Global Labor Standards—
What the ILO is Doing—Building Capacity-Changing Worker-Management Relations through Targeted Training

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Having matured in an era of strong state economies and national industrial relations systems, the International Labor Organization (ILO) has faced a considerable challenge in adapting to the era of globalization. Remarkably, the ILO has remained a relevant and important global organization, which is contributing to the upgrading of labor standards through a combination of defining global norms and pursuing local implementation. While there is scope to argue that the ILO’s influence on global working conditions has not been extensive enough, its recent initiatives involving monitoring and capacity building in developing countries with severe labor problems are promising. These initiatives are premised on strategic partnering between public and private, local and global actors to upgrade global working conditions.

The ILO and Global Labor Standards
Approaches to regulating labor have fundamentally changed as a result of globalization. National governments are no longer the only nexus of labor standards and regulation. Globalization has spurred a downgrading of labor regulation set at the national level in favor of competition on the costs of production. For developing country governments, entry into a global economy that is governed by the rules of competition, has encouraged them to “race to the bottom” through deregulation or minimal enforcement of labor laws on the books. In the process, at the same time that employment is growing in many countries, the capacity of governments to uphold labor standards has remained stagnant or even weakened.

The role of business in labor regulation has also changed. While transnational corporations (TNCs) have taken advantage of weak regulations to achieve lower operating costs, they have also experienced some downsides. Activists and consumers have raised serious concerns about the poor conditions of workers in several industries and countries, and this has in turn damaged corporate reputation. TNCs have mainly responded by implementing voluntary codes of conduct within their core operations and supply chains. This form of self-regulation of labor has been problematic from all perspectives. Private codes of conduct tend to be unrepresentative of workers involved and thus difficult to implement widely. Most codes are limited in their scope, mainly focusing on technical health and safety issues, and the elimination of the most egregious forms of child and forced labor. Rarely do these codes include a vital component of labor rights, freedom of association. From the perspective of the corporation, it is
and has been designed with the competitiveness of the sector in mind. The ILO monitors factories for compliance with the CLS and Cambodian labor laws, and works with factories to improve on these standards through remediation. It collates and discloses information on participating factories, which both spurs compliance and provides information to potential buyers. Crucially, the program is supported by the Cambodian government, which has introduced a law that makes participation in the ILO program a condition of export licenses.

A second component of the Better Factories Program is capacity building with the aim of continuous improvement. Extensive training and support is provided to monitors, who are mostly local citizens and include members of the government labor inspectorate. One objective is thus to build government capacity to conduct its own monitoring after the ILO project ends. Training is also provided to managers and workers, with an emphasis on the link between improving productivity and upgrading working conditions, health and safety, and facilitating workplace cooperation.

The Factory Improvement Program (FIP), which the ILO has introduced in several countries (Vietnam, Sri Lanka, and Jordan among them), builds on the experience of Better Factories, but is focused primarily on factory level training and consulting. Again, the emphasis is on the ways that adherence to labor standards can lead to improvements in productivity and quality, which impact competitiveness. The main themes in the yearlong targeted training and consultation program are: joint problem solving; workplace communication and cooperation; systems-based approaches to improvement and measurement for continuous improvement. The training is offered to managers as well as workers, and is supported through weekly visits to participating factories to put into practice the tools being taught.

**ILO Programs in the Twenty-First Century**

Critics of the ILO argue that the shift to the CLS in the 1988 Declaration fundamentally downgraded other areas of concern to workers embodied in the Conventions and weakened the ILO’s enforcement abilities and overall impact on global labor conditions. Others argue, on the contrary, that the shift was a necessary adaptation to a global labor standard regime that was already coming to fruition as a consequence of globalization. Articulation of the CLS has influenced businesses to keep labor standards on their agenda and has provided a necessary underpinning to otherwise variable codes and standards. Recent ILO initiatives illustrate how the voluntary implementation approach in the CLS can work. The Better Factories Cambodia1 and Factory Improvement Programs focus on overcoming some of the challenges of private regulation of labor standards. Critically, these programs have extended the ILO’s role from conventions to the active implementation of them on the ground.

