



Labour standards and poverty reduction

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May 2004

One of the greatest moral and political challenges of our time is the ending of mass poverty. To ensure action on a global scale, and to assess progress, the international community has set itself ambitious targets for the reduction of poverty, embodied in the Millennium Development Goals and affirmed by governments worldwide at the UN Millennium Assembly in 2000. These have been adopted by major development agencies, and are supported by NGOs. They express the conviction that it is possible to improve substantially the living conditions and opportunities of the world's poor over the coming decade.

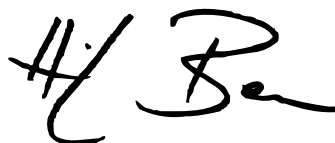
The MDGs can be achieved only if poor people themselves are involved in the decisions which affect their lives. They should therefore have the freedom to organise themselves in associations which promote their interests in the societies in which they live. They should not be subject to forced labour, or suffer from discrimination in the labour market. They should be able to maintain their livelihoods without having to make their children work rather than go to school. An essential part of poverty elimination is those human rights known as core labour standards: freedom of association and the right to free collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; and elimination of discrimination in respect of employment and occupation.

This paper is about the contribution that labour standards, well designed and implemented, can make to reducing poverty. Core labour standards are fundamental rights and freedoms that everyone should enjoy. The global system of setting and maintaining labour standards, under the leadership of the International Labour Organisation, also covers other areas – health and safety, social protection, maternity pay and so on. The levels

of these other standards are bound to vary between countries, but the existence of common principles helps all countries to develop economic and social policies that promote a decent working environment.

The importance of workers' rights and labour standards to poverty reduction shows why we, in the development community, need to strengthen our links with the trade union and labour movement, at all levels from the local to the global. I strongly believe that trade unions – and other labour organisations which represent workers in the informal economy – have a major role to play in helping to achieve the vision set out in the Millennium Declaration. The private sector, governments of developing countries and NGOs also have their roles to play in relation to labour standards, but our links with them are much better established. We therefore need particularly to improve our links with organisations that represent workers – whether small, local and informal associations, or big, national or international organisations.

In preparing this paper we have benefited enormously from the contributions of a range of people from trade unions, NGOs, the private sector, research institutions, international development organisations and governments. I want to thank all those who have helped us to understand better the complex issues and human experiences involved, and I look forward to working with you to turn these principles into practical action that helps improve people's lives.



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**Secretary of State for International
Development**

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ABBREVIATIONS

ACFTU	All-China Federation of Trade Unions
AIDS	Acquired Immune Deficiency Syndrome
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
COB	Central Obrera Boliviana
CTUC	Commonwealth Trade Union Council
DFID	Department for International Development (UK)
EPZ	Export Processing Zone
ETI	Ethical Trading Initiative
EU	European Union
HIV	Human Immune Deficiency virus
ICESR	International Covenant on Social and Economic Rights
ICFTU	International Confederation of Free Trade Unions
IDA	International Development Association
ILO	International Labour Organisation
MDGs	Millennium Development Goals
MNEs	Multinational Enterprises
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
TUAC	Trade Union Advisory Committee (to the OECD)
TUC	Trades Union Congress
WEA	Workers' Educational Association
WTO	World Trade Organisation
ZCTU	Zambian Congress of Trade Unions

ACKNOWLEDGEMENTS

Andy Norton and Adrian Wood of DFID's Policy Division prepared this report, with much assistance of many kinds from other people, within and outside DFID. A wide range of organisations and individuals commented helpfully on two consultation drafts. Valuable comments were given also by participants at meetings at the ILO in Geneva and in a workshop at DFID headquarters, facilitated by Sarah Ladbury, where Annie Watson (CTUC), Dan Rees (ETI), John Fisher (TGWU), James Howard (ICFTU), John Evans (TUAC), Patrick Belser (ILO) and Catherine Astill (CAFOD) were discussants and panelists. Helpful comments on an earlier draft were also provided by Patrick Belser, Richard Freeman of Harvard University and the London School of Economics, Giampiero Alhadeff of Solidar, and David Mephram of the Institute for Public Policy Research. A fuller list of contributors and commentators is in Annex 2. Preparing this report has given DFID a welcome opportunity for dialogue with Trade Unions, the private sector, NGOs, research institutes and international organisations, but DFID takes full responsibility for its content.

This paper argues that the effective and well-judged implementation of labour standards – rules which govern working conditions and industrial relations – can play an important part in the reduction of global poverty and in achieving the Millennium Development Goals agreed by the international community. It also outlines ways of putting this approach into practice.

The ILO's 1998 Declaration on Fundamental Principles and Rights at Work sets out four core labour standards that are binding on all ILO member states: freedom of association and the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; and elimination of discrimination in respect of employment and occupation. These four core labour standards are regarded as fundamental human rights and freedoms, universally applicable. In addition, a wide array of other standards (referred to as 'substantive' standards in this paper), covering issues such as minimum wages or health and safety, are of concern to workers, activists and consumers around the world, but their content and implementation vary according to national circumstances.

The social case for labour standards as a means of reducing poverty rests partly on the importance of core labour standards as fundamental human rights and freedoms. Eliminating discrimination in respect of employment and occupation, for example, can improve opportunities for disadvantaged groups (such as women, disabled people or ethnic minorities). A robust system of labour rights and standards can also contribute to social and political development. Freedom of association is a fundamental political right, and labour organisations can play a key role in the development of responsive and democratic politics. The implementation of substantive labour standards also has a role in public policy

for poverty reduction. Effective occupational health and safety regulations, for example, protect households from being plunged into poverty through injury or loss of working members.

The economic case for core labour standards as a means of reducing poverty overlaps with the social case. Social and political stability, to which labour standards can contribute, increases private investment, including foreign investment. Freedom of association can enhance market effectiveness by increasing freedom of choice, equality of bargaining power and availability of information. Freedom from discrimination reduces the risks of skills and capabilities being wasted. Elimination of exploitative child labour improves economic prospects by getting more children educated.

There is also an economic case which goes beyond core labour standards to support substantive standards, such as minimum wages and obligations to provide decent working conditions. Such specific labour standards can raise productivity – by boosting labour motivation and effort, by improving workers' health, and by inducing employers to adopt new business strategies. Good wages and working conditions can reduce wasteful labour turnover, while the empowerment and security of workers can facilitate creativity and cooperation in the workplace.

However, action to promote the rights of the poorest workers in the world must be tailored to their needs. Most of these workers are not members of formally recognised trade unions, though some are represented by other sorts of associations. Many of them are self-employed, particularly in agriculture, and many would be glad to get any sort of regular wage employment. It is thus crucial to act in ways which promote employment for unskilled workers and socially disadvantaged people;

and to empower workers both within and outside unions to claim better treatment from employers and governments. Action to promote workers' rights must be careful not to restrict the livelihood opportunities of poor people in developing countries by pricing them out of jobs, whether in firms producing for foreign markets or for the home market, nor by intentional or unintentional protectionism in developed countries.

An agenda for the promotion of workers' rights and labour standards by the international development community could include the following:

i) Supporting workers' rights, and labour standards for poverty reduction, through policy dialogue.

New instruments of development co-operation (such as Poverty Reduction Strategy Papers, PRSPs) provide, at least in some countries, opportunities for innovative policies to reduce poverty. The World Bank could help in this area through a more active approach to core labour standards and human rights. The ILO should further develop its capacity to enhance workers' rights and labour standards through PRSP processes.

ii) Supporting workers' rights through technical assistance and capacity-building.

Programmes to build the capacity of developing countries to set, implement and monitor effective labour standards can play an important role in global poverty reduction – as can building the capacity of unorganised sections of the workforce to act collectively. In addition, improving the access of ordinary people to the justice systems of their countries is vital if formal rights, such as the right to organise, are to be exercised effectively.

iii) Creating alliances between workers in the formal sector and those not

traditionally protected by labour institutions.

In many countries the labour movement has tended in the past to focus on its members in the formal economy rather than on the most vulnerable people (workers in the informal economy, homeworkers and migrants). This focus has sometimes reflected government restrictions on the scope of union activity, but in many parts of the world it is changing, both through the emergence of new forms of labour organisation, representing women homeworkers for example, and through the recognition by large formal sector unions of the need to change and build new constituencies. To pursue social justice in solidarity with all workers, labour movements need to develop these innovations and continue to broaden the scope of their activity. Because of its unique structure, and its links with both the development community and the international labour movement, the ILO is well-placed to facilitate debate and change in this area.

iv) Strengthening international political and legal mechanisms to deal with states that persistently abuse human rights.

Violations of workers' rights and core labour standards are generally accompanied by other serious violations of human rights. The global community should strongly support efforts in the UN to strengthen the international legal framework for addressing human rights violations, and to strengthen the effectiveness of the ILO. The political mechanisms of the UN seem better suited to this task than the compensatory mechanisms of the World Trade Organisation, but the contentious debate about whether and how to address issues of labour standards in multilateral trade agreements is likely to continue.

v) Broadening the global coalition for poverty reduction.

