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## **Core Labour Standards and Globalization**

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There are many different impressions of the International Labour Organization. Some see it as a kind of an international labour inspectorate, sitting on a hill in Geneva and sending instructions all over the world to countries to mend their ways. Others see it as an eager enforcer of labour standards, frustrated by the fact that it does not have much “teeth” - it has neither peace-keeping troops nor battalions of labour inspectors. Yet others see it as the world’s social conscience, preaching its gospel but not doing much else beyond moral convincing.

I do not agree with any of the above, or with other stereotypical images. Reality is more complex and holds considerable potential. For instance, the ILO is recognized as a universal reference point for the politically very contentious notion of core labour standards. In addition, much has taken place over the last 10 - 12 years. If a decade ago someone would have told me that over half of ILO technical cooperation will be in the area of core labour standards, I would not have believed it. But that is where we are, at least for now.

If we do not know where we come from, we cannot have a proper idea of where we want to go. I wish to start by reminding about some of the factors that influenced the debate on core labour standards and globalization. In the negotiated ILO language, we call these “fundamental principles and rights at work”, as set out in the solemn Declaration adopted by the 1998 International Labour Conference.

### THE CONTEXT OF STRUCTURAL AND POLITICAL CHANGE

The general setting for the debate on core labour standards was influenced by deep-reaching structural change in the world economy since the early to mid-1980s. Technological opportunities had altered the way in which enterprises and economic actors in general functioned. They were less constrained by geography and the boundaries of nation states. It had become possible to manage the production of goods and services in real time irrespective of the locations of these activities. When business leaders could link from anywhere into the information system of their enterprises, such questions as the location of corporate headquarters started becoming

obsolete. This also changed the setting for debates on multinational enterprises, which at least since the mid-Seventies was based on the assumption that a big multinational could act as an agent for its home country's policies in other places of the world.

I would argue that the technology which enabled international business - for better and for worse - to transcend national boundaries and regulations also finally brought about the end of the Communist system. In that system, the manager could not freely have access to the information system and take the decisions necessary for economic success. You cannot manage an information economy if there is a Party Secretary between you and your computer. In some Communist countries, private persons could not even own a typewriter, let alone use a computer. The stagnation caused by this was a key element in reform, which started cautiously but soon was overtaken by the realization that not least for political reasons, the system simply had to go.

A consequence of this is that since the end of the Cold War and the dismantling of socio-economic blocks which opposed one another, for the first time since 1914 we have returned to a virtually universal market economy. Views may differ on how to run this economy, but there are no fundamental divergences on its main criteria. Cuba and North Korea may rather be exceptions that strengthen the rule. Besides, even they play in the international scene according to the rules. China, of course, has been a significant part of the global market economy well before entering the World Trade Organization.

There was a relatively brief period in the early 1990s when the dominant expectation, fostered by these changes, was that the combination of democracy and this universal market economy would by themselves create the growth opportunities which had so much been lacking. However, the growth that materialized certainly was impressive in many places but both within and between countries, it was very uneven. Some benefitted, others did not; the position of many improved but others saw that the relatively secure position they had worked out for themselves and their children came under threat.

It became clear that in the now universal market economy, the old problems of poverty, lack of development, and defects of social justice, were still there. Not only had they not gone away; due to the increased transparency of the global economy, they were more visible than earlier. They could not be hidden away behind walls, and they could not be justified by referring to cultural differences. One example of this was the increased attention paid to the problems of child labour since the 1990s.

These were also the same concerns that had led to the founding of the ILO in the aftermath of the First World War, in 1919. The logic at that time was that social injustices and tension at the working level of the economy fuelled conflicts, revolt, revolution, and war. The experience of the Russian revolution and the revolutionary attempts in Germany and elsewhere in Europe in 1917-1918 certainly strengthened this conviction. The demise of Communism as an economic and political system did not make the ILO redundant. In fact, one its basic Constitutional maxims was increasingly relevant in the new global context. As the 1944 Declaration of Philadelphia of the ILO states, "poverty anywhere constitutes a danger to prosperity everywhere".

