# ILO activities on the social dimension of globalization: Synthesis report

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Synthesis report on ILO activities on the social dimension of globalization

1. The social dimension of globalization and the ILO

The issue of the social and labour dimension of globalization is not new. Indeed, one of the motivations behind the establishment of the ILO in 1919 was awareness that the integration of national economies needed to be based on social justice, and that the improvement of labour conditions and the fight against poverty required joint international action. The Declaration of Philadelphia, adopted in 1944, iterated this point and stressed the need for greater coherence between economic and social policy:

Believing that experience has demonstrated the truth of the statement in the Constitution of the International Labour Organisation that lasting peace can be established only if it is based on social justice, the Conference affirms that:

- (b) the attainment of the conditions in which this shall be possible must constitute the central aim of national and international policy;
- (c) all national and international policy measures, in particular of an economic and financial character, should be judged in this light and accepted only in so far as they may be held to promote and not hinder the achievement of this fundamental objective;
- (d) it is the responsibility of the International Labour Organisation to examine and consider all relevant economic and financial policies and measures in the light of this fundamental objective […]"

In the post-war period, a series of policy initiatives were undertaken by the ILO, which sought to promote greater coherence between economic and social policies. These included the World Employment Programme, launched in 1969 in response to growing unemployment and informalization in Asia, Africa and Latin America, and a resolution that had been adopted by the International Labour Conference (1967) concerning international cooperation for economic and social development. The World Employment Programme emphasized the need for policy coherence and undertook action in areas such as employment-intensive production, technological upgrading, rural development, international trade, migration, income distribution and adjustment assistance. These were all issues discussed at a tripartite World Employment Conference in 1976. Employment was seen as both an objective to be pursued in its own right and a means of satisfying basic needs and thus reduce poverty. A programme was put in place to implement the recommendations of the Conference.

1 See Preamble to the ILO Constitution: “…Whereas also 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;…”

At the same time, a debate had emerged concerning the activities of multinational enterprises (MNEs). This has led to the negotiation of voluntary international codes of conduct in multilateral fora, including the ILO’s 1977 *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* (see Annex 1). In addition to stressing the responsibility of MNEs for good management practices among subsidiaries, the international voluntary codes sought to strengthen the capacity of host governments vis-à-vis MNEs so that the benefits of such cross-border activities could be maximized while avoiding negative social consequences, e.g., for employment and industrial relations practices.

In the early 1980s, much of the developing world was struck by a debt crisis, one of the consequences of which was the application of structural adjustment programmes. These programmes emphasized policies of liberalization, such as lowering barriers to imports, removing restrictions on foreign investment, reducing the role of the State in the economy, cutting spending on social welfare, and emphasizing production for export rather than for local consumption so that countries could earn foreign exchange to pay off debts. The results of this first generation of adjustment programmes were disappointing, especially in terms of growth and employment, and made it difficult to implement the recommendations of the World Employment Conference of 1976. To address these concerns, in 1987 the ILO, in cooperation with other parts of the UN system and the Bretton Woods institutions, organized a *High-Level Meeting on Employment and Structural Adjustment*. This meeting discussed the social dimension of these adjustment policies: the approach to employment growth, the need to respect labour standards, and how public action and tripartite dialogue could assist developing countries to formulate more appropriate economic reform policies.

The ILO, together with other UN agencies (and in some cases the Bretton Woods institutions) critically reviewed these adjustment policies and suggested viable alternatives. A compartmentalized approach to economic reform, which dealt with economic and social dimensions separately, had proved ineffective. Primacy had been given to economic policies, on the assumption that distributional and other social and political goals could be dealt with subsequently. This had proved to be an illusory assumption and ignored the strong interdependence between the economic, social, and political dimensions of development.

By the early 1990s, concerns were again growing over the issue of the social and labour dimension of globalization. With the ending of the Cold War, and the now near universal market economy, attention refocused on problems of poverty and social justice. Rapid technological developments and deregulation had spurred global communications, which sensitized public awareness to such social ills as the exploitation of child labour and women workers in some countries and economic sectors. Multinational enterprises were finding that they were not always able to account for labour practices in subsidiaries. Some developing countries were able to take advantage of new investment and technology and to access international markets, and realised the benefits in terms of economic growth and improvements in living standards. However, the majority of developing countries were not able to benefit from globalization, and poverty and unemployment remained high in much of the developing world.

The rapid increase in trade and capital flows coincided with growing unemployment and/or rising inequality in many industrialized countries. There was concern in much of the developed world that jobs were being “exported” as enterprises relocated to low-wage countries. There was also a perception in some industrialized countries that trade liberalization had opened the floodgates to cheap manufactured imports, destroying hundreds of thousands of domestic jobs. These factors fuelled debate over trade and labour standards, with allegations of exploitative labour practices on the one side and of accusations of protectionism on the other.

Debates on the liberalization of trade and internationalization of investment and enterprise activities at the International Labour Conference in 1994 re-emphasized the need to apply of labour standards. A sometimes passionate but inconclusive debate on the proposal for a “social clause” in trade agreements took place. This led the Governing Body, in 1994, to set up a *Working Party on the Social Dimensions of the Liberalization of International Trade* to discuss all relevant aspects.
of this subject. The Working Party held its first meeting in November 1994, and has met on a regular basis ever since.

In 1996, the Working Party decided to broaden its knowledge-base on issues related to globalization. A series of country studies on the social impact of globalization were undertaken, which culminated in a synthesis report which was presented to the Working Party in 1999. The outcome of these studies informed the debate on globalization; they show that in contrast to the view that national governments are powerless in the face of globalization, domestic policies can have a strong bearing on the relationship between globalization and social progress. The synthesis report advocates strengthening four social pillars: education and training, social safety nets, labour law and industrial relations, and respect for core labour standards.

The Working Party served as an incubator of ideas and a forum for discussion and consensus building. Discussions have covered issues such as the employment impact of trade liberalization, social labelling and other private sector initiatives addressing labour issues. In addition, the Working Party was continually briefed on developments in other international organizations of relevance to its work. On the controversial issue of trade and labour standards, the Working Party decided to suspend any discussion on sanctions-based trade measures.

Four important areas of consensus have emerged concerning the social dimension of globalization in the context of the ILO over the last decade.

First, from the World Summit for Social Development in Copenhagen in March 1995 and discussion in the Working Party, international consensus has been achieved on four categories of core labour standards:

(a) Freedom of association and the right to collective bargaining;
(b) The elimination of child labour;
(c) The abolition of forced or compulsory labour;
(d) The elimination of discrimination in occupation and employment.

This led to the adoption by the International Labour Conference in 1998 of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (see Annex 1).

Second, the international community on numerous occasions reaffirmed the role of the ILO in setting and dealing with the standards concerned. This consensus has avoided a situation in which different organizations work on the basis of different sets of labour standards, with possibly conflicting interpretations of their meaning and application.


4 “Governments should enhance the quality of work and employment by: […] (b) Safeguarding and promoting respect for basic workers’ rights, including the prohibition of forced labour and child labour, freedom of association and the right to organize and bargain collectively, equal remuneration for men and women for work of equal value, and non-discrimination in employment, fully implementing the conventions of the International Labour Organization (ILO) in the case of States parties to those conventions, and taking into account the principles embodied in those conventions in the case of those countries that are not States parties to thus achieve truly sustained economic growth and sustainable development.” (Programme of Action of the World Summit for Social Development, para. 54, 1995); “We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization is the competent body to set and deal with these standards and we affirm our support for its work in promoting them.” (WTO Singapore Ministerial Declaration, adopted 13 December 1996, para. 4).
Third, in respect of the “social clause” debate, both the WTO Singapore Ministerial Declaration of 1996 and the ILO Declaration on Fundamental Principles and Rights at Work affirm that labour standards should not be used for protectionist trade purposes and that the comparative advantage of any country should not be called into question.  

Fourth, the work of the Working Party on the Social Dimensions of the Liberalization of International Trade was reappraised in March 2000. The Governing Body decided to broaden the scope of the Working Party and change its title to the Working Party on the Social Dimension of Globalization, to reflect the reality that the range of problems that it discussed extended beyond the liberalization of trade. The social dimension concerns all aspects of globalization, including investment, technology and migration, as well as trade.

2. The ILO’s Decent Work Agenda in a global context

The failure of earlier decades of economic reform and adjustment shows that the ability to respond to the opportunities created by globalization depends on a more integrated view of interdependent economic and social objectives. This calls for an integrated approach to the economic, social, and political dimensions of public policy.

The ILO’s Decent Work Agenda provides the basis for such an integrated approach to policy. The Decent Work Agenda has four strategic objectives: rights at work; employment; social protection; and social dialogue. These four objectives are intertwined. There are a number of complementarities which can only be realized when these four objectives are pursued simultaneously. Thus the whole is more than the sum of its parts. The fundamental principles and rights at work provide the social floor (see Annex 1). These are reflected in the ILO’s eight fundamental Conventions, which set out human rights that are also “enabling” rights: they provide the preconditions for decent work.

Integration into the global economy is today a major source of economic growth. However, while crucial, high economic growth alone is not sufficient in achieving poverty reduction. The pattern and sources of growth as well as the manner in which its benefits are distributed are extremely important from the point of view of poverty reduction. Increasing both the quantity and quality of employment opportunities is central to poverty reducing growth.

The concept of “working poor” is an important tool in the analysis of the labour market. Poverty is indeed often associated with unemployment, but this is not always the case. Many of the poor in developing countries work, but do so at such low incomes that they do not permit a decent living. Thus while the global economy needs to deliver increased employment, this must also involve the improvement of income, working conditions, social protection and representation based on respect for fundamental principles and rights at work. The Decent Work Agenda, by addressing both the quantity and quality of work, provides a framework for ensuring that growth translates into poverty reduction. By covering a large and strategic part of the overall development agenda, Decent Work is a critical component of an integrated approach to poverty reduction and more equitable development.

5 “The International Labour Conference, […] 5. Stresses that labour standards should not be used for protectionist trade purposes, and that nothing in this Declaration and its follow-up shall be invoked or otherwise used for such purposes; in addition, the comparative advantage of any country should in no way be called into question by this Declaration and its follow-up.” ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (Geneva, ILO, 1998). See also WTO Singapore Ministerial Declaration, adopted 13 December 1996.

The ILO is providing support to member States to ensure that the objectives of decent work are addressed as an integral part of the development process, so that growth and development ultimately lead to the reduction of poverty. This includes support in the preparation, implementation and evaluation of Poverty Reduction Strategy Papers. A pilot programme has been established in five countries (Cambodia, Honduras, Mali, Nepal and Tanzania) with the aim of strengthening the ILO’s contribution to the PRSP. These involve preparing, in close collaboration with the national authorities, an analysis of the role of employment and of the various elements comprising decent work in poverty reduction, and organizing tripartite meetings in the countries to discuss the Poverty Reduction Strategy Papers.

Furthering the ILO’s Decent Work Agenda as an integrated development strategy in a global context also requires an enabling international policy environment. The ILO is conducting research and analysis to develop policy approaches at the international level and is providing policy statements on international economic policy issues in support of ILO participation in relevant international meetings. These activities are aimed at developing partnerships that can maximize its impact and allow for greater policy coherence. For example, as regards sustainable development, in the preparatory process for the World Summit on Sustainable Development this means, on the one hand, strengthening the social pillar of sustainable development, and on the other integrating the social dimension with the economic and environmental dimensions of sustainable development.

What follows is a description of issues and activities under the ILO’s Decent Work Agenda that are of particular relevance to the social dimension of globalization. Of course issues and activities also differ from region to region. For this reason the ILO’s regional offices have provided a summary of regional perspectives on the social dimension of globalization (see Annex 2).