To realise the vision of global poverty reduction

SUMMARY

embodied in the Millennium Development Goals, a broad coalition will be needed – which must include the international labour movement. This will require the international development community to put greater emphasis on workers' rights as an effective means of poverty reduction. It will also require the international labour movement to engage more actively with other aspects of global poverty elimination. For example, activism for labour standards should be broadened to encompass advocacy for improved access of developing countries to developed-country markets, for two reasons: globalisation increases the pressure for application of labour standards in poor countries; and such a stance would help to persuade the governments of developing countries that labour standards advocates in the north are motivated by solidarity and human rights rather than protectionism.

The Department for International Development (DFID) will continue to support poverty reduction through promoting core labour standards with: a £15 million programme of collaboration with the ILO; projects to combat child labour, trafficking and forced labour in many parts of the world; partnerships with business, NGOs and trade unions (such as the Ethical Trading Initiative and Strategic Grant Agreement with the TUC), and the development of practical tools to apply labour standards (as in the Social Aspects of Construction project). DFID will also establish contact points on issues related to labour movements and labour standards in its Policy Division and its Information and Civil Society Department; engage in regular consultations with interested stakeholders from unions, the private sector, international organisations, NGOs and other government departments; and engage at the country level in dialogue with appropriate representatives from national labour movements as well as other parts of civil society.

1. INTRODUCTION

1.1 This paper aims to show how the realisation of workers' rights – particularly those known as core labour standards – can contribute to global poverty reduction. The paper also suggests ways in which the global development community can increase respect for core labour standards.

1.2 The international community has set itself ambitious targets for the reduction of poverty, embodied in the Millennium Development Goals [Box 1]. These goals reflect a long process of global dialogue, led by major UN conferences, and have been reaffirmed by governments, worldwide at the Millennium Assembly in 2000. They have been adopted by the International Financial Institutions and by the Development Assistance Committee of the OECD, and are supported by most NGOs. They are built on a conviction that it is possible to

improve substantially the living conditions and opportunities of the world's poor over the coming decade and a half.

1.3 The achievement of the goals requires the mobilisation of a global coalition to support action for poverty elimination. The effectiveness of this coalition could be enhanced by the support of the international labour movement and by increased attention to core labour standards for poor people.

1.4 The paper discusses in turn: the definition of labour standards; the social and the economic arguments for labour standards; and the organisations and means for promoting labour standards. The paper concludes by summarising a range of options for the global community to promote workers' rights and poverty reduction more effectively.

BOX 1: THE MILLENNIUM DEVELOPMENT GOALS (MDGs)

The MDGs are milestones against which progress towards the goal of poverty elimination can be measured. Each goal has accompanying targets for 2015 and indicators, set out in the UN Secretary-General's Millennium Summit Declaration.

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a global partnership for development

2. WHAT ARE LABOUR STANDARDS?

2.1 Labour standards are rules that govern working conditions and industrial relations. They range from fundamental human rights such as freedom from forced labour and freedom of association to more specific rights such as health and safety, maternity leave or minimum wages. Formal labour standards may be established at the national level, in the form of laws or regulations, or at the international level through global or regional institutions. However, labour standards may also be informal, established through norms and values in the 'living law' of institutions and communities.

2.2 Workers' rights build on labour standards. They are claims for decent or fair treatment that workers make on other parties (employers, contractors or the state) and that are recognised as legitimate by some structure of authority. In the case of labour standards which are also internationally recognised human rights, such as those outlined in the Universal Declaration of Human Rights, it is the inter-governmental processes of the UN system that ultimately provide this authority. The maintenance of a system that sets and monitors standards is important, but the action of workers in pursuing and enforcing their rights is also fundamental.

2.3 National labour standards are usually in principle mandatory, with provisions for sanctions on employers in the case of non-observance. International labour standards set out in treaties are binding only on the states that ratify the treaties. But some workers' rights – including freedom from slavery and forced labour – are regarded as part of 'customary international law' and therefore binding on all states regardless of the treaties ratified. In most countries, though, individuals cannot enforce international treaty rights in national courts unless the treaty has been incorporated into national law through

legislation. International labour treaties, such as ILO Conventions, are binding when ratified and subject to monitoring by the ILO Committee of Experts. However, there are very limited means of enforcing the obligations against a non-complying state.

2.4 The ILO Conventions, numbering over one hundred and eighty, constitute the most comprehensive set of international labour standards. Their range and detail, combined with low levels of ratification of some of them by member governments, was recognised as a problem by the early 1990s. The international community recognised the need to identify a core set of labour standards which would establish a floor for decent and fair treatment of workers - and to establish new and more vigorous mechanisms to promote these. These are known as Core Labour Standards, and are defined with reference to a small number of key Conventions. They are the basis of the ILO Declaration on Fundamental Principles and Rights at Work, which was adopted by the International Labour Conference in June 1998. The Declaration means that all ILO member states, even if they have not ratified the Conventions in question, have an obligation, arising from their membership in the ILO, to respect, promote and realise certain principles. These are:

i) freedom of association and the effective recognition of the right to collective bargaining (Conventions 87 and 98);

ii) elimination of all forms of forced or compulsory labour (Conventions 29 and 105);

iii) effective abolition of child labour (Conventions 138 and 182); and

iv) elimination of discrimination in respect of employment and occupation (Conventions 100 and 111).

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2.5 A procedure was adopted under the follow-up to the Declaration to have an annual review of the situation of all States that had not ratified all the Core Labour Standards, to encourage them to make progress in both implementation and ratification. This promotional review, which relies on technical cooperation, is gradually applying to fewer states each year as the related Conventions become more widely ratified.

2.6 Although the ILO asserts that all of its Conventions are human rights instruments, the Core Labour Standards have a special status as fundamental rights and freedoms, for two main reasons. Firstly, the ILO's Declaration on Fundamental Principles and Rights at Work clearly indicates the special status of Core Labour Standards. It refers to them as 'enabling' rights as they enable people to "claim freely and on the basis of equality of opportunity, their fair share of the wealth which they have helped to generate, and to achieve fully their human potential." Secondly, Core Labour Standards are strongly represented in other human rights instruments. The Universal Declaration of Human Rights includes the right to just conditions of work and freedom of association. All of the Core Labour Standards provisions are also present in the International Covenant on Economic, Social and Cultural Rights.¹

2.7 Labour standards which are human rights are universal in application. Beyond the four ILO Core Labour Standards, however, workers, activists and consumers around the world care about a wide range of other standards – such as minimum wages, or working hours – that directly affect labour conditions. These more specific standards are referred to in this paper as 'substantive' labour standards.² They are set in statute law and are not universal rights. Any attempt to apply categories is likely to be complex in practice. For example, a human rights instrument, the Convention on the Elimination of All Forms of Discrimination (CEDAW), provides a right to maternity pay as a universal principle – but setting its level is a matter for national statute law.

2.8 Norms and standards need to evolve to take account of changing situations. A recent example is the ILO's response to problems of discrimination against people affected by HIV/AIDS. The ILO code of practice on this, launched in June 2001, outlines workers' rights with regard to a range of issues, including: protection against discrimination on the basis of real or perceived HIV status (in relation to employment or access to statutory benefits); the failure to uphold confidentiality of HIV status; and HIV testing without consent or as a requirement of job applicants.

¹ Although all four CLS principles are present in the ICESR, free collective bargaining is not specified, although its accompanying principle of freedom of association is.

² Following Dessing (2001). Elliott and Freeman (2003) describe them as 'cash standards'.

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BOX 2: HUMAN RIGHTS AND DEVELOPMENT

The basis of DFID's approach to human rights and poverty reduction is outlined in the document *Realising Human Rights for Poor People* (2000). The human rights approach to development means empowering people to take their own decisions, rather than being passive objects of choices made on their behalf. It means ensuring that poor people's voices are heard when decisions which affect their lives are made. It seeks to enable all people to be active citizens with rights, expectations and responsibilities. DFID's approach is based on three principles:

Participation: enabling people to participate in, and access information relating to, the decision-making processes which affect their lives;

Inclusion: building socially inclusive societies, based on the values of equality and non-discrimination, through development which promotes all human rights for all people;

Fulfilling obligation: strengthening institutions and policies which ensure that obligations to protect and promote the realization of all human rights are fulfilled by states and other duty bearers.

3.1 There are both social reasons and economic reasons why labour standards can contribute to poverty reduction.

THE SOCIAL ARGUMENTS

3.2 The social case rests largely on the status of core labour standards as fundamental human rights and freedoms, which everyone should enjoy. For DFID, therefore, the commitment to core labour standards is one aspect of our broader rights-based approach to poverty reduction, outlined in Box 2. The principle of freedom of association is fundamental to rights of participation, while the core labour standards addressing discrimination in employment and occupation are key to promoting social inclusion for disadvantaged groups (such as women, people with disabilities, subordinate or marginal ethnic, religious or regional groups)³.

