance a worker's ability to secure and retain a job, progress at work and cope with change, secure another job if she/he so wishes or has been laid off, and enter more easily into the labour market at different periods of the life cycle." *Conclusions concerning Human Resources Training and Development*, adopted by the 88th Session of the International Labour Conference, June 2000, paragraph 9 (excerpt).

## 1.5. Conditions of work and life

*Wages, benefits, and conditions of work.* Recommendations involving wages, benefits and conditions of work are found in paragraphs 33-35.

- For governments, especially in developing countries, priority is placed on helping MNE activities benefit lower income groups and less developed areas.
- For MNEs, goals include:
  - (1) offering wages, benefits and conditions of work that are at least as favourable as those offered by employers of comparable size and resources;
  - (2) in developing countries where comparable employers may not exist, offering the best possible wages, benefits and conditions of work, at least adequate to satisfy basic needs of workers and their families.

*Minimum age.* In paragraph 36, MNEs, as well as local business, are urged to respect minimum age for employment or work in order to effectively abolish child labour.

*Safety and health.* Suggestions for putting into practice standards for safety and health in the workplace are recommended in paragraphs 37-40.

- For governments, applying international labour standards helps ensure adequate safety and health norms;
- For MNEs, specific measures to maintain the “highest standards of safety and health” include:
  - (1) informing local government, business and labour of special hazards and protective measures associated with new products and processes;
  - (2) cooperating with international organizations that set health and safety standards;
  - (3) incorporating safety and health matters into agreements with workers’ organizations for the parties to implement;
  - (4) sharing information on safety and health standards which they observe in other countries.

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## 1.6. Industrial relations

Guidelines to achieve sound industrial relations (IR) in MNE operations around the world are found in paragraphs 41-59. MNEs are urged to observe IR standards that are at least as favourable as those of comparable employers in the country.

*Freedom of association and the right to organize.* The goal of promoting freedom of association and the right to organize is addressed in paragraphs 42-48.

- For everyone, promoting this goal means ensuring that workers employed by MNEs have the right to establish and to join organizations of their own choosing, and are protected from anti-union discrimination, and that their representatives can consult together provided this does not prejudice the functioning of enterprise operations;

- For MNEs, the guidelines also encourage support for employers' organizations.
- For governments, specific steps to be taken include:
  - (1) permitting local business and unions involved with MNE operations to affiliate with international organizations, and permitting the entry of representatives for the purpose of consultations;
  - (2) ensuring that investment incentives do not limit workers' freedom of association and the right to organize and bargain collectively.

*Collective bargaining.* Guidelines for effectively recognizing the right to collective bargaining are found in paragraphs 49-56.

- For everyone, this goal involves:
  - (1) ensuring that workers employed by MNEs have the right to be represented by workers' organizations of their own choosing that are recognized for purpose of collective bargaining;
  - (2) promoting voluntary negotiation between employers or their organizations and workers' organizations;
  - (3) including in collective agreements provisions for the settlement of disputes arising over their interpretation and application;
- For MNEs, effective recognition includes:
  - (1) providing workers' representatives with necessary facilities to develop collective agreements;
  - (2) providing, at negotiations with workers' representatives, management representatives who are authorized to take decisions, even if those representatives are not locally based;
  - (3) not using threats of transfer of operations or of workers to interfere with negotiations or workers' right to organize;
  - (4) providing workers' representatives with information needed for meaningful negotiations and responding to government requests for information.
- For governments, these guidelines include supplying information to workers' representatives on the industries in which the MNE operates to help in laying down objective criteria for the collective bargaining process.

*Consultation, grievances, and disputes.* Guidelines for consultation, grievances and disputes are found in paragraphs 57-59.

- For MNEs as well as national enterprises, jointly with workers' representatives, the strategies include: cooperating in devising systems for regular consultation on matters of mutual concern, and in establishing voluntary conciliation machinery to assist in preventing or settling industrial disputes. Such consultation should not be a substitute for collective bargaining.
- For MNEs, the guidelines include ensuring respect for the right of their workers to submit and have their grievances examined without prejudice.





## MNE Declaration and national, regional and sectoral initiatives

MNEs, government, business organizations and trade unions can take advantage of the common principles and values addressed in the Declaration in building productive relationships and partnerships at national, regional and sectoral levels. This chapter explores ways to do so based on the guidelines themselves and relevant experiences.

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### 2.1. Building national, regional and sectoral partnerships

Partnerships are essential for realizing the potential gains from MNE operations for business, workers and society as a whole. Dialogue is a critical first step toward partnerships. In the process of dialogue, governments, workers and business build trust and confidence in each other. Beyond dialogue, it is in the process of developing and undertaking specific projects that governments, unions and business make the critical transition from dialogue to action. Partnerships also provide a valuable mechanism for remedying deficits of information, funding, skills, entrepreneurship and political cooperation. These benefits are motivating governments, MNEs, and business and workers' organizations to establish partnerships in which progress can be made in achieving the key areas of the MNE Declaration's objectives. (See Chapter 1 above.) The illustrations that follow do not imply any particular endorsement but are presented as practical examples of how partnerships at national, regional and local levels can make a change.

**General policies.** Partnerships that build on national law and policy are powerful drivers for change in industrialized or developing countries. The MNE Declaration advocates a shared responsibility among MNEs, local government, business and labour to obey national law and respect international standards. When governments seek to conform their legal and policy initiatives to internationally recognized standards through ratification of fundamental labour Conventions and other means, the common efforts of MNEs and local business and workers to build decent workplaces are readily complemented. See box 2.1: *Partnering for economic and social development: A view from Ireland.*

**Box 2.1**

**Partnering for economic and social development: A view from Ireland**

Within the framework of a series of economic and social agreements negotiated on a tripartite basis in Ireland, the contribution of MNEs to economic and social development in the country has been very significant in the view of the Irish Congress of Trade Unions. A successful strategy adopted by the Government of Ireland, including favourable tax treatment, reportedly attracted foreign-owned MNEs who provided significant growth in employment opportunities, improvement in living standards of workers, and resources for enhancing national social services. One of the most recent tripartite agreements, called "Partnership 2000 for inclusion, employment and competitiveness (1996-2000)", contains measures to exploit the potential offered by MNEs, build and strengthen local industry, and improve linkages between multinational and national enterprises.

**Employment.** A wide variety of methods exists in which MNEs, working with local business, workers' organizations and government, can promote more and better jobs that advance employment equality and security. One fertile area for partnership is found in programmes of technical know-how and services in which MNEs provide support to small and medium-sized enterprises (SMEs) that encourage sustainable linkages. Partners to these efforts have noted the positive effect on indirect employment through local enterprise affiliations in such diverse situations as Angola, Australia, Bahamas, Bangladesh, Canada, Colombia, Costa Rica, Egypt, Guatemala, Hungary, India, Indonesia, Ireland, Italy, Jordan, Kenya, Republic of Korea, Mozambique, Nepal, New Zealand, Philippines, South Africa, Sri Lanka, Sweden, Turkey, Uganda, Ukraine, Viet Nam and Zambia (reported in the seventh ILO survey on the effect given to the Declaration). For an example of how a net job increase has resulted from MNE linkages with local companies, government and local educational institutions, see box 2.2: *Linking partnerships with employment: The case of Singapore.*

**Box 2.2**

**Linking partnerships with employment: The case of Singapore**

The fierce competition in the technology industry has forced many companies in Singapore to shift part of their operations out and retain only the higher value-added operations in Singapore. While more low value-adding operations leave, the Economics Development Board is attracting more knowledge industries each year under the Industry 21 master plan, resulting in a net job increase. The universities and polytechnics are producing more knowledge workers to complement the change in the industry structure. In addition, upgrading programmes such as the Skills Redevelopment Programme helps to reskill older and less qualified workers. The Local Industry Upgrading Programme (LIUP) is an example of how the operations of MNEs establish backward and forward linkages with local enterprises. The LIUP is a collaborative scheme between large companies, their local suppliers and the Government to develop the technical, operational and management skills of the local SME suppliers. As of 1 November 1999, 30 MNEs and 11 large local enterprises, government-linked companies and government agencies are partnering some 670 SME vendors in LIUP. The implementation of LIUP is timely in view of the ongoing trend of MNEs to outsource some of their business processes to reduce their overheads.

**Training.** Training is an area full of potential for constructive partnerships. The MNE Declaration advocates a joint approach to investing in training that meets the needs of governments, workers and enterprises. Governments are responsible for

ensuring that education and training are universally accessible and meets the general development needs of the country. MNEs ensure that training is relevant to their operational needs; and workers ensure that they are well placed to actively participate in the labour market and to adapt to change. See box 2.3: *Partnerships for investing in people*.

MNEs often contribute through delivery of in-house training or sending employees to local or foreign facilities. However, they may also become involved at the national, sectoral, and enterprise levels in programmes and funds to upgrade workers' skills and modernize HRD systems, sometimes as a condition of entering into investment contracts with the host country. In some cases, MNEs have introduced industry or nation-wide HRD and training models by integrating training in new technologies in local educational institutions and a quality dimension in their own HRD management systems.

**Box 2.3**

**Partnerships for investing in people**

In Spain, the Government and social partners signed a national agreement on HRD and training objectives. The Government provides funding to MNEs upon approval of their training plans established in consultation with the company's worker representatives. MNEs develop working methods for training aimed at different occupational categories among their own staff and, in some cases, strategic benchmarks for work in host countries.

Nicaragua has established a tripartite Vocational Training Management Board to guide skills development in the country on which both national and multinational enterprises represent business. Enterprises also contribute directly to the available infrastructure and technology by training workers and sending specialized technicians to update curricula so that nationally supervised vocational training meets enterprise needs as well as the country's development goals.

Fruitful partnerships in training can also span borders. In Jordan, technical assistance from several industrialized countries has bolstered the training programmes offered in line with national training policies. MNEs, workers, and jobseekers all benefit from the higher quality of training made available through this multilateral transfer of know-how.

**Conditions of work and life: child labour.** Partnerships among private and public sector organizations have tackled the persistent problem of child labour in various industries in recent years. Partners have included government labour inspectors, educational and other ministries, MNEs, sectoral and local business associations, national and international trade union organizations, NGOs and intergovernmental organizations. The results not only enhance brand quality and risk management, but bring for working families and developing countries a more educated human resource development base for the future. See, for example, box 2.4: *Partnerships at work: Tackling child labour in the garment industry*.

**Conditions of work and life: health and safety.** The MNE Declaration points to ways in which MNEs can bring their particular expertise to bear in sharing the latest information on safety and health standards and practices in other countries that are relevant to their local operations. (See MNE Declaration, paragraphs 37-40.) In particular, MNEs are in position to make known special hazards and related protective measures associated with new products. Together with local business, MNEs can play a leading role in examining causes of industrial safety and health hazards and in

**Box 2.4**

**Partnerships at work: Tackling child labour in the garment industry**

In the garment industry, a project in Bangladesh, developed with the help of the ILO, UNICEF, and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), aims at eliminating child labour through the monitoring of workplaces, and provides education and partial financial support to ex-working children and their families. Every member of the BGMEA is subject to inspection as a condition of receiving an export licence. A third-party monitoring and verification system ensures that factories comply with the agreements and that children attend school regularly and do not drift into work elsewhere.

Source: International Labour Office, International Programme on the Elimination of Child Labour (IPEC)

applying improvements within the enterprise as a whole. As part of efforts to maintain the highest standards of safety and health in conformity with national requirements, MNEs can cooperate with the local social partners in identifying priorities for improvement, resulting in safer and more productive workplaces in their own businesses and those of their local business partners. See box 2.5: *Partnering for health in the workplace*.

**Box 2.5**

**Partnering for health in the workplace**

In Brazil, MNEs, chemical industry trade unions and employers share responsibility for their jointly developed "Benzene Accord", a National Accord for Accountability. The objective in seeking to protect workers' health is to prevent occupational exposure to benzene. The Accord, developed jointly in 1995 in cooperation with the Government, has detailed guidelines and procedures for the safe use of benzene. While it regulates the actions, attributions and procedures for the prevention of occupational exposure to benzene, its distinctive dynamic is the high degree of workers' participation in prevention.

