

# The CEC Update

(July, 2004)

## Recent Developments at the International Labour Organization, United Nations and the International Organization of Employers

The purpose of this edition of the CEC Update is to brief members on recent international developments. These developments underscore the importance of the increasing linkage between global economic integration, global labour law and social harmonization. In addition, these initiatives highlight the emerging tensions between, on the one hand, the regulation and monitoring of business by multinational organizations and, on the other hand, voluntary action undertaken by business to promote global corporate responsibility.

This edition discusses the recent Report of the International Labour Organization's (ILO's) World Commission on the Social Dimension of Globalization and the follow-up to the Report. Next, the Update outlines three important initiatives of the United Nations (UN): first, the United Nations Development Programme's (UNDP's) Report of the Commission on the Private Sector and Development; second, the UN Draft Norms of Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights; and third, the UN Global Compact and its recent Leaders Summit. Finally, the Update mentions the upcoming Corporate Social Responsibility (CSR) conference to be held by the International Organization of Employers (IOE) in June of 2005.

### 1. The International Labour Organization (ILO): World Commission on the Social Dimension of Globalization

#### Background

As reported in an earlier CEC Bulletin, the Report of the World Commission on the Social Dimension of Globalization, *A Fair Globalization: Creating Opportunities for All* was released on February 24, 2004. The Commission's goals included the identification of policies for globalization to reduce poverty, foster growth and development in open economies, and promote decent work.

First, the Report recommends Policy Coherence Initiatives to enhance policy coherence and coordination among international organizations. Second, the Report recommends the development of Policy Development Dialogues in a number of areas such as labour migration, foreign direct investment and CSR. Third, the Report recommends that joint research work be undertaken by international organizations.

It is important to note that the recommendations in the Report are not ILO policy; rather it is the responsibility of the International Labour Conference (ILC) and the Governing Body to consider these recommendations within the mandate of the ILO, and to propose the course of action to be pursued by the ILO.

### **Follow-up to the Report**

At the 2004 ILC, Director-General Juan Somavia presented his report on the work of the Commission, entitled *A fair globalization: The role of the ILO*. In his report, Mr. Somavia focuses on how the ILO can ensure that decent work becomes a global goal, not just an ILO goal. Mr. Somavia's report discusses national policies to address globalization; decent work in global production systems; global policy coherence for growth, investment and employment; the global economy and the cross border movement of people; and strengthening the international labour standards system.

The next discussion on the Report will take place before the Governing Body in November of 2004. Also, the results of the meeting of the Governing Body will be reflected in the programme and budget for 2006-07 and the strategic policy framework for 2006-09.

## **2. United Nations (UN)**

### **A. United Nations Development Programme (UNDP) Report**

#### **Background**

In a report to UN Secretary-General Kofi Annan entitled *Unleashing Entrepreneurship: Making Business Work for the Poor*, the Commission on the Private Sector and Development focuses on how business can create domestic employment and wealth, free local entrepreneurial energies, and help achieve the Millennium Development Goals. The Commission, co-chaired by Prime Minister Paul Martin and Ernesto Zedillo, Mexico's former president, was convened by Mr. Annan one year ago in an effort to identify the legal, financial and structural obstacles blocking the expansion of the private sector in developing countries.

Prime Minister Martin, who in recent years has played an important role in key economic development initiatives, commenting on the mandate of the Commission, stated: "Visit the tiniest town in the poorest country on market day and you will see this incipient private sector in action. This Commission aims to place the ambitions of these local businesses at the heart of the world's development strategy."

The report calls for targeted policy reforms and other initiatives that would spur growth in the local businesses that are critical to the eradication of poverty in the developing world. The Commission emphasizes that action is needed in the following areas: first, in the public sphere through the promotion of the reform of laws, regulations and other barriers to growth; second, in the public-private sphere facilitating the cooperation and partnerships between public and private players to enhance access to financing, skills and basic services; and third, in the private sphere focusing on the development of commercially sustainable business models which can be promoted and reproduced.

More specifically, the report recommends that governments in developing countries should reform regulations and strengthen the rule of law; formalize the economy; and engage the private sector in the policy process. In addition, the report calls on developed countries to foster a conducive macroeconomic environment and trade regime; support efforts to formalize the informal economy; redirect the operational strategies of multilateral and bilateral institutions; and untie aid to permit the more effective use and delivery of technical assistance.

Significantly, the report recognizes the essential role that the private sector can play in development and the alleviation of poverty through contributions to economic growth and job creation. National employers' organizations, together with the IOE and the employers' bureau of the ILO (ACT/EMP), have an important role to play in harnessing the potential of the private sector to contribute to development.