3.3 Core labour standards also contribute to the sustainability of development processes. They reduce the risk of social and political instability by enhancing equity and social

justice. Strengthening workers' rights also increases the ability of people to withstand the impacts of shocks which often affect developing countries, whether macro level, such as financial crises, or household level, such as illness. Freedom of association has been critical to the development of improved social protection of workers through political campaigning and other action by labour movements (Norton et al 2001). Core labour standards provide a framework of rights and responsibilities – for firms, governments and workers – to underpin a production process which assures the dignity and well-being of all involved.

3.4 Improved recognition and conditions for women homebased workers can help to combat gender discrimination.⁴ In parts of the developing world, women's informal employment – for example, in traditional handicrafts or in assembling garments or shoes for local factories – is expanding as a result of shrinking formal employment and difficulties in agricultural production. And although women based at home are the most invisible of all

³ ILO (2003a) extensively discusses issues related to discrimination and employment.

⁴ Homeworkers Worldwide, submission to the consultation process.

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informal workers, core labour standards matter to them, too. Freedom of association can allow them to take collective action to negotiate better prices and opportunities to bid for work. Better earnings and working conditions for homebased women workers can also reduce child labour, which itself is often homebased.

3.5 Substantive labour standards in areas such as social protection and occupational health and safety, also have a role in public

policy for poverty reduction. For example, evidence from many parts of the world shows that injury or loss of a key productive household member is highly likely to plunge a family into deep poverty⁵. Effective measures to promote occupational health and safety can thus help to reduce a common source of vulnerability.

3.6 Sengenberger (2002) argues that the system for setting international labour standards enables countries approaching a

BOX 3: CORE LABOUR STANDARDS IN CHINA

Since economic reform started in 1978, some 300 million people have been lifted out of poverty in China, most of them in rural areas. Urban workers in state-owned enterprises formerly had more rights than rural workers and enjoyed a more secure and comfortable existence, with health and education services provided by the enterprise and comprehensive legislation on health and safety. However, the processes of liberalisation – as well as promoting growth and reducing poverty – have reduced the statutory protection that workers used to enjoy, and regional disparities are widening.

Independent trade unions and collective bargaining (outside the framework of the official All-China Federation of Trade Unions) are banned, and attempts to organise such unions have been suppressed. In areas other than freedom of association, the Chinese labour code is strong, but inadequate regulatory capacity and corruption mean that enforcement is weak. Criticisms have also been voiced about prison labour and other forms of forced labour, which the Chinese authorities strongly contest.

However, there are signs of improvement. The codes of conduct applied by international companies are leading some suppliers to apply pressure to democratise the local branches of the ACFTU, in order to comply with provisions on freedom of association. While the direct impact of this is tiny in relation to the size of the Chinese economy, the examples could be influential and build on space opened up by changes in China's labour law in 2001.

Elliott and Freeman (2003) argue that China's growing role in the global economy will lead to increased pressure from consumers and investors to improve the rights of its workers. They also argue that the Government's reluctance to embrace freedom of association arises mainly from the fear of a challenge to the authority of the Communist Party and consequent political instability, but that integration into global markets will accelerate the recognition that independent unions can contribute to long-term social stability rather than undermining it.

Sources: Elliott and Freeman (2003), Human Rights Watch (2002), Yeung (2001), Chen and Wang (2001), Financial Times, December 12 2002, p14

⁵ See, for example, Hulme (2003), Sen (2003).

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particular policy issue for the first time to benefit from the experience of other countries in dealing with the problem in question. The international learning process underlying the setting, implementation and monitoring of labour standards through the ILO thereby produces better outcomes, more efficiently, than if each country were to devise and implement standards on its own. The international basis of the norms involved also creates a framework for global action and solidarity for workers, consumers and investors interested in social justice.

3.7 A robust system of labour institutions, rights and labour standards is important not only for social and economic development, but also for political development. Freedom of association is critical to the development of responsive political systems. This is true in a general sense – the freedom of workers to form associations is part of a broader set of political rights which allow for the freedom of citizens to form associations of all kinds, including political parties. But the development of labour institutions also has a specific role in the evolution of responsive and democratic polities. Democracy requires organised groups of citizens with common interests. For this reason, the core labour standard of freedom of association is often a critical issue in broader processes of political transition. This is illustrated by Box 3 on China, and by the key roles played by unions in political transitions in Poland and South Africa. But for labour organisations to be a force for the generation of a democratic society, they must strive to be both inclusive and accountable.

THE ECONOMIC ARGUMENTS

3.8 The economic case for labour standards as a means of reducing poverty overlaps with the social case. Improvement of social and political stability, to which labour standards can

contribute, is often critical to achieving higher levels of private investment, including foreign investment (Kucera 2001); and higher levels of investment can contribute to reducing poverty by raising productivity and hence wages.

3.9 The economic case has two other elements. One refers mainly to core labour standards. For markets to function effectively, institutions are needed to underpin freedom of choice, equality of bargaining power and availability of information. Freedom of association and the right to organise can contribute to these institutions. Freedom from discrimination raises economic efficiency by ensuring that skills and capabilities in the workforce are not wasted through the exclusion from labour market opportunities of women, disabled people, or those marginalised because of their religion, ethnicity or regional origin. Elimination of exploitative child labour improves long-term economic prospects where it increases the chances of children getting educated.

3.10 The final element of the economic case goes beyond core labour standards to support substantive standards such as minimum wages, obligations to provide decent and safe working conditions, and formal systems of social insurance and social protection. Such standards can raise productivity – by boosting labour motivation and effort, by improving workers' health, and by inducing employers to adopt new business strategies (Belser 2002, Sengenberger 2002). Good wages and working conditions can reduce wasteful labour turnover, while the empowerment and security of workers can facilitate creativity and cooperation in the workplace.

3.11 Although it is widely accepted that the implementation of labour standards can raise productivity, there is more debate about their effects on labour costs – the issue being

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whether and in what circumstances standards raise wages and other costs to employers by more than they raise productivity, and hence on balance discourage employment by making labour more expensive. The empirical evidence (summarised in Box 4) is mixed, but some of it suggests that free collective bargaining does tend to raise labour costs in manufacturing. Higher labour standards do not appear to discourage foreign investment, but the available evidence neither conclusively confirms nor conclusively refutes the concern of some governments in poor countries that adopting higher labour standards might make them less competitive in world markets for low-skilled, labour-intensive manufactured exports such as garments and footwear.

3.12 Even where employment might be reduced by higher labour costs or standards, however, it is crucial to keep a sense of proportion – to assess the likely size of any costs, and to weigh them against other sorts of benefits. For instance, slavery or cruel and exploitative child labour could not be justified on the grounds that it provided employment. Likewise, substantive standards can often be improved at a low cost – lack of fire extinguishers, no time to go to the toilet, and physical violence and sexual harassment by supervisors are among the common complaints listed by Elliott and Freeman (2003). Minimum wages have been demonstrated to have little or no adverse effect on employment, provided that they are not set at too high a level.⁶

3.13 It is also clear from studies of foreign investment and of exports that labour costs and labour standards are rarely the most important of the many influences on the decisions of firms, so that improvements in other areas – the quality of infrastructure, for example – can allow a country to increase both its labour standards and its competitiveness.

Moreover, as Elliott and Freeman (2003) argue, increasing activism among consumers and investors in developed countries has created a ‘market’ for higher labour standards that can make higher labour standards and increased involvement in international trade mutually reinforcing. In this ‘virtuous circle’, unilateral improvement of standards can make particular developing countries more attractive to foreign firms that care about their brand image, while developing countries with low standards that get more heavily involved in trade will experience more intense external scrutiny and pressure to improve their standards.

3.14 Despite all this, though, many developing country governments are likely to continue to perceive a trade-off between higher labour standards and greater competitiveness, especially if they are seeking to create employment for a workforce with relatively low standards of education and skills.⁷ In particular, concern about such a trade-off makes governments of low-income countries unwilling to raise labour standards unless they can be confident that other countries competing in the same markets will also raise their standards. This concern is often raised with respect to China, which is by far the world’s biggest exporter of labour-intensive manufactures. It is also reflected in the ILO’s Constitution, according to which “the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries”. It is this concern that requires action to raise labour standards to be internationally coordinated, as is argued throughout this paper – but is also what makes such action difficult.

3.15 Action to raise labour standards also needs to be coordinated within countries. A widespread and long-standing concern about

⁶ Evidence on the effects of minimum wages in the USA is presented in Card and Krueger (1995). Fears that the recent introduction of a minimum wage in the UK would significantly reduce employment proved to be unfounded (Metcalfe 2004).

