



Report on Wilton Park Conference S06/28
In association with the Global Economy Group, Foreign and Commonwealth
Office and the Trades Union Congress (TUC)

STRENGTHENING LABOUR STANDARDS IN THE GLOBAL ECONOMY

Wednesday 8 – Friday 10 November 2006

Summary

1. The core labour standards of the International Labour Organisation (ILO) are freedom from forced and child labour, freedom from discrimination at work, freedom of association and freedom to bargain collectively. They are held by the United Nations (UN) to be fundamental human rights, and their implementation is a requirement of membership of the ILO, regardless of whether an individual state has ratified the eight conventions that set out the standards. In addition, the ILO has adopted, through its tripartite structures, many other conventions which cover issues such as health and safety, labour inspection and so on. Trade unionists around the world are campaigning to have the core labour standards not only recognised but implemented, including through the actions of international financial institutions (IFIs) and the World Trade Organisation (WTO), but many governments and employers argue that they are protectionist or for some other reason inappropriate to many nations. The arguments over protectionism were dissected, and it was widely believed that the charge was overstated. No examples were given of the use of

labour standards for protectionist purposes, although many other tools were used for protectionist purposes.

2. Conference participants, especially the trade unionists from developed countries as well as the global south, started from the assumption that the core labour standards were fundamental human rights as well as tools for development and poverty reduction. The barriers to their implementation, the arguments used by supporters and opponents, and the opportunities that current national and international debates offer for prosecuting the case for core labour standards were the main subjects for discussion. There was general support for including core labour standards language in trade agreements, as has become routine in US bilateral free trade agreements. Participants discussed the need to strengthen these measures, and the need for the EU's bilateral and regional trade agreements to become stronger in this regard as well, all against the background of bleak prospects for the current WTO Doha Development Round negotiations. However, there were concerns about the private approaches (rather than public pronouncements) of governments, employers and international institutions (it was by no means a given that those who profess to support core labour standards within the ILO support them practically in other circumstances). There were also concerns about whether governments would or indeed should make core labour standards a key element of their objectives in a time of deregulation, and about whether labour standards issues were properly understood or addressed by the people responsible for the institutions which could implement those standards. Lack of interest in these issues among governments and employers could present an insurmountable obstacle. Labour standards do challenge the status quo, and prompting governments to act against the interests of some of the biggest corporations would require challenging power structures.

3. There was confidence that the arguments could be won. Recent developments in the US had shown, as European experience also showed, that government complacency about some negative impacts of globalisation could lead to electoral defeat. But unions needed to take responsibility for changing the current

consensus; they should be clearer about what they wanted, and how the union agenda could benefit others with whom partnerships could be created. The productive tension in relations between employers and unions is crucial. Unions needed to be better at mobilising their members, and take their message into the informal economy, Export Processing Zones (EPZs) and groups like migrants and women. Freedom of association was the most important right workers could have.

The big challenges: China and India

4. Agriculture continues to be the predominant employment sector in India. Formal or regular employment was available for a very small part of the Indian labour force (just 16%), with public sector employment the main component. Labour market institutions like dispute resolution, minimum wages, social security and enforcement were correspondingly weak. This made infrastructural investment and the flow of capital into industry and services sector key elements of any development agenda, so that more formal jobs could be provided to a still-growing working age population. Debates in India focused on the degree of labour flexibility and the extent of labour regulation, and the conflicting interests of different groups of workers – those in large and small enterprises, older and newer establishments, migrants and old and new workers – in an economy where the supply of labour exceeds the demand. Enforcing common labour standards in these circumstances was difficult.

5. It is widely believed the Indian government should attend to the worst forms of exploitation (in line with ILO core labour standards). However, that would need the provision of compulsory education to 14, an active judiciary, the development of formal employment opportunities in the private sector, and of a private sector which was committed to labour rights, and the implementation of freedom of association for workers in the informal sector and among the self-employed. Another approach would be to raise the price of labour by restructuring in favour of labour intensive sectors (although that would run counter to many other pressures), vocational training, minimum wages and employment guarantees, and strengthening labour

market institutions (including greater support for labour inspectors). Given these objectives, the international community could support labour intensive industries in developing countries, for example dealing with the issue of free trade and agriculture, and assist technically with information and research into job market functioning in developing countries. Transnational corporations could work with developing country governments on codes for minimum employment conditions.

