Labour standards and poverty reduction
consultation document
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Labour standards and poverty reduction

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ABBREVIATIONS

ACFTU  All-China Federation of Trade Unions
AIDS  Acquired Immune Deficiency Syndrome
CLS  Core Labour Standards
COB  Central Obrera Boliviana
DFID  Department for International Development
ETI  Ethical Trading Initiative
EU  European Union
HIV  Human immune deficiency virus
ICSER  International Covenant on Social and Economic Rights
IDA  International Development Association
ILO  International Labour Organisation
MDGs  Millennium Development Goals
MNE  Multinational enterprises
NGOs  Non-Government Organisations
OECD  Organisation for Economic Co-operation and Development
PRS  Poverty Reduction Strategy
PRSP  Poverty Reduction Strategy Paper
SECO  Swiss Séretariat d'Etat à l'Economie
SEWA  Self Employed Women's Association (India)
TUC  Trade Union Congress
WTO  World Trade Organisation

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The international community has agreed a vision for the global elimination of extreme poverty, based on the Millennium Development Goals (MDGs). A commitment to core labour standards can contribute to poverty reduction by promoting broad-based economic, social and political development. But if the wrong approach to labour standards is taken, poor people may be harmed.

Labour standards are norms and rules that govern working conditions and industrial relations. The four core labour standards in the International Labour Organisation's 1998 Declaration on Fundamental Principles and Rights at Work are binding on all ILO member states, whether or not they have ratified the related ILO conventions. The four are: freedom of association and the right to collective bargaining; the elimination of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

The social case for labour standards derives from the status of core labour standards as fundamental human rights and freedoms. A robust system of labour rights and standards also contributes to broader processes of social and political development. Freedom of association is a fundamental political right, and labour organisations can play a key role in the development of responsive and democratic polities. The struggle to achieve workers' rights may involve some conflict in the short run, but core labour standards promote social justice, and hence social and political stability in the longer run.

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

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

However, action to promote the rights of the poorest workers in the world must be tailored to their needs. These workers are often outside large formal sector unions, and are represented – at best – by other forms of association. It is thus crucial to take action in ways which promote employment of unskilled workers and of socially disadvantaged people; and to empower workers who have not traditionally been in unions to make claims for better treatment on employers and government. Action to promote workers' rights should not restrict the livelihood opportunities of the poorest workers in the poorest countries through intentional or unintentional protectionism, nor raise labour costs in the poorest countries to a point where competitiveness in trade is reduced to the detriment of livelihood opportunities for poor people.

An agenda for the promotion of workers' rights and labour standards by the international development community can be built on the following elements:

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

ii) Supporting workers' rights through technical assistance and capacity-building. Programmes to build the capacity of developing countries to set and monitor effective labour standards can play an important role in global poverty reduction. In addition, improving the access of ordinary people to the justice systems of their countries is vital if formal rights, such as the right to organise, are to be effectively exercised.
iii) Creating alliances between workers in the formal sector and those not traditionally protected by labour institutions. In many countries the labour movement has not promoted or protected the rights of the most vulnerable people (informal sector workers, home-workers and migrants). Changing this is not easy. But if the labour movement is unable to pursue social justice in solidarity with all workers, its purpose and legitimacy is undermined. Because of its unique structure, and its links with both the development community and the international labour movement, the ILO is well-placed to facilitate debate and change in this area.

iv) Strengthening international political and legal mechanisms to address states that persistently abuse human rights. Violations of workers’ rights and core labour standards are generally accompanied by other serious violations of human rights. The global community should strongly support efforts in the UN to strengthen the international legal framework for addressing human rights violations, and strengthen the effectiveness of the ILO. The political mechanisms of the UN are much better suited to this task than the compensatory mechanisms of the World Trade Organisation.

v) Broadening the global coalition for poverty reduction. To realise the vision of global poverty reduction embodied in the MDGs, a broad coalition is needed to support the necessary reform – a coalition which should include the international labour movements. To make this a reality will require the international development community to give greater emphasis to workers’ rights as an effective mechanism for poverty reduction. And it will require the international labour movements to engage more actively with the bigger themes and challenges of global poverty elimination.
This paper aims to show how the realisation of workers’ rights – particularly those known as core labour standards – can contribute to global poverty reduction. The paper also suggests ways in which the global development community can help drive forward increased respect for core labour standards.