⁷ For example, this is why governments in some countries (e.g. Sri Lanka, Mauritius and Bangladesh) are resisting the campaigns of unions to extend the coverage of national labour standards to Export Processing Zones (enclaves set up to encourage inward investment in light manufactures).

BOX 4: CORE LABOUR STANDARDS AND COMPETITIVENESS – THE EVIDENCE

Studies (mainly of developed countries) yield strong evidence that freedom of association and collective bargaining allow workers, especially unskilled ones, to negotiate higher wages and better working conditions. In OECD countries, the wages of unionised workers are up to 20% higher than those of non-unionised workers (Blanchflower and Freeman 1992). Moreover, each of the thirty studies reviewed by Filer et al. (1996) shows that in the USA the wage difference between unionised and non-unionised workers is higher for unskilled than for skilled workers, by an average of about 15%. In developing countries, the few studies available suggest that wage differences between unionised and other workers tend to be smaller than in OECD countries (Rama 2003), and cause only small economy-wide losses of efficiency (Aidt and Tzannatos 2002).

Cross-country research on the economic effects of higher labour standards is hampered by the lack of good measures of labour standards. As Elliott and Freeman (2003) note, studies that rely on the number of ILO conventions ratified fail to allow for variation in implementation (the USA, for example, ratifies few conventions but implements them rigorously). There is also the problem of disentangling the impact of labour standards from that of other forces – effects may appear or disappear, depending on what other variables are included in the analysis. As a consequence, the results of studies have varied and most of them have been disputed.

As regards the impact of labour standards on labour costs, the OECD (1996, 2000) finds no correlation between the implementation of union rights and real wage growth, but most other studies suggest a connection. Rama (2001) discovers a positive, though small, association across countries between the number of ILO ratifications and the annual growth rate of labour costs in manufacturing. Rodrik (1996) finds that labour costs (wages relative to productivity) increase significantly with the number of ratified core ILO conventions. A similar link between manufacturing labour costs and labour standards is found by Kucera (2001), particularly for free collective bargaining. Belser (2001) likewise finds that union rights push up average labour costs by increasing the wages of low-educated workers, especially in the textile and construction sectors.

The OECD studies (1996, 2000) also found no evidence that higher labour standards reduce foreign direct investment. This conclusion is supported by other studies – the explanation being apparently that any adverse effect via higher labour costs is offset by positive effects via greater social stability (Kucera 2001). However, many jobs in labour-intensive manufacturing for export, particularly of clothing and shoes, are not in foreign-owned firms (i.e. in firms financed by foreign investment), but in locally-owned firms producing under contract for foreign buyers, so it is important also to look directly at the effects of labour standards on trade flows.

The OECD (1996, 2000) finds no relationship between core labour standards and sectoral trade patterns or export performance (measured as the share of manufactured exports in world trade). By contrast, studies by Rodrik (1996) and Mah (1997) suggest that high labour standards can diminish the comparative advantage of developing countries in labour-intensive goods such as textiles and clothing. The results of Rodrik and Mah are disputed by Morici and Schulz (2001) and by Flanagan (2002), but are consistent with work by Belser (2001), who finds that higher labour standards tend to reduce labour-intensive manufactured exports. The effect of labour standards on trade is thus an area where there is clearly a need for further research, which among other things should distinguish more systematically between different sorts of standards – the impact of reducing discrimination against women, for example, is unlikely to be the same as that of outlawing forced labour or allowing free collective bargaining.

3. THE CASE FOR LABOUR STANDARDS

efforts to improve labour standards in developing countries is that legislation and union activity tend to be limited to a few parts of the economy – typically the public sector and large firms – and not to cover the majority of workers, who are employed in smaller firms or self-employed, many of them in agriculture. The concern is not so much about the incompleteness of coverage as about the possibility that higher wages and standards in the part of the economy that is covered discourage employment there and thus slow the movement of labour from agriculture and other traditional activities into factories and other new forms of employment in the formal economy. Moreover, if not enough jobs are created in the formal economy, the increased surplus of labour in the rest of the economy could drive wages there even lower.⁸

3.16 Since the objective is to reduce poverty, this concern evidently has to be considered seriously, since it implies that efforts to raise labour standards could, if wrongly designed or implemented, harm poor people by reducing their chances of getting better jobs or by lowering their earnings.⁹ The evidence on this point is disputed: looking across countries, higher labour standards are clearly associated with higher, not lower, shares of employment

in the formal economy, but it is less easy to refute the argument that within countries growth of formal sector employment is slowed if standards are raised too high, too soon (Galli and Kucera 2003). Governments, firms and unions, in seeking to improve working conditions, should thus aim for policies and standards which can be afforded by most employers in the country concerned, so that they will benefit the widest possible range of people, especially poor people.

3.17 To conclude this review of the case for labour standards, it is clearly important, as with any other policy instrument for poverty reduction, that actions should be carefully planned to maximise benefits and avoid unwanted side-effects. But there are strong social and economic arguments for making the improvement of labour standards a part of the international community's strategy to achieve the MDGs. Such a strategy will need to involve poor people and to give them space to define what they see as the priority needs, actions and challenges. This will call for new approaches and alliances, and require the various members of the development community (governments, multilateral development agencies, labour movements and NGOs) to have the creativity and commitment to find new ways forward.

⁸ A possible exception to this generalisation is discussed by Dessing (2001), who notes that higher wages for formal sector workers might make it less necessary for their family members to seek employment in other sectors.

⁹ This point is emphasised by Singh and Zammit (2000).

4. ORGANISATIONS AND MEANS

4.1 The following sections look at the organisations and means involved in the promotion of labour standards for global poverty reduction, and discuss their strengths and limitations.

LABOUR MOVEMENTS

4.2 The labour movement has been the most important historical driver of labour standards and workers' rights. Direct action by workers to claim both rights from employers and the recognition of their rights by the state has been the most significant instrument for promoting labour standards. Such action ranges from the traditional and familiar forms (withdrawal of labour, working to rule, boycotts of abusive employers) to a range of new areas such as media campaigns, lobbying and educational work, which have evolved in response to the changing local and global conditions in which unions now work. In some countries and periods, direct action has of course been highly disruptive to economic activity. But these extreme cases are often due to the absence, rather than the presence, of established workers' rights and labour standards. Historically, direct action has been necessary to place workers in a position where their representatives can negotiate directly with employers or the state to promote their interests. Labour movements have also frequently led historic struggles for other fundamental rights – such as democracy,

political representation and the provision of basic education and healthcare. In many parts of the developing world union activists continue to face great personal risk (Box 5). This applies particularly in situations where the labour movement is in the forefront of struggles for political change and democratisation.

4.3 The global labour movement today is a complex and differentiated community. Although the union movement is generally perceived as part of 'pro-poor' civil society, some trade unions exist to represent specific groups of workers and cannot therefore be expected to act as agents for broader categories of poor people. However, the union movement gets much of its legitimacy through being a force for greater equity and social justice. It is this claim which requires that unions take seriously policy debates which may challenge some of their own practices and assumptions. In particular, in representing the interests of formal sector workforces in developed and developing countries, labour movements should consider whether their actions will impede or constrain the opportunities of poor people who work outside those arenas.

4.4 Within many developing countries, what can be seen as 'informal' labour movements (community organisations, producer or trader associations, women's

BOX 5: LIFE AND DEATH IN THE LABOUR MOVEMENT

ICFTU's survey of Trade Union Rights Violations identifies Colombia as the most dangerous country in the world for trade union activists. Unionists and their families live under constant threat of assassination and kidnap. According to the ICFTU, 184 trade unionists were killed in Colombia in 2002, 9 'disappeared' and 80 had to flee the country. A protection programme established in 1999 has been ineffective. In those cases where investigations have been opened, few have been satisfactorily resolved.

BOX 6: COLLECTIVE ACTION FOR INFORMAL WORKERS IN INDIA

Workers in the informal economy have been organised largely by NGOs and activists, some of whom hailed from the trade union movement, rather than by formal organised-sector unions. The most effective and wellknown intervention to organise informal workers and the self-employed is that of SEWA (Self Employed Women's Association). In 1972 SEWA fought for and won the right of groups of self-employed workers to be registered as trade unions even though they had no recognised employers.

This proved a watershed and resulted in numerous efforts to mobilise and organise workers across the country through 'new' model unions, co-operatives, and self-help groups. These movements have been driven largely by the needs of the workers themselves. Thus, hawkers in Ahmedabad have bargained for the right to conduct economic activity without harassment from municipal staff; domestic workers in Bangalore have arranged crèche facilities for themselves; self-employed women in Madhya Pradesh targeted alcoholism as their key problem; wastepickers in Pune rehabilitated rag-picker children into more dignified jobs; tribal women in Orissa sought the right to collect forest produce as well as rights to land; several have sought to provide credit and insurance facilities to their members.