### 2.1 Promoting rights at work

The subject of international labour standards, and labour standards in general, is fundamental to considering the social dimension of globalization. Labour standards are the rules by which work is governed. Internationally adopted standards are translated into national legislation and practice, which the economic actors have to observe. However, standards adopted in national legislation occasionally exclude from the coverage of the legislation such categories as domestic workers, agricultural workers, or those in small enterprises, or are not effectively applied to them.

#### 2.1.1 Labour standards and globalization

The negative effects of globalization on certain groups of workers can arise from the absence or inadequate application of labour standards. When standards – national and international – are not applied, workers do not have the basic tools they need to defend themselves, and States do not have adequate tools to ensure the balanced distribution of the benefits of development. This is often the case for temporary workers, migrant workers and workers in some export processing zones, as well as in the informal economy. Women are particularly affected, as they comprise the majority of workers in these categories.

An increasing amount of research shows that the failure to apply labour standards is damaging to national development. For example, forced or compulsory labour is a constraint on productivity gains and on economic growth, and questions the very value of labour as the basis for development. Child labour transmits and perpetuates inter-generational poverty; releasing children from work and providing them with adequate educational opportunities goes hand in hand with providing decent work for adults.

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7 This paper does not provide detailed reference to each activity; these can be found on www.ilo.org. In some cases references are made to discussions in the ILO Governing Body and International Labour Conference. This paper in no way describes all ILO activities; for more information on these see www.ilo.org.
The Preamble to the Declaration on Fundamental Principles and Rights at Work states that the “ILO should now, more than ever, draw upon its standard-setting, technical cooperation and research resources in all its areas of competence … to ensure that, in the context of a global strategy for economic and social development, economic and social policies are mutually reinforcing components in order to create broad-based sustainable development;…”

ILO standards provide a framework for pursuing decent work in any national context according to national conditions. A rights-based approach to development needs to be anchored in a consensual and universal legal regime such as that developed by the ILO. The rule of law and legal tools provide one of the most effective means to lay the social floor for globalization. The significance of a normative approach to development is as important in countries where work is concentrated in the informal economy (with little or no regulation) as it is in countries where most workers work in the formal sector. International labour standards cover all workers, although the strategies and methods for applying them may differ. Countries with large informal economies may face particular challenges in doing so. Research is under way on the dynamics of workers’ rights in the formal and informal economy, particularly refuting the hypothesis that efforts to improve workers’ rights in the formal economy contribute to the informalization of work.  

The ILO’s fundamental principles and values are being promoted and embedded into the global economy in new ways. For example, the ILO’s International Programme on the Elimination of Child Labour (IPEC), which commenced in 1992, demonstrates that it is possible to treat violations of fundamental rights through technical cooperation which complements the standards supervisory mechanisms. This can also be done without aid being made “conditional” on the observance of labour standards. Rather, technical cooperation can be focused on creating conditions in which better respect of fundamental rights at work is possible. This marks a new approach to the realisation of fundamental principles and rights at work in an increasingly integrating world.

2.1.2  Child labour

Recent ILO estimates indicate that there are some 211 million children aged 5 to 14 who are economically active, of whom 186 million are engaged in activities classified as the worst forms of child labour, which should be eliminated. The total number of child labourers rises to 246 million for children aged 5 to 17, out of 352 million economically active children. A total of 179 million children in the 5 to 17 age group are engaged in the “worst forms” of child labour (mostly hazardous work, but with significant numbers in slavery and bonded labour, prostitution, illicit activities or as trafficked children). In many countries, child labour is a manifestation of inadequate and inappropriate development. Its effective abolition calls for holistic approaches founded on the explicit integration of child labour concerns in mainstream policy processes and development efforts.

Empirical evidence on the impact of globalization on child labour is scant. Recent research finds no prima facie evidence that globalization will necessarily result in more child labour. Nevertheless, there are signs that the intense competitive pressures may lead to more exploitative patterns of child labour. Examples may be found in low-skill segments of sectors such as commercial agriculture and tourism. Globalization has also been associated with rapid social change, family disintegration, rising consumerism and discrimination against minorities, which may have exacerbated the problem of child labour. The adverse social implications are one reason for the growing demand for the elimination of the child labour.

The ILO’s International Programme on the Elimination of Child Labour (IPEC) has grown over the last 10 years to become the Organization’s biggest technical cooperation programme, active in 75
countries and supported by 26 donors. With the adoption of the Worst Forms of Child Labour Convention (No. 182) in 1999 (which has already been ratified by 120 countries), increasing emphasis has been placed on assisting member States in meeting their obligations under this Convention. Assistance has evolved from the broad mobilization of support against child labour and capacity building to new integrated approaches that link action against child labour to the development efforts of a country as a whole. These programmes have helped withdraw or protect several hundred thousand children from hazardous work, while endeavouring to keep workplaces child-labour free and ensuring that former child labourers and their families are provided with viable alternative livelihoods. A new implementation modality to prohibit and eliminate the worst forms of child labour by integrating these goals into national development, poverty reduction and labour market policies and processes.

2.2 Promoting dialogue and participation

Globalization has re-emphasized the need to take account of the views of the social partners in economic and social policy formulation and implementation, and in enterprise and sectoral activities. In this context, dialogue and participation can make a significant contribution to the protection of workers, social stability, labour peace and good governance. This can also contribute to productivity and competitiveness. The ILO promotes participatory processes in which those who work and are affected by policy decisions – at any level of decision-making – have a voice in the formulation and implementation of such policies. The unique tripartite structure of the ILO gives particular legitimacy to this work. The Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), ratified by more than 100 countries, is an important tool in these efforts.

2.2.1 Social dialogue

Apart from being a basic constitutional principle of the Organization, social dialogue is also an integral part of the Decent Work Agenda. Social dialogue is defined by the ILO to mean all types of negotiation, consultations or simply exchange of information between representatives of governments, employers and workers on issues of common interest relating to economic and social policy. This definition incorporates traditional industrial relations into a broader concept of social dialogue as a mechanism for reconciling the conflicting views of the actors, whether at the enterprise, sectoral, national or international level. Available evidence gathered by the Office points to the recognition of social dialogue as an important tool for promoting good governance.

Issues for social dialogue are diverse and include industrial relations, wages and incomes, working conditions, social security, safety and health, employment, vocational training, poverty reduction, the national budget, and monetary and fiscal policies. Country-level studies undertaken by the Office indicate that the global integration of countries has been accompanied by an expansion of the issues dealt with through social dialogue which goes beyond traditional labour market or industrial relations issues to include wider aspects of social and economic policy. Social dialogue can play an important role in facilitating the social deals needed for smoother economic adjustment in open economies. This underscores a major area of current and future work for the Office, which is to help the social partners to effectively and meaningfully extend social dialogue to broader macro-economic and social policy issues.

One of the concerns related to globalization is the distribution of the benefits both within and between countries. Social dialogue is an effective means of distributing economic and social gains in an equitable and democratic manner. It contributes to good governance by increasing transparency and accountability in decision-making at the enterprise, sectoral, national, regional and global level. National case studies undertaken by the Office on the role of social dialogue in Barbados, the Czech Republic, Indonesia, Kenya, Panama, the Philippines, Poland and Zambia have demonstrated the value of social dialogue in addressing labour market problems and the importance of this for labour peace, social stability and national economic development.
Globalization presents a number of challenges as well as opportunities for the development of social dialogue. The changing nature of the employment relationship and deregulation of labour markets have undermined traditional processes of social dialogue. Frequently, the social partners are excluded from meaningful participation on vital issues affecting employment and the labour market. For example, workers are often excluded from discussions on trade, investment, technology or the role of global enterprises, particularly in some developing countries. Furthermore, social dialogue has yet to find a foothold in those parts of the labour force that are not yet effectively represented by labour market institutions and processes. This is particularly the case for workers in the informal economy.

The ILO has been working on providing support to and strengthening the parties to social dialogue – workers and employers’ organizations (see 2.2.2 and 2.2.3 below) and labour administrations. In the case of the government authority responsible for labour, for example, the ILO has focused on assisting with labour law reform to create the legal framework in which workers and employers can freely exercise their right to organize and meaningfully engage in social dialogue at the appropriate level. It has also focused on strengthening labour administrations to cope with the challenges of globalization and economic reform, and has worked on the development, reform and strengthening of institutional frameworks to provide effective and regular fora for consultation and consensus building. The ILO has also been exploring the possibility of promoting social dialogue in the informal economy. It has conducted several studies on how employers’ and worker’s organizations can assist workers in the informal economy and provide them with appropriate services as well as voice.

Globalization has increased the intensity of competition. Collective bargaining is increasingly becoming an instrument for enterprise, sectoral or economic restructuring – rather than serving only as a distributional mechanism. Through negotiation, workers and employers can jointly arrive at solutions for enhancing competitiveness, while simultaneously promoting and protecting employment.

The ILO’s sectoral activities facilitate the exchange of information between the ILO’s constituents on labour and social developments concerning particular economic sectors, complemented by practically-oriented research on topical sectoral issues and technical assistance to help solve labour problems. Tripartite sectoral meetings are held at an international level to address specific issues affecting a particular sector. A number of tripartite meetings have been held to address issues specifically related to globalization, for example a Tripartite Meeting on Human Resources Development, Employment and Globalization in the Hotel, Catering and Tourism Sector was held in April 2001; and a Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001 was held in January 2002.

Ongoing work in this programme shows that, in the context of globalization, a combination of technological change, changes in work organization, deregulation in most sectors and privatization in some sectors, has led to a marked change in industry structure in most sectors. The utilities sector in most countries has been restructured either as a result of broader economic reform programmes and / or as part of programmes to privatize public utilities. Parts of the aviation industry (airports, air navigation services) have been commercialized and / or privatized and non-core services (e.g. catering, ground-handling, maintenance) subcontracted. The global motor vehicle industry has become more concentrated at the point of final assembly, but has seen greater diversification in respect of suppliers.

This has led to a shift to atypical work in some sectors. For example, the contractual status of workers in the media and entertainment sector has become less secure, with ever-increasing use of freelance, “work for hire” and other arrangements. The construction sector is out-sourcing most of its labour requirements. Contract labour has also spread in the forestry and wood industries and in mining. Changes in industry structure and in the nature of the employment contract have also had a significant impact on collective bargaining arrangements and the coverage of agreements.
Framework agreements have been reached in some sectors between global union federations and multinational enterprises. The social and environmental labelling of forest products, which includes social content based on ILO Conventions, is combining sustainable development and decent work. In the shipping industry, a pioneering international collective agreement was reached between the International Transport Workers’ Federation (ITF) and one of the main shipping employers’ organizations, the International Maritime Employers’ Committee (IMEC). It covers wages, minimum standards and other terms and conditions of work, including maternity protection. At the 29th Session of the Joint Maritime Commission in January 2001, the social partners in this industry (shipowners and seafarers) adopted a historic “Geneva Accord” on the future development of labour standards in the international shipping industry to permit labour standards to become the third global pillar to complement the two other pillars – maritime environmental and safety standards. The meeting agreed to work towards the adoption of a new single framework Convention on maritime labour standards.

### 2.2.2 Employers’ activities

Globalization poses extra challenges in respect of support for, and the development of, employers’ organizations. Companies are demanding new services from their employers’ organizations. Employers’ organizations are needing to respond to growing competition in terms of their ability to influence the policy environment.

One of the ways in which the ILO’s Bureau for Employers’ Activities is providing this support is by offering assistance on human resource management issues for members to apply in their own workplaces – the values expressed in the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact figure prominently in this work. Regional and national training activities are taking place in this respect.