The international community has set itself ambitious targets for the reduction of poverty, embodied in the Millennium Development Goals [Box 1]. These goals reflect a long process of global dialogue, led by major UN conferences, and have been reaffirmed by governments, worldwide at the Millennium Assembly in 2000. They have been adopted by the International Financial Institutions, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) and supported by most non-governmental organisations (NGOs). They are built on a conviction that it is possible to improve substantially the living conditions and opportunities of the world’s poor over the coming decade and a half.

The achievement of the goals depends on the mobilisation of a global coalition to support action for poverty elimination. The effectiveness of this coalition could be enhanced by the support of the international labour movements and by an increased focus on promoting respect for core labour standards for the poor.

The paper discusses in turn: the definition of labour standards; the social case and the economic case for labour standards; the conditions under which distorted application of labour standards can harm poor people; and the instruments and actors which promote labour standards. The paper concludes with an agenda for action for the global community in order to promote workers’ rights and poverty reduction.

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**Box 1: The Millennium Development Goals**

The Millennium Development Goals are designed to provide milestones against which progress towards the goal of poverty elimination can be measured. Each goal has accompanying targets and indicators, set out in the UN Secretary General’s Millennium Summit Declaration.

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

2.1 Labour standards are norms and rules that govern working conditions and industrial relations. They range from fundamental individual rights (such as freedom from slavery) through civic rights such as freedom of association to the specifics of health and safety regulations, maternity leave or minimum wages. Formal labour standards may be established at the national level, in the form of laws or regulations, or at the international level through global or regional institutions. But labour standards may also be informal, established through norms and values in the ‘living law’ of institutions and communities.

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

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

2.4 International labour treaties, such as ILO Conventions, are binding and subject to monitoring by the ILO Committee of Experts. However, there are very limited means of enforcing the obligations against a non-complying state. The ILO Conventions, numbering over one hundred and eighty, constitute the most comprehensive set of international labour standards. All ILO Conventions aspire to global coverage, although none has been ratified by all countries, and many have been ratified by only a few countries.

2.5 The range and detail of the labour standards covered in ILO Conventions, combined with low levels of ratification of some of them by member governments, was recognised as a problem by the early 1990s. The international community increasingly recognised the need to identify a core set of labour standards which would establish a floor for decent and fair treatment of workers - and to establish new and more vigorous mechanisms to promote these. These are known as Core Labour Standards, and are defined with reference to a small number of key Conventions. They were outlined in the ILO Declaration on Fundamental Principles and Rights at Work, which was adopted by the International Labour Conference in June 1998. The Declaration means that all ILO member states, even if they have not ratified the Conventions in question, have an obligation, arising from their membership in the ILO, to respect, promote and realise certain principles.¹

2.6 These are:

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

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

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

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

2.7 To strengthen adherence to Core Labour Standards the ILO instituted an annual review to encourage non-ratifying states to make progress. The review is promotional and highlights technical cooperation as the central means for achieving that objective.

2.8 Although the ILO asserts that all of its Conventions are human rights instruments, the Core Labour Standards have a special status as fundamental rights and freedoms, for two main reasons. Firstly, the ILO’s Declaration on Fundamental Principles and Rights at Work clearly indicates the special status of Core Labour Standards. Secondly, Core Labour Standards are strongly represented in other human rights instruments. The Universal Declaration of Human Rights includes the right to just conditions of work and freedom of association. All of the Core Labour Standards

¹ The Declaration entails a political and moral commitment by number states, but does not have the legally binding status of ratified conventions.
provisions are also present in the International Covenant on Economic, Social and Cultural Rights.

2.9 Labour standards which are human rights are universal in application. But many labour standards such as minimum wages or the level of maternity pay entitlement (Dessing M, 2001), are set in statute law and are not universal rights.

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

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2 Although all four CLS principles are present in the ICESR, free collective bargaining is not specified, although its accompanying principle of freedom of association is.
Labour standards can contribute to poverty reduction through social means and through economic means, outlined in the next two sections. But if applied wrongly, labour standards can impede poverty reduction, as is discussed below.

The social case

The social case rests, initially, on the status of core labour standards as fundamental human rights and freedoms, which everyone should enjoy. For DFID, therefore, the commitment to core labour standards is one aspect of our broader rights-based approach to poverty reduction, outlined in Box 2.

