



# A New Era in Foreign Direct Investment: Strategic thinking for greater quality job creation

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# International Labour Organization

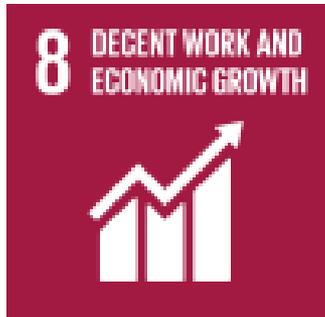
- Specialized agency of the UN – HQ in Geneva
- 187 member States
- Tripartite (government, employers and workers)
- Decent Work -- Promoting Jobs, Protecting People – standard-setting, policy, research
- Promotion of sustainable enterprises
- 2019: ILO Centenary – Future of Work



# Decent jobs: a top priority globally

- Current unemployment stands at more than 190 million - 75 million jobless young people (women and men below 25)
- Around 42 per cent of workers (or 1.4 billion) worldwide are estimated to be in vulnerable forms of employment, 1 in 4 workers support their family on less than US\$2 a day
- 670 million jobs will need to be created by 2030, to keep pace with the growth of the working-age population
- Future of Work – technological progress impact on labour market and jobs
- Need to tackle growing inequality among and within countries through increased sharing of benefits of globalization – sustainable investment and decent work

# Global commitment to decent work



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Specific targets



# The Challenge

- FDI inflows do not automatically lead to quality job creation in the host country
- Investment facilitation should be more closely aligned with national development goals
  - Review of incentives offered
  - Balance of power between governments looking for FDI and potential investors
  - National policy coherence

# New era requires strategic thinking

- What government policies have the greatest impact on FDI quality job creation?
- What characteristics of investors tend to generate more linkages with local firms, in particular SMEs?
- How can an IPA better position itself globally to attract employment-generating FDI?

# ILO engagement with government and business on FDI

- How to maximize the positive impact and limit the negative impact that MNE operations can have in host countries?
- ILO instrument to engage with business and government :
  - Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), most recently revised in 2017

# MNE Declaration

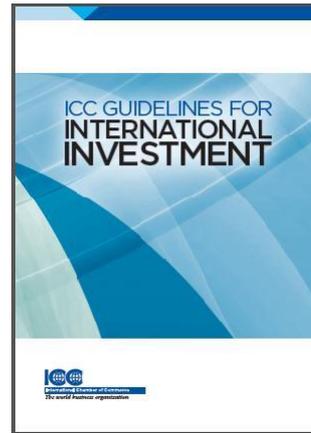
- Aim: to encourage the positive contribution of MNEs to socio-economic development and decent work for all and mitigate and resolve possible negative impacts
- Highlights that MNEs can have their headquarters in any part of the world
- Highlights the importance of dialogue and consultations between governments and enterprises and employers' and workers' organizations; and between host and home countries of multinational enterprises on issues of mutual concern

# Coherence with other international policy instruments

- UNCTAD's Investment policy for sustainable development framework



- ICC Guidelines for International Investment - labour chapter



- Guidelines for investors
- Guidelines for government of home country
- Guidelines for government of host country

ILO standards and  
MNE Declaration



# International policy coherence



# Recommendations in five areas (government – enterprises)

## General policies

- Governments
- Enterprises
- Fundamental principles and rights at work
- Due diligence
- Consultations between home and host country governments

## Employment

- Employment promotion
- Social Security
- Forced labour
- Child labour
- Equality of opportunity and treatment
- Security of employment

## Training

- National policies for vocational training and guidance, closely linked to employment

## Conditions of work and life

- Wages, benefits and conditions of work
- Occupational safety and health

## Industrial relations

- Freedom of association and right to organize
- Collective bargaining
- Consultation
- Access to remedy and examination of grievances
- Settlement of industrial disputes

# Key recommendations for investment promotion

- Governments should put in place a conducive legal and policy framework and carefully study the impact of MNEs on employment in different sectors.
- Governments as well as MNEs, in all countries should take appropriate measures to address employment and labour market impacts of the operations of MNEs
- When offering special incentives to attract FDI, these should not include any limitation of workers' freedom of association or right to collective bargaining

# Key recommendation, cont.

## 3 key moments:

- When entry of MNEs is negotiated – incentives and obligations in investment agreements
- Once MNEs are operational in the host country – CSR policies and practices of the enterprises at times stimulated by CSR policies by the government
  - Direct employment – national staff
  - Indirect employment - linkages
- When an MNE stops operations in host country – delocalizes production – employment and development impact