### **Follow-up to the Report**

The UNDP will receive proposals until September on how its recommendations can be fulfilled. The IOE is currently working closely with the ILO in the formulation of joint proposals. In September of 2004, the UNDP will make decisions on what proposals it will proceed to implementation with.

## **B. Draft Norms of Responsibilities of Transnational Corporations**

### **Background**

The Office of the UN High Commissioner for Human Rights (OHCHR) Sub-Commission's Working Group on the Working Methods and Activities of Transnational Corporations developed the Draft Norms of Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights. Through the Draft Norms, the Sub-Commission identified those human rights standards it believes are most relevant to transnational corporations and other business enterprises. These include: equal opportunity and non-discriminatory treatment; the right to security of the person; human rights of workers; respect for national sovereignty; and consumer and environmental protection. Notably, the Draft Norms contain a mechanism to monitor and enforce compliance with its requirements.

## **Follow-up to the Draft Norms**

The UN Commission on Human Rights met in Geneva in April of 2004 to discuss, among other issues, the text of the Draft Norms. On April 20, 2004, the Commission decided not to adopt the Draft Norms, which means they have no legal status.

Instead, members called for the OHCHR to compile a report for their consideration outlining the scope and legal status of the existing initiatives and standards relating to business' responsibilities for human rights. The report will be compiled after a process of consultation with all relevant stakeholders, including employers' organizations. The IOE, with input from the CEC, will continue to consult with the OHCHR with respect to the responsibilities of business in the protection of human rights.

## **C. UN Global Compact**

### **Background**

The Global Compact between the UN and business was officially launched in New York in July of 2000. The aim of the initiative is to place tasks that are central to the UN into practice with the voluntary aid of corporations. The voluntary Compact is considered a dialogue forum in which mutual learning among companies is to be promoted through the dissemination of best practices.

The Compact was originally based on nine principles relating to protecting human rights, labour standards, and the environment. In addition to a commitment to these principles, including three related to labour standards (freedom of association and collective bargaining, elimination of all forms of forced and compulsory labour, and effective abolition of child labour), participating companies are required to report annually on successes achieved in implementing the principles in company practice.

### **Global Compact Leaders Summit**

During the first Global Compact Leaders Summit, held on June 24, 2004 at UN Headquarters in New York, Secretary-General Kofi Annan announced the addition of a tenth principle to the Compact – a principle to combat corruption.

The Summit drew more than 400 prominent business leaders from around the globe. Some prominent Canadian participants included James Buckee, President and CEO of Talisman Energy Inc.; George Heller, CEO of Hudsons Bay Co.; Jay Taylor, President and CEO of Placer Dome Inc.; Ronald Nielson, Director of Alcan Inc.; Greta Raymond, Vice President of Petro-Canada; and Charles Fischer, CEO of Nexen Inc.

Noting that the Summit had ended with reinvigorated commitment to the voluntary Compact, Mr. Annan stated that a range of specific pledges were made by members, including pledges to defend human rights in conflict zones, to ensure decent working conditions, to invest in clean technologies, to grow small businesses in the least developed countries and to implement anti-bribery policies. Mr. Annan concluded that the Summit ended with a deeper understanding of the future direction of the Compact.

### **3. International Organization of Employers (IOE): Conference on Corporate Social Responsibility - 2005**

The term Corporate Social Responsibility or CSR has been defined by the IOE as initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their stakeholders. CSR is voluntary and goes beyond simple compliance with domestic laws.

As you are aware, over the last decade CSR has grown from a buzz word to a social phenomenon, gaining the attention of the international community and an important place on the international agenda. Accordingly, in June of 2005, the IOE will host a conference on Corporate Social Responsibility. The CEC will be a participant at this conference and keep you updated on new developments regarding CSR initiatives.

### **Conclusion**

As the UN and the ILO continue to pursue these various initiatives, some of which support the imposition of monitoring and enforcement mechanisms for international labour standards, it is critical for the CEC, together with the IOE, to develop a strong voice in support of corporations' voluntarist efforts to promote global corporate responsibility, and to work to ensure that these initiatives remain voluntary.

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The Canadian Employers Council (CEC) prepares and distributes the CEC Update for its members' individual use only. For inquiries or comments, please contact Andrew Finlay of Scotiabank, Chair of the CEC, at [andrew.finlay@scotiabank.com](mailto:andrew.finlay@scotiabank.com) or Brian Burkett of Heenan Blaikie, Counsel to the CEC, at [bburkett@heenan.ca](mailto:bburkett@heenan.ca).

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