6. The role of international bodies was problematic in China. There were no free trade unions and the All-China Federation of Trade Unions (ACFTU) was heavily circumscribed by the government. Labour laws were well-developed but were generally not complied with, and there was widespread discrimination against migrant workers who produce most of China's globally traded goods. Economic growth had not necessarily benefited workers, and transnational corporations did not necessarily provide better labour standards, in the absence of any incentives to ensure improvements in corporate social responsibility. Four areas for improvement needed to be pursued: translating fine words on corporate social responsibility into practice; creating political space for NGOs and lawyers to enforce laws; engaging with (and putting pressure on) the government and the ACFTU to help them to be more supportive of core labour standards; and changing the system of world trade. Transnational corporations based in countries with strong labour rights were particularly important (as were existing instruments such as the OECD multinational guidelines). Unions needed to develop international framework agreements through Global Union Federations as well as engage in direct collective bargaining.

Implementation, monitoring and enforcement of labour standards, and promoting the rights of women

7. Labour standards were held to be an essential component of achieving broad-based economic growth, development and poverty alleviation – and at the very least were assumed not to retard economic growth. Their implementation rested on three escalating pillars: voluntary compliance by employers with local labour laws and

international standards; enforcement by national governments; and intervention by international actors. In each case, penalising bad behaviour was as essential as rewarding good. A fourth pillar, the action of workers themselves to insist on or enforce their rights, relies on freedom of association – if that right is not enforced, little else can be done. Measures for external intervention were a recurrent theme – they included trade preferences for countries with positive commitment to labour standards for example the EU’s Generalised System of Preferences Plus (GSP+ system); the inclusion of labour standards language in free trade agreements such as the North American Free Trade Agreement (NAFTA), Central America Free Trade Agreement (CAFTA) etc; international public lending to private firms and to governments, for example through the International Monetary Fund (IMF) and World Bank. The World Bank’s private lending arm, the International Finance Corporation (IFC), adopted a performance standard in April 2006 requiring clients to comply with national labour laws and the core labour standards. The Equator Banks followed that lead in July 2006. Such external measures needed to be observed and monitored (either through private sector monitoring groups, NGOs or most effectively by local union organisations), but could create a network which persuades developing country governments to comply with core labour standards. One example of what could be achieved was the ILO monitoring of textile factories in Cambodia as part of a US trade preference scheme, which, of especial interest, provided transparency about working conditions, thus demonstrating the fallacy of the argument that such transparency undermines commercial confidentiality. Factories had an incentive to provide decent work or lose orders. It was suggested that the IFC’s next step could be to do the same thing with their clients – and other trade preference schemes could also do the same. Cambodia was not unique. Could a similar system work multilaterally, as well as in bilateral agreements?

8. The special importance of promoting women’s rights was stressed, and the role of labour standards in that process was discussed. As well as the core labour standard of freedom from discrimination, women are disproportionately deprived of the other fundamental rights (for example in women-dominated sectors of the

economy such as agriculture, domestic services, the informal economy and EPZs), so have most to gain from the implementation of core labour standards. Possible reasons for this situation include ill-informed or impotent governments, patriarchal cultures and traditions, and even male-dominated trade unions. Core labour standards cannot only improve conditions directly, but also raise awareness and suggest solutions – and they also lead to new standards, such as the revision of the ILO convention on maternity protection. ILO standards have also progressed from granting special protection to women from hazardous work, or while pregnant, to promoting equality. It is important to ensure that when core labour standards are implemented, such as Convention 87 on freedom of association, it applies to all workers, including those in the informal sector or EPZs, so that women benefit equally. The freedom to organise allows women to campaign for other rights, such as equal pay for work of equal value and protection from sexual violence. The position of women outside the workplace was often a problem, for example many women's jobs were extended forms of non-employment work, such as domestic service. Trade unions needed to abandon the idea that there were 'no-go' areas, and extend their bargaining agendas (eg providing night transport) in response to the views expressed by women workers.

What trade unions and governments can do to promote labour standards in an era of globalisation

9. It was argued that trade unions and governments have a shared agenda on core labour standards and globalisation. The experiences and views of people in the developed world are contradictory – they like the increased choice and the low prices, but they don't like the resulting cultural and economic changes. While the economy and society as a whole benefits from globalisation, individuals may not. All too often globalisation was being used as an excuse for weakening workers' terms and conditions. Workers and voters in Japan, the US and Europe could respond by becoming protectionist and voting for protectionist parties and their legislative proposals. Sometimes, the perception that they will do so means political parties run

ahead of public opinion and lead that protectionist tide. Decisions to restrict labour mobility from Bulgaria and Romania throughout the EU was a possible example. But by advancing the case for universal core labour standards, unions could offer politicians an alternative narrative, securing working people's consent for further globalisation by offering workers the chance of greater security. This could also include more provision of training and infrastructural investment or measures like the EU Globalisation Fund.

