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Employment opportunities

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Promoting job creation for young people in multinational enterprises

Liberia's 14 year war left gaping holes in the infrastructure critical to investment and recovery and delayed a generation of youth from entering the labour market. Today, almost two-thirds of the population live in poverty. Youth between ages of 15 and 35 make up 53 per cent of the workforce, yet constitute 58 per cent of the unemployed. The integration of young people into the labour market is critical for overall economic development and in securing stability in a post-conflict country like Liberia. ILO Online asked Yukiko Arai, senior specialist in the ILO's Multinational Enterprises Programme and author of a new ILO study, how multinational enterprises (MNEs) can contribute to generating more quality jobs for local youth.

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A new ILO study (Note 1) examines the employment impact of MNEs in Liberia. Can you tell us more?

Yukiko Arai: Since its election in 2005, the Government of Liberia has prioritized job creation through attracting foreign direct investment (FDI) by MNEs. Primarily concentrated in the agricultural and mining sectors, FDI has been growing at a consistent rate. The study confirms that MNEs are returning to Liberia in the post-conflict period. Foreign Direct Investment (FDI) is expected to bring job creation opportunities. While MNEs cannot absorb all those seeking employment, they do create a substantial number of jobs through direct employment. And they have the potential to create many more jobs through their value chain operations in the country, as well as indirectly by stimulating broader economic activity.

How can investment entering the region generate more quality jobs for local young women and men?

Yukiko Arai: The potential for youth employment is high in industries such as mining, timber and agriculture (cash crops), with further potential in their value chains. However, jobs are often filled by skilled foreign workers because local young women and men generally lack the required skills; and MNEs often must import goods and services rather than procure them locally in view of the insufficient capacity of the local market. More jobs could clearly be generated if MNEs were able to source more goods from local producers.

What are the prospects of creating more and better jobs through MNEs?

Yukiko ARAI: Although modest in comparison with the total number of job seekers, a significant number of direct employment opportunities are generated through MNEs in mining, banking and agriculture – the three sectors we studied. Just to give an example, one mining company starting operations has the potential to generate around 2,000 to 4,000 jobs. Furthermore, MNEs generate indirect employment opportunities including in construction, catering and other services.

A substantial number of these jobs however are unskilled and semi-skilled positions for Liberian nationals while foreign employees tend to occupy senior management and technical positions requiring experience and skills difficult to find in the local market. MNEs clearly expressed however a preference for recruitment from the local workforce if they can find candidates with adequate education and skills.

How can the full potential of MNEs for local job creation be reached?

Yukiko Arai: Future employment opportunities will be for skilled labour with practical experience and knowledge of the latest technologies and principles in their respective fields. Action therefore must be taken to improve the levels of education and training attained by new labour market entrants so that job growth for Liberian youth is not confined to unskilled work.

Do MNEs have a role to play in narrowing the "skills gap"?

Yukiko Arai: Actually, MNEs prefer to recruit nationals; however, Liberia has a serious shortage of skilled labour with practical experience, knowledge of the latest technologies and principles in their fields. Schools providing basic education have not been able to equip students with the basic skills required in the labour market. And the universities lack the resources, equipment and technology necessary to teach students the appropriate methodologies and more modern technology used in the private sector.

The MNEs are currently overcoming this skills gap by providing their own training programmes to equip employees with the necessary skills upon recruitment. Still, foreign employees are brought in to fill senior management and technical positions that require experience, advanced degrees and accreditation, all of which cannot readily be found among the local workforce. Foreign employees provide in-house training to local recruits.

In view of the common challenges faced by all MNEs, however, there is scope for them to come together to address the issues jointly.

Are there any international guidelines for MNEs to optimize their contribution to development in host countries?

Yukiko Arai: The ILO Tripartite Declaration of Principles concerning multinational enterprises and social policy offers policy makers and business leaders with guidance on how to maximize the positive contribution that MNEs can make in host countries. It encourages MNEs to contribute to the development objectives of the country in which they are operating through a process of social dialogue, to employment creation through, for example, the encouragement of backward linkages by sourcing from local enterprises, to skills development and training through partnership with all the actors concerned, and to respect of workers' rights.

The ILO study also pleads for more dialogue between the public and private sectors in the country?

Yukiko Arai: There has been little dialogue between the public and private sectors. The MNEs in general would like the Government to collaborate with the private sector to find solutions for the generation of decent, lasting and sufficient employment opportunities, beyond mere job creation. In view of their long-term commitment in the country, many of the MNEs in Liberia express a willingness and eagerness to engage in and contribute to addressing national development challenges, particularly to bring about a positive impact in the sectors in which they operate. This clearly creates space for business and the public sector to join hands in addressing the major challenges specific to each sector, and the common challenge of large skills deficits hindering further development of youth employment, and development more generally.

What will happen next?

Yukiko Arai: Immediate follow-up will be a High-Level Policy Dialogue organised between public and private actors on the role of MNEs in youth employment, drawing on the findings of this study. It will be preceded by a seminar with companies where their perspective on the role of business in building Liberia's human capital will be discussed. Their recommendations are expected to be presented at the High-Level Policy Dialogue.

These activities will constitute the first steps towards fostering a partnership approach that supports Liberia's national development goals while ensuring that the MNEs also benefit through enhanced longer-term competitiveness.

Can you tell us more about similar ILO activities with MNEs in other countries of the region?

Yukiko Arai: Funded by the Japanese government, this study is part of an action-oriented research programme on maximizing local job creation through MNEs, with a particular focus on youth employment, by the ILO and the United Nations Industrial Development Organization (UNIDO). Similar studies were also undertaken in Cote d'Ivoire and in Sierra Leone.

Note 1: *Promoting Job Creation for Young People in Multinational Enterprises and their Supply Chains: Liberia*. By Yukiko Arai, Ata Cissé, Madjiguene Sock. Employment Report No. 7, International Labour Office, Geneva, 2010.

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