

# Globalization and the sectors

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## Editorial

This issue, on “globalization and the sectors”, does not set out to be exhaustive. The Global Union Federations (GUFs) have to battle on many fronts. They encounter problems that are specific to their sectors. However, their efforts all feed into a joint approach to the challenges facing the trade union movement in the world today. Those challenges include promoting respect for human and trade union rights worldwide and defending equality, as well as strengthening the ranks of the trade union movement and its capacity to mobilize, negotiate and bring a sectoral approach to bear on the aim of decent work for all.

At a recent meeting between the General Secretaries of the different GUFs and ILO Director-General Juan Somavia, it was quite clear that, at the level of the International Labour Organization, sectoral activities are at the heart of tripartism and social dialogue and a driver of standard-setting activities, as may be seen in the recent adoption of a Convention on seafarers or, in 2002, the adoption of the Convention on safety and health in agriculture.

The contributions to this issue of *Labour Education* are a cogent demonstration of that fact. The GUFs are a vital, dynamic and innovative link in the chain of international solidarity. Whatever their struggles may be, they usually go beyond the interests of their members alone, vital though those interests are.

So when Fred van Leeuwen, General Secretary of Education International, discusses the General Agreement on Trade in Services, he does of course express concern over the deterioration in the working conditions of the teaching professions. He also cites the growing job insecurity and the erosion of trade union rights that have today become a reality within many education systems hit by privatization. But beyond that, he reminds governments, the international institutions and the citizens of both the North and the South of some basic values – education is not a commodity, it is a right and a public service.

The other GUFs’ choice of topics for this issue of *Labour Education* is along the same lines – defending the interests of workers within a particular sector, but also the values held in common by the trade union movement as a whole. The problem of subcontracting is raised by Dick Blin, of the International Federation of Chemical, Energy, Mine and General Workers’ Unions (ICEM), and this leads into a discussion of the increasingly precarious conditions faced by millions of workers – temporary contracts, recruitment by employment agencies, outsourcing of production. This major trend within the chemical and paper industries has a direct impact on the quality of jobs. What also emerges from the ICEM’s contribution is that some employers’ motives for subcontracting are by no means purely economic (and even the economic arguments do not seem at all well-founded). In fact, subcontracting is often quite simply about

getting rid of unionized workforce and replacing it with workers who are unorganized, insecure and therefore highly vulnerable. "Some 90 per cent of the Global Union Federation's 389 affiliated national unions see this issue as epidemic in proportion, and among the three most difficult issues they face in the labour-management relationship. In the past year alone, the issue has produced strikes, lockouts and fierce labour disputes that hinge on this one issue alone."

The adoption by the International Labour Conference in June 2006 of a Recommendation on the working relationship is in line with Blin's suggestion. Adopted by 329 votes to 94, with 40 abstentions, this new instrument proposes that member States draw up and implement, in consultation with the workers and employers, national policies that make it possible to determine effectively whether an employment relationship exists, distinguish between waged and self-employed workers, combat disguised employment relationships and ensure standards that are applicable to all types of contractual arrangement, including those involving multiple parties, so that waged workers can receive the protection to which they are entitled. This is a step forward, but standard-setting activities must continue on this crucial aspect of decent work.

One field particularly affected by globalization and technological change is information. Aidan White, General Secretary of the International Federation of Journalists, paints a worrying picture of the relationship between globalization and the media, and its impact on the quality of information, media pluralism and workers' rights. "In the past ten years the expanding information sector has seen a sharp increase in the numbers of jobs, but most of these opportunities arise in a failing employment environment – less security, less social protection, increased demands for flexibility and longer working hours; all of which contributes to a new and deep anxiety over the quality of media and information", White insists. Here too, the issue goes beyond the situation of workers in this sector. Rather, these developments should be taken as a warning signal – democracy, press freedom and the right to information are at stake. How could it be otherwise when some media concentrations give certain groups almost total control both of news content and of news transmission?

Another facet of a globalized economy and increased competition on international markets is delocation. Sometimes brandished as a threat by employers seeking flexibility, delocation has become, within the textile sector, a reality which demands concerted action. Neil Kearney, General Secretary of the International Textile, Garment and Leather Workers' Federation (ITGLWF), takes stock of the situation in this industry a little over a year after the end of the Multifibre Arrangement and the quota system. According to the ITGLWF, the delocation of the textile manufacturing base directly threatens no less than 30 million workers, as well as another 30 million people whose employment depends on the industry's presence in their countries. The textile industry is the first test of the impact produced by market competition from China where, as Neil Kearney reminds us, workers do not have trade union rights and put in 12-14 hours a day, seven days a week, for poverty wages. But amid these sombre prospects, the ITGLWF does see opportunities that must be seized. They will entail respecting the international standards set by the International Labour Organization.

In the public services meanwhile, the unions and their international federations, as well as tackling the basic issues of workers' employment and rights, have to deal with questions of importance to society as a whole, notably the provision of quality public services accessible to all. David Hall, of the Public Services International (PSI) tells how public sector trade union organizations have managed to roll back attempts, under pressure from the International Financial Institutions and neoliberal forces, to privatize the distribution of water. Water privatization remains a problem, but its promoters have been severely jolted by the PSI campaign. This drive against the privatization of a public good illustrates the new methods used by the trade union movement to inject some fairness into globalization and to give it a social dimension.

Just like teaching and information, work is not a commodity. This is emphasized by Kay Parris of the International Transport Workers' Federation (ITF), who describes the many abuses suffered by migrant workers in the transport sector and the way in which some unscrupulous employers take advantage of this situation to push down national workers' conditions. The ITF is part of the international trade union campaign for a rights-based approach to migration – in other words, the ratification and respect of the relevant ILO Conventions based on the principles of equal treatment and opportunities.

Dignity at work also includes safety and health, which must be guaranteed within the workplace. One high-risk sector is construction, in which tens of thousands of deaths are recorded every year. A hundred thousand people die each year due to illnesses caused by asbestos. On behalf of the Building and Wood Workers' International (BWI), Fiona Murie raises the alarm. In her contribution to *Labour Education*, she denounces the lies put about by the asbestos industry. Whatever its promoters may say, asbestos kills. Some 40 countries have already prohibited its production, use and marketing. But the producers have had no scruples about turning to markets in the developing countries. Among the asbestos industry myths denounced by Fiona Murie is the notion that ILO Convention 162 on asbestos, adopted in 1986, provides for the "controlled use" of this mineral. With this in mind, following a Workers' Group initiative with strong IBW involvement, the International Labour Conference adopted in June 2006 a resolution calling on the ILO to "promote the elimination of future use of all forms of asbestos and asbestos-containing materials in all member States". The new resolution clarifies the ILO's position by confirming that Convention 162 "should not be used to provide a justification for, or endorsement of, the continued use of asbestos".

Over the past three decades, the automotive sector has been through a virtually uninterrupted series of restructurings and rationalizations. While these could potentially improve matters, the situation described by Ron Blum, of the International Metalworkers Federation (IMF), is anything but encouraging. Delocations, subcontracting, casualization (temporary, fixed-term employment, short-term contracts, standby jobs and the use of intermediaries and temp agencies) have provided the companies with a particularly flexible labour force and created a feeling of insecurity among wage-earners and throughout the industry. The application of the ILO's basic labour standards is, Blum writes, vital to a fair globalization. He points to the usefulness of instruments such as the OECD guidelines

on multinationals, the ILO Tripartite Declaration on multinational enterprises and social policy and the global framework agreements negotiated by the Global Union Federations.

So there is no lack of channels for social dialogue. Political willpower will be the decisive factor here. And it must be strong enough to tame the markets.

In their article, Peter Rossman and Gerard Greenfield of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) show how "impatient" capital has erupted into the food, hotel and catering industries, increasing the number of lay-offs and boosting job insecurity and subcontracting. In short, according to our IUF colleagues, the "financialization" of enterprises is the order of the day. This change has considerably shortened the companies' planning horizons and has introduced management strategies aimed at increasing the pay-out to shareholders while putting real economic performance at risk. "Such strategies include restructuring and cost-cutting to reduce jobs and eliminate productive capacity for the purpose of generating cash for share buy-backs to further boost share prices," they note. So Rossman and Greenfield conclude that ILO standards, far from becoming less relevant, are made more so by this financialization. Strong opposition must, they say, be mounted against attempts to dilute the ILO's role in the formulation and active promotion of universal standards, transposed into national legislation.

Call centres are a symbol both of globalization and of technological advance. But to some, they are nothing more or less than white-collar "sweatshops". Hundreds of operators, sat side by side like an assembly line, answer calls from customers thousands of miles away who want to order a plane ticket, confirm an insurance contract, get their computer set up for the Internet or complain about a defective product. Noel Howell, of Union Network International, describes the situation of these modern-day skilled workers – job insecurity, health issues (stress and hearing problems), low pay and often obstacles placed in the way of unionization. He also sets out UNI's chosen responses to the challenge, including the establishment of international standards for call centres, more global agreements with multinationals to safeguard workers' rights and intensified cooperation between the trade unions and the GUFs.

Two characteristics emerge from the various contributions by the GUFs – the importance of the ILO's standard-setting activity as a pillar of decent work and the need for the GUFs to step up cooperation, both among themselves and with the international trade union movement, on the identical issues that they face.

The imminent creation of the International Trade Union Confederation, grouping organizations affiliated to the International Confederation of Free Trade Unions and the World Confederation of Labour as well as trade union centres that had no international affiliations up to now, shows the trade union movement's determination to strengthen solidarity worldwide. In their contribution, Andrea Maksimovic (ICFTU) and Ramón Vivanco Mugarra (WCL) describe how the unions have been facing up to the World Trade Organization.

Within the new international trade union set-up, the GUFs will continue to play a unique role. Directly in touch with developments in each sector and with the concerns of each sector's workers, they are the des-

ignated interlocutors for the multinational companies and the industrial groups. The aid and solidarity which the GUFs provide to trade unions in different countries also help to strengthen the union presence within enterprises, whatever their size. For the ILO, the GUFs are a constant source of knowledge, enabling it to improve its standard-setting activities and adapt them to a changing world. The GUFs bring the ILO closer to the concrete realities of the working world. They are therefore one of the channels for promoting decent work.

*Jim Baker*  
*Director*  
*ILO Bureau for Workers' Activities*

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# GATS: Education is a right, not a commodity

*In the global economy where neo-liberal values of privatization and market competition are dominant, it is crucial for those committed to public education to reaffirm the principle that education, including higher, technical, and professional education, is a right and not a merchandise.*

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Fred van Leeuwen  
General Secretary  
Education International (EI) \*

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Education is facing unprecedented challenges. The forces of economic globalization, rapid technological changes in information technology, and the increasing commercialization and privatization of teaching and research are radically reshaping education. At the same time, efforts to expand the scope and application of international trade and investment regimes through instruments like the General Agreement on Trade in Services (GATS), threaten to impose serious constraints on the ability of governments to implement educational policies in response to these challenges.

Education International's interest in trade matters began in 1994 when EI supported the broad movement to press the World Trade Organization (WTO) to establish a working group to ensure the respect of international core labour standards in trade agreements. It did not take long to realize the connection between educational matters and trade in the discussions on the Multilateral Agreement on Investment

(MAI)<sup>1</sup> and later in scrutinizing the General Agreement on Trade in Services.

Education International has been concerned at the growing threat to education – in particular, higher education – by global, regional, and bilateral agreements aimed at the creation of a profit-led education marketplace. EI believes this will not only create a range of challenges for employees and students, but it will undermine the quality of education and research, and subvert their role and purpose in a way which has implications for civil society globally. This is not a parochial or sectoral issue.

For example, the presence of a large number of foreign universities in developing nations may discourage the capacity building of local universities and colleges. Also, many developing countries have no control over the contents of the curricula offered by foreign providers. Such curricula may not be culturally or socially relevant, and may not meet the economic needs of developing nations. Profit-oriented education providers will probably neglect disciplines which do not attract commercial sponsorship, particularly the human and social sciences. These profit-oriented providers may also deny admission of students from disadvantaged groups such as women, indigenous people, rural poor, and academically underachieving students. The impact of GATS on education is multifaceted.

\* Education International represents more than 29 million teachers and education workers. Its 348 member organizations operate in 166 countries, from pre-school to university. As the world's largest Global Union Federation, and the only one representing education workers in every corner of the globe, Education International unites all teachers and education workers no matter where they are.

## The GATS framework

EI has taken a leading role in alerting its own member organizations – 337 teachers’ unions and associations worldwide – national governments and international agencies to the dangers of the GATS process. It is of concern that GATS is purely driven by trade considerations without regard to the nature of the services affected. There is no consideration of the virtually irreversible damage which will result. A further concern is that GATS is advocated by powerful industrialized countries which can exert pressure on developing countries, which in some cases have been unaware of the disadvantageous and binding nature of the agreements they have entered into.

While education remains one of the least covered sectors in GATS, pressure is mounting to change this. The United States has identified the liberalization of higher and adult education services as one of its top four priorities in the current round of talks. American trade officials have called for the removal of obstacles to international trade which they say prevent their institutions from operating in other countries. Australia, New Zealand and Japan have made similar proposals.

A recent and particularly worrying feature is the possibility that higher education could be “traded off” at the WTO to break a deadlock in negotiations in agricultural or manufacturing sectors. This was obvious in the last WTO Ministerial Conference in Hong Kong in December 2005, with industrialized countries such as Australia, New Zealand and the United States pressing other nations to open their education “markets”. In March 2006, those countries, together with Taiwan and Malaysia, made a collective request urging recipient members to take new or improved commitments in relation to private higher education and/or “other” private education services.

“The right to choose which services sectors to open and to what extent, according to their own national needs, has been undermined,” deplored the Africa Trade

Network.<sup>2</sup> “The text on services will put enormous pressures on African countries to open up sensitive service sectors.”

## Education is a public good

At the centre of the current debate is a fundamental clash of values. On the one hand, there are those who would see international education simply as another commercial venture. On the other hand, those who assert that education is above all a human right and a public good, and that market forces alone cannot guarantee the maintenance and enhancement of an accessible and high-quality education system.

For EI, a number of key principles are essential to the integrity of education,

### Education International

The aims of EI are:

- to defend the professional and industrial rights of teachers and education employees;
- promote for all peoples in all nations peace, democracy, social justice and equality through the development of education;
- combat all forms of racism and of bias or discrimination in education and society;
- promote the right to education for all persons in the world, without discrimination, and to this end:
  - to pursue the establishment and protection of open, publicly funded and controlled educational systems, and academic and cultural institutions, aimed at the democratic, social, cultural and economic development of society and the preparation of every citizen for active and responsible participation in society;
  - to promote the political, social and economic conditions that are required for the realization of the right to education in all nations, for the achievement of equal educational opportunities for all, for the expansion of public educational services and for the improvement of their quality.

See [www.ei-ie.org](http://www.ei-ie.org) for more information.

and its capacity to play its vital role in society as an impartial generator and disseminator of knowledge. First of these is the fact that *education is a human right*. Second is the *principle of public service*: EI believes firmly that education is a public good which should be delivered through public institutions and with the ethos of the public sector, emphasizing accountability, quality, access, and equality of opportunity.

“Education must be defended and promoted as a universal right linked to the human condition itself. As stated in the Universal Declaration of Human Rights, the right to education is an inalienable human right that signatory States must guarantee,” says Thulas Nxesi, President of Education International. “Developing and maintaining educational institutions for the creation and transmission of knowledge that enable people to play their roles as active citizens is a collective responsibility, falling primarily to states. Consequently, education at every level must be recognized as a public good.” he adds.

A further tendency is for the proponents of “commodification” in education, impatient at the slow progress in the GATS talks, to strike bilateral or multilateral deals, which will be even harder to police than the secretive GATS process. One characteristic all these treaties have in common is that they are profoundly undemocratic, taking place largely outside the public arena and outside the normal process of dialogue which should accompany proposed changes of this magnitude. The Singapore-Australia Free Trade Agreement (SAFTA), for example – signed in February 2003 – covers university, adult and vocational, and technical education with only limited exceptions. Such bilateral agreements are important as they often set the standard for other negotiations. Concessions that are made on higher education in bilateral talks will inevitably be placed on the agenda in multilateral settings. States view bilateral agreements as a means to push trade liberalization further than can be achieved in multilateral negotiations alone.

EI takes the view that education matters, including the mobility of staff or students, and should be the subject of open and transparent international agreements between Education Ministers with the meaningful participation of the education community.

## The dangers of privatization

At its heart, the GATS is much more than a trade agreement. It is a legally binding instrument that commits members to a liberalization agenda, not just by eliminating barriers to trade and investment, but also by encouraging and locking-in domestic regulation in the form of privatization, deregulation, and the contracting out of public services. GATS covers all service sectors, including education, in two ways:

- a) Under the specific commitments on market access and national treatment made by countries within the sector schedules. Market access provisions prevent members from maintaining or adopting measures that restrict the entry of foreign providers into the domestic marketplace. National treatment prohibits members from treating domestic suppliers more favourably than those from other member countries.
- b) Through the general articles or “horizontal rules” contained within the GATS especially Article II (Most Favoured Nation), Article III (Transparency), Article VII (Recognition) and Article VIII (Monopolies and Exclusive Service Suppliers).

Under the current GATS agreement, 47 countries<sup>3</sup> made specific sector commitments in education. Generally, only private higher education was committed with most commitments limited to allowing market access to foreign providers, with specific reservations taken to protect public subsidies. While some countries have been pressing for further commitments to be made on higher education in the current

round, there has been growing resistance to this largely as a result of the successful lobbying efforts of EI and its affiliates. As successful as these efforts have been, however, higher education continues to attract attention in the negotiations. There is a pressing need to remain vigilant.

### The GATS modes in a nutshell

GATS includes four “modes of supply” involving the trade in services. Each of these modes directly relates to education.

#### *Cross-border supply*

Cross-border supply refers to services flowing between countries transmitted by telecommunications or mail. Almost all countries that gave commitments in higher education made no reservations in this area. The growth of transnational e-learning means this is a significant area for higher education, particularly since universities have linked with each other in associations and cartels to provide electronic distance education. At times, these developments have affected higher education institutions in a positive way through enhancing collaborative projects. For academic staff, however, there have more often been markedly negative outcomes. University management now claim intellectual property over course materials. Increasingly, teaching has been unbundled into course design, course delivery, assessment, and student learning support. This has accelerated the deskilling of teaching and led to an increased use of casual employment, especially in the student learning support area. It has also accompanied the adoption of new corporate governance arrangements and an assault on trade union rights. These changes are intensified when universities enter into partnerships with private for-profit companies to deliver e-learning, such as Universitas 21.<sup>4</sup>

Another issue in the cross-border supply of education is the cultural ap-

propriateness of transmitting curricula developed for and within one national framework to students’ needs in another country. Some quality assurance and accreditation schemes specify that the curriculum must be exactly the same as delivered in the country of origin, while others speak only of the same standards. The recent adoption by UNESCO of the Convention on the protection and promotion of diversity of cultural contents and artistic expressions reasserts the important role played by education in sustaining cultural diversity. An element of hope is article 20 of this Convention which states that parties will not “subordinate this Convention to any other treaty”, GATS or any other bilateral commercial treaty being included in this clause.

#### *Consumption abroad*

Consumption abroad refers to the movement of consumers from one country to another, such as students studying abroad. There are problems in terms of balancing the movement of students from the developing to the developed world with the need to minimize the brain drain from the developing countries. There may also be domestic impacts for countries of origin as higher education institutions continue to increase the number of foreign students studying in particular countries. It is important to note that this movement of students can encourage greater cultural understandings between countries, and can have beneficial outcomes for exporting institutions. However, teachers’ unions note with concern the accelerating trend towards the predominance of the English language as a medium for teaching and learning and for the publication of research. EI and its affiliates believe it is necessary to sustain the existing diversity of national cultural and linguistic heritages and to achieve a balance with the undoubted value of a common language for communication.

## *Commercial presence*

Commercial presence refers to a service supplier establishing a presence in another country. This covers all foreign direct investments including those related to the establishment of foreign education providers, branch campuses, subsidiaries, or programmes and courses offered in local markets by foreign providers. While leading exporting countries are not dependent upon the GATS alone for establishing a presence in local higher education markets, the GATS encourages far easier market access for foreign providers.

The major impacts on higher education institutions that have established campuses overseas are financial, organizational (in terms of quality assurance), and cultural. The establishment and maintenance costs for commercial presence are high, and foreign institutions have often been asked to meet specific demands by the receiving country. In the case of a public university, this cost is ultimately borne by the public university establishing commercial presence. Where commercial presence involves local partners, and is essentially delivered by a separate local entity, there can be significant quality assurance problems, particularly around the assessment of student work. There has been an increasing number of cases where institutions have been investigated because they have allegedly raised the marks of fee-paying students.

When higher education acts in a commercial way, there have also been impacts on governance. Universities and colleges come to adopt a more corporate identity, often with reduced transparency in their financial operations and reduced roles for faculty and students in governance.

Finally, there is nothing in the GATS that would encourage higher education to promote capacity building in the developing world. Rather, the challenges of rising demand and an under-funded public system confronting developing countries is viewed solely as a market opportunity for institutions and businesses of the developed world.

## *Presence of natural persons*

Presence of natural persons refers to the temporary movement of people from one member country to another to supply a service, such as academics working in other countries. Measures limiting the presence of natural persons and prohibited by the GATS include quotas on the number of temporary staff, hiring preferences for nationals, and residency requirements.

In 2005 EI supported the adoption of the OECD/UNESCO guidelines for quality provision in cross-border higher education. These voluntary guidelines provide states, education institutions, and students a safeguard against low-quality provision and rogue providers.<sup>5</sup>

## **Brain drain**

The danger of introducing trade patterns in education is summed up in the concept of “brain drain” – a one-way traffic of academic staff and students from developed to industrialized countries to work and study. This is accelerating the brain drain from the developing world and impoverishing local universities and colleges.

But the damage is more complex and more subtle than this, ranging from international institutions – together with chronic resource constraints – effectively denying education systems in developing countries the right to develop capacities of their own; to the cultural and linguistic hegemony of a few industrialized countries globally, undermining national cultures. EI believes that protocols must be established which protect education institutions and staff in developing countries, and promote contractual arrangements which facilitate students and staff working or studying abroad, to return to their countries of origin. EI member organizations adopted a reciprocal membership agreement in recognition of the increasing mobility of education staff. The agreement allows academic staff working abroad to become “associate member” of the teachers’ union in their host country,

thereby protecting themselves from unscrupulous employers.

## Trade union strategy

International trade is a complex issue and few ordinary trade union members understand how committing education can affect their own work, the workplace, and their interaction with colleagues – both within the home nation and overseas. EI therefore encourages its affiliates to raise the matter at national union conferences through policy motions and alliances with other public service sectors, in particular the health sector, and with students movements, rectors' associations, non-governmental organizations (NGOs), community-based organizations, etc. There may be scope for common strategies and actions, particularly in raising member awareness of the threat from GATS.

EI and the teachers' unions worldwide have consistently undertaken awareness-raising and lobbying activities to exclude education and other basic social services from trade agreements. On several occasions in 2005 and 2006 meetings took place between EI delegations composed of trade union experts from teachers' unions in Australia, Canada, Denmark, the United Kingdom and the United States, and trade officials from Australia, Brazil, Canada, Chile, the European Union, India, Jamaica, Japan, Pakistan, South Africa, Switzerland and the United States. Talks were also held during the 6th WTO Ministerial Conference in Hong Kong, with trade officials from Brazil, Canada, New Zealand, the Philippines, South Africa, Sweden and Venezuela.

Because committing education to trade agreements will be determined at government level, either nationally or internationally (for example the European Union), it is extremely important that teachers' unions lobby government representatives. Making representations to government in conjunction with other organizations is showing a broad base of protest. Teachers' unions should en-

courage their governments not to commit their education sectors to GATS or other trade agreements. It must be stressed however that EI's position is one of supporting and encouraging internationalization of higher education without an overt influence of commercialization.

EI has also established contacts with the WTO, the World Bank, the OECD, UNESCO, and other international organizations. EI focuses its lobbying activities on the major meetings of world leaders where an impact can be made; for example G8 summits, meetings of OECD members, World Bank meetings, WTO meetings, and other world events where trade issues may well be raised.