The Accord prescribes how companies and their subcontractors are to carry, store, and use or handle benzene and its derivatives. The mandatory terms of the Accord are administered at the plant level by a representative group of benzene workers, which is given full responsibility for monitoring and enforcement of the agreement at plant level. A national-level commission for benzene includes equal representation among workers, employers and Government. That commission oversees developments, monitors compliance, promotes studies, supplements laws and regulations, provides for alternative control measures, and issues certificates for the controlled use of benzene. In addition, the Accord is being used as a model for other related cancerous chemical substances. The agreement already contributed to the full replacement of benzene in the sugar and alcohol production sector. It also contributed to a reduction in the benzene content of gasoline from 1 per cent to 0.1 per cent.

Source: United Nations Division for Sustainable Development 10/08/1999.

[http://www.un.org/esa/sustdev/viaprofiles/Benzene\\_Accord.html](http://www.un.org/esa/sustdev/viaprofiles/Benzene_Accord.html)

**Industrial relations.** Partnerships in building sound industrial relations include many of those examples discussed above as well as specific commitments to mechanisms for consultations and negotiation, discussed in, for example, subsections 2.4 and 3.3 below.

## **2.2. Stimulating consultations and coordinated action among government, business and labour**

Consultations and coordinated action are becoming increasingly important to the quest for socially sustainable development through decent work. Coordinated action between public and private sectors improves the chances that workers and employers will be committed to carrying out their obligations in a manner consistent with public policy, and makes easier the government's job of monitoring compliance.

Through systematic consultations, governments can keep abreast of the needs and concerns of workers and employers, and are better placed to respond with appropriate policies. Wherever it operates, business also gains from consultations and coordinated action with workers' representatives and governments. In many countries MNEs are still perceived as having a concentration of economic power, which, in some instances, is wielded at the expense of public or worker interests. MNEs are under pressure to show that their operations bring mutual benefit, and that they are willing to work closely with government, local businesses, and workers' organizations to maximize those benefits. Consultation and coordinated action help business identify these common points of interest, give them the opportunity to express their needs and concerns, and provide them with the opportunity to demonstrate that they take seriously their responsibilities as members of the local community. Local business provides a critical link in this process, but this link is best built where a local climate of sound industrial relations is built through a culture of social dialogue and decent workplace management.

Workers who benefit from the right to organize and bargain collectively also make a difference in workplace methods and relationships by expressing their concerns and offering suggestions on areas for improvement. Their first-hand knowledge of working conditions in MNEs is essential for formulating policies that adequately address their concerns and for effective monitoring of their rights in the workplace.

Consultations and coordinated action can occur in the context of home or host countries, or both, and bring results in the nature of social agreements with binding status (or political commitments (see bBox 2.6: *Products of social consultations: Commitments to action in Jamaica and the Philippines*). Such discussions may also lead to the establishment of consultative frameworks for discussion – a first step toward coordinated action and negotiated agreements. For example, between 1996 and 1999, consultative frameworks for ongoing discussion and cooperation among government, business and labour on issues arising from MNE operations were set up in countries including Barbados, Brazil, Burkina Faso, Colombia, El Salvador, Hungary, Republic of Korea, New Zealand, Portugal and Senegal.

Consultations between home and host governments can also promote good social practice among MNEs and their partners in government and in the workplace through agreements, informative events, and more. Consultations of this nature can occur prior to initial investment and have been reported recently in countries such as Bulgaria, Cape Verde, Cyprus, Egypt, Ghana, Guatemala, Guyana, Hungary, Jordan, Norway, Pakistan, Sri Lanka, South Africa, Togo, Turkey, Uganda and Zambia. In several known cases, consultations have led to bilateral agreements between home and host countries concerning investment or cooperation as, for example, recently in Bulgaria and Cape Verde. In Hungary, consultations led to a framework for tripartite

**Box 2.6**

**Products of social consultations: Commitments to action in Jamaica and the Philippines**

In Jamaica, workers' organizations, employers and the Government have signed a Memorandum of Understanding that emphasizes the importance of cooperative efforts to achieve mutual benefits and communication channels to share information. Based on the MOU, the Government and social partners set up a framework for jointly developing and implementing productivity schemes, through mechanisms such as training and more general human resources development.

In the Philippines, consultations among government, business and labour on MNE operations in 1998 led the Government and social partners to sign a Memorandum of Social Understanding with a Plan of Action based on a framework of objectives guided by the MNE Declaration. The MOU underlined the key roles of each of the partners in moving to coordinated action in promoting employment promotion, security, training, working conditions and sound industrial relations. Implementation efforts are under way.

conferences on MNEs' industrial relations and working conditions, which were held with home and host country ministers of labour.

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### **2.3. Influencing government action**

The MNE Declaration provides added value to governments in efforts to address workplace and employment challenges. Its substantive targets and consultative approaches help guide and inform government strategy and action in labour and employment relations and promotion of foreign direct investment (FDI) activities. The Declaration may also help to shape action in other areas of fiscal affairs, such as procurement policies, which may relate to MNE operations.

The substantive objectives of the MNE Declaration are useful for home and host governments alike. This is the case even where national law does not distinguish between foreign-held and local companies since the Declaration in many instances applies in the same way to national enterprises (e.g., child labour) or suggests that MNE practices be compared with those of local enterprises of comparable size and resources (e.g., wages, and industrial relations). In addition, conforming public initiatives to globally agreed standards is a good way to attract or source FDI, and to ensure that local workers and business in home or host countries enjoy the benefits related to FDI activity.

When based on globally agreed values, government initiatives can play a key role in securing continuity of expectations and market security for MNEs and their local partners. Local suppliers for MNEs often expend a great deal of time and effort complying with a myriad of corporate codes of conduct that may contain radically different standards with which the supplier is expected to comply. MNEs also may encounter higher operating costs than necessary because standards and expectations in host countries can vary widely. The MNE Declaration's threshold recommendations for applying principles consistent with key ILO Conventions have been followed in many countries.

The Declaration's affirmative goals can help to shape government strategy and action relating to employment equality and security, especially in the context of

mergers and acquisitions (M&As), privatization, and other major enterprise restructuring. The objectives can also strike an internationally consistent balance among measures addressing working time, wages, leave and other benefits, occupational safety and health, and vocational training. The Declaration's emphasis on consultation, coordinated action and partnership (see preceding sections) provides a useful framework for establishing public priorities that set into motion a pattern of dialogue between public and private sector organizations and inspire mechanisms for negotiation between workers' organizations and employers.

In the context of initiatives to liberalize FDI, the MNE Declaration's objectives can help ensure that labour reforms intended to attract FDI do not impinge on globally agreed minimum thresholds for labour rights and freedoms. In addition, the principles provide global benchmarks for working conditions and industrial relations in the context of measures relating to export processing or special economic zones. Other measures concerning privatization and deregulation, as well as free competition, dispute settlement, and social or fiscal incentives attain a socially sustainable balance when designed in line with MNE Declaration principles. When the social partners to the Declaration are involved in addressing real-life consequences of MNE operations, such actions can be well designed, implemented, and evaluated. See box 2.7: *MNE Declaration helps governments achieve social progress in the face of change*.

**Box 2.7**

**MNE Declaration helps governments achieve social progress in the face of change**

Home and host governments alike are facing the challenge of ensuring that social progress keeps pace with rapidly changing investment contexts at national, regional and global levels. Slovenia has devised an Action Plan for promoting investment, while Romania and Singapore have focused on skills development and training. Some governments have set up agencies to assist investors or oversee export processing zones (EPZs), or have convened advisory committees to ensure against monopolies, including Australia, Brazil, Canada, Dominican Republic, Republic of Korea, Peru, Singapore and Slovenia. In Canada, a review board was established to allow the purchase of local enterprises while preventing plant closures. In Nicaragua, an agreement with free zone enterprises sought to ensure respect for ratified international conventions relating to child labour. Attempts to strengthen SMEs and linkages between MNEs and SMEs through laws, policies or programmes, including facilities in research and development, are under way in Hungary, Ireland, Singapore, and Zambia. In Japan, a policy, implemented in various ways, seeks to inform and guide domestic MNEs in their activities abroad. Methods to do so include an action plan, a practical manual, seminars and targeted studies and surveys.

Governments also face the challenge of ensuring interagency coordination among various ministries within the government, as well as coordinating with the social partners, MNEs and others concerned with public initiatives relating to MNE operations. The MNE Declaration's substantive objectives touch upon the competencies of various ministries in many cases, including those handling labour, education, industry, trade and investment, and health. Approaches to ensure adequate internal coordination deserve closer attention and coverage. See, e.g., box 2.8: *Policy frameworks: An interministerial approach to coordinating public agencies*.

**Box 2.8**

**Policy frameworks: An interministerial approach to coordinating public agencies**

The United Kingdom has adopted an interministerial approach to formulating and implementing national and international policy on corporate responsibility. Various departments have taken on diverse dimensions of this work, including a study to identify factors of success and failure for codes of conduct in the UK, oversight of company law reviews, establishing a Business Partnerships Unit to advise business and provide information on partnership initiatives, launching a Resource Centre on the Social Dimensions of Business Practice, and creating a Global Citizenship Unit in 1999 to advise and support British firms in applying the principles of corporate citizenship whilst doing business in third world countries.

Source: *Briefing Paper on Corporate Responsibility*, prepared for the British Council by New Academy of Business.

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## **2.4. Helping collective bargaining agreements**

The aims and approaches of the MNE Declaration, used directly or indirectly, provide help in the process of collective bargaining and negotiating agreements in the context of MNE operations. On subjects of collective bargaining, the guidelines present globally agreed thresholds that apply to MNEs and the workers they employ, no matter where the firms' operations are located that are the subject of negotiation. With these guidelines, employers or their organizations, and unions can come to the bargaining table with common expectations for starting points from which to negotiate. These starting points can be drawn from the sections on training, wages and benefits, conditions of work and life, occupational safety and health, consultation, grievances and dispute settlement (see Chapter 1 for highlights).

Collective bargaining in the context of MNE operations raises some distinctive issues for both sides of the table to address. To enable meaningful negotiations, MNEs must make sure that management representatives who are authorized to take decisions join the workers' representatives at the table. (See MNE Declaration, paragraph 56.) MNEs in host countries, in particular, can avoid unnecessary tension at the negotiating table by ensuring that their representatives there are fully mandated to make decisions across the scope of industrial relations matters, regardless of where those representatives might be based.

Keeping negotiations free of threats of transfer of operations or transfers of workers is critical to building confidence across the table. (See MNE Declaration, paragraph 53.) Such threats can occur in organizing as well as negotiating phases. It is important to emphasize that avoidance of such unacceptable strategies can be facilitated by taking principled and reasoned positions in bargaining. See box 2.9: *Suggestions from experience: Supporting bona fide negotiations*.

Informed positions on both sides of the negotiating table are made all the more possible by MNEs providing timely and adequate responses to requests by workers' representatives for information required for meaningful negotiation, even information about operations of the MNE in other countries where appropriate (see MNE Declaration, paragraph 55). Such information will help stimulate responsible negotiating based on a fuller picture of the context of competition and strategy in the world market that drives the factors relevant to the decision-making of MNEs.



**Box 2.9**

**Suggestions from experience: Supporting bona fide negotiations**

- MNEs can make criteria for relocation of their operations transparent, including labour costs, to encourage reasoned positions on both sides – *Confederation of German Employers' Association*.
- MNEs can seek advice from the national employers' organization to build local awareness and understanding – *Bangladesh Employers' Association and Government of Bangladesh; Employers' Consultative Association of Trinidad and Tobago and Government of Trinidad and Tobago*.
- Governments and trade unions across a region can build alliances to ensure MNE transfers in the context of negotiations or exercise of the right to organize would not be welcomed from one country to the other – *Barbados Workers' Union and Government of Barbados*.