The Bureau is also enhancing the technical competence of employers’ organizations to enable them to fully participate in social dialogue, particularly on issues such as competitiveness and labour law reform.

With the growing formation of regional trading blocs, the work of employers’ organizations is spreading beyond national boundaries. Questions arise regarding the need for employers’ organizations to seek new ways of working and to form strategic alliances. For example, a recent regional round table in the Caribbean discussed the implications of hemispheric integration for business in terms of increased competition, and for employers’ organizations in terms of the organizational challenges.

Being a major stakeholder in the globalization process, employers have an important contribution to make to the debate on how to maximize the benefits of globalization, but they also need data and information. The Office has been involved in promoting greater awareness of issues in the globalization debate among employers and their organizations and stimulating discussion and consideration by employers’ organizations of the role they can play in the globalization process. Apart from its own publications, it has held regional workshops which enable employers’ organizations –

(i) to understand the features of globalization as it affects their particular region;

(ii) to appreciate the major benefits of globalization as well as its shortcomings and the principal criticisms of globalization and their rebuttals where appropriate;

(iii) to examine the various ways in which the shortcomings of globalization could be addressed to ensure that it benefits as many as possible;

(iv) to discuss the measures employers’ organisations can take to promote the interests of employers in the globalization process and debate at the national, regional and international levels.
Workers’ activities

As noted in other parts of this paper, globalization and deregulation have weakened the role of the nation State. Government policy decisions are now more constrained by concerns over the implications they may have on the location of production, capital movements and the value of the domestic currency. This has repercussions for the trade union movement. For over a century, one way that trade unions traditionally defended and promoted the interests of their members was by lobbying national governments to adopt pro-worker economic and social policies.

Globalization and the growth of multinational enterprises are also altering the traditional power balance between capital and labour. This has important implications for collective bargaining, the major mechanism used by unions to defend and promote the interests of their members. Globalization poses unprecedented challenges to both the political and industrial relations strength of unions.

The global union movement is responding to these challenges. Unions are attempting to exert a more focused and effective influence on the international economic policy environment. They are developing new and innovative ways to influence and bargain with global capital and are attempting to expand their membership base by organizing a more diverse range of workers.

The ILO’s Bureau for Workers’ Activities is assisting both national and international trade unions to meet these challenges. This support is provided at a number of levels, and includes activities to enhance the technical skills of unions on issues related to globalization. The objective is to provide union leaders with the technical knowledge to make social dialogue more comprehensive and constructive. Apart from its own publications, training activities are provided at the regional and national level on a wide range of subjects relevant to globalization, including the role of the international financial institutions, the World Trade Organization, privatization, public sector reform, organizing workers in the informal sector, and labour standards.

The Bureau has also helped the international trade union movement to review its structures and strategies in respect of the global economy. This has included a detailed examination of trade union attempts to influence the policies and programmes of international organizations such as the World Bank and International Monetary Fund, regional financial institutions, the World Trade Organization, and regional bodies with an influence over the governance of globalization such as the OECD. The Bureau also provides technical support to trade union leaders involved in ILO forums related to globalization, including relevant Governing Body and sectoral meetings, as well as the International Labour Conference.

Actors promoting social goals

As consumer awareness of the labour and social conditions in global markets increases, more and more multinational companies in all sectors are developing initiatives in corporate social responsibility (CSR). These initiatives involve a range of actors with diverse interests including governments, unions, NGOs, and investors. Among the varying and even conflicting goals and values that underpin the array of CSR initiatives, the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy offers a universal point of reference in the field of employment and labour relations (see Annex 1). The Declaration’s tripartite implementation system encourages dialogue between government, unions, and multinational and local business, and ensures participatory decision-making and action. In specific training projects and technical cooperation, the principles provide a common set of values and goals for public/private partnerships, government policies and incentive programmes, collective bargaining, company initiatives in the workplace and community, benchmarks for reporting corporate performance, and framework agreements between MNEs and global unions.
Many enterprises are making use of *codes of conduct* as a tool in the management of their CSR objectives. Early analysis of these tools \(^9\) examined the content of such codes, while the focus has shifted more recently to their actual implementation. There is growing interest in management systems for CSR. The ILO’s newly approved *Guidelines on Occupational Safety and Health Management Systems* (ILO-OSH 2001) are a response to a widespread call for an equivalent to the quality management standard ISO 9000. However, it is clear with regard to codes of conduct and the management systems used in their implementation process that there are wide variations between sectors and regions. In some sectors such as sports footwear, the size of supplier facilities as well as the brand’s ability to influence production processes make it easier for brands to have a close working relationship with factory management on compliance with codes of conduct. By contrast, in the apparel sector, buyers tend to buy goods from a wide number of frequently changing suppliers, purchasing only a small part of the output from any one factory and often changing from one supplier and supplier country to another. As such they tend to have much less involvement with factory management. Thus, governance of the supply chain is more difficult in these sectors.

In 1999, the Secretary-General of the United Nations called on companies to promote universal values in their business dealings around the world. The *Global Compact* is a set of universally accepted principles. The ILO is a key partner in promoting the implementation of the Global Compact. It participates in partnership projects and assists enterprises through a Global Compact Training Programme; both activities promote respect for fundamental principles and rights at work.

Ongoing work in the ILO is examining the role that *socially responsible investment* can play in promoting certain social goals. A conference on the involvement of trade unions in pension funds held in May 2001, reviewed the information processes by which data on socially responsible corporate behaviour is generated, filtered, verified and applied. One of the conclusions of the meeting was that more research needed to be done on the role of rating agencies and the quality of information underlying assessments. The ILO is planning further activities and research in this area.

While much has been attempted at project level to change the tendering processes in order to level the playing field, international contracting guidelines and procedures used by lending and financing agencies largely rule out the use of local entrepreneurs and employment-intensive methods. The Office is working with contracting development, to promote employment creation and decent working standards through *employment-intensive investment*. This includes the development of contract documents and procurement guidelines that will ensure that labour standards are adhered to in a sometimes exploitative industry, and that the possibilities for local contractor participation and employment creation are enhanced.

ILO research on alternative delivery mechanisms for basic social services points to the important role that *cooperatives* can play in the delivery of certain social and community services. These include cooperatives established by the users and providers of health services, childcare and preschool cooperatives, cooperatives for the elderly, community services cooperatives and cooperatives for indigenous and tribal peoples. Cooperatives also play a role in job creation as group enterprises. A new Recommendation concerning the promotion of cooperatives was adopted by the International Labour Conference in June 2002.\(^{10}\) As the Recommendation reaffirms, cooperatives have a distinct identity as businesses that can and do compete successfully with other forms of enterprise in the market place, but they exercise social functions that justify special conditions. Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have


skills but little or no capital; and they provide protection by organizing mutual help in communities. These three elements – empowerment, opportunity and protection – build a road out of the poverty and exclusion of the informal economy. The cooperatives movement is also global, united by a unique set of principles that can establish links between local economies and the global market.

2.3 **Growth, employment and poverty reduction**

Spreading the benefits of globalization more widely will depend, perhaps more than anything else, on the capacity of the global economy to create good quality jobs and to reduce unemployment. Employment is the key to creating wealth, and is the primary instrument for distributing it equitably. It is the first and most important step in the struggle against poverty and social exclusion. Delivery of a steadily increasing number of productive and remunerative jobs throughout the world requires urgent priority attention. The centrality of employment in policy formulation means that a comprehensive strategy to deal with the employment problem is a central objective for the ILO. It requires an employment agenda at a global level, a macroeconomic climate that is conducive to employment, enterprise and job creation, and labour market and training policies that facilitate the insertion or reinsertion of workers into productive work.

Globalization has often been cited as a major reason for the proliferation of the informal economy. This negative inference has not been helpful, especially for policy purposes. It may be more useful to determine how the different globalization processes affect employment opportunities and the welfare of workers. There can be both positive and negative impacts, and much will hinge on domestic and international policies. Where the informal economy is linked to globalization, this is often because a developing country has been excluded from integration into the global economy.

2.3.1 **A Global Employment Agenda**

The ILO, in close interaction with its tripartite constituents, has developed a Global Employment Agenda. This provides the overall framework for the ILO’s work to make employment central to all economic and social policies. Its central premise is that if change is managed well (through appropriate investment in education and skills development, active labour market policies, innovative and affordable social protection), then a country is in the best position to tap the major forces of change (trade and foreign direct investment, technology —especially information technology, and entrepreneurship and private investment), and so achieve the productivity growth needed to pursue a non-inflationary growth-oriented macro-economic policy and more employment-intensive development. The cornerstone of this strategy is to create conditions that promote a virtuous circle of productivity, employment and output growth.

2.3.2 **Trade liberalization**

Research on trade liberalization and employment within the ILO has found that globalization has had a small adverse effect on manufacturing employment in industrialized countries. Moreover, the adverse effect was undoubtedly felt mainly by low-skilled labour. On the other hand, there is no evidence to suggest that globalization has increased wage inequality in industrialized countries. Much of the labour market problems observed in industrialized countries are attributable not to globalization, but to skill-biased technological change and to labour market policies.

The labour market effects of globalization have been adverse for the “marginalized” developing countries. In successfully integrating developing countries of Latin America, the labour market effects of trade liberalization have not always been positive. Employment and real wages in the manufacturing sector have often declined and wage inequality has risen. Generally accepted

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explanations are not as yet available, but inappropriate macroeconomic policies and overwhelming
dependence on outsourcing by MNEs are widely thought to be among the principal reasons.

In successfully integrating Asian developing countries, on the other hand, the employment effects
of trade have generally been positive. There has been a significant growth in employment, as well
as in employment elasticity in manufacturing. Employment of low-skilled labour has often grown
faster than that of high-skilled labour; and employment of women has often grown faster than that
of men. Real wages have not fallen anywhere, but nor have they risen everywhere. A general
pattern is that wage inequality first rises and then falls. The explanation for this seems to lie in the
fact that these countries initially had a substantial surplus of low-skilled labour. The real wages of
low-skilled labour rise – and wage inequality falls – only when this surplus begins to disappear.

The Working Party on the Social Dimension of Globalization discussed a paper on trade
liberalization and employment at its meeting in March 2002. The paper notes that there are
sharply contrasting employment effects between countries. This suggests that country-specific
and contingent factors were important in evaluating the effects of trade liberalization on
employment.

Concerning policy implications, the issue is not whether countries should try to benefit from freer
trade, but how this should be achieved. The policy choice is not a simple one between import
substitution and complete free trade, since intermediate positions might make good economic
sense depending on economic circumstances.

Research suggests that it would be preferable to consider trade as only one among the various
routes to growth and development rather as the only policy option available to national
governments. In particular, policies may be required in such areas as the liberalization of trade in
primary commodities and in labour-intensive manufactures; international cooperation in the
stimulation of global growth; international cooperation in establishing a framework for regulating
international migration, with particular focus on handling the problems of illegal immigration and
the “brain drain”; expansionary macroeconomic policies in developing countries; and labour market
policies and institutions focused on building safety nets and matching skill supply to demand.

Greater market access for marginalized developing countries is an important priority, but equally
important are national policies supported by effective programmes of external assistance to
overcome supply-side constraints to export expansion in the least-developed countries.

One of the preconditions is democratic, transparent and competent governance of a well-
functioning market-based economic system, including the enabling role that applying workers’
rights plays in ensuring good governance and a more equitable distribution of the benefits of
economic growth. These rights can contribute to improved economic efficiency in several ways;
the elimination of discrimination, forced labour and child labour makes for the more efficient
allocation of human resources; social dialogue fostered by these rights contributes to the attainment of macroeconomic stability, and the mobilization of support for economic reforms creates an environment in which labour-management cooperation to achieve productivity gains, rather than wasteful industrial conflict, becomes the norm. Other elements in the ILO’s decent work strategy are also important for countries to maximize the employment benefits of trade liberalization, such as education and training, active labour market policies, the strengthening of social protection and policies to increase the employment intensity of growth, especially in lower income countries. The basic forms of protection provided in ILO standards on such questions as social insurance, protection of wages and even occupational safety and health, help provide stability and ensure productivity on the part of the work force.