## Summary

EI strongly supports increased international cooperation, mobility, and exchanges of students and staff as long as education values prevail on commercial profits. Education is simply not a commercial product. For it to be governed by commercial agreements like GATS is inappropriate. Therefore EI recommends:<sup>6</sup>

- States not to make or seek commitments in private education
- States to amend article 1.3 of the GATS in order to exclude public-commercial services
- States to review the GATS as it had been agreed in the treaty, in view of removing education from the GATS
- States to involve Education Ministries and education unions in examining agreements being considered by Trade Ministries before any commitment is made.

For those who believe in equality of opportunity and education as a human right, education should never be considered a tradable commodity.

The centrepiece of the WTO Hong Kong agreement is the planned elimination of all agricultural export subsidies by 2013: a key demand of

developing countries. But in exchange for the agreement on agriculture, developing country members were forced to make significant concessions in other areas, including trade in services under the GATS.

Elie Jouen, EI Deputy General Secretary

## Notes

<sup>1</sup> The MAI talks collapsed in 1998 as a result of opposition from large segments of civil society. The trade unions were particularly critical of the MAI's negotiator failure to integrate reference to core labour standards in the proposed Agreement (Ed.).

<sup>2</sup> Africa Trade Network (ATN) is uniting hundreds of NGOs, trade union and other labour organizations, faith-based, women's and other networks and social movements across the entire African continent. See <http://twnafrica.org/atn.asp>

<sup>3</sup> The European Union is considered as one single country.

<sup>4</sup> Universitas21 is an online network of 18 universities in 10 countries, including China, supported by corporate partnership. See <http://www.universitas21.com/>

<sup>5</sup> <http://www.ei-ie.org/hiednet/english/Downloads/>

<sup>6</sup> EI Declaration on GATS and Education submitted to the 6th WTO Ministerial Conference at <http://www.ei-ie.org/en/news/show.php?id=27&theme=gats>

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# Contract labour: Time to regulate

*Job security and protections built around the traditional employment relationship is under serious challenge as contract work and related forms of self-employment take hold. In the past year, the issue has produced strikes, lockouts and fierce labour disputes that hinge on this divisive issue. The International Federation of Chemical, Energy, Mine & General Workers Unions believes it is past time that the ILO adopts a standard-setting mechanism on contract labour.*

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**Dick Blin**

Information/Publication Officer  
International Federation of Chemical, Energy,  
Mine & General Workers Unions (ICEM)\*

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It has been a decade since the issue of contract labour was first put before the International Labour Conference (ILC) of the ILO for discussion on a standard. In 1997 and 1998, those ILC discussions continued, but movement toward adoption of an international Convention or Recommendation got bogged down in actually defining the term, “contract labour”.

In 2003, the ILO’s ILC took up the issue in discussion on the Scope of the Employment Relationship, but again, that discussion failed to move towards adoption of a Recommendation.

## Employment relationship

Issues such as equal treatment of workers doing similar work, or eliminating or keeping to a minimum “disguised employment,” thus enabling contract workers to have protections already guaranteed under ILO Conventions, did not receive

\* More than 20 million workers worldwide are already members of the ICEM. A rapidly growing industry-based world labour federation dedicated to practical solidarity, the ICEM unites trade unions in its sectors on all continents. It has 403 affiliated unions in 122 countries.

relevant attention because social partners could not agree on terminology. Labour representatives feared use of the phrase “similar work” would create a separate and inferior category of workers, while employer representatives worried about establishing standards affecting the “triangular relationship”, or imposing responsibilities between primary employers, their contractors, and workers of those contractors.

The ILO discussions became mired in debate over definitions, even considering the many shapes that this type of employment has taken in recent times.

In the time since that debate – and since 2000 when an ILO Committee of Experts on Workers in Situations Needing Protection placed the issue inside the Scope of the Employment Relationship<sup>1</sup> – shifting work away from primary employers to contract status, whether to companies or directly to individuals, has risen to such proportions that it has dramatically changed patterns of work, adversely affecting permanent, full-time employment and the sustainability of entire communities across the world.

The ICEM believes it is past time that the ILO adopts a standard-setting mechanism on contract labour. Some 90 per cent

of the Global Union Federation's 403 affiliated national unions see this issue as epidemic in proportion, and among the three most difficult issues they face in the labour-management relationship. In the past year the issue has produced strikes, lockouts and also fierce labour disputes that hinge on this issue alone.

Contract labour has significantly changed the range and variety of work. Contracts have expanded and proliferated, offering work flexibility and opportunities to more and more employers. Job security and protections built around the traditional employment relationship are under serious challenge as contract work and related forms of self-employment take hold. A uniform response to the increasing inequalities, job losses and social upheaval caused by this ever-growing notion of work must be heard.

### Global trade union campaigns

Trade unions, and civil society in some cases, have developed innovative defence mechanisms over contract labour's social impact but universally, the issue's ramifications have gone unchecked, devoid of any definitive response. There is little question that market liberalization imposed by global lending bodies favours temporary labour solutions over permanent workforces which bring social stability and quality-of-life standards to a region.

The ICEM has launched a global campaign on many fronts, including a push for adoption of an ILO standard, intended to rein in the disproportionate use of contract and agency labour, and preserve the social benefits that permanent employment brings to working families and the communities in which they live. If there is any one thing that undermines the ILO's declared position on "Decent Work", it is today's excessive and uncontrolled use of contract and agency labour by employers.

Inside the ILO standard-setting process, the debate became bogged down on definitions. Complex terms only created overly complex possible solutions,

and the debate became stalemated. The ICEM proposes a simpler approach, one in which common social dialogue between labour and employers, with full backing from governmental partners, can deliver mutual benefits.

That embodiment is acceptance of a simple clause contained in any global standard, national piece of legislation, or labour-management collective agreement: "Employers will not sign any contracts with a third party that could affect the employment status of their direct employees, prior to consulting with such employees' union representatives."

ICEM and other Global Union Federations (GUF), of course, will always advise trade union affiliates to negotiate with an employer directly on any issue affecting workers. But many employers are increasingly becoming intransigent over matters of workplace governance, and ICEM believes the ever-increasing phenomenon of contract and agency labour deserves rule-making on national levels, as well as a standard on the international level. Consider this: if the long-term security and community prosperity that permanent employment provides erodes, financial burdens brought by heightened social costs fall directly on units of governments.

The ICEM's campaign is also targeted at the burgeoning number of labour agencies that provide workers to companies for fixed terms. Although the ILO did adopt the Private Employment Agencies Convention, 1997 (No. 181), and accompanying Recommendation (No. 188), which addresses licensing of agencies and makes reference to some employment standards, ratification has occurred in only 18 countries. ICEM not only encourages national trade union affiliates to lobby inside their countries for ratification of Convention No. 181, but also will press organization and formal collective agreements with employment agencies.

## Global framework agreements

One possible scenario might be to seek Global Framework Agreements (GFA) with agencies that provide labour, perhaps in concert with other GUFs. ICEM has already begun introducing the consultation language above in reviews with employers that are current signatories to GFAs. This principle of consultation with legitimate workers' representatives will be pursued for adoption within institutions such as the World Bank, the International Monetary Fund, and the Organisation for Economic Co-operation and Development (OECD), and stronger directives on the issue must be initiated inside the European Parliament.

The right to consultation, negotiation and ultimate agreement prior to any company entering into a commercial contract that affects the employment status or conditions of permanent workers is an element that primary employers, if guided by recent studies and telling internal corporate documents, might accept as one furthering their own business goals. Research done by McKinsey & Co., a British-based management consultancy firm, found that most companies studied rely on a simple procurement approach when outsourcing or contracting out non-strategic functions.

"Not surprisingly, up to 50 per cent of outsourcing arrangements fail to deliver the expected value," states the report entitled 'Outsourcing Grows Up' (*McKinsey on Finance*, No. 14, Winter 2005). It adds that the practice has created unique challenges to management. "Companies often accept promises from vendors that aren't kept or put so much emphasis on getting rock-bottom prices that they lose essential performance guarantees and flexibility".

Another revealing insight comes from research jointly done by Unilever, the global foods and chemicals group, and Oxfam, released in February 2006. Carried out as a response to a United Nations' call for development of solutions to reduce global poverty under the Millennium Development Goals, the joint

study draws attention to the fact that in 2003, 40 per cent of Unilever's workforce was comprised of contract workers. Citing that figure as dangerously high, the study stated, "The closer and more formally workers are linked with (Unilever's) operations, the more they benefit directly from the company." One might also draw a conclusion on job security, permanent employment and the benefit to an enterprise; that long-term, permanent employees will have a vested interest in the success of any company.

The Unilever/Oxfam study makes a stark recommendation for the company to follow, one that is central to ICEM's agenda that there be national and international standards. The study says Unilever must ensure that "labour-supply companies observe legal requirements concerning the transfer of temporary employees to permanent employment contracts." But only a handful of countries – Brazil, Turkey, South Africa and, to a limited effect, the European Union – have laws in which the primary employer is responsible for the standards of other employers in its operations. Even though companies may have codes of ethics or other voluntary initiatives that relate to contractors and suppliers, the Unilever/Oxfam study draws a succinct and telling conclusion on the necessity for a global standard. Cases studied illustrate "how contracting out employment may reduce a company's ability to monitor the situation of contract workers or suppliers' employees, and thus result in gaps between corporate policy and practice in respect to these workers."

It is no secret that one of ICEM's major industrial sectors – oil, gas and energy – is composed of major multinational companies who rely sometimes exclusively on contractors. But a report made public at the end of 2005 involving Royal Dutch Shell – done, ironically, by a consultant to evaluate project management – bears witness on just how far this dependency goes. The consultant found the company is almost wholly dependent on contractors for critical functions, which explains why it has lost control over costs while

experiencing cost overruns and delays on project after project.

Unions have developed responses to an issue that has had far-reaching effects both in terms of civil strife and on matters of fairness and justice. In Nigeria, where well-armed youth have held the oil and gas industry along the Niger delta hostage, a central tenet to the violence is lack of opportunity for people of the area to the skilled and enriching jobs that this industry has to offer. Nigerian oil workers' unions NUPENG and PENGASSAN have established institutes and training colleges for Nigerians, but what is lacking is a structured tripartite feeder system into both onshore and offshore jobs.

Nigerian unions also are pushing for more stringent regulatory controls on employment agencies, and are adamant on developing laws that protect the rights of contract workers. In Nigeria right now, there are no such laws. In Japan, where the number of non-permanent workers in a total workforce of 50 million is now closing in on 40 per cent, the trade union confederation RENGO has designated its annual Spring labour offensive to raising the wage rates of non-regular workers. The reasoning is simple: if the pay gap between non-regular workers and those who work full-time is not narrowed, pressure on the living standards of full-time workers mounts.

In Spain, the response from the government has been to increase by 1.5 per cent the contribution that employers who use temporary labour make to unemployment insurance funds. It also seeks to reduce by the same amount such contributions from employers utilizing full-time and permanent workers. Another example might be to increase social security contributions on agencies or companies that use short-term contract workers.

At the time of writing this article, a set of bills on workplace regulations covering non-regular workers has paralysed South Korea's National Assembly, and caused mass strikes. Ruling political parties have proposed a maximum two-year period in which non-regular workers can be employed before their status becomes

permanent. But the legislation effectively opens the door for employers to use an ever-increasing number of non-permanent workers and then lay them off prior to the end of two years.

Korean national labour centres oppose the measures since such legislation will institutionalize and expand atypical employment, while legitimizing the indifference by employers and the State over universal labour rights and equal pay for equal work. It is all too clear that work cannot be considered "decent" if a worker is not protected against the main risk associated with it.

### Growing number of labour disputes

The consequences of not coming to terms with the increasing use of contract, or short-term, labour as replacement for permanent jobs is evident in a growing number of labour disputes over this single issue. A company's desire to achieve flexibility by reducing the number of permanent employees has been the most contentious bargaining-table item experienced of late by ICEM affiliates. And of near equal importance are a rising number of disputes in booming economies and sectors in which contract workers do not get their due.

An example of the former in an ICEM sector, the pulp and paper industry, was a fierce lockout in Finland last year. Implemented by an employers' organization representing the major Nordic paper firms against 25,000 paper workers, members of the Finnish trade union Paperiliitto, the six-week lockout had devastating economic consequences on Finnish families, as well as on pricing and supply arrangements across Europe. Paper companies closed down over 50 paper mills in the country, costing Finland's manufacturing, transport and related industries 40 million per day, and they had one major goal: to shift both essential and non-essential jobs to non-union contractors. Some 8,000 of Finland's 25,000 paper mill jobs were at stake.

The bitter lockout was resolved only when Finland's Prime Minister directly

intervened. The compromise struck could serve as a model for ICEM's proposed consultation language, if only it had been used prior to commencement of the lockout. The two sides, through a government conciliation and the Prime Minister, agreed that trade union acceptance must occur over all outsourcing. Paperilitto and the industry association came to terms on a deal allowing individual plant negotiating teams to reach accord on the issue locally but if that fails, the matter goes to a national arbitration panel composed of the union, the industry group and an impartial chairperson. Introduction of contract labour can then only occur by a unanimous decision of the panel.

Another lockout currently in place also revolves solely on the contracting-out issue. It has put 600 union members in the Canadian province of Nova Scotia out of work, and was brought by one of the same Nordic paper producers instrumental in the Finnish dispute, Stora Enso. The paper industry collective agreement pattern for Eastern Canada has been set, and includes a status quo on all existing contracts and memorandums involving the use of contract labour. But Stora Enso, the last paper company to negotiate in this round of pattern talks, seeks to break new ground by imposing weaker rules related to outsourcing.

In January 2006, 28,000 contract workers at Chile's State-run copper mining company Codelco went on strike, demanding immediate bonuses because of record highs of copper prices on international markets. The workers are employed by some 400 enterprises from food service firms to transport companies. For comparison, Codelco itself employs 15,000 permanent workers across Chile.

And in early March, a strike by contract oil-service workers who had not been paid wages for three months by the Government of Ecuador prompted President Alfredo Palacio to declare a state of emergency with suspension of constitutional rights in three oil-producing provinces of the Amazon region. The 4,000 workers, employed by some 50 contractors of State-

run Petroecuador, work under 15, 20 and 30-day work contracts and had not been paid due to political and budgetary differences between the Finance Ministry and the State oil company.

Tellingly, the strikers were not only seeking the payment of back wages owed them, but they sought direct employment from Petroecuador and reforms to the company's budgetary ties with the State. In a country where oil revenues comprise nearly half of the total national budget, the seven-day strike crimped 40 per cent of oil production, costing Ecuador nearly US\$20 million.

### Joining the unions

In a more positive energy development in the Caspian Sea region, contract workers are unionizing in mass numbers with an ICEM affiliated trade union in Azerbaijan. It marks the first time oil and gas service delivery contractors in the Caspian have faced unionization, and the reason for this is basic: local Azeri workers, despite performing similar work, are paid 50 per cent less and receive inferior medical benefits to foreign workers brought in by the contractors. Strikes by workers seeking union representation have brought quick retreat by contractors, producing initial collective agreements and stressing the geopolitical importance of oil and gas exports from the region.

In Thailand, ICEM affiliate Petroleum and Chemical Workers' Federation at its Goodyear Tyre Makers' Union has brought a precedent-setting case before the country's labour courts. It involves limiting the company's ability to use of labour on year-by-year contracts for long periods of time. Scores of workers, some working for as long as ten years on yearly contracts, have stood with the union in court and demanded they be made permanent employees. It should be noted that the union's branch chairman at this worksite was fired for championing the cause of these contract workers, and won reinstatement only after an international

outpouring of disdain was directed at the US management of Goodyear.

Rapid globalization, privatization and economic transformation have become the underpinnings for the trend toward contract and agency labour, a trend seriously threatening the social benefits that permanent, full-time employment delivers. The reality is, however, that contract and agency labour have become fixtures on the employment landscape. What is missing is the common thread which links all workers, and that is national standards and an international standard that guarantees the dignity of work.

## Note

<sup>1</sup> As decided by the ILO Governing Body, a Meeting of Experts on Workers in Situations Needing Protection was held in Geneva from 15 to 19 May 2000 – arising out of the work of the Committee on Contract Labour at the International Labour Conference in June 1998 – to discuss the following issues: which workers are in need of protection; appropriate ways in which such workers can be protected, and the possibility of dealing separately with the various situations; how such workers would be defined, bearing in mind the different legal systems that exist and language differences. The meeting was also to advise the ILO on its future action to protect such workers, including the possible adoption of a Convention supplemented by a Recommendation.

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# Globalization and media: The cost to pluralism, diversity and workers' rights

*Every year as the global information economy expands, the process of media concentration and consolidation gathers pace and with it comes increasing concern for the impact on media quality, pluralism and workers' rights. And every year journalists and many democrats heave a deep sigh of disappointment at the failure of policy-makers to limit the process of media concentration. Information is not a commodity, it is a fundamental human right.*

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Aidan White

General Secretary

International Federation of Journalists (IFJ)\*

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Public concern about corporate and political dominance over media and information services is not new, but in the information age it is greater than ever. There is a multitude of sources, but little faith in the quality of information. Confidence among readers, viewers, listeners and users is down. Within journalism, where professionalism is under attack and working conditions are being reduced, morale is low.

In the past ten years the expanding information sector has seen a sharp increase in the numbers of jobs, but most of these opportunities arise in a failing employment environment – less security, less social protection, increased demands for flexibility and longer working hours; all of which contributes to a new and deep anxiety over the quality of media and information. The detail of this decline has been well documented in ILO reports.<sup>1</sup>

\* The International Federation of Journalists is the world's largest organization of journalists. First established in 1926, it was relaunched in 1946 and again, in its present form, in 1952. Today the Federation represents around 500,000 members in more than 100 countries. The IFJ promotes international action to defend press freedom and social justice through strong, free and independent trade unions of journalists. It is part of the Global Unions.

Beyond the newsroom, there is an increasing perception that media fail to carry out their watchdog role in society. Twenty years ago this concern may have been predominantly because of acts of political censorship and authoritarian systems of State control of media, but many of these threats have been reduced by a changing technological landscape that increasingly puts information providers beyond the reach of old-style tyrants.

Today's problems are more subtle and are created often by the vested commercial interests that drive the media business, both at national and global level. Pluralism and free expression, which are cornerstones of democracy and cultural values, are being weakened in the process.

Even new media players – Google, Yahoo! and Microsoft among them – who until now have not been touched by the poor reputation of some traditional media, are not immune to the charge that globalization is weakening attachment to fundamental rights. Early in 2006 these Internet giants were widely accused of sacrificing free expression rights in order to protect their business interests in China.

The facts of the media globalization process are well established. Over the

past 25 years there has been a tendency towards concentration of media across all sectors at national and, increasingly, at international level.

According to the industry observer and writer Ben Bagdikian there were, in 1983, some 50 media corporations that dominated most of every mass medium and the biggest media merger in history was, at that time, a mere \$340 million transaction.

Five years later this list of 50 companies had reduced to 29, and by 1990 the list had further shrunk to 23. By 1997, the biggest firms numbered just 10, all of them with global reach and all of them bringing together a range of text, film, music and television resources. Some, such as Rupert Murdoch's News Corporation, were pioneers in driving forward the global media market, but others have been catching up fast.

The scale of change is far greater than ever imagined. The 2000 corporation created by the fusion of AOL and Time Warner, creating the biggest global media player was worth \$350 billion dollars – more than 1,000 times larger than the biggest deal of 1983.<sup>2</sup>

The top ten media companies were AOL Time Warner, Disney, General Electric, News Corporation, Viacom, Vivendi, Sony, Bertelsmann, AT&T and Liberty Media. And these are truly global corporations. Besides his extensive ownership in Britain, Australia and Asia, and ownership of Fox television in the United States, Rupert Murdoch manages the assets of Hughes Electronics, which gives News Corporation increased clout over programming in Latin America.

### **Dangerous concentration**

Concentration is not just horizontal – where one competitor buys another in the same business sector – but also a vertical process whereby one organization that owns the delivery or production system, for instance, buys up others, which provide content. Certain forms of vertical

integration are particularly worrying for media pluralism. Companies in control of distribution networks tend to use their position as “gatekeepers” to distribute mainly information and programme services of their own media group, thus limiting free access.

What distinguishes the major media firms from the rest of the pack is not merely their size, but their global distribution networks. Time Warner and Disney, for example, still get the vast majority of their revenue in the United States, but both firms project non-US sales to be a majority of their revenues within a decade and the other media giants are all moving to be in a similar position.

The dangers for free speech are obvious. “When media moguls control media content and media distribution, then they have a lock on the extent and range of diverse views and information,” according to Charles Lewis, former head of the Centre for Public Integrity in Washington. “That kind of grip on commercial and political power is potentially dangerous for any democracy.”

Even politicians, many of them supporters of a healthy antagonism between media and the exercise of power, have come to recognize that global media are increasingly beyond the orbit of democratic accountability and need to be reined in. But the absence of credible forms of international governance to moderate the global media environment makes this difficult, if not impossible.

In Europe and the United States there has been an abject failure on the part of the authorities, verging on negligence, to face up to the challenge of media ownership. Instead, there has been a tendency to fall in with the demands of industry players who, on the back of multi-million lobbying campaigns, are demanding the lifting of existing regulations on media ownership at home and abroad.

In Brussels, the European Commission, bowing to ferocious lobbying by European media organizations, has failed to deliver on its promises made 14 years ago to protect pluralism and limit the power of big

media, leading to a revolt by European parliamentarians in 2005 who are now demanding legislation at European level to protect media pluralism.

In the United States, media organizations have in recent years invested a billion dollars to bring about an end to federal laws that have prevented excessive concentration of ownership.<sup>3</sup>

Far from exercising any restraint, the industry is increasingly challenging previously accepted notions that the market itself cannot protect pluralism and that information products and journalism have a social, cultural and democratic value that makes them special within market conditions.

### Press freedom and pluralism under threat

Conversely, journalists and others in civil society, and an increasingly nervous political community, insist that people need information services which are not shaped entirely by the market imperatives of ratings, profits and commercial objectives. It is time, they argue, for the introduction of appropriate rules to protect pluralism and to strengthen cultural diversity.

This clash of interests is focused on long-standing principles which recognize that information is a fundamental right. This has been highlighted by international law, and particularly the case-law of the European Commission and Court of Human Rights relating to Article 10 of the European Convention on Human Rights. This holds that the owner of the right to information is the citizen, who also has the related right to demand that the information supplied by journalists be conveyed truthfully, in the case of news, and honestly, in the case of opinions, without outside interference by either the public authorities or, significantly, by the private sector.

Both within Europe and at the level of the United Nations – particularly through the work of UNESCO which carried out a ten-year programme of work to establish

the importance of editorial independence in defining media pluralism – there has been widespread recognition of the need to protect freedom of the media both from external and internal pressures.

These concerns have been well expressed at national level for many years, but in the age of global media they become even more important, particularly when national and regional cultural values and traditions come under pressure.

Robert McChesney, the writer and academic who in recent years has done much to highlight the dangers, has spoken out vociferously against the threat that global media conglomerates pose to culture and pluralism.

He writes: “The global commercial-media system is radical in that it will respect no tradition or custom, on balance, if it stands in the way of profits. But ultimately it is politically conservative, because the media giants are significant beneficiaries of the current social structure around the world, and any upheaval in property or social relations – particularly to the extent that it reduces the power of business – is not in their interest.”<sup>4</sup>

And in a ground-breaking statement made more than 12 years ago, which resonates today, the Council of Europe summed up the challenge that needs to be taken up across the globe: “Neither publishers and proprietors nor journalists should consider that they own the news. News organizations must treat information not as a commodity but as a fundamental right of the citizen.”<sup>5</sup>

Put simply that means, if necessary, limiting the entrepreneurial objectives of news organizations to protect pluralism and the right to information. Additionally, media must show transparency in matters of ownership and management, enabling citizens to know who owns media and the extent of their economic interests.

Publishers and owners must accept that their ideological orientation is limited by the absolute requirements for ethical and truthful news reporting and expression of opinion. In the end, the only guarantor of the citizens’ fundamental right to

information is the journalist's freedom of expression, which is why journalists are campaigning for legal protection of their right to act according to conscience and to protect professional secrecy.

### *Infotainment*

Today trivial, low-quality *infotainment* is the battering ram used by global media organizations to break into an expanding advertising market. There is the widespread sacrifice of quality in favour of populist, audience-grabbing titillation and lifestyle programming on television that lowers standards and has demoralized creators and journalists.