Similar responsiveness by MNEs to requests by governments for relevant information on their operations is encouraged (MNE Declaration, paragraph 56). Government can assist informed positions in collective bargaining by providing objective information on industry standards and practices.

As MNEs operate increasingly within regional relationships, the use of the MNE Declaration's global principles in such settings has become an efficient way to define expectations and build dialogue across borders. See box 2.10: *Cooperative bargaining using Declaration principles*.

**Box 2.10**

**Cooperative bargaining using Declaration principles**

In Argentina and Brazil, national affiliates of the MNE Volkswagen and their respective trade unions entered into a collective bargaining agreement in 1998 to provide an integrated approach to key areas of operations. In recognizing that cooperative action would help confront the economic, political and social challenges facing work in the MERCOSUR region, the parties agreed to a common approach in various areas, including exchange of information, strengthening of competitiveness in production, resolution of disputes (individual and collective), right to be represented and to organize, and programmes for professional skills development which would include inputs from the trade unions themselves. The parties further agreed to continually improve the contract through a permanent social dialogue in MERCOSUR.

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## **2.5. Providing input at regional levels**

More than half of the world's trade now takes place within countries that participate in regional economic and development frameworks of varying degrees of integration. For developing countries in particular, such frameworks present opportunities to achieve a more competitive positioning and integration within the global economy and, eventually, higher levels of social and economic development. For MNEs, economic regionalization brings both opportunities and challenges. The chance to leverage and adapt their core competencies at regional level may help to develop more effective organizational structures, coordinate management of regional

and local strategies, reduce duplication and transaction costs, integrate value chains, or expand production networks based on the mix of comparative advantages across member countries in a region. For trade unions, the opportunity to work in cross-border alliances with industry counterparts, at sectoral or enterprise level, may bring strategic progress, including regional level agreements or cross-regional synergies that help achieve common global enjoyment of core labour standards.

The underlying goals of regional economic frameworks may vary from the intent to coordinate policies between distinct national labour markets to desires to promote the convergence of policies within a context of integrating labour markets. Nonetheless, many of the regionally agreed social goals share, expressly or implicitly, a base in the globally recognized principles of the MNE Declaration. In most regional frameworks, the MNE Declaration's approaches offer ways to enhance the diverse interactions among government, business and labour, and the resulting reverberations on employment and the workplace. See box 2.11: *Building regional alliances among trade unions based on the MNE principles: A southern African experience.*

**Box 2.11**

**Building regional alliances among trade unions based on the MNE principles:  
A southern African experience**

In southern Africa, worker representatives in the textile, clothing, leather and footwear industry from nine SADC member countries (Lesotho, Malawi, Mauritius, Mozambique, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe), adopted the "Maputo Declaration" in May 1999 that calls for respect and promotion of core labour standards in the industry. The Declaration calls on governments, and SADC as a community, to endorse and implement the MNE Declaration. The Declaration encourages regional collective bargaining agreements for companies operating in more than one SADC country, along with government realignment of national laws, to facilitate and encourage such agreements and submission to SADC of information on MNE operations in their countries. The Declaration calls on governments to support and endorse the 1998 ILO Declaration on Fundamental Principles and Rights at Work and to apply, at a minimum, all the core ILO Conventions across the country, including in EPZs. Since adopting the Declaration, textile workers have held annual meetings to develop a regional strategy for collective bargaining, and have recognized the need to coordinate efforts with trade unions in other industrial sectors to effectively influence policy-making in the region.

In many instances, the MNE Declaration's objectives, such as those involving the fundamental principles and rights at work, inform the social goals addressed within regional contexts. (See MNE Declaration, paragraphs 8, 9, and Addendum II.) The consultative methods of work recognized by the MNE Declaration can also help guide diverse ways within which regional relationships develop and grow and build active partnerships based on the values of the MNE Declaration. (See subsections 2.1 and 2.5 above.) The MNE Declaration's aims and methods offer a structured yet flexible framework for MNEs to work with governments and the social partners within regional circles in partnerships.

## **MNE Declaration and voluntary initiatives in corporate social responsibility**

Corporate social responsibility (CSR) is becoming mainstreamed in business culture, as leading business journals commonly feature articles on corporate citizenship, and major business schools approach CSR as a full-fledged part of marketing and business strategy. The voluntary nature of the MNE Declaration can make it a useful tool for MNEs to work together with local business, labour and governments in voluntary initiatives to advance while ensuring that the distinct roles and responsibilities among the various players remain in proper balance. The Declaration can serve as a stand-alone framework for inspiring company policies and programmes on a day-to-day basis. Its principles can also provide, at companies' choice, globally legitimated tools for benchmarking and reporting corporate performance. The Declaration's principles also offer baselines for agreements negotiated between MNEs and global trade unions. It should be noted, however, that the scope of interests encompassed in the topic of CSR, including environmental and corruption issues, goes well beyond the topics referred to in the Declaration and covers not only MNEs, but also companies operating within a national framework that are not the primary focus of the Declaration.

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### **3.1. Inspiring company policies and programmes on a day-to-day basis**

The MNE Declaration is a valuable tool for business leaders to convince their directors and shareholders not only that CSR is an increasingly important part of general business strategy but also exactly what the company should be focusing on in its CSR strategies when it comes to social and labour matters. Its key topics support a balanced guide to how to include the inputs and participation of workers, local business and public authorities in ways that influence workplace performance and shareholders and consumers. Those topics chart a path to productive management systems and partnerships to promote employment promotion, equality, and security; training for employability; good wages, working conditions and health and safety practices; and sound industrial relations. (See Chapter 1 above.)

Management systems serve as a fulcrum for wide-ranging action that can implement CSR strategies in line with MNE Declaration benchmarks across MNE operations. While management systems can serve a variety of goals – from

financial or quality assurance to environmental or health and safety targets, the systems share basic steps in common. The steps that are discussed in this subsection include setting a clear and detailed enterprise policy and allocating managerial resources for effective dissemination of the policy across multinational operations. Other steps, such as developing and implementing tools for inspection, reporting, and preventive and corrective action, are addressed in subsection 3.2 below. In some cases, MNEs choose to allocate responsibility within the enterprise for social management through the establishment of a focal point as both a public signal and management mechanism, and specify company policy, including through codes of conduct. One example inspiring the use of such policies is Responsible Care, found in box 3.1: *Responsible Care: Management Systems for safety and health on a global basis*.

### Box 3.1

#### **Responsible Care: Management systems for safety and health on a global basis**

In the chemical industry, an enterprise-based initiative known as Responsible Care is promoted and coordinated by the International Council of Chemical Associations (ICCA) as the chemical industry's international voluntary commitment to continuous improvement of performance in health, safety and environmental protection. Developed in Canada in the late 1970s, the Responsible Care framework is now established in 46 countries representing an estimated 85 per cent of chemical production globally. At national level, each Responsible Care programme now incorporates eight fundamental features:

- **Commitment:** A formal commitment on behalf of each company to a set of Guiding Principles signed, in the majority of cases, by the Chief Executive Officer.
- **Implementation system:** A series of codes, guidance notes and checklists to assist companies to implement the commitment.
- **Indicators to assess performance:** The progressive development of indicators against which improvements in performance can be measured.
- **Stakeholder communications:** An ongoing process of communications on health, safety and environment matters with interested parties inside and outside the industry.
- **Information exchange venues:** Provision of forums in which companies can share views and exchange experiences on implementation of the commitment.
- **Self-identification:** Adoption of a title and a logo, which clearly identify national programmes being consistent with and part of the concept of Responsible Care.
- **Member advocacy:** Consideration of how best to encourage all member companies to commit and participate in Responsible Care.
- **Verification:** Systematic procedures to verify the implementation of the measurable (or practical) elements of Responsible Care by the member companies.

MNEs in the chemical industry who participate in Responsible Care are required to implement the commitments on a global basis. This has resulted in innovative management relations with both equity operations and contractual partners. One MNE with operations on four continents has developed a detailed list of actions in each of the codes of management practice to be completed worldwide by all its operating facilities, research centres, sales and marketing organizations, and others by the end of 2003. Sharing best practices is essential to their goal. Another MNE, with 29 facilities in 15 countries, has key strategies that include an ongoing programme of global communications, its annual Responsible Care progress report, effective self-evaluation and integrating its Responsible Care programme into existing management systems.

Source in part: CEFIC, European Chemical Industry Council; [www.cefic.org](http://www.cefic.org)

When the globally agreed values of the MNE Declaration are used as substantive goals within the operation of a management system, the enterprise policies that result can give birth to sound and effective practices that help to grow CSR cultures of brand-name magnitude. As box 3.1 reflects, one such area of activity is the culture of safe work that can become an integral part of business management and industrial relations. The MNE Declaration recommends that MNEs take the lead within their own operations to maintain the highest standards of safety and health in line with globally agreed targets. This includes the use of collective agreements and accords at industry and enterprise level that involve participation of their workers in health and safety systems in the workplace. Together with governments, and local business and labour, MNEs are recommended to use the ILO's codes of practice and guides on occupational safety and health. The latest such guides, which includes the ILO Guidelines on *Occupational Safety and Health Management Systems* (OSH-MS) (2001), prepared on the basis of consultations with business, government, labour and relevant health and safety institutions, adopt this type of systems approach that facilitates planning, implementing, evaluating and, as needed, acting to improve occupational safety and health practices.

The leadership role advocated by the Declaration for MNEs, for example in the area of occupational health and safety, foresees a “knock-on effect” within local businesses in countries of operation that far exceeds the benefits found even in one vast network of multinational enterprise operations. See box 3.2: *Pioneering new management systems in Bulgaria*.

**Box 3.2**

**Pioneering new management systems in Bulgaria**

As MNEs widen their influence in Bulgaria, safety standards are being introduced and assistance provided to national enterprises to build awareness and carry out firm policies relating to safety standards. Some MNEs voluntarily share their experience to assist local businesses in successfully applying good OSH practices and experiences of the European Union. They apply a new recording system of occupational hazards, and effective communications take place at enterprise level on OSH issues, while safety standards cover all the company's operational processes. Investments in new industrial capabilities, ecology and equipment maintenance benefit workers, shareholders and the community as a whole. Training courses in safety and preventive measures adopted by staff prove positive. Staff are actively involved in safety as part of their daily work as they, for instance, prepare reports on risks, and work collectively against dangerous behaviours and situations.

Good management systems and industrial relations approaches to the MNE Declaration's objectives can also bring a “ripple effect” between MNEs and local business practices in countries of operation. For a look at a North-South alliance of companies, trade unions, and NGOs at local and international level, see box 3.3: *Promoting globally agreed standards in day-to-day operations through linkage relationships*.

**Box 3.3**

**Promoting globally agreed standards in day-to-day operations through linkage relationships**

The Ethical Trading Initiative (ETI), a multi-stakeholder initiative supported by the British Government, fosters rights-based, developmental partnerships among companies, local and international trade union organizations, and NGOs. ETI member companies are committed to promoting ILO standards for themselves and their local partners, including fundamental principles and rights at work, working conditions, living wages, working hours, and draws upon the MNE Declaration as the “most comprehensive and universally applicable standard directly addressing the responsibilities of business operating internationally”. ETI operations are implemented through pilot groups steered by equal partners from the North and South. Implementation commitments include focuses on awareness raising and training, and management procedures. The ETI partnership seeks to acquire experience in the implementation of codes of labour practice. To do this, pilot projects have been launched in South Africa, China, Costa Rica, Sri Lanka and Zimbabwe.