## THE ROAD TO ACTION REGARDING CORE LABOUR STANDARDS

A number of steps between 1994 and 1998 were decisive for the way in which the ILO is today dealing with the question of core labour standards. I shall summarize these steps before attempting to present a balance sheet of what the results have been to date, together with some conclusions and projections for future work.

By the time of the coming into being of the WTO, in 1994, the debate on a possible link between trade and labour standards had got well underway. Proponents of a “social clause” in the trading system wanted to link market access to the observance of key labour standards, and they considered that the system which was to replace the GATT offered an opportunity for such a link. (Calls for a “social clause” in the GATT had already been made for several years.) Opposition to such a linkage was at least as resolute as the push for it. When the Director-General of the ILO opened the International Labour Conference for a debate on this issue, in June 1994, the developing countries almost en bloc made an attempt to put an end to the discussion on the item. The WTO came into being without any consensus on linking trade and labour standards.

The ILO continued the discussion after June 1994 on a dual track. On one hand, the Governing Body of the ILO constituted a Working Party on the Social Dimensions of the Liberalization of International Trade. This Working Party - in effect, a tripartite committee of the whole of the Governing Body - agreed later to suspend any discussion on sanctions-based measures regarding trade and labour standards. Around the turn of the century it was renamed the Working Party on the Social Dimension of Globalization.

The other track started as a search for ways of strengthening the ILO standards supervisory mechanism on core labour standards. At first, the proposal on the table was to extend the complaints-based supervisory mechanism on freedom of association to two other categories, forced labour and discrimination. This would in practice have meant that allegations on violations of these rights could have also been made against countries which had not ratified the ILO Conventions on these topics. However, no agreement was found on expanding the established special procedure on freedom of association.

By 1995, the concerns regarding child labour had become more outspoken. They were also shared by the business sector. Before the structural changes of the 1980s and 1990s, multinational enterprises had generally not been accused of using child labour. Codes of conduct from the 1970s (voluntary instruments established by the OECD and the ILO) did not even refer to child labour, as the general assumption was that multinationals both did not need to use such exploitation in their operations and could control the behaviour of their subsidiaries in this respect.

However, especially multinationals which marketed goods to consumers in the industrialized countries were increasingly resorting to subcontracting and outsourcing - buying from independent producers in developing countries whose labour practices they did not control. Now they faced potential threats of consumer boycotts, or sanctions, in a global market where competition had become tougher and sub-standard conditions of production could affect the image

and sales of a large retailer. By the middle of the 1990s, international business (and in the ILO, the employers' group) joined the growing movement against child labour.

When the World Summit for Social Development determined, in Copenhagen in March 1995, the contents of core labour standards, the elimination of child labour was included as a fourth category, along with freedom of association and the right to collective bargaining; the abolition of forced labour; and non-discrimination in employment and occupation. Copenhagen determined both the contents and the *modus operandi* by reminding that these standards are based on the ILO Conventions and that even those countries which had not ratified the relevant Conventions should take action to respect their principles.

Around the same time, the OECD decided to base its first study on trade and labour standards (which came out in 1996) on this same short list of ILO standards. This OECD study contributed to the debate by, among other things, concluding that the respect of core labour standards did not have negative consequences for the economies and trade of developing countries.

The next important step was taken by the Ministerial Meeting of the WTO in Singapore, in December 1996. The brief section of the Ministers' communiqué which referred to labour standards contained two important elements. Firstly, it reaffirmed the commitment to international labour standards, affirming that they belong to the competence of the ILO which should be supported in promoting them. Secondly, labour standards should not be used for protectionist purposes and particularly not for denying the comparative advantage of developing countries from lower wages.

After Singapore, negotiations in the ILO intensified. Instead of looking for modifications in the standards supervisory mechanism, the focus now was on a solemn Declaration which would apply to all ILO Member States, including those who had not ratified some of the Conventions on the four categories of core labour standards. The Declaration would be voluntary, but it would have an extensive follow-up mechanism. The Declaration on Fundamental Principles and Rights at Work and its Follow-up were adopted by the International Labour Conference in June 1998.