Journalists at a global level have launched a worldwide campaign against this process, demanding that steps are taken to reinforce editorial independence, ethical standards and the social rights of people working in media.

In 2004, the International Federation of Journalists world congress in Greece adopted a comprehensive series of policies aimed at building coalitions with civil society and across the media sector to curb the growing power of the global media.<sup>6</sup>

In particular, journalists and media unions are concerned by the growth of freelance work which is taking place at a rapid rate. The employers' seek to separate freelance workers from the core workforce, a group that is usually better protected either by law or through collective agreements. Freelance workers are less likely to be represented by collective bargaining arrangements, they have inferior social benefits and welfare conditions and they are less well covered by the organized trade union movement.

### **Journalists under pressure**

Journalists in all areas of employment are under pressure. They are increasingly required to be "multi-skilled" with a capacity to turn their hands to word-processing, sound recording, camera-work (moving

and still pictures) and presentation to camera or microphone as required. Many of these functions are now compressed into one activity as a result of digitization. Creativity is being marginalized in the drive to develop all-round capacities that suit the converged media environment.

This dramatic change in employment structure takes place as journalists are being joined by thousands of others in the information-processing business. New forms of work are emerging for online editing and data collection. Many of these new workers are doing journalistic work, but often they are not identified as journalists and they work in companies that do not appreciate notions of journalistic standards and ethics. While many traditional media companies, particularly at national level, have always appreciated that journalism has a cultural dimension with a wider responsibility to society, many new multi-media players see information only as a commodity and they take their cue from global media leaders.

The reality of working in modern media is of a challenging environment where there is cut-throat competition for jobs; where creators are subject to increasing exploitation; and where standards and ethical conduct are under intense pressure. All of this, according to industry leaders, is part of an inevitable process of change in which labour regulation is outdated and unnecessary.

They also argue that the trend towards ever-larger media groups is an inevitable consequence of media development in which the increase in the number of channels, the arrival of digital media, and convergence between broadcasting, computing and telecommunications, makes media concentration and cross-media ownership rules obsolete. But is that really true? Experience suggests otherwise. In the United States, for instance, since the 1996 Telecommunications Act was passed a small number of media corporations have moved into dominant positions by acquiring chunks of the US media.

Deregulation has boosted both the commercial power of companies like AOL

Time Warner, Viacom, Disney, but it also gives them political power. They have demanded even greater relaxation of rules on media ownership, spending enormous sums on political donations and lobbying key politicians. When the Republican-dominated Federal Communications Commission introduced new media ownership rules in 2004 they thought they had won their expensive campaign. But they were in for a shock.

Tellingly, in spite of the most Republican administration for years and in spite of the enormous power of media conglomerates who lobbied hard for deregulation and for more concentration – local communities across the United States flatly refused to accept new media ownership rules.

Across the metropolitan US States, coalitions of civil society groups including unions, civil liberties groups and local communities combined to mobilize public opinion against changes in ownership as people threw out the attempt to strengthen the hand of big media in local media markets. Rejected by people on the ground, at the end of last year the changes were formally abandoned in January 2006.

It was a tremendous victory for citizen's power and clear evidence that people want to protect pluralism – but it was not reported widely in the media.

### Public services values

While in the United States there are some grounds for optimism that pluralism and public service values are back on the media agenda, in Europe the situation is getting progressively worse.

In the years since the fall of Communist regimes in Central and Eastern Europe, the encroachments by Western media groups have prevented or made difficult the development of independent or nationally based media groups in these countries.

And in Western Europe the business models of media are equally worrying for pluralism. In France there are concerns as big business, including the de-

fence industry, is grabbing chunks of the French media market and raising fears for the future of editorial independence. In Great Britain the BBC, one of the world's leading public broadcasters, is now under pressure from the government and private media and has cut almost 4,000 jobs in a desperate attempt to fend off criticism about its privileged status as a public broadcaster.

In Italy, the Prime Minister, Mr. Silvio Berlusconi, whose political and commercial interests dovetail into one dangerous agenda, has a stranglehold on both the private and public broadcasting media. His company Fininvest owns 46 per cent of the television market and as Prime Minister he exercises undue influence on the public broadcaster RAI.

### A wide-ranging crisis

All of these developments, which see commercial imperatives at work in the newsroom, cut deep into the quality of journalism. Europe's most powerful media employers are slashing editorial budgets and spending on training, and investigative reporting. In Germany almost half of all journalists working in the country are working as freelancers or in precarious employment conditions and there are serious fears over falling media quality.

In Hungary, there is not a single fully employed journalist at work. All are on some sort of contract that denies them access to social benefits and rights that used to be taken for granted in a well-regulated media labour market.

The scope of this crisis is wide-ranging. It is not only seen in the decline of investment in editorial training, investigative journalism and newsroom activity it has also been accompanied by concerted efforts from both political and private sources to weaken models of public broadcasting.

Governments in Denmark, Portugal and Italy are actively undermining their national public broadcasters. In the United Kingdom the independent status of the BBC is threatened as commercial groups

lobby for its reform. In countries of the former Soviet Union there has been hardly any serious effort made to create genuinely public service institutions out of State-controlled television systems.

Even where there are efforts to preserve the model of independence public broadcasting, because of limited finances most public broadcasters have no chance when pitted against the massive resources of large global media groups that have the cash available to develop programming, acquire sports rights and launch new subscription and pay-per-view channels.

Public broadcasting across the globe is in crisis, because of lack of funding, poor management and the singular failure to maintain public service institutions. As a result public broadcasting standards, for so long a benchmark of media quality, are being diluted.

### Time to act

In sum, the depths of the globalization crisis in media is such that extensive campaigning on a range of issues – standards, ownership, free expression – is an urgent requirement for any strategy to restore bal-

ance in the traditionally fragile relationship between public interests and commercialism in media and journalism.

This may not be easy when democratic governments seem to be in retreat from long-held commitments to defend core principles of free expression. However, the future of journalism, its traditional role as a watchdog over the exercise of political and corporate power, and the quality of work for those who take up the profession is by no means clear in a world where commercial interests have begun to overwhelm peoples' rights.

### Notes

<sup>1</sup> See Report of ILO Symposium on Information Society 2000.

<sup>2</sup> Ben H. Bagdikian, *The Media Monopoly*, Sixth Edition, (Beacon Press, 2000).

<sup>3</sup> See Report by Centre for Public Integrity at [www.publicintegrity.org](http://www.publicintegrity.org)

<sup>4</sup> Robert W. McChesney, "The New Global Media: It's a Small World of Big Conglomerates", *The Nation Magazine*, November 29, 1999.

<sup>5</sup> Resolution 1003 (1993) of the Council of Europe on Ethics of Journalism, adopted by the Parliamentary Assembly.

<sup>6</sup> See [www.ifj.org](http://www.ifj.org)

# Defending decent work in a newly liberalized clothing industry

*With the ending of the Multifibre Arrangement (MFA) in January 2005, the textile, clothing industry has been in turmoil across the world. Thousands of factories have closed and hundreds of thousands of jobs have disappeared in Africa, the Americas, Asia and the Pacific and Europe. Today, production base shifts threaten the jobs of as many as 30 million workers directly and the jobs of a further 30 million who depend on the industry. Yet the end of the MFA may also offer opportunities. Seizing these opportunities requires policy initiatives.*

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**Neil Kearney**

General Secretary  
International Textile, Garment and Leather  
Workers' Federation (ITGLWF)\*

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The Multifibre Arrangement had governed trade in textiles and clothing through a system of quotas for more than 30 years. Originally designed to protect European and North American producers, it led to the globalization of the sector, providing a host of developing countries with an entry to the industry and sheltering them from the harshest global competition.

## Few winners

The MFA globalized textile and garment production to a stage where production was being carried out in as many as 160 countries. Today, trade liberalization threatens the future of many of these nations not just through the domination of China but also from the new found ability of the brands and retailers to source from wherever they choose without import re-

straints. One industry survey found that brands now sourcing clothes from 40-50 countries plan to consolidate production in 12-15 countries. Apart from China, this leaves room for very few winners.

While other countries were slow to realize the impact the MFA phase-out would have on their industry, China was positioning itself to dominate world markets. Investment in China's textile and clothing industry has been phenomenal – US\$21 billion in the three years leading to the MFA phase-out, which increased its capacity by 50 per cent. This has enabled it to reach production levels of more than 20 billion garments a year – three items of clothing for every man, woman and child on the globe. China has, of course, a massive labour force. Most are internal migrants who have no rights and who regularly work 12 to 14 hours a day, seven days a week for minimal wages. As a result of all of this, China is now on track to capture as much as 75 per cent of world production in the next few years. This means that some 160 countries are having to compete for 25 per cent of world trade.

The increased competition between countries is having a devastating impact.

\* The International Textile, Garment and Leather Workers' Federation is a global union federation bringing together 220 affiliated organizations in 110 countries with a combined membership of 10 million workers. It is based in Brussels.

## The end of quotas

Textiles and clothing was until recently the only major manufacturing sector that did not come under the rules of the General Agreement on Tariffs and Trade (GATT). Instead it was subject to extensive use of quotas by the major importing countries. The quota system started with the Long-Term Arrangement Regarding International Trade in Cotton Textiles and Substitutes (LTA) under the auspices of the GATT in 1962. The LTA was extended to materials other than cotton in 1974, and became known as the Multifibre Arrangement (MFA). At the end of the Uruguay Round of negotiations it was agreed that countries which wished to retain quotas committed themselves to phasing them out gradually over a period of ten years, with the last quotas being lifted on 1 January 2005, as stated in the Agreement on Textiles and Clothing (ATC). Three countries – Canada, Norway and the United States – and the European Union (EU) – chose to maintain quotas under the ATC. These countries have allocated quotas to trading partners unilaterally. At the same time they have awarded trading partners quota-free and sometimes also tariff-free access to their markets through regional trade agreements or various preference schemes for developing and least developed countries. The resulting trade regime was highly distorted and unpredictable, particularly from the point of view of exporters that faced binding quotas. The countries most restricted by quotas were China, India and Pakistan. Bangladesh and Sri Lanka were subject to binding quotas on clothing exports to the United States, but not to the EU. Conversely, a significant clothing exporting industry was established in preference receiving countries, based on comfortable preference margins. With the phasing out of quotas, preferences are eroded and it has been feared that jobs could be lost on a massive scale in these countries post ATC. This has been a particular concern in countries which earn half or more of their total merchandise export earnings from textiles and clothing, such as Bangladesh, Cambodia, the Dominican Republic, El Salvador, Mauritius and Sri Lanka. These countries have enjoyed preferences in the EU or the United States or both, but are facing increased competition post ATC. The quota-imposing countries have followed the letter of the ATC, but it turned out that binding quotas on the most significant imports could be maintained until the very last day of the adjustment period, resulting in back loading and a drastic change of trade regime on 1 January 2005. China's market access improved substantially when the country became a member of the (WTO) in 2001. While most developing countries had supported the ATC before China's entry, they became increasingly concerned that the lion's share of the gains from quota phase-out would accrue to China. This concern intensified following the implementation of the third step in the ATC, when China's exports of the newly integrated products increased by about 90 per cent to the EU and almost 200 per cent to the United States. In view of China's potential for rapid export growth, there is a special safeguard clause in China's protocol of accession to the WTO, allowing trading partners to impose temporary quotas on China under given circumstances until the end of 2008. In May 2005 the United States imposed quotas on seven products. The EU also initiated a safeguard investigation on nine categories of textile products and considered using the safeguard for two products (flax yarn and T-shirts) in May 2005. Finally, the EU suspended its investigation and planned sanctions against these two products following the signature with China in June 2005 of a three-year transitional agreement. Under this agreement, China agreed to limit the increase in its textiles and clothing (TC) exports to the EU to 8-12.5 per cent per year in ten "sensitive" categories of products.

Source: *Promoting fair globalization in textiles and clothing in a post-MFA environment*, Report for discussion at the Tripartite Meeting on Promoting Fair Globalization in Textiles and Clothing in a Post-MFA Environment, Geneva, October 2005.

Since the days of the Industrial Revolution the textiles and clothing industries have traditionally been the engine of development for countries in every continent. Today, textiles and clothing dominate the economies of nations in every part of the world, often constituting the sole source

of export earnings and industrial employment. One small African country, Lesotho, relies on the sector for 99.14 per cent of its exports earnings. What future for Lesotho, where 34 per cent of workers in the industry are HIV-positive and jobless, facing poverty and early death?

## Millions of jobs under threat

In all of these countries the textile and clothing industry is the main or only source of manufacturing employment. The garment sector alone provides 1.8 million direct jobs in Bangladesh. Employment in Pakistan totals nearly 1.5 million. Garments form the backbone of industrial employment across much of Africa, almost every nation in Asia, the Caribbean and Central America, Central and Eastern Europe, Mexico and Turkey. If the industry disappears, these economies will be destroyed, and the impact would be almost unimaginable. Industrialized countries have also been hard-hit, with estimates of job losses running currently at 1,000 per day in Europe. In the United States, thousands of jobs have been lost and a further 500,000 jobs are under threat.

With this crisis it is not only jobs that are disappearing, but working conditions around the world are deteriorating. China's textile and clothing industry is exporting poverty to the rest of the world in the form of ever-decreasing prices and cut-throat competition promoting widespread unemployment. Other producers have little choice but to cut prices or to go out of business. And with most costs fixed it is always labour which bears the brunt. Not surprisingly, the cry going up from governments and employers in every corner of the globe is for a freeze on wages, an increase in working hours, the abolition of overtime premiums and the exclusion of the textile and clothing sector from social protection. The excuse always given is that these measures are needed to compete with China! For example, the government of Bangladesh was quick to grant an employers' request for a 72-hour work week, but remains flat-footed in enforcing the rest of the country's labour legislation. El Salvador freed its garment industry from the customary annual minimum wage increase, but colludes in thwarting workers' rights to freedom of association.

Temporary measures taken in the European Union and the United States to clamp-

down on imports from China has provided some respite for the industry in other parts of the world. But under WTO rules, measures against Chinese imports cannot continue past 2008. From 2009 onwards trade will be fully liberalized with no prospect of protection. It is therefore essential to use the breathing space of the next two years to strengthen the industry by building its international competitiveness.

## Looking at the future

But safeguard action on its own cannot secure the future of the industry. Much broader policy initiatives are needed. No one actor can or should have to address the challenges emerging during the transition alone. Collaborative and integrated approaches between key actors from the public, private and civil society sector are the most likely route to achieve change.

The need for an integrated approach has been recognized by the International Textile, Garment and Leather Workers' Federation (ITGLWF) and other trade union organizations, international organizations, a number of brands and retailers and NGOs, who have come together in an MFA Forum to better understand the implication of the end of the MFA, particularly for workers and communities, and to explore how best to promote collaborative approaches to mitigating negative impacts and taking advantage of new opportunities.

The MFA Forum, in its efforts at both the global and national levels, has developed interesting proposals for practical action. The ILO has now actively involved itself in the work of the MFA Forum and can thus help drive the social agenda in promoting decent work as the bedrock of economic and industrial success.

One of the opportunities in today's otherwise gloomy environment is the fact that the end of the MFA is leading some brands and retailers to recognize the need to know their supply chain thoroughly in order to source responsibly, to maintain their current supply base and to source only from

## Labour rights and working conditions: Dispensable in the race to the bottom

Employers and governments in virtually all producer countries are using the pretext of increased unfair competition from China following the end of the WTC Agreement on Textiles and Clothing (1995-2004) (ATC) to try to downgrade working conditions or wages in the sector and to step up their repression of trade unions. The ICFTU and the ITGLWF have received numerous reports attesting to this from around the world. "Lesotho, El Salvador and other exporting nations excluded textile and clothing workers from statutory wage increases or from minimum wage protection," explains Neil Kearney, General Secretary of the ITGLWF. "Bangladesh even legalized a 72-hour week for a short period."

In Turkey, Saner Taysi, of the Turkish textile trade union TEKSIF, also confirms such practices: "For us, the gravest consequence of the end of the ATC is that employers are taking advantage to deploy anti-union strategies and exploit the workers more, by increasing overtime, for example. They are constantly using the pretext of Chinese competition to justify themselves. The fact that 80 per cent of the jobs in the textile and garment sector are informal, makes it all the easier for them to demand ever-higher rates of production: some large companies receive orders from buyers 'promoting fair globalization in textiles and clothing in a post-MFA environment'; and then subcontract them to a large number of small informal workshops, many of which do not respect the minimum wage of 200 dollars a month. Recourse to the informal economy has been mounting since the end of the quotas, diminishing the workers' ability to organize."

In the Philippines, it is unpaid overtime that has increased with the liberalization of trade in textiles and clothing. According to Annie R. Adviento, ITGLWF national coordinator in the Philippines, "Nowadays cases of forced overtime or unpaid work are much more frequent than before in the Philippines. For example, when a worker is given a certain production quota and she cannot make it by the end of the day, she is instructed to finish the work without an overtime payment. Such complaints are widespread. Sometimes coffee breaks are sacrificed and the lunch break is shortened so that the workers meet the quotas. Sometimes the day off is suspended and employees work seven days a week. The team 'work in line' system no longer allows one sewer to go to the toilet or drink water while others are still working."

In Thailand, the Employment Ministry is hoping to attract workers from Viet Nam or the Philippines to overcome the labour shortages of which some textile employers complain. "But we are not, in fact, faced with labour shortages," underlines Junya Yimprasert, coordinator of the Thai Labour Campaign. "Since 1996, the textile and clothing sector has dismissed tens of thousands of workers from factories where trade unions had been formed. Labour is not in short supply, the problem is maintaining decent wages and working conditions in the sector. Employers are placing workers under constant pressure, using the threat of competition from China to force them to accept restrictions on their rights. It is because of this situation that Thai workers no longer want to work in the sector."

Mayra Jiménez, General Secretary of FUTRAZONA-CTU (Federación Unitaria de Trabajadores de las Zonas Francas) in the Dominican Republic points out that in her country, "Employers and the government have made a pact to reject any pay rises, using the pretext of Chinese competition, even though the workers' wages are already very low. The average salary is 100 dollars a month, although at least 700 is needed just to cover the food expenditure of a family of four." Dominican employers are threatening to take greater advantage of relocation options in the neighbouring country, Haiti, in order to benefit from the even lower salaries.

*Source: Stitched up: How those imposing unfair competition in the textiles and clothing industries are the only winners in this race to the bottom, report produced by the International Confederation of Free Trade Unions, Brussels, December 2005. This report is based on the accounts gathered from dozens of trade unionists across the world together with the analyses of the ITGLWF, the ILO and other national and international organizations.*

suppliers who provide decent work or are willing to work to maintain those standards, thus meeting buyer codes, national laws and international standards.

In order to take advantage of this opportunity, producing countries need to

find ways to differentiate themselves from China. Manufacturers need to build competitiveness on improved productivity, quality, delivery and social reputation – the four pillars for success in today's global market.

## Seizing opportunities

Customer demand for social compliance stems from two causes. First, the brands recognize that the factories with the worst labour conditions are also those who fail on quality and delivery time. Much of this is common sense. Long hours result in low productivity and low quality, a high level of accidents and illness, and a high level of worker turnover which is very costly for employers.

And secondly, because they are looking to satisfy consumer demand for goods made in decent conditions, they cannot afford revelations of labour rights abuses in their supply chain. They therefore need to ensure that problems are found and remedied rather than being broadcast on TV screens across the world. Brands spend a fortune on their image, and such revelations can do tremendous damage.

But the reality is that while many companies probably satisfy the first three conditions of competitiveness, many do not satisfy the fourth – the demand for goods made in decent conditions.

Indeed, in many parts of the world, freedom of association and the right to bargain collectively virtually does not exist. Workers' rights abuses are often the norm. The most common complaints from workers centre on inadequate wages, making excessive overtime the only way to come close to earning a living wage.

Governments often seem powerless to act. In many countries the labour ministry is under-resourced and largely ignored when it tries to intervene. Justice systems are often bogged down and take years to resolve the cases that come before them.

Because of the inability of the labour authorities in most countries to ensure adhesion with national laws, many retailers have developed their own monitoring programmes to ensure compliance with their own codes of conduct.

Many factories are producing for six or seven different brands, each with its own code of conduct and monitoring requirements. Some factories report being

audited over 30 times a year by different clients, each with their own slightly different requirements. This has created 'audit fatigue' on the part of suppliers, and has meant a huge waste of resources with only limited results.

Workers too are growing tired of auditing. Many audits include sometime extensive interviews with workers, but this can create frustration if it does not lead to improvements in workplace conditions. And in many cases, conditions are as bad today as they were ten years ago.

For all these reasons, many now agree that while voluntary monitoring and auditing programmes may be a good way to identify problems, they are not the way to resolve them. Many retailers are therefore changing their approach from policing to remediation, from determining what is wrong to why it is wrong.

## Give way to sound industrial relations

In order for the industry to survive in a liberalized trade environment, external social auditing of working conditions must give way to sound industrial relations at the workplace level, where pressure from workers through their trade unions ensures that problems are uncovered and remedied and where collective bargaining leads to real improvements.

But if good industrial relations require collective action on the part of the workforce, this implies that workers must have the right to freely form and join trade unions of their own choosing without employer interference and must be able to negotiate collective agreements.

It is increasingly recognized that lasting change will happen only when manufacturers improve their management and labour practices, when workers are free to exercise their rights, and the governments concerned begin effectively to enforce their own labour laws.

This is the context in which the ITGLWF is operating today. The ITGLWF is actively working to defend worker

rights; to demand that multinationals take responsibility for the conditions in which production is carried out; to exert pressure on governments to uphold international standards and national laws, and to demand collaboration between the ILO and the WTO in order to create combined trade and labour mechanisms

to help outlaw the use of exploitation to gain competitive market advantage.

In spite of the enormous difficulties facing the industry there is still hope for countries other than China. But the future of the industry depends on the ability of all involved to meet the challenges of post-MFA globalization.

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# The PSI campaign against water privatization

*This article looks at the role of the global union federation Public Services International (PSI) in the campaigns against water privatization, and its attempts to reshape global policies to support the development of water services in the public sector.*

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In public services, unions and international federations have to work with public interest issues, especially affordable quality services, as well as core labour issues of employment and worker rights. In the context of a global phenomenon, like water privatization, it poses further challenges of dealing with the new machinery of global governance. PSI's water campaign shows what can be achieved by strategic international activity.

## Water privatization

In the 1990s privatization started spreading across the world – even in the water sector. Although it has always been seen as an essential public service, there were already large private water companies in France, and the water companies in the United Kingdom had been privatized in 1989. The collapse of the communist regimes in Eastern Europe, the failure of the World Bank's earlier programmes to develop water services in the South, and the dominance of neo-liberal thinking, all created the opportunities for global growth.

The potential market was huge. Outside France and the United Kingdom, nearly the whole world's water services were provided by the public sector – even in the United States, water was and is 85 per cent public. There was great demand for new investment in water infrastructure – in the South to connect people without water supply, in the North, especially Europe, to meet the requirements of new environmental standards. The development banks preferred the prospect of financing multinational companies rather than southern governments and public authorities. Water is an expensive business, needing a lot of capital investment, and so

\* Public Services International is the global union federation for public sector trade unions. PSI represents some 650 affiliated trade unions in 150 countries. Together, these unions organize more than 20 million public sector workers, providing services in central government, health and social care, municipal and community services and public utilities. PSI is based in Ferney-Voltaire, France.

PSIRU was set up in 1998 to carry out empirical research into privatization, public services and globalization. It is based in the Business School, University of Greenwich, United Kingdom. PSIRU's research is based on the maintenance of an extensive database of information on the economic, political, financial, social and technical experience with privatizations of public services worldwide. The core work is funded by PSI.

privatization suited policies of constraints on public borrowing and spending which were being adopted by governments, and by international bodies such as the IMF and the European Union.

In Eastern Europe, the water service of Gdansk (Poland) – the city that was the birthplace of the Solidarnosc union – was privatized in 1992. It was followed by the privatization of water in cities and regions covering 75 per cent of the Czech Republic – including Karlovy Vary, Ostrava, Brno, Ceske Budejovice, Prague – and three large cities in Hungary – including Pecs, Szeged and Budapest. In Latin America, the “flagship” privatization of water in Buenos Aires in 1992 was rapidly followed by privatizations in other cities in Argentina and elsewhere in the region. In Asia, the cities of Manila (Philippines) and Jakarta (Indonesia) were divided into two and shared between different multinationals. In Africa, water was privatized in a number of cities in addition to the contracts that already existed in some former French colonies (and in apartheid South Africa).