Source in part: Trades Union Congress, Presentation by Simon Steyne, and [www.eti.org.uk](http://www.eti.org.uk)

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## **3.2. Offering benchmarks for corporate performance**

Finding concrete benchmarks for corporate performance is increasingly important as businesses seek to communicate their commitment to decent work and other corporate responsibility practices. The MNE Declaration is a useful tool for those companies that would choose to integrate its universal basic points of reference into their performance and reporting processes. The Declaration’s reference points, which have been globally agreed by government, business and labour, can provide content for benchmarks applicable to operations around the world across a diverse range of issues – from adequate ventilation and sexual harassment to minimum age requirements and freedom to assemble and associate with other workers. Putting these benchmarks into practice involves three different dimensions: quantitative aspects, qualitative aspects, and systems aspects. The distinction between these three dimensions is important to bear in mind, both in practical performance targets and in designing reporting requirements. The systems aspects in particular emphasize the Declaration’s consultative processes of work and lend inherent checks and safeguards that help to validate company claims. Since the Declaration’s guidelines involve unions, local business and governments in working with MNEs across workplace and community efforts, these independent actors themselves can corroborate or comment on company reports on the basis of their own participation and awareness in company operations. For examples of these elements applied to MNE Declaration objectives, see Annex II: Possible elements for putting MNE Declaration into practice.

Arrangements for reporting on social performance need to clearly define the boundaries of the enterprise and the scope of responsibility for which the enterprise is reporting. In terms of social performance, enterprises are increasingly held accountable for activities within their sphere of responsibility – operations they own or control – and activities within their sphere of influence such as their local partners in forward or backward linkages in countries of operation. The MNE Declaration recommends that

a company's arrangements with national enterprises in developing countries of operation be consistent with the Declaration's principles for operations within the sphere of its responsibility. (See paragraph. 20.) For an example of how an international multi-stakeholder effort is developing indicators for voluntary reporting on areas including the key objectives of the MNE Declaration, see box 3.4: *The Global Reporting Initiative*.

**Box 3.4**

**The Global Reporting Initiative**

The Global Reporting Initiative (GRI) is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the "triple bottom line" – economic, environmental and social impact of organization-level activity, enhancing the comparability and credibility of sustainability reporting practices worldwide, and seeking to provide management across different organizations with valuable information to enhance internal decision-making. The GRI incorporates the active participation of businesses, and accountancy, human rights, environmental, labour and governmental organizations. It was convened in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP). After a series of pilot tests by companies and comments by stakeholders, its draft Sustainability Guidelines were revised and released in June 2000. A process is under way to revise the GRI Guidelines by 2002 to include the development of core indicators for labour practices, including the subject areas covered by the MNE Declaration.

Source in part: [www.globalreporting.org](http://www.globalreporting.org)

Other forms of reporting derive from externally driven initiatives such as awards programmes and socially responsible investment indices. The elements for putting the MNE Declaration into practice can provide a basis for comparability across such initiatives. Awards programmes are a form of reporting best practices that also serve the purpose of promoting the practices more broadly in the enterprise community. Governments can play useful roles in stimulating such programmes and distributing their efforts more widely, as exemplified in box 3.5: *Reporting good practices through awards: HRD and skills expertise in Singapore*.

**Box 3.5**

**Reporting good practices through awards: HRD and skills expertise in Singapore**

In Singapore, some MNEs participate in an exchange of HRD and skills expertise in the context of award programmes and on-the-job training plans. The People Developer Programme, for example, gives recognition to organizations that invest in their people. Under this Programme, winners, including the MNEs, share their experience with others as to how they have successfully implemented programmes relating to human resources. MNEs have also been winners of the Singapore Quality Award, the most prestigious award conferred on organizations that show the highest standards of business excellence. Nationally recognized award winners share their best practices at conferences and through model on-the-job training for industry counterparts to learn from their successful designs.

The demand for socially responsible investment (SRI) continues to grow. See box 3.6: *A new field of corporate reporting: Investor services*. With the increasing

interest in SRI, services are springing up to help companies report on their social policies and practices which in turn helps investors obtain more accurate information to rank such companies.

**Box 3.6**

**A new field of corporate reporting: Investor services**

The value of the world's ethical investment portfolio was recently estimated at US\$1.42 trillion. According to The Cerulli Edge-Global Edition, funds under SRI management in each region of the world are: United States (US\$1,350 billion), Canada (US\$33 billion), Australia (US\$0.5 billion), Japan (US\$1 billion), Asia ex-Japan (US\$1 billion) and Europe (US\$38 billion). According to Entegra Corporation, another commercial accounting and consulting firm specializing in corporate social responsibility, "socially screened" mutual funds now exceed US\$100 billion in investments, and the total of socially managed assets, both public and private, exceeds US\$2 trillion.

Ethical investment in mutual funds is expected to grow to US\$150 billion by 2005, based in part on the anticipated spread of government initiatives, particularly in Europe, to link ethical investment policy disclosure to pension products. Two major indices in the US and UK respectively, have introduced SRI indices – the Dow Jones Sustainability Indexes and the FTSE4Good Indexes – to measure the performance of listed companies according to certain ethical criteria which include human rights and relations with employees. Similar developments are reported in Australia, France and Germany. The relatively good rate of return for funds tracking these SRI indices helps to indicate that a well-designed corporate social responsibility strategy based on international labour standards does not hurt companies financially, and may even provide a competitive edge in the global market.

Some investor information organizations as well as indices themselves use international labour standards in their benchmarks for recommending investments. The elements for putting the MNE Declaration into practice can provide such efforts with globally applicable and legitimated criteria with which to compare company performance around the world.

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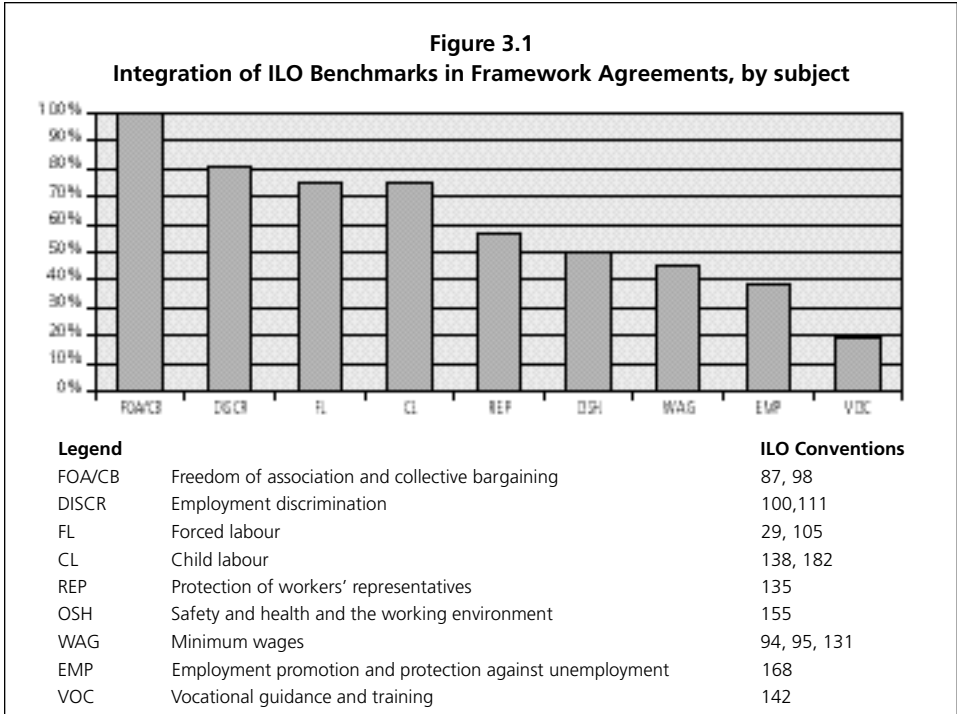
### **3.3. Providing baselines for framework agreements**

Framework agreements represent one of the innovative approaches that can be used to ensure the application of a common set of international labour principles in MNE operations. A framework agreement is an agreement negotiated between an MNE and the Global Union Federation (GUF) concerning the international activities of that company. As the international voice for unions in various industries and economic sectors, GUFs have affiliates throughout the world, often in both home and host countries. Although an international code of conduct can be part of a framework agreement, the main purpose of a framework agreement is to define certain common expectations and establish an ongoing relationship between the MNE and the GUF that can solve problems and work in the interest of both parties. Such agreements can mutually benefit the partners where adequate safeguards are negotiated to ensure ongoing relevance and mutual involvement.

To date, framework agreements have been entered into between MNEs and GUFs in five major sectors of operation. See Annex III: Framework Agreements and



ILO Benchmarks. Under these agreements, the company and global trade union recognize common minimum standards for the operations of the MNE around the world. Nearly all of these agreements incorporate the fundamental principles and rights at work, recognized in the MNE Declaration, relating to the elimination of child and forced labour, discrimination in employment, and respect for freedom of association and the right to collective bargaining. (See figure 3.1. *Integration of ILO Benchmarks in Framework Agreements, by subject.*)



Because framework agreements involve two globally active partners, the methods for implementation can be particularly effective. It is important, in any such agreement, to ensure a system for dispute settlement and periodic review of the terms and implementation of the agreement based on criteria agreed by both sides.

The first and most comprehensive framework agreement, dating from 1988, established a formal relationship between the International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF) and Danone, an MNE based in France. The company and the IUF signed a Common Viewpoint establishing joint cooperation in five areas: training; access to information; gender equality; respect for trade union rights (as defined in Conventions Nos. 87, 98 and 135); and employment. Subsequently, the IUF and the company negotiated agreements in each of these five areas. For other agreements signed by the IUF with MNEs (see Annex III).

The MNE Declaration provides useful benchmarks, inspired by ILO standards, across key enabling conditions for decent and productive work. The ongoing

process of achieving decent work involves the building of sound relations within the workplace and community of operation based on closer commitments among business, unions and government to work together. Because of its global scope, the Declaration is well suited for use, directly or indirectly, in providing baseline content for framework agreements, including in implementation clauses. Its consultative approaches support the involvement of workers in monitoring, reporting and evaluation of the common commitments made in such agreements. In addition, the indicators derived from the Declaration's objectives are useful to companies and GUFs alike in reviewing compliance through qualitative, quantitative and systems elements (see Annex II).

## MNE Declaration and ILO products and services

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### 4.1. Assessing progress: Global information from MNE Declaration surveys

Up-to-date information on the effect given to the MNE Declaration in home and host countries around the world provides a useful basis for decision-making and action by all those concerned with multinational enterprise operations. At national level across its member States (currently 175 countries), the ILO gathers such information and analyses progress in achieving the goals of the MNE Declaration through periodic global surveys conducted in a consultative process involving government, business and labour at global and local levels. The results bring to light examples of good practice, insights into new trends, and practical experiences that provide the basis for recommending priorities for action. The individual responses and a global synthesis report are searchable on-line in an electronic information database on the ILO web site at [www.ilo.org](http://www.ilo.org). For a description of the current edition, see box 4.1: *Assessing progress : a look at the Seventh Survey on the MNE Declaration*.

#### Box 4.1

##### **Assessing progress: A look at the Seventh Survey on the MNE Declaration**

The Seventh Survey on the effect given to the MNE Declaration captures the experiences of governments, business and labour in 100 countries during the rapidly changing FDI environment of the years 1996 to 1999. The experiences highlight such issues as: positive and adverse effects of the use of technology by MNEs and of their linkages with local enterprises; MNE contributions to social and business partnerships that develop skills to sustain employment in changing markets; regional ripple effects of good MNE practices in health and safety; benefits and difficulties of promoting security of employment in the context of flexibility, restructuring and out-sourcing; MNE and government policy and practices in export processing zones and other investment incentives, and employment effects of privatization and mergers and acquisitions. The individual responses and a global synthesis report are searchable on-line in an electronic information database on the ILO web site at [www.ilo.org](http://www.ilo.org) or can be made available by contacting ILO, Multinational Enterprises, 4, route des Morillons, CH-1211 Geneva, Switzerland, [multi@ilo.org](mailto:multi@ilo.org)

## 4.2. Addressing conflicts: Asking ILO for an interpretation of the MNE Declaration

In specific cases of actual dispute over the meaning of the MNE principles, requests for interpretation of the MNE Declaration may be submitted to the ILO for action. As a voluntary tool, the Dispute Procedure is promotional in nature. The procedure is used to clarify the way the Declaration's principles apply to specific situations in order to better guide future decisions and actions in line with the aims of the Declaration. The terms of the Procedure are found at the back of the text of the Declaration, reprinted in Annex I. For a step-by-step view of the process of requesting an interpretation, see box 4.2: *Step-by-step: The process of a request for interpretation of the MNE Declaration*.