The ILO’s foray into its new role began with a project designed to support a bilateral trade agreement on textiles and apparel between the United States and Cambodia. In the 1999 agreement, the United States agreed to guarantee a minimal amount of imports from Cambodia with annual increases in exchange for demonstrated improvement in working conditions in Cambodian factories. The role of the ILO was to measure and monitor working conditions in this sector, as well to build capacity among local actors, including government officials, to make these improvements self-sustaining beyond the trade agreement. This later component of the project anticipated the end of the Multi-Fiber Agreement, which included all quotas on textile and apparel imports at which point Cambodia would be competing freely for a share of the market.

Better Factories Cambodia has evolved into a monitoring and capacity building program with multiple facets. The program involves the entire garment sector and costly and complicated to monitor these codes across countries and throughout complex supply chains. A variety of solutions to this problem have been tried, including partnering with NGOs, multi-stakeholder initiatives, and private third party monitors, but the complications remain.

In response to this evolution of the global labor regime, the ILO has also evolved. As an intergovernmental agency, the ILO’s approach to labor regulation was traditionally based on the establishment of conventions, which were ratified voluntarily by member states. By 2006, there were 187 conventions covering all areas of working conditions and standards. At the point of ratification these conventions became binding treaties the adherence to which was monitored by the ILO. As globalization unfolded, this regime became less effective as governments moved away from labor regulation and as developing country governments particularly became concerned about over-regulating at the cost of losing competitiveness. In 1988 at its 86th Congress, the ILO radically shifted its approach with the adoption of the “Declaration on Fundamental Principles and Rights at Work.” Its new approach defines four “core labor standards” (CLS) that apply to all member states, but are no longer binding. The core standards cover key areas for the ILO: freedom of association, child labor, forced labor, and discrimination. This shift was intended to focus firms and governments on the core issues of concern to the ILO and to move away from private initiatives that honed in on more technical matters. At the same time, the CLS would rely on voluntary implementation and hence on the participation of private actors.
What Improvements Have Been Made?

The ILO programs have resulted in some notable improvements in the factories involved. Progress in the Better Factories Program is reported in bi-annual Syntheses Reports. The findings in these reports suggest that since the original trade agreement in 1999 forced labor has been mostly eliminated and child labor and sexual discrimination dramatically reduced. Recent reports have noted high levels of compliance on regular and overtime wages, and mandated leave. Unions have been allowed in 79 percent of factories inspected and the number of strikes in the last two years has decreased. A look at reports over time shows growing implementation of ILO suggestions. It is clear that problems remain, however, in the areas of forced overtime, health and safety, and worker organization. A further limitation of the program appears to be in its ability to bring in the public sector effectively. Among many challenges, corruption and low pay to civil servants have posed obstacles to handing over monitoring functions to government officials. Cambodia is a country emerging from many years of devastating civil conflict that deeply damaged social and political institutions. Gains from the Better Factories Program need to be seen in this light, with the expectation the profound change will take many years to take root. At the same time, if government participation in the program is low, its sustainability is highly questionable.

For garment producers in Cambodia the program has been positive overall. This sector has been pressured by the removal of guaranteed quotas after the end of the Multi-Fiber Agreement, the gradual removal of safeguards against a total shift to importing from China, and the general slowdown in economies with which Cambodia primarily trades. In spite of these pressures, the sector has grown. The aggregate value of exports in this sector increased 21 percent in 2006 and 13 percent in 2007 and employment has grown 18 percent in the past two years. This growth is attributable to the value that importing companies place on the guarantee of relative compliance to labor standards that the ILO program makes, and the ability of the Cambodian industry and government to capitalize on this effectively. The challenge going forward lies in retaining the commitment of global buyers. While they benefit from the positive reputation of production in Cambodia, pressures to reduce costs while retaining quality and rapid time to delivery could very well mitigate against continued commitment in Cambodia.