Over the 15 years from 1990, the water supply of over a hundred million people was taken over by private companies, spread across all continents. The trend seemed very strong and very global.

The unions and PSI had the advantage that there were and are very few private water companies in the world. Over 70 per cent of all the private water services in the world are held by just two French groups: Suez and Veolia. A third French group, SAUR, and three UK companies, Thames Water, United Utilities, and Biwater, have been the only other major players who survive. In the 1990s a number of other UK companies – Anglian, Severn Trent, Hyder, – and a couple of US companies – Bechtel and Enron – tried to expand internationally, but were unable to make sufficient returns. One reason for this was the dominance of the two French companies – Enron at one stage declared it was “shocked” at their tactics – but there were also growing problems from public opposition, refusal to accept that price

rises were justified, currency crises and inability to make a sufficient profit.

The strategies of just two companies – Suez and Veolia – have thus been of overwhelming importance for the development of water privatization. When Suez announced in 2003 its intention to withdraw from many of its operations, it was effectively announcing the end of the growth of privatization. The World Bank’s acknowledgment of the failure of water privatization came two months later.

## Union positions

Like most public services, water is a highly unionized sector. Most water trade unions and their members, in all parts of the world, were resistant to privatization. Like the international financial institutions, governments, and many advocates of privatization, unions mostly expected that many workers would lose their jobs as a result of privatization, that the remaining workers would lose security of employment and have to accept worse conditions, and that trade unions would lose their bargaining rights and much of their organizational strength. But there were some unions in Eastern Europe and the South which also expected that employment by multinational companies would bring better pay and conditions than continued employment by local or central governments.

In many cases, the worst fears were realized. In Cartagena (Colombia) and Manila (Philippines) workers were dismissed *en masse* and forced to re-apply for their jobs, with active trade unionists being deliberately excluded from re-employment. In Jakarta (Indonesia), workers conducted a programme of guerrilla strikes for over two years to re-establish their employment rights. Workforces in Central and Eastern European countries faced significant job losses. In order to buy off resistance by workers and unions to privatization, 10 per cent or 15 per cent of shares were offered to employees. In other cases, the impact on employment and con-

ditions was relatively small. In no cases did workers' pay, conditions or security improve compared with their position in the public sector.

### **Twin-track strategies: Employer recognition and campaigns against privatization**

From the outset, PSI, and its sister organization the European Federation of Public Service Unions (EPSU), developed a twin-track strategy in response to these developments. The problems of water privatization extended far beyond the workforce. There was widespread public and political resistance to privatizing an essential service which is a natural monopoly – even in the United Kingdom water privatization had been unpopular. Resistance to water privatization has been a worldwide phenomenon, in developed and developing countries alike.

The first element of PSI's strategy addressed the core labour issues, to ensure that union recognition and workers' employment rights were protected and maintained and if possible strengthened after privatization. This reflected the normal central objectives of trade unionism, and also the real danger of impact on workers of these privatizations.

The second was to support unions that were campaigning to prevent or reverse privatization of water services. This is one way in which public service campaigns against privatizations differ from many union campaigns: because there is always the (preferable) alternative of the public sector, the campaigns actually demand – rather than oppose – the closure and exit of multinational company operations.

A series of tactics were used to pursue these goals, including organizing regional meetings of water unions, the promotion of a code of practice, and support for affiliates in dispute, all supported by systematic use of research.

PSI arranged regional meetings, especially in Eastern Europe and Latin America, for which they commissioned

research reports on the multinational companies and latest developments. These meetings were used for the unions to exchange information on developments and to discuss the research reports and policy options. PSI affiliates, and PSI officials, supported unions in dispute with the companies over recognition issues, for example by PSI presence and explicit support for demonstrations and industrial action in Colombia and Indonesia, and by direct demands on the multinationals to recognize unions globally and set up global works councils.

PSI and the EPSU had a significant advantage in Europe, because the EU law requiring multinationals to set up European Works Councils (EWCs) was also introduced in the early 1990s. This law did not give unions any significant strength, but did require employers to set up meetings twice a year, paying for travel expenses and accommodation and interpretation – a major issue in a continent with over 20 different languages. Ironically, it was only privatization that made this possible – for water workers in the public sector, there is no right to employer-financed meetings with their fellow public sector workers in other countries. One early demand was for inclusion of representatives from Central and Eastern Europe on the EWCs – it was optional for multinationals to include them on the EWC or not – and that issue was won.

PSI also drew up a code of practice, and suggested that the multinationals should sign up to it. The code included demands about labour, consumer, environmental and transparency policies, as well as a pledge not to engage in corruption. It was the focus of debate with affiliates: one unresolved problem with the code was that a number of unions felt that it would compromise their ability to oppose privatization of water to a company which had signed the code and claimed that this gave them some kind of "approval" from PSI. The multinationals were reluctant to sign: the only company which did so, Hyder, was taken over and ceased international activity shortly afterwards.

PSI supported campaigns to prevent water privatization in various ways, including organizing meetings and commissioning targeted research. One example of this was the support given to the South African Municipal Workers Union (SAMWU) in its campaign against water privatization in general and against the specific privatization of water in Nelspruit to a British company, Biwater, despite the company's readiness to use libel law. A detailed but accurate critical profile on Biwater's entire history was commissioned and PSI arranged publication on over 60 web sites, worldwide. Research on companies was also used to support the Brazilian unions, who were involved in a broad-based campaign with social movements, consumers, church organizations and others, to resist water privatization. Special meetings were organized in Bulgaria, with targeted research reports, contributions from unions in neighbouring countries with experience of privatization and decisions by municipalities to reverse the process, to help support the union campaign to prevent water privatization in the capital city, Sofia. Both in Brazil and South Africa the campaigns were successful in limiting privatizations to one or two places. In Bulgaria water in Sofia was privatized, but subsequent events have made clear the problems.

These national and local campaigns were and are crucial in halting the advance of privatization. They were driven by coalitions of civil society groups and social movements, including community groups, consumers, environmentalists, as well as trade unions; the unions sometimes had a leading role – as in Brazil and South Africa – but other campaigns were led by other forces. The national campaigns were not coordinated or initiated by PSI, but PSI's organizational activity, its research, and its growing global standing in this sector, were significant contributions to all of the campaigns. PSI constantly emphasized to its affiliates the importance of working with these groups, rather than running union campaigns on purely labour issues such as jobs or recognition. The power of the campaigns came from public resist-

ance to price increases, mistrust of private, foreign, for-profit companies in such an essential service, and the failure of the companies to deliver the promised investments – the wish to protect and preserve jobs, which is the core of many union campaigns in production industries, is always a relatively minor factor in campaigns over water privatization.

## A global presence

In the late 1990s PSI decided to appoint a new officer for utilities, and then began developing a major presence in global governance forums on water, as well as continuing all the support activity. A number of global organizations had been created by the World Bank and the multinationals as vehicles to promote privatization, including the Global Water Partnership (GWP), and a triennial conference, the World Water Forum, had been started. The second Forum was held at The Hague on March 2000, with 4,000 delegates, a global ministerial conference, and conference papers and policy documents which focused on promoting privatization as the “only” solution, regardless of the problem: a World Bank official used the words of Margaret Thatcher “there is no alternative”.

PSI targeted that conference with specially produced briefings on the various problems with water privatization, organized a union delegation of 12, mainly from countries which had already been affected by privatization, and coordinated activity at the conference with a similar size group of NGOs. Delegates were shown bottles of discoloured water from the (privatized) taps of Manila, multinational and World Bank speakers were challenged with evidence showing the problems of privatization, and the ministerial conference was persuaded not to endorse some of the more extreme demands of the policy papers. The impact of this activity was far greater than expected.

PSI's assessment was that it could make a significant impact on the global policy process through continuing this activity,

and developed a three-year plan focused on a series of global conferences, following the same process of coordination with NGOs, distribution of research, and active contributions to working sessions and parallel discussions. At the international freshwater conference in Bonn, at the end of 2001, PSI was given the leading role in the delegation of the International Confederation of Free Trade Unions (ICFTU), and used this to advance a new report advocating the positive advantages and possibilities of public sector water services, not just a critique of privatization. NGOs had already responded to PSI's leadership by becoming more critical of privatization, and one outcome of the conference was that the German government decided to fund a multi-stakeholder group, including PSI, representatives of consumers, development NGOs, and the private sector, to discuss global water policy.

Working again with the ICFTU, PSI continued to assert its presence at the meeting of the United Nations Commission on Sustainable Development (UNCSD) in 2002, leading up to the 2002 World Summit on Sustainable Development in Johannesburg, where PSI produced further reports and contributions – including a guide to the water services in Porto Alegre, operating as part of that city's participatory system of public management and budgeting.

PSI also developed its relationships with NGOs at meetings on water at the World and European Social Forums and other occasions, and PSI became in effect one of the leaders of a group of NGOs and other organizations, including the Brazilian public water association, advocating public, participatory water services and opposing privatization. NGOs campaigning against the trade liberalization policies of the World Trade Organization (WTO) also identified water as one service threatened by the proposals for liberalization of services as represented by the General Agreement on Trade in Services (GATS).

The context of the next World Water Forum, in Kyoto, Japan, in March 2003, was very different from that at The Hague three

years earlier. At the start of 2003, the leading multinational, Suez, had announced it was withdrawing from one third of its international operations, the World Bank publicly acknowledged that privatization had not delivered as expected, and another major multinational, Thames Water, announced that it agreed with the NGOs that water should not be covered by the GATS provisions. This context had been changed most of all by the successful national campaigns, and also by the political changes that were beginning in Latin America – as a result, privatized water was looking like a less profitable and more risky business. PSI brought another union delegation, and again coordinated activity with a number of NGOs, and continued to make further impact – by attacking a plan for financing water, sponsored by former IMF general manager Michel Camdessus, and by advancing further proposals for developing public sector water through public-public partnerships.

PSI was by now recognized at the global level as an authoritative voice in shaping policies on the water sector. In 2004 the UN decided to create a special board to advise the Secretary-General, Kofi Annan, on water issues. However, the proposed membership included only the companies and the usual pro-privatization supporters such as Camdessus. At the 2004 meeting of the UN CSD, PSI again worked with other civil society voices to demand that the advisory board should include representatives of labour and social groups. Under pressure, the UN agreed to include David Boys of PSI, Antonio Miranda, a representative of Brazilian public sector water operators, and Jocelyn Dow from WEDO, the Women's Environment and Development Organization.

Over the next year and a half, Boys, Miranda and Dow argued for the need to support public sector water. They finally persuaded the committee to adopt the idea of public-public partnerships, enabling established public sector operators to provide capacity-building on a solidarity basis – the first time a global institution has promoted a policy on water that was

centred on public sector development not privatization. Other ideas for financing public water are also under serious discussion.

The agenda and structure of the 4th World Water Forum in Mexico City in March 2006 looked very different from its Thatcherite predecessor at The Hague six years earlier. A PSI official and a public water manager from the South were in charge of organizing an official UN workshop promoting public sector water. There were other official workshops on developing public sector water.

### **Conclusions: Water, corruption and energy too?**

Water privatization continues to be a problem, the ideological belief in it remains deep-rooted amongst many officials in the World Bank and other donor organizations, and the companies continue to try and squeeze as much profit as possible out of the developing countries – for example in Jakarta. Their strength, and the impact of water privatization, has however

definitely been curbed. The greatest impact has certainly come from the national campaigns, but, amongst the many economic and political factors involved, PSI's activity in support of its affiliates and the assertion of its global presence has been a significant contribution. PSI has undoubtedly succeeded in its objective of making a significant impact on global policy in this sector.

PSI has been facing similar challenges in the electricity sector. Over the same period, there has been a similar dynamic – monolithic support from the World Bank and others for the privatization and liberalization of electricity, enthusiastic expansion by the multinationals – including some US companies in this sector, such as Enron – met by national resistance and economic crises, as a result of which the private sector is also withdrawing from electricity. PSI has been involved in supporting campaigns and critiquing privatization and liberalization, and is now moving into a new phase of developing, with NGOs, some new initiatives on how electricity services can be financed and governed in the public sector.

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## Rights of passage

*For as long as they have travelled, people have migrated in search of more or better work. But in the past two decades the global workforce has become more fluid than ever. This is due to a multitude of factors, including the development of faster, cheaper transport, industrial deregulation and globalization, and the easing of border restrictions within free trade areas. The migration of transport labour presents risks and opportunities for workers, and a challenge for international solidarity.*

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The transport sector, like many others, has felt the impact of enormous growth in global trade volumes these past 20 years. Private transport companies are vying to move more and more goods, parts and services around the globe. On the one hand, some are struggling to find enough skilled workers to meet their needs. On the other, they are endlessly searching for ways to cut costs and compete. In this environment it is not surprising that skilled workers in some poorer (or from the employer's point of view, cheaper) countries are in great demand.

Transport companies are now found to be outsourcing functions, setting up operations in lower cost countries and recruiting migrant workers from those countries to work in wealthier nations. Of course the employment of foreign

workers has for many years been a mainstay of the global shipping industry, where formal migration is not a necessary condition of gaining a job at sea, on board a ship owned in another country. In the case of ships carrying "flags of convenience", these workplaces are not even bound by the national laws of the employer's country. This situation presents many opportunities, and risks, for the thousands of seafarers who take up foreign postings each year.

The maritime workplace is unique in many ways, but some of the difficulties it presents to the application of labour standards are now being replicated in other transport sectors as employers find ways to take advantage of the abundant cheap labour on offer. Ease of legal migration has increased, particularly following the liberalization of the borders between countries within regional trading blocks such as the European Union, and to a lesser degree the Economic Community of West African States and the Southern American Common Market (Mercosur).

Thousands of transport workers from poorer countries inside these blocks have gained access to the labour markets of other member countries. They have secured new jobs, often at better rates of pay and with better conditions than in their

\* *International Transport* is the quarterly journal of the International Transport Workers' Federation (ITF). Based in London, the ITF is an international trade union federation of transport workers' unions. Any independent trade union with members in the transport industry is eligible for membership. At present, 624 unions representing 4,400,000 transport workers in 142 countries are members of the ITF. It is one of several Global Union Federations allied with the International Confederation of Free Trade Unions (ICFTU).

home country. However, many others find themselves open to exploitation, with fewer rights and worse conditions than nationals. This problem is much worse for workers outside of open border areas who migrate illegally and have no voice or recourse to protection at all, though relatively few such migrants are found in the transport sector.

Meanwhile nationals in the host country may lose jobs to their cheaper foreign peers, or may find that their pay and conditions are driven down by the influx of cheap labour.

### Working together

Trade unions have a vital role to play in this difficult situation, even though the potentially conflicting interests of members in different countries may present a challenge for international solidarity. By remaining true to the fundamental goals of representation and protection from exploitation for all workers, many unions are finding that they can work together for the common good of migrant and domestic labour.

The International Labour Organization (ILO) notes that bilateral and multi-lateral agreements between trade unions from sending and receiving countries are generally on the increase, and that such agreements have helped to regulate labour migration, thereby protecting standards for all. ITF-affiliated transport trade unions are beginning to strike up these kinds of cross-border agreements. In Central America, civil aviation, road transport and dockers' unions from El Salvador, Guatemala and other countries are working together to strengthen their education and organizing activities. They have created a coordinating body and are planning to launch a bulletin to inform transport workers of their activities and encourage them to join a union.

In Europe, the German union Ver.di is strengthening its cooperation with Solidarnosc in Poland and the transport workers' union, OSD, in the Czech Republic. Ver.

di and Solidarnosc are also partners in a "Baltic Road Transport Trade Network" which includes other ITF affiliates from Great Britain, Sweden and the three Baltic States. It has produced a joint organizing and information leaflet in the eight languages represented and hopes to develop a joint strategy for improving working conditions.

"The first results can already be seen," says Holger Rossler of Ver.di. "Thanks to quick joint measures, it was possible to help some drivers from Latvia when they were experiencing problems while driving in Scandinavia. Our task is to prevent or at least push back wage dumping in the transport sector."

While these are joint initiatives, each member union is of course continuing to look out for the interests of its own members. Unions will always put their own members first, even while understanding that in the long term, cooperation will be essential to help both their own members and union.

The Motor Transport and Road Workers Union of Russia has signed a federal industrial agreement with the Employers' Association, under the terms of which employers have to consult with the union if they plan to recruit foreign workers. The union has agreed to cooperate with the employers' body to help prevent the illegal employment of foreign workers and to encourage stricter controls over their engagement.

One of the union's ongoing concerns is that specialist training in parts of the transport industry in Russia may need to improve if domestic workers are to compete for jobs with skilled foreign workers. "At the same time," says Mikhail Lyakov of the ITF Moscow office, "the presence of a cheap workforce from other countries doesn't encourage employers to increase wages. This may create problems in the future."

Migration can also create problems in the country of origin, where pay and conditions may be kept at a low level in order to ensure that workers remain competitive in the international market. The National Union of Transport and Allied Workers (NUTAW) in Zambia for example reports

**On the move**  
**Comments on migration from the transport labour movement**

There are companies in Honduras that hire Nicaraguan affiliates with the same pay – which is already low – as those from Honduras, but they take advantage of the fact that they are foreign manual labour and make them work more. Honduran law protects workers but it is not obeyed. They are only supposed to drive 400 kilometres per day, but some drivers have to cover one thousand.

*Erasmus Flores, Transport Workers' Union, Sinameqiph, Honduras*

The actions of Sicotra (the Costa Rican transport workers' trade union) and the department of labour succeeded in reducing the hiring of Nicaraguans in the bus industry, who were paid less, with less rights and longer days. Because of their irregular status in the country, they were exploited without being able to do anything about it.

*Eduardo Porras, Sicotra, Costa Rica*

In a region like the Arab region, which has the Gulf countries among them, with the economic boom due to the oil prices increase, most of the drivers are non-Gulf citizens – South Asian, Turkish and a few East Europeans. It is a real mix of drivers employed by non-unionized companies, sometimes in countries that do not recognize the right of freedom of association.

*Bilal Malkawi, ITF Arab office*

Employers in Botswana, South Africa and Zimbabwe are convinced that hiring Zambians is cheaper. These workers don't accrue any long-term benefits, most of their employment is on short-term contracts and they can be fired at any time without any representation. Drivers are denied union membership as a condition of employment, using threats and intimidation.

We face a battle to sensitize members on the dangers of poor rest and long working hours. However, where we have managed to recruit members, things are improving somehow.

*Andrew Banda, Nutaw, Zambia (National Union of Transport and Allied Workers)*

Two principles guiding the organization of migrant labour by the Transport and General Workers Union in Great Britain:

Every worker should be equal before the law. Migrant workers should be entitled to a safe workplace, protection from employer-led fraud including unfair deductions from wages, regulated working hours and holidays, and be treated with dignity and respect at work.

All migrant workers should have the right to organize trade unions where they work.

*(From The T&G Record, December 2005)*

that it has seen its members recruited in Botswana, South Africa and Zimbabwe.

As Andrew Banda of NUTAW says: "Employers in those countries are convinced that hiring Zambian workers is cheaper. These workers don't accrue any long-term benefits, most of their employment is on short-term contracts and they can be fired at any time without any representation. Drivers are denied union membership as a condition of employment using threats and intimidation."

In the United Kingdom, the Transport and General Workers Union has many years' experience of working with migrant workers and is keen to acknowledge the contribution they have made to the British economy and transport system. Following

enlargement of the European Union (EU), the union reports a new influx of bus drivers from Eastern European countries, which has been successfully organized. The union disputes employers' claims that skills shortages have led it to recruit from outside the United Kingdom. As T&G press officer Andrew Dodgshon explains: "This is because the bus operators have taken advantage of privatization and deregulation to drive down pay and conditions. Equally our negotiators have warned that recruitment from low-cost labour areas is no reason to hold pay down." The T&G has vigorously taken up the cases of migrant workers it believes are being exploited and is calling on government to conduct a broader enquiry into their treatment.

## Replacing workers

Recently a string of high-profile cases have shown employers actively attempting to replace existing workforces either partially or wholesale with cheaper migrant labour. These cases, including Gate Gourmet in the United Kingdom (see also article by Peter Rossman and Gerard Greenfield in this issue), Irish Ferries and North West Airlines in the United States, show how extreme market principles have been allowed to wipe out what were social or moral norms.

All the company need do, it seems, to side-step any obstructive national labour legislation, if it exists, is to plead financial difficulty and demand wage cuts and redundancies. Existing workers are shown the front door, while cheaper migrant replacements are ushered in the back.

Gate Gourmet, the catering company serving British Airways, had been struggling with financial difficulties for years, and was in talks with the TGWU over threatened redundancies, when news came in August 2005 that around 130 temporary workers from Eastern Europe were to be brought in. Nearly 700 employees gathered in the canteen, demanding an explanation from managers.

According to the union, they were kept in for four hours by security guards, then ushered out into the car park and sacked by megaphone. Documents later leaked to a leading newspaper suggested the company had been planning to shed workers by orchestrating an unofficial dispute, and then replacing them with migrant, mostly Polish labour. A settlement saving 400 jobs was reached following strike action backed by solidarity from ITF affiliates, including the Teamsters representing Gate Gourmet workers in the United States.

Some companies have seen the advantage of being more upfront about their plans, and offering generous redundancy packages in order to ease out expensive local labour without creating industrial unrest. Many workers took up such an offer from Irish Ferries in 2005, which originally entailed their working out an

extended period of notice. However, union protests about the outsourcing of jobs and the precedent this was setting made management nervous to the extent that they attempted a bizarre storming of one of their ferries by security guards, in order to force out crews and replace them immediately with hired labour from Latvia. A compromise was eventually reached, but problems are ongoing.

At the time of writing, employees of North West Airlines in the United States were still awaiting the outcome of a bankruptcy court hearing. The airline had requested permission to throw out its collective bargaining agreements with the unions and pave the way to replace 30 per cent of flight attendants with foreign workers. The airline says it needs to make US\$1.4 billion in cuts in order to emerge from bankruptcy and compete with low-cost carriers. It argues that the language and cultural skills of foreign workers would improve its service to international flights by better responding to its customer base.

“What one carrier does, all carriers will surely follow,” said Dianne Tamuk, a United Airlines attendant and president of the Association of Flight Attendants, New York Local. “This would result in the loss of tens of thousands of US flight attendants’ jobs.”

## Need for rules

Workforces are not commodities to be exchanged in bulk for a cheaper variety. The rules of competition and the migration of labour must be regulated in such a way as to ensure basic employment protection, and the respect for service and experience that go with it. The creation of opportunities for migrant workers need not be at the expense of such standards, without which all labour is vulnerable to exploitation.

Two recognized international standards, the ILO Migration for Employment Convention (Revised), 1949 (No. 97) and the ILO Migrant Workers Convention (Supplementary Provisions), 1975 (No. 143) as

well as the International Convention on the Protection of All Migrant Workers and Members of Their Families, adopted in 1990, provide for the right of migrants to equal treatment at work and need to be more widely promoted.

Migrant workers make an enormous contribution to the economies of both their host countries and those of their country of origin. According to reports by the United Nations, these workers contribute US\$8 million a day to US taxes alone, and send US\$232 billion per year to their

countries of origin which is more than the total of overseas development aid by richer countries.

Trade unions in the sending countries must educate their members about their rights overseas, and the need to retain their links with the movement. Those in the host countries must find ways to recognize, welcome, include and protect migrant workers for the sake of social decency, in the cause of international solidarity and, in the longer term, to protect their members at home.

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# Call for a global ban on asbestos

*At the shocking worldwide figure of 100,000 people a year, deaths from asbestos-related diseases have now outstripped deaths from industrial accidents in some countries. Many of those affected today worked in the building trades. The BWI coordinates a Global Campaign to get asbestos banned and to prevent workers being exposed to it where it already exists in buildings all over the world.*

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**Fiona Murie**

Director, Global Programme  
on Occupational Safety and Health  
Building and Wood Workers' International (IFBWW)\*

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In the first century AD, Pliny the Elder noted that slaves working in the asbestos mines died young of lung disease. In 2006, and more than a century after the first legislation on its use at work, we are still using asbestos despite all the scientific evidence that demonstrates its cancer-causing potential.