### Box 4.2

#### Step-by-step: The process of a request for interpretation of the MNE Declaration

Step 1	The request is notified by the Office to parties concerned	Paras. 2 and 3 of the Procedure
Step 2	The receivability of the request is examined by the Officers of the Governing Body Subcommittee on Multinational Enterprises (formerly the Committee on Multinational Enterprises) If unanimous, a decision of the Officers on receivability is made If not unanimous, the receivability of the request is referred to the Governing Body through its Subcommittee for decision	Para. 4 of the Procedure Para. 4 of the Procedure
Step 3	If receivable, the Office prepares a draft reply in consultation with the Officers of the Subcommittee on Multinational Enterprises	Para. 7 of the Procedure
Step 4	If there is approval by the Subcommittee on Multinational Enterprises, the reply to the request for interpretation is referred to the Governing Body for decision. If there is no approval by the Subcommittee, no interpretation is issued.	Para. 8 of the Procedure
Step 5	A reply approved by the Governing Body is forwarded to the parties concerned and published in the <i>Official Bulletin</i> and the electronic ILOLEX of the International Labour Office	Para. 9 of the Procedure

**Criteria for Receivability.** A request for interpretation must meet certain criteria to be considered receivable, that is, able to be accepted as a procedural matter for subsequent review on the merits of the questions raised. See box 4.3: *Criteria for receivability*.

**Interpretation procedure at work.** Since the adoption of the MNE Declaration and its Procedure, a number of communications and requests for assistance relating to alleged inconsistencies by MNEs have been received by the Office. Some of the communications have sought to inform the Office of problems or to ask for international action without requesting that an interpretation of provisions of the Declaration in order to resolve a disagreement on their meaning arising from an actual situation reported. These types of communications were, and are, handled outside

**Box 4.3**

**Criteria for receivability**

- Criterion 1 The request arises from an "actual situation" (paragraph 1 of the Procedure)
- Criterion 2 Two or more parties to whom the Declaration is commended (an employers' or workers' organization, a government, an MNE) disagree on the meaning of specific provisions of the Declaration (paragraph 1 of the Procedure).
- Criterion 3 The requester is one of the following: (paragraph 5 of the Procedure):
  - a government of a member State of the ILO,
  - a national organization of employers' or workers' representative at national and/or sectoral level, or
  - an international organization of employers or workers on behalf of representative national affiliate (paragraph 5 of the Procedure).
- Criterion 4 The Procedure in the particular case would not duplicate or conflict with existing national or ILO procedures (paragraph 2 of the Procedure).
- Criterion 5 The government concerned has declined to submit the request to the Office, or three months have elapsed since the requesting organization addressed the government, and the government has not stated its intention (paragraph 6 of the Procedure).

the scope of the Procedure for interpretation of the MNE Declaration. They are either handled directly by the Bureau or referred elsewhere in the International Labour Office for appropriate action.

To date, five cases have been the subjects of decisions by the Governing Body. Two were submitted by a government, and three by international organizations of workers on behalf of representative national affiliates. Four of the cases were found receivable, two unanimously (GB. 229/13/13 and GB.239/14/24/appendix) and the other two by majority decisions (GB.272/6 and preceding documents on which the discussion is based and GB.264/MNE/2). The fifth case was declared non-receivable, GB.254/MNE/4/6, and did not reach the interpretation stage. In four cases, substantive interpretations have been issued. For a review of the decisions on receivability, and the substantive interpretations, visit [www.ilo.org/multi](http://www.ilo.org/multi) or request a copy of the decisions from ILO, Multinational Enterprises, 4, route des Morillons, CH-1211 Geneva, Switzerland, [multi@ilo.org](mailto:multi@ilo.org)

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### **4.3. Broadening participation and knowledge through ILO networks**

Governments, workers' and employers' organizations and their MNE partners from around the world can work with the ILO at national, regional and global levels in programmes of research, technical advisory services, and other efforts to realize the aims of the MNE Declaration in specific contexts. For an up-to-date review of events and services involving MNEs conducted by ILO with government, business and labour partners, visit [www.ilo.org/multi](http://www.ilo.org/multi) or request the latest report of activities from ILO, Multinational Enterprises, 4, route des Morillons, CH-1211 Geneva, Switzerland, [multi@ilo.org](mailto:multi@ilo.org)



## **MNE Declaration and other international levels of operation**

Efforts involving multinational enterprises at other international levels of operation can create confusion unless users understand the differences among these options. It should be remembered, however, that no matter what other international procedure is concerned, the principles of the MNE Declaration, based on universal tripartite consensus, provide guidance to other efforts involving MNEs in international and regional organizations.

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### **5.1. The OECD Guidelines on Multinational Enterprises**

The OECD *Guidelines on Multinational Enterprises* (2000), in the chapter on Employment and Industrial Relations, makes reference to benchmarks contained in the MNE Declaration. In fact, the commentary to the OECD Guidelines demonstrates that, in large part, the standards informing the OECD's approach to employment and industrial relations are drawn from the ILO as the "competent body to set and deal with international labour standards". While the ILO standards, which are globally agreed by government, business and labour, inform the OECD's guidelines, it should be recalled that decisions on overseeing the OECD Guidelines are ultimately made by governments alone.

There are two ways that the MNE Declaration may be compared and contrasted with the procedures and systems at work under the OECD Guidelines:

- (1) The Procedural Guidance of the OECD Guidelines provides for institutional arrangements called National Contact Points (NCPs) in OECD countries that are free to assist on matters involving enterprises in countries that adhere to the Guidelines ("adhering countries") that arise in their operations in non-adhering countries. Users of the MNE Declaration may find that ILO offices in many countries provide advice and technical assistance on a tripartite basis, whereas the assistance provided by many NCPs may not include business and labour in consultative or decision-making roles. Where possible, it may be helpful to find complementary or coordinated roles to be played by ILO field offices and NCPs.
- (2) Business, labour and governments, particularly in OECD countries, have a choice whether to pursue disputes through interpretation provisions of the ILO or the OECD. In practice, procedures for interpretation at the international level differ in that the decision-making body within the ILO shares power equally among government, and business and labour, while at the OECD governments alone

decide the cases. The choice of which channel to use may also depend on the issues at stake since the MNE Declaration provides more specific recommendations on a more detailed set of social and employment issues across developing countries in particular, while the OECD Guidelines cover issues beyond employment and industrial relations.

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## **5.2. The UN Global Compact**

Some of the MNE Declaration provisions are reflected in the United Nations Global Compact, a platform of values that underlies an international multi-stakeholder initiative to promote universal values in business dealings around the world. MNEs and other businesses are invited to commit themselves to work with the UN, employers' and workers' organizations, and NGOs in promoting a set of core values encompassing workers' rights, human rights and environmental concerns. The labour principles of the Global Compact are based on the four categories of fundamental principles and rights at work recognized by the ILO in the MNE Declaration: freedom of association and collective bargaining, abolition of child and forced labour, and elimination of employment discrimination. The MNE Declaration benchmarks provide added guidance to MNEs in implementing these fundamental principles and rights, particularly within the context of the industrial relations chapter. In addition, ILO provides feedback and guidance to companies, workers' and employers' organizations, and others that have joined the Global Compact. For further information, see [www.unglobalcompact.org](http://www.unglobalcompact.org)



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## Annex I

### **Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

(adopted by the Governing Body of the International Labour Office at its 204th Session (Geneva, November 1977) as amended at its 279th Session (Geneva, November 2000))\*

The Governing Body of the International Labour Office:

Recalling that the International Labour Organization for many years has been involved with certain social issues related to the activities of multinational enterprises;

Noting in particular that various Industrial Committees, Regional Conferences, and the International Labour Conference since the mid-1960s have requested appropriate action by the Governing Body in the field of multinational enterprises and social policy;

Having been informed of the activities of other international bodies, in particular the UN Commission on Transnational Corporations and the Organization for Economic Cooperation and Development (OECD);

Considering that the ILO, with its unique tripartite structure, its competence, and its long-standing experience in the social field, has an essential role to play in evolving principles for the guidance of governments, workers' and employers' organizations, and multinational enterprises themselves;

Recalling that it convened a Tripartite Meeting of Experts on the Relationship between Multinational Enterprises and Social Policy in 1972, which recommended an ILO programme of research and study, and a Tripartite Advisory Meeting on the Relationship of Multinational Enterprises and Social Policy in 1976 for the purpose of reviewing the ILO programme of research and suggesting appropriate ILO action in the social and labour field;

Bearing in mind the deliberations of the World Employment Conference;

Having thereafter decided to establish a tripartite group to prepare a Draft Tripartite Declaration of Principles covering all of the areas of ILO concern which relate to the social aspects of the activities of multinational enterprises, including employment creation in the developing countries, all the while bearing in mind the recommendations made by the Tripartite Advisory Meeting held in 1976;

Having also decided to reconvene the Tripartite Advisory Meeting to consider the Draft Declaration of Principles as prepared by the tripartite group;

Having considered the Report and the Draft Declaration of Principles submitted to it by the reconvened Tripartite Advisory Meeting;

Hereby approves the following Declaration which may be cited as the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted by the Governing Body of the International Labour Office, and invites governments of States Members of

\* *Official Bulletin*, Vol. LXXXIII, 2000, Series A, No. 3.

the ILO, the employers' and workers' organizations concerned and the multinational enterprises operating in their territories to observe the principles embodied therein.

- \*\*1. Multinational enterprises play an important part in the economies of most countries and in international economic relations. This is of increasing interest to governments as well as to employers and workers and their respective organizations. Through international direct investment and other means such enterprises can bring substantial benefits to home and host countries by contributing to the more efficient utilization of capital, technology and labour. Within the framework of development policies established by governments, they can also make an important contribution to the promotion of economic and social welfare; to the improvement of living standards and the satisfaction of basic needs; to the creation of employment opportunities, both directly and indirectly; and to the enjoyment of basic human rights, including freedom of association, throughout the world. On the other hand, the advances made by multinational enterprises in organizing their operations beyond the national framework may lead to abuse of concentrations of economic power and to conflicts with national policy objectives and with the interest of the workers. In addition, the complexity of multinational enterprises and the difficulty of clearly perceiving their diverse structures, operations and policies sometimes give rise to concern either in the home or in the host countries, or in both.
2. The aim of this Tripartite Declaration of Principles is to encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise, taking into account the United Nations resolutions advocating the establishment of a New International Economic Order.
  3. This aim will be furthered by appropriate laws and policies, measures and actions adopted by the governments and by cooperation among the governments and the employers' and workers' organizations of all countries.
  4. The principles set out in this Declaration are commended to the governments, the employers' and workers' organizations of home and host countries and to the multinational enterprises themselves.
  5. These principles are intended to guide the governments, the employers' and workers' organizations and the multinational enterprises in taking such measures and actions and adopting such social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, as would further social progress.
  6. To serve its purpose this Declaration does not require a precise legal definition of multinational enterprises; this paragraph is designed to facilitate the understanding of the Declaration and not to provide such a definition. Multinational enterprises include enterprises, whether they are of public, mixed or private ownership, which own or control production, distribution, services or other facilities outside the country in which they are based. The degree of autonomy of entities within multinational enterprises in relation to each other varies widely from one such enterprise to another, depending on the nature of the links between such entities and their fields of activity and having regard to the great diversity in the form of ownership, in the size, in the nature and location of the operations of the enterprises concerned. Unless otherwise specified, the term "multinational enterprise" is used in this Declaration to designate the various entities (parent companies or local entities or both or the organization as a whole) according to the distribution of responsibilities among them, in the expectation that they will cooperate and provide assistance to one another as necessary to facilitate observance of the principles laid down in the Declaration.

