Covering Labor

A manual for reporter

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About this book

This book is one of a series written and edited by journalists and academics involved in the journalism training program of the Initiative for Policy Dialogue. Our journalism activities are aimed at helping reporters cover finance finance and economics, particularly in the developing world. IPD's journalism training programs give journalists the background information they need so that they can write about complicated economic stories and explain these topics to the public and to policy makers. We are publishing a series of books and manuals that provide indepth information on some of the critical topics of our time. For more information please see www.journalismtraining.net

We also organize seminars several times a year in different countries. Past events have included a two-day session in Jakarta on covering labor which was organized with the Pantau Foundation, an annual conference at Columbia University's Graduate School of Journalism on "Covering Globalization" and seminars on the effect that resource wealth has on development which we held in Nigeria, Azerbiajan, Kazakhstan and Mongolia Bator with the support of Revenue Watch. Funding for this book was provided by a Chairman's Grant from the Open Society Institute, the Ford Foundation and the Rockefeller Brothers Fund.

Our other publications for journalists include:

Covering Globalization: A Handbook for Reporters edited by Anya Schiffrin and Amer Bisat (Columbia University Press, 2004) is the first journalism textbook aimed at reporters who cover finance and economics in developing and transition countries. Written by economists from the Asian Development Bank and the International Monetary Fund as well as by journalists from Dow Jones, Financial Times, New York Times, Fortune and Reuters and with an introduction by Nobel Laureate Joseph E. Stiglitz, *Covering Globalization* has chapters on how to cover subjects such as banking and banking crises, pension reform, privatizations, trade agreements, central banks, the World Bank, sovereign debt restructuring, commodity markets, corporate governance, poverty eradication programs and the resource curse. Each chapter explains the basic economic principles and current thinking on a given topic and has tips for reporters about what to look for when covering the subject as well as links for more information. Available in English, Mandarin, Serbian and Vietnamese. Spanish, Arabic and French translations are forthcoming. To order copies, please see www.journalismtraining.net

Business and Economic Reporting: Covering Companies, Financial Markets and the Broader Economy written by Anya Schiffrin, Jane Folpe and Margey Freaney This 55-page manual is the perfect introduction for reporters who are interested in covering business and economics. The manual explains the basics of writing about companies, commodities, markets and macroeconomics and explains what types of stories are considered newsworthy, how to structure spot news and market comments, what elements are essential to business and economic stories, how to use the internet to get information and what questions to ask. Available in Arabic, English, Mongolian and Vietnamese. To order copies in Arabic and English please see http: icfj.org/publications.

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About the Initiative for Policy Dialogue

Nobel laureate economist Joseph E. Stiglitz founded the **Initiative for Policy Dialogue** (IPD) in July 2000 to help developing countries explore policy alternatives and enable wider civic participation in economic policymaking. All economic policies entail tradeoffs that benefit some groups more than others. Yet instead of exploring the full range of economics solutions, the international debate has often centered on a narrow range of policy alternatives. IPD represents a positive response to these concerns. IPD economists analyze the trade-offs associated with different policies and offers serious economic alternatives, while allowing the choice of policy to be made by the country's political process. IPD is a global network of more than 200 leading economists, political scientists and practitioners from the North and South with diverse backgrounds and views. The initiative is housed at Columbia University in New York City and organizes conferences and meetings on a variety of economic subjects.

The Initiative for Policy Dialogue (IPD) brings together the top voices in development to address some of the most pressing and controversial debates in economic policy today. The IPD book series approaches topics such as capital market liberalization, macroeconomics, environmental economics, and trade policy from a balanced perspective, presenting alternatives and analyzing their consequences on the basis of the best available research. Written in a language accessible to policymakers and civil society, this series will rekindle the debate on economic policy and facilitate a more democratic discussion of development around the world. Forthcoming books include *Fair Trade for All* (Oxford University Press, December 2005), *Economic Development and Environmental Sustainability: New Policy Options* (Oxford University Press, August 2006), and *Stability with Growth* (Oxford University Press, Fall 2006).

For more information please see www.policydialogue.org
To be added to IPD's mailing list, please contact eoneil@cceia.org

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Foreword

By Zohreh Tabatabai

To paraphrase Thomas Carlyle, the Scottish historian, a person willing to work and unable to find work "is perhaps the saddest sight that fortune's inequality exhibits under the sun." Carlyle wrote that in 1839, and it is still true today. International Labor Organization (ILO) Director-General Juan Somavia says, "Decent work, not just any work, is an indispensable ingredient of human dignity. It is also vital for helping to reduce poverty and building longer term prosperity, democracy, respect for human rights and freedom."

"Social justice is the best way to ensure sustainable peace and eradicate poverty," he adds. "Globalization must be fair and create opportunities for all. Decent work has a role to play in reaching this goal."

The kind of work people have – or don't have – is a prism through which people judge their politicians, their societies and the global economy. The expansion of opportunities for decent employment is critical if globalization is to work for everyone.

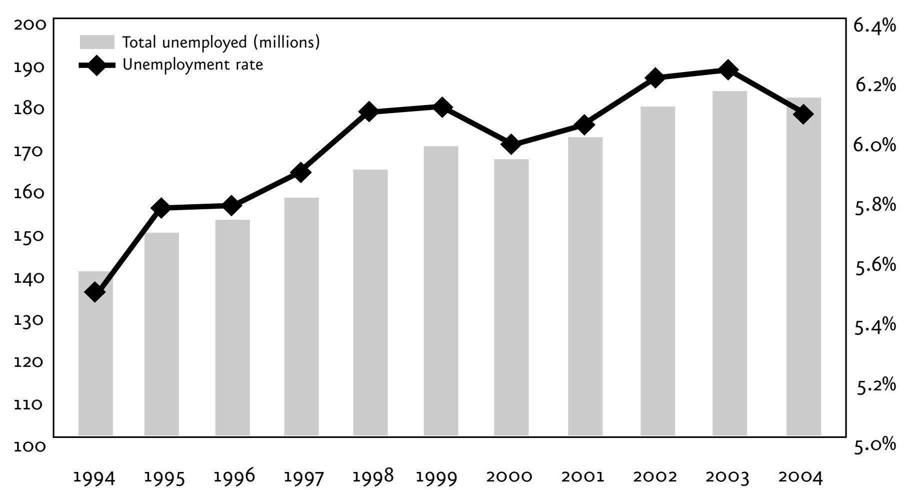
The World Commission on the Social Dimension of Globalization, launched by the ILO and comprising a group of 26 eminent personalities of divergent worldviews, urged that decent work be made a global objective because what happens to people as workers determines, for most, whether they benefit or suffer from globalization. The group's report emphasized that globalization can only be fair when it increases work opportunities for all while creating progressively better jobs. To achieve this, employment must be a direct policy objective, and employment policy must be linked to a range of other policies, not least those dealing with trade, investment and enterprise development.

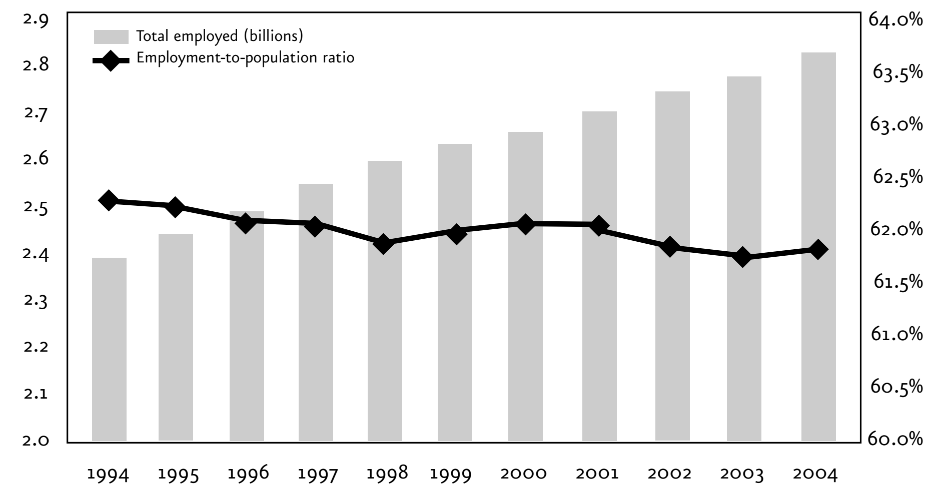
The gap between rich and poor countries has widened, as has the divide between rich and poor people within some nations. For example, half of the world's workers and their families, or about three billion people, live on or below the $2-per-day poverty line despite the creation of fantastic global wealth in recent decades. More people in sub-Saharan Africa and Latin America lived in poverty at the end of the 1990s than at the beginning of that decade.

Failure to generate sufficient jobs of decent quality has resulted in the growth of an informal economy where people are working hard just to survive. Even in the formal economy, rapid change in business and economic conditions often brings uncertainty and insecurity to workers and enterprises because growth is not accompanied by adequate social supports. This is the case in both developed and developing nations.

For the first time, humankind has the knowledge and technologies required to bring greater prosperity, health and security to ordinary people wherever they live. Yet despite the wealth being created, many countries and people are seeing few or no benefits.

Global unemployment and employment trends, 1994-2004





Source: ILO, Global Employment Trends Model, 2005; see also Technical Note in ILO, Global Employment Trends (Geneva, 2004).[2]
In 2004, for the second time in a decade the total number of unemployed people in the world decreased and the long lasting decline in employment-to-population ratios came to a halt.

With global unemployment at historically high levels, there has never been a greater need to put employment at the center of economic and social policies. The large numbers of working poor – and of those working under unacceptable conditions, jeopardizing their safety and health — underscore the need to give the highest priority to the expansion of opportunities for productive and decent jobs, and to hold companies and governments accountable for securing workers' rights.

As journalists, you play a critical role in that process. Your work profoundly affects public perception, even shaping the terms of debate, and is, very often, the catalyst for change. The world of work offers journalists many possibilities for professional satisfaction because it tells the story of people's everyday lives, illuminating their perceptions about their societies and their governments. No matter where they live or what they do, women and men see work as a measure of the success or failure of governance, whether local, national or global.

Labor Rights: A Recent History

By Lance Compa

Workers' demands for decent job conditions have always been linked to broader struggles for freedom and full, equal participation in a nation's social and political life. Though it's not widely known, it was not coincidental that both Mahatma Gandhi and Nelson Mandela began their working lives as labor lawyers defending workers and trade unionists and advocating for fair labor standards. In Mandela's famous 1953 "No Easy Road to Freedom" speech, he declared that "every genuine Congressite" – supporter of Mandela's African National Congress – "should fight unreservedly for...the realization of the principle that everyone has the right to form and join unions for the protection of his interests." That speech and others reflected his belief that labor standards and workers' rights were integral to liberation.