## The hazard – Asbestos kills

Breathing air that contains asbestos dust causes fatal lung diseases. There is usually a long delay between exposure to asbestos dust and disease onset. This can be between 10 and 50 years. The more you are exposed to asbestos, the more chance you will fall ill later on. If you smoke, your chances of lung cancer from asbestos exposure are much higher compared with a worker who does not smoke.

\* At its World Congress in Buenos Aires, on 9 December 2005, the International Federation of Building and Wood Workers and the World Federation of Building and Wood Workers (WFBW) created a new global union federation, the Building and Wood Workers' International – BWI. The BWI is the Global Union Federation grouping free and democratic unions with members in the building, building materials, wood, forestry and allied sectors. The BWI groups around 350 trade unions representing some 12 million members in 135 countries.

## Who is at risk?

Many of today's asbestos victims worked in building trades. They were insulators, plumbers, carpenters, joiners, pipefitters, shopfitters, electricians, sheet metal workers and demolition workers.

However, asbestos is still widely used in new construction materials, mainly in asbestos cement roofing and pipes. The breaking, cutting, sawing, drilling and sanding of asbestos cement releases asbestos fibres, and presents a very serious health hazard. A total of 90 per cent of all chrysotile asbestos is used in asbestos cement products.

Construction workers are still exposed to asbestos in buildings during maintenance, renovation and demolition work. Millions of tonnes of asbestos were used in buildings in the past. Much of this asbestos is still there, and cannot easily be identified from its appearance. Workers are exposed to this asbestos and breathe it in without realizing it. It may be only small quantities, but there are no safe levels of exposure.

## Why is it a danger to everyone?

Nearly everyone is exposed to its deadly fibres in the factory and at home, although not all to the same degree. However, those

who mine or mill asbestos, or make and regularly use asbestos products, are at greater risk because of their greater levels of exposure.

The mining of the raw mineral from the ground uses the opencast mining process. Dust containing asbestos fibres is readily moved in air currents and people living in urban areas with heavy traffic are exposed to significant quantities of asbestos.

Asbestos is being used extensively in the building industry. It can be found in various parts of buildings and in asbestos cement pipes. Spraying of asbestos directly on to surfaces to improve fire protection, thermal and acoustic insulation is dangerous. The drinking water in many places, including developing countries, is contaminated with asbestos fibres released from pipes and water tanks.

In the building industry, asbestos is used even though it has been known for a long time that it is a killer. To die from asbestos is to die painfully of a lingering and degenerative disease. Asbestos is one of the most dangerous substances used in the construction industry.

Not only the workers who handle asbestos-containing products but also their wives and children are in danger, since the tiny asbestos fibres are brought into workers' homes on their work clothes.

Asbestos is found in factories and warehouses, public buildings such as hospitals, government buildings, schools and libraries. And it is found in housing all over the world.

The removal of asbestos from the general environment is very difficult and the only practicable solution is to eliminate its use and replace it with other less hazardous materials in the building and motor industry, where practical alternatives exist. Dumping must be done safely and take place only at approved, appropriate sites. Waste from clearance and demolition operations must be packed in sealed containers and stamped with a warning before transport and handling. Workers must be properly trained and informed and protected against exposure.

## Asbestos diseases

In pleural thickening, the lung walls thicken because of the scarring produced by the asbestos fibres. This is seen on X-ray examination, or CT scan of the thorax. Since the fibres are lodged in the lining of the lung, there is a slow, continual process of replacement of healthy tissue by fibrous or scar tissue. Extensive thickening causes severe shortness of breath. It may be on one side of the lungs, or on both sides (bilateral), or it may be widespread (diffuse). This fibrosis places people at higher risk of developing other more serious diseases.

In the case of pleural plaques, these are dense bands of scar tissue, different from pleural thickening, and also visible on X-rays or CT (computed tomography) scans. Plaques are usually seen on both sides of the lung. The cause of the scarring is the same as in the case of pleural thickening. People with pleural plaques may not have any disability, but they may go on to develop other asbestos-related diseases, particularly lung cancer.

Asbestosis is a disabling and ultimately fatal scarring of the lungs causing severe breathlessness and chest pains and general weakness. This disease is most common among workers who have had regular and high exposure to fibres, for example laggers, or those working in the manufacture of asbestos products. However, asbestosis does affect people who have only been exposed for short periods.

The evidence for asbestos-related lung cancer has been clear since the 1930s and 1940s. Lung cancer can be caused by even low levels of exposure to asbestos. The chances of lung cancer from asbestos exposure are much higher for a smoker compared with a worker who does not smoke.

Mesothelioma is a rapid and painful cancer of the lining around the lungs (the pleura) and the abdomen (peritoneum). This form of cancer is only caused by asbestos, and was first recognized in the 1960s. These cancers have no relation to smoking. People with mesothelioma

## Canada peddles deadly asbestos to the Third World

On May 23-26, 2006, the Canadian government, the Quebec government, the Chrysotile Institute and the International Chrysotile Association were hosting an International Conference on Chrysotile in Montreal, Quebec.

In 2002, the latest year for which we have figures, Canada produced 242,241 tonnes of chrysotile asbestos and exported 235,138 tonnes (97 per cent ) to 85 countries: 68 per cent of Canadian chrysotile asbestos exports goes to Asian countries.

The Canadian Federal government is concealing the harm caused by this known human carcinogen so that they can profit from exporting it. The Government of Canada is mining, marketing and exporting chrysotile to countries which have no expertise or regulatory framework to deal with the health hazards.

The Province of Quebec, rich in asbestos reserves, has considerable political influence with the Federal government, and this is exploited by the asbestos stakeholders in order to promote their product. They are aided and abetted by a number of academics and scientists, notably Dr. David Bernstein PHD, who is trying to bolster asbestos markets in South East Asia.

### Canada in Indonesia

On March 2-3, 2006, an "International Scientific Symposium" was held in Jakarta, sponsored by the asbestos industry and the Government of Canada. Canada's involvement was featured in brochures announcing the event and a cocktail party invitation at the end of the conference hosted by the Canadian Embassy.

Indonesia is an important chrysotile asbestos market; in 2004, it imported 20,219 tonnes of chrysotile asbestos of which 86 per cent came from Canada.

Dr. Zulmiar Yanri, Head of the Indonesian Occupational Safety and Health Centre, Department of Manpower and Transmigration, sought to invite a leading independent authority on asbestos to the meeting, Dr. Douglas Henderson of Australia. Dr. Henderson was on the four-person scientific expert panel appointed by the World Trade Organization (WTO) in adjudicating the WTO asbestos case brought (and lost) by Canada to challenge the French ban on asbestos. He is the author of numerous scientific papers and books on the pathology and other medical aspects of asbestos. Dr. Henderson was ready to attend to bring some objectivity to the otherwise strictly industry affair. When Dr. Yanri's suggestion to invite Dr. Henderson was rejected by the sponsors, Dr. Yanri expressed her solidarity with the cause of public health by not attending.

Speakers at the event included: Clement Godbout, Chairman of the International Chrysotile Institute (the new name of the Asbestos Institute, based in Quebec); a Canadian mines official; a representative of the Russian asbestos industry; Ericson Bagatin, a doctor who works for asbestos mining interests in Brazil; and asbestos industry consultants Drs. David Bernstein and John Hoskins. An Indonesian asbestos industry spokesperson from FICMA gave a presentation on "best practice", and several governmental officials and a doctor from Indonesia completed the programme.

This conference in Jakarta demonstrates how asbestos mining and manufacturing interests, coordinated by the Government of Canada, continue to defend and expand markets for asbestos in countries where large amounts of it are still used.

rarely live longer than 12 to 18 months after diagnosis.

There is also evidence of cancer of the larynx, and of gastrointestinal cancers (stomach, bowel) caused by asbestos exposure.

The effects of asbestos exposure on health are primarily dependent on the intensity, frequency and length of the exposure.

**What has changed in 20 years?**

Much has changed in the 20 years since the ILO's asbestos guidelines were introduced. By the mid-1980s, when the Asbestos Convention, 1986 (No. 162), was drafted, only the Scandinavian countries had banned asbestos; by the beginning of 2006, 40 countries in Europe, the Americas, the Middle East, Asia and the Pacific had imposed national asbestos bans. The ILO Convention has now been ratified by 28 countries.

## The asbestos industry – Lies

The industry arguments for continuing to market chrysotile asbestos are entirely without foundation. They have three basic points which they continue to reiterate, and a fourth justification for promoting the use of asbestos cement products worldwide.

### 1. Chrysotile asbestos is fundamentally different from, and far safer than, other kinds of asbestos.

Chrysotile is classified by the WHO- IARC as a known human carcinogen (group 1). The cause and effect relationship of chrysotile asbestos and mesotheliomas is thoroughly established, despite the long latency period between exposure and symptoms. There are no confounders, in particular smoking, which can be used as an argument as in the case of lung cancers.

### 2. Respect for the Threshold Limit Values (TLV) and industrial hygiene will guarantee the absolute safety of chrysotile – “Controlled use”.

In the first place, there is no safe threshold of exposure to chrysotile fibres. That is to say that some people will still die as a result of lower levels of exposure. Secondly, the idea of “controlled use” is pure fantasy, particularly in developing countries. It is extremely difficult to achieve “controlled use” according to TLVs in the asbestos cement industry. But then what happens when the roofing products or pipes leave the factory and are being placed into the built environment. In the building trades there is no such thing as controlled use. There is widespread lack of compliance with even the most basic safety standards on scaffolding and fall protection – the most obvious hazard in the construction sector.

### 3. Substitutes for chrysotile are more harmful to health.

We have lived with many substitutes for many years without their having generated the occupational and public health epidemic caused by chrysotile.

It is quite true that some manufactured mineral fibres so closely mimicked the properties of asbestos that they were causing fibrosis, and were suspected of causing lung cancers. Since then, fibre dimensions have been adjusted to reduce respirability, thereby reducing the hazards from glass wool, rock wool and ceramic fibres. Furthermore, many other alternatives have been developed, which are highly compatible with cement, have good tensile strength and can be easily replaced using the same Hatscheck plant as is used for the manufacture of asbestos cement products. Notably these alternatives include cellulose, poly vinyl alcohol, p-aramids and polypropylene. These are the principal products used in reconversion of the industry in the 40 countries which have banned asbestos.

### 4. The International Labour Organization endorses the “controlled use” of asbestos.

This false assertion is crucial to the asbestos industry as their alibi.

On 11 April, the Canadian Consul and Trade Commissioner in India, W.G. McEwen responded to BWI affiliate the Indian Rural Labour Federation, who had written to ask why Canada exports chrysotile to India.

Major international bodies, including the International Programme on Chemical Safety, the European Union, the International Social Security Association, the World Trade Organization, the International Metalworkers’ Federation and the International Confederation of Free Trade Unions support the pro-ban position. So do the Governments of Argentina, Australia, Austria, Belgium, Chile, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Gabon, Germany,

Greece, Honduras, Hungary, Iceland, Ireland, Italy, Japan, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Saudi Arabia, the Seychelles, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and Uruguay and scores of independent scientists.

Trade unions, asbestos victims, public health campaigners, healthcare professionals, concerned citizens and non-governmental organizations (NGOs) are also calling for a global ban.

“Canada has long recognized the difference in toxicity between amphiboles and chrysotile and strongly supported this differentiation when the ILO Convention No. 162 on Safety in the Use of Asbestos was negotiated in 1986. The latter Convention endorsed Canada’s controlled use approach as a responsible and valid approach to managing the potential risks associated with the use of chrysotile.”

This is a manipulation of the true situation. In fact, Convention No. 162 does call for the prohibition of asbestos. However, this Convention refers principally to the measures required for the prevention of exposure to asbestos which is already installed. This standard is vital for the protection of those involved in renovations and demolition, for example, carpenters and plumbers.

**Article 10 of the ILO Asbestos Convention, 1986 (No. 162) states:**

“Where necessary to protect the health of workers and technically practicable, national laws or regulations shall provide for one or more of the following measures:

- (a) replacement of asbestos or of certain types of asbestos or products containing asbestos by other materials or products of the use of alternative technology, scientifically evaluated by the competent authority as harmless or less harmful, whenever this is possible.
- (b) total or partial prohibition of the use of asbestos or of certain types of asbestos or products containing asbestos in certain work processes.”

**Occupational Cancer Convention, 1974 (No. 139)**

*Article 1*

1. Each Member which ratifies this Convention shall periodically determine the carcinogenic substances and agents to which occupational exposure shall be prohibited or made subject to authorization or control, and those to which other provisions of this Convention shall apply.

2. Exemptions from prohibition may only be granted by issue of a certificate specifying in each case the conditions to be met.

*Article 2*

Each Member which ratifies this Convention shall make every effort to have carcinogenic substances and agents to which workers may be exposed in the course of their work replaced by non-carcinogenic substances or agents or by less harmful substances or agents; in the choice of substitute substances or agents account shall be taken of their carcinogenic, toxic and other properties.

The position of the World Health Organization is as follows:

“Exposure to chrysotile asbestos poses risks for asbestosis, lung cancer and mesothelioma in a dose-dependent manner. No threshold has been identified for carcinogenic risks.”

The WHO recommendation is to:

“Prohibit and enforce the prohibition of the production and use of chrysotile fibres and products containing them or restrict chrysotile to essential uses in which no safer alternatives are available.”

## **BWI’s global campaign**

Millions of lives have already been sacrificed to generate billions of dollars of profits for governments and companies with asbestos interests; for BWI, the time has come to call a halt to this killer industry!

BWI forerunner the IFBWW – International Federation of Building and Wood Workers – adopted a resolution on asbestos at its congress in Singapore. As early as 1989, this resolution was already

emphasizing that only a global ban can afford workers effective protection from dangerous asbestos fibres.

Today, more building workers die each year from past exposure to asbestos than those who are killed in falls, yet occupational ill-health is largely invisible and ignored.

More recently, to bring an end to 100 years of disability and death caused by the use of asbestos, BWI has launched a worldwide campaign among its affiliates

calling for a global ban on asbestos. On April 28 each year, trade unions worldwide observe the International Day of Commemoration for Dead and Injured Workers, also known in some countries as Workers' Memorial Day. This is a time to remember the dead and fight for the living. At this year's commemoration, more than one hundred BWI-affiliated building unions organized activities, ranging from small and large rallies to educational and training events. Basic information was disseminated through public and membership meetings. Furthermore, affiliates sent their national governments a campaign letter calling on them to introduce a ban on all mining, manufacture, recycling and use of all forms of asbestos and asbestos-containing materials, as part of an international initiative to ban asbestos throughout the world. Unions will lobby their governments to ratify, effectively apply and enforce ILO Convention No. 162 and the provisions of its accompanying Recommendation 172 as a minimum standard and make the protection of workers against asbestos exposure a priority. Finally, proper compensation to the victims of asbestos-related diseases must be ensured and less harmful products should replace asbestos.

Many alternative substances have become available, such as cellulose products or PVA products. However, in developing countries, there is no controlled use. Informal work and weak institutional and technical capacity make asbestos a death sentence. The asbestos industry is manipulating this ambiguous stance in order to justify their controlled use. Prohibiting the use of all forms of asbestos and asbestos-containing materials in all member States would eliminate the related diseases mentioned above, such as pleural plaques, asbestosis, mesothelioma and lung cancer.

Employers must ban the use of all asbestos-containing materials. In this connection, the BWI calls for legislation governing the handling of asbestos in the workplace in order to focus on those workers involved in removal of asbestos, in demolition, or in renovation and main-

tenance work in asbestos-containing buildings, during which exposure to asbestos is likely to occur. The legislation should emphasize the prevention or minimization of exposure. As part of safe working systems, the BWI calls for:

- identification of any material presumed to contain asbestos prior to any demolition, reconstruction or maintenance work
- an assessment of the likely exposure and steps to prevent or reduce this to the lowest level practicable
- adequate training programmes for all workers who handle, or are liable to handle, products or materials containing asbestos
- prohibited access for workers who are not involved
- separate storage places
- the wearing of appropriate working and protective clothing.

In addition, the BWI insists on:

- monitoring and health surveillance, so as to focus on the continuous review of the risks associated with commonly used substitutes
- the obligation for the employer to notify the competent authority of the types and quantities of asbestos used and the activities and processes involved in activities in which workers are or may be exposed to dust arising from asbestos or materials containing asbestos
- access for workers and their representatives to the results of measurements
- regular monitoring of the health of exposed workers
- the obligation to keep an exposure register.

The Global Unions kicked off a world asbestos ban campaign in June 2005 in Geneva, where some 4,000 worker, employer and government representatives

from around the world had gathered for the International Labour Conference. The Global Unions formally delivered a letter to every government attending the ILO Conference, asking them to become involved in banning asbestos at the national level and in supporting a world ban on the commercialization and use of the product. BWI handed over a statement to the ILO Director General, Mr. Juan Somavia, urging him to act on this issue.

## A call to the ILO

The ILO must join the struggle for a global ban on all use of asbestos. It must encourage member States to ratify and implement the provisions of Conventions 139 and 162 and of Recommendation 172, as a minimum standard. The ILO must assist Member States to draw up national action programmes for the management, control and elimination of asbestos from the working and social environment.

“Canada is one of the largest exporters of asbestos,” said BWI General Secretary Anita Normark, and “we aim to show its Government that workers in a large number of countries are concerned about its disdain for the occupational and public health of citizens and workers throughout the world. Brazil, China and Russia are also big producers and exporters of asbestos, and we need to convince them to

use alternative materials. However, their governments, unlike the Canadian government, do not finance massive advertising campaigns in developing countries to convince them that asbestos is perfectly safe. This behaviour is immoral, and is social dumping of the most cynical kind. Whilst forty industrialized countries have banned asbestos, and are using alternative materials, developing countries are targeted by the asbestos salespeople who will deny the health hazards in order to make profits.”

## A proposal

Taking into account the increase in asbestos use in developing countries, the BWI believes it is essential that the ILO clarify its position on asbestos by calling for a global ban on its use. The situation is abundantly clear: all forms of asbestos, including chrysotile, are classified as known human carcinogens by the International Agency for Research on Cancer and by the International Programme for Chemical Safety. An estimated 100,000 workers are dying every year from diseases caused by exposure to asbestos, and 90 per cent of today’s chrysotile asbestos is used in asbestos cement materials.

It has taken three decades of protracted efforts and the emergence of suitable alternatives for a comprehensive ban on the manufacture and use of asbestos and

### **BWI demands that the International Labour Organization:**

- Adopts a clear health-based position in favour of prohibition of the use of all forms of asbestos and asbestos containing materials.
- Makes an explicit statement clarifying to all member countries that Convention No. 162 does not provide a justification for, or endorsement of, the continued use of asbestos.
- Continues to encourage member States to ratify and implement the provisions of the Occupational Cancer Convention 139 (1974).
- Continues to encourage member States to ratify and implement the provisions of Convention 162 (1986), Safety in the Use of Asbestos.
- Promotes the elimination of the use of all forms of asbestos and asbestos-containing materials in all member countries.
- Assists member countries in drawing up national action programmes for the management, control and elimination of asbestos from the working environment.

asbestos-containing products to be adopted in a substantial number of countries. Furthermore, these countries now permit the handling of *in situ* asbestos only during asbestos removal, demolition, renovation and maintenance work carried out under strictly controlled working conditions.

Today's exposures guarantee an epidemic lasting at least another generation,

with the asbestos graveyards shifting from the developed to the developing world. Today, there is at least one death every five minutes due to past exposure to asbestos, and some jobs are effectively a death sentence. There is no safe level of exposure, so there is no acceptable level of exposure. This is a preventable health calamity of the modern era.

## Appendix

### Resolution concerning asbestos adopted by the International Labour Conference in June 2006

The General Conference of the International Labour Organization,

Considering that all forms of asbestos, including chrysotile, are classified as known human carcinogens by the International Agency for Research on Cancer, a classification restated by the International Programme on Chemical Safety (a joint Programme of the International Labour Organization, the World Health Organization and the United Nations Environment Programme),

Alarmed that an estimated 100,000 workers die every year from diseases caused by exposure to asbestos,

Deeply concerned that workers continue to face serious risks from asbestos exposure, particularly in asbestos removal, demolition, building maintenance, ship-breaking and waste handling activities,

Noting that it has taken three decades of efforts and the emergence of suitable alternatives for a comprehensive ban on the manufacturing and use of asbestos and asbestos-containing products to be adopted in a number of countries,

Further noting that the objective of the Promotional Framework for Occupational Safety and Health Convention 2006 is to prevent occupational injuries, diseases and deaths,

1. Resolves that:

- (a) the elimination of the future use of asbestos and the identification and proper management of asbestos currently in place are the most effective means to protect workers from asbestos exposure and to prevent future asbestos-related diseases and deaths; and
- (b) the Asbestos Convention, 1986 (No. 162), should not be used to provide a justification for, or endorsement of, the continued use of asbestos.

2. Requests the Governing Body to direct the International Labour Office to:

- (a) continue to encourage member States to ratify and give effect to the provisions of the Asbestos Convention, 1986 (No. 162), and the Occupational Cancer Convention, 1974 (No. 139);
- (b) promote the elimination of future use of all forms of asbestos and asbestos-containing materials in all member States;
- (c) promote the identification and proper management of all forms of asbestos currently in place;
- (d) encourage and assist member States to include measures in their national programmes on occupational safety and health to protect workers from exposure to asbestos; and
- (e) transmit this resolution to all member States.

# Dynamics of restructuring in the automotive industry

*Restructuring and rationalization have been almost constant features of the auto industry over the last three decades, and the consequences have been felt by workers and communities on every continent. What is behind the restructuring? What is needed from governments and required by employers to ensure socially fair outcomes? How are workers and trade unions responding?*

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**Ron Blum**

Automotive Director  
International Metalworkers' Federation (IMF)\*

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Recently, the auto industry has witnessed widespread restructuring, evidenced by deep job cuts at leading companies including DaimlerChrysler, Delphi, Fiat, Ford, General Motors, Mitsubishi and Volkswagen. Many of the workers most directly affected by such retrenchments live in long-established metalworking regions. However, delocation and worker displacement are also occurring elsewhere. The reverberations are felt by employees at facilities and enterprises large and small, throughout the industry's global production chains.

Central to the industry's dynamics is the dominance of a relatively small number of powerful transnational corporations (TNCs), based mostly in the triad of the United States, Europe, and Japan, along with the Republic of Korea. These companies, which exert enormous influence over industry's production chains, engage one another in complex ways – both competing and cooperating in terms of sales, production, research and development and

investment strategies. Equally important to the dynamics of the industry are the historic struggle of workers in the industry and their success in forming strong and independent trade union organizations in many countries, as well as at the regional level in Europe, and globally through the International Metalworkers' Federation. This makes motor vehicle manufacturing one of the world's most highly organized sectors.

Because of the auto industry's size, strategic nature and dynamics, its restructuring has repercussions beyond the confines of the sector itself, reaching into manufacturing in general and the economy as a whole. From an employment perspective, the design, manufacturing and distribution of motor vehicle products can generate, and impact on, tens of thousands of jobs in a given geographic area, both in metalworking and in ancillary industries. The sector's requirements and its development of advanced skills, materials and technologies highlight its strategic importance for national and regional manufacturing capabilities, pointing to industrial policies as effective means of exploiting a wealth of multiplier and knock-on effects. This extends to the realm of foreign trade. Exports and imports of auto products represent

\* The International Metalworkers' Federation represents 25 million metalworkers in more than 200 unions in 100 countries. The IMF is a federation of national unions – a union of unions – in the metal industry at world level. The IMF head office is in Geneva, Switzerland, where worldwide activities are coordinated with a network of regional offices.

a substantial share of global trade. They have a significant impact on the trade in manufactures between nations and their respective industrial structures.

But these industrial characteristics – which show the industry’s tremendous development and growth potential – also imply dire consequences when restructuring takes place in the absence of the social and economic safeguards that enable workers and communities to adjust to change without undue harm.

### Changes in “how, where and who” produces

The topography of restructuring relates to changes in “how, where and who” produces motor vehicle products around the world. The most critical elements in the transformation of *how vehicles are manufactured* have been the adoption of lean methods of production and forms of work organization, and the increased use of labour-saving equipment and flexible tooling. Tremendous productivity gains have resulted from these changes, outstripping the growth in the demand for cars and trucks. In essence, it is the distribution of these productivity gains that determines who benefits from restructuring and who shoulders its burdens. For instance, and this is an important example, it now takes fewer hours to design, manufacture and distribute a vehicle (after taking account of the increased content in the average vehicle). However, this has not generally translated into reduced working time for the average metalworker. On the contrary, employers continue to push for increases in the number of hours worked, so as to boost returns on investment at the expense of lower employment.