The Global Compact, which was proposed to the international business community by the Secretary-General of the United Nations in Davos, in early 1999, also adopted the four categories of this Declaration as its labour principles.

In 2000, the Follow-up of the ILO Declaration became operational. A first compilation of annual reports from countries which had not ratified one or more of the fundamental (or "core") ILO Conventions was discussed by the Governing Body in March of that year. A first global report on one of the four categories - in this case freedom of association and the right to collective bargaining - was debated by the International Labour Conference in June. This report gave a general overview of the issue in all countries, independent of ratification of the Conventions, and it explored global trends. In November, the Governing Body adopted a first plan of action under the Declaration - the technical cooperation programme on freedom of association and the right to collective bargaining.

Two other global reports have followed, one on forced labour (in 2001) and the latest on child labour (2002). A new ILO programme on forced labour, including trafficking, has been introduced. On child labour, the ILO has had a programme since 1992, and over ten years it has become the largest single technical cooperation programme of the Organization. A fourth global report on discrimination is under preparation for June 2003, and it will be followed by proposals for technical cooperation.

## BALANCE SHEET: WHAT HAS BEEN ACHIEVED IN EIGHT YEARS

In assessing the situation today, it is also necessary to note what has been avoided. Since the Copenhagen Summit, there is a consensus on the contents of core labour standards. They consist of a short list of core ILO standards. In the debate of the early 1990s, reference was also made to wages, working conditions, and social security. The agreed four categories are enabling standards, and they were selected on the understanding that these principles must apply to all, in all circumstances. They are the human rights at work, and respect for them will enable results in other areas, too.

This consensus has helped avoid a situation where different organizations would operate on the basis of different sets of standards. If the ILO would have one set of standards, the international financial institutions another, the WTO a third one, and the European Union yet another, then the result would be chaos in the international system.

The Singapore message that labour standards should not be used for protectionist purposes and for denying the comparative advantage of developing countries has also been accepted. In fact, virtually identical wording was included in the ILO Declaration on Fundamental Principles and Rights at Work.

It is now possible to assess the over-all situation regarding core labour standards as well as have information on individual countries, so that problems can be identified and dialogue and assistance for remedying them targeted accordingly. This takes place through the combination of different reporting systems (the ILO standards supervisory mechanism; annual reports on efforts to promote the respect of core labour standards; and global reports on each of the four categories concerned) and improved facilities for technical cooperation. The follow-up of the declaration has conformed to the orientations of the Copenhagen Summit. Countries which have ratified the relevant ILO Conventions should strictly observe them and those that have not should make efforts to respect, promote and realize their principles.

Already after the Copenhagen Summit, the ILO introduced a ratification campaign on the fundamental Conventions. The response has been overwhelmingly positive. In the case of some Conventions, it is not an exaggeration to speak of a nearly universal rate of ratification. This is the case when 140 - 160 countries out of the total 175 of ILO Member States have ratified a Convention. The alternative of reporting on efforts to promote the principles has not diminished the rate of ratifications. In fact, it seems that whenever they can, countries prefer to be in the "traditional" system and accept the responsibilities of legal compliance with international standards and regular scrutiny on this.

Technical cooperation for the promotion of core labour standards has grown remarkably. The International Programme for the Elimination of Child Labour (IPEC) is a good indicator of this development. It started as a small programme with one donor (Germany) and six participating countries. Those who joined the programme were somewhat concerned that by recognizing publicly that they have a problem of child labour, they might be subject to boycotts or sanctions. However, over time they, and others who have joined in, have been able to demonstrate that they are endeavouring to cope with the issue instead of exploiting it. Consequently, they should not be punished but rather supported. In the process, the IPEC has expanded to 75 countries, and it now has some 25 donors. (The largest donor is now the United States; Germany, the United Kingdom, Spain, Italy, Netherlands, the Nordic countries, Canada, Australia, New Zealand are all on the list.) One conclusion to be drawn is that technical cooperation can protect against threats of restricting trade. Of course, the cooperation must be genuine and its results transparent.