Workers' movements and allied social groups formed trade unions and labor parties in the late 19th and early 20th centuries. They won the first victories for labor standards, like the ten-hour day in Britain and social security in Germany. Such progress was not limited to Europe. Mexico's revolutionary movement achieved the world's first "social charter" in the Constitution of 1917, which gave workers the right to organize, to bargain and to strike; the eight-hour day, a living wage, equal pay for equal work, an end to child labor, workers' compensation for injuries, paid maternity leave and other workplace protections.

In the mid-20th century, center-left political alliances achieved national legislation setting extensive labor standards in many countries, developed and developing alike. These included minimum wages, limits on working hours, workers' compensation, prohibitions on child labor, "just cause" requirements for dismissal, workplace health and safety rules, protection of workers' organizing and bargaining rights, paid vacations and holidays, and other features of a modern, democratic labor regime. Later, most nations adopted new laws aimed at halting discrimination in the workplace based on race, gender, religion, ethnicity, age, and other protected categories.

As in South Africa, workers' organizations were at the forefront of anti-imperialist movements that brought national liberation to many countries after the Second World War. Demands for trade union rights and new, higher labor standards, often accompanied by strikes, were integral to struggles against colonial powers. The resistance to apartheid in South Africa took longer to achieve its goals. But trade unions were always central in the anti-apartheid movement. Many union leaders became government officials and made advanced labor standards legislation, as well as economic and social rights in the new constitution, priorities for a free South Africa.

Labor Standards in the National Context

Until recently, adopting and enforcing labor standards were the responsibilities of governments in rigidly national settings (as well as in federal states and sub-national arenas alike). National, state and provincial institutions provided the political space for workers, unions, and allied groups to act effectively to achieve higher labor standards. They could elect executives and legislators responsive to their demands. They could mobilize against proposals to roll back workers' gains.

Within these national settings, countries established a social "floor" of basic labor standards. They prohibited private parties, as well as sub-national jurisdictions like states and provinces, to gain competitive advantage or to poach jobs and investment by undercutting those standards. Trade unions' traditional collective bargaining demand to "take wages out of competition" extended to a broader social sphere excluding labor standards, or at least basic minimum standards, from the realm of competition. Firms and sub-national jurisdictions could provide *higher* standards if they chose. Firms could pay wages above the minimum wage. States and provinces could set minimum wage levels higher than the national minimum. But they could not undercut established national minimum wages.

Average annual rates of growth in the labor force, 1990-2001

• The Asian countries, except for Japan, recorded higher labor force growth rates than the U.S.

• U.S. labor force growth outpaced that of 9 of the 12 European countries; European labor force growth was strongest in Ireland, followed by the Netherlands.

Country	Percent
U.S.	1.1
Australia	1.4
Japan	0.5
Korea	1.6
New Zealand	1.7
Singapore	3.2
Austria	0.9
Denmark	-0.1
France	0.7
Germany	0.2
Ireland	2.7
Italy	0.3
Netherlands	2.0
Norway	1.0
Portugal	0.5
Spain	1.3
Sweden	-0.1
U.K.	0.3

Note: 1991-2001 for Singapore and Germany.

Of course, firms and jurisdictions do still compete by lowering labor standards. Labor standards enforcement is difficult in many countries, and not just because of their level of development. Sweatshops, child labor, and violations of workers' organizing rights are still common problems in the United States, for example. However, the principle established by the existence of labor standards at the national level is clear: within that country, firms and governments should compete on a "high road" respecting basic labor standards and workers' rights, not a "low road" of worker exploitation and abuse. One of the challenges, in an age of globalization, is to apply this principle to the international economic and human rights arena.

From Import Substitution to Export-Led Development

For much of the twentieth century, workers, employers, and societies in both developed and developing countries benefited from labor standards established at national and local levels. Advocates of better labor conditions could achieve their goals as long as countries' economies were mainly national in scope and internal markets continued to grow. Nurturing national industries to serve the domestic market and protecting them against foreign competition brought growth in jobs and wages in many developing countries during what was called the ISI (import substitution industrialization) period. Indeed, this was precisely the growth strategy of the United States and many European countries, which during their periods of rapid growth in the nineteenth century enjoyed the shelter of high protectionist walls.

In the late twentieth century, two powerful forces converged to break up nationally based economic models that had previously upheld high labor standards. The first was the large-scale shift from the ISI model to export-led development. Many developing countries were really too poor or their internal markets too small to sustain growth through ISI alone. They had to look outward, to attract foreign investment to their countries, and find export markets for their products. The famed "Asian Tigers" were the first to move in this direction – Hong Kong, Singapore, Taiwan and South Korea. They concentrated on developing export markets – but did *not* open up their domestic markets to imports (contrary to the claims of neo-liberal ideologues who attribute the Asian Tigers' growth to free market policies).

This "export-led industrialization" model supplanted the ISI model as the main growth strategy for developing countries around the world in the late twentieth century. Many countries created Export Processing Zones (EPZs, or *maquiladoras* in Mexico and *maquilas* in the rest of Latin America) to facilitate export production to developed country markets. EPZ factories perform low-wage, low-skill final assembly tasks, usually by young female workers. Toy, garment, footwear and light electronic production are typical in EPZs. They stimulate little additional economic activity within the developing country, and do not benefit that country's consumers. The centerpiece of many governments' development strategies, EPZs were sites for what some call "tourism" production, where goods with most of their high value already added in developed countries come for fast, low-value final assembly. The goods then go right back where they came from. One of the particularly troubling aspects of EPZs is that they are often exempt from national labor laws – or any meaningful labor standards — enabling "low-road" competition and inhumane work conditions.

The "Washington Consensus"

A second major force affecting labor standards achieved by working people in many countries was the push for neo-liberal globalization that marked the late twentieth century international economy. Both proponents and critics often referred to this ideological and policy offensive as the "Washington Consensus" because it took shape around a set of dogmatic free-market policies promoted by Washington-based international financial institutions such as the World Bank and the International Monetary Fund, as well as by the U.S. government.

Washington Consensus policies began with liberalizing trade and investment, forcing developing countries to remove any limits or conditions on imports or investment from developed countries' corporations. The Washington Consensus also meant privatizing state and quasi-state enterprises like banks, power companies, telephone companies, and other utilities, which resulted in massive layoffs. It entailed drastic reductions in public employment and cuts in public services. In the labor standards arena, it meant making labor laws more "flexible" in order to give employers more power to cut wages, to dismiss employees, and to reduce unions' bargaining strength.

The Washington Consensus also forced developing countries to open up their own markets to imports from industrialized countries, often with devastating effects on local producers. These policies deprived most countries of the "first movers'" advantage enjoyed by the celebrated "Asian Tigers."

The result of Washington Consensus policies was enormous downward pressure on labor standards in both developed and developing countries. Taking advantage of new opportunities to exploit workers in developing countries, many multinational firms closed worksites in developed countries and shifted production abroad. Union members in manufacturing sectors were disproportionately affected by such production shifts, which have dramatically curbed unions' membership growth and weakened them politically. Even where firms did not move, they used the threat of moving offshore to pressure workers, trade unions and governments to accept lower wages, benefits and labor standards.

According to a 2004 survey, the average operator labor cost per hour for primary textile workers in the U.S. and Germany are $15.78 and $27.69, respectively. Compare those figures with the average in costal Mainland China, Indonesia and Thailand—$0.76, $0.55 and $1.29. When European or North American employers shift production to those countries, they can dramatically cut the labor cost of the product. By shipping out work to China, for example, a U.S. textile manufacturer can cut his average per hour labor costs by 95.19%. It is no surprise that many employers choose to do that.

Such job shifts and pressures occurred not only on a North-South axis: workers in less developed countries have seen jobs move to other developing countries with lower labor standards than their own. Many Mexican workers, for example, have seen their jobs move to China. This downward spiral is the impetus for new demands to "globalize" labor standards by linking trade and labor rights.

The Labor Standards-Trade Link

Global trade had profound political and social effects on working people around the world in recent decades, and labor rights have shot onto the international agenda. Debates rage over the appropriate place of labor standards in domestic trade laws and in trade agreements. (These are discussed at length in Chapter Four.) Trade and labor rights inspire consumers to demand social justice in the new movement for corporate codes of conduct and socially responsible investment. Groups like Human Rights Watch and Amnesty International, which traditionally saw workers' rights as part of a labor agenda, not a human rights agenda, now make workers' rights a priority.

The labor rights movement helped revitalize the International Labor Organization and hopes to influence the World Trade Organization (WTO), the World Bank and other international trade and financial institutions. Disputes about workers' rights in global trade have even come to courtrooms around the world, where creative advocates have won important judicial victories putting multinational corporations on notice to respect international labor standards or face costly international boycotts or lawsuits.

A Pro-Trade, Pro-Rights Agenda

The premise of labor rights advocates is a simple one: no country — and no company operating in any country — should gain a competitive advantage in global trade by outlawing independent unions, killing union organizers, banning strikes, using forced labor or brutalized child labor, or otherwise violating workers' basic rights. Governments and employers should also be prevented from deliberately holding wages, benefits, health and safety protection, and other working conditions below the levels of dignity that all workers deserve. Workers' labor should entitle them to a decent workplace with a fair distribution of wealth in the society.

Many workers and their unions face authoritarian governments that promise a controlled, docile workforce to multinational companies in the name of a favorable investment climate. The logical result is an exploited, abused labor force whose rights at work are systematically violated and where anti-union intimidation, oppressive working hours, sexual harassment, safety hazards, corporal punishment and other abuses abound.

Workers in poor countries want decent workplaces. They are realistic. They do not seek U.S. or European-level wages, nor state-of-the-art, high-tech, high-cost safety standards, at least not right away. Nor should advocates make such demands. Workers in developing countries want fundamentally fair conditions, like having freedom of association and not laboring in death traps. But so far the globalized economy is not delivering these basic social goods. It's no surprise that workers in both developed and developing countries are not delivering political support for neoliberal policies in return.

Labor rights advocacy takes place in a context of broader demands for human rights, debt relief, equitable agricultural trade, guarantees of democracy, special and differential trade treatment for poorer countries, and greatly increased economic aid to developing countries, much as the European Union provided to Spain, Portugal and Greece when those countries first entered the E.U.