Core labour standards also contribute to the sustainability of development processes. They reduce the risk of social and political instability by enhancing equality and social justice. Observing workers’ rights also increases the ability of people to withstand the impacts of shocks which often affect developing countries, whether macro level, such as financial crises, or household level, such as illness. Freedom of association has been critical to the

Box 2: Human Rights and Development

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

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

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

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

Box 3: Core Labour Standards in China

Since economic reform started in 1978, about 270 million people have been lifted out of poverty in China, most of them in rural areas. Urban workers in state-owned enterprises formerly enjoyed more rights than rural workers and had a secure and comfortable existence, with health and education services provided by the enterprise, and comprehensive legislation on health and safety. However, the processes of liberalisation – as well as promoting growth and reducing poverty – have reduced the statutory protection that workers used to enjoy, and regional disparities are widening.

Criticisms have been voiced about prison labour and other forms of forced labour, which the Chinese authorities strongly contest. Independent trade unions and collective bargaining (outside the framework of the official All-China Federation of Trade Unions) are banned, and attempts to organise such unions have been suppressed. However, the progressive effect of codes of conduct applied by international companies is leading some suppliers to apply pressure to democratise the local branches of the ACFTU, in order to comply with provisions on freedom of association. While the specific impact may be small in relation to the size of the Chinese economy, the influence of the example could be significant.

development of improved social protection of workers through political campaigning and other action by labour movements (Norton A et al, 2001). Core labour standards provide a framework of rights and responsibilities - for firms, governments and workers – to underpin a production process which assures the dignity and well-being of all parties.

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

THE ECONOMIC CASE

3.5 The economic case for labour standards as a means of reducing poverty overlaps with the social case. Above all, improvement of social and political stability, to which labour standards can contribute, is often critical to achieving higher levels of private investment, including foreign investment (Kucera D, 2001). And higher levels of investment contribute to reducing poverty by raising productivity and hence wages.

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

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

3.8 Although it is widely accepted that the implementation of labour standards can raise productivity, there is more debate about their effects on labour costs – the issue being whether and in what circumstances standards raise wages and other costs to employers by more than they raise productivity, and hence on balance discourage employment by making labour more expensive. The empirical evidence on the impact of labour standards on unit labour costs (summarised in Box 4) is mixed, but most of it suggests unsurprisingly that the net effect is usually to raise costs. This result is clearest for the impact of free collective bargaining on wages in manufacturing, and for developing countries. This means that there is a reasonable basis for the concern of governments in poor countries that the adoption of higher labour standards might make them less competitive in world markets – particularly in markets for low-skilled, labour-intensive manufactured exports such as garments and footwear.

3.9 However, it is also crucial to consider by how much in practice employment is likely to be reduced by higher labour costs or standards. Obviously we would not justify slavery or cruel and exploitative child labour on the grounds that it provided employment. On substantive labour standards the evidence is mixed. It seems clear that minimum wages have little adverse effect on employment, provided that they are not set at too high a level (Card D and Krueger A, 1995).3 Nor is there any hard evidence that higher labour standards reduce foreign direct investment – an adverse effect via higher labour costs apparently being offset by positive effects via greater social stability (Kucera D, 2001). This lack of

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3 Fears that the recent introduction of a minimum wage in the UK would significantly reduce employment proved to be unfounded.
evidence, however, is not definitive, since many of the jobs in labour-intensive manufacturing for export, particularly of clothing and shoes, are not in foreign-owned firms (i.e. in firms financed by foreign investment), but in locally-owned firms producing under contract for foreign buyers. Moreover, at least some studies of the effect of labour standards on trade (summarised in Box 4) suggest that higher labour standards tend to reduce a country’s exports of labour-intensive manufactures, presumably because they raise labour costs.

3.10 It is clear from these studies of foreign investment and of exports that labour costs and labour standards are just one of many influences on the decisions of firms, so that improvements in other areas – the quality of infrastructure, for example – can allow a country to increase both its labour standards and its competitiveness. Other things being equal, though, an individual country will in the short run face a trade-off between higher labour standards and greater competitiveness, especially if it is seeking to create employment for a workforce with relatively low standards of education and skills.

In particular, concern about such a trade-off is likely to make governments of low-income countries more willing to raise labour standards if they could be confident that other countries competing in the same markets would also raise their standards. This concern is often raised with respect to China, which is by far the world’s biggest exporter of labour-intensive manufactures. It is also reflected in the
3. THE CASE FOR LABOUR STANDARDS

ILO's Constitution, according to which "the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries". It is this concern that requires action to raise labour standards to be internationally coordinated, as is argued throughout this paper – but is also what makes such action difficult.

WHEN DO LABOUR STANDARDS NOT WORK FOR POOR PEOPLE?