The evolution of informal labour movements, especially those organising women, indicates the need to go beyond traditional negotiations undertaken by formal trade unions using techniques such as strikes. Obviously this presents a challenge for traditional centralised unions (if they were seriously to take up the challenge of organising the informal economy) in terms of the way in which they operate. So far, the large organised trade unions have not made significant investment in organising informal economy workers, except for a few examples in Maharashtra and West Bengal. The emergence of new forms of labour organisation such as SEWA, linked to new social movements, provides an opportunity for the union movement as a whole to strengthen its long-term legitimacy as an agency for social justice.

associations and NGOs) have been the main champions of the labour rights of the poorest sections of the workforce. Box 6 describes the evolution of collective action in the informal economy in India – poor and marginal workers claiming rights and developing their own labour institutions. The Self Employed Women's Association (SEWA) is an example of a new type of labour institution – focused on the informal economy and female workers in the most disadvantaged situations, but active in terms of organisation and advocacy at multiple levels. Within India, for example, the case for pensions' rights for home-workers was lost at the State level (in Gujarat) but won on appeal to the national courts. At the global level SEWA was instrumental (with the support

of the International Confederation of Free Trade Unions) in the campaign to develop an ILO Convention on Home Work, passed in 1996 (Moser et al 2001).

4.5 Globally, the union movement is changing. In part this is reflected in the development of new forms of labour organisation, such as SEWA. But there are also many examples of traditional unions re-thinking their approach to previously unprotected sectors of the workforce. In South Africa, for example, unions played the lead role in a campaign to extend the provisions of the basic Conditions of Employment Act and the Unemployment Insurance Fund to domestic workers – a vulnerable and predominantly

4. ORGANISATIONS AND MEANS

female section of the workforce¹⁰. Since the early 1990s the Ghana Trades Union Congress has had a policy of encouraging its affiliates to develop relationships with workers in the informal economy and their associations (Anyemedu 2000). The Zambia Congress of Trade Unions (ZCTU) has supported activities to strengthen the organisation and representation of informal economy workers. This has led to the formation of the Alliance of Zambian Informal Economy Associations in 2002 which now works closely with the ZCTU to represent more than two million informal economy workers.¹¹

4.6 Nonetheless, it seems reasonable to conclude that, in order to ensure that their actions support broader processes of poverty reduction, unions in developing countries need to build further on the initiatives already in place to organise wage workers in the informal economy (including those who work on casual terms within the formal sector), and reach out to form alliances with marginalised sections of the workforce. In most developing countries at

present, membership of unions omits the great majority of the labour force, including most of those who suffer from discrimination on grounds of gender, ethnicity, disability, age or other characteristics¹². At the same time, governments need to take complementary measures to improve the situation of workers in the informal economy. These may include extending property rights to informal economy producers as well as workers' rights to informal economy employees. Such government action is needed to provide a legal basis for workers to organise into trade unions in unprotected, marginalised and informal occupations.¹³

4.7 For the international trade union movement, the challenge is different. It made huge progress in the latter part of the twentieth century in addressing discriminatory practice on issues such as gender and race. It also became a major force in arguing for democracy and transparency in global institutions, in the same way that trade unions at the national level have often played a critical role in the development of democratic states.

BOX 7: INTERNATIONAL TRADE UNION ORGANISATIONS

The trade union movement has a long history of international organisation and action. A number of influential organisations have developed to provide a voice for organised labour on the international stage. The International Confederation of Free Trade Unions (ICFTU) has linked independent trade union centres across the world since 1949 and is now the largest international centre, with 231 affiliated organisations. It has consultancy status with the United Nations and acts as secretary to the Workers' Group within the ILO's Governing Body. It has regional organisations in Africa, Asia/Pacific and America. The ICFTU campaigns on issues to defend and promote labour standards such as the abolition of child labour, and supports trade union development programmes. The ICFTU works closely with the Global Union Federations (until recently called Trade Secretariats). They provide support to affiliates in developing countries through education and capacity building. The Trade Union Advisory Committee to the OECD (TUAC), with over 56 affiliated organisations, represents trade union views to the OECD, including the Development Assistance Committee and coordinates trade union input to the G8. The Commonwealth Trade Union Council links trade union national centres, with a membership of 30 million women and men, in all Commonwealth countries. The CTUC lobbies Commonwealth governments and institutions on labour issues and organises training programmes in developing countries.

¹⁰ CTUC submission to the consultation process for this paper.

¹¹ Submission to the consultation process by the WEA International Programmes.

¹² For example, union coverage amounts to less than 4 per cent of the labour force in Pakistan, 5 per cent in Kenya and 10 per cent in Malaysia (World Bank, WDR 1995).

¹³ See the conclusion of the ILO general discussion on the informal economy, June 2002.

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It has also mobilised on occasions for constituencies beyond the memberships of its partners and affiliates, such as child labourers.

4.8 However, the international labour movement would become even more powerful as a global movement for solidarity and social justice if it gave more recognition to the claims of all poor people – women micro-entrepreneurs from South Asia, or pastoralist households from Sahelian Africa, as much as the formal sector workers who have traditionally been the core of its constituency. Similarly, Elliott and Freeman (2003) call on labour standards activists to work with others to increase the access of developing country producers to developed country markets. Among other things, such action would help to undermine the perception (common in developing-country governments) that activist and union pressure in developed countries for higher standards is motivated by protectionist intentions.

LEGAL SYSTEMS, STANDARDS AND MECHANISMS

4.9 International agreements such as the ILO Conventions, ILO Recommendations and the Universal Declaration of Human Rights play an important role in setting common standards of achievement for action at the global, regional, and national level. There are currently over 180 ILO Conventions intended to have a concrete impact on working conditions and practices. The ILO Conventions are international treaties, legally binding on those countries which ratify them.

4.10 Means for enforcing state obligations vary from treaty to treaty, but there are three main mechanisms. First, parties to all ILO Conventions and the major human rights treaties are required to submit periodic reports, scrutinised by independent experts, every 2-5 years on the steps taken to implement their

obligations. Second, there are inter-state complaints mechanisms available under some treaties, which allow governments to make formal representations regarding the systematic violation of labour rights by another state.¹⁴ In practice, these mechanisms are used rarely, though they can have significant impact on the non-complying state. Third, there are a variety of complaints mechanisms available to non-state actors, including individuals and trade unions. The ILO Committee on Freedom of Association has heard hundreds of complaints since it was established in 1950 and provides an avenue for trade unions to seek redress.

4.11 As Elliott and Freeman (2003) note, the ILO's role in supervising and monitoring the implementation of global standards has been strengthened by the follow up mechanisms specified in the 1998 Declaration on Fundamental Principles and Rights at Work. These require member countries that have not ratified one or more of the eight core conventions associated with the principles to report annually on what they are doing to promote the conventions and encourage employers' and workers' groups to comment on the national submissions.¹⁵ In addition to these information and transparency tools, the ILO also deploys two other major tools for improving working conditions: technical assistance to governments, unions and employers' groups to improve the implementation of labour standards; and measures to punish countries that do not comply with their commitments through an enforcement mechanism that until the 1990s had rarely been used (see Box 8). Elliott and Freeman comment that the ILO has made significant progress in the last decade in strengthening all three of its primary 'tools' for promoting labour standards, although its means for enforcing compliance clearly remain limited.

¹⁴ For example, the complaints procedure available under Articles 26-29 of the ILO Constitution.

¹⁵ As noted in section 2 above, the Director-General is mandated to produce an annual report summarising how each core convention is being implemented around the world.

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4.12 Regional regimes dealing with labour standards have been effective in some instances in securing national compliance. The European Union has evolved effective mechanisms for harmonising and enforcing labour standards. Regional human rights bodies such as the African and Inter-American systems can play a role in enforcing labour standards codified in regional human rights treaties. However, the global coverage of regional regimes is uneven, and neither the regional trade agreements nor the human rights treaties provide the degree of coverage offered by the ILO standards.

4.13 The primary legal responsibility for enforcing labour standards and human rights lies at the national level, as states are the named 'duty-bearers' in international legal instruments. While international and regional instruments can support and supervise national action, they cannot provide a substitute for it. Many countries have included core labour rights in their constitutions, and such rights are often enforceable through special constitutional procedures. This approach can be particularly effective where civil society groups are allowed to initiate constitutional proceedings before higher

courts, for example through public interest litigation. More frequently, labour standards are codified in legislation and made enforceable through courts at the local level. The enforcement of labour standards by courts depends on a justice system that is accessible and effective. Although judicial enforcement is an essential component of a national labour regime, it is normally not sufficient to translate standards into social practice. While courts can be effective, particularly when the government or civil society groups are actively engaged in bringing labour violations before them, they are inherently reactive and respond on a case-by-case basis rather than systematically. For these reasons, a pro-active approach by government is more likely to be effective in implementing labour standards, particularly where the government is able to form effective partnerships with trade unions and other civil society actors.