Social justice has to be built into the architecture of trade and investment systems. With a human rights dimension, more trade and investment are a potential source of great good for working people. That's why the international labor movement, along with the human rights community and other allies, keep pressing for a strong, enforceable social dimension to global trade. A well-informed press can shed light on these debates, and help foster the climate of public engagement and accountability needed to foster workplace democracy and economic opportunity around the world.

SIDEBAR

Colombian Unions Lobby Against Trade Agreement

By Jana Silverman

The rallying cry "Fair trade, not free trade," has been adopted by union activists worldwide in recent years, as the shift towards open market economies in many countries has led to the wide-scale privatization of state-owned companies and public services, the elimination of restrictions on foreign investment, and the elimination of restrictions of imports on foreign agricultural products that are highly subsidized by European and U.S. governments. These policies have affected union members in the developing world, as public sector jobs are eliminated due to "state restructuring," private sector jobs disappear as national industries go bankrupt due to competition from their multinational counterparts, and national tax revenues dwindle.

Colombia has been no exception to this economic trend. According to Recalca, the Colombian network of civil society organizations formed in 2003 to oppose the Free Trade Area of the Americas (FTAA), Colombia has lost more than 900,000 industrial jobs and 150,000 jobs in the agricultural sector since the country embraced neoliberal policies under the Cesar Gaviria administration in the early 1990s. They believe this tendency will worsen if Colombia signs the Andean Free Trade Agreement (AFTA) that it is currently negotiating with the United States, alongside of Peru and Ecuador.

Alarmed at the prospect of future job cuts due to the AFTA and outraged at the secrecy in which the negotiations have been conducted, the Colombian union movement has come out against free trade and has been a driving force in the current movement against the signing of the trade agreement. Labor unionists also object to AFTA clauses on market access and investment policies that could, they say, unfairly benefit large corporations at the expense of unionized workers and the Colombian population as a whole. The Colombian government argues that AFTA will create new jobs, while the unions question the quality and stability of those jobs.

Coordinated by the National Unitary Command, a loose coalition including Colombia's three trade union confederations and the national pensioners' association, the union movement has organized more than a dozen national protests against the AFTA in the past year and a half, beginning in May 2004, when close to a half million workers marched in the Caribbean coastal city of Cartagena de las Indias to manifest their discontent with the first round of trade negotiations taking place at that moment. The police greeted that peaceful demonstration with a barrage of tear gas and rubber bullets, yet violence has not been able to stop the wave of protests against the AFTA, with a general strike planned by the National Unitary Command for October 12, 2005.

As well as carrying out street demonstrations, the Colombian union movement is working with indigenous peoples' organizations and begun to organize popular referendums against the AFTA. In March 2005, 51,000 indigenous people from six municipalities in the southwestern province of Cauca participated in a popular referendum on the free trade agreement, with an overwhelming 98% voting to reject it. Following this lead, the National Unitary Command began a drive in June to organize popular referendums among union affiliates. For example, ADIDA, the teachers union in the northwestern province of Antioquia, got more than 100,000 of both its members and parents of the schools in which its members work out to vote. Over 90% voted against the AFTA. "We're against the AFTA, since the signing of this agreement would convert education in to mere merchandise, which would only be able to be bought by those who have the economic capacity to pay for those services," said Gabriel Manrique, President of ADIDA, by telephone from his Medellín office.

At this writing in late 2005, negotiations of the AFTA are scheduled to end soon, yet the Colombian union movement hopes to be able to delay the signing of the agreement indefinitely. "With the signing of the AFTA," said Manrique, "our country will be even more dependent on the United States, eliminating our ability to carry out public policies for the benefit of all."

SIDEBAR

Labor Unions in Namibia

By Martin Michael Boer

The Southern Africa country of Namibia, which only gained independence from South Africa relatively recently, in 1990, is often credited with having one of the most liberal constitutions in the world. The South-West Africa People's Organization (SWAPO) party that now runs the country was founded as a labor organization protesting the contract migrant labor system that existed under apartheid. To this day, the main Namibian labor organizations are affiliated with the ruling SWAPO party. One might assume, then, that workers' rights would be safeguarded in Namibia. Yet in a country where only half the economically active population is employed, such principles tend to be compromised.

The case of Ramatex makes the government's priorities clear. This Malaysian textile company opened a factory, in 2002, in the capital city of Windhoek to take advantage of the African Growth and Opportunity Act, U.S. legislation created to help Africa by allowing thousands of African-made goods to enter the U.S. duty-free. Ramatex spent $150 million on a garment manufacturing plant that now employs about 8,000 people. To secure the investment, government provided about $20 million in public funds for infrastructure and services, 100 % tax relief and deep discounts on water and energy.

Ramatex is in some ways a success. It contributes 1.5 % to Namibia's GDP and accounts for 17.5 % of the country's foreign currency per year. Yet since its inception, Ramatex has regularly made headlines in Namibia for the abhorrent ways in which it treats its workers. The company has faced multiple strikes and protest marches against low wages, alleged forced overtime, poor health conditions and even a company policy forcing female employees to take pregnancy tests. When a group of workers organized to challenge these conditions, its leaders were summarily laid off.

The government has repeatedly defended Ramatex from public criticism. After Namibia's Labor Resource and Research Institute (LaRRI) published a pamphlet in late 2003 outlining the ways in which Ramatex mistreats its workers, former Trade and Industry Minister Jesaya Nyamu said: "The country needs Ramatex and other such industrial giants far more than Ramatex needs us. It is surely beholden on us to thank them and to make them feel welcome in Namibia." Sometimes jobs become so important that the workers themselves are forgotten.

"Henan Economic Miracle Labours Under Ugly Truths"

By Jamil Anderlini

Local legend has it that German wig makers first came to Xuchang almost 100 years ago to collect the queues of Chinese republican revolutionaries who had emancipated themselves from the Manchu empire.

Today it is the wig-making capital of the world and an oasis of prosperity in the centre of Henan, China's most populous province.

The largest of the city's wig makers is Henan Rebecca Hair Products, which is 26.7 per cent listed on the Shanghai stock exchange and a popular recipient of foreign investment through the qualified foreign institutional investor scheme.

The company's shining factories hum with the toil of 6,000 young labourers busily churning out wigs, weaves and toupees for heads halfway around the world in America, Africa and Europe.

It turns out eight million human hair weaves and three million synthetic weaves a year, as well as 2.7 million wigs and 200,000 mannequin wigs.

With its efficient workforce and profits that jumped 37 per cent in the first half, Henan Rebecca seems like a model of China's economic development and Xuchang certainly seems to have benefited from its prosperity. The Rebecca Hotel is the premier hotel in town and there is even a Rebecca Street.

But wig making is a low-technology, labour-intensive business reliant on an uncertain flow of raw materials.

Human hair is actually quite expensive, even in the most populated province of the most populated country in the world. Henan Rebecca has to source 40 per cent of its hair from India and it also operates a network of procurement agents across China.

"We must keep three or four months of stock in reserve because of fluctuations in supply," said Li Kunting, the company's international department manager, adding that Henan Rebecca's finished wigs and weaves were sold wholesale to suppliers for between US$6 and US$50 each.

"Our costs have come up a lot but the price of our product hasn't," Mr Li said.

Just a kilometre or two away is the Henan No3 Labour Re-education Camp and, in another part of town, the smaller Henan County Labour Re-education Camp. These are where Rebecca sends its hair to be sorted and braided by inmates before it is turned into finished products.

"The prisoners here just do processing work for Rebecca," said one guard at the No3 Camp. "They don't make the finished product."

It is not only wigs being made in these camps.

The Labour Re-education Electronics

and Machinery Factory is located almost in the middle of downtown Xuchang. At each of these camps a South China Morning Post reporter was able to talk openly with guards and officials within the perimeter fence before being escorted off the premises.

At Henan N03 Labour Re-education Camp, a guard pointed out an adjacent factory building where wigs are processed before being returned to Henan Rebecca.

These camps are not an advertisement for China's economic miracle. They are the backbone of its "administrative detention" system, with 250,000 to 300,000 people incarcerated for up to four years each at the discretion of the police, according to Robin Munro, the head of research at China Labour Bulletin. Such arbitrary detention is condemned by numerous international human rights laws.

China also operates separate penal camps for the 1.25 million to 1.5 million inmates sentenced in the country's court system.

Prison labour is not unique to China and is widely used in most countries, particularly the United States. The principal difference is that in China, inmates do not have the choice of whether to work or not and are usually unpaid.

People who have spent time in these camps tell horrific tales of minimum 16-hour work days, churning out everything from rubber balls and toy rabbits to hand-knitted sweaters. Many products are for export to the west and the camps profit from inmates' labour without having to pay them a cent. Inmates who cannot meet quotas are often shocked with electric batons or submitted to other abuse.

Clearly, there are ethical problems that arise for investors in companies that use forced labour. These are compounded by the practical business consideration that many export destinations explicitly prohibit the import of products made using forced labour.

That is an enormous problem for a firm like Henan Rebecca, which exports almost all of its products, as well as for the city of Xuchang, which relies on these exporters for its prosperity.

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South China Morning Post

Global Labor Standards and their Enforcement

By Mila Rosenthal

Virtually every government in the world has agreed to a set of minimal international standards that should apply to all workers. As part of this agreement, national governments are supposed to enact and enforce their own labor laws that make these standards real for everyone in the country.

Most of the international labor standards that governments have adopted have been established by the United Nations, either through the Universal Declaration of Human Rights (UDHR) and or the Conventions – agreements — of the International Labor Organization (ILO). (See this chapter's sidebar for detail on the ILO standards.) Unfortunately, however, while it is able to work with member states, the ILO has few direct enforcement powers and moves slowly. Primary responsibility for enforcing labor law lies with governments, whose interest in enforcing them may vary.

The rights established by the United Nations have been elaborated upon in international agreements, like treaties and covenants, which have been ratified by the governments of many countries around the world. Examples of these agreements include the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

The international standards serve as benchmarks for national law and enforcement. Within the global economy, employers and workers can move across national borders to source, produce, and sell goods and services. Countries compete with other countries to attract foreign direct investment and to export to consuming markets. Governments and employers often believe that a rigorous labor rights regime will hurt a country's competitiveness; this undermines the political will of many countries to pass and enforce decent labor law. Journalists often worry that reporting on bad labor conditions can hurt a country's economy, or cost workers their jobs, and there's some basis to those fears.