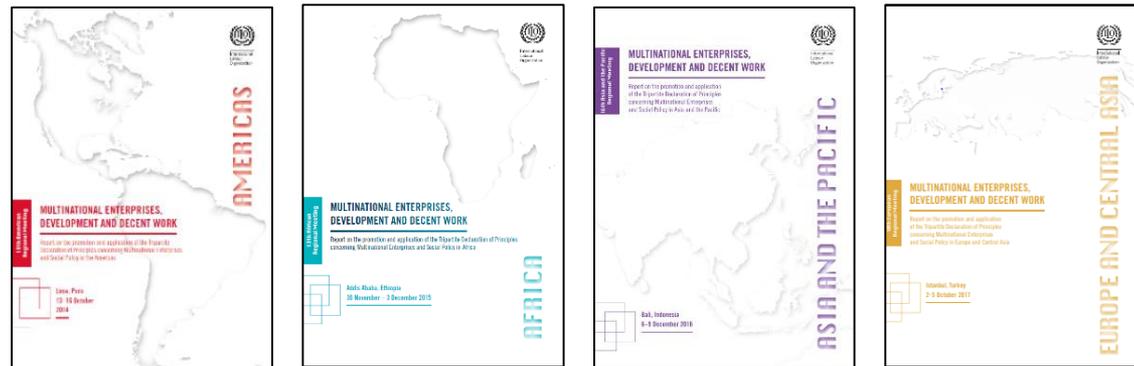
# Key recommendation, cont.

## Important processes

- Measure and monitor the impact
- Public-private dialogue opportunities to more closely align business operations with national development priorities
- Enabling policy environment to enhance inclusive growth and decent job creation through policy coherence as well as active labour market policies, training, SME policies, etc.

# Follow-up

- Regional follow-up to ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, [comprising annual regional reports](#) → provide an overview of the most relevant areas in relation to FDI and decent work



- Employment creation, training opportunities and linkages with national enterprises frequently feature as top issues of concern for ministries of labour, employers and workers

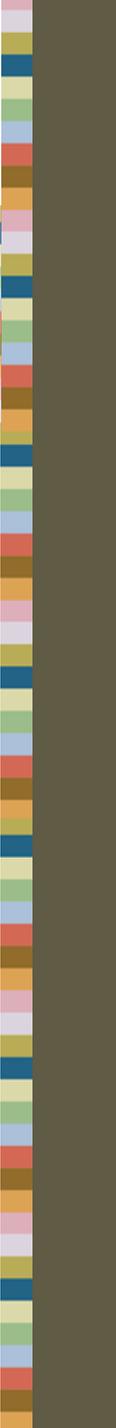
# Some quotes:

## **On the potential benefits of FDI for host countries**

*“For the country, the attraction of Foreign Direct Investment is a strategic objective and a priority, as a tool to generate direct and indirect employment, provide capital and benefits linked to increases in efficiency and knowledge, and in this manner, contribute to boost socioeconomic development at the national level.” (Ministry of Labour and Social Security, Costa Rica)*

## **On the role of policies and frameworks to ensure FDI contributes to decent work**

*“To ensure economic development, it is necessary to design and implement policies, programmes and actions that have as their main objective the creation of an enabling environment to attract foreign investments and to promote that these guarantee to their workers a decent living standard, as well as sustainable human development.” (Secretariat of Labour and Social Welfare, Mexico)*



# Some quotes:

## **On the role of dialoge between investors, governments and employers' and workers'**

*“It is essential that the “welcoming” of [foreign MNEs] is in line with the country’s employment and social development policy. To this end, it is important that there be a prior dialogue between the MNE, the government, business organizations and trade unions, where attention is paid not only to the creation of quality jobs with rights, but also to the MNE’s responsibility regarding sustainable growth in the host country.”*  
(General Union of Workers, Spain)

## **On collaboration to promote solid industrial relations in companies operating in host countries**

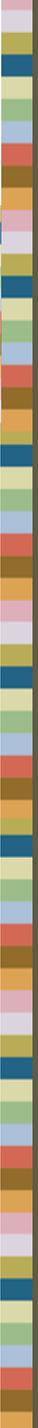
*“With concerted efforts from the government, the Korea Employers’ Federation has signed memorandums of understanding with foreign investors’ organization in Korea, with a view to establishing peaceful industrial relations in foreign companies doing business in Korea. (Korea Employers’ Federation, Republic of Korea)*

# ILO concrete actions

- Partnerships with UNCTAD and [WAIPA](#) (2016)
- Roundtable discussions at WIF 2014 and 2018 on Job Creation through Investment Promotion (with WAIPA and UNCTAD)
- Annual ILO-WAIPA course on [Investment Facilitation and Sustainable Development](#)
- Country level assistance
- Case studies:
  - «Factors affecting technology spillovers from Multinational Enterprises (MNEs) in backward linkages in the Turkish manufacturing sector: lessons for Investment Promotion Agencies (IPAs)»
  - «Colombia investment, export promotion and workers' rights»
- Involving IPAs in a [Pilot-methodology to measure impact of FDI/MNEs on decent work](#) – 2018 International Conference of Labour Statisticians

# Other support needed?

- How can ILO and WAIPA further support your IPA to attract FDI for more and better jobs?
  - Concrete ideas:
    - capacity building
    - measurement and monitoring tools
    - national dialogue facilitation
    - social KPIs
    - resource kit with positive case studies
    - Joint activities
    - Exchange of experiences at international, regional and national level





More information available at:

[www.ilo.org/mnedeclaration](http://www.ilo.org/mnedeclaration)

**World Investment Forum 2018**

**ILO-WAIPA Session on**

**Creating more and better jobs through investment**

**Welcome!**