4.14 A contentious issue relating to the responsibility of governments for implementing labour standards has been the development of 'Export Processing Zones' (EPZs) in many developing countries. Typically, these are designed to attract 'footloose capital', focusing on light manufacture using

BOX 8: ENFORCEMENT OF CONVENTIONS – THE CASE OF BURMA

The most frequent complaint about the ILO is that it lacks effective mechanisms for enforcement. Article 33 of its Constitution gives it broad authority to take action against countries that are not in compliance with the obligations of membership. Until 2000, however, it had never invoked that provision. It encouraged compliance through supervisory or technical assistance channels rather than seeking to sanction countries that violated standards. The ILO finally invoked Article 33 against Burma over a long-standing problem with forced labour, and following decades of intransigence by the government in the face of international and domestic pressure. The slow response to this situation underscores the unwillingness of the ILO member states to punish miscreants, even when the country in question is a small, powerless, isolated one whose violations are egregious and well documented. The Article 33 resolution did not directly impose sanctions, but called on member governments and other UN organisations to take appropriate action.

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low-skilled labour, able to move its operations between countries relatively easily and therefore with weak incentives for investing in the human capital of its host country and workforce. Frequently such zones are exempted from labour legislation, including core labour standards such as freedom of association.¹⁶ The international union movement has drawn attention to cases where EPZs are associated with failures by governments to comply with obligations derived from membership of the ILO or ratification of specific conventions. As the workforce in EPZs tends to be predominantly female, the denial of rights also has significant gender dimensions.

ETHICAL CONSUMERISM AND INVESTMENT

4.15 The desire of ordinary people to know that basic ethical standards were met in the production of the things they buy, and in the activities of the enterprises in which their savings are invested, has been a powerful driver of change in the global economy. Many enterprises care about their reputations, and have seen the power of the new forms of global solidarity for workers in the developing world which are embodied in the ethical consumer and investor movements.

4.16 The ethical consumer and investor movements have faced the challenge of moving from advocacy to dialogue – and of developing with private sector partners a reliable information base on which the standards of business practice can be assessed. Labour rights have emerged as a major concern, along with other social and environmental issues – although, as Elliott and Freeman (2003) note, there has thus far been less concern about the right to freedom of association than about substantive labour standards such as health and safety conditions.

4.17 Partnerships to promote ethical business practice need to overcome many difficulties: the complex production and purchasing arrangements of many enterprises, which make assessment of labour rights throughout the supply chain a daunting challenge; the limitations of voluntary mechanisms, and a tendency for good practice to be restricted to ethical enclaves where consumer or investor concerns are particularly keenly felt (e.g. sports goods manufacture); and the limitation of investor pressure to companies publicly listed on established stock markets.

4.18 One approach to developing ethical business practice has been the development of voluntary codes of conduct for businesses. Codes of conduct, in the broadest definition of the term, are statements of the values which a company purports to recognise in its enterprises. Most retail companies include suppliers in the scope of their codes. The supply chain of a company may include suppliers, licensees, subcontractors, homeworkers and other off-site workers generally classified as self-employed. The codes of extractive industries do not include suppliers but outline company responsibilities to the communities in which they operate. Voluntary self-regulation through codes of practice has been an important mechanism for the promotion of responsible business practice, but suffers from some significant limitations as a means of promoting labour rights:

i) Any system of voluntary self-regulation is unlikely to achieve widespread realisation of labour rights. Examples of progressive management practice provided by socially responsible companies are important and can be influential, but the majority of workers in developing countries work for enterprises which are immune to investor and consumer pressure for ethical practice.

¹⁶ Bangladesh and Pakistan exclude EPZs from the coverage of at least some labour laws; Malaysia, Panama and some other countries restrict the application of freedom of association in EPZs (Elliott and Freeman 2003).

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ii) Applying ethical standards throughout the supply chain remains a major challenge – codes of conduct mostly do not cover home-workers, who are a significant element of the poorest section of the labour force in many countries.

As home-workers are mainly female, this is a significant limitation in terms of promoting women's rights.

4.19 However, progress has been made in overcoming other limitations of the codes of conduct approach in recent years. The Ethical Trading Initiative (ETI), which was established with DFID support in 1998 to bring together stakeholders in the NGO, business and trade union communities, has played a major role in overcoming two major limitations of the codes of conduct approach identified at that time. Firstly it has helped to overcome the problem of variation in codes of conduct by establishing a 'Base Code' which member companies can either sign up to or incorporate into their existing codes. Harmonisation makes it easier for would-be ethical consumers and investors to make informed comparisons. Secondly, the ETI's base code has substantially strengthened the rights component of codes of conduct. A review of UK company codes in 1998 found that all had health and safety provisions, while none included the right to free collective bargaining, and less than half the right to freedom of association (Ferguson 1998). In contrast, the ETI's base code – widely adopted since – has full representation of all core labour standards. The fact that the ETI has put much stronger emphasis on labour rights illustrates the benefits of establishing partnerships between business, unions and development organisations. ETI's broad membership base has also contributed to the implementation of pilot projects on monitoring corporate social performance and the effective dissemination of the lessons learned. The ETI's 37 corporate members bring together over £100 billion in

annual turnover. Significant proportions of corporate members' supply chains are located in developing countries and the ETI therefore has considerable worldwide reach.

4.20 Other initiatives have originated in the USA, such as the 'SA8000' code for monitoring corporate social responsibility, which is expressly based on ILO conventions, and two major initiatives focusing on clothing manufacture, the FLA (Fair Labour Association) and the WRAP (Worldwide Responsible Apparel Production). Elliott and Freeman (2003) argue persuasively that, while competition between initiatives has had some constructive outcomes, there is now a strong case for improving co-ordination in order to clarify the key provisions which must be met for factories which produce for numerous international buyers.

MULTINATIONAL ENTERPRISES

4.21 The norms, values and operations of private employers are always a key determinant of the extent to which workers have effective rights. Historically, some employers have always recognised labour rights and sought a co-operative relationship with workers and their representatives, while others have not. In the contemporary era, however, one section of global capital has particular responsibilities.

4.22 Multinational enterprises (MNEs) are sometimes more powerful and wealthier than the countries within which they operate. The scale and complexity of their structures and operations mean that they could avoid the spirit and letter of regulation imposed at the national level. In practice, MNE subsidiaries tend to pay higher wages than local firms, but their potential freedom from democratic scrutiny requires restraint by the companies themselves and scrutiny by the international

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community. The responsibilities of MNEs in respect of labour rights also extend to promoting responsible practice through their investment and purchasing practices – as well as in their directly managed operations. Ensuring that labour rights are respected within the spheres of operations of MNEs will not ensure rights for all workers, but the effective dissemination of progressive management practice can be a powerful force for change in the global economy.

4.23 Though the ILO has contributed through a Governing Body declaration on MNEs in 1977, progressive practice in MNEs has developed largely in response to activist and trade union pressure. The defensive agenda of protecting reputations and brand names remains a powerful motivation – although some businesses have always claimed moral commitments of a more positive and autonomous nature. The focus of attention in relation to MNEs has shifted over recent years from conditions of work in the corporation's own operations and subsidiaries towards a fuller appreciation of the implications of purchasing and pricing policies. Good conditions in the MNE's own operations do not accomplish much if abuses are allowed to continue in out-sourcing and subcontracting arrangements.

4.24 One of the most significant instruments for promoting labour standards in MNEs and their subsidiaries is the OECD Guidelines on Multinationals. Unlike the codes of conduct referred to above, these are not entirely voluntary, applying to all companies based in the 30 OECD countries plus Argentina, Brazil and Chile. Governments in these countries must establish a National Contact Point for the Guidelines, which can investigate complaints, promote dialogue with a view to solving problems raised, and ultimately censure companies that do not comply. The guidelines

themselves cover a range of provisions on corporate policy, disclosure, employment relations, environment, corruption, consumer interests and taxation. They encourage respect for human rights and the promotion of sustainable development.¹⁷

4.25 In recent years global union federations have established a dialogue with MNEs. This has led to a number of framework agreements with MNEs covering the international activities of these companies.

INTERNATIONAL ORGANISATIONS

4.26 The ILO is universally recognised as the focal organisation where agreement on labour standards and labour rights can be reached, because of its mandate, its unique tripartite structure (involving global representation of trade unions, employers, and governments), and its broad membership. It also provides the only functioning supervisory mechanism, and is central to the international legal arrangements for labour standards described earlier.

4.27 The primary goal of the ILO is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. It pursues this goal through programmatic support to member country governments and social partners, and through standard-setting and monitoring.

4.28 The ILO has recently put forward its 'Decent Work' agenda as an approach to policy which is designed to help countries to combine social and economic objectives in public policy. The Decent Work agenda has four strategic objectives: rights at work; employment; social protection; and social dialogue. The ILO is providing support to member states to ensure that objectives of Decent Work are addressed as an integral part

¹⁷ A User's Guide to the OECD Guidelines is available on the Web site of the Trade Union Advisory Committee to the OECD (TUAC): www.tuac.org

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of the development process. These objectives are strongly endorsed by the recent report of the World Commission on the Social Dimensions of Globalisation.