When the IPEC programme was launched, there was also concern that focussing on technical cooperation on a topic which for decades had been treated as a matter of applying standards would somehow weaken the enforcement of the standards. In the case of child labour, the standards were on minimum age to employment. The oldest Convention on this topic dates from the year of founding of the ILO, 1919. However, the experience with IPEC has proven that technical cooperation and normative action can, in fact, reinforce one another.

A better understanding of the realities of child labour led into the unanimous adoption of the Worst Forms of Child Labour Convention, No. 182, in June 1999. It has become the most rapidly ratified Convention in ILO history, with over 120 ratifications in less than three years. Equally significant is the fact that ratifications of the more comprehensive Minimum Age Convention, No. 138, dating from 1973, have more than doubled. Although ten years ago some saw this Convention as too rigid and unenforceable, it has now reached the high levels of ratification of other fundamental ILO Conventions.

The IPEC has been an entry point into technical cooperation activities on core labour standards. The new programme on freedom of association and the right to collective bargaining has led to activities in 35 - 40 countries. The action programme on forced labour is getting underway, and donor interest is considerable, particularly because of a growing awareness of the need to address the phenomenon of trafficking of human beings. When in the end of 2003, the Governing Body of the ILO adopts an action plan on discrimination, the ILO will have a technical cooperation based facility for each of the four categories of core labour standards.

## SOME FINAL OBSERVATIONS

With over half of technical cooperation in the field of core labour standards, it is obvious that the relevant programmes cannot be limited to legislative assistance and advice. The IPEC programme would not have expanded in the way it did if its main focus would have been legislative. In order to have sustainable progress on core labour standards, the conditions for respecting them have to be addressed. Under-aged children have not only to be removed from

labour, or prevented entering it; the alternatives have to be there, including education and vocational training, eradication of poverty, employment for the parents, measures for rehabilitation, and future job opportunities. Child labour cannot be just legislated out of existence. Simply removing children from work may only displace the problem, hiding it from the public view but probably making it worse for the children themselves.

Similarly, treating the deficiencies of freedom of association and the right to collective bargaining will have to involve developing labour market mechanisms and industrial relations; strengthening employers' organization and trade unions; education and training on the ways to conduct bargaining while taking into account economic constraints; and generally promoting social dialogue. In order to abolish forced and bonded labour, a whole range of employment and income promotion measures as well as social protection systems are needed. Discrimination again is affected by a variety of economic and social factors, including poverty.

During its over 80 years of existence, the ILO has developed a sophisticated system of identifying problems. The concerns on core labour standards have launched an effort to build more bridges from the identification of problems to their solution. The solutions need to be tailored to the needs of each specific country and situation, but they will be based on a universal set of principles which is applicable to all. There is no contradiction here. Universal principles are not applied in the abstract but in practical day to day situations. Global and local go hand in hand here, too.

Due to the emphasis of the Declaration on Fundamental Principles and Rights at Work on the efforts to promote the principles concerned, it is also possible to better measure such efforts in order to determine how they could best be supported. The respect for core labour standards cannot be reduced to only determining whether there is compliance or not. There can be various degrees of compliance, which show that the situation might not yet be satisfactory but that progress is possible, even probable. "Complete" compliance may be an illusion anyway, particularly if it is contrasted with the need of the local constituents (including employers' and workers' organizations) to gain sufficient ownership over the respect for core labour standards.

I know that this kind of an approach implies certain dangers, such as unilateral interpretations or collusions by powerful economic élite groups. The safeguard against this is genuine tripartite cooperation and social dialogue and the transparency of the different ILO follow-up mechanisms. It should also be remembered that the ILO approach is based on dialogue - dialogue with the aim of solving problems. I am convinced that the vast majority of the problems relating to core labour standards can be solved through non-conditional, technical cooperation based promotional action.