Some clear results of the FIP in other countries can also be noted. An independent evaluation of the pilot FIP in Vietnam summarized some of the gains. These included increased communication and cooperation between workers and managers who participate in FIP teams even after training has ceased as well as obvious improvements in working areas and enhanced worker safety. Also noted in the report were clear gains in the areas of productivity and quality: significant reductions in end-line product defects, reductions in overtime, lower raw material costs, and higher salaries to reflect higher productivity. A report on the FIP in Sri Lanka outlines similar gains, highlighting in particular the improved atmosphere between workers and employers.

What is most promising about the ILO’s new programs is that they recognize the real incentives of actors involved in regulating labor in the globalized economy and work within these incentive structures to promote improvements that benefit global workers.

Due to widespread poverty, many children in Cambodia have sought work in factories, often falsifying their documents, to help supplement their families incomes. The ILO has been working with governments, employers, and workers associations to help eliminate child labor from this industry. Under a special technical cooperation project, the ILO is monitoring factories that are producing products for export. In this way they can help eliminate child labor and provide those children who are working there with vocational training to better prepare them for their future. Photographer: Cassidy K. © ILO.
In these countries, some of the obstacles that exist in Cambodia are not present, making sustainable development more likely.

What is most promising about the ILO’s new programs is that they recognize the real incentives of actors involved in regulating labor in the globalized economy and work within these incentive structures to promote improvements that benefit global workers. TNCs are concerned for their reputation and hence, as in the case of Cambodia, value the implicit guarantee of some floor on labor standards that the ILO program provides. For TNCs, the involvement of the ILO and government in these programs is proving to be good value as the costs for any individual company of developing and monitoring labor standards can be unwieldy. Factories producing for the global market are concerned to retain competitiveness through low costs. ILO programs emphasize the cost savings of good labor practices as well as the competitive advantage of demonstrated good practice in this area. Governments also have an incentive to adopt and promote labor standards as a means of promoting national industries and avoiding social unrest.

A Strong Foundation Poised for Further Development

As the sole international organization dedicated to the condition of labor, the ILO has a vital role to play in improving the conditions of global workers. By its own estimation, this task is enormous. The 2008 ILO report on global employment found “no convincing evidence” that the rapid growth of cross border trade and capital flows since 1990 have improved employment conditions or reduced poverty in developing countries. On the contrary, there are still 486.7 million workers in the world who do not earn enough to raise themselves or their families above the $US1/day poverty rate. More than half of all workers in most developing countries and over 70 percent in some parts of South Asia and Sub-Saharan Africa find themselves in “vulnerable employment,” which is roughly defined as informal employment; employment that is not well paid, and that does not provide workers’ fundamental labor rights, a voice, and some job security.9 UNICEF estimates that 158 million children aged between five and 14 are engaged in child labor.10

The ILO has responded to changes in the global economic system and the challenges for labor by adapting its traditional regulatory regime from one based on strong states and nationally based industrial relations systems to a “standards” approach that relies on voluntary adherence to defined norms by private and public actors. Its twenty-first century programs have sought to legitimate this approach by bringing together relevant actors and attempting to bolster their participation in voluntary programs. The value of these programs lies in their recognition of the incentives and concerns of these actors and one vital contribution of the ILO is its ability to both present the big picture while providing expertise to address specific technical issues. While the gains thus far have been small, they are notable and provide a strong foundation for further development.

Notes

1. Initially, the program was called the ILO Garment Sector Working Conditions Improvement Project.
2. The names of factories are only disclosed after their second inspection, which gives bad performing factories an opportunity to redeem themselves before information on their performance is made public.
3. This facet of the program illustrates the vital role that governments still have in the new regime of global labor regulation. It introduces an aspect of “hard law,” but the role of government is different than in traditional nationally based labor regulation systems. The government is agreeing to conditions, but it not the primary drafter of labor laws nor does it enforce any specific regulation.

5. These reports can be found at http://www.betterfactories.org.