For example, in 2001, there were reports of terrible working conditions at a Korean-owned apparel factory, Kukdong International, in Atlixco, Mexico. Several hundred young women workers at the factory went on strike to protest labor rights violations, and many of them were fired. Labor rights activists from the U.S. visited the factory, interviewed the workers, and released reports on the conditions.[1] U.S. and Mexican journalists reported widely on the story, focusing especially on the big-name American companies, Nike and Reebok, for whom branded products were produced in the factory. Pressure increased on the factory management to hire back the fired workers, improve conditions, and allow the workers to organize an independent union; preliminary reports indicated that conditions improved. However, the American brand companies who were the major customers of the factory were wary of having their names associated with a factory that had received so much negative attention, and the former Kukdong factory – which renamed itself Mexmode to distance itself from the bad publicity — struggled to stay afloat, threatening the workers' jobs even further. A reporter who uncovers such a story will have to face the possibility that her story could, in the short term, hurt the very workers whose plight she seeks to illuminate.

Looking at the larger picture, however, there is some evidence that improved working conditions benefit the economy overall. A major World Bank study in 2002 found that a well-organized labor movement in a country benefits workers and employers, contributes to lower unemployment, and that "sound industrial relations can lead to a stable economy and prevent disruption to national life."[2] Improvements in labor conditions rarely come about without some public exposure – so journalists have an important role to play. Although journalists will face dilemmas over their reporting on labor issues, knowing that virtually every country in the world agrees that there are minimum standards should be the first argument in favor of rigorous and fair reporting on labor. There are also some general practices that journalists can adopt which may help avoid – or mitigate — the Mexmode scenario. Moving beyond sensationalism — if the market constraints of your publication permit that — can help. Reporting not just the more lurid scandals, but also the improvements and successes, is important. So is a broader conception of human rights: when a brand pulls out of a factory, leaving workers jobless, that action should be considered as "newsworthy" as poor labor conditions.

Most governments in the world deserve some scrutiny for failure to enforce decent labor standards. In El Salvador, for example, employers routinely violate El Salvadoran labor law and the El Salvadoran government doesn't punish them. One study found labor rights abuses by both public and private sector employers in food processing, textile production, electric, telecommunications, airport, and social security facilities. Employers delay payments, don't pay promised overtime wages, and don't pass on the workers' social security payments to the government (as a result of the latter practice, workers are denied free public health care). Employers routinely crush any attempt by workers to organize themselves and form unions. Union members are fired, suspended, and subject to pressure and intimidation.[3] Similarly in El Salvador, children as young as eight, instead of going to school, work all day harvesting sugar cane, work that is exhausting as well as dangerous (because of the risk of machete cuts). Although El Salvador's law forbids child labor, and also guarantees access to basic education, these laws are not enforced.[4]

In another example, the Central Asian states produce cotton for the world market under consistently dreadful conditions. Forced labor and child labor in this industry is common; in Uzbekistan, for example, during harvest season, schoolchildren are forced out of school by teachers, school administrators and local officials, and into the cotton fields. (The government, which sets impossibly high quotas, and the field owners and cotton brokers who reap huge profits, are to blame.) According to one report, "little attention is paid to the conditions in which children and students work. Every year some fall ill or die."[5] Workers are paid poorly, or not paid at all, and many rural laborers have no choice but to work under these abusive conditions, especially in politically repressive states like Turkmenistan and Tajikistan. Cotton produced under these conditions is exported and processed into clothes for Western markers. Similarly, children held in slavery harvest cocoa in West Africa, particularly in Côte

1 E.g., "WRC Release Preliminary Report on Kukdong Factory – January 26, 2001" http://www.workersrights.org/pr_Kukdong1.asp
2 Unions and Collective Bargaining: Economic Effects in a Global Environment
http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20091472~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html

3 Deliberate Indifference: El Salvador's Failure to Protect Workers Rights (http://www.hrw.org/reports/2003/elsalvador1203/)
4 Turning A Blind Eye: Hazardous Child Labor in El Salvador's Sugarcane Cultivation
5 The Curse of Cotton: Central Asia's Destructive Monoculture. http://www.crisisweb.org/home/index.cfm?id=3294&l=1

D'Ivoire, where more than 40% of the world's supply of cocoa is produced. The ILO and the U.S. State Department have documented how children from Mali, and Burkina Faso, are sold by their relatives, or trafficked across national borders, to work on cocoa plantations in abusive conditions.[6]

While some countries are reluctant to police or enforce their own laws, in others, national law doesn't even meet international standards. For example, trade union rights — the right to freely associate, to form and join independent trade unions, to bargain collectively—are outlawed or severely limited under the official laws of some nations, including China and Vietnam. In another example, the ILO has found that under U.S. law, some workers' union organizing rights are not protected and recommended that the U.S. Congress take action to improve the law. In other countries, such as Bangladesh7, Pakistan, and Nigeria8, specially designated regions or industrial parks where goods are produced for export—Export Processing Zones (EPZs)—are, as discussed in Chapter One, sometimes exempted from national labor law; they are "rights-free" zones intended to attract foreign investors and compete against countries where workers enjoy greater protection. Working conditions in EPZs can be brutal, with low pay, exhausting work schedules, high accident rates and other threats to the health and safety of workers. From these examples of labor conditions that violate international standards, we can see how countries often respond to economic and social pressures with inadequate legal regimes.

When abuses occur, what avenues of enforcement exist, other than the national government? Freedom of association, and the related right to collective bargaining are often considered the most important of all labor rights. Where workers can organize themselves, independent and effective trade unions can work to ensure that employers respect other rights. As companies move across borders, the trade union movement is becoming more international as well, and more active in trying to pressure governments. However, union membership numbers are also falling because of the increasing mobility of international capital and the continued resistance from many countries to upholding their obligations to enforce international labor law. In some instances, corruption, bad management, partisanship and other failures of trade unions have also reduced their ability to protect workers.

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6 http://www.laborrights.org/

7 http://www.usembassy-dhaka.org/state/StatePD/10.07.03%20EPZs%20at%20Amcham.html

8 ILO report "Organizing for Social Justice", section on EPZ workers. http://www.ilo.org/dyn/declaris/DECLARATIONWEB.GLOBAL-REPORTDETAILS?var_language=EN&var_PublicationsID=2973&var_ReportType=Report#

Hourly Compensation Costs

Hourly compensation costs, in national currency and in U.S. dollars, for production workers in manufacturing and exchange rates (U.S. dollars per national currency unit)

Percent change, 2002-2003

Country or area	Hourly compensation, national currency	Exchange rates	Hourly compensation, U.S dollars
Americas			
United States	4.1	-	4.1
Brazil	11.0	-5.0	5.4
Canada	3.1	12.1	15.6
Mexico	6.2	-10.5	-4.9
Asia and Oceania			
Australia	8.0	19.9	29.4
Hong Kong SAR 1	-2.3	.2	-2.1
Israel	2.4	4.0	6.5
Japan	.6	8.0	8.6
Korea	9.0	4.9	14.3
New Zealand	2.5	25.8	29.0
Singapore	4.4	2.9	7.4
Sri Lanka	-	-	-
Taiwan	1.7	.4	2.1
Europe			
Austria	2.5	19.7	22.7
Belgium	1.9	19.7	22.0
Czech Republic	6.1	16.1	23.1
Denmark	4.8	19.9	25.6
Finland	4.2	19.7	24.7
France	3.1	19.7	23.4
Germany	2.7	19.7	22.9
Greece	-	-	-
Ireland	4.5	19.7	25.0
Italy	2.4	19.7	22.6
Luxembourg	3.2	19.7	23.5
Netherlands	3.7	19.7	24.1
Norway	2.5	12.7	15.6
Portugal	2.8	19.7	23.0
Spain	4.8	19.7	15.5
Sweden	3.5	20.3	24.5
Switzerland	1.0	15.8	16.9
United Kingdom	4.6	8.8	13.8
Trade-weighted measures 2,3			
All 30 foreign economies	3.6	8.1	11.9
OECD 4	3.6	9.1	13.0
Europe	3.3	17.1	21.0
Asian NIEs	4.1	2.3	6.6

1 Hong Kong Special Administrative Region of China.

2 Because data for Germany are not available before 1993, data for only the former West Germany are included in the trade-weighted measures.

3 The 2002-2003 percent changes for the trade-weighted measures are based upon the changes for the countries or areas for which 2003 data are available.

4 OECD refers to the Organization for Economic Cooperation and Development.

Source:
United States Bureau of Labor Statistics

Another potential means of enforcement is an educated and concerned consuming public. In the last few years, as more and more companies reach across national borders, they've also heard from activists and shareholders that there is rising public concern about how goods are produced in the global market. The U.N. has gotten involved in this debate and is beginning to establish human rights obligations for companies as well as countries and has produced a draft of standards, the U.N. Norms for Business, that spell out the responsibility of companies to respect the rights of their workers.[9] Facing this pressure, we've even seen some multinational corporations get involved in the attempt to improve labor conditions in their supply chain. The next chapter will describe some of those efforts.

> Tips for Future Coverage

- When reporting on local labor conditions, it is critical to listen to what workers are saying. But you will almost certainly have to find other sources and ask a range of questions, including:
  What's happening with local business – how has it been affected in recent years by the global market, if at all?

- In the context of the local economy, how do the jobs you are writing about compare to other jobs available?

- Do these work conditions meet national standards? How about international standards? And what is the relationship between international and national labor standards in your country?

Links for Further Information

International Labor Organization: http://www.ilo.org/

United Nations Universal Declaration of Human Rights: http://www.un.org/Overview/rights.html

9 These are the UN Norms on the Responsibilities of Transnational corporations and related business enterprises with regard to Human Rights, drafted by an expert working group of the UN Human Rights Commission in Geneva. http://www.amnestyusa.org/business/un_norms.html

Sidebar

What is the ILO?

Employment and enterprise creation. The eight-hour day and conditions of work. Freedom of association and the right to collective bargaining. The elimination of forced labor and child labor. Equality at work. These and a host of other issues are the day-to-day concerns of the International Labor Organization (ILO), the 86 year-old United Nations agency devoted to the world of work.

A specialized United Nations agency, the ILO consists of 175 member countries, most of the nations in the world. With the adoption of the Declaration on Fundamental Principles and Rights at Work in 1998, ILO member states committed themselves to the following principles.

Freedom of association and the effective recognition of the right to collective bargaining. The ILO's Committee on Freedom of Association, set up in 1950, has examined more than 2,000 cases of violations of organizing rights, including allegations of murders, disappearances, physical attacks, arrests and forced exile of trade union officials.