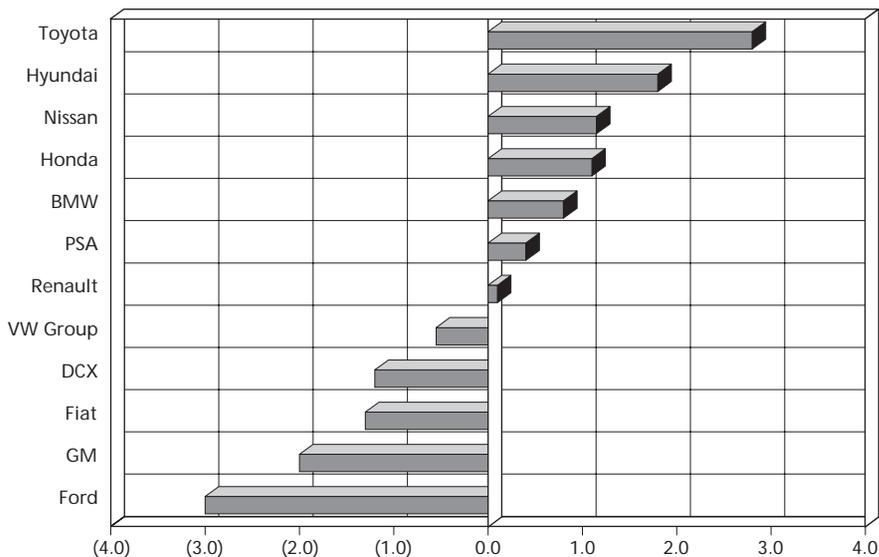
The issue of *where vehicles are built* today largely reflects geographic shifts resulting from the investment and sourcing strategies of the dominant global companies. In part, these strategies are responses to new and emerging markets – Central and Eastern Europe, Brazil, Mexico, India,

China and Thailand among others – and the idea that vehicles should be produced in the markets where they are sold. At the same time, it is clear that high volumes and the pattern of the international trade in vehicles and components show the effects of production specialization and economies of scale, facilitated by global companies taking advantage of liberalized trading rules via the World Trade Organization (WTO) and regional trade agreements. On the other hand, they also reflect the export-led growth strategies of a number of countries. Outsourcing and offshoring are continuing to change the location of production, especially when combined with the impacts of “follow sourcing” (when suppliers set up plants close to newly established greenfield assembly sites). And the factors influencing employers’ choice of location always include the wages paid to workers and unit labour costs; the degree of flexibility in labour laws, regulations and enforcement; possible avenues for avoiding, fragmenting or challenging trade unions; and the subsidies that governments are willing to offer in order to attract investments.

In terms of *who produces vehicles and components*, there have been three significant shifts. The first is the realignment of the market share held by the major automakers. This has contributed to regional restructuring, particularly in North America and Europe, as Japanese and Korean-based transnational companies increase sales in these regions, sourced both through exports and through local production. Figure 1 illustrates the dramatic shift in world car market share that has occurred in only five years.

A one per cent share of the world car market is equal to sales of more than half a million vehicles per annum. To produce those vehicles requires a capacity equivalent to about two and half average-sized assembly plants, with employment per plant that could range from 1,500 to 4,000 or more workers, depending on how complex are the mix and type of vehicles produced and how vertically integrated the processes.

**Figure 1. Change in world car market share, 2000-2005  
(share points as percentage)**



Sources: International Metalworkers' Federation and Polk Marketing Systems.

Second, the global shift of jobs from assembly companies to their suppliers as a result of outsourcing and subcontracting, along with the effects of follow sourcing by transnational parts suppliers, has caused both hiring and dismissals, but the new jobs are usually on less favourable terms and conditions than the jobs that were lost.

Third, the same is true for the replacement of permanent jobs with irregular workers, including temporary, fixed-term and contract workers. These are often recruited, employed and dispatched to such posts through labour brokers and temporary labour hire agencies that pay lower compensation and provide less protection.

### Restructuring global production chains

Management strategies to rationalize the auto sector have become more familiar to workers and trade unions around the

world as implementation spreads. The transformation and restructuring include the following elements:

- Lean and increasingly flexible production systems pace the flow of work and product shipments across production chains controlled by vehicle assemblers. Use of just-in-time deliveries and logistics planning pulls value through the production chain to synchronize the pace and mix of vehicles with market demand. When such “demand-pull” systems maintain very lean inventories with few buffers, more stress can result for workers if the employer does not maintain adequate staffing levels, relief time and training.
- Component supply companies providing material and parts to vehicle assemblers increasingly are reconfigured and grouped into multiple tiers. Those in the first tier, made up of large global component supplier companies selling directly to the vehicle assemblers, act

as “integrators”, managing their own set of contractors and subcontractors in a second and third tier.

- Outsourcing and subcontracting move work and jobs down the production chain from assemblers to component suppliers, and from higher to lower tiers. It is often the case that workers further down the production hierarchy receive lower wages and fewer benefits, have worse working conditions and face greater employer resistance to unions. At the end of many chains, workers perform repetitive labour-intensive work under the most difficult conditions, often in Export Processing Zones (EPZs) where labour and environmental protections are lax or non-existent and taxes low. These operations are more prevalent for automotive electrical and electronics products such as wiring harnesses, where women often make up a high percentage of the workforce.
- Vehicle assemblers increasingly demand that first-tier integrators absorb more responsibilities for research and development, logistics planning, sequencing, quality control and maintaining inventories, all of which entail shifting costs and risks. The integrators often build a module, such as a complete instrument panel or seats, delivering it right up to the assembly line and even installing it.
- Product design and development of motor vehicles emphasize common use of components across a family of vehicle models that are built on the same platform or underlying architecture. Standardized work processes are also implemented within and across plants with designs that stress easier and quicker assembly. Such design and work process objectives aim to boost both productivity and flexibility.

Vehicle manufacturers often utilize more than one assembly plant to meet the demand for models that share a common platform. These plants increasingly have

similar basic layouts, machinery and equipment, and receive deliveries of components from the same group of first-tier suppliers, who either already have, or are required to set up, operations in close proximity to each assembly plant. The combination of flexible tooling and platform consolidation enables auto-makers to assemble multiple models, and more readily change the mix to respond to changes in market demand.

However, when capacity exceeds demand and multiple plants are involved, company announcements of possible relocation of work can take on the dynamics of whipsawing or a “beauty contest” as employers attempt to extract concessions from workers and communities by pitting one location against another. Companies initiate a similar dynamic between communities during site selection for new investments. Resources transferred to corporations as a result of such bidding wars are diverted and no longer available to fund public needs.

### Supply chain rationalization

Restructuring impacts have been spreading across the component sector as the largest global assembly and first-tier parts makers consolidate the number of suppliers. Delphi, for instance, announced the elimination of nearly three thousand suppliers from its purchasing network.<sup>1</sup> Meanwhile, suppliers are squeezed two ways: through lower prices demanded by assemblers and via higher costs related to increased responsibility for design, warranty, logistics and inventory control. To maintain profit margins, suppliers then try to squeeze workers by demanding wage and benefit concessions and higher productivity gains, often under the threat of plant closures and relocation of work to lower wage locations. Such threats are also frequently part of management manoeuvres to undermine unions and organizing efforts.<sup>2</sup>

Despite the leverage possessed by companies at the top of the production pyr-

amid, they are not insulated from the effects of the relentless competition that deregulated global markets foster. Yet it is the employees who are most directly affected. Pressures converging in recent years have culminated in a wave of financial distress among a number of the industry's largest component companies based in North America, including Aikman, Collins, Dana, Delphi and Tower. In some cases, companies have declared bankruptcy as a subterfuge, in an attempt to tear up collective labour agreements, yet there clearly exists a set of cumulative trends that are not indefinitely sustainable.

Declining market share and financial problems at US-based auto companies – mostly the result of ill-conceived management strategies, market-fundamentalist government policies and the absence of publicly funded US national health care – have in turn meant lower production and capacity utilization for suppliers. Import competition and rising material costs compound this, and long-established companies with older workforces have higher health care costs compared to new entrants with young workers. Clearly, enterprises that take the route of restructuring by reorganizing operations under the US bankruptcy laws will face trade unions fully intent on doing everything possible to protect the interests of workers.

Another type of challenge arises in new and recently emergent auto-producing countries, particularly for workers employed at small and medium-sized enterprises (SMEs) and nationally based auto parts companies. Such enterprises often are unable to compete after the entry of powerful TNC component makers, and many either do not survive or end up being acquired by TNCs, with job losses as the outcome. Often a net loss in employment is the result for the country concerned, because TNC operations typically employ fewer workers and are more dependent on imports.

The challenges for the workers are compounded by too rapid a pace of restructuring, often accelerated by hasty reduction and/or elimination of tariffs

and domestic content requirements – an elimination imposed through trade concessions and the rules contained in WTO and regional trade agreements. While deregulated trade regimes assist TNCs in their efforts to optimize global production chains, insufficient time and resources to adjust to the resultant restructuring mean that delocations hit workers and their communities fast and hard.

### **Flexibility, casualization and restructuring**

Outsourcing, subcontracting and contingent work – including fixed-term, temporary, short-term contract and dispatch jobs, and the use of labour brokers and employment hire agencies to fill them – have created a high degree of labour flexibility for companies, and a growing sense of insecurity for workers in these jobs and across the industry.

To illustrate how this relates to restructuring, one need only look at the post-Asian financial crisis strategies adopted by the auto TNCs in the region and increasingly worldwide. As economies gradually recovered from the massive lay-offs and plant closures across the region, companies began to increase production once again, but employers assiduously avoided hiring permanent employees. Instead, to minimize labour costs – current costs as well as those otherwise incurred in the event of future shocks – companies used “irregular” and “atypical” work arrangements in assembly operations and even more so in the supply chain.

Flexibility through casualization has been the stark result. The rate of temporary staff in South Korea is one of the highest of OECD countries. And in the Japanese auto industry, for instance, 18 per cent of all employment is temporary in nature; 27 per cent for the industry's SMEs. Wages of these temporary workers are as much as 50 per cent below those of permanent employees.<sup>3</sup>

## Positive steps to manage restructuring

Stephen Hymer insightfully described a fundamental challenge for governments and global institutions of governance regarding the nature of TNCs and the distributional impacts of globalization and restructuring:

“Through its propensity to nestle everywhere, settle everywhere, and establish connections everywhere, the multinational corporation destroys the possibility of national seclusion and self-sufficiency and creates a universal interdependence. But the multinational corporation is still a private institution with a partial outlook and represents only an imperfect solution to the problem of international cooperation. It creates hierarchy rather than equality, and it spreads its benefits unequally.”<sup>4</sup>

Restructuring implies greater responsibilities and fiscal burdens for government and, above all, highlights the need for national and regional industrial and social policies and the elimination of policies that cause social dumping. Some economic change is inevitable but government has responsibilities to ensure costs and gains of change are distributed equitably. The rate of change is crucial too as even potentially beneficial restructuring can have negative effects if it occurs too rapidly. Government has a variety of policy levers to influence changes – taxes, minimum wage legislation, public adjustment assistance (for example, to individuals and SMEs), investment incentives, trade regulations and the like. However, such levers should not be used haphazardly, nor under the impulsion of communities put into competition with one another. Rather, they should be part of a long-term economic and social policy resulting from a social dialogue that includes creating decent jobs on the road to full employment.

Government has the equally important responsibility to assist workers adversely affected by restructuring. Appropriate measures include income support, retraining, continuation of health care cov-

erage (where there is no national system) and help in finding new work. Social and economic policy and legislation must take into account the growth of contingent work and ensure that International Labour Organization (ILO) core labour rights and social protections are extended to this growing part of the workforce.

Institutions of global governance – namely, the International Monetary Fund, World Bank and the WTO – largely determine the global framework for restructuring. Up to now, the results for workers and their communities have been mostly negative, due to the prevailing market-fundamentalist bias of these institutions. That bias must be replaced by another framework, such as that proposed by the 2004 World Commission on the Social Dimension of Globalization report, *A Fair Globalization: Creating Opportunities for All*. Additionally, ILO Conventions, Recommendations, and policy advice must be fully integrated into these institutions’ decision-making and governance; in particular, their rules and policies must not curtail national governments’ capacity to carry out their social and economic responsibilities. And on the national level, EPZ exemptions, or other constraints to the implementation of ILO core labour standards, must be abolished.

The restructuring of production chains illustrates perfectly why social dialogue cannot be confined to one workplace or even one enterprise. The existence of labour organizations that can represent workers’ interests within as well as outside enterprises is a precondition for a healthy social dialogue – including, most fundamentally, collective bargaining. Sectoral or geographic barriers that inhibit continuity in worker representation and collective bargaining are particularly problematic and should be removed. Governments must ensure that the succeeding owners and managers of sold or spun-off operations respect unionization and collective agreements. Such measures are especially important as they enable unions to make sure the costs of change are not disproportionately borne by workers and any benefits will be fairly shared. Strong unions are a

key way to ensure that restructuring does not contribute to a downward spiral and that terms of employment in the supplier sector can be improved.

### Centrality of internationally recognized worker rights

Ensuring the application of ILO core labour standards (CLS) is fundamental to creating a fair globalization. That is why CLS are recognized by important global instruments and initiatives such as the OECD Guidelines for Multinational Corporations, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the International Framework Agreements negotiated by the Global Union Federations (GUFs). Trade unions and civil society allies around the world continue to mobilize to have CLS integrated into the decision and rule-making of global institutions of governance, as a critical part of what is needed to achieve a fair globalization.

Integral to a social dialogue that supports socially oriented approaches to restructuring is the need for information and consultation between the company and worker representatives whenever companies contemplate changes that may impact the workforce directly or indirectly, and negotiations with trade unions over any possible impacts. Relocations of any type should be a last resort, and only after mutual consideration of all alternatives. This requires well-constructed dialogue between social partners beginning well in advance of any possible decision and actions.

Moreover, as the OECD Guidelines for Multinational Enterprises indicate, enterprises

“[S]hould ... in the context of bona fide negotiations with representatives of employees on conditions of employment, or while employees are exercising a right to organize, not threaten to transfer the whole or part of an operating unit from the country concerned nor transfer

employees from the enterprises’ component entities in other countries in order to influence unfairly those negotiations or to hinder the exercise of a right to organize.”<sup>5</sup>

International Framework Agreements (IFAs) are potentially useful as instruments for labour organizations to promote and gain the signatory global company’s full compliance with worker and trade union rights across its operations and those of its suppliers and subcontractors. At the same time IFAs, which are voluntary and apply at the enterprise level, can of course never substitute for the social and economic laws and regulations needed to protect the interests of workers and communities, to enforce employers’ respect for and compliance with trade union rights, and to ensure that restructuring does not unfairly burden employees.

Most basically, to achieve the kind of international cooperation that Stephen Hymer clearly recognized cannot be achieved only by TNCs – which by their nature act as private institutions with a partial outlook – requires an alternative globalization that ensures popular participation and fair and equitable outcomes.

### Notes

<sup>1</sup> *Automotive News*, “Delphi will slash 2,850 suppliers,” March 13, 2006, p. 1.

<sup>2</sup> See “Stopping the union, at any price”, David Moberg, *Metal World*, International Metalworkers’ Federation, No. 1, 2006 [www.imfmetal.org/main/index.cfm?n=67&l=2](http://www.imfmetal.org/main/index.cfm?n=67&l=2)

<sup>3</sup> ILO, Tripartite Meeting on Employment, Social Dialogue, Rights at Work and Industrial Relations in Transport Equipment Manufacture, *Note on the proceedings*, p. 12, International Labour Office, Geneva, 2005. See also the report prepared for the meeting, *Automotive industry trends affecting component suppliers* [www.ilo.org/public/english/dialogue/sector/techmeet/tmtem05/tmtem-r.pdf](http://www.ilo.org/public/english/dialogue/sector/techmeet/tmtem05/tmtem-r.pdf)

<sup>4</sup> S. Hymer, “The Multinational Corporation and the Law of Uneven Development,” in J. Bhagwati (ed.), *Economics and world order from the 1970s to the 1990s*, Collier-Macmillan, 1972, pp. 113-40.

<sup>5</sup> OECD, *The OECD Guidelines for Multinational Enterprises: Text, Commentary and Clarifications*, October 2001, pp. 18-19.



# Financialization: New routes to profit, new challenges for trade unions

*As “impatient” capital penetrates sectors such as food and beverages, hotels and catering; it accelerates lay-offs, casualization and outsourcing. Moreover, it adds heightened volatility to a destructive mix which is profoundly destabilizing for workers and their unions.*

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## Disposable jobs, vanishing employers

After investment opportunities have been carefully researched and selected, there are three stages in Eurazeo's “production cycle”:

- the structuring of the investment and acquisition;
- the follow-through on the investment and the creation of value in the acquired entity;
- the disposal of the investment.

'Goals/Strategy' of Eurazeo,  
France's largest private-equity fund.<sup>1</sup>

One of the most significant features of the last quarter-century has been the progressive de-linking of the established relationship between wages and productivity. Productivity continues to grow but wages no longer keep pace with profits

and productivity. In the advanced capitalist countries the wages-productivity-profit nexus was the foundation of collective bargaining in the long wave of growth after the Second World War. The erosion and breakdown of that link, the re-emergence of significant poverty in advanced capitalist countries, and the persistence of “jobless growth” have generated significant discussion, often in the framework of the debate on globalization. Yet to understand the fundamental power-shifts that are subjecting workers to continuous restructuring and constant employment instability we must address the question of financialization.

Broadly, financialization refers to both the enhanced importance of financial versus real capital in determining the rhythm and returns expected from investments, and the increased subordination of that investment to the demands of global financial markets. Under these financial imperatives firms in the manufacturing and service sector have essentially become “a bundle of assets to be deployed or redeployed depending on the short-run rates of returns that can be earned.”<sup>2</sup> Investors in the manufacturing and non-financial services sectors now demand rates of return equal to those obtainable

\* The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations is an international federation of trade unions representing workers employed in agriculture and plantations; the preparation and manufacture of food and beverages; hotels, restaurants and catering services; and all stages of tobacco processing. The IUF is currently composed of 336 trade unions in 120 countries representing a combined membership of over 12 million workers. It is based in Geneva, Switzerland.

in global financial and stock markets, rates unthinkable even a decade ago. The head of Deutsche Bank has stated that return rates of 20 per cent on investment should be the eventual target for investors.

These new financial imperatives reinforce – and are reinforced by – an institutional and ideological transformation in corporate management. Over the past two decades there has been “a fundamental change in the incentives that guide the decisions of top managers, from one that linked long-term managerial pay to the long-term success of the firm, to one that links their pay to short-term stock price movements.”<sup>3</sup> This included phenomenally high executive salaries tied to “the prioritizing of ‘shareholder value’ together with the rise of institutional investors – the alignment of the interests of managers with those of shareholders through the use of stock options.”<sup>4</sup> The combined effect of these changes was to shorten drastically the planning horizons of corporations and the introduction of management strategies to enhance “shareholder value” while undermining real economic performance. Such strategies include restructuring and cost-cutting to reduce jobs and eliminate productive capacity for the purpose of generating cash for share buy-backs to further boost share prices. This is exemplified by the restructuring and mass lay-offs in the United States that coincided with non-financial companies purchasing US\$870 billion of their own stock from 1995 to 2001.

Of course, companies have always sought to maximize profit. What is new is the drive for profit through the elimination of productive capacity and employment. Transnational food processors, for example, now invest a significantly lower proportion of their profits in expanding productive capacity. Financial markets today directly reward companies for reducing payroll through closures, restructuring and outsourcing. This reflects the way in which financialization has driven the management of non-financial companies to “act more like financial market players”.<sup>5</sup>

As manufacturing companies become more like financial players, real financial players such as private-equity funds, hedge funds and real estate investment trusts (REITs) have become significant short-term owners of manufacturing and services companies – acquiring, restructuring and disposing of these companies as liquid assets regardless of actual productivity and profitability. Over the past decade private-equity funds have mobilized trillions of dollars for the acquisition of companies in virtually every industrial and service sector, leading the London-published weekly *The Economist* to declare: “Today, the private-equity industry has moved from the fringe to the centre of the capitalist action.”<sup>6</sup>

Workers in virtually all sectors face the threat of rapidly changing ownership and the imposition of restructuring plans and short-term targets that are based on a financial market logic that places no value in real production, productivity or jobs.

In just the first eight weeks of 2006, global hedge funds and private-equity funds made over 4,000 deals involving the acquisition and disposal of US\$473 billion in assets. Among the “assets” exchanged were manufacturing and service operations employing hundreds of thousands of workers. This includes, for example, 3,000 workers employed in the European Beverages Division of Cadbury Schweppes, the world’s largest confectionery company. In what is now a familiar pattern in the food and beverage industry, Cadbury Schweppes sold its European Beverages Division to two private-equity funds, Blackstone Group International and Lion Capital LLP in February 2006 for US\$2.2 billion. As a result, the workplaces of 3,000 workers were instantly transformed into another financial asset in Blackstone’s US\$45 billion portfolio (which exercised control over the workplaces of 300,000 workers as of November 2004). This – together with the examples of lay-offs and closures discussed below – illustrates the visceral employment impact of financialization.

In all of those sectors where the IUF has members – food, beverages, hotel and

catering, agriculture and tobacco – we have seen the financialization of companies and the intrusion of new kinds of investment capital, particularly private-equity funds and REITs. The following discussion of financialization and its impact on workers and their unions in the IUF sectors, deals specifically with examples from the food, beverage and catering sectors.

## Financializing food

Faced with declining sales and falling profits, workers and their unions would traditionally brace themselves for a battle against wage cuts and lay-offs. In today's financialized environment, job destruction accompanies rising sales and record profits. For example, on 22 February 2006, Heineken announced that second-half profits had increased 56 per cent over the previous year while announcing that 1,000 jobs would be cut in the next 12 months. Two days later the transnational brewery firm, Inbev, announced a 15.3 per cent increase in earnings to 3.3 billion euros, and plans to cut 360 jobs. The motivation is clear: increased profits are quickly translated into larger payouts to shareholders (including senior managers who themselves hold stock options) and plans for further restructuring involving lay-offs and closures feed a financial market that thrives on shifting wealth away from productive investment.

This is precisely the logic that underpins the “Nestlé model” expounded by Nestlé Chairman and CEO, Peter Brabeck-Letmathe. On 23 February 2006 Nestlé announced a 21 per cent increase in net profits and a 12.5 per cent dividend payout, together with the allocation of CHF1 billion (approximately US\$775 million) for a new round of share buy-backs in addition to the CHF3 billion share buy-back launched only three months earlier. At the same time Nestlé workers throughout the world face diminished job security and job destruction through outsourcing, casualization, production transfers and plant closures.<sup>7</sup> Thus the Nestlé model conforms precisely

to the observation that: “In the name of creating ‘shareholder value’, the past two decades have witnessed a marked shift in the strategic orientation of top corporate managers in the allocation of corporate resources and returns away from ‘retain and reinvest’ and towards ‘downsize and distribute.’”<sup>8</sup>

Unlike Nestlé, the major transnational food company Danone recognizes and negotiates with unions at every level, including at the international level where the IUF has negotiated a number of agreements with the company. Nonetheless, management decisions are driven by the same logic of this new financialized environment. “Liquidity” generated through extensive restructuring and closures involving significant job losses were channelled into 558 million euros in share buy-backs in 2005, further boosting share prices. The announcement of record profits/dividends for the past year coincided with allocation of another 600 to 800 million euros for share buy-backs in 2006.

Another major transnational food corporation, Kraft Foods, announced simultaneously on 30 January 2006 a 23 per cent increase in fourth-quarter earnings (“beating Wall Street expectations”) and the elimination of 8,000 jobs (8 per cent of its global workforce) over the next two years. While it is unclear which production sites will be closed, what is clear is that plants will be closed regardless of their viability, profitability or performance. The message to Kraft workers is that as core business is continuously redefined, commitment even to established product lines will be subordinated to the imperatives of financial markets. Only three days before Kraft's announcement that its “portfolio” was being streamlined, 10 plants in Canada were sold to two US private equity firms, Sun Capital Partners and EG Capital Group which created a new company, CanGro Foods, to run these operations as new “financial products” in their asset portfolio.