\*\* Paragraphs 1-7, 8, 10, 25, 26, and 52 (formerly paragraph 51) have been the subject of interpretation under the Procedure for the examination of disputes concerning the application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Copies of interpretations are available upon request to the Bureau of Multinational Enterprise Activities, International Labour Office, 4, route des Morillons, CH-1211 Geneva 22, Switzerland, or at <http://www.ilo.org>

7. This Declaration sets out principles in the fields of employment, training, conditions of work and life and industrial relations which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis; its provisions shall not limit or otherwise affect obligations arising out of ratification of any ILO Convention.

### ***General policies***

8. All the parties concerned by this Declaration should respect the sovereign rights of States, obey the national laws and regulations, give due consideration to local practices and respect relevant international standards. They should respect the Universal Declaration of Human Rights and the corresponding International Covenants adopted by the General Assembly of the United Nations as well as the Constitution of the International Labour Organization and its principles according to which freedom of expression and association are essential to sustained progress. They should contribute to the realization of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted in 1998. They should also honour commitments which they have freely entered into, in conformity with the national law and accepted international obligations.
9. Governments which have not yet ratified Conventions Nos. 87, 98, 111, 122, 138 and 182 are urged to do so and in any event to apply, to the greatest extent possible, through their national policies, the principles embodied therein and in Recommendations Nos. 111, 119, 122, 146 and 190.<sup>1</sup> Without prejudice to the obligation of governments to ensure compliance with Conventions they have ratified, in countries in which the Conventions and Recommendations cited in this paragraph are not complied with, all parties should refer to them for guidance in their social policy.
10. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers' and workers' organizations concerned.
11. The principles laid down in this Declaration do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all. Multinational and national enterprises, wherever the principles of this Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular.
12. Governments of home countries should promote good social practice in accordance with this Declaration of Principles, having regard to the social and labour law, regulations and practices in host countries as well as to relevant international standards. Both host and home country governments should be prepared to have consultations with each other, whenever the need arises, on the initiative of either.

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<sup>1</sup> Convention (No. 87) concerning Freedom of Association and Protection of the Right to Organise; Convention (No. 98) concerning the Application of the Principles of the Right to Organise and to Bargain Collectively; Convention (No. 111) concerning Discrimination in Respect of Employment and Occupation; Convention (No. 122) concerning Employment Policy; Convention (No. 138) concerning Minimum Age for Admission to Employment; Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour; Recommendation (No. 111) concerning Discrimination in Respect of Employment and Occupation; Recommendation (No. 119) concerning Termination of Employment and Occupation; Recommendation (No. 122) concerning Employment Policy; Recommendation (No. 146) concerning Minimum Age for Admission to Employment; Recommendation (No. 190) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

## **Employment**

### **Employment promotion**

13. With a view to stimulating economic growth and development, raising living standards, meeting manpower requirements and overcoming unemployment and underemployment, governments should declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment.<sup>2</sup>
14. This is particularly important in the case of host country governments in developing areas of the world where the problems of unemployment and underemployment are at their most serious. In this connection, the general conclusions adopted by the Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour (Geneva, June 1976) should be kept in mind.<sup>3</sup>
15. Paragraphs 13 and 14 above establish the framework within which due attention should be paid, in both home and host countries, to the employment impact of multinational enterprises.
16. Multinational enterprises, particularly when operating in developing countries, should endeavour to increase employment opportunities and standards, taking into account the employment policies and objectives of the governments, as well as security of employment and the long-term development of the enterprise.
17. Before starting operations, multinational enterprises should, wherever appropriate, consult the competent authorities and the national employers' and workers' organizations in order to keep their manpower plans, as far as practicable, in harmony with national social development policies. Such consultation, as in the case of national enterprises, should continue between the multinational enterprises and all parties concerned, including the workers' organizations.
18. Multinational enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels in cooperation, as appropriate, with representatives of the workers employed by them or of the organizations of these workers and governmental authorities.
19. Multinational enterprises, when investing in developing countries, should have regard to the importance of using technologies which generate employment, both directly and indirectly. To the extent permitted by the nature of the process and the conditions prevailing in the economic sector concerned, they should adapt technologies to the needs and characteristics of the host countries. They should also, where possible, take part in the development of appropriate technology in host countries.
20. To promote employment in developing countries, in the context of an expanding world economy, multinational enterprises, wherever practicable, should give consideration to the conclusion of contracts with national enterprises for the manufacture of parts and equipment, to the use of local raw materials and to the progressive promotion of the local processing of raw materials. Such arrangements should not be used by multinational enterprises to avoid the responsibilities embodied in the principles of this Declaration.

### **Equality of opportunity and treatment**

21. All governments should pursue policies designed to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin.<sup>4</sup>
22. Multinational enterprises should be guided by this general principle throughout their operations without prejudice to the measures envisaged in paragraph 18 or to government policies designed

<sup>2</sup> Convention (No. 122) and Recommendation (No. 122) concerning Employment Policy.

<sup>3</sup> ILO, World Employment Conference, Geneva, 4-17 June 1976.

<sup>4</sup> Convention (No. 111) and Recommendation (No. 111) concerning Discrimination in Respect of Employment and Occupation; Convention (No. 100) and Recommendation (No. 90) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value.

to correct historical patterns of discrimination and thereby to extend equality of opportunity and treatment in employment. Multinational enterprises should accordingly make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff at all levels.

23. Governments should never require or encourage multinational enterprises to discriminate on any of the grounds mentioned in paragraph 21, and continuing guidance from governments, where appropriate, on the avoidance of such discrimination in employment is encouraged.

### **Security of employment**

24. Governments should carefully study the impact of multinational enterprises on employment in different industrial sectors. Governments, as well as multinational enterprises themselves, in all countries should take suitable measures to deal with the employment and labour market impacts of the operations of multinational enterprises.
25. Multinational enterprises equally with national enterprises, through active manpower planning, should endeavour to provide stable employment for their employees and should observe freely negotiated obligations concerning employment stability and social security. In view of the flexibility which multinational enterprises may have, they should strive to assume a leading role in promoting security of employment, particularly in countries where the discontinuation of operations is likely to accentuate long-term unemployment.
26. In considering changes in operations (including those resulting from mergers, take-overs or transfers of production) which would have major employment effects, multinational enterprises should provide reasonable notice of such changes to the appropriate government authorities and representatives of the workers in their employment and their organizations so that the implications may be examined jointly in order to mitigate adverse effects to the greatest possible extent. This is particularly important in the case of the closure of an entity involving collective lay-offs or dismissals.
27. Arbitrary dismissal procedures should be avoided.<sup>5</sup>
28. Governments, in cooperation with multinational as well as national enterprises, should provide some form of income protection for workers whose employment has been terminated.<sup>6</sup>

### **Training**

29. Governments, in cooperation with all the parties concerned, should develop national policies for vocational training and guidance, closely linked with employment.<sup>7</sup> This is the framework within which multinational enterprises should pursue their training policies.
30. In their operations, multinational enterprises should ensure that relevant training is provided for all levels of their employees in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers' and workers' organizations and the competent local, national or international institutions.
31. Multinational enterprises operating in developing countries should participate, along with national enterprises, in programmes, including special funds, encouraged by host governments and supported by employers' and workers' organizations. These programmes should have the aim of encouraging skill formation and development as well as providing vocational guidance,

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<sup>5</sup> Recommendation (No. 119) concerning Termination of Employment at the Initiative of the Employer.

<sup>6</sup> *ibid.*

<sup>7</sup> Convention (No. 142) and Recommendation (No. 150) concerning Vocational Guidance and Vocational Training in the Development of Human Resources.

and should be jointly administered by the parties which support them. Wherever practicable, multinational enterprises should make the services of skilled resource personnel available to help in training programmes organized by governments as part of a contribution to national development.

32. Multinational enterprises, with the cooperation of governments and to the extent consistent with the efficient operation of the enterprise, should afford opportunities within the enterprise as a whole to broaden the experience of local management in suitable fields such as industrial relations.

### ***Conditions of work and life***

#### **Wages, benefits and conditions of work**

33. Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.
34. When multinational enterprises operate in developing countries, where comparable employers may not exist, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies.<sup>8</sup> These should be related to the economic position of the enterprise, but should be at least adequate to satisfy basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard.<sup>9</sup>
35. Governments, especially in developing countries, should endeavour to adopt suitable measures to ensure that lower income groups and less developed areas benefit as much as possible from the activities of multinational enterprises.

#### **Minimum age**

36. Multinational enterprises, as well as national enterprises, should respect the minimum age for admission to employment or work in order to secure the effective abolition of child labour.<sup>10</sup>

#### **Safety and health**

37. Governments should ensure that both multinational and national enterprises provide adequate safety and health standards for their employees. Those governments which have not yet ratified the ILO Conventions on Guarding of Machinery (No. 119), Ionising Radiation (No. 115), Benzene (No. 136) and Occupational Cancer (No. 139) are urged nevertheless to apply to the greatest extent possible the principles embodied in these Conventions and in their related Recommendations (Nos. 118, 114, 144 and 147). The codes of practice and guides in the current list of ILO publications on occupational safety and health should also be taken into account.<sup>11</sup>
38. Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements, bearing in mind their relevant experience within the enterprise as a whole, including any knowledge of special hazards. They should also make available to the representatives of the workers in the enterprise, and upon request, to the competent authorities and the workers' and employers' organizations in all countries in which

<sup>8</sup> Recommendation (No. 116) concerning Reduction of Hours of Work.

<sup>9</sup> Convention (No. 110) and Recommendation (No. 110) concerning Conditions of Employment of Plantation Workers; Recommendation (No. 115) concerning Workers' Housing; Recommendation (No. 69) concerning Medical Care; Convention (No. 130) and Recommendation (No. 134) concerning Medical Care and Sickness Benefits.

<sup>10</sup> Convention No. 138, Article 1; Convention No. 182, Article 1.

<sup>11</sup> The ILO Conventions and Recommendations referred to are listed in the *Catalogue of ILO Publications on Occupational Safety and Health*, ed. 1999, ILO, Geneva. See also <http://www.ilo.org/public/english/protection/safework/publicat/index.htm>

they operate, information on the safety and health standards relevant to their local operations, which they observe in other countries. In particular, they should make known to those concerned any special hazards and related protective measures associated with new products and processes. They, like comparable domestic enterprises, should be expected to play a leading role in the examination of causes of industrial safety and health hazards and in the application of resulting improvements within the enterprise as a whole.

39. Multinational enterprises should cooperate in the work of international organizations concerned with the preparation and adoption of international safety and health standards.
40. In accordance with national practice, multinational enterprises should cooperate fully with the competent safety and health authorities, the representatives of the workers and their organizations, and established safety and health organizations. Where appropriate, matters relating to safety and health should be incorporated in agreements with the representatives of the workers and their organizations.

### ***Industrial relations***

41. Multinational enterprises should observe standards of industrial relations not less favourable than those observed by comparable employers in the country concerned.

### **Freedom of association and the right to organize**

42. Workers employed by multinational enterprises as well as those employed by national enterprises should, without distinction whatsoever, have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorisation.<sup>12</sup> They should also enjoy adequate protection against acts of anti-union discrimination in respect of their employment.<sup>13</sup>
43. Organizations representing multinational enterprises or the workers in their employment should enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration.<sup>14</sup>
44. Where appropriate, in the local circumstances, multinational enterprises should support representative employers' organizations.
45. Governments, where they do not already do so, are urged to apply the principles of Convention No. 87, Article 5, in view of the importance, in relation to multinational enterprises, of permitting organizations representing such enterprises or the workers in their employment to affiliate with international organizations of employers and workers of their own choosing.
46. Where governments of host countries offer special incentives to attract foreign investment, these incentives should not include any limitation of the workers' freedom of association or the right to organize and bargain collectively.
47. Representatives of the workers in multinational enterprises should not be hindered from meeting for consultation and exchange of views among themselves, provided that the functioning of the operations of the enterprise and the normal procedures which govern relationships with representatives of the workers and their organizations are not thereby prejudiced.
48. Governments should not restrict the entry of representatives of employers' and workers' organizations who come from other countries at the invitation of the local or national organizations concerned for the purpose of consultation on matters of mutual concern, solely on the grounds that they seek entry in that capacity.