In general, every effort needs to be made to minimize the social costs of trade liberalization
through measures such as an ex ante analysis of the social impact of policy changes (in particular
the impact of price changes on the poor), of the possible destruction of markets important to poor

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producers, and of changes in the demand for labour that need to be given serious attention in policy design.

2.3.3 Capital flows

While the increase in international capital flows both amplifies the risk of financial instability with associated social costs, it also offers opportunities for realizing social goals and tangibly and directly benefiting the poor.

The ILO has been undertaking research to identify national and international policies that promote both respect for fundamental rights at work and economic development in an integrated manner. One part of this research addressed the “conventional wisdom” that exists, according to which FDI favours and is attracted by countries with lower labour standards. The research found no solid evidence to support this assumption.

An Office paper on “Investment in the global economy and decent work” 13 was presented to the Working Party on the Social Dimension of Globalization in March 2002. The paper reviews trends in cross-border investments in developing countries over the last decade, noting the significance of the major role that foreign direct investment has played. It outlines the potential benefits that the growth of cross-border investments holds, but notes that this potential had not been fully realized and reviews some of the reasons for this. The paper sets out the channels through which cross-border investments might impact on decent work.

Turning to policy measures, the paper refers to a number of national policy measures that could be considered. It subdivides these into policies related to the attraction of foreign direct investment and those directed at maximizing the net benefits from such investments. For example, in respect of the former, the paper concludes that incentive-based competition for foreign investment does not have a high pay-off. Countries need to increase their attractiveness to investors by developing their infrastructure, creating a skilled and productive labour force, and ensuring an agglomeration of efficient local suppliers. With respect to policies for maximizing the benefits from foreign investment, one of the recommendations is that a more cautious approach to financial liberalization is warranted. Concerning measures at the international level, any emerging multilateral framework of rules for governing foreign investment should consider exemptions and transitional arrangements for developing countries. The ILO will be conducting additional research in 2002, focusing on the effects of foreign direct investment on employment and wages in developing countries.

In addition to foreign direct investment, migrants’ remittances also constitute a significant portion of the capital flows into developing countries. It is estimated that over $100 billion of migrant remittances are transferred across borders every year, making it a larger source of foreign exchange than commodity exports for many countries. Countries of origin with well developed banking systems and realistic foreign exchange rates succeed in attracting higher rates of remittances and in channelling them into the capital market. The ILO and the Rockefeller Foundation jointly organized a meeting in 2000 assessing the possibilities for channelling remittances through microfinance institutions and identifying appropriate mechanisms for transferring remittances and transforming them into productive investments. Four country projects aim to offer migrants better choices for transferring their funds and more incentives for increasing savings rates and investments.

While FDI provides a powerful stimulus for growth and job creation, most of the least developed countries will in the foreseeable future need to rely on domestic savings and capital formation to attain a sufficient level of job-creating investments. However, the domestic financial sector in most LDCs remains distorted and ill-equipped to mobilize small savings and allocate capital to smaller enterprise-households. Globalization aggravates certain features of domestic financial markets: the

increasing inequalities between those that have access to information about market opportunities and others without; the heightened insecurity of employment in all sectors exposed to volatile capital flows (both cross-border and domestic); and the fragmentation of the domestic financial sectors in poor countries, with the majority of the population outside the market.

The ILO is examining issues of access to the domestic financial market. For example, it is working on concrete policies that encourage the emergence of savings-based financial intermediaries that are accessible to the poor in the informal economy; eliminate interest rate controls; clear systems for the definition of property rights; adjust prudential norms to take into consideration the high volumes and small transactions of small enterprise finance; and upgrade financial sector infrastructure. These measures address issues of exclusion at the micro-economic level.

### 2.3.4 Technology

Information and communication technologies (ICT) have been one of the driving forces of globalization. The ILO’s *World Employment Report 2001* examined the effects of ICT on the world of work. Among its findings it highlighted the following:

- ICT can loosen the link between physical location and the performance of work. This has implications for how working time is traditionally regulated, how the contract of employment is administered, and how collective labour-management relations are structured and managed.

- ICT poses new challenges for the quality of work, i.e. occupational segmentation and pay, stress and privacy at the workplace (and elsewhere), market and non-market hours, etc.

- ICT should be used by trade unions and employers’ organizations in the delivery of new services and the transformation of old ones.

A global issue surrounding globalization is the “digital divide” within, but especially between, developed and developing countries. An ICT Task Force within the ILO has been set up to address the digital divide through the multilateral system in partnership with the private sector and civil society. The digital divide has become a critical global issue because of the likelihood that, if left unaddressed, it could reinforce the current economic and social divides that it overlays. This is one implication of the “new economy” debate – that use of ICT brings sustained productivity improvement and job creation.

### 2.3.5 Macro-economic policy

The major objective of the ILO’s work on national economic management is to ensure that employment becomes a core objective in national policy making, as provided in the Employment Policy Convention, 1964 (No. 122), one of the ILO’s priority Conventions. A sound macro-economic policy that increases demand for labour should achieve sustainable and stable growth, ensure that the pattern of growth is employment-friendly and gender-sensitive, give special attention to poverty, and reduce vulnerability in macroeconomic stabilization and adjustment policies.

Many countries, either because of external disequilibrium or because of domestic imbalances, have had to implement stabilization and adjustment policies in order to reduce their fiscal and external deficits. It has become increasingly clear that these policies need to take the expansion of employment opportunities as well as the quality of jobs into account in their design, monitoring and evaluation phases. It is important to ensure that both the objectives and the instruments of

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adjustment policy reflect the primacy of employment creation and are directed at reducing inequality, instability and informalization.

2.3.6 Labour market policy

Many factors are combining to drive the rising cross-border mobility of workers in some regions, including intensification of trade and investment, widening income differentials between the north and the south over the last three decades, easier access to global communications, and the declining cost of transport. The issue of migration management is increasingly a policy concern. Available emigration data indicate that, on average, migrants have twice as many years of schooling than the population in their country of origin. This has raised worries about a “brain drain”, but not enough is known of the phenomenon to allow a pessimistic conclusion. If true, migration could be expected to worsen income distribution in the countries of origin, as the demand for, and wages of highly skilled or educated would rise faster than for the less skilled.

During the periods of adjustment and liberalization in the 1980s and 1990s minimum wages were often regarded as a signal of inflexible labour markets and therefore hindering employment creation. As a consequence, some regard minimum wages as an inefficient labour instrument in an era of globalization. However, ILO research shows that in an integrating global economy, taking into account country and economic circumstances, the minimum wage has become the favoured means of providing unskilled workers with a decent living. There is evidence that a minimum wage can have a positive impact on poverty by improving the living conditions of workers and their families, while having no negative effects in terms of employment. The consequences of setting a minimum wage are of course manifold and go beyond the impact this may have on levels of employment and poverty. Raising the minimum wage may have an effect on incentives to provide training and enhance productivity, as well as on working conditions and prices. These and other such effects, however, have received little attention, even in the context of the more industrialized developing countries. The idea that a decent minimum wage may induce firms in these countries to use their labour force more efficiently has been little explored so far.

Globalization, it is often argued, has increased the imperative for labour market flexibility. A study on flexibility and stability in the labour markets of industrialized countries found that, although there is a marginal increase in flexible forms of employment, the employment systems of the industrialized countries are still characterized by much employment stability. Labour markets are characterized by core stability and flexibility on the margins. Another study on four successful small countries, who are in the top league of globalizing countries, showed the importance of social dialogue, stability-oriented macroeconomic policies and both active and “passive” labour market policies in facilitating labour market adjustment within a framework of security. For developing countries, the studies imply that these countries have to find ways to stabilize, rather than to make their labour markets more flexible in order to climb higher up the development ladder. Labour market stabilization – which fulfils productivity targets – implies the introduction of labour standards and labour market institutions.

The World Employment Report in 2003 currently under preparation examines the importance of productivity and competitiveness (especially through a well-educated and skilled workforce) in giving a country the cutting edge in a highly competitive global economy and allowing it to tap the new product niches that globalization makes possible. Related research investigates how increasing integration into the global economy is affecting the informal sector, both directly and indirectly.

2.3.7 Skills development

“There is a growing recognition that globalization has a social dimension that requires a social response. Education and training are components of both the economic and social response to
globalization”. ILO research shows that differences in educational and skill attainment are strongly correlated with the spread of the information economy and countries’ ability to benefit from globalization. They are also the fundamental source of the digital divide within and between nations. The ILO’s World Employment Report, 2001: Life at work in the information society, shows that countries that want to take full advantage of these opportunities must ensure their populations access to, and raise public and private investment in, education and training. Although digital literacy is essential, developing countries need to prioritize literacy and basic education of high quality.

Various manifestations of globalization – accelerating technological progress, flatter organizational structures at work and the harnessing of teamwork for superior enterprise performance – also call for new and higher levels of skills. Countries and enterprises must develop new, flexible systems of skills provision that meet enterprises’ needs and individuals’ needs for lifelong learning in continuously changing labour markets. Skills development has the proactive function of harnessing the knowledge and abilities of individuals and enterprises. It also plays a social function in addressing some of the negative effects of globalization by enhancing the employability, productivity and income earning capacity of many disadvantaged groups in society. The ILO has a variety of programmes working to strengthen these two functions of human resources development and training in member States. For example, in strategic alliance with UNESCO and the OECD, it is developing a database on good practice in developing national qualifications frameworks (NQFs).

The ILO held a Round Table on Knowledge and Skills for Productivity and Decent Work prior to the G8 Labour and Employment Ministers’ meeting in Montreal (April 2002). This focused ministers’ attention on the need for measures that address long-term structural shifts in their economies, the emergence of the knowledge economy and technological advances demand new and higher skills and the adaptability of workers. These shifts mean that today, more than ever, a knowledgeable and skilled workforce is the key to economic growth, increased productivity, global competitiveness and social progress. Enabling all workers to find their place in the labour market is a major component of the economic and social response to structural change. The discussion on skills and learning was identified as being “part of the larger discussion on the opportunities, social consequences and challenges of globalization, as well as the future and quality of work”.

2.3.8 Enterprise activities

Globalization and the emergence of the knowledge-based economy are having profound effects on the rationale behind, and the types of, foreign direct investment, which continues to grow rapidly. Multinational enterprises play an increasingly important role in the knowledge-creating process, and as a source of management, technology and external funding for developing and transition economies. ILO research products and action programmes identify successes and challenges involving multinational enterprises in specific countries and sectors of operation, and facilitate dialogue and coordinated strategic action between governments, multinational enterprises, local business and global and local unions. Special emphasis is given to how these partners can stimulate, through multinational networks, the cross-border transfer of the skills, know-how, resources, and technology needed to strengthen local business linkages and raise standards of living.


All too often, small enterprises respond to international competition by focusing exclusively on price-based competitiveness, while neglecting other factors such as investment, upgrading and improvements in incomes and conditions. While such strategies may be effective in accessing and retaining markets, such a limited competitive basis runs the risk of creating a vicious cycle of path dependence in which small firms and their workers are liable to become locked into competing in terms of low labour costs.

The ILO aims to strengthen small enterprise networks and activities that create more favourable market opportunities and are less vulnerable to price-based competition in the globalized economy. This follows the ILO’s Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), which encourages the development of small and medium enterprises.