10. Unions in the south reflected concerns that the positive effects of globalisation were passing many countries by, and that the impact of China's entry into global markets strengthened the case for labour standards across the rest of the south. Advocating universal labour standards was widely believed to be not protectionist. Southern trade unionists argue globalisation was being prosecuted in the south by elites without popular support, with higher profits for the few and greater poverty for the many (an analogy could be drawn to the North where increases in directors' returns were outstripping workers' wages). Unregulated globalisation could be equated with increased global insecurity. In the Nigeria oilfields, for example, local graduates were treated so badly that they seized the plant and held other workers to ransom until the unions intervened and negotiated better conditions in return for peace. In other countries, workers were being forced into the informal economy. Developing countries faced the prospect of supplying cheap labour for the global economy, or adopting core labour standards. Nevertheless, the argument was also made, including by trade unionists, that globalisation offered the best route out of poverty for the global south, and unions needed a more nuanced position than free trade versus protectionism. It was important to conclude the Doha Development Round of trade negotiations successfully, because otherwise bilateral deals would predominate and these could marginalise many developing countries.

11. These circumstances made the case also for a globalised trade union movement. The conference took place the week after the formation of the International Trade Union Confederation which would allow unions more

opportunities and more tools to deal with transnational corporations and global institutions. A new, broader agenda was needed, promoting democracy and the rule of law, bolstering the role of unions in civil society. The new trade union movement would be able to pursue an alliance with progressive governments to create 'globalisation with a human face', answering electorates' fears not with greater protection but with the protection of labour standards. In this context it was argued that the recent US Congressional elections had not yielded a protectionist majority but for a union-influenced labour standards strategy of fair and just, as well as free, trade. The EU was also reported to be working very closely with the trade union movement on these issues. But while governments in some parts of the developed world were working with unions on this agenda, too few governments in the south appeared ready to do so – only 15 governments (10% of the total) took trade unionists to the WTO Hong Kong Ministerial meeting as part of their delegations. Southern governments were sometimes starkly utilitarian. The experience of bilateral negotiations suggested they would trade labour standards against other issues even though, for example, no US free trade agreement had failed because of the US' insistence on including a labour clause. Consumers and NGOs might be a more productive set of allies for the trade union movement in this area, such as the fair and ethical trade movements.

12. The UK Companies Act, which had received royal assent the day the conference started, was regarded as a major step forward in corporate social responsibility. Company directors now had a duty to consider the impacts of their business on people and the environment. It was also an example of the need for governments to act consistently at home and abroad. The UK had ratified all eight ILO core conventions (three in the last decade), and saw no contradiction between trade liberalisation and labour standards. Core labour standards were an issue of fundamental human rights, but also an effective mechanism for poverty reduction. Unions and governments needed to do more to demonstrate the evidence base for that. The UK Department for International Development had recently agreed a three year Strategic Framework Partnership Agreement with the TUC, to increase union

involvement in international development and build relations with unions in the south. Governments also needed to assist union and business organisations. Special efforts are needed in transition economies, where unions have been part of the state apparatus. Sometimes this means working with the existing trade unions; in others it requires the creation of new union structures more responsive to workers' needs.

13. Governments could encourage transnational corporations to behave responsibly, and could support efforts to ensure supply chains do the same. However, the support of governments for regulatory reform (often perceived as rolling back regulations) was a problem for unions. The Companies Act was regarded as a triumph for lobbying by unions and NGOs. They could also do a lot to press international institutions (for example, the UK government's recent withholding of \$50 million from the World Bank) and could urge other countries to adopt labour standards. However, it was suggested that governments were not doing as much as they could, for example, pressing developing countries to include fundamental workers' rights in the Poverty Reduction Strategy Papers (PRSPs) process. Governments needed to talk to people, as well as other governments, and needed to put respect for core labour standards at the top of their human rights and foreign affairs approaches. There is some scepticism that governments would do this, because if done consistently, some of the beneficiaries of globalisation would lose out.