This financialization of major transnational food companies like Nestlé, Danone and Kraft involves continuously shifting

definitions of core business that justify further reductions in productive investment and employment, including spinning off important parts of their operations (both manufacturing and services) to be rotated through an endless round of investment portfolios.

This destructive process is illustrated by the closure of the Leaf confectionary plant in Turku, Finland in May 2005. When the Finnish company, Huhtamaki, transformed itself into a specialized global packing company in 1999, it sold Leaf to the Dutch confectionery and bakery company CSM, which then sold Leaf to two private equity funds, Nordic Capital and CVC Capital Partners, in March 2005. Shortly after this acquisition it was announced that the Leaf plant in Turku would be closed and 460 workers laid-off – a move that shocked both the union and public opinion. The country is accustomed to industrial transformation, having seen entire sectors (for example, textiles) rise and fall. What was new and shocking was the closure of a plant with high levels of productivity and profitability. “Nobody could imagine”, said the chief shop steward at the plant, “that such a large and profitable unit would be shut down.” The closure announcement was followed by a threat to cut wages by 50 per cent, prompting union members to stop work. The management was forced to back down on the wage cuts, but the union’s challenge to the closure, arguing that the plant was both profitable and viable, was ultimately irrelevant in a decision determined by the financial imperatives driving the new owners of Leaf.

Since 1990, Nordic Capital, a relatively small investment fund of 1.5 billion euros has acquired a portfolio of 21 companies, ranging from biotech, pay TV and pharmaceuticals to furniture, and three food companies, including Leaf. In the same period, it has “divested” 25 companies. Nordic Capital’s investment criteria define the “ambition” of the firm “to be an active owner for three to seven years, and then to realize capital gains for its investors”. This three to seven year cycle of acquisi-

tion and disposal constitutes the private-equity industry’s long-term investment horizon – an ambition that is then aggressively imposed on the manufacturing and food processing industry. The much larger private-equity fund involved in the acquisition of Leaf and the liquidation of its profitable plant in Turku, CVC Capital Partners (“specializing in large-scale leveraged buyouts”) has mobilized US\$18 billion since 1981 for acquiring and disposing of 220 companies. Its current portfolio of 38 companies includes seven food companies and one catering company.

### **“Impatient” capital: Generalizing insecurity**

“...[T]he lion’s share of NFC [non-financial corporation] finance is now provided on the shortest of terms. NFCs must disgorge over half of the cash flow they need to sustain investment and innovation over the long term, then compete with all other agents, foreign and domestic, to get it back. This is impatient capital in its most extreme form. It forces NFCs to either cut investment and innovation or face rising indebtedness. And it sustains cost-cutting pressure and “low-road” labour relations, which retard wage and employment growth and thus constrain the growth of aggregate demand.”<sup>9</sup>

As “impatient” capital penetrates sectors such as food and beverages, hotels, and catering, it accelerates lay-offs, casualization and outsourcing. Moreover, it adds heightened volatility to a destructive mix which is profoundly destabilizing for workers and their unions. We are no longer negotiating with hoteliers or food manufacturers with a long-term stake in their companies as it has traditionally been understood, but with shifting coalitions of investors whose only reference is a global financial market with an entirely new set of rules. One of the many consequences of this is that unions seeking to bargain changes in conditions, negotiate the impact of restructuring, or challenge closures run

up against new financial power-holders who are not interested in arguments about improvements in production or services, increased productive capacity, new product lines, long-term viability of markets or consumer needs. Every investment is viewed as a portfolio of financial assets, not a place of employment.

This phenomenon is apparent in the hotel industry where major hotel properties have been rapidly acquired by REITs. In the United States, where REITs first emerged, unions have found themselves in conflict with multi-billion dollar hotel REITs that have no real interest in actually operating hotels. In Japan the REIT market grew to US\$14 billion in just four years, and it is predicted that in the Asian region as a whole new REIT markets will grow to US\$140 billion in the next ten years.

Like private equity funds, REITs are geared towards maximizing financial returns (mainly from inflated rents) and are in fact legally obliged to deliver rates of return to investors which make them organically incapable of operating and sustaining hotels as viable places of employment. The rapid growth of REITs globally (also called Partnership Investment Finance (PIFs) in the United Kingdom and *Sociétés d'investissements immobiliers cotées* (SIIC) in France) aggravates the employment instability which already characterizes the sector and therefore adds to the challenges facing hotel unions.

The far-reaching impact of financialization on unions is typified by the struggles waged at the transnational airline catering company Gate Gourmet, where the company's acquisition by the private-equity firm Texas Pacific Group set management on a direct collision course with catering workers and their unions.

Gate Gourmet, the catering division of SwissAir, was bought by Texas Pacific Group in the wake of the airline company's bankruptcy in 2002 – the same year Texas Pacific Group, together with Bain Capital and Goldman Sachs Capital Partners, acquired the global fast food chain Burger King. Gate Gourmet's then CEO welcomed the sale with these words: "Through a

combination of strategic acquisitions and organic growth, Gate Gourmet should experience continued success."

At the time of its acquisition by Texas Pacific Group, Gate Gourmet employed over 25,000 workers in 29 countries with 140 flight kitchens. For 2005, the figures are 22,000 workers and 109 flight kitchens. The path to "organic growth" at Gate Gourmet began with a meticulously planned assault on trade unions beginning with the well-known struggle at London's Heathrow Airport, which was kicked off by the company stealthily hiring hundreds of contract workers in a restructuring programme centred on mass dismissals and a dramatic degradation of employment conditions. The anti-jobs, anti-union offensive then moved to Germany's Düsseldorf airport, where (at the time of writing in late February 2006), members of the IUF-affiliated Food and Allied Workers' Union (NGG) launched a strike on 7 October 2005 over the company's refusal to negotiate wages and compensatory measures for increasingly arduous working conditions.

In a clear challenge to Germany's established collective bargaining framework, the company has been demanding enterprise-level concessions on working hours, holiday leave and shift pay despite the fact that these are negotiated at industrial sector level. A compromise negotiated between the union and local company management in early December 2005 was unilaterally scrapped by Gate Gourmet corporate headquarters, leaving the workers no alternative to continuing with their strike. There are now indications that the anti-union offensive is targeting other Gate Gourmet sites in Europe.

A crucial part of the challenge that food workers' unions face is that the private-equity funds and REITs that own and control the workplaces that employ their members do not see themselves as employers. In many systems of jurisprudence they are not defined as employers and do not incur the legal obligations binding on employers. Confronted by unions over layoffs or closures, they can plausibly deny

responsibility. Gate Gourmet stridently denies that the management decisions which led to the Heathrow and Düsseldorf confrontations have anything to do with Texas Pacific Group – while acknowledging its “fiduciary obligation” to the investor company. Texas Pacific Group, for its part, emphatically rejects all responsibility for industrial relations within Gate Gourmet or any other company in its portfolio (consisting of companies with aggregate employment of a quarter-million workers). As the NGG learned at Düsseldorf airport, they are attempting to negotiate with an employer disguised as a financial entity free of the constraints, laws and obligations which formerly bound employers to operate within the negotiated systems of industrial relations established over many years of struggle.

The employers’ vanishing act becomes complete when these new financial entities (private-equity funds, investment funds, venture capital funds, hedge funds and REITs) are missing from the data and publications produced by UN agencies on growth, investment and employment.

Even those programmes specializing in areas such as world investment, transnational corporations (TNCs) and employment have not taken full account of the role of private-equity funds, either quantitatively or qualitatively. Yet up to one-fifth of non-public sector workers in the United Kingdom, for example, are now employed in companies controlled by private-equity funds.<sup>10</sup> These powerful financial interests simply do not figure in UNCTAD’s *Handbook of Statistics, Trade and Development Report* or its *World Investment Report* series.<sup>11</sup> UNCTAD’s *Trade and Development Report 2005*, which addresses the issue of “new forms of global interdependence”, fails to recognize the global impact of financialization. Its analysis is based on the assumption that: “Overly restrictive monetary policy may lead investors to prefer investing in financial assets over extending productive capacity.”<sup>12</sup> This fails to take into account the reality – illustrated in the above examples and directly experienced by IUF members

– that the preferences of investors and decisions to shift away from productive capacity is driven by the imperatives of financial markets and the power exercised by new forms of financial capital.

If these private-equity funds were recognized as TNCs (given their extensive control over manufacturing and services companies globally) and included in UNCTAD’s top 100 non-financial TNCs, they would easily displace the top ten corporations.<sup>13</sup> General Electric, ranked first in UNCTAD’s list, controls less foreign assets and employs fewer workers overseas than either Blackstone, Carlyle Group or Texas Pacific Group. Even UNCTAD’s new list of the top 50 financial TNCs (included for the first time in the *World Investment Report 2004*) only examines financial TNCs in terms of a narrowly defined financial service sector and limits employment data to that sector.<sup>14</sup> This neglect of the role of investment trusts as employers is also evident in the International Labour Organization’s (ILO) *World Employment Report* series. The *World Employment Report 2004-05* explores the impact on productivity of labour and capital mobility, and the relationship between employment stability and productivity, without taking into account the financial imperatives that drive this flexibility and the growing impossibility of employment stability in a financialized world.<sup>15</sup> Elsewhere in ILO publications and programmes, explicit reference to private-equity trusts and venture capital is made only in connection to financing employment creation.<sup>16</sup>

The “vanishing employer” as a politico-legal and institutional phenomenon arising from financialization in turn poses serious questions about the foundations on which social policy is developed in organizations such as the ILO.

## Back to basics: Reasserting the role of the ILO

Where does that leave workers whose employers may be vanishing but who still (for the moment) report to work at Gate Gourmet, Kraft or Leaf? Should they seek a “social dialogue” with CVC Capital Partners? Pursue a global framework agreement with Texas Pacific Group? Organize a forum in which hotel unions exchange “best practices” with the REITs? The absurdity of these propositions points to the very real and very complex challenges unions are confronted with when challenging these new forms of power.

Unions traditionally use their organized strength to negotiate power through collective bargaining – a process involving direct negotiations with an employer. As employers become less tangible and the employment relationship is increasingly obscured, their power to generate social destruction and generalize insecurity increases. In this situation unions must organize and mobilize in new ways to make the employer visible and enforce the bargaining relationship so that power is once again negotiated.

The IUF recognizes the urgent need to develop organizing and bargaining strategies to defend our members in this fundamentally changed environment. This is among the essential tasks of the trade union movement. We also clearly recognize the need to reshape the financialized environment in which this organizing and bargaining now takes place.

Radical changes, however, do not necessarily render established tools obsolete. We would suggest, for example, that the standards-setting role of the ILO acquires more, not less relevance in a financialized world. Efforts to dilute the ILO’s role in developing and actively promoting universal standards, transposed into national law, must be firmly resisted. There is a proactive role for the ILO today to ensure that mechanisms are created or revitalized at national level to impose employer responsibility and liability. Developing new and enforceable definitions of the “employment

relationship” to reflect the fundamental changes brought about by financialization is an urgent priority.

A wider political task consists in restoring the wages-productivity-profit link which financialization has broken. Advancing this agenda means rejecting assertions about powerless national governments, or the declining relevance of national regulation. Financialization is not a spontaneous, anonymous process arising from technological change or global information flows. It is a political project involving the active intervention of national governments. The last quarter-century of “deregulation” involved the introduction of a vast array of new legal mechanisms and regulations by national governments to protect the interests of investors and shareholders. This must be dismantled; and new legal mechanisms and regulations must be introduced nationally to subordinate investment capital to democratic requirements established in international human rights standards. This wider project of democratic political renewal is also one of the fundamental tasks of the IUF and the international labour movement as a whole.

## Notes

<sup>1</sup> See the web site of Eurazeo: [http://www.eurazeo.com/uk/01\\_qui/objectif-strategie.php](http://www.eurazeo.com/uk/01_qui/objectif-strategie.php)

<sup>2</sup> Neil Fligstein and Linda Markowitz, “Financial reorganization of American corporations in the 1980s,” in W. J. Wilson (ed.), *Sociology and the public agenda*. Newbury Park: Sage, 1990, p. 187.

<sup>3</sup> James Crotty, “The neoliberal paradox: The impact of destructive product market competition and ‘modern’ financial markets on nonfinancial corporation performance in the neoliberal era,” in Gerald Epstein (ed.) *Financialization and the world economy*. Northampton, MA: Edward Elgar, 2005.

<sup>4</sup> Ozgur Orhanggazi, “Financialization and capital accumulation in the non-financial corporate sector: A theoretical and empirical investigation”, (forthcoming), p. 7.

<sup>5</sup> Engelbert Stockhammer, “Financialization and the slowdown of accumulation,” *Cambridge Journal of Economics*, 28, 2004, pp. 719-741.

<sup>6</sup> “The new kings of capitalism”, *The Economist*, 25 November 2004.

<sup>7</sup> Documented on the IUF's *Nestlé Watch* web site.

<sup>8</sup> William Lazonick and Mary O'Sullivan, "Maximizing shareholder value: A new ideology for corporate governance," *Economy and Society*, Vol. 29 No. 1, 2000, pp. 13-35.

<sup>9</sup> James Crotty, *The neoliberal paradox: The impact of destructive product market competition and impatient finance on nonfinancial corporations in the neoliberal era*, Political Economy Research Institute Research Brief, July 2003, p. 6.

<sup>10</sup> "Private equity under government scrutiny", *London Stock Exchange*, 20 February 2006; British Venture Capital Association Chairman's Speech, APG for Private Equity and Venture Capital, 1 November 2004.

<sup>11</sup> While the *World Investment Report 2004* includes data on transactions by two US-based REITs on cross-border merger and acquisition deals with values of over US\$1 billion, it provides no critical analysis of the significance of REITs or private-equity trusts for FDI flows.

<sup>12</sup> UNCTAD, *Trade and Development Report, 2005: New Features of Global Interdependence*. Geneva: United Nations, 2005, p. 29.

<sup>13</sup> UNCTAD, Annex table A.I.9. The world's top 100 non-financial TNCs, ranked by foreign assets, 2003. *World Investment Report 2005*. Geneva: United Nations, 2005.

<sup>14</sup> UNCTAD, Annex table A.I.12. The top 50 financial TNCs ranked by total assets, 2003. *World Investment Report 2005*. Geneva: United Nations, 2005.

<sup>15</sup> *World Employment Report 2004-05: Employment, Productivity and Poverty Reduction*. Geneva: ILO, 2005.

<sup>16</sup> For example, one of the few detailed studies on equity is a report by Ebony Consulting International (Pty.) Ltd., *Private Equity and Capitalisation of SMMEs in South Africa: Quo Vadis?* Social Finance Programme & InFocus Programme on Boosting Employment through Small Enterprise Development Working paper No. 34, Employment Sector, International Labour Organization. Geneva.

# Global organizing for call centre workers

*As unions are being urged to increase cooperation at national and international level to organize workers in the fast-growing call centre industry, the first ever global conference dedicated to call centres was held in Athens in October 2005. Interim results from a global survey of the industry were presented at the conference.*

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The young but fast growing customer service and call centre industry is already changing in the face of a new, global mobility revolution. Jobs already stripped out of corporate operations and brought together – often in areas of industrial decline – are now on the move again. They can be switched around the globe by fibre optic cable to create a global labour force who acquire new names and a knowledge of baseball or football to talk to customers half a world and many time zones away. It is the child of astonishing information technology (IT) changes and globalization. It is the product of a profound re-engineering of work that strips discretion down to a minimum and technology that permits constant targeting and monitoring of staff. It is a young industry with a young – and often female – labour force. Call centres are a far cry from the sweatshops of old – yet the work can be highly stressful, opportunities for career progression limited

by a flat grading structure, and staff turnover can be high. Many call centres are in-house operations but already a small number of key multinational subcontractors are emerging to offer customer services to a range of clients.

From the start the industry has created special challenges for workers and their unions. Greenfield sites with round-the-clock, shift working pose social challenges – and require new ways of union organizing. The union committee with representatives on each of a multiplicity of shifts provides the basis for democratic and comprehensive representation. Unions have already identified quality of service and decent work as key areas on which to focus, to provide job security and ensure core labour rights in developing centres. It is organizable and many centres are organized. But too many remain outside union protection. Unionized jobs are also under threat as offshore outsourcing grows – with many jobs going to developing countries without adequate consultation or job security at “home” and no guarantees of labour rights in the new offshore centres.

\* Union Network International is the skills and services international launched on January 1, 2000. It has more than 900 affiliated unions in 140 countries around the world, representing more than 15 million members. UNI is a global and a regional organization. UNI-Europa, for example, has seven million members and UNI-Africa has more than a million members. There is also UNI-Americas and UNI-Asia & Pacific. Like other Global Union Federations (GUFs), UNI encourages solidarity across borders, raises issues of common concern with employers, governments and international bodies – and promotes trade union rights worldwide.

## Call centre facts

UNI's first ever Call Centre Conference – held in Athens on October 2005 – was given an insight into the findings of a two-year survey of the world's call centre industry being conducted by Cornell University,

United States, that will give unions some reliable data on which to base their strategies.

About 80 per cent of call centre work is still done within national boundaries and three-quarters of call centre work is currently done in-house – but outsourcing and offshoring are growing.

The survey penetrates a world in which some call centre staff have to deal with 110 calls a day (India), where discretion over their work methods is restricted and calls often electronically monitored.

The average call centre employee is young, usually a woman and not likely to stay around long in some of the worst employers (staff turnover is 28 per cent a year in India, 25 per cent in the United States and 23 per cent in the United Kingdom).

“These percentages understate the true turnover figures,” Cornell’s Professor Rose Batt told the conference.

An Indian call centre worker is paid \$2,400 compared to \$28,000 in the United States and nearly \$42,000 in Denmark (but hidden costs do narrow this wage gap).

Training can be as short as nine weeks (India) and stress levels are increased by fluctuating “performance-based” pay that can make up to 18 per cent (Netherlands) of income.

Banks, insurance and telecom companies are the biggest users of call centres (49 per cent of the industry) but other significant users include retail and travel/leisure.

In some European countries unions are present in around half the call centres (Denmark, France and the United Kingdom) but the figure is 10 per cent in the United States and nil in India. In the Netherlands 63 per cent of call centres also have works councils.

Most call centres are small – except in the United States where the average centre employs 254 people and India (547). The call centre industry in India is dependent on outsourcing – subcontractors run 75 per cent of call centres there.

The Cornell study – which has research teams in 20 countries – is only half way through with more countries yet to report. The project has moved into its second

phase, interviewing staff, managers, unions and companies.

“The more unions at the national and global level work together the more they can influence the future direction of this industry,” said Rosemary Batt, Associate Professor of Human Resources Studies at Cornell University.

Karthi Pillay of the Communication Workers Union in South Africa (CWU), reported on a survey by his union of the top dislikes of call centre workers in his country. The findings include unrealistic targets, repetitive and boring work, disrespectful supervisors, inflexible shifts with compulsory overtime and too few breaks, constant monitoring and surveillance, abusive customers – and low pay.

### First UNI Call Centre Conference

A total of 130 delegates from around the world attended the UNI Call Centre Conference, which was co-sponsored by the Bureau for Workers’ Activities (ACTRAV) at the International Labour Organization (ILO) and with the participation of the International Transport Workers’ Federation (ITF).

The conference identified stress as a major – and global – problem faced by staff in call centres, much of it caused by unrealistic and multiple targeting and from constant monitoring and surveillance.

Tackling the low levels of discretion in many jobs and the need to upskill staff were also identified.

Unions are being urged to step up co-operation at a national and a global level to recruit and organize customer service professionals and help ensure decent work.

The conference is the culmination of UNI’s annual Call Centre Action Months (every October since 1999), the UNI Call Centre Charter to establish minimum levels of conditions and the UNI Offshoring Charter (both Charters were issued in August 2004).

UNI’s Alke Boessiger reported on call centres guidelines signed with 42 European telecom operators, members of the

European Telecommunications Network Operators' Association (ETNO) in June 2004 (within the European social dialogue) and urged national unions to ensure that these guidelines are implemented.

There were calls in Athens for UNI to work closely with other global unions involved in representing customer service professionals – including the ITF whose Gabriel Craciun reported on their call centre work among airline and transport companies.

Stronger membership numbers will help unions promote the agenda of customer service professionals and build decent work and quality service in the industry.

In many countries existing union structures have been extended to cover new customer service centres. In Greece the employees at COSMOTE – the mobile arm of Greece national telecom operator OTE – launched their own union. In India UNI has helped launch UNITES to bring together the fast-growing offshored call centre and back office operations in India.

Global framework agreements with multinationals that guarantee core labour rights and open the door to organizing are key – in Brazil the UNI agreement with major telecom multinational Telefónica has enabled telecom union SINTETEL to organize thousands of call centre workers there.

“Call centre workers should fully enjoy freedom of association, irrespective of their type of contract, location of work or any other social status,” said Michihiro Ishibashi (ILO Workers' Group).

Where companies resist labour rights, complaints to the ILO could lead to pressure on governments, who are responsible for seeing that ILO Conventions and the Declaration of Fundamental Principles and Rights at Work are enforced.

## Making progress

Matt Goodwin of the Australian trade union centre ACTU reported on the successful campaign to organize the Westpac call centre in Launceston, Tasmania where

83 per cent of the staff are now union members with a committee of 12 trained representatives.

Kleber da Silva reported on SINTETEL's successes in organizing call centres in Brazil where call centre workers are paid just above the minimum wage, receive no or inadequate training and where poor career prospects lead to high staff turnover. SINTETEL is Brazilian Telecommunication Companies' Workers Union. About half of Latin America's call centres are in Brazil and his union – the biggest telecom union in the region – has signed a collective agreement with Atento. “Young people often don't see call centres as a career but as a transit in their lives,” said Kleber. “A company's approach to its workers has a knock on effect on customers,” he warned.

“There are a lot of good reasons to be organized,” said Eva Scherz, of Austria's Private Sector Employees Union (GPA), which has been campaigning with success for those with insecure contracts.

The Athens conference called for union organizing drives and greater international cooperation to help workers around the world in this fast-growing industry to improve the quality of their jobs and their lives.

International solidarity to avoid a race to the bottom as employers seek to move work around the world was highlighted – with the emphasis on ensuring that wherever work is outsourced or offshored, that work is unionized.

“Call centres are now a global production chain in services,” said UNI General Secretary Philip Jennings. “That's why UNI global union has globalized its recruitment efforts.”

The biggest round of applause from the 130 delegates came when Yacine Ndiaye, representing Senegal's telecommunication trade union (SYTS), announced that her union is targeting a French-speaking call centre employing 800 people and where the use of temporary agency staff has been a recurring problem. She told delegates of call centre staff having to adopt French names and change their accents so French customers didn't realize they were

talking to a centre in Senegal. “They have lost their identity and their conditions are very bad.”

## Health and safety a key issue

Stress was identified as a major issue among call centre workers who are tightly monitored and targeted by conflicting performance measurement, who often work long and unregulated hours in jobs that can be monotonous and repetitive with few opportunities for promotion. “Stress exists in every call centre – there are no exceptions to this rule,” said Dimitra Makri, who is President of the Union of Cosmote Employees in Greece (the first union in the world to be born in a call centre).

Unions in Australia and the United Kingdom have had successes in winning compensation for members affected by acoustic shock. The Communication Workers Union of the United Kingdom has won 100 cases and brought members affected more than £1million (approximately US\$1,750,000) as a result of acoustic shocks – variously described as loud bangs, short screams or high-pitched tones – sustained by call centre operators wearing headsets. They happen without warning, despite supposedly “intrinsically” safe headsets supplied by employers.

## Improving the quality of working life

Delegates in Athens heard of substantial progress being made to improve the quality of work and tackle what Belgian delegate Claude Lambrechts called “the cowboys that are out there”.

In Telefónica in Spain the unions and the company cooperate in a training programme that provides at least 35 hours of off-the-job training a year and allows employees – who contribute to the training fund – to build up qualifications. “The more qualifications you have the greater the possibility for promotion,” said Vicente Bautista, of the General Workers’ Union (UGT) in Spain.

In France a new sectoral training agreement in Telecom has been signed with priority going to young people and women and offering call centre operators the opportunity to have a certificated qualification. “This is a first step in the Telecom sector and we want the certificates to be extended to other sectors, particularly operators working in the outsourced centres,” Franca Salis Madinier, speaking on behalf of the French trade union centre CFDT, told the Athens conference.