This ILO work on small and medium enterprises recognizes that one major weakness of small enterprises is their isolation. When small enterprises move from operating in isolation and perceive their linkages within a broader production network, then many of their limitations can be overcome through the benefits of networking, increased scale and collective efficiency. The potential benefits to be gained through more intense horizontal and vertical linkages between firms have been long recognized. A major benefit offered by globalization for developing country producers is the access to new markets in the industrialized countries. However, when one applies a value chain analysis to understand where market opportunities arise or become restricted, we see that developing country producers tend to be concentrated in low-wage, labour-intensive activities, while the industrialized and higher-income countries are prevalent in skill- and design-intensive and higher value-added activities. Thus the key questions posed by this area of the ILO’s work are: how can small firms be encouraged to operate in inter-firm networks (or clusters) in order to gain greater competitiveness and reap positive externalities? How can inter-firm networks be harnessed to escape the low-road path, to upgrade, add value and provide better incomes and conditions? What makes for an effective high-road strategy?

Subcontracting links in global value chains stretch from the multinational to the informal economy. In order to enable women working in the informal economy to enter and benefit from these intra-firm networks, rather than be exploited by them, ILO activities shed light on the problems of market access; identify entry points within increasingly complex and competitive international markets; identify where gains are distributed along global value chains and the opportunities to enter higher value-added functions; and determine the marketing channels and strategies and other supports needed. Similarly, ILO activities are aimed at securing the traditional income-generating activities of indigenous and tribal peoples working in the informal economy, so that they are not dislocated by the processes of globalization. This includes training and institutional support services to promote land- and natural resource-based sustainable livelihoods.

2.4 Social protection and security

Various aspects of globalization have increasingly exposed societies and people to global economic risks and income insecurity, and are posing new challenges to extend social security protection. Insecurity has risen in recent years as people all over the world are affected by developments linked to globalization, such as the emergence of more flexible labour markets, increased informalization, rapid technological change and social policy reform. New ways of promoting socio-economic security are needed, which would constitute the basis of social justice and economically dynamic societies.

The ILO has been seeking to raise awareness of the different forms and causes of socio-economic insecurity, so that policy makers are better able to formulate policies to combat the adverse effects of insecurity and promote “decent work” security, particularly so as to reduce gender imbalances and improve the position of the most insecure groups in society. The concept of socio-economic security can be broken down into seven main forms that are linked to work and labour: income security, employment security, job security, labour market security, work security, skill development security and representation security. Technical work on each of these is undertaken separately, and in an integrated manner, so as to consider the trade-offs and linkages between the different forms of work-related security. Extensive information gathering in underway through –
• the development of a database on global socio-economic security indicators (SES), comprising policy, institutional and numerical indicators, which gathers macro-level data reflecting trends in the seven forms of security;

• enterprise labour flexibility and security surveys (ELFS), which provide information on the employment practices of firms and examine the implications of enterprise restructuring on workers security;

• people’s security surveys (PSS), which make available information on the objective conditions of existence confronting different groups of workers, the sources of insecurity and their perceptions of what constitutes security and social justice.

This information will support the following activities:

• devising viable systems for extending social protection, particularly to vulnerable social groups and marginalized populations;

• constructing socio-economic security indexes to monitor the level and extent of security in member countries;

• identifying institutional gaps in the coverage of social protection for policy improvement;

• developing innovative schemes and programmes to enhance socio-economic security in national settings;

• preparing comprehensive country reports on socio-economic security to inform policy and constituents.

2.4.1 Social security policies

In some areas of the developing world, such as South-East Asia, strong economic growth has contributed to an increase in social security coverage, but in most developing countries, such as those in Latin America, sub-Saharan Africa and South Asia, social security coverage has remained stagnant or decreased.

Globalization is accompanied by certain benefits, but for many it has not provided the jobs hoped for and has generated insecurity. In order for globalization to be sustainable, people need security. There is a growing awareness that social security policies can provide a strong buffer against many of the negative social consequences of globalization. Over the past few years, the ILO has contributed to the extension of social security by developing its knowledge base, by providing technical assistance to countries and by serving as a catalyst for action.

Many are also excluded from the benefits of globalization. The ILO is exploring new mechanisms to reach the excluded, in particular through community-based and local-level schemes. The ILO has been implementing an integrated strategy, along three complementary lines:

(i) strengthening and improving statutory social security schemes, including the extension of social insurance and the development of basic social security for the poor;

(ii) promoting and supporting the development of new schemes based on local initiatives, in particular micro-insurance schemes;

(iii) establishing linkages between statutory social security schemes, micro-insurance schemes and other socio-economic policies.

This strategy was endorsed and strengthened at the International Labour Conference in June 2001, where governments, employers’ and workers’ organizations reached a new consensus on social
They agreed that social security is an important tool to prevent and alleviate poverty and an instrument for social and economic development. If properly managed, it enhances productivity by providing health care, income security and social services. With increasing globalization and structural adjustment policies, social security has become more necessary than ever, and that “of highest priority are policies and initiatives which can bring social security to those who are not covered by existing systems”. A major campaign to promote the extension of social security coverage is under way. The first phase of the campaign is to last until the end of 2006 to convince the international and national policy makers of the necessity to extend social security coverage and to contribute – in a selected number of countries – to the development and implementation of sustainable mechanisms to extend social security to un(der)-covered groups. In the second phase of the campaign the knowledge and experience can be further disseminated, so that all countries can implement their own strategies to achieve full coverage.

The gender dimension is also crucial in social security policies. There have long been gender gaps in coverage and benefits. However, a series of studies show that this situation has been aggravated as a result of the social security reforms that have recently been introduced in many countries. The increasing number of women workers in the informal economy also poses a great challenge to the State in terms of providing adequate social protection for all.

Globalization could have an impact on the extent, scope and quality of social protection of people, as it may affect the capacity of the nation State to tax, or the national tax base and the affordability of national transfer systems. Research is being conducted into social protection, expenditure, financing and performance in order to assess the effectiveness, efficiency and cost of the national systems and to improve policies and strategies.

The ILO also provides advice to countries to help governments and social partners maintain the financial equilibrium of their social security schemes or the overall national social transfer system, by simulating and projecting the fiscal cost of social transfers and their possible impact with respect to population coverage. This assists in determining how the cost and/or potential benefits of globalization might be better distributed.

### 2.4.2 Global funds for security

Efforts to provide basic social security, to foster development in poor countries and to achieve the Millennium Development Goals face a fundamental resource challenge. This encompasses the mobilization of resources for social transfers at a global level. Proposals have been made for a global system of taxation in order to meet this resource challenge.

A feasibility study for a Global Social Trust conducted by the ILO recognizes that global taxation for the financing of development is not finding sufficient political resonance among the major industrialized countries. The ILO is therefore also promoting the creation of a network of decentralized funds. This would be financed by the voluntary contributions of employees and possibly enterprises in the industrialized countries (i.e. through average monthly contributions of 5 Euros or 0.2 % of wages). The resources would then be used to invest by sponsoring, for a limited period, the partial underwriting of the operations of national social protection systems in low-income countries, while enhancing their capacity to attain full sustainability and extending coverage to lower income elements of the population. The idea is to reach out to uncovered communities and groups in the population and leap-frog the natural pace of extension of social protection coverage, and by so doing lift a greater number of people out of poverty earlier than would otherwise be possible.

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Globalization poses new challenges for the protection of workers in areas such as health and safety standards. In addition, with the growing flexibilization of employment and informalization of work many policy issues have surfaced relating to the protection of vulnerable workers such as migrant workers and indigenous and tribal peoples.

In some sectors, notably agriculture, construction, tourism, and care of the aged, only foreign workers, particularly the undocumented, are willing to accept short-term, insecure jobs with few career opportunities. On the other hand, in the more buoyant economic sectors – notably those related to information and communications – supplies of native technical workers have proven inadequate to meet large surges in demand, and pressure has built up to bring in foreign workers. The number of migrant workers in an irregular situation has also grown rapidly in many countries. These include many “trafficked” persons, notably young women and even children, who are subjected to forced labour. Their “illegal” status prevents them from seeking legal protection against exploitation and abusive treatment and from availing themselves of the most basic social services, particularly health services and medical attention. These pressures are complicating efforts to integrate and provide more security to migrant workers who have gained legal status.

Discrimination and xenophobia against migrant workers and their family members have been on the rise in many countries. In several European countries ILO research has shown that levels of unemployment among first and even second generation immigrants have been double or even triple the levels for the same age cohorts (and same educational attainment) of native workers.

ILO standards offer guidelines on how member-States, individually and in cooperation with others, could resolve problems of clandestine migration and trafficking, combat discrimination and xenophobia, and give legal status to the undocumented or facilitate their orderly return. Likewise, it helps member States identify their long-term interests and stakes in labour migration, as countries of origin or countries of employment, so that appropriate changes can be made to their laws and policies. For example, the ILO has developed an information guide that aims to enhance knowledge and understanding of the vulnerability of women migrant workers to exploitation and abuse in the migration process, and to assist and enhance the efforts of governments and social actors to protect women migrants from exploitation and abuse in both countries of origin and destination.

Globalization poses important challenges for the improvement of working conditions. New issues are emerging for which solutions must be found, and at the same time new approaches are needed to solve persistent older problems. Issues such as the length and arrangement of working time, concerns for balancing work and family responsibilities, the implications of new technologies and the effects of inequalities and vulnerability at the workplace are all increasingly on the agenda of governments, employers, workers and their families.

In many cases, long working hours are considered the major source of flexibility for enterprises trying to survive in increasingly competitive markets. Long working hours are a major obstacle to the effective integration of women into employment. Greater flexibility in work process, together with innovative working time arrangements, could offer women new opportunities to participate in the labour market. To address these issues, the ILO has adopted a range of Conventions and Recommendations on working time, including most recently the Part-Time Work Convention, 1994 (No. 175). On the other hand, while the increased opportunities and employment of young women in export sectors has led to greater gender equality, it has strained the traditional framework for protecting families, often without providing new alternatives.

\[\text{See: Migration for Employment Convention (Revised), 1949 (No. 97) and Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143). The United Nations Convention on the Rights of All Migrant Workers and their Families is expected to enter into force in the near future, when it receives its twentieth ratification.}\]
Globalization can place downward pressure on occupational safety and health (OSH). The movement of industrial activity from countries with high standards to others with low standards through outsourcing mechanisms can enable globalizing enterprises to evade legal and moral responsibilities, institutionalize the absence of protection as a way of attracting investment, and discourage the implementation of standards already in force. However recent research carried out in cooperation with the Asian Development Bank shows that the absence of protection against occupation injuries and diseases at the national level can be a significant brake on economic and social development. A collation of national occupational fatality rates with competitiveness rankings of the World Economic Forum has shown that in fact high standards (few fatalities per 100,000 workers) go with competition. On the other hand, enterprises operating on a global scale are applying best practice in OSH across the whole firm. In sectors such as petroleum and petrochemicals, good practice is a matter of survival; in sectors selling to the public, the need to maintain a good image is inescapable. The globalization of information and communications technology has had a beneficial effect on workplace safety and health programmes in countries where these have recently been introduced, putting practitioners – industrial hygienists, occupational physicians, labour inspectors and others – into direct contact with their peers in longer-established programmes elsewhere, and giving them access to resources around the world in the absence of adequate local libraries.