The elimination of all forms of forced or compulsory labor. At least 12.3 million people worldwide are victims of forced labor, despite the formal abolition of slavery in most countries more than a century ago. Of those, ten million are exploited in the private economy. At least 2.4 million people are also victims of human trafficking, which generates U.S.$32 billion in profits each year, or an average of U.S.$13,000 from each trafficked forced laborer. The ILO's Special Action Program on Forced Labor is engaged in advocacy and public education and works to secure effective national action against the use of forced labor including laws and enforcement measures.

The effective abolition of child labor. About 179 million children –one in every eight children worldwide – are exposed to the worst forms of child labor. These include work in hazardous environments, slavery or forced labor, and illicit activities such as drug trafficking, child prostitution and child soldiering, which endanger the physical, mental or moral well being of children. There are currently nearly 250 million children working throughout the world, many of them full-time, who are deprived of adequate education and basic freedoms. Adopted in 1999, the ILO's Worst Forms of Child Labour Convention has been ratified by over 150 member States. Eliminating child labor is a development as well as human rights issue and the ILO now manages more than 1,000 program worldwide, which demonstrate that there are alternatives to child labor.

The elimination of employment discrimination. Hundreds of millions of people worldwide suffer from discrimination at work. This has both social and economic consequences, stifling opportunities, wasting human talent and worsening social tensions and inequalities. Women especially face persistent and varied problems in the labor market, including earning less than men and being far more likely to work in informal and unpaid situations.

Every ILO member country is supposed to integrate the ILO standards into its national laws, and the ILO plays a supervisory role in to the enforcement of those standards. Working directly with governments to improve their ability to pass and enforce laws, the ILO helps to move countries towards greater compliance with international standards – and with their own national laws. It monitors how countries adopt labor laws and reports on whether they are upholding the international standards, especially the core rights and, most of all, the right to freedom of association. The ILO also has a technical cooperation program that aims to help countries realize these standards in practice. It helps employers and workers build their own independent organizations. The ILO also engages in research and compiles statistics on the world of work.

The ILO is a valuable resource for journalists – it is committed to providing support for the media based on the highest standards of information and research, realizing that even well designed programs may yield few results if they remain obscure to the general public.

CHAPTER 3

Enforcing Workers' Rights: Whose Job Is It?

By Anne Lally

Basic worker rights – freedom of association and the right to bargain collectively; freedom from forced labor and discrimination; and the elimination of child labor – have been recognized and agreed as universal human rights by virtually all the countries in the world. Indeed, they are included in the United Nations' 1948 Universal Declaration for Human Rights and the International Labor Organization's 1998 Declaration of Fundamental Principles and Rights at Work, both of which have been recognized by more than 170 countries.

On the other hand, with transportation and communication costs ever cheaper, and barriers to trade on the decline, more goods and capital are moving across national boundaries than ever before. In this context, low-skilled production of goods – such as apparel, footwear, and toys – can often be moved easily. Workers, factories, and countries are therefore in stiff competition to keep jobs and production from moving away, as companies search for cheaper labor; as a result, basic worker rights often fall by the wayside. In this context, a key question emerges: Whose responsibility is it to ensure that workers' universal rights are respected?

In the past, systems for labor regulation were relatively straightforward, as governments were responsible for regulating domestic companies and their activities, all of which took place within the country's borders. With today's supply chains spanning the globe, however, the present situation has become more complicated. It would not be uncommon, for example, for a good that is purchased in

Belgium under an American brand to have been produced through a contract with a Korean supplier, whose production facilities are in China. The lines of accountability may be further complicated and obscured by subcontractor relationships, with some components produced by workers in Vietnam and others by illegal Burmese migrant workers in Thailand.

In this production web, answers to questions such as "Who does the worker in the Chinese factory appeal to when a factory manager threatens her?" or "What if the Burmese worker does not receive his pay for a month of work?" or "How can the Belgian consumer know that she purchased a good that was produced fairly?" are not always obvious. The discussion below provides an overview of the many actors who play a role in enforcing worker rights in the global economy.

Domestic Governments

According to international law, each country is responsible for enforcing labor standards within its borders. When countries ratify ILO conventions and recommendations, they are expected to integrate those standards into their domestic law, which is then enforced by the country's labor ministry/department and other law enforcement agencies. The ILO provides information about each country's ratifications and domestic labor legislation on its website, which can be accessed at:
http://www.ilo.org/ilolex/english/newratframeE.htm.

Developing countries report that the highly competitive nature of low-skilled, labor-intensive industries makes it difficult for them to uphold their international (and moral) obligations to workers in their countries. Often, they are concerned that labor enforcement will undermine their competitiveness. Indeed, in some cases foreign investors have reportedly made low labor standards a condition of doing business. Although labor experts cite evidence that the enforcement of basic worker rights does not undermine competitiveness, governments in developing countries often claim that the only alternative to jobs with limited or no rights is no jobs at all. As a result, they turn a blind eye to labor violations within their borders. While many interpret such arguments as convenient excuses for business interests within a country who want to justify lax law enforcement, others maintain that the pressures of succeeding in the global economy are real and should not be underestimated.

International Institutions

The International Labor Organization (ILO) sets and promotes global labor standards, reporting on countries' progress in the implementation of worker rights and providing technical assistance to help countries improve labor conditions. Each year the ILO reports on countries' progress in upholding their international obligations. It also hears cases brought by union or employer groups about a country's obligation to uphold freedom of association. These reports can be accessed at:
http://www.ilo.org/ilolex/english/index.htm.

Critics contend, however, that the ILO's voluminous reporting alone is inadequate as an enforcement mechanism. They call for reforming the ILO to give it more "teeth." For many, this would mean linking a country's trading privileges to its labor practices.

Trade Agreements

The United States and European Union have increasingly integrated labor standards into trade agreements. Since the mid-1980s, the US has made worker rights a condition for its General System of Preferences (GSP), which provides tariff-free access to US markets for selected goods. The EU adopted a similar GSP program in 2002 that doubles the tariff reductions available to developing countries if they protect basic worker rights.

US bilateral and regional trade agreements also link trade to labor standards. The NAFTA labor side agreement, the North American Agreement for Labor Cooperation (NAALC), provides a mechanism for the public to submit a complaint to any of the three partner countries alleging failure of one of the others to enforce its labor standards. Likewise, during the Clinton administration, the US included labor terms in its trade agreements with Cambodia and Jordan (requiring adherence to international labor standards), and during the Bush administration, in its agreements with Singapore and Chile (including a more loosely-worded commitment by each country to enforce its domestic labor law). CAFTA contains similarly loose trade-labor linkages.

While many question the effectiveness of the labor clauses in these agreements, others still view incorporating labor standards into trade agreements as the most promising counterweight to the "race to the bottom."

Companies and Consumers

In a context where consumers' buying decisions can be influenced by company labor practices, the market certainly has the potential to promote corporate responsibility. Indeed, the groundswell of company "codes of conduct" in recent years is proof that companies are wary of being perceived as exploitative.

Whether company practice goes beyond perceptions to influence reality is another question, however. Labor activists consider that many company efforts are little more than window dressing, citing as problems companies' refusals to open factories to public scrutiny; the prevalence of company self-monitoring, which often fails to address root causes of violations; and the multitude of company codes, many of which do not reach internationally-recognized minimum standards. To be truly worker-friendly, activists say, companies must report openly on workplace conditions throughout company supply chains; open factories to unions and independent monitors; and agree to enforce a single, common code that corresponds with ILO standards.

Many companies resist these demands, claiming that sharing detailed information about factories and labor compliance with civil society groups, and possibly other companies, could jeopardize competitiveness. Other companies simply do not believe that the financial benefits of such programs outweigh their costs. Nevertheless, there are a handful of companies that have shown real progress with regard to code enforcement. These companies acknowledge that partnerships with local civil society, worker education, multi-tiered dispute resolution mechanisms, and transparent reporting are essential for improved workplaces.

Many companies have started to issue annual reports on their progress in the enforcement of labor standards. While it is important to keep in mind that the information is self-reported and that some companies have been known to use annual reports as a form of PR, such reports can provide informative accounts of company efforts. Companies' use of the "Sustainability Reporting Guidelines," developed by the Global Reporting Initiative (www.globalreporting.org), or reports by local NGOs or unions that verify companies' actions can help readers gauge the credibility of reports. Other helpful indicators include disclosure of factory locations and conditions and/or inclusion in third party reports, such as the Fair Labor Association's annual public report (www.fairlabor.org/2004report - see below for more information).

Despite these initial efforts, public disclosure of companies' treatment of workers will need to develop considerably before a market-based enforcement system is possible. For such a system to work, more companies will have to open themselves to public scrutiny, and consumers will need to prove that they base buying decisions on such information.

International and Local Trade Unions

Because they are always present, workers are the best factory monitors. They are also best-suited to represent their own needs and interests. As a result, trade unions often call for governments and companies to focus enforcement on freedom of association. Once in place, they argue, trade unions can ensure that the other rights are implemented as well.

Despite increases in global employment numbers, trade union numbers worldwide are generally on the decline, however. Countries such as China, Bangladesh, Vietnam, Saudi Arabia and Oman place limitations on, or altogether outlaw, independent unions. In many other countries, governments undermine organizing efforts by setting high registration requirements or failing to enforce union protections. Trade unions also face challenges from within. In some countries, they struggle with corruption and elitism, while some male-dominated union hierarchies fail to attract many of the women workers who fill most of the jobs in low-wage industries. Experts observe that unions are being forced to adapt in order to survive the changing global economy.

One aspect of this transition is the increase of global solidarity that is apparent among trade unions from countries around the world. The goal is to counter the global economy's recent weakening of trade unions by spreading their base across borders. At the global level, the International Confederation of Free Trade Unions (http://www.icftu.org) and other global union federations (http://globalunions.org) have taken up the causes of local trade unions, mobilizing members through campaigns, urgent appeals, and educational efforts. At the national level, as well, European and US trade unions have invested in global solidarity. For example, the AFL-CIO's Solidarity Center (http://www.solidaritycenter.org) has offices around the world that provide trainings and other technical assistance to local unions.

Voluntary Monitoring/Verification Initiatives

Several voluntary monitoring or verification initiatives have taken root since the 1990s to add legitimacy and credibility to companies' labor compliance programs. While the initiatives take different approaches to their work, they are all voluntary, meaning that companies opt to participate in them. Each requires member companies to adopt its respective workplace code of conduct and verifies that they have complied with organizational requirements. The initiatives are described briefly below.