### **Collective bargaining**

<sup>12</sup> Convention No. 87, Article 2.

<sup>13</sup> Convention No. 98, Article 1(1).

<sup>14</sup> Convention No. 98, Article 2(1).

49. Workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organizations of their own choosing recognized for the purpose of collective bargaining.
50. Measures appropriate to national conditions should be taken, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements.<sup>15</sup>
51. Multinational enterprises, as well as national enterprises, should provide workers' representatives with such facilities as may be necessary to assist in the development of effective collective agreements.<sup>16</sup>
52. Multinational enterprises should enable duly authorized representatives of the workers in their employment in each of the countries in which they operate to conduct negotiations with representatives of management who are authorized to take decisions on the matters under negotiation.
53. Multinational enterprises, in the context of bona fide negotiations with the workers' representatives on conditions of employment, or while workers are exercising the right to organize, should not threaten to utilize a capacity to transfer the whole or part of an operating unit from the country concerned in order to influence unfairly those negotiations or to hinder the exercise of the right to organize; nor should they transfer workers from affiliates in foreign countries with a view to undermining bona fide negotiations with the workers' representatives or the workers' exercise of their right to organize.
54. Collective agreements should include provisions for the settlement of disputes arising over their interpretation and application and for ensuring mutually respected rights and responsibilities.
55. Multinational enterprises should provide workers' representatives with information required for meaningful negotiations with the entity involved and, where this accords with local law and practices, should also provide information to enable them to obtain a true and fair view of the performance of the entity or, where appropriate, of the enterprise as a whole.<sup>17</sup>
56. Governments should supply to the representatives of workers' organizations on request, where law and practice so permit, information on the industries in which the enterprise operates, which would help in laying down objective criteria in the collective bargaining process. In this context, multinational as well as national enterprises should respond constructively to requests by governments for relevant information on their operations.

## **Consultation**

57. In multinational as well as in national enterprises, systems devised by mutual agreement between employers and workers and their representatives should provide, in accordance with national law and practice, for regular consultation on matters of mutual concern. Such consultation should not be a substitute for collective bargaining.<sup>18</sup>

<sup>15</sup> Convention No. 98, Article 4.

<sup>16</sup> Convention (No. 135) concerning Protection and Facilities to be Afforded to Workers' Representatives in the Undertaking.

<sup>17</sup> Recommendation (No. 129) concerning Communications between Management and Workers within the Undertaking.

<sup>18</sup> Recommendation (No. 94) concerning Consultation and Co-operation between Employers and Workers at the Level of Undertaking; Recommendation (No. 129) concerning Communications within the Undertaking.



### **Examination of grievances**

58. Multinational as well as national enterprises should respect the right of the workers whom they employ to have all their grievances processed in a manner consistent with the following provision: any worker who, acting individually or jointly with other workers, considers that he has grounds for a grievance should have the right to submit such grievance without suffering any prejudice whatsoever as a result, and to have such grievance examined pursuant to an appropriate procedure.<sup>19</sup> This is particularly important whenever the multinational enterprises operate in countries which do not abide by the principles of ILO Conventions pertaining to freedom of association, to the right to organize and bargain collectively and to forced labour.<sup>20</sup>

### **Settlement of industrial disputes**

59. Multinational as well as national enterprises jointly with the representatives and organizations of the workers whom they employ should seek to establish voluntary conciliation machinery, appropriate to national conditions, which may include provisions for voluntary arbitration, to assist in the prevention and settlement of industrial disputes between employers and workers. The voluntary conciliation machinery should include equal representation of employers and workers.<sup>21</sup>

Geneva, 17 November 2000

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<sup>19</sup> Recommendation (No. 130) concerning the Examination of Grievances within the Undertaking with a View to Their Settlement.

<sup>20</sup> Convention (No. 29) concerning Forced or Compulsory Labour; Convention (No. 105) concerning the Abolition of Forced Labour; Recommendation (No. 35) concerning Indirect Compulsion to Labour.

<sup>21</sup> Recommendation (No. 92) concerning Voluntary Conciliation and Arbitration.



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## Annex

### **List of international labour Conventions and Recommendations referred to in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

(adopted by the Governing Body of the International Labour Office at its 204th Session (Geneva, November 1977) as amended at its 279th Session (Geneva, November 2000))

#### **Conventions**

- No. 29 concerning Forced or Compulsory Labour, 1930
- No. 87 concerning Freedom of Association and Protection of the Right to Organise, 1948
- No. 98 concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, 1949
- No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, 1951
- No. 105 concerning the Abolition of Forced Labour, 1957
- No. 110 concerning Conditions of Employment of Plantation Workers, 1958
- No. 111 concerning Discrimination in Respect of Employment and Occupation, 1958
- No. 115 concerning the Protection of Workers against Ionising Radiations, 1960
- No. 119 concerning the Guarding of Machinery, 1963
- No. 122 concerning Employment Policy, 1964
- No. 130 concerning Medical Care and Sickness Benefits, 1969
- No. 135 concerning Protection and Facilities to be Afforded to Workers' Representatives in the Undertaking, 1971
- No. 136 concerning Protection against Hazards of Poisoning arising from Benzene, 1971
- No. 138 concerning Minimum Age for Admission to Employment, 1973
- No. 139 concerning Prevention and Control of Occupational Hazards caused by Carcinogenic Substances and Agents, 1974
- No. 142 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975
- No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, 1999

#### **Recommendations**

- No. 35 concerning Indirect Compulsion to Labour, 1930
- No. 69 concerning Medical Care, 1944
- No. 90 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, 1951
- No. 92 concerning Voluntary Conciliation and Arbitration, 1951
- No. 94 concerning Consultation and Co-operation between Employers and Workers at the Level of the Undertaking, 1952

- No. 110 concerning Conditions of Employment of Plantation Workers, 1958
- No. 111 concerning Discrimination in Respect of Employment and Occupation, 1958
- No. 114 concerning the Protection of Workers against Ionising Radiations, 1960
- No. 115 concerning Workers' Housing, 1961
- No. 116 concerning Reduction of Hours of Work, 1962
- No. 118 concerning the Guarding of Machinery, 1963
- No. 119 concerning Termination of Employment at the Initiative of the Employer, 1963
- No. 122 concerning Employment Policy, 1964
- No. 129 concerning Communications between Management and Workers within the Undertaking, 1967
- No. 130 concerning the Examination of Grievances within the Undertaking with a View to Their Settlement, 1967
- No. 134 concerning Medical Care and Sickness Benefits, 1969
- No. 144 concerning Protection against Hazards of Poisoning arising from Benzene, 1971
- No. 146 concerning Minimum Age for Admission to Employment, 1973
- No. 147 concerning Prevention and Control of Occupational Hazards caused by Carcinogenic Substances and Agents, 1974
- No. 150 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975
- No. 190 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, 1999

## **Addendum I**

### **List of international labour Conventions and Recommendations adopted since 1977 which contain provisions relevant to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

(adopted by the Governing Body of the International Labour Office at its 238th Session (Geneva, November 1987), as amended at its 264th Session (Geneva, November 1995) and 279th Session (Geneva, November 2000))

A number of international labour Conventions and Recommendations containing provisions relevant to the Declaration are referred to in footnotes in the Declaration as well as in an Annex. These footnotes do not affect the meaning of the provisions of the Declaration to which they refer. They should be considered as references to relevant instruments adopted by the International Labour Organization in the corresponding subject areas, which have helped shape the provisions of the Declaration.

Since the adoption of the Declaration by the Governing Body on 16 November 1977, new Conventions and Recommendations have been adopted by the International Labour Conference. The text below is a consolidation of the lists of Conventions and Recommendations adopted since 1977 (including those adopted in June 1977), containing provisions relevant to the Declaration. Like the footnotes included in the Declaration at the time of its adoption, the new references do not affect the meaning of the provisions of the Declaration.

In keeping with the voluntary nature of the Declaration, all of its provisions, whether derived from ILO Conventions and Recommendations or other sources, are recommendatory, except of course for provisions in Conventions which are binding on the member States which have ratified them.

## List of Conventions and Recommendations adopted since 1977 (inclusive) which contain provisions relevant to the Declaration

Number and title of Conventions and Recommendations	Paragraphs of the Declaration to which the instrument is relevant
<b>Conventions</b>	
No. 148 concerning the Protection of Workers against Occupational Hazards in the Working Environment due to Air Pollution, Noise and Vibration, 1977	37
No. 154 concerning the Promotion of Collective Bargaining, 1981	9, 50
No. 155 concerning Occupational Safety and Health and the Working Environment, 1981	37
No. 156 concerning Workers with Family Responsibilities, 1981	21
No. 158 concerning Termination of Employment at the Initiative of the Employer, 1982	9, 26, 27, 28
No. 161 concerning Occupational Health Services, 1985	37
No. 162 concerning Safety in the Use of Asbestos, 1986	37
No. 167 concerning Safety and Health in Construction, 1988	37
No. 168 concerning Employment Promotion and Protection against Unemployment, 1988	13
No. 170 concerning Safety in the Use of Chemicals at Work, 1990	37
No. 173 concerning the Protection of Workers' Claims in the event of the Insolvency of their Employer, 1992	28
No. 174 concerning the Prevention of Major Industrial Accidents, 1993	37
No. 176 concerning Safety and Health in Mines, 1995	37
<b>Recommendations</b>	
No. 156 concerning the Protection of Workers against Occupational Hazards in the Working Environment Due to Air Pollution, Noise and Vibration, 1977	37
No. 163 concerning the Promotion of Collective Bargaining, 1981	52, 55, 56
No. 164 concerning Occupational Safety and Health and the Working Environment, 1981	37
No. 165 concerning Workers with Family Responsibilities, 1981	21
No. 166 concerning Termination of Employment at the Initiative of the Employer, 1982	9, 26, 27, 28
No. 169 concerning Employment Policy, 1984	9, 13
No. 171 concerning Occupational Health Services, 1985	37
No. 172 concerning Safety in the Use of Asbestos, 1986	37
No. 175 concerning Safety and Health in Construction, 1988	37
No. 176 concerning Employment Promotion and Protection against Unemployment, 1988	13
No. 177 concerning Safety in the Use of Chemicals at Work, 1990	37
No. 180 concerning the Protection of Workers' Claims in the event of the Insolvency of their Employer, 1992	28
No. 181 concerning the Prevention of Major Industrial Accidents, 1993	37
No. 183 concerning Safety and Health in Mines, 1995	37

## **Addendum II**

(adopted by the Governing Body of the International Labour Office at its 277th Session (Geneva, March 2000))

The International Labour Conference adopted in June 1998 the ILO Declaration on Fundamental Principles and Rights at Work. By this adoption, Members renewed their commitment to respect, promote and realize the following fundamental principles and rights at work, namely: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation. The ILO Declaration on Fundamental Principles and Rights at Work applies to all Members. Nevertheless, the contribution of multinational enterprises to its implementation can prove an important element in the attainment of its objectives. In this context, the interpretation and application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy should fully take into account the objectives of the ILO Declaration on Fundamental Principles and Rights at Work. This reference does not in any way affect the voluntary character or the meaning of the provisions of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

### **Procedure for the examination of disputes concerning the application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy by means of interpretation of its provisions**

(adopted by the Governing Body of the International Labour Office at its 232nd Session (Geneva, March 1986))\*

1. The purpose of the procedure is to interpret the provisions of the Declaration when needed to resolve a disagreement on their meaning, arising from an actual situation, between parties to whom the Declaration is commended.
2. The procedure should in no way duplicate or conflict with existing national or ILO procedures. Thus, it cannot be invoked:
  - (a) in respect of national law and practice;
  - (b) in respect of international labour Conventions and Recommendations;
  - (c) in respect of matters falling under the freedom of association procedure.