4.29 Although the ILO leads on the promotion of labour standards, other development agencies should also contribute to the promotion of labour standards and labour rights. Instruments available to all bilateral and multilateral development organisations include: policy dialogue with governments; technical assistance for regulatory capacity in governments (e.g. health and safety inspectorates); support for building organisational capacity for the marginalized; and project action to protect rights.

4.30 In recent years the development community has recognised the importance of building broad-based national ownership of poverty reduction policies in partner countries.

Increasingly, donors aim to deliver assistance through the mainstream policy and implementation channels of partner governments. This is done to strengthen such systems, encourage governments to take ownership of the poverty agenda, and create conditions where governments become accountable to citizens, rather than to outside agencies, for their record on poverty elimination. This creates opportunities to bring new actors and voices into the policy process, which are potentially powerful in advancing the labour rights of the poorest. Boxes 8, 9 and 10 describe how coalitions, including bilateral agencies, labour movements, international organisations and NGOs, have used these opportunities to advance the labour rights of the poorest in two developing countries.

4.31 It is increasingly common for provisions relating to labour rights to appear in national

BOX 9: EMPOWERING POOR WORKERS IN BOLIVIA'S PRSP

Bolivia used to have a strong trade union movement led by the mining sector and organized through the Central Obrera Boliviana (COB). Since 1985, privatisation of state-owned enterprises has reduced the proportion of people employed in the formal sector and the political power and influence of the COB. People moved out of the formal into the informal economy, seeking to earn their living in areas such as small-scale mining, artisanal manufacture or the transport sector. In doing so they lost job security and welfare benefits. In the circumstances, some trade unionists are looking for new alternatives in the framework of a liberal market economy. In this search they have brought with them the values, norms and strategies of the old trade union movement. Although self-employed, they refer to themselves as "workers" and couch their political activity as a struggle for labour rights. The Comité Enlace, founded in 1999, is a confederation of associations of micro-enterprise workers which aims to give a stronger political voice to those working in micro-enterprise so as to deliver policy outcomes in their favour, for example the rights to tender for local government contracts or to benefit from tax incentives for mining exports.

The Comité Enlace was active during the PRSP consultation process, challenging a Government model of poverty reduction that conceived poverty primarily as lack of access to basic social services. As a result, the final PRSP gave some recognition to livelihoods as a poverty issue and the associated legislation gave a voice to producers in the machinery of local government. DFID has been providing support to the Comité since the start of the PRSP consultation process.

BOX 10: THE PRSP AND SOCIAL DIALOGUE IN TANZANIA

The ILO is working with trade unions and employers' associations to enhance their role and contribution to the PRSP process in Tanzania, as part of a pilot programme in five countries. Workshops have been held with unions and employers to familiarise them with the PRS process and engage them in the setting of policies, strategies and targets. Concerns raised by the unions included inadequate emphasis on the agricultural sector (where most people work), lack of gender mainstreaming targets, lack of attention to health and safety in the workplace, and the low quality of vocational training.

PRSPs. The Government of Vietnam's PRSP, for example, contains a number of such undertakings, including a commitment to review and strengthen the role of labour unions in protecting workers' rights and working conditions.

4.32 International development cooperation can also play a significant role in supporting the regulatory and legal systems outlined in the preceding sections. Public policy on labour rights should aim to educate employers about the potential gains to be derived from more enlightened management methods, and development agencies can facilitate the development of new partnerships to support this.

4.33 Development cooperation can also support the realisation of labour rights through direct project action. The last twenty years have seen a huge mobilisation of international effort to combat exploitative and hazardous forms of child labour (DFID 2002). Development agencies can also support workers in the informal economy to develop the organisational capacity to exercise their labour rights. DFID is currently supporting a range of programmes of this kind, including partnerships with the Commonwealth Trade Union Council to strengthen the voice of unorganised workers in Zimbabwe, and to increase women's participation in trade unions in Bangladesh.

4.34 The World Bank could be more active in promoting labour rights on a global basis. In the past it has avoided issues of human rights, on the grounds that its mandate proscribes action in political arenas, but its position has evolved towards a multi-dimensional view of public policy and poverty reduction. The Bank's commitment to empowerment of poor people as one pillar of poverty reduction (World Bank 2000) makes the rights of poor people a legitimate dimension of its dialogue with partner governments. In order to realise the potential of PRS Papers for promoting labour rights, the Bank needs to acknowledge the fundamental significance of labour rights for poverty reduction, and to expand its dialogue on this issue with other stakeholders (such as the ILO and global labour movements).¹⁸ A recent World Bank report on the economic effects of unions and collective bargaining (Aidt and Tzannatos 2002) demonstrates an increasing focus on these issues.¹⁹ The commitment by the International Finance Corporation (a member of the World Bank group which supports private sector development) to make adherence to core labour standards a condition of their loans in future is another positive development.

MULTILATERAL TRADE RULES

4.35 Whether trade policy could or should be linked – through incentives or sanctions – to

¹⁸ The IDA 13 Deputies Report, in establishing conditions for the renewal of the Bank's concessional lending facility, placed core labour standards on the agenda. Paragraph 41 refers explicitly to "eliminating harmful child labour, making labour markets more equitable and inclusive..." and urges the Bank to "strengthen its consultations and collaboration with international organizations, such as the International Labour Organization (ILO), in its work with countries on labour issues".

¹⁹ The report is a review of evidence (cited elsewhere in this paper), rather than a policy paper. In her foreword, World Bank Managing Director for Human Development Mamphela Ramphela concludes that "co-ordination among social partners can promote better investment climates while also fostering a fairer distribution of output".

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labour standards has been the most controversial element of the debate. Such links are already made in some bilateral and regional trade agreements – for example by both the EU and the USA. The controversy has been mainly over the possibility of bringing them into the rules of multilateral trade agreements.

4.36 A possible ‘social clause’ in the World Trade Organisation was discussed at its Ministerial Conference in Singapore in 1996, but was strongly opposed by many developing countries. The final declaration of the Conference called for ILO-WTO cooperation, but identified the ILO as the right body to set and monitor standards. The trade ministers said, “We renew our commitment to the observance of internationally recognised core labour standards”, but also “We reject the use of labour standards for protectionist purposes and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put in question”.

4.37 Given the strong positive correlation between a high level of labour standards and economic development, the top priority for multilateral trade policy, in relation to global poverty reduction and the promotion of workers’ rights, is to open markets to the products of developing countries, in order to expand their economic opportunities. Punitive trade policy measures (such as trade sanctions) have rarely been tried as a means of improving labour standards, and might well be ineffective. At best, since they apply only to export sectors, they are unlikely to induce a general rise in a country’s labour standards. They might even be counterproductive: fear of sanctions could encourage firms to extend informalisation of employment, outsourcing and subcontracting in order to circumvent labour regulations (Dessing 2001). There is also a risk of trade sanctions discriminating

against poor countries, which lack the regulatory and institutional infrastructure for implementation, and within countries bearing particularly heavily on poor people.

4.38 In extreme cases of persistent and sustained human rights violations, the international community may consider adopting sanctions as a last resort. Non-respect of economic human rights is likely to coincide with non-respect of political human rights, in a general climate of poor governance. Non-respect of human rights is a political problem that only the United Nations can address (Dessing 2001). Its sanctions might include trade sanctions, but the existing trade dispute mechanism of the WTO is not naturally suited to applying political pressure, since it is a system of compensation, based on the premise of injury to the country bringing the case, rather than of injury (to human rights) in the country at which the case is directed.

4.39 However, the debate over the most effective means of applying sanctions to states which persistently violate labour standards continues. For example, Elliott and Freeman (2003), while emphasising that the ILO should have primary responsibility for labour standards, suggest that the WTO should address egregious and wilful violations of labour standards if they are trade-related.²⁰ They also argue convincingly that the record of trade unions in bringing cases for review under the US Generalised System of Preferences demonstrates that the motivation of such action has been rights-based rather than protectionist. They recognise, however, that any major change in WTO rules is unlikely at present, given the widespread perception among developing-country governments that a linkage of punitive measures to labour standards could be operated with protectionist intent.²¹

²⁰ Elliott and Freeman recommend amending Article XX(e) of the General Agreement on Tariffs and Trade (GATT) to allow WTO members to ban imports of goods whose production is directly linked to violations of any of the four core labour standards. The violations would have to be egregious, not amenable to remedy by other means, and trade-related – part of an effort to either promote exports or attract foreign investment.

²¹ The TUC submission to the consultation process argues that developing-country attitudes on this issue are changing as a result of the growth of China’s manufactured exports, which is making international action for common labour standards seem more attractive.