3.12 Labour standards inevitably do not benefit all workers, citizens and consumers to an equal degree. More importantly, such standards may be actively inequitable if they cover only certain sections of the workforce or if the institutions of organised labour are not inclusive and democratic. In practice these two conditions are generally linked, as is illustrated in Box 5. The opportunities that labour standards offer workers can result in the development of organisations that effectively protect the position of elite groups in the labour force (whether or not that is the explicit intention), imposing costs on other workers and consumers. When this happens it is not good for economic growth, poverty reduction or human rights.

3.13 The trade union movement globally made huge progress in the last decades of the twentieth century in addressing discriminatory practice on issues such as gender and race. The international labour movement has become a major force in arguing for democracy and transparency in global institutions, in the same way that trade unions at the national level have often played a critical role in the development of democratic states. But in many countries, officially recognised trade unions still do not work for the protection or rights of the poorest and most marginalised members of the labour force (domestic workers, migrant workers, home workers, and those in the informal sector).

3.14 In developing countries, in particular, membership of formal trade unions often omits the great majority of the labour force, including most of those suffering from social discrimination on lines of gender, ethnicity, age or other characteristics. The labour market thus tends to become segmented into a protected 'formal' sector and an unprotected 'informal' sector. Moreover, high wages and standards in the formal unionised sector discourage employment there, which forces more workers to seek jobs in the informal sector, where wages are thus driven even lower.

BOX 5: LABOUR STANDARDS, RIGHTS AND ORGANIZATIONS IN INDIA

In India only 7% of workers are in the formal organised sector, with the private sector employing less than one-third of these. This segment is protected through labour legislation, state monitoring and enforcement. Over 90% of the workforce is in the informal sector, which is largely unprotected by legislation or union representation. Women are disproportionately represented and account for 20-40% of this segment, varying by type of industry and location. The majority of the workforce from the most oppressed social groups (scheduled castes and scheduled tribes) are also in this category. India has multiple party-based centralised trade unions, with membership primarily from public sector enterprises. Each of the major political parties has an affiliated union, whose leaders are appointed politically rather than by member vote. Union leaders tend to focus on keeping political leaders happy rather than on catering to the needs or expansion of their constituencies. Wages and other conditions are determined centrally by the government, rendering negotiations between employer and employee of little importance. The correspondence between the state role in determining labour relations, political party affiliation and the 'public sector' identity of the employer has led to: a) the rights of the formally employed workforce being granted precedence over that of investors and consumers; b) a lack of will to undertake labour reforms (reduce protection of organised sector workers and offer greater protection to the unorganised workforce); c) unwillingness of unions affiliated to different political parties to work together. Workers in the informal sector have been organised largely by NGOs and activists, some of whom came from the trade union movement, rather than by formal organised unions. Processes of liberalisation are leading unions, enterprises and state and central governments to recognise the need for reform.

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

5 A possible exception to this generalisation is discussed by Dessing M (2001), who notes that higher wages for formal sector workers might make it less necessary for their family members to seek employment.
3.15 Since most manufacturing for export is done in the formal sector, this problem could arise (as discussed in the previous section) if unilaterally implemented high standards reduced competitiveness in world markets for labour-intensive products, reducing the opportunities for poor people in a particular country to move from subsistence agriculture into factory jobs. The same problems could arise in production for domestic markets, which absorb most output, especially in large countries – high wages and labour standards in the formal sector push up its prices and reduce its competitiveness, lowering its level of employment.

3.16 To meet the challenge of the Millennium Development Goals, trade unions need to ensure that their actions support broader processes of poverty reduction. For unions in developing countries this means organising wage workers in the informal sector, and reaching out to form alliances with other marginalised sections of the workforce. To achieve this widening of their influence, unions should consider carefully the situation of the majority of workers, and seek to advocate policies and negotiate national standards which can be afforded by most employers in the country concerned, so that a greater proportion of the workforce can benefit from some form of protection. This does not of course prevent more highly skilled and productive workers negotiating higher standards for themselves.

3.17 For the international trade union movement, the challenge is different. It has a broad advocacy role in relation to international institutions, and has effectively mobilised on occasions for constituencies beyond the memberships of its partners and affiliates, such as child labourers. The international labour movement would become increasingly powerful as a global movement for solidarity and social justice, if it gave more recognition to the claims of all poor people for poverty reduction - women micro-entrepreneurs from South Asia, or pastoralist households from Sahelian Africa, as much as the formal sector workers who have traditionally been the core of its constituency.