Trade and supply chains: economic levers for promoting labour standards

14. The European Union (EU) represents member states in WTO negotiations, and can play a crucial role in promoting core labour standards. The EU believes trade liberalisation can have positive and negative impacts. Its approach is based on minimising the number of losers and then assisting them. Although a reference was made in the Declaration of the Ministerial Conference in Singapore in 1996, core labour standards were not included in the Doha Development Round. They could, however, be reintroduced for the next round. The EU remains in favour of observer

status for the ILO in the WTO, and the International Trade Union Confederation (ITUC) produces reports on core labour standards in particular countries which the EU makes use of in its Trade Policy Reviews. In regional, bi-regional and bilateral trade arrangements, the EU does include labour standards, and the Generalised System of Preferences (and its successor, GSP+) provides trade incentives to those countries which abide by the core ILO conventions, although the EU is not keen on using sanctions. El Salvador has recently ratified the remaining core conventions ahead of a GSP+ review. The EU opposes using core labour standards for protectionist purposes, but promotes decent work and the role of the ILO in a number of other ways. The WTO accession process could also be used to press the case for core labour standards. It was considered vitally important to increase awareness. Developing country governments felt that the EU and US were using labour standards to progress their own agendas (especially when most offending transnational corporations were European or American in origin). In reality the rise in protectionism came from populations and governments, and unions needed to improve their explanation of the role of core labour standards in this process. Trade negotiators did not fully understand labour issues, particularly as trade issues and labour standards issues were dealt with by completely different parts of government. Aid could be used to improve skills and understanding, and support the greater engagement of trade unions in the South.

15. It was argued that the WTO provided implicit permission to include labour standards in bilateral trade agreements because there had never been a challenge to such language. The US free trade agreements included such language as the result of bruising battles between the AFL-CIO and the Clinton administration. The Jordan Free Trade Agreement (JFTA), signed for geo-political reasons, was probably the best example for unions. It contained a commitment on both countries to adhere to the core labour conventions and, where these went further, local labour laws (which would rule out their suspension in EPZs for instance). Crucially, it applied the same dispute resolution mechanisms and sanctions as in other areas of the JFTA, such as copyright and Intellectual Property Rights (IPR) infringements.

Unions in the US and Jordan were involved in negotiating the FTA, and it was being tested because of concerns about abuses of migrant workers in Jordan. Since the JFTA was agreed there had been a 25-fold increase in Jordanian exports to the US, but this was all down to migrant workers – there had been no reduction in Jordanian unemployment or poverty. FTAs in general, with or without sanctions, still provided benefits for trade unions in strengthening bilateral relationships, and the AFL-CIO had managed to shift unions' arguments on trade from 'stealing our jobs' to 'protecting other workers'.

16. The Ethical Trading Initiative (ETI), a tripartite organisation of 39 corporations with unions and NGOs, aimed to support improved implementation of labour standards by encouraging corporations to implement a voluntary code, the ETI Base Code, which includes the core ILO conventions as well as health and safety. The code is intended to be applied throughout corporate global supply chains, because campaigners have identified price pressures from purchasers as a major cause of poor working practices. Corporate members have inter alia tackled unrealistic lead times (eg Gap), or rewarding suppliers who provide decent standards with contracts (eg Nike). But companies cannot do this alone – they need global labour rules and pressure from all other stakeholders. It should not be assumed that the interests of consumers and investors were contrary to workers' interests. ETI aims to raise awareness of the human cost of current business models, reward good practice where corporations are doing the right thing, provide developing countries with a level playing field, and press organisations in the UK (including the public sector) to review their purchasing policies. Transnational corporations often operated differently in their own country and in the global south – but many large companies such as Wal-Mart, whose adherence to labour standards is questioned, account for 10% of US imports from China. Supply chains were often complex and attenuated, and information was critical to effective monitoring (for which unions on the ground were invaluable). There was some support for global framework agreements as a better mechanism than voluntary codes, but they can function together.

Can partnerships work?