HIV/AIDS is a global crisis and without doubt one of the greatest challenges to development in terms of its impact on poverty and social equity at the global level. The epidemic deepens existing inequalities and acts as an obstacle to poverty reduction, while poverty itself presents a barrier to education and economic security, which are necessary to empower individuals and communities to fight HIV and AIDS. Poverty thus contributes to the incidence and spread of the epidemic, creating a vicious cycle which can only be broken through an appropriate policy response. Moreover, the implications of the epidemic for social security systems are far from being fully understood. Many people infected with HIV have no social security coverage – they do not have access to the quality medical care they require, and die leaving dependants without any replacement income. The epidemic is concentrated in the working age population and causes a loss of skills. The ILO calculates that the size of the labour force in high-prevalence countries will be between 10 and 30 per cent smaller by 2002 than it would have been without AIDS. Human resources are the only resources that some countries can count on. Globalization is often associated with the liberalization of commerce and the rules governing the market. However, the market also relies on the goods it cannot provide itself: global public goods. Disease control or eradication is such a global public good. The devastating economic and social consequences of the epidemic have generated the development of a greater sense of corporate social responsibility as businesses seek to secure their investment and maintain a healthy workforce. In response to the epidemic, the ILO adopted its Code of Practice on HIV/AIDS and the World of Work. The code is a pioneering document built on a tripartite consensus. Based on ILO fundamental principles and standards pertaining to the protection of rights at work, the Code is a voluntary instrument and flexible tool providing practical international guidelines which can be adapted to the needs of different situations, sectors and regions to address the HIV/AIDS epidemic.

3. Conclusions

Continued unemployment, inequality, social exclusion, poverty and inadequate opportunities for work in conditions of freedom and dignity, of economic security and equal opportunity, show that more integrated policies are needed if globalization is to work for all. The ILO’s Decent Work Agenda provides the basis for such an integrated approach to policy, covering a large and strategic part of the overall development agenda. Policies to promote the highest possible rate of generation of decent employment for all are vital to ensure greater equity in the distribution of the benefits of economic growth. This is because income from employment is the predominant determinant of the economic welfare of most of the population. Ensuring full respect for basic labour rights supports this goal, since this empowers working men and women to exert political influence to ensure that employment creation is a priority, that working conditions meet minimum standards of decency, that there is an adequate level of employment and social security, and that there is a greater degree
of industrial democracy and social dialogue. Guaranteeing basic labour rights would also spearhead progress towards political democracy in general, with all its attendant benefits in terms of ensuring more transparent policies that are in the interest of society as a whole rather than of dominant groups alone. Similarly, attaining a higher degree of socioeconomic security would be an important additional complement to the above policies. Policies to extend social protection to all workers would contribute greatly to the reduction of poverty. They would also contribute to improved economic performance by eliminating inefficient behaviour by economic agents such as that based on excessive risk-aversion, and by fostering more positive attitudes towards economic and technological change.

Giving effect to this integrated approach to achieving the goals of the ILO would be important for at least three reasons. First, it would be a major means of generating inclusive processes that lead to improvements in well-being and security for all. The accomplishment of these ends, by countering any negative impacts of globalization, would help underpin its social legitimacy. Second, this integrated approach to achieving these goals can serve as the foundation, and indeed the prototype, for the new approach to overall development that is required. It is well suited for this because it spans the whole spectrum of variables (basic rights and democracy, economic and social policies for employment creation and improved socioeconomic security, and institutional arrangements for ensuring greater participation) that have to be taken into account in an integrated approach to development. Third, if the Millennium Development Goals are to be achieved within the agreed time-frame (2015) then a new approach to development is needed, since the international community will not make progress toward these goals based on the present model of globalization.

The ILO’s relationships with the United Nations system, the Bretton Woods institutions and the major regional organizations are of critical importance to its work. They define the ILO’s profile within the international community and extend its reach to the outside world. They give international legitimacy and recognition to the role of business and labour as important representatives of civil society, and give them a voice in emerging structures of global governance and a place in multilateral development programmes.

For these reasons, the ILO has given importance to strengthening its relationships with the United Nations system and the Bretton Woods institutions. It has been active in global conferences, notably the World Summit for Social Development (Copenhagen, 1995) and the Fourth World Conference on Women (Beijing, 1995), and has taken a major lead in the follow-up to those conferences. With the World Bank and the International Monetary Fund (IMF) a systematic effort has been made to develop joint approaches wherever possible and to widen the area of agreement on the goals of economic policy and the institutional means of achieving them.

It is clear that these efforts must continue. The experience of the last decade has shown that no single international organization has a monopoly of wisdom, or can be expected to provide solutions that are complete and universally acceptable. Both knowledge and political consensus are essential for the success of any international institution; neither is possible without new types of partnerships and collaborative working arrangements. To this end, the ILO established the World Commission on the Social Dimension of Globalization to prepare a major, authoritative report. The broad goals of the Commission are –

(i) to identify policies for globalization which promote open economies, reduce poverty, foster growth and development, and promote decent work;

(ii) to identify policies that can make globalization more inclusive, in ways that are acceptable and seen to be fair to all, both between and within countries;

(iii) to help the international community forge greater policy coherence in order to advance both economic and social goals in the global economy.
Annex I

International labour standards, principles and rights: An ILO Briefing Note

Introduction

The ILO sets and supervises international labour standards in the form of Conventions and Recommendations. These are universally applicable instruments describing the whole range of requirements for fundamental rights, decent conditions and good practice at work and the policies and programmes most likely to help achieve these goals.

The international legal framework that this normative process provides can be a major element in the international rules-based system, which makes several unique contributions. It mainstreams both the labour movement and representatives of employers’ organisations into decision-making and monitoring, and it brings together the human and the economic desirability of formulating international standards in the social and labour sphere, which are fixed globally and can be made to stick.

The International Labour Conference draws up these standards by a process of negotiation between governments, trade unions and employer representatives from all ILO member States. New Conventions and Recommendations require the vote of two-thirds of Conference delegates to be adopted. Many of the more recent Conventions revise and bring up to date earlier ones in the same subject-areas.

All member States are required to submit newly adopted Conventions to their legislature for decision on ratification and possible action. While ratification is a voluntary decision, once ratified a Convention is legally binding on the country concerned. Most Conventions are applied through law or collective agreement, or a combination of these. Recommendations are not open to ratification and are not binding. Like many Conventions, they provide authoritative guidance for good practice.

1. Conventions and principles on fundamental rights

Eight of the ILO’s Conventions are now widely recognized as defining fundamental rights at work. Seven of these Conventions were specifically singled out for promotion as a result of the World Summit for Social Development (Copenhagen, March 1995). In May 1995, the ILO itself launched a campaign for their universal ratification, and at its 1998 Conference they were taken as the references for the adoption of its Declaration on Fundamental Principles and Rights at Work. The Declaration restates the obligation of all member States to respect, promote and realise the principles concerning fundamental rights dealt with in the fundamental Conventions. The Declaration and the Follow-Up now being pursued in the ILO thus bridge the gap where States have not yet ratified all of those Conventions. In 1999, the ILO Conference adopted a new Convention on the Worst Forms of Child Labour, which now joins those seven as one of the eight fundamental ILO instruments.

The first category of fundamental rights is freedom of association, described in detail in the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), which guarantees the basic right of all workers and employers to form and join organizations of their own choosing. The Right to Organise and Collective Bargaining Convention, 1949 (No. 98), guarantees to workers protection against acts of anti-union discrimination, and requires appropriate measures to be taken to promote voluntary collective bargaining to regulate the terms and conditions of employment.
The second category relates to forced labour. The Forced Labour Convention, 1930 (No. 29), aims at the suppression of forced or compulsory labour in all its forms, although five categories of work are excluded from the definition of forced labour (compulsory military service, certain civic obligations, prison labour carried out under certain conditions, work exacted in case of emergency, and minor communal services). The Abolition of Forced Labour Convention, 1957 (No. 105), prohibits form of forced or compulsory labour in five defined cases, as: a form of political coercion or education or as a punishment for holding or expressing political views; a means of mobilising labour for economic development; a means of labour discipline; a punishment for participation in strikes; a means of racial, social, national or religious discrimination.

Thirdly, equal opportunities. The Equal Remuneration Convention, 1951 (No. 100), calls for the promotion and application of the principle of equal remuneration for men and women workers for work of equal value. The Discrimination (Employment and Occupation) Convention, 1958 (No. 111), requires States to declare and pursue a national policy aimed at eliminating all forms of discrimination in employment and occupation. Discrimination is defined as any distinction, exclusion or preference based on race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment. States are free to prohibit discrimination on additional grounds. The Conventions encompasses access to vocational training and employment, and terms and conditions of employment.

Finally, as regards child labour, the Minimum Age Convention, 1973 (No. 138), calls for the pursuit of a national policy for the effective abolition of child labour and the setting of a national minimum age for access to employment that cannot be less than the school-leaving age or 15 years (developing countries may choose 14). Minimum age for employment in (nationally defined) hazardous employment can be no less than 18 years, or 16 years where special protection measures are in place. The Convention allows for limited categories of non-hazardous employment to be excluded from its coverage, as well as light work done by 13 year olds (developing countries may say 12 year olds), on condition that safeguards concerning health and school attendance are observed. And developing countries may further limit the general scope of measures taken under the Convention to a specified minimum. The Worst Forms of Child Labour Convention, 1999 (No. 182), takes a different approach: it applies to everyone under the age of 18 years and says immediate and effective measures have to be taken as a matter of urgency to obtain the prohibition and elimination of such forms of child labour as slavery and similar practices (including the sale and trafficking of children, child debt bondage or serfdom, and children’s forced or compulsory labour or forced recruitment for use in armed conflict); child prostitution or use in pornography; use of children in other illicit activities (relating, for example, to drugs); and other work harmful to their health, safety or morals.

2. Decent work and labour standards

The eight ILO Conventions defining fundamental rights at work take a lead role on the broader platform of the Organization under the Decent Work banner. The various elements of a coordinated strategy for decent work are summarized in the four Strategic Objectives of the ILO. The goal of full, productive and freely-chosen employment is outlined in the Employment Policy Convention (No. 122); the labour inspection Conventions (Nos. 81 and 129) describe guarantees for the implementation of social protection measures; and the mode of social dialogue on the
responsibilities of Member States of the ILO is laid down in the Tripartite Consultation (International Labour Standards) Convention (No. 144). ILO standards give promotional policy guidance on the achievement of the employment objectives through human resources and enterprise development (Convention No. 142 and Recommendation No. 189) and practical labour administration programmes (Convention No. 150), on the foundation of the rights-based approach outlined in the fundamental provisions referred to above. More recent Conventions and Recommendations often describe the framework of the policies to be pursued in other aspects of decent work (for example, in the field of occupational safety and health, as in Conventions Nos. 155 and 161, or social policy as in Convention No. 117). Others may go into greater detail as regards, for example, wage protection and minimum wage fixing (Conventions Nos. 95, 131), maternity protection (Convention No. 183), or working time (e.g. Conventions Nos. 14 and 106 on weekly rest). Some provide in different ways a broad agenda on many aspects of labour issues for different categories (such as Convention No. 169 on indigenous and tribal peoples, Convention No. 159 on workers with disabilities, or Convention No. 147 on minimum standards on board ship.

3. The implementation of international labour standards: the ILO supervisory system

ILO experience has taught that a combination of supervisory mechanisms - based on government reporting, independent expert examination and tripartite discussion - and technical cooperation and advisory services brings the best prospect of obtaining satisfactory application of labour standards.

3.1. Regular procedures

At the heart of the system is the requirement under article 22 of the Constitution that governments of States which ratify a Convention must report regularly to the ILO on how it is being applied. Trade unions and employers organisations may also make observations on the application. Government reports are called for at intervals of between one and five years, depending on the importance of the Conventions and problems encountered. Under present arrangements, reports on the fundamental Conventions are due at least every two years, as are reports on other leading Conventions on labour inspection, tripartite consultation and employment policy.