3.18 We conclude that promoting labour standards should be part of the international community’s strategy to achieve the Millennium Development Goals. Such a strategy must be oriented to the needs of the global poor – most of whom are not in formal trade unions (though they may have other interest groups and associations). It must seek to draw in poor workers, and give them space to define the priority needs, actions and challenges as they see them. This calls for new approaches and alliances, and requires the various members of the development community (governments, multilateral development agencies, labour movements and NGOs) to have the creativity and commitment to find new ways forward.

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6 Even if wages and working conditions were internationally co-ordinated, setting them at too high a level could harm poor people by pushing up the world prices of labour-intensive goods and hence reducing global demand for the unskilled labour needed to produce them.
4. ACTORS AND INSTRUMENTS

4.1 The following section outlines the key actors and instruments involved in the promotion of labour standards for global poverty reduction, and discusses their strengths and limitations.

LABOUR MOVEMENTS

4.2 The labour movement has been the most important historical driver of labour standards and workers’ rights. Direct action by workers to claim both rights from employers and the recognition of their rights by the state has been the most significant instrument for promoting labour standards. Such action comprises a range of familiar mechanisms (withdrawal of labour, working to rule, boycotts of abusive employers) that do not need elaboration here. In some countries and periods, it has of course been highly disruptive to economic activity. But these extreme cases are often due to the absence, rather than the presence, of established workers’ rights and labour standards. Historically, direct action has been necessary to place workers in a position where their representatives can negotiate directly with employers or the state to promote their interests. Labour movements have also frequently been instrumental in historical struggles for other fundamental rights – such as political representation and the provision of basic education and healthcare.

4.3 The global labour movement today is a complex and differentiated community, about which generalisations are hazardous. Although the union movement is generally perceived as a component of ‘pro-poor’ civil society, some trade unions will always represent elite elements of the labour force and cannot be expected to act as agents for poor people.

4.4 However, the international trade union movement gets much of its legitimacy through being a force for greater equity and social justice. It is this claim which requires that unions take seriously policy debates which may challenge some of their own practices and assumptions. In particular, in representing the interests of formal sector workforces in developed and developing countries, labour movements should consider whether their actions will impede or constrain the opportunities of poor people who work outside those arenas.

BOX 6: COLLECTIVE ACTION FOR THE INFORMAL WORKFORCE IN INDIA.

Workers in the informal sector have been organised largely by NGOs and activists, some of who hailed from the trade union movement, rather than by formal organised sector unions. The most effective and well known intervention to organise informal workers and the self-employed is that of SEWA (Self Employed Women’s Association). In 1972 SEWA fought for and won the right of the self employed to be registered as a trade union even though there was no recognised employer. This proved a watershed and resulted in numerous efforts to mobilise and organise workers across the country through ‘new’ model unions, co-operatives, and self-help groups. These movements have been driven largely by the needs of the workers themselves. Thus, hawkers in Ahmedabad have bargained for the right to conduct economic activity without harassment from municipal staff; domestic workers in Bangalore have arranged crèche facilities for themselves; self-employed women in Madhya Pradesh targeted alcoholism as their key problem; waste-pickers in Pune rehabilitated rag-picker children into more dignified jobs; tribal women in Orissa sought the right to collect forest produce as well as rights to land; several have sought to provide credit and insurance facilities to their members. The evolution of informal labour movements, especially those organising women, indicates the need to go beyond traditional negotiations undertaken by the formal trade unions using techniques such as strikes. Obviously this presents a challenge for traditional centralised unions (if they were seriously to take up the challenge of organising the informal sector) in terms of the way in which they operate. So far, the organised trade unions have not made significant investment in organising the informal sectors, except for a few examples in Maharashtra and West Bengal. This could change as trade unions come to recognise that the credibility of political parties is at a very low level and that an alliance between themselves and these new social movements is necessary for their long-term legitimacy as a voice for social justice.
4. ACTORS AND INSTRUMENTS

4.5 Within many developing countries, community organisations and NGOs have been the main champions of the labour rights of the poorest sections of the workforce. Box 6 describes the evolution of collective action in the informal sector in India – and shows that the dynamic process of poor and marginal workers claiming rights has proceeded largely without the assistance of the powerful formal sector unions.