17. Partnerships between stakeholders such as corporations, unions, campaigning NGOs and governments were felt to be very necessary but, to go beyond fine intentions, in practice very difficult to implement. As well as the ETI, there were sectoral initiatives such as Eliminate Child Labour in Tobacco Growing (ECLT), which brought together unions, corporations and producers, with ILO involvement, in an attempt to change behaviour. This required everyone to acknowledge each others' interests and motivations. There were regular problems such as in Malawi where government attempts to set a floor for tobacco prices with unions siding with the buyers to secure a deal. Governments understood they could not do everything themselves, and in particular relied on unions to draw their attention to problems over labour standards – as for example with the ITUC's work on freedom of association in Iran. Unions could also offer governments new ways to address problems, bringing their expertise to bear, for example on mine safety and labour arbitration in China. There were also lessons to learn from partnerships which had not worked. However lessons from failures were similar to those from successes: partners need to be respected, common ground had to be identified, synergies maximised, and expectations managed. Finally, when a partnership or approach was not working, it was important to give up and move on! Some interests were common, but others were irreconcilable (for example, businesses exist to make profits and that will not change). Sometimes, dialogue was more realistic than partnership; dialogue can involve shared knowledge and relationships which can lead to partnership. Partnerships can also be temporary rather than lasting, although even when they end, the partners rarely return to outright antagonism. There are often tensions between campaigning and partnership, but corporations do appoint people to address the issues raised by campaigners, and people in those jobs need the pressure of the campaigns to do their work. Unions need to reach agreements with employers, so while they often create or support campaigning NGOs,

sometimes the interests of unions come into conflict with campaigners. It is important that unions remember that they are not NGOs. Unions often found it easier to deal with good employers than with employer organisations who have to reflect 'harder line' members. Workers' capital (i.e. pension funds) can be helpful when dealing with the worse employers, but it is not possible to force through partnerships.

Regulating for labour standards

18. The ILO was the main institution for global rule making, with a good process for devising regulations which form the building blocks of labour legislation in most countries, as well as international instruments such as voluntary codes, eg the Global Compact, and measures like trade agreements. In the area of fundamental rights, the conventions have been widely ratified, but less progress has been made on training, wages, health and safety, social security and migration. The ILO has been less successful at updating conventions although it is now engaged in a potentially more productive process of standards reform. It is widely perceived as 'toothless', especially in the case of the worst violations, and often in the past its decisions were informed by external political factors, such as the Cold War (although it was noted that the original, pre-UN purpose of the ILO was to prevent the spread of bolshevism by addressing workers' concerns). The ILO's multinational enterprises declaration was backed by developing country governments and trade unions (and the USSR), but opposed by governments where most multinationals are based, and by employers. This was not a recipe for successful rule-making, although the declaration itself was a very good one. The debate on social clauses in the late 80s/early 90s saw a similar split between developed and developing countries and between employers and unions. Instead of a Convention, the debate produced a more productive outcome, the Declaration of Fundamental Rights, which has led to the widespread adoption of the core labour standards. The ILO could do little about such external political forces, but could concentrate on the less specific and more broad-brush approaches which worked best. Some were concerned about the evidence base for more specific legislation.

19. The ILO might be good at setting rules, and was getting much better at thinking about implementation, eg on technical co-operation, but other bodies might be better at implementation. Those other bodies should not be allowed to shy away from labour standards. Many felt it was now time for governments to turn, having adopted the core labour standards, to implementing them through other international fora such as the WTO, in Trade Policy Reviews which could be developed in the direction of social dialogue, ILO-WTO co-operation, the OECD and in IFIs. Employers now seemed permanently set against new enforceable measures and governments were following where employers led. Employers believed the size of the existing body of regulation was the main problem – the existing rights were not being challenged, and there was a need to address those parts of the labour market where regulation was ineffective, such as the informal sector. Implementation was another issue. Regulations were all very well, but they needed to have an effect in practice, and the behaviour of employers needed to be monitored transparently. Freedom of association and free collective bargaining were key rights because they allowed all other rights to be more effectively monitored and policed (and reduced the cost of inspection to the state). Unions needed to press their own national governments to build core labour standards into national approaches before they could successfully deliver in the international institutions: a top down approach was unlikely to be successful. Unions were challenged about whether the ILO was complacent, or whether it was the unions themselves. The ILO needed unions to be pro-active, challenge governments, challenge employers and indeed challenge the ILO itself!

Conclusions

20. There is no doubt core labour standards are fundamental human rights. However, that message needed wider dissemination. Voluntary methods are not an alternative to labour law, but until sanctions for non-compliance with the regulations were more effective, voluntary codes were often the best currently available. Allied

with increased union membership (unions should 'organise, not agonise!'), voluntary methods could be more useful. In the global village, it was uncertain who the chief is. Joined up government was hard, doubly so at international level, but progress was being made, even inside the WTO. More attention to the informal economy is needed, and core labour standards needed to be kept at the top of the international agenda.

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27 December 2006

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