The Ethical Trade Initiative (ETI) is a UK-based initiative with NGO, trade union, and corporate membership. It focuses on experimentation with corporate codes of conduct and other approaches to worker rights in order to develop "good practice," involving members in tri-partite pilot projects worldwide. ETI does not undertake workplace monitoring as all the other initiatives do. Instead, it verifies that member companies have taken adequate steps to enforce the ETI Base Code in their supply chains through company reporting and engagement. ETI has been commended for its experimental approach and its ability to bring a diverse group of actors together to grapple with divisive issues. Still, labor activists inside and outside the organization have called for increased transparency on the part of ETI member companies in order to ensure that they are held fully accountable for their workplace conditions. http://www.ethicaltrade.org/

The Fair Labor Association (FLA) is based in the US and consists of company, university, and NGO participants. The FLA conducts unannounced, independent monitoring visits to about five percent of participating companies' supply chains each year. The results of these workplace visits and annual reviews of company compliance activities are published on the FLA website. After two or three years of such scrutiny, participating company compliance programs are considered for FLA accreditation. If awarded, accreditation basically means that the program has adhered to FLA obligations. To date, six company programs have been accredited. While many in the field have applauded the FLA's groundbreaking efforts to report factory and company data, some question the value of FLA accreditation since all companies that have been considered for accreditation to date have received it. Labor activists also continue to push for the addition of a living wage and a strengthening of other provisions included in the FLA's Workplace Code. http://www.fairlabor.org

The Fair Wear Foundation (FWF) is based in the Netherlands and brings Dutch companies, trade unions, and NGOs together to promote humane labor conditions in the garment industry. It requires corporate members to adopt and implement its Code of Conduct and verifies that standards are being met. Its monitoring methodology combines the skills of accountants, health and safety experts, and worker advocates to gain a more accurate understanding of working conditions in a given factory. While the FWF hybrid-monitoring model is considered by many to be the strongest, some have questioned whether this labor-intensive monitoring approach can be replicated on a larger scale. They are concerned by FWF's relatively limited membership and its failure to develop key aspects of its system, such as a mechanism for workers to report noncompliance. Others counter that the organization is still developing and will prove to be scalable and responsive to workers' complaints in coming years. http://www.fairwear.nl

Social Accountability International (SAI) is a US-based initiative that has company, trade union, and NGO members. SAI began as a factory certification organization, giving SA8000 certification to factories/farms that proved to have management systems in place to implement the SA8000 standard. Since then, it has developed programs for workplace and auditor trainings and conducted several regionally-focused projects. SAI has also begun to verify company implementation of SAI standards, an approach similar to the FWF and FLA models. While some worker advocates have applauded SAI for its worker training and other projects, many have voiced strong concern about the organization's lack of transparency. Others are critical of SAI's recent involvement in the controversial Business Social Compliance Initiative (BSCI) in Europe (http://www.bsci-eu.org/content.php), which has been seen as a corporate-driven initiative lacking representative decision-making and implementation structures. http://www.sa-intl.org

The Worldwide Responsible Apparel Production (WRAP) initiative is a US-based, industry-sponsored organization that audits factories and certifies that they are in compliance with the WRAP Code of Conduct. Like SA8000, this is a factory-focused model. Its worldwide reach to factories, which pay for certification, has been fairly extensive. Nonetheless, labor experts regard WRAP as being the least credible of all voluntary initiatives, most notably because its Code does not meet minimum international labor standards and its structure does not create a space for worker, union, or NGO input. It is also criticized for being the least transparent of the voluntary initiatives. As a result, its factory certifications do not carry much weight among worker rights advocates. http://www.wrapapparel.org/

Investigation and Campaign Groups

Investigation and campaign groups have played a central role in raising public awareness about the struggle of low-wage workers around the world. By harnessing public opinion, they have effectively influenced government and company policies and behavior. Some of these groups also play an organizing role in large international networks of worker advocates. They can therefore provide valuable information about particular workplace situations.

The Clean Clothes Campaign (CCC) has focused on improving workplace conditions in the global garment and sportswear industries since 1989. Founded in the Netherlands, it is now active in 11 other European countries. Each national CCC is a coalition of NGOs and trade unions that works independently at the national level and cooperates with the other CCCs internationally. The CCC network supports workers producing the goods, educates and mobilizes the consumers that buy them, and lobbies legislators to ensure that goods are produced fairly. The CCC network has an extensive international reach, and its website can be an invaluable resource to those seeking detailed information about the global garment industry. http://www.cleanclothes.org

T***he International Labor Rights Fund (ILRF)*** has promoted labor rights through education, campaigns, and legal action since 1986. It deals with a wide array of worker rights issues, ranging from trade-labor linkages to child labor. The ILRF is well known for its approach to advocacy, which combines public awareness campaigns with lawsuits seeking legal and financial responsibility for egregious labor and human rights abuses abroad. In recent years, the ILRF has brought dozens of claims against major American corporations – including Coca-Cola, Exxon-Mobile, Wal-Mart, and Unocal – in state and federal courts, including the US Supreme Court. http://www.laborrights.org/

The Maquila Solidarity Network (MSN) is an advocacy organization based in Canada that works in solidarity with grassroots groups in Mexico, Central America, and Asia to improve conditions in maquila factories and export processing zones. Founded in 1995, MSN focuses on North-South network-building, trainings, and consumer awareness campaigns to improve factory conditions. MSN's Codes Memos provide incisive reviews of developments in codes of conduct, while the organization's other reports provide activists with analyses and tools to help them deal with worker rights issues internationally. http://www.maquilasolidarity.org

Since the 1990s, ***the National Labor Committee (NLC)*** has investigated and exposed worker rights violations committed by US companies producing goods in the developing world. Its track record with the media is especially notable, having brought attention to scandals surrounding the likes of Kathie Lee Gifford, Wal-Mart, and the NBA. Detailed reports on companies and countries are available on the NLC website. While many in the labor field acknowledge the NLC's central role in raising consumer awareness in the US, some consider the organization to be overly sensational at times. Others have questioned the NLC's approach with regard to cooperation with workers and local organizations. They advise that information from the NLC can be helpful in combination with other sources. http://www.nlcnet.org

The Workers Rights Consortium (WRC) was created by university administrations, students, and worker rights experts in 2000. Comprised of 114 affiliated universities, the WRC is a watchdog group that monitors the production of goods that bear the logos of affiliated universities. The WRC conducts in-depth, independent factory investigations upon the request of involved factory workers and makes all findings public. To date, the WRC has published findings and recommendations for 14 facilities. While the WRC is the most independent of the groups conducting factory investigations (the group does not accept corporate membership or funding), its labor-intensive approach limits the number of factories that can be investigated at any given time. http://www.workersrights.org

> Tips for Reporting on Worker Rights Enforcement

- National (primary) enforcement: Has the country ratified the ILO's fundamental conventions (www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm)? How does this country feature in the ILO's annual review? Does the country's labor legislation correspond with its international obligations? Are trade unions allowed to function freely? Has membership in trade unions increased or declined in recent years? Are upward or downward trends related to changes in the government's approach to labor law enforcement? Does the country have in place functioning mechanisms for resolving labor disputes? Does anyone use them? Are the labor authorities corrupt? What are their political leanings?

- Trade as incentive for enforcement: Is the country involved in any trade agreements that link the enforcement of labor standards to trade? Have cases been brought against the country through that agreement's labor review mechanism? Have cases been reviewed quickly and fairly? Have labor standards improved in the country since the trade agreement went into effect? Is there evidence that reducing trade barriers in exchange for higher labor standards can be cost-effective? Has the country become less competitive or lost any investment as a result of the agreement?

- Company accountability: Does the company provide independent, third-party reviews of their factories? Are the monitors paid directly by the company? Are the reports made public? Does the company disclose its factory locations or its efforts to improve conditions in its supply chain? How detailed are the reports? Does the company engage with NGOs and unions to verify the compliance activities it reports? Does the company report its monitoring findings to the workers producing their goods and/or their representatives? How has the company responded to pressure campaigns criticizing its labor conditions? (More telling than whether a campaign is put in place is how a company responds to legitimate criticisms.) How much money and how many staff members does the company dedicate to labor compliance activities year-round? How do leading worker rights groups view the company? Is it involved in a voluntary monitoring initiative?

- Workers as the 'best enforcers': Are trade unions present in the factory or country that is the subject of the story? If so, do workers feel as though the unions understand and represent their interests? Do workers elect the trade union leadership? How often? Is the union affiliated with a national and/or international union or federation? Is the union perceived as legitimate at the federation and international levels? (Note: Contacting local unions about labor conditions can provide a great deal of background about working conditions and the local labor context. International federations are a good place to start to find contact information and other key details about unions in a given country or region.) What, if any, is the trade union's relationship to the local, regional, or national government?

- Enforcing through cooperation, information, and/or public pressure:
Does the group cooperate with other worker rights groups to improve working conditions? Does it work with governments to support their longer-term enforcement capacities? How well does the initiative cooperate with workers and local actors? How does it keep workers informed about its work? How transparent is the initiative? Does it make information about factories, companies, and its own administration (e.g. funding sources, budget, projects, strategic planning, etc.) available to the public? Who serves on the initiative's board of directors? What percentage of the organization's budget comes from corporate sources? What are its other funding sources? If companies can join the group, what is required of member companies? Has the initiative ever dismissed a member for lack of compliance with the initiative's standards?

SIDEBAR

Monitoring Multinational Corporations in Brazil

By Daniela Sampaio and João Paulo Cândia Veiga

The labor standards of foreign multinationals in Brazil are above average for the region but decentralization of their operations means it is difficult to get them to adopt uniform labor practices, the the Instituto Observatório Social (IOS) has found[10]. The IOS, an affiliate of the country's largest trade union federation, the Central Unified Workers, has for the past eight years been monitoring the labor and environmental practices of nearly forty international corporations operating in Brazil.[11] There are cases like the German chemical giant BASF, which reproduces, at least in part, the "Social Dialogue" consultation mechanism used in Europe. Each factory has its own employee committee (*comitê de empresa*), allowing for different levels of institutionalized negotiation between the firm and the workers, an intensive and fruitful process that workers claim has improved labor relations.

However, many of the firms monitored by the IOS are not constituted as holding companies in Brazil and are set up instead as regional business units, each operating with great autonomy. Akzo Nobel, the Dutch chemical company, for example, runs three different firms in Brazil, each with its own human resource management department, making it more difficult to implement corporate-wide labor policies. Similarly, the German company ThyssenKrupp has two different business units (elevator manufacturing and a steel foundry) that report directly to Spain and Germany, respectively. Companies with operations like Thyssen and Akzo often fail to address regional disparities in wages and other labor standards.