LEGAL SYSTEMS, STANDARDS AND MECHANISMS

4.6 International agreements such as the ILO Conventions, ILO Recommendations and the Universal Declaration of Human Rights, play an important role in setting common standards of achievement for action at the global, regional, and national level. At the global level, the core labour standards reflected in eight ILO Conventions are also embodied in global and regional human rights treaties, while the large body of labour standards set out in over 180 ILO Conventions are binding on ratifying states.

4.7 Means for enforcing state obligations vary from treaty to treaty, but three main mechanisms stand out. First, parties to all ILO Conventions and the major human rights treaties are required to submit periodic reports, scrutinised by independent experts, every 2-5 years on the steps taken to implement their obligations. Second, there are inter-state complaints mechanisms available under some treaties, which allow governments to make formal representations regarding the systematic violation of labour rights by another state. In practice, these mechanisms are used rarely, though they can have significant impact on the non-complying state. Third, there are a variety of complaints mechanisms available to non-state actors, including individuals and trade unions. The ILO Committee on Freedom of Association has heard hundreds of complaints since it was established in 1950 and provides an avenue for trade unions to seek redress.

4.8 It is generally recognised that the ILO’s mechanisms for promoting labour standards are stronger on reporting and incentives than they are on sanctions. The existing international enforcement machinery ultimately relies on the willingness of a government to implement its own obligations. The involvement of trade unions and other civil society groups can play an important, though limited, role in making these mechanisms more effective.

4.9 Regional regimes dealing with labour standards have been effective in securing national compliance. Regional economic organisations such as the European Union and the North American Free Trade Area have evolved standards and mechanisms for harmonising and/or enforcing labour standards. So too, regional human rights bodies such as the African and Inter-American systems can play a role in enforcing labour standards codified in regional human rights treaties. Unfortunately, the global coverage of regional regimes is uneven, and neither the regional trade agreements nor the human rights treaties provide the degree of coverage offered by the ILO standards.

4.10 The primary legal responsibility for enforcing labour standards and human rights lies at the national level, as states are the named ‘duty-bearers’ in international legal instruments. While international and regional instruments can support and supervise national action, they cannot provide a substitute for it. Many countries have included core labour rights in their constitutions, and such rights are often enforceable through special constitutional procedures. This can be particularly effective where civil society groups are allowed to initiate constitutional proceedings before higher courts, for example through public interest litigation. More frequently, labour standards are codified in legislation and made enforceable through courts at the local level. The enforcement of labour standards by courts depends on a justice system that is accessible and effective. Although judicial enforcement is an essential component of a national labour regime, it is normally not sufficient to translate standards into social practice. While courts can be effective, particularly when the government or civil society groups are actively engaged in bringing labour violations before them, they are ultimately reactive and respond on a case-by-case basis rather than by systematic efforts. For these reasons, a more proactive approach by government is more likely to be effective in implementing labour standards, particularly where the government is able to form effective partnerships with trade unions and other civil society actors. While Government instruments can support and supervise employee and firm action, they cannot provide a substitute.

7 For example, the complaints procedure available under Articles 26-29 of the ILO Constitution.
Ethical Consumerism and Investment

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

4.12 The ethical consumer and investor movements have faced the challenge of moving from advocacy to dialogue — and of developing with private sector partners a reliable information base on which the standards of business practice can be assessed. Labour rights have emerged as a major concern, along with other social and environmental issues.

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

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

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

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

4.15 But significant progress has been made in overcoming other limitations of the codes of conduct approach in recent years. The Ethical Trading Initiative (ETI), which was established with DFID support in 1998 to bring together stakeholders in the NGO, business and trade union communities, has played a major role in overcoming two major limitations of the codes of conduct approach identified at that time. Firstly it has helped to overcome the problem of variation in codes of conduct by establishing a ‘Base Code’ which member companies can either sign up to or incorporate into their existing codes. Harmonisation makes it easier for would-be ethical consumers and investors to make informed comparisons. Secondly, the ETIs base code has substantially strengthened the rights component of codes of conduct. A review of UK company codes in 1998 found that all had health and safety provisions, while none included the right to free collective bargaining, and less than half the right to freedom of association (Ferguson C, 1998). In contrast, the ETIs base code — widely adopted since — has full representation of all core labour standards. The fact that the ETI has put much stronger emphasis on labour rights illustrates the benefits of establishing partnerships between business, unions and development organisations. The ETI’s 28 corporate members bring together over £100 billion in annual turnover. Significant proportions of corporate members’ supply chains are located in developing countries and the ETI therefore has considerable worldwide reach.