The ILO Committee of Experts on the Application of Conventions and Recommendations examines government reports annually. It is composed of 20 eminent independent jurists. The Experts draw up a report containing detailed comments on the performance of governments in meeting their obligations, the most important contents of which are submitted to the International Labour Conference and discussed by a tripartite committee on the application of standards. A limited number of cases are discussed in detail by the Conference Committee and conclusions adopted on them. Particularly serious cases may be highlighted in special paragraphs of the Committee Report.

This regular supervisory mechanism applies exclusively to ratified Conventions. However, the ILO Governing Body also decides each year to ask for reports from governments on the situation in respect of one or more Conventions which they have not ratified, or Recommendations. These reports are examined by the Committee of Experts and the Conference Committee on Standards in a general survey and provide an opportunity to measure the degree of compliance with non-ratified Conventions, and to identify obstacles to ratification.

3.2 Complaints

Two complaints procedures are explicitly provided for in the ILO Constitution in respect of ratified Conventions.

Under article 24 of the Constitution a trade union or employers’ organisation may submit a representation alleging non-observance by a government of a ratified Convention. Such
representations are dealt with by the Governing Body, which sets up a tripartite committee to examine them. Having considered the allegations and the response of the government concerned, the committee reports back to the Governing Body, which adopts conclusions and recommendations for action.

Under article 26 of the Constitution, any government of a State which has ratified a given Convention may file a complaint against another ratifying State, alleging failure to ensure effective application. Once the views of the government concerned have been received the Governing Body may decide on the establishment of a Commission of Inquiry composed of eminent independent experts to examine and report on the allegations. The government is required to indicate to the Director-General whether it accepts the recommendations in the Commission report, and if the recommendations are not acted on the Governing Body may propose other action to secure compliance. Such complaints can also be made by any delegate to the International Labour Conference, and the same procedure can be initiated by the Governing Body. In practice, the article 26 procedure is used infrequently and only to address particularly grave situations.

A further key part of the complaints machinery originated in 1951, shortly after the adoption of Conventions Nos. 87 and 98, when the ILO established the Governing Body Committee on Freedom of Association. That Committee is tripartite and is competent to examine and adopt conclusions and recommendations on complaints submitted to it alleging violation by any member state of obligations in respect of freedom of association deriving from the ILO Constitution or the freedom of association Conventions, where ratified. It meets and reports to the Governing Body three times a year. Since its creation, it has examined more than 2000 cases and is widely recognised as being highly effective. The unique feature of the Committee on Freedom of Association is that it can deal with complaints against governments regardless of whether they have ratified the Conventions in question.

4. ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up

The Declaration, adopted in 1998, aims to achieve universal application of fundamental principles and rights, in particular in countries that have not ratified the relevant Conventions.

There are two elements in this:

1. The Declaration recognises that all ILO Members (who are also in general Members of other international organisations) have by their acceptance of the ILO Constitution accepted an obligation to respect, promote and realise principles concerning freedom of association and the effective recognition of the right to collective bargaining; the elimination of forced or compulsory labour; the effective abolition of child labour; and discrimination in employment and occupation;

2. It includes a Follow-Up designed to follow and encourage countries′ efforts to meet this obligation. The success of this promotional approach, which explicitly rules out the use of the Declaration for protectionist purposes, will of course depend on the mobilisation of sufficient support and assistance both within the ILO and in other organisations.

The approach of the 1998 Declaration and its Follow-Up is essentially promotional. It involves annual reporting and global overviews of the way in which fundamental principles are applied, with a view to both assisting in obtaining ratification of the Conventions concerned and giving technical cooperation and advice. The Declaration supplements the ILO′s normative tool of international labour Conventions and Recommendations and the supervisory procedures, and extends and intensifies the possibilities of technical assistance and advisory services which are needed especially by the poorest countries which, while committed in principle find implementation in practice a huge material challenge.
5. **Technical cooperation**

The supervisory procedures and the Declaration Follow-Up are backed up by the provision of technical cooperation, advisory services and informal contacts with the ILO secretariat, all of which can assist governments to overcome difficulties in applying Conventions or the principles they contain. In the most serious cases concerning ratified Conventions, the ILO may send special direct contacts missions to countries concerned.

Practical advice and technical cooperation can help address the problems of implementation shown up by the supervisory mechanisms, as well as hasten the process of improving perceptions and obtaining formal commitment through ratification of Conventions. The ILO is examining new ways in which technical cooperation can be used to create an enabling environment for the implementation of international labour standards and the principles of the Declaration. This coincides with new openings and dialogues taking place with a wide range of actors in the multilateral system, in particular the creation of the World Commission on the Social Dimension of Globalization.

6. **Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

The MNE Declaration, adopted by the ILO Governing Body in 1977 and revised in 2000, is a reference point for the social dimension of multinational enterprise operations, as agreed by governments, employers and workers. It is based on principles underlying international labour standards. The MNE Declaration aims to foster consultations, dialogue and partnerships that balance the roles and responsibilities among government agencies, workers’ organisations, and multinational and local businesses.

The ILO has through the MNE Declaration sought to encourage productive and responsible ways of dealing with rapid changes in the world of business while raising standards of living, sustaining high-quality employment, enhancing the quality of life for workers and their families, and respecting rights at work. The seven periodic surveys to date, based on the replies of governments and employers’ and workers’ organizations to a questionnaire circulated by Governing Body decision, have led to the adoption of promotional programmes including a global information database on the social dimensions of MNE operations. A dispute resolution procedure, based on requests for interpretation of the MNE Declaration, is available when parties disagree on its meaning.
Annex II

Regional perspectives on the social dimension of globalization

1. Africa

Of all the regions of the world, Africa has the worst record of negative effects of globalization. Most of the positive aspects and potential gains normally ascribed to globalization are simply not in evidence. With rising unemployment, the growing informalization of jobs, half of the population in poverty and a mere one-per-cent share in world trade at the turn of the century, the increasing global insignificance of the region and its marginalization and exclusion are well demonstrated.

At a recent meeting of 15 developing countries, an African Head of State expressed the prevalent view that African societies are now generally overwhelmed by the consequences of globalization. Options have narrowed, and the increasingly shrinking world has imposed severe conditions of marginalization and stagnation. This does not detract from the fact that globalization does offer hope and opportunities. But there is concern that the conditions under which these advantages could be realised are neither present nor achievable within the foreseeable future in Africa. Africa lacks the skills, technology, sound economic base and institutional frameworks that are essential to effectively operate in increasingly competitive environments. Labour, the only factor of production that the region has in abundance and which could have provided powerful leverage, remains hindered by cross-border restrictions.

Attempts to mitigate the impacts of globalization have yielded disappointing results. The few countries that increased their integration into the world economy over the last two decades did manage to achieve higher growth in incomes, longer life expectancy and better schooling, but these gains were soon wiped out by their increasing lack of influence over corporate power and multilateral institutions, which influenced critical policy choices. The social costs have been equally high. A huge debt burden, diminishing working opportunities and conditions, deteriorating human development, political tension, armed conflict, social exclusion and worsening poverty have generally been associated with the debilitating effects of unrestrained globalization. However, Africa cannot opt out of globalization. It has to develop a clear vision and pursue clear strategies that translate internal strengths into competitive advantages in an increasingly globalized environment.

The impact of globalization

A number of studies and reports on the impact of globalization on Africa have concluded that it has led to the deterioration, rather than enhancement of quality of life in the region. A major dimension of the arguments against globalization is that it has a negative impact on employment. End products imported from developed to developing countries, as a result of the liberalization of trade, have led to the replacement of domestically produced goods with goods produced abroad. The introduction of new technologies has also sometimes added to job losses. So called “appropriate pricing” programmes and privatization have led to the retrenchment of government officials and their replacement by the employees of multinationals. This has merely replaced a public monopoly with a private one. The conflicting labour laws in many parts of the region have added to this negative impact. The scope for and access to efficient social protection is generally weak and limited. The view supported by the international financial institutions – that globalization generates long-term employment and growth – is not supported by evidence from the region.

Inherent in the traditional setting of African societies is the societal approach to economic and social affairs. Roles and responsibilities are well-defined and executed in such a way that every segment is involved in key decisions. Globalization has also had an impact on empowerment. Colonization and now globalization have led to the progressive relegation and marginalization of
vital constituents from key issues which affect their daily existence. Globalization would not have had such a devastating impact if governments consulted with the social partners and other critical segments of the population, who could have ensured that economic programmes meet social requirements.

**The challenge**

An important lesson from experience of globalization is not to discountenance its social impact, but to account for this in a more transparent manner. Globalization can help in tackling poverty in Africa, if it is tempered with principles of equity, good governance, empowerment and sustainability. This will require a massive and sustained effort by all actors. Some of the main elements required to make this possible are the following:

- **Strong and equitable global and regional institutions:** Global and regional institutions, the United Nations, UN agencies, regional development banks, and the World Trade Organization can play critical roles in ensuring that globalization takes a path that reduces poverty and protects human rights. Recognition of the special circumstances and needs of Africa, and its participation in these institutions, are critical. This should influence development assistance and debt relief etc.

- **Integrating human rights concerns into the development agenda:** A central goal should be to mainstream into the globalization process the human rights concerns expressed in the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) as well as key ILO Conventions.

- **Fair trade and negotiation practices:** Unfair trade practices and policies, which have served to hinder the equitable participation of Africa in global trade, have to be reviewed.

- **Improving the investment climate:** Creating a good investment climate will not only facilitate integration into regional and global economic systems, but will also foster the growth and survival of domestic firms. Good governance is an essential element of this.

- **Improved access to basic social services:** It is essential that rapid improvements be made in key socio-economic areas, especially education, health and food security.

- **Efficient social protection:** Social protection needs to be tailored to the vagaries of globalization, in order to help national economic units assume wider risks, seize new opportunities and cope with the negative impact of globalization.

- **Support regional efforts:** African countries’ home-grown efforts will be crucial to the success and sustainability of its development efforts, including the mitigation of the social impact of globalization. Support for the New Partnership for Africa’s Development (NEPAD), the imminent transformation of the OAU into the African Union, and the now entrenched regional development blocks, would be of immense value.

- **Support for crisis management and resolution efforts:** Many African countries are particularly vulnerable to crises in one form or another. Support for crisis and reconstruction is a priority in this region.
2. The Americas

The Americas region has seen much debate on the social dimension of globalization which, together with rapid technological change, is leading to radical changes in societies, especially in the area of employment and labour.

This subject has been at the centre of discussions in many forums, including those relating to economic and trade areas based on free trade agreements. The topic has thus dominated discussions within MERCOSUR, Centroamerica, CARICOM, the Andean Community of Nations, and the North American Free Trade Area. It dominated discussions at the Xth, XIth and XIIth Inter-American Conferences of Ministers of Labour, as well as the Fourteenth American Regional Meeting of ILO member States.

In this context, the XIth Inter-American Conference of Ministers of Labour (Viña del Mar, Chile, 1998) was a major landmark. This Conference adopted a Declaration and a Plan of Action based on certain central guiding principles for the globalization agenda. These are founded on the assumption that democracy should be strengthened and deepened in the light of fundamental ethical objectives that will permit social and economic development with equality of opportunity for progress, the eradication of poverty and the achievement of equity and social justice. This means that the fundamental policies of economic growth needed for social development – policies which include international free trade, economic integration, incentives for productive investment, the introduction of advanced technologies and technologies aimed at achieving sound macroeconomic balances – must be devised with a view to creating more and better quality jobs, in keeping with recognized international labour standards.

On the basis of these assumptions, a range of public policies are being put forward, in cooperation with the ILO, as follows.