Brazilian labor laws establish a monopoly of union representation by sector and territory, which effectively means one broad, sectoral union per city. Anglo-Deutch's food and consumer products giant Unilever has 13 plants in different municipalities in Brazil and thus must deal with 13 separate local unions.[12] Some of these unions have been trying to form a committee to negotiate nationwide with the firm. The company, however, refuses to recognize the committee and prefers to negotiate with each local union in isolation. In the Northeast, the country's poorest region, workers in manufacturing make around 60% what their counterparts in wealthier Southeast earn at similar jobs. Instead of diminishing these regional gaps, multinational companies tend to exacerbate them by transferring plants from older manufacturing centers to regions of Brazil where wages and labor standards are lower.

Some multinational companies commit crimes of omission when it comes to enforcing the highest possible labor standards. Women, for example, represent over half of the labor force but earn only 65% on average of what men earn. Although recent Brazilian governments have explicitly adopted anti-discrimination policies in education, our research has found that most international companies operating in Brazil lack affirmative action or diversity policies. Without concrete policies to combat racial and gender discrimination, some firms end up reproducing existing social inequalities.

Labor Force Participation Rates by Sex, 2001

• Participation rates for men were 70 percent or higher in most countries; the lowest rates were found in France, Germany, Italy, and Spain.
• Only in Scandinavian countries did women participate in the labor force at the same high rate as American women.

Country	Percent	Country	Percent
U.S. - Men	74	Germany - Men	66
U.S - Women	60	Germany - Women	49
Australia - Men	73	Ireland - Men	71
Australia - Women	56	Ireland - Women	48
Japan - Men	76	Italy - Men	61
Japan - Women	49	Italy - Women	36
Korea - Men	70	Netherlands - Men	75
Korea - Women	49	Netherlands - Women	56
New Zealand - Men	73	Norway - Men	71
New Zealand - Women	57	Norway - Women	60
Singapore - Men	78	Portugal - Men	71
Singapore - Women	54	Portugal - Women	54
Austria - Men	68	Spain - Men	65
Austria - Women	48	Spain - Women	39
Denmark - Men	71	Sweden - Men	69
Denmark - Women	60	Sweden - Women	60
France - Men	64	U.K. - Men	72
France - Women	49	U.K. - Women	55

Note: 2000 for Austria.

Source: Bureau of Labor Statistics, Organization for Economic Cooperation and Development, and Singapore Department of Statistics.

The most common labor problems stem from the outsourcing of services. While the firms' objective is always the same—to lower costs and increase competitiveness, outsourcing can lead to a lack of oversight and precarious working conditions. Suppliers of primary goods are also hard to monitor. The steel industry is a case in point. Several multinational firms purchase charcoal from the poor Northeastern states such as Pará and Maranhão to make pig iron (gusa), an input for steel. The charcoal suppliers often labor in subhuman working conditions and in some regions landowners use captive workers, flagrantly violating laws against forced labor.

For all these reasons, monitoring multinational companies in Brazil continues to be a major challenge. But one thing is clear: firms do not improve standards on their own—changes only occur when there is societal pressure from workers, NGOs, and the media. Only by consistently and accurately exposing labor abuses can there be progressive change in the system.

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10 Veiga, Pedro da Motta. (May 2004) "Foreign Direct Investment in Brazil: Regulation, Flows and Contribution to Development." Retrieved on November 11 from International Institute for Sustainable Development at www.iisd.org/pdf/2004/investment_country_report_brazil.pdf.
11 The research considers company practices in the light of existing international labor standards, as defined by the International Labor Organization's standards, the Organization of Economic Cooperation and Development's Guidelines for Multinational Enterprises (2000), the United Nations' Global Compact (four of whose ten principles concern labor relations), and the standards of the International Confederation of Free Trade Unions (ICFTU), as well as other bilateral and regional initiatives.
13 A single union represents all of the workers from each of the various companies in a given sector located in the same territory, such as, say, food and beverages or metalworking industries. Local but multi-firm collective bargaining negotiations are thus the norm for setting basic contract conditions in Brazil

SIDEBAR

The Joint Initiative on Corporate Accountability and Workers' Rights

By Anne Lally

In 2003, six organizations dealing in worker rights – the Clean Clothes Campaign, Ethical Trading Initiative, Fair Wear Foundation, Fair Labor Association, Social Accountability International, and Workers Rights Consortium – agreed to cooperate to address the proliferation of codes and monitoring, which has taken place in the last decade and often results in a duplication of efforts. They created the Joint Initiative on Corporate Accountability and Workers' Rights (Jo-In), which seeks to make codes and monitoring more effective; allow the organizations to share information and learn from each other; and explore possibilities for future cooperation.

With funding from the European Commission and the US Department of State, the Joint Initiative's first pilot project is taking place in Turkey in 2005-2007. It will involve US and European apparel and sportswear brands, as well as trade unions, NGOs, factories, Turkish business associations, the ILO, and the Turkish government. Key subjects of the pilot include freedom of association, hours of work, and wages. Subcontracting and mechanisms for dispute resolution will also be explored. http://www.jo-in.org

SIDEBAR

FAIR PLAY AT THE GREEK OLYMPICS

By Anne Lally

The Play Fair at the Olympics Campaign took place in the year leading up to the 2004 Olympic Games in Greece. It was a concerted effort by Oxfam, Clean Clothes Campaign, and Global Unions using the Olympics theme of "fair play" to expose what the campaign called "unfair practices" in the production of sportswear worn by athletes at the Olympics. Sportswear brands were the focus of the campaign, which sought improvements in company practices (e.g. committing publicly to international standards, participating in independent monitoring and public reporting, changing unfair sourcing practices, etc.). Actions included written reports about company practices and international letter-writing campaigns.

It is expected that the campaign will continue with the upcoming World Cup and culminate in the 2008 Olympics in China. The results of the campaign remain to be seen. Nonetheless, in a global economy where "image is everything," Play Fair's approach promises to reach a large international public with great potential to influence the labor practices of some of the world's largest brands.

For more on the Play Fair campaign, visit http://www.fairolympics.org.

Labor Rights and Trade Arrangements

By Carol Piers

There is an emerging consensus that labor rights and international trade are inherently connected. How trade arrangements should reflect this link, however, is still being debated.

Some, including most neoliberal economists, argue that trade alone will eventually lead to greater respect for workers' rights. They believe in maximum trade liberalization and oppose most attempts to encumber trade, including through workers' rights conditionality. Many developing countries' governments also oppose burdening free trade with workers' rights requirements, fearing that such conditions might deprive them of what they see as a key competitive advantage in the global marketplace—their cheap labor supply.

Others, such as many labor and human rights organizations, argue that trade alone will not lead to greater rights protections for workers. These groups believe that trade arrangements should require that trading partners guarantee respect for certain fundamental workers' rights and that those requirements should be enforceable. Such groups also often respond to developing countries' objections by noting that while cheap labor from lower living and production costs may be a legitimate competitive advantage, lower costs achieved through the violation of fundamental labor rights—the rights to freedom of association and collective bargaining, the elimination of discrimination, the abolition of forced labor, and the eradication of harmful child labor—are not.

Advocates of strong workers' rights requirements in trade arrangements, however, have been accused by some, including economist Jagdish Bhagwati, of pro-

Labor force participation rates by age, 2001: Youths

• American youths (ages 16-24) participated in the labor market to a much greater extent than youths in Japan, Korea, and most of Europe; Danish and Dutch youths had relatively high rates.Netherlands.

Youth participation rates:

Country	Percent
U.S.	64.6
Australia	69.4
Japan	46.5
Korea	32.3
New Zealand	63.5
Austria	54.7
Denmark	67.2
France	29.9
Germany	52.2
Ireland	50.1
Italy	37.6
Netherlands	73.6
Norway	63.1
Portugal	47.9
Spain	46.8
Sweden	54.3
U.K.	61.1

Note: Youths are defined as persons under 25 years of age and over 15 or 16 years of age.

tectionism: supporting such requirements to prevent jobs from migrating from developed to developing countries.

In a comprehensive study, economists Kimberly Ann Elliott and Richard B. Freeman largely reject these accusations. They note that many of these advocates do not compete directly with developing country workers and that even those who do, such as trade unionists, are generally not motivated, in this case, by protectionism. For example, petitions filed against developing countries by U.S. unions under U.S. trade laws, arguing for trade benefit suspension for violating the laws' workers' rights requirements, have rarely targeted those developed countries with the highest rate of exports to the United States. Furthermore, developed country labor organizations are aware that in most sectors where developing countries enjoy a competitive advantage from lower labor costs, such as apparel, footwear, toy, and light electronics, jobs are unlikely to return to the developed country and far more likely to shift from one developing country to another with even lower production costs.

Moreover, as Elliott and Freeman highlight, safeguards can virtually eliminate any possibility of protectionist misuse of strong workers' rights provisions in trade arrangements. For example, decisions to impose negative trade consequences, such as fines or sanctions, for violating labor rights requirements could be made or ultimately reviewed by a multilateral or independent panel.

Between those who oppose any treatment of labor rights in trade arrangements and those who advocate strong, enforceable protections, lie many who take intermediate positions, arguing for weak protections, voluntary language, casual mention of workers' rights, or other "light" treatment of the issue.

Many different trade arrangements currently govern the global flow of goods, and their treatment of workers' rights varies widely. Three of the key mechanisms are:

- The World Trade Organization (WTO),
- Unilateral trade preference programs, and
- Bilateral and multilateral free trade agreements.

World Trade Organization (WTO)

The WTO, with 148 member states, is the only international organization addressing the rules of trade among countries. It was born on January 1, 1995, after the conclusion of the Uruguay Round of multilateral trade negotiations—the eighth in a series of negotiating rounds that followed the establishment of the 1947 General Agreement on Tariffs and Trade (GATT).

One of the WTO's core principles is Most Favored Nation (MFN) treatment. WTO members are required to treat all "like products" from member states equally, not discriminating among members and thus treating them all as "most favored nations." Although the WTO allows some exceptions to this rule, there are no labor rights exceptions. Therefore, WTO members may not impose higher duties on or otherwise restrict another member's goods in an effort to protect workers' rights. The WTO's only explicit mention of labor is in GATT article XX(e), which creates an exception to the MFN treatment rule "relating to products of prison labor."

Nonetheless, many have argued that WTO instruments may yet allow workers' rights to be addressed directly within the organization. Some believe that GATT article XX(a), (b), which creates MFN treatment exceptions for provisions "necessary to protect public morals" and "necessary to protect human, animal, or plant life or health," should be interpreted to include provisions protecting fundamental workers' rights.