French unions are also monitoring a government “social label” for call centres that aims to improve the image of the industry and encourage Corporate Social Responsibility. The scheme has financial incentives – companies with the label can apply for government contracts. “This is not a substitute for collective bargaining,” said Franca, but it could help avoid cost squeezing.

Most call centre workers in France work in in-house operations, and are often covered by the enterprise agreement – but there are 60,000 in outsourcing companies with poor terms and little social dialogue.

Quality jobs are a major campaign issue for the Communication Workers of America, which is campaigning for the professional, high road model for customer service professionals, focusing on problem solving rather than reading from a script. Without union intervention many employers will adopt a low cost, low road approach – pitting employees against each other in a competitive race to the bottom.

“Our role is to promote high road customer service and block the low road,” says the CWA’s Larry Cohen – who is also World President of UNI Telecom. “The high road leads to meaningful work and good union jobs. The low road leads to the continuous movement of work in search of the lowest cost operation. The choice is clear.”

Since Larry made those remarks Lloyds TSB (Trustee Savings Bank) has told its call centre workers to stop reading from scripts because it makes customers angry. A survey of customers showed that 90 per cent of people get annoyed when talking to call

centre staff who are obviously talking from a script. Most customers thought this led to staff failing to listen or to answer questions properly. Now staff are given templates to guide them through the main points they need when chatting to customers.

## Tackling the global mobility revolution

The trend for service sector jobs to be re-located across national borders is already well established. India and China catch the headlines but some of the biggest recipients are much closer to home, while other developing countries like the Philippines are establishing a presence in the global customer service industry.

UNI-Europa launched the MOOS project (Making Offshore Outsourcing Sustainable) and in its first seven months tracked 15,600 outsourced jobs on the move and 14,300 new jobs. Most of the jobs went to India, Ireland, Hungary and other EU countries and they were mainly in IT services, software development, design and accounting. MOOS is funded by the European Commission's Social Fund with unions in six European countries so far reporting on a regular basis about offshoring activities. MOOS's next steps are to develop an off-shore management handbook and design training courses for union representatives.

Global multinationals (including airlines, banks and IT companies) are major offshorers of customer service work, both with in-house overseas operations and with subcontractors. Among the major global players in this subcontracting business are Accenture and Convergys (United States), SNT (Netherlands), Atento (Spain).

There is a clear trend to move from higher-cost areas of the world to those areas where wage levels are lower and where employment conditions and employment rights may be poorer.

UNI produced its Offshoring Charter to help avoid narrow protectionism and to involve unions globally in a joint campaign to provide job security and the export of labour rights. Early dialogue is a key element in the Charter, to ensure com-

panies fully understand the hidden costs of outsourcing and quality issues and give unions a genuine input into corporate planning. The Charter also seeks to ensure labour rights in new centres around the world.

Some UNI affiliates – like Connect and Amicus in the United Kingdom – have already signed agreements with telecom and finance companies to ensure consultation, re-deployment and job security where work leaves the “home” base and to provide access to and labour rights for the new labour forces in countries receiving outsourced work.

Danielle Wiek-Meulman, of AbvaKabo Netherlands, told delegates of the saga of KPN's call centre work, which was done in-house, was outsourced on cost grounds and finally returned on quality grounds. Her union is currently working to establish a decent collective agreement for those in Dutch outsource providers.

## UNI action plan

Delegates to the UNI Call Centre Conference in Athens adopted an action plan that includes:

- Promote standards to tackle stress issues and improve skills levels.
- Build international standards for call centres.
- Global unions to build a multilingual database on call centres.
- Seek more global agreements with multinational companies to ensure worker rights.
- Step up cooperation between unions and global unions.
- Improve networking among activists with more space on the UNI website.
- Publish an Organizing Booklet giving success stories from around the world.
- Biennial call centre conferences and seminars with focused agendas to support the UNI Action Month.

## Action Months, Charters and Guidelines

### *Global Organizing Month*

UNI has coordinated organizing activities in call centres across the world every October since 1999. Recruitment and campaigns benefit from the synergy of being global. Stickers, artwork, a special web site and campaign bulletins are produced. “Standing in the rain outside a call centre in Ireland trying to recruit just got easier when you knew you are part of a world effort,” one organizer remarked.

### *UNI’s Call Centre Charter*

This Charter aims to set minimum standards – to help unions measure and identify the good and the bad employer and includes a set of broad principles for the call centre industry. Priority is also attached to increased training and development to provide customer service professionals with skills and product training to facilitate the development of meaningful careers and quality service for customers. The aim is broad based, portable and accredited training and skills development. The Call Centre Charter calls for performance targets that are based on providing high-quality customer service and not solely on quantity of calls taken or made.

### *Joint European Guidelines (UNI-Europa and ETNO)*

The ETNO guidelines between UNI-Europa telecom unions and European telecom operators provide for consultations over call centre strategy and policies. The guidelines embrace unions, collective agreements and works councils in the communication process over change. They also build in respect for the ILO’s core labour standards. Essential to the success of the centres is the recognition that “employees who have a feeling of well being

and security are likely to be committed to the customer and the company”.

### *UNI’s Offshoring Charter*

For trade unions “offshoring represents one of, if not the single, most important challenges over the next decade and beyond,” warned a report for UNI Finance<sup>1</sup> (The Offshoring of Call Centre and Back Office Operations – the Challenge for Trade Unions, by Scottish academics Phil Taylor and Peter Bain). In response UNI published an Offshoring Charter to tackle offshore outsourcing. The aim is decent work for all – in both outsourcing and insourcing countries – to avoid “a race to the bottom” in pay and conditions.

The Offshoring Charter calls for:

- Prior negotiations to establish globalization or offshoring agreements.
- Public policy support.
- Job security – with no compulsory redundancies.
- Re-deployment of displaced workers.
- Global labour standards.
- Decent wages.
- Minimum standards for call centres.
- Re-investment of savings from offshoring to finance skills development.
- Consumer rights to be protected.
- Long-term job security in insourcing countries.
- Management of change – in outsourcing and insourcing countries, involving governments, employers and unions.

### **Note**

<sup>1</sup> Phil Taylor and Peter Bain: *The offshoring of call centre and back office operations – The challenge for trade unions*, [http://www.union-network.org/UNI-Finance.nsf/By+Date/5938\\_D43F\\_89DED3\\_65C1256\\_E5C0050AB41?OpenDocument](http://www.union-network.org/UNI-Finance.nsf/By+Date/5938_D43F_89DED3_65C1256_E5C0050AB41?OpenDocument)

# Making the WTO decent

*This article looks at what happened at the WTO 6th Ministerial Conference in Hong Kong in December 2005, examines the history of trade union attempts to intervene in the debates and proposes some strategies for the way forward, given the current context.*

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**I**n December 2005, 10,000 delegates, 13,000 journalists and 2,000 representatives of non-governmental organizations filled the Hong Kong Convention centre for 6 days deliberating the state of world trade and attempting to finalize

the current round of negotiations, under the so-called Doha Development Round. Outside, thousands of people marched, most of them peacefully, for trade justice and against the policies of arbitrary liberalization by the World Trade Organization (WTO). Following the minimal outcome of the Ministerial Conference, and coupled with the intent of the WTO to proceed with policies which the trade union movement has repeatedly argued will harm workers and people in developing countries, many questions are being asked about how the policies of the WTO can be changed to bring about a humane globalization.

\* The ICFTU and WCL have agreed to work together for the setting up of a new international trade union organization that would unite their respective member organizations as well as other democratic and independent organizations without international affiliation. The new organization will have its founding congress in November 2006 in Vienna. The ICFTU was set up in 1949 and has 241 affiliated organizations in 156 countries and territories on all five continents, with a membership of 155 million, 40 per cent of whom are women. It has three regional organizations and maintains close links with the European Trade Union Confederation (ETUC), the Trade Union Advisory Committee to the OECD and Global Union Federations, which link together national unions from a particular trade or industry at international level. The World Confederation of Labour (WCL), set up in 1921, is an international trade union confederation uniting autonomous and democratic trade unions from 116 countries all over the world. Its head office is located in Brussels, Belgium, and it has over 26 million members, mainly from Third World countries. The last years have been marked by the affiliation of several African and Central and Eastern European organizations.

## 2005 – The year that was

2005 saw a number of important moments for globalization, its proponents, opponents and those interested in making it work for the people. The European Union saw the defeat of the constitutional referendum in France and the Netherlands, probably more as a result of people's fears about globalization than the document itself. The Central American Free Trade Agreement barely made it through the US Congress

showing clearly that the American Right's agenda for free trade is becoming increasingly hard to sell to the US public. These developments present an opportunity for trade unions to showcase an alternative vision for how the power of trade could be harnessed to the benefit, not the detriment, of the world's workers.

The year also saw an unprecedented number of bi-lateral agreements negotiated, with the low expectations of the Doha Round seeing countries scrambling to make deals which would give them access to strategic markets. This trend towards bilateral and regional agreements has in fact weakened the WTO's position as the main arbiter of world trade rules. It is in fact the lack of agreements within the WTO that has led to this. Again, this may seem like a welcome development but in fact bilateral agreements can have an even more negative effect, as powerful countries are able to use their strength even more than in a WTO context.

The Global Call to Action Against Poverty (GCAP) brought together an unprecedented number of campaigners worldwide united in calling on the world's leaders to address poverty through real and meaningful measures. GCAP's last mobilization for 2005, just days before the WTO Ministerial Conference started, left no government in the world ignorant of the united demand of 30 million people – that the WTO must deliver trade justice.

It may seem that neither those protesting outside nor those advocating inside had achieved much, but looking around at the thousands of people who were lobbying, debating and protesting one got the sense that progress has been made since Seattle where trade talks collapsed in 1999. Through years of combined efforts on the part of many, the WTO and the governments within it have had to begrudgingly admit that trade unions and civil society in general have a role to play in the trade debate. The challenge for the next WTO round is to make them listen, then act.

## Trade and decent work – A contradiction in terms?

The readers of this publication are no strangers to the concept of decent work. Of all the fronts the trade union movement wages the battle for decent work on, trade is the most complex and hardest to achieve. It is not only because international trade today is a complex web of national legislation, WTO rules, bilateral agreements, intra-firm trade by multinational corporations and so-called Corporate Social Responsibility initiatives – it is also the contradictions and debates within the trade union movement itself and within the broader movement for social justice that make the task of making trade a tool for decent work all the more difficult.

On the one hand, within the broader movement there is consensus around a number of key issues. It is clear that arbitrary trade liberalization unaccompanied by sound social policies is not benefiting the majority of people. We know that in the race to attract foreign direct investment a number of countries have set up so-called Export Processing Zones (EPZs) on the basis of tax exemptions and other special privileges. One of those privileges is the exemption from the protection of national labour legislation, either in law or in practice, for workers in the EPZs. Only few countries have an explicit and legislated exemption from such laws, but more often than not labour legislation is not enforced in EPZs.

According to Marcelina Garcia, General Secretary of the Sindicato de Costureras y Modistas (garment workers' union), from Nicaragua, "The blacklists are one of the biggest problems we [unions] face. The employers have private offices through which they operate to find out who is unionized and who is trying to organize a union. That's how the blacklists are circulated. When people come looking for work, the employers enter their name into a database which tells them whether the person has ever been a trade unionist or affiliated to a trade union. They share all this information with each other. This is how they are

able to wage anti-union campaigns against workers belonging to a union.”<sup>1</sup>

Such tactics are not just restricted to EPZs – they can be found wherever companies which demand even lower manufacturing prices operate. One could argue that much of coastal China itself is one giant EPZ. Whilst labour laws exist, they are blatantly flouted and of course without the right to join a union of their choice or the right to bargain collectively, Chinese workers are left at the mercy of these companies.

And whilst statisticians may quibble over the extent of the unemployment caused by the end of the Agreement on Textiles and Clothing in January 2005, for some of the world’s poor countries such as Lesotho and Kenya the impact was immediate and devastating (see article by Neil Kearney on page 21). If a workers’ rights clause as advocated by trade unions had existed, the pain and suffering caused by the end of the quotas could have been avoided.

Whilst being able to estimate how much consumers would benefit from the liberalization of the clothing and textiles market, the WTO never sought to predict how many jobs would be lost or what strain workers’ conditions would be placed under due to the process – despite the urgings of trade unions no employment impact studies were ever conducted. This unwillingness to consider the effects of its policies is akin to operating in the dark, and cannot form a sound basis for economic development.

### Decent work and “protectionism”

When the trade union movement attempted to campaign for a social clause in trade agreements at the WTO in the 1990s, it was met with much resistance from certain hard-line developing country governments which argued that it was simply a protectionist mechanism aimed at protecting industrialized countries against the competition of poorer countries with cheaper labour costs. Some development NGOs also agreed with this analysis.

However, such governments and NGOs never came up with an alternative proposal to address the increasingly negative links between globalization and the violation of basic workers’ rights over the past twenty or thirty years, which puts into question the genuineness of their concerns. The idea of a workers’ rights clause is to prevent such exploitation arising from world trade by ensuring that fundamental workers’ rights, embodied in the ILO Declaration on Fundamental Principles and Rights at Work, become an integral part of trade agreements. This would require close cooperation on implementation between the WTO and the ILO. A workers’ rights clause could make it easier for workers to form unions. It would ensure that all governments took serious measures to tackle the abuses of basic workers’ rights. It would provide a partial counterweight to the negative pressures on good labour conditions in the global economy and could influence the behaviour of corporations.

The international trade union movement has always been internationalist in its perspective. Trade unions at the national level have attempted to do what is best for their members. It has consistently been argued that a trading system that arbitrarily liberalizes national markets without a thought for its workers is not a benefit to anyone but multinational corporations. Workers’ rights are universal and it does not matter whether one works in an EPZ in the Philippines or a call centre in the United Kingdom – the right to be treated with dignity, to join a union of one’s choice and to work free from slavery and discrimination should apply to all.

It is worth noting that when core labour standards are spoken about, the most basic of rights are referred to – the right to work free of slavery, child labour, discrimination; the right to belong to a union of one’s choice and collectively bargain with one’s employer and the right to pay equity. The great irony is that unlike WTO rules, which are enforceable through the international mechanism of a tribunal for

trade settlements that includes possible sanctions, ILO core labour standards are not linked to possible sanctions in case of abuses.

With the accession of China to the WTO the inter-relationship between the way workers are treated in one country and another has become even starker. China's large and oppressed workforce is able to produce goods faster and cheaper than most other countries on earth. Hence the threat of off-shoring and capital flight has become a reality for even many of the world's poorest and least developed countries, not just for industrialized and developed ones. It is a great condemnation of our times that a worker who earns 39 cents an hour in the Bangladeshi apparel industry is being asked to work for even less so that s/he can compete with a worker in China who earns 68 cents an hour. This brings new meaning to the phrase the race to the bottom.

### **Many words, little action – the outcomes from Hong Kong**

The outcome from the Hong Kong Ministerial Conference was enough to create the appearance that the Doha Round was on track, despite the fact that very little detail appeared in the final text. Moreover, whilst some of the worst aspects of the proposals that were floated in and before the Hong Kong Ministerial Conference were blocked, a number of commitments were made that should be of grave concern for workers worldwide.

With regards to agriculture, the most controversial of all subjects and the one most closely watched by civil society, an end date was set for the elimination of all export subsidies by 2013, although the date of 2013 can hardly be called an "early" end date. Eliminating export subsidies has been one of the key issues in the Doha Round, as these subsidies have contributed to dumping of agricultural products in developing countries' markets and to lower world market prices for agricultural products.

There was also agreement that all forms of export subsidies for cotton are to be eliminated by developed countries in 2006, and that they would give duty and quota free access for cotton exports from least-developed countries (LDCs) from the start of the implementation period at the end of the Round. Trade distorting domestic subsidies for cotton production should be reduced more ambitiously than under the general agriculture negotiations, and the agreement on cotton should be implemented over a shorter period of time than generally applicable. Although agreement was reached on these cotton issues, there was disappointment over the fact that no concrete dates were included for the reduction of domestic support, given that domestic support in cotton has much more significant negative effects for small cotton producers than export subsidies.

Cotton has been a key issue since the WTO Ministerial Conference in Cancún, where it was put on the agenda by a number of cotton producing African countries, although little progress was made before the Hong Kong Conference. In particular, the US has been criticized for its export subsidies and domestic support that have harmed poor African cotton producers. Much pressure was put on the US in Hong Kong to come forward with some commitments. The results are rather limited and have enabled the US administration to refrain from politically costly decisions with regard to cuts in domestic support whilst claiming to have given ground. The cotton dossier has shown how negative the impact of export subsidies and domestic support can be for small farmers in developing countries, and so has become the prism through which the effectiveness of the Doha Round will be judged.

Since the start of the Round, the negotiations on NAMA (Non-Agricultural Market Access) have always been very ambitious, aiming for steep tariff cuts. During the negotiations in July 2004 there was much pressure on countries to adopt a non-linear "Swiss formula", which would reduce high tariff rates much more steeply

than low tariffs and lead to harmonization of tariffs. Since industrialized countries already have low tariff rates in most sectors, this would hurt developing countries the most, although the impact would be felt throughout the world.

Despite trade union opposition, the Swiss formula was adopted and all attention has now turned to the detail of how it will be implemented, including how much flexibility countries will have. First, unions will need to be active in supporting development interests in these areas over the coming months. The argument is for developing countries to be given the required tools to protect industries strategically important for their economies.

Second, trade unions will have to further emphasize the importance of employment impact analyses, both with regard to NAMA and generally. No such assessment was presented before the decisions on NAMA were taken. The fear is that without a proper safety net the same crisis that has engulfed the global textile and clothing industry could occur in other manufacturing sectors.

The third important part of the current WTO round is the negotiations on services.

Unions had called for countries to be able to maintain their ability to choose whether or not to liberalize their services, and the language in the final proposal was watered down to make this slightly more possible, however, once again the devil will be in the detail.

There was no progress concerning union demands for vital public services such as water and health to be excluded from the GATS (for more on GATS see the article by Fred van Leeuwen in this edition). Of particular concern in the current GATS negotiations are the so-called Mode 4 discussions which concern the movement of people. The fact that the WTO sees fit to regulate the movement of people in the same way it regulates goods is disturbing. However some developing countries, in particular India, hope to negotiate through Mode 4 access for their workers to jobs in the industrialized world, despite

the precarious employment situation those workers would find themselves in. This is one example where the demands of some developing country governments do not always coincide with those of the trade union movement, because trade unions give priority to ensuring that migrant workers have the same rights and access to the same social services as domestic workers.

A number of other issues made little but mostly no progress. Days before the Ministerial there was agreement reached that the current exemption from patent rules for retroviral drugs under the TRIPS agreement would be extended. On the question of so-called “policy coherence” or put simply the idea that the WTO, the Bretton Woods Institutions (IMF and World Bank) and the UN agencies should coordinate their policies and programmes, only baby steps were taken. The Hong Kong Declaration welcomes further and enhanced cooperation with the Bretton Woods institutions (IMF and World Bank). It further states: “We agree to continue building on that experience and expand the debate on international trade and development policymaking and inter-agency cooperation with the participation of relevant UN agencies.” Whilst not naming the ILO as one of those institutions, this statement at least presents an opening for further work.

As noted in the section under NAMA above, no specific progress was made on the issue of employment impact assessments, nor on the inclusion of employment and labour standards issues in WTO mechanisms such as its trade policy reviews (TPRs) (although neither were TPRs on the agenda for the Hong Kong Ministerial Conference).

### The way forward – Taking advantage of the political landscape

Clearly, the developmental dimension of this “development round” remains somewhat hypothetical, as shown by the continuing emphasis by WTO members on

trade liberalization without any proper assessment of its impacts on employment levels, decent work, development and labour standards.

The international trade union movement will keep arguing for the best possible outcome from the negotiations regarding the issues outlined above. The short time frames that are assigned to each of the sectors are concerning as they may lead to extra pressure being placed on developing countries to give ground on their concerns. The fact that many of the most powerful players have publicly stated that they will directly link any concessions on agriculture to gaining access under services or NAMA, even in a round that is explicitly meant to benefit developing countries, is like taking with one hand and giving with another. The extent of the trade off developing countries will have to make will depend on the public and private pressure trade unions and the rest of civil society are able to place on the negotiators in the first six months of 2006.

There is, however, a need to think beyond the conclusion of this Round. As noted earlier, there are a number of factors that make the conditions for a concerted push for the inclusion of a decent work agenda in the next round of negotiations favourable. A number of things have changed since the first Ministerial Conference in Singapore (December 1996) that give us hope that social and employment issues, in a different format, can be revived and hopefully with greater success.

During the Doha Round, the international trade union movement has proved itself more than capable of integrating its pro-development and pro-worker agendas. For us, a pro-development agenda is just as much about providing workers in poor countries with sustainable quality jobs as it is about opening up markets to industrialized countries. Trade policy should be a means and not an end itself and the WTO should do well to remember this. Trade is just one of the many instruments governments and global institutions have to alleviate poverty and must always be looked at through the prism of whether

or not it delivers sustainable livelihoods to people everywhere.

The political landscape in which the WTO operates has changed substantially and advantage must be taken of this. The WTO has an image problem and it knows that after a decade of furious liberalization of markets, the world is still waiting for proof that anyone has benefited apart from multinationals and elites. It was evident in Hong Kong (where it seemed the media were better briefed on the status of negotiations than most negotiators) that the WTO has learnt it must make itself more popular in the public's mind. But simply churning out more spin will not solve the WTO's popularity crisis – people throughout the world who have felt the effects of neo-liberal policies know very well the difference between the rhetoric that accompanies WTO's policies and its effect on their lives.

It's not just the public spin, but the internal workings of the WTO have also changed substantially since Seattle. A number of developing country governments have grouped together in the G-20 to resist some of the pressure being placed on them by more powerful countries. Although some predicted that the longevity of such an alliance would be short-lived, the evidence from Hong Kong is that many have learnt the importance of sticking together.

Whilst this development is encouraging, it must also be remembered that not all developing countries are the same (for example, the interests of the least-developed countries are not the same as those pursued by India and Brazil), nor will the interests of workers always be aligned with those being pursued by developing country governments. Just like some of their industrialized counterparts, some developing country governments are not well disposed to the operation of free trade unions and other democratic institutions. Trade unions must learn to form alliances with organizations, governments and institutions whose interests they share, whilst holding on to the fundamental principles the trade union movement stands for.

It has become a cliché to argue that China's debut onto the world trade stage through its accession to the WTO in 2001 has changed the economic and political landscape dramatically. In a way however, it provides the single clearest example of exactly what those arguing that the suppression of workers' rights cannot be treated as a competitive advantage are talking about. The struggle for workers' rights in China is hence a concern for all.

At a practical level of the WTO, the international trade union movement must keep campaigning for employment impact assessments, policy coherence and the inclusion of the ILO principles in WTO deliberations, the inclusion of decent work (including workers' rights) in the WTO and a number of other measures. Someone once made the observation that the WTO and the Bretton Woods institutions go about wreaking havoc on people's lives and the UN agencies go around attempting to mop it up. Policy coherence may sound like a buzz word, but it seems rather self-evident that global institutions charged with similar mandates should work together to ensure their policies do not contradict each other. Similarly, the voice of a tripartite organization such as the ILO, which has over 80 years of experience in dealing with labour issues, must be heard in any trade deliberations, given the clear linkage between trade and impact on workers' rights.

## Conclusion

At the end of the day, however, the inclusion of all these mechanisms in trade agreements is no guarantee that they will be observed or that people's lives will be improved. For any improvements that may be achieved at the institutional level, it is only through strong, consistent and informed campaigns at the national level that trade justice can be achieved.

Work should be done with the allies, whether they be political parties or NGOs, to convince them of the principles underpinning the strategy for ensuring that trade is used as a tool to bring about decent work and thus sustainable development.

In this, the trade union movement has work to do in convincing not just decision makers and allies, but its own members too. It must be ensured that members of ICTU and WCL are not scared of globalization by providing a coherent plan for how it could be alternatively developed. The fact that the fate of a worker in an industrialized country is now more than ever intimately linked to the fate of the workers in an EPZ on the other side of the world provides the opportunity to really practice what is preached – global solidarity.

## Note

<sup>1</sup> "Unions join forces to organise the maquila", Spotlight interview with Marcelina Garcia – (Nicaragua-FESTMIT/MLSM), <http://www.icftu.org/displaydocument.asp?Index=991223497&Language=EN>