The Role of Multinational Enterprises

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

4.17 Multinational enterprises (MNEs) are often more powerful and wealthier than the countries within which they operate. The scale and complexity of their structures and operations mean that they could avoid the spirit and letter of regulation imposed at the national level. In practice, MNE subsidiaries tend to pay higher wages than local firms, but their potential freedom from democratic scrutiny requires restraint by the companies themselves and scrutiny by the international community. Ensuring that labour rights are respected within the spheres of operations of MNEs will not ensure rights for all workers, but the effective dissemination of progressive management practice can be a powerful force for change in the global economy.

INTERNATIONAL ORGANISATIONS

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

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

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

4.21 The ILO has also established a World Commission on the Social Dimensions of Globalisation to prepare a major, authoritative report. The broad goals of the Commission are: (i) to identify policies for globalisation which promote open economies, reduce poverty, foster growth and development, and promote decent work; (ii) to identify policies that can make globalisation 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.

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

4.23 In recent years the development community has recognised the importance of building broad-based national ownership of poverty reduction policies in partner countries. Increasingly, donors aim to deliver assistance through the mainstream policy and implementation channels of partner governments. This is done in order to strengthen such systems, encourage governments to take ownership of the poverty agenda, and create conditions where governments become accountable to citizens, rather than to outside agencies, for their record on poverty elimination. This creates opportunities to bring new actors and voices into the policy process, which are potentially powerful for advancing the labour rights of the poorest. Boxes 7 and 8 describe how coalitions, including bilateral agencies, labour movements, international organisations and NGOs, have used these opportunities to advance the labour rights of the poorest in two developing countries.

4.24 It is increasingly common for provisions relating to labour rights to appear in national Poverty Reduction Strategies. The government of Vietnam’s PRS, for example,
contains a number of such undertakings, including a commitment to review and strengthen the role of labour unions in protecting worker rights and working conditions.

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

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

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**BOX 7: THE PRSP AND SOCIAL DIALOGUE IN TANZANIA**

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

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**BOX 8: EMPOWERING POOR WORKERS IN BOLIVIA’S PRSP**

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

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

4.27 The World Bank could be more active in promoting labour rights on a global basis. In the past it has avoided issues of human rights, on the grounds that its mandate proscribes action in political arenas, but its position has evolved towards a multi-dimensional view of public policy and poverty reduction. The Bank’s commitment to empowerment of poor people as one pillar of poverty reduction (World Bank, 2000) makes the rights of poor people a legitimate dimension of its dialogue with partner governments. In order to realise the potential of Poverty Reduction Strategies for promoting labour rights, the Bank needs to acknowledge the fundamental significance of labour rights for poverty reduction, and to expand its dialogue on this issue with other stakeholders (such as the ILO and global labour movements).8

Multilateral trade rules

4.28 Whether trade policy could or should be linked – through incentives or sanctions – to labour standards has been the most controversial element of the debate. Such links are already made in some bilateral and regional trade agreements – for example by both the EU and the USA. The controversy has been mainly over the possibility of bringing them into the rules of multilateral trade agreements.

4.29 A possible ‘social clause’ in the World Trade Organisation was discussed at its Ministerial Conference in Singapore in 1996. This initiative (which was not formally tabled) was comprehensively rejected, with strong opposition from many developing countries. The final declaration affirmed the ILO as the competent body to set and monitor standards, and said: “We reject the use of labour standards for protectionist purposes and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put in question”.

4.30 Given the strong positive correlation between a high level of labour standards and economic development, the top priority for multilateral trade policy, in relation to global poverty reduction and the promotion of workers’ rights, is to open markets to the products of developing countries, in order to expand their economic opportunities. Punitive trade policy measures (such as trade sanctions) are generally an ineffective, and often counter-productive, means of improving labour standards. At best, since they apply only to export sectors, they are unlikely to induce a general rise in a country’s labour standards, and they can backfire. Fear of sanctions might encourage firms to extend informalisation of employment, outsourcing and subcontracting in order to circumvent labour regulations. Bad labour practices might be driven underground, safe from scrutiny and sanctions (Dessing, 2001). Trade sanctions are also likely to discriminate against poor countries, which lack the regulatory and institutional infrastructure for implementation. Within countries they may also bear particularly heavily on poor people. Sanctions are thus more likely to hinder than to help global poverty reduction.