The above means that questions regarding national law and practice should be considered through appropriate national machinery; that questions regarding international labour Conventions and Recommendations should be examined through the various procedures provided for in articles 19, 22, 24 and 26 of the Constitution of the ILO, or through government requests to the Office for informal interpretation; and that questions concerning freedom of association should be considered through the special ILO procedures applicable to that area.

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\* *Official Bulletin* (Geneva, ILO), 1986, Vol. LXIX, Series A, No. 3, pp. 196-197 (to replace Part IV of the Procedures adopted by the Governing Body at its 214th Session (November 1980)). See *Official Bulletin*, 1981, Vol. LXIV, Series A, No. 1, pp. 89-90.

3. When a request for interpretation of the Declaration is received by the International Labour Office, the Office shall acknowledge receipt and bring it before the Officers of the Committee on Multinational Enterprises. The Office will inform the government and the central organizations of employers and workers concerned of any request for interpretation received directly from an organization under paragraph 5 (b) and (c).
4. The Officers of the Committee on Multinational Enterprises shall decide unanimously after consultations in the groups whether the request is receivable under the procedure. If they cannot reach agreement the request shall be referred to the full Committee for decision.
5. Requests for interpretation may be addressed to the Office:
  - (a) as a rule by the government of a member State acting either on its own initiative or at the request of a national organization of employers or workers;
  - (b) by a national organization of employers or workers, which is representative at the national and/or sectoral level, subject to the conditions set out in paragraph 6. Such requests should normally be channelled through the central organizations in the country concerned;
  - (c) by an international organization of employers or workers on behalf of a representative national affiliate.
6. In the case of 5 (b) and (c), requests may be submitted if it can be demonstrated:
  - (a) that the government concerned has declined to submit the request to the Office; or
  - (b) that three months have elapsed since the organization addressed the government without a statement of the government's intention.
7. In the case of receivable requests the Office shall prepare a draft reply in consultation with the Officers of the Committee on Multinational Enterprises. All appropriate sources of information shall be used, including government, employers' and workers' sources in the country concerned. The Officers may ask the Office to indicate a period within which the information should be provided.
8. The draft reply to a receivable request shall be considered and approved by the Committee on Multinational Enterprises prior to submission to the Governing Body for approval.
9. The reply when approved by the Governing Body shall be forwarded to the parties concerned and published in the *Official Bulletin* of the International Labour Office.





## Annex II

### Possible elements for putting the MNE Declaration into practice

Quantitative
  Qualitative
  Systems Dimensions

Aspects of performance	Examples of elements
<b>1. Fundamental rights in the workplace</b>	
1.1 Freedom of association and collective bargaining	(See sec. 4)
1.2 Employment discrimination	(See sec. 2.2)
1.3 Child labour	(See sec. 3.5)
1.4 Forced labour	<div style="background-color: #cccccc; padding: 5px;">Workforce records of signed employment contracts or other indicators of voluntary entrance in employment</div> <div style="background-color: #cccccc; padding: 5px;">No requirements for delivering identification papers to management, paying recruitment fees or other monetary deposits</div> <div style="background-color: #cccccc; padding: 5px;">No restrictions on freedom of movement of employees when not working</div> <div style="background-color: #cccccc; padding: 5px;">Existence of written policy regarding ban on use of forced labour and involuntary overtime, communicated to all employees and suppliers</div> <div style="background-color: #cccccc; padding: 5px;">Training systems for all employees on forced labour policy</div>
<b>2. Employment and training</b>	
2.1 Stability and quality of employment	<div style="background-color: #cccccc; padding: 5px;">Employment by status in employment and by contract type, proportion of permanent to short-term contract (full-time / part-time / contract – the meaning of these would need to be specified as they differ widely between countries); average duration / tenure of permanent/full-time employment; for precarious short-term contracts, total period of employment (i.e. how long a period workers have been engaged on short term contract).</div>
2.2 Equality of employment opportunity	<div style="background-color: #cccccc; padding: 5px;">Workforce ratios by gender, ethnicity, religion, in relation to population ratios in community of operation; occupational segregation by gender, ethnicity, religion; wage ratios (including for senior management and in corporate governance bodies) by gender, ethnicity, religion, to demonstrate equal pay for same tasks performed.</div>

Aspects of performance	Examples of elements
2.3 Training	Additional quantitative indicators of diversity and inclusion of women and minorities compared with employment net creation; percentage of turnover, segmented by region, gender, ethnicity, and religion
	Penalties imposed for violation of discrimination/equality laws and regulations
	Existence of: affirmative action or equal opportunity policy (including policy to deal with harassment and involving pregnant women); training systems on non-discrimination policy and practices; grievance procedure to address discrimination/harassment; sanctions for violation of company policy on discrimination and equality
	Recruitment systems based on skills-based competence, no pregnancy tests or related questions upon application, and promotion and compensation systems based on job performance
	Training in applicable laws relating to employment discrimination and equality, including laws dealing with pregnancy and child-birth; no requirements to take contraceptives during employment
	Percentage of operating expenses spent on training; specific training policies and programmes; quantitative and qualitative indicators of training and training outcomes (e.g. hours training per employee per year by category of employee, investment in training per employee, certification by relevant authority, possible change in skills levels by retention etc.); ratio of men / women trained
<b>3. Conditions of work and life</b>	Existence of programmes to support continued employability of employees or to manage redundancies; specific policies and programmes for skills management or for lifelong learning.
3.1 Wages	Training policy and procedures, including consultation in event of restructuring, communicated to all employees
3.1 Wages	Share of employment above minimum wage; ratio of lowest wage to minimum wage
3.2 Working time	Indicator that hours worked not in excess of national limit; indicator that procedures for overtime worked in accordance with or reflected in a collective agreement (or is the practice imposed?)
3.3 Social protection benefits	Employment-related access to social protection benefits (e.g. pension, social security, unemployment schemes) including maternity protection; provision for social security of employees beyond legally mandated contributions or requirements (medical, disability, education, retirement)
3.4 Safety and health	Rates of occupational injury, categorized by consequence (disability, death) average days lost to ill health per worker

Aspects of performance	Examples of elements
3.5 Minimum age	<p>Rates of reports of work-related hazards, by source of report and action taken</p> <p>Reporting procedures and notification to prevent work related accidents, injuries and occupational diseases.</p> <p>Health and safety policy, including HIV/AIDS policy and procedures in accordance with basic principles in ILO guidelines.</p> <p>Existence of worker-management health and safety committees and extent of workforce covered by such committees.</p> <p>Evidence of use of ILO guidelines for health and safety management systems.</p> <p>Existence of and scope of workforce covered by agreements with trade unions or workers representatives covering health and safety at work</p> <p>Training systems for all employees on OSH policy and procedures, and special training on specific hazards/dangers for affected employees</p> <p>Workforce statistics by age in relation to compulsory age of schooling and national and international legal requirements</p> <p>Penalties imposed for violation of minimum age laws</p> <p>Existence of written policy regarding employment of child labour, communicated to all employees and business partners</p> <p>Records system maintaining official age documentation for all employees required upon entry into employment</p> <p>Information systems in place for receiving reports from business partners</p> <p>Training for employees in legal requirements and compulsory age for school attendance in country and region</p> <p>System of regular checks on minimum age conducted</p>
<b>4. Industrial relations</b>	
4.1 Freedom of association	<p>Percentage of employees represented by independent trade unions or other worker representatives</p> <p>Ratios by occupational segregation, promotion, wage levels, dismissals, demotions, denial of benefits, involuntary transfers, disaggregated by union and non-union workers</p> <p>Presence of a union recognized by the company</p> <p>Facilitation of times and places to meet for all employees and union members</p> <p>Absence of threat of transfer of operations or of transfer of workers in the context of exercise of right to organize</p>

Aspects of performance	Examples of elements
4.2 Collective bargaining	Existence of written policy to respect right to freedom of association
	Training systems for all employees on company policy and applicable local laws and international standards
	Systems for ensuring union facilities
	Existence of collective agreement(s)
	Percentage of company operations/facilities covered by collective agreements
	Copy of collective agreement accessible to employees and knowledge/training of employees (by employer/union) on its provisions
	Types of subjects handled and consistency with ILO principles (wages, training, health issues, grievance procedure and dispute settlement and interpretation of agreement)
	Effectiveness of access by workers' representatives to information requested for meaningful negotiations
	Absence of threat of transfer of operations or of transfer of workers in the context of negotiations
	Availability of representatives authorized to take decisions at bargaining table
4.3 Industrial relations climate	Existence of written policy regarding collective bargaining
	Training for all employees on company policy and applicable local laws and international standards
	Provision of necessary facilities to workers' representatives to develop collective agreements
	Frequency of instances of worker consultation and participation (consultation or actual involvement in decision making)
	Ratios corresponding employees grievances to dismissals, demotions, denial of benefits, involuntary transfers
	Policies and procedures addressing grievances, consultations, information requests and negotiation with employees
	Types of issues included in such policies and procedures, including change of operations and dispute resolution systems, and consistency with ILO principles
	Training of all employees in the use of such policies and procedures
Worker representation on bi or tripartite bodies overseeing decision making or management functions (list bodies / issues / manner of election or selection of workers' representatives).	

## Annex III

### Framework Agreements and ILO Benchmarks

Framework Agreements		ILO Conventions*								
Global Union Federation (GUF)**	MNE	87 98	29 105	138 182	100 111	135	94 95 131	142	155	168
ICEM – chemicals	Endesa (2002)	✓						✓	✓	✓
	Freudenberg Group (2000)	✓	✓	✓	✓	✓			✓	
	Statoil (1998, 2001)	✓	✓	✓	✓	✓	✓	✓	✓	
IUF – food and agriculture	Fonterra (2002)	✓	✓	✓	✓	✓			✓	✓
	Chiquita (2001)	✓	✓	✓	✓				✓	
	ACCOR (1995)	✓				✓				
	BSN/Danone (1988)	✓			✓	✓	✓	✓		✓
IFBWW – wood working	IKEA (1998, rev. 2001)	✓	✓	✓	✓		✓		✓	✓
	Skanska (2001)	✓	✓	✓	✓	✓				
	Hochtief (2000)	✓	✓	✓	✓		✓			
	FaberCastel (2000)	✓	✓	✓	✓	✓	✓		✓	✓
UNI – telecom-communications	Carrefour (2001)	✓	✓	✓	✓	✓				
	Telefónica (2001)	✓	✓	✓	✓	✓	✓		✓	
IMF – metal working	Merloni elettrodomestici (2001)	✓	✓	✓	✓	✓				
	Volkswagen (2001 resolution to be adopted in 2002)	✓	✓	✓	✓					✓
*Note: 87, 98: Freedom of association/collective bargaining 29, 105: Forced labour 138, 182: Child labour 100, 111: Employment discrimination 135: Protection and facilities for workers' representatives 94, 95, 131: Minimum wages 142: Vocational guidance and training 155: Safety and health and the working environment 168: Employment promotion and protection against unemployment		**Note: ICEM: International Federation of Chemical, Energy, Mine and General Workers' Union, <a href="http://www.icem.org">www.icem.org</a> IUF: International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association, <a href="http://www.iuf.org">www.iuf.org</a> IFBWW: International Federation of Building and Wood Workers, <a href="http://www.ifbwww.org">www.ifbwww.org</a> UNI: Union Network International, <a href="http://www.union-network.org">www.union-network.org</a> IMF: International Metalworkers' Federation, <a href="http://www.imfmetal.org">www.imfmetal.org</a>								