4. ORGANISATIONS AND MEANS

4.40 The key task for the international community, therefore, is to strengthen the capacity of the UN system (including the ILO) to bring effective pressure to bear on states which are in serious violation of the human rights of their own citizens. For example, Article 33 of the ILO's constitution provides that, if satisfactory compliance is not forthcoming, "the governing body may recommend to the conference such action as it may deem wise and expedient to secure compliance

therewith". As noted above, in March 2000, the governing body invoked Article 33 for the first time in the ILO's history and recommended action against Burma because of its failure to comply with the actions indicated in an earlier Commission of Inquiry. The outcomes of this action are as yet unclear – but the international community in general needs to develop stronger political mechanisms for dealing with egregious and persistent cases of human rights violation.

5.1 This paper has argued that the promotion of workers' rights and labour standards should be an integral part of the global community's approach to achieving the elimination of poverty and the MDGs. It should be built on the following elements:

i) Supporting workers' rights, and labour standards for poverty reduction, through policy dialogue.

New instruments of development co-operation (such as budget support and PRSPs) provide, at least in some countries, opportunities for innovative policies to reduce poverty. These offer a means to promote core labour standards. They also offer a process where the policy instruments needed to promote workers' rights and poverty reduction can be developed and assessed in a rigorous fashion. Consultation on a national PRS provides a forum in which the voices of all workers (not just those in the formal sector) can be heard. To achieve this, new partnerships and methods need to be established which include the labour movement, governments and the development community. Because of its pivotal position in policy dialogue in many developing countries, the World Bank could facilitate progress in this area through a more active policy on core labour standards and human rights. The ILO should continue its engagement in this area, and develop the capacity to enhance workers' rights and labour standards through PRSP processes.

ii) Supporting workers' rights through technical assistance and capacity-building.

Programmes to build the capacity of developing countries to set and monitor effective labour standards can play an important role in global poverty reduction. To take one example: poor labourers in most developing countries rely on their physical strength to earn a livelihood, so that serious workplace injury to an individual usually

plunges a household into deep poverty. Low-cost improvements in health and safety standards on construction sites and in production processes can thus have large benefits. The detailed task of establishing regulation which is effective, and which protects the poorest sections of the workforce, is demanding – and the international sharing of experiences and skills is potentially of great value. Similarly, the access of ordinary people to the justice system is vital if formal rights, such as the right to organise, are to be effectively exercised. Development co-operation can support both the capacity of marginalised workers to organise to make claims, and the capacity of the justice and regulatory systems to respond to abuses of workers' rights.²²

iii) Creating alliances between workers in the formal sector and those not traditionally protected by labour institutions.

In many countries the labour movement has not always promoted or protected the rights of the most vulnerable (workers in the informal economy, home-workers and migrants). But there are many instances of changing practice in this regard, including several documented in this paper. Change in this area is not simple or easy, either for employers or trade unions. Governments may place obstacles in the way of measures to strengthen worker organisation in the informal economy. Labour movements need to pursue social justice in solidarity with all workers, in order to maintain and strengthen their purpose and legitimacy. Because of its unique structure, and its links with both the development community and the international labour movement, the ILO is well-placed to facilitate debate and change in this area.

iv) Strengthening international political and legal mechanisms to address states that persistently abuse human rights.

²² In identification of appropriate actions to support weakly organised sections of the workforce gender analysis can play a key role in outlining the specific challenges that women and other marginalised groups face in claiming basic rights and freedoms (Oxfam submission to the consultation process).

The global community needs to support efforts in the UN system to strengthen the international legal framework for addressing human rights violations, and to support the ILO in its ongoing efforts to strengthen mechanisms of information, transparency and enforcement in relation to states which do not observe core labour standards. The contentious debate over how best to address issues of labour standards in multilateral trade agreements is likely to continue.

v) Broadening the global coalition for poverty reduction.

This paper started with the argument that, in order to realise the vision of global poverty reduction, we need a broad coalition to support the necessary action – a coalition which should include the international labour movement. To make this vision a reality will require the international development community to give greater emphasis to workers' rights as an effective mechanism for poverty reduction. It will mean building on the experience of incorporating unions in successful partnerships for poverty reduction such as the Ethical Trading Initiative. And it will require the international labour movement to engage more actively with the bigger themes and challenges of global poverty elimination. Broadening the scope of activism for labour standards to encompass advocacy for improved access to developed country markets for less developed countries should be considered for two reasons. Firstly, there is increasing evidence that equitable globalisation increases the pressure for application of labour standards (Elliott and Freeman 2003). Secondly, such a stance would help to persuade developing country governments that labour standards advocates in the north are motivated by solidarity and human rights rather than by a hidden agenda of protectionism.²³

5.2 The Department for International Development is pursuing its poverty reduction goals through programmes on core labour standards in a variety of ways:

i) Collaboration with the ILO

DFID is providing financial and technical assistance, under a Partnership Framework agreement that will release a voluntary contribution of £15 million during 2001-2006. Activities supported have a strong focus on informal economy workers and include the elimination of child labour, the elimination of forced labour, and the incorporation of issues of labour standards in PRSPs.²⁴ In addition, a number of ILO projects are funded at national level through our bilateral programmes.

ii) Child Labour

As well as being a major supporter of the ILO's programme, DFID supports the work of a number of civil society organisations such as Save the Children, Anti-Slavery International and the Commonwealth Trade Union Council in the elimination of child labour.

iii) Trafficking and Forced Labour

This is another area of collaboration with the ILO and NGOs. DFID currently has project commitments of almost £11 million to support reduction of the trafficking of women and children for labour exploitation in the Greater Mekong Sub-Region of South East Asia.

iv) Partnerships with Trade Unions and Civil Society

We support the work of trade unions and NGOs helping poor people to understand and claim their rights. Examples include the work of HomeWorkers Worldwide to map and organise homebased women workers; the UNISON/SOLIDAR programme to create a global network to empower civil society and trade

²³ ILO (2003b) Working Out of Poverty chapter 5 illustrates the links between promoting 'fairness at work' and the need to enhance the growth prospects of developing countries. Improved access to developed country markets is a key part of this.

²⁴ The results of the work on PRSPs include ILO (2002) and Buckley (2003).

union activists to engage in dialogue with international institutions such as the WTO and the World Bank; and the Womankind Worldwide project to empower women farm workers in South Africa. DFID supports a number of activities to increase trade unionists' awareness and understanding of the international development agenda and the contribution they can make. For this purpose DFID has recently established a Strategic Grant Agreement with the Trades Union Congress (TUC).

v) Partnerships with Business

We support efforts by business to set and uphold labour standards in their operations and supply chains through fair trade projects and organisations such as the Ethical Trading Initiative.

vi) Development of practical tools

The Social Aspects of Construction project has developed practical guidance for DFID and others to improve the labour standards of construction workers.

5.3 DFID will build on the existing programme of support and partnership on labour standards with the ILO, other international development organisations, the labour movements, the private sector and NGOs. We will also put in place provisions to strengthen dialogue with key partners in the area of labour standards and poverty reduction, in order to identify actions that DFID might take to stimulate progress in the areas outlined above. Specifically, we will:

i) Establish two contact points.

One will be within DFID's Information and Civil Society Department that will have responsibility for institutional dialogue with the TUC, trade unions and other labour organisations on development issues. The other will be within DFID's Policy Division and have responsibility for DFID policy on international labour standards and poverty reduction.

ii) Hold regular consultations on issues of global labour standards and poverty reduction with the TUC, unions, the private sector, international organisations, NGOs, researchers and other government departments.

To this end, a consultative forum will be established where policy issues related to labour standards in an international context can be discussed with a range of relevant stakeholders.

iii) Seek to ensure that key arenas for dialogue and consultation at the country level on country and sector strategy include appropriate representatives from national labour movements as well as other parts of civil society.

5.4 These arrangements for dialogue and consultation will provide a firm foundation to build on our existing programme of action and help to identify new areas of collaboration which will promote poverty reduction through labour standards and workers' rights.

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Many thanks to the following people for their contributions to the preparation of this paper and for their valuable comments on its two consultation drafts.

Michael Anderson, Graeme Buckley, Maria Cushion, Rosalind Eyben, Marfil Francke, Pat Holden, Stephen Kidd, Richard Manning, Guy Mustard, Meenakshi Nath, Dennis Pain, Kate Philip, Jillian Popkins, Michael Schultz (DFID staff).

Giampero Alhadeff	<i>Solidar</i>	Alisa Keane	<i>NIC-ICTU</i>
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Patrick Belser	<i>ILO</i>		
Graham Bennett	<i>One World Action & ACTSA</i>	David Kucera	<i>ILO</i>
Maggie Burns	<i>Women Working Worldwide</i>	Sarah Ladbury	
		Trini Leung	<i>Oxfam</i>
Sara Brattan	<i>UK Department for Work and Pensions</i>	Kevin McAlonan	<i>Prospect</i>
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The Department for International Development (DFID) is the UK Government Department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

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DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

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