4.31 In extreme cases of persistent and sustained human rights violations, the international community may consider adopting sanctions as a last resort. Non-respect of economic human rights is likely to coincide with non-respect of political human rights, in a general climate of poor governance. Non-respect of human rights is a political problem which only the United Nations can address (Dessing, 2001). Its sanctions might include trade sanctions, but the apparatus of the WTO would be particularly ill-suited to applying political pressure, since it is a system of compensation, based on the premise of injury to the country bringing the case, rather than of injury (to human rights) in the country at which the case is directed9. The key task for the international community, therefore, is to strengthen the capacity of the UN system (including the ILO) to bring effective pressure to bear on states which are in serious violation of the human rights of their own citizens.10

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

9 However, the debate over the most effective means of applying sanctions to states which persistently violate labour standards remains open, with some still arguing that the WTO should be engaged. For example, a forthcoming book by Kimberly Ann Elliott and Richard Freeman (Can Labour Standards Improve Under Globalisation, Institute for International Economics), while concluding that the ILO should have primary responsibility for labour standards, suggest that the WTO should consider how to address egregious and wilful violations of labour standards if they are trade related.

10 For example, Article 33 of the ILO’s constitution provides that, if satisfactory compliance is not forthcoming, “the governing body may recommend to the conference such action as it may deem wise and expedient to secure compliance therewith”. In March 2000, the governing body invoked Article 33 for the first time in the ILO’s history and recommended action against Burma because of its failure to comply with the actions indicated in an earlier Commission of Inquiry. The outcomes of this action are as yet unclear – but the international community in general needs to develop stronger political mechanisms for dealing with egregious and persistent cases of human rights violation.
5. AN AGENDA FOR CHANGE

5.1 This paper has argued that the promotion of workers’ rights and labour standards should be an integral part of the global community’s approach to achieving the elimination of poverty and the Millennium Development Goals. It has also argued that this requires mechanisms that command broad-based support, and that do not fall into the trap of pandering to narrow sectional interests. A positive agenda can be built on the following elements:

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

ii) Supporting workers’ rights through technical assistance and capacity-building. Programmes to build the capacity of developing countries to set and monitor effective labour standards can play an important role in global poverty reduction. To take one example – poor labourers in most developing countries rely on their physical strength for earning a livelihood. Serious workplace injury to an individual usually plunges a household into deep poverty. Low-cost improvements in health and safety standards on construction sites and in production processes can thus have large benefits. The detailed task of establishing regulation which is effective, and which protects the poorest sections of the workforce, is demanding – and the international sharing of experiences and skills is potentially of great value. Similarly, the access of ordinary people to the justice system is vital if formal rights, such as the right to organise, are to be effectively exercised. Development co-operation can support both the capacity of marginalised workers to organise to make claims, and the capacity of the justice system to respond.

iii) Creating alliances between workers in the formal sector and those not traditionally protected by labour institutions. In many countries the labour movement has not promoted or protected the rights of the most vulnerable (workers in the informal sector, home-workers and migrants)11. Changing this is not simple or easy. Sometimes, in order to realise a minimum level of rights and standards for the majority in the labour market, a privileged labour elite will have to accept a reduction of their privilege. But if labour movements cannot claim to be pursuing social justice in solidarity with all workers, then eventually they will lose their purpose and legitimacy. Because of its unique structure, and its links with both the development community and the international labour movement, the ILO is well-placed to facilitate debate and change in this area.

iv) Strengthening international political and legal mechanisms to address states that persistently abuse human rights. This paper has argued that the compensatory mechanisms of the World Trade Organisation (WTO) are an inappropriate instrument for penalising states that persistently either abuse or fail to guarantee workers’ rights and core labour standards. Instead of pursuing trade sanctions through the WTO, the global community needs to support efforts in the UN to strengthen the international legal framework for addressing human rights violations, and to give more effective mechanisms to the ILO.

v) Broadening the global coalition for poverty reduction. This paper started with the argument that, in order to realise the vision of global poverty reduction, we need a broad coalition to support the necessary action – a coalition which should include the international labour movements. To make this vision a reality will require the international development community to give greater emphasis to workers’ rights as an effective mechanism for poverty reduction. It will mean building on the experience of incorporating unions in successful partnerships for poverty reduction such as the Ethical Trading Initiative. And it will require the international labour movements to engage more actively with the bigger themes and challenges of global poverty elimination.

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11 There are some notable exceptions. Since the early 1990s the Ghana TUC has had a policy of encouraging its affiliates to develop relationships with workers in the informal economy, and their associations (Anyemedu K, 2003).
ANNEX 1: BIBLIOGRAPHY

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The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government’s policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

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

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