**Economic globalization and its social and labour dimension**

1. Employment and the labour market:
   
   (a) particular emphasis on growing labour mobility, within and between sectors, with due attention to changing work patterns, labour turnover and working conditions;

   (b) wage-setting mechanisms;

   (c) conceptual plans and policies on education and training programmes and activities, with special attention to the most vulnerable sectors;

   (d) economic assistance schemes for unemployed workers.

2. Labour relations:

   (a) extending the coverage of collective bargaining to promote cooperation between employers and workers;

   (b) the promotion of employers’ and workers’ organizations with a view to achieving labour relations based on equity between the parties;

   (c) the development of social dialogue;

   (d) alternative mechanisms for the settlement of disputes;

   (e) jurisdictional bodies and labour procedures.

3. Social security:
(a) improvement of social security and pension schemes, especially with regard to emerging forms of working conditions;

(b) the study and design of appropriate policies for the protection of citizens who join the growing migration of labour in response to increasing economic and commercial exchanges between countries.

**Modernization of the State and labour administration**

1. Functions and mandates of labour ministries:

(a) modernization of the functions and mandates of these ministries; active participation in government decision making on social and economic policy with a view to reducing the gulf between economic and social (especially labour) policy areas;

(b) measures to strengthen their analytical capacity;

(c) the production of objective and relevant public information;

(d) the promotion of social dialogue, and measures to promote areas for economic and social consultation.

2. Labour inspection:

(a) reinforcing labour inspection, especially in its preventive function; this is all the more urgent in the context of international and regional integration.

(b) the modernization of institutional design and methodologies.

In general, the major concerns raised in discussions at recent meetings in this area have included the following:

- the past, present and likely future impact of globalization on labour markets, employment and work; it is naturally very difficult to determine the precise effects of economic globalization processes and the concomitant phenomena of economic integration and free trade agreements. However, assessing these effects is a major current concern;

- the impact of policies aimed at enhancing flexibility;

- the increase in precarious work;

- the growing uncertainty created by labour mobility and, consequently, the responses needed to create a better and more transparent labour market, with mechanisms for more flexible employment services to facilitate the integration of workers in the labour market; this naturally includes the notion of employability in all its aspects, including education and training;

- in addition to the foregoing aspects, the development of areas of cooperation, in particular the good practices that have been developed to cope with these processes, would appear to be crucial;

- lastly, the social actors, especially workers’ organizations, employers’ organizations and civil society in general, including broad areas of the academic world, have lately been demanding better information and greater participation in decisions taken in these areas; this poses the challenge of preparing those sectors for democratic and constructive debate, by providing all the necessary apparatus for research and dissemination.
3. **Asia and the Pacific**

The Asia and Pacific region is the more recent entrant into the process of globalization. Perhaps a better characterization would be that the region globalized the fastest in the 1990s. Over this decade world exports increased by 60 per cent, while the region’s exports increased by two-and-a-half times. However the progression of the globalization process in the region has been uneven—distinctly slower in South Asia than in East and South-East Asia.

**The benefits – growth and poverty reduction**

The upside to the globalization of the region has been that over the last decade it saw the highest regional growth rate in the world of 6 per cent. Before the crisis, some countries with relatively smaller labour forces verged on full employment, while those with larger labour forces also brought down their levels of unemployment and underemployment significantly. Perhaps the greatest positive impact was that this was the only region to reduce its share of world poverty.

**Increased regional vulnerability to crises and recessions**

One major downside to the high rate of globalization in the region is its increased vulnerability to crises. The East Asian crisis of the late 1990s highlighted the volatility of global capital flows, particularly portfolio capital, and the relative weakness of the regulatory and institutional mechanisms of countries to shield their financial, economic and social sectors from them. The resultant impact of the crisis on the economies and people exposed to it has been very high. Unemployment levels shot up, real wages eroded, and significant improvements in poverty were reversed in the countries primarily hit by the crisis. The crisis exposed social weaknesses, such as the lack of social protection for most of the labour forces in the region, lack of dialogue and voice as institutional mechanisms to cope with such crises, and lack of rights which underpinned the weak structures for governance. The region’s continuing vulnerability to global downturns is now seen in the current recession. There is also much concern over the stability of exports. This situation is even more difficult for small island states as it aggravates the disadvantages inherent in a narrow resource base. There is cause for great concern regarding the lack of social infrastructure, together with growing inequality across the subregion. The attendant danger of social instability is by no means negligible.

**A globalization divide in the region**

Only half the region has been globalized, denying the advantages of globalization, growth and poverty reduction to the other half. The region’s population of 3.3 billion is evenly divided between, on the one hand, the high-income and high-growth economies of East and South East Asia, and on the other hand, the low-income economies of South Asia and the Pacific islands and the transition economies. Competitiveness lies on one side of the divide; on the other a lack of competitiveness and poverty.

**Increased informalization on one side of the divide …**

In South Asia there is no doubt that, under the influence of globalization, the part of the economy characterized as “unorganized”, or “informal”, has grown disproportionately to the formal economy and now comprises the predominant part of the workforce throughout the subregion. This has important implications as regards those aspects of workers’ security that cannot easily be protected in settings typical of the unorganized economy, not least where employment is typically on a casual basis or carried out by large numbers of home-workers. This obviously
includes gender aspects. These trends in working patterns add to the numbers of children sent to work by their families.

... *increased demand for flexibility of employment on the other side*

There is also emerging evidence of an increased demand for flexibility of employment stemming from the usually increasing pressure for competitiveness from firms and economies attempting to recover from crises and recessions. This flexibility in employment can then impose constraints on social protection. Attention needs to be paid to the role that can be played by social security schemes, including unemployment insurance, and social assistance in alleviating the insecurity (both of income and in other regards) faced by workers who are displaced in the course of the reorganization of industries, which is an inevitable consequence of globalization – including those outside formal networks.

*Increasing awareness of the need for social policy to complement economic policy*

The balancing of economic and social development policies has now become the most critical challenge for any elected government. This challenge lies at the very heart of the globalization phenomenon, since economic development is directed towards, and largely conditioned by, a set of external factors related to trade competitiveness, while social development policies must respond to national needs, priorities and perceptions. International trade policy (and national policies based on international requirements) need to include social aspects, just as national social policy has to be mindful of the necessities of international commercial competitiveness.

*The mitigating role of social dialogue in the East Asian crisis*

One of the major lessons of the South-East and East Asian experience has been that the countries that have made the best recovery from economic setbacks are those that have emphasized effective social dialogue, which in turn has allowed workers in those countries to maintain their rights at work most effectively.

*Rights in export processing zones*

An area in which rights at work demand particular attention is that of the special economic zones or export processing zones which have been created in most countries at different times as a specific response to the need to increase employment opportunities, with a reasonable degree of success in many cases (notably in providing jobs for women, for example in the textile and garment industries). Generally, however (albeit not in all cases), the promoters of such zones have actively impeded the activities of workers in organizing themselves, and properly pursuing rights which outside the zones are generally available under national labour legislation.

*Capital flows are freer, but movement of labour is not*

The countries of South-East Asia and the Pacific are labour-exporting countries. In addition, the subregion provides huge numbers of seafarers worldwide. Workers who need to earn a living outside their country of origin remain subject to sometimes severe restrictions and, as a rule, do not enjoy full equality in host countries. The present form of globalization clearly favours economic and financial freedoms over the freedom of movement of workers. This basic imbalance engenders numerous social problems.
4. Europe

Europe, and more specifically Western Europe, has developed over time what can be described as a model rooted in shared values, sometimes referred to as the European social model. This model strives to redistribute within the population in as fair a manner as possible the fruits of the wealth that has been created, and consequently engages in policies that combat the unacceptable for European societies – poverty. Tripartism at the national level is well-established in Western Europe, even if the national and sector-based negotiation processes have lost ground to enterprise negotiation. The European social model was a precondition for European Union countries to be able to function smoothly in their endeavours to open their economies to greater competition by facilitating the free movement of persons, goods, services, and capital. Raising living standards, promoting a high level of employment and social protection, improving living and working conditions and promoting the quality of life are the goals of Western European countries.

These countries have a very high rate of ratification and implementation of international labour Conventions. The ILO Declaration also proved an inspiration to the European Union in its development of a Charter of Fundamental Rights, adopted in Nice in December 2000. More recently, the European Commission adopted a communication that includes positive incentive schemes whereby effective compliance with core labour standards qualifies a country for additional trade preferences. It also wishes to integrate further the ILO’s core labour standards in its development policy.

The social model developed in Western European countries, and in particular in the European Union, has proved its efficiency: growth has been created and its fruits reaped by the population.

However, the high standard of living and of social protection enjoyed so far by Western European citizens has come under pressure. The long-held social values elaborated in a spirit of consensus are challenged. The long-term financing of social security systems is high on the policy and political agenda. A second issue concerns the high cost of health care and unemployment. Europe has also addressed the issue of new flexible forms of employment which might provide chances and generate risks. It appears that female workers earn less per hour than men and represent 80 per cent of all part-time employment in the EU. The non-coverage of part-time work in certain countries or the non-coverage of certain flexible contracts, where it is not obligatory to pay social security contributions, place in a precarious situation. Consequently, the social protection of women continues to pose a problem for the women’s employment issue.

The most successful countries so far in achieving both good results in the labour market and in their adaptation to the globalized economy are the smallest countries of Western Europe. Their success is due to a combination of three factors: social dialogue, macroeconomic policy and labour market policy, including training and income security schemes. These factors have favoured a confident labour environment.

ILO values will take on steadily greater importance in the years to come as other member States join the ranks, particularly through accession to the European Union. The standards and policies (acquis communautaire) adopted by the European Union are coming to serve as benchmarks for more and more countries in the region.

This first group of transition countries are the EU candidate countries. These countries are translating the policies and values adopted by the European Union into national legislation and practices. Most EU candidate countries, however, are facing a better situation than countries in South-Eastern Europe and the CIS countries, partly due to their geographical proximity to and cooperation with Western Europe.

Transition so far has had a high cost. The initial prediction of liberal economists and politicians that a combination of radical market liberalization plus monetary and fiscal austerity (the “Washington consensus”) would lead to rapid economic growth did not prove correct. On the contrary, GDP dramatically decreased during the early 1990s. At the same time, these countries experienced a
sharp increase in income inequality. As a consequence, poverty emerged through increased unemployment, particularly among younger workers, low wage earners and workers whose wages were and still remain unpaid, particularly in CIS countries.

In Central Europe, the social groups most exposed to unemployment are the unskilled workers, unlike CIS countries, where highly educated people also face high unemployment; as a result informal work has increased. Unemployment is more widespread in CIS countries and in South-Eastern Europe than in Central Europe. In addition, ethnic and minority groups suffer in particular from unemployment, particularly in Central and South-Eastern Europe. This is also the case for women. In some South-East European and CIS countries the transition process was delayed by the impact of war, particularly in the Balkans, as well as in Transcaucasian and Central Asian countries.

Social dialogue is one of the most significant needs for the transition countries if they are to establish a climate of peace and stability. This is also a key criterion for accession to the EU.

In the former system, low priority was given to social security benefits, welfare and unemployment benefits. Since the 1990s, however, such benefits have been introduced and implemented. Nevertheless, their implementation is not sufficient to solve the social protection problems. In the CIS and South-Eastern European countries, the social protection situation is critical, due to the informalization of the economy, the disruption of mechanisms and the decline in financial resources. The CIS countries are increasingly considering drastic changes to adjust their social protection systems. These changes can only be effective under an explicit, coherent and consensual policy framework.

Poverty in one region, or parts of one region, is a threat to prosperity elsewhere. Despite the overall increase in wealth in the world following the opening of economies, a number of transition countries have not yet made the transition to a market economy, and have in some cases to deal with the consequences of several years of conflict. The European social model is an interesting framework for successful integration into the global economy.