So far, WTO members have not accepted that argument. In the December 1996 Singapore Ministerial Declaration, the WTO reiterated its policy that workers' rights are outside its jurisdiction, stating, "We renew our commitment to the observance of internationally recognized core labor standards. The International Labor Organization (ILO) is the competent body to set and deal with these standards."

Unilateral Trade Preference Programs

The WTO creates an exception to MFN treatment for developing country goods, allowing developed countries to grant them "differential and more favorable treatment." The unilateral trade preference programs that have emerged in most industrialized countries as a result eliminate tariffs on a wide array of goods and contain myriad eligibility requirements, some of which are related to workers' rights.

The United States and the European Union are the world's two largest importers, so their trade preference programs have the greatest potential to affect international commerce. In both cases, the key program is the Generalized System of Preferences (GSP), which includes labor rights criteria.

The U.S. GSP grants tariff benefits to approximately 144 developing countries but provides that no country shall be designated a beneficiary "if such country has not or is not taking steps to afford internationally recognized worker rights." The U.S. GSP recognizes the following rights:

- The right of association;
- The right to organize and bargain collectively;
- A prohibition on the use of any form of forced or compulsory labor;
- A minimum age for the employment of children and a prohibition on the worst forms of child labor; as well as
- Acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

Protection from discrimination is notably absent from this list.

Under the U.S. GSP, members of the American public can submit petitions annually alleging that a beneficiary country fails to meet U.S. GSP eligibility criteria, including labor rights requirements, and urge withdrawal or limitation of benefits. The U.S. government determines whether to accept the petitions for review and, if accepted, whether the countries at issue are violating U.S. GSP criteria and, if so, what are the appropriate consequences. Since 1984, when labor rights requirements were added to the U.S. GSP, thirteen countries' benefits have been suspended for violating these requirements.

The European Commission (E.C.) GSP, granting trade benefits to approximately 178 developing countries, similarly provides a negative incentive for countries to uphold workers' rights—the threat of benefit withdrawal for "serious and systematic violation" of fundamental workers' rights as defined by the eight ILO core conventions on forced labor, freedom of association and collective bargaining, non-discrimination, and child labor. Only Myanmar, for its forced labor practices, has suffered

temporary benefit suspension for violating the E.C. GSP's workers' rights criteria.

In addition, however, the E.C. GSP also provides positive incentives. Under the E.C. GSP, countries may request additional benefits under a "special incentive arrangement" for their successful protection of workers' rights. The arrangement is granted if the European Commission determines that the requesting country's national legislation incorporates the "substance of the standards" in the eight ILO core conventions and that country "effectively applies that legislation." To date, only Moldova and Sri Lanka have been granted the E.C. GSP special incentive arrangement for workers' rights.

Bilateral and Multilateral Free Trade Agreements

The WTO also creates an exception to MFN treatment for regional and bilateral free trade accords, as long as "substantially all products" are covered. As a result, free trade agreements have proliferated and currently govern numerous trading relationships worldwide. Few, however, go as far on workers' rights as those negotiated between the United States and its trading partners since the early 1990s. These agreements can be divided into three main groups:

- The North American Free Trade Agreement (NAFTA),
- The U.S.-Jordan Free Trade Agreement (U.S.-Jordan FTA), and
- Accords concluded after the Bipartisan Trade Promotion Authority (TPA) of 2002.

These accords contain key similarities.

- None of them creates a supranational tribunal to adjudicate domestic labor law claims. Such claims are left to the parties' national courts or administrative bodies.

- Each accord, instead, provides for the creation of a dispute settlement or arbitral panel, selected by the disputing parties, to address violations of the agreement's enforceable workers' rights provisions.

- If a dispute settlement or arbitral panel confirms violation of an enforceable labor rights provision, the complaining country may impose a fine or, in some cases, a trade sanction on the offending country. To date, however, no party has been fined or sanctioned under any of the accords for labor rights-related violations.

NAFTA

NAFTA, a pact among the United States, Canada, and Mexico that went into effect in January 1994, was a watershed in the debate on labor rights and trade. For the first time, a free trade agreement included labor rights requirements. NAFTA's workers' rights provisions are contained in a side agreement—the North American Agreement on Labor Cooperation (NAALC). The NAALC does not establish common minimum standards for workers' rights, however. Instead, it lists eleven rights that the parties commit to promote through enforcement of their existing laws:

- Freedom of association and protection of the right to organize,
- The right to bargain collectively,
- The right to strike,
- Prohibition of forced labor,
- Labor protections for children and young persons,
- Minimum employment standards (such as wages and overtime pay),
- Elimination of employment discrimination,
- Equal pay for women and men,
- Prevention of occupational injuries and illnesses,
- Compensation in cases of occupational injuries and illnesses, and
- Protection of migrant workers.

The NAALC also obligates parties to provide for high labor standards in their laws, ensure access to labor law enforcement mechanisms with due process guarantees, and publish and promote awareness of labor laws and regulations.

All NAALC labor rights provisions are not created equal, however. Under NAFTA, violation of commercial provisions can lead to the imposition of trade sanctions, in the amount of the harm caused, until the dispute is remedied. In contrast, while public complaints may be filed against the parties for violating any of the NAALC's labor provisions, only the failure to effectively enforce laws governing occupational safety and health, child labor, or minimum employment standards can lead to the creation of an arbitral panel and the imposition of a fine or sanctions. The fine is to be paid into a fund expended by the Council, composed of the Canadian, Mexican, and U.S. labor ministers, to improve the offending party's labor law enforcement. The total fine cannot exceed .007% of total trade in goods between the disputing parties. Only if the violating country does not pay the fine or fails to remedy the violation may trade sanctions be imposed, in an amount no greater than the value of the fine.

The U.S.-Jordan FTA

In contrast to the NAALC, the U.S.-Jordan FTA, which entered into force in 2001, contains labor rights requirements in the main text of the agreement. Violation of those requirements is punishable through the same enforcement mechanism as violation of all other accord provisions and can result in the imposition of fines or sanctions. The U.S.-Jordan FTA requires parties to effectively enforce their labor laws, defined to include roughly the same workers' rights as the U.S. GSP, described above. Unlike the NAALC, however, the U.S.-Jordan FTA also obligates parties to "strive to ensure" that the fundamental labor principles of the ILO as well as "internationally recognized labor rights" similar to those identified by U.S. GSP are protected by national law and to "strive to ensure" that they do not relax or offer to relax these laws to attract trade. In other words, unlike the NAALC, the U.S.-Jordan accord is based on international law, and it requires parties to attempt to bring their labor laws into compliance with international norms.

Post-2002 Free Trade Accords

When TPA became law in 2002, it ushered in a new era for U.S. trade policy. TPA provides that the president can negotiate free trade agreements that Congress can only approve or reject, not amend. It also establishes myriad negotiating objectives covering many issues, including workers' rights, which the president is supposed to follow in all free trade negotiations. Since TPA, the Bush administration has concluded six free trade accords, three of which had been fully ratified and were in force by late 2005, and has initiated negotiation of six others.[13]

13 The three agreements that were concluded and in force as of late 2005 are the U.S.-Chile FTA, the U.S.-Singapore FTA, and the U.S.-Australia FTA. The U.S.-Morocco FTA had been ratified, but implementation was delayed, likely until early 2006. By late 2005, the U.S.-Bahrain FTA and the U.S.-Dominican Republic-Central America FTA had been concluded but not yet ratified by all parties, though full ratification and entry into force could occur in early 2006. After 2002, negotiations began for the U.S.-Andean FTA, the U.S.-Oman FTA, the U.S.-Panama FTA, the U.S.-South African Customs Union FTA, U.S.-Thailand FTA, and the U.S.-United Arab Emirates FTA.

The workers' rights provisions in the post-2002 trade accords differ only slightly from each other, and they are all the same in one key aspect: only one workers' rights provision is enforceable. All others are merely hortatory; they are not subject to fines or sanctions if violated. The one enforceable labor rights provision requires countries to enforce their national "labor laws," regardless of how weak. In addition, all post-TPA free trade accords define "labor laws" using the U.S. GSP definition of workers' rights, thereby excluding workers' right to non-discrimination.

In these accords, as under the NAALC, the enforcement mechanism available for failing to enforce national labor laws is different from that available if the accords' commercial provisions are violated. In both commercial- and labor-related cases, a violating party will likely pay a fine rather than lose trade benefits. However, if commercial requirements are violated, the fine imposed is roughly 50% of the harm caused and is payable to the complaining party. In contrast, if a country fails to enforce its labor laws, the fine is capped at $15 million and is payable to a fund expended at the direction of the Free Trade Commission, composed of cabinet-level representatives from the parties, to improve labor law enforcement in the violator country. In both instances, sanctions can be imposed if a country fails to pay the fine, in an amount no greater than the harm caused in cases of commercial-related violations and in an amount no greater than the fine assessed in cases of labor-related violations.

Tips for Reporters

- When assessing the various approaches to workers' rights in international trading arrangements, it is helpful to consider the following questions:

- Do they address workers' rights at all?
  Which labor rights provisions are enforceable—subject to penalties for their violation—and which are merely hortatory? Do they only require countries to enforce their existing labor laws or do they also require that national laws meet international standards?
- Which workers' rights are covered?
- Are workers' rights promoted through positive or negative incentives?
- Are the workers' rights provisions in the main text of the accord or in a side agreement?
- How are labor rights requirements enforced and what are the consequences for violating them? Fines? Trade sanctions?
- Are the enforcement mechanism and consequences as strong for violating labor rights provisions as for violating commercial requirements?
- If a fine can be imposed for violating a labor rights requirement, how is the fine collected and to whom is it paid?

Links for Further Information

World Trade Organization: http://www.wto.org/.

European Union Online: http://europa.eu.int/.

Office of the United States Trade Representative:
http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html.

Recommended Readings

Regina Abrami, "Worker Rights and Global Trade: The U.S.-Cambodia Bilateral Textile Agreement," *Harvard Business School 9-703-034,* August 21, 2003.

Lorand Bartels, "The WTO Enabling Clause and Positive Conditionality in the European Community's GSP Program," 6 Journal of International Economic Law 507, June 2003.

Lance Compa and Jeffrey S. Vogt, "Labor Rights in the Generalized System of Preferences: A 20-Year Review," *22 Comparative Labor Law & Policy Journal 199*, Winter/Spring 2001.

Robert Howse, "The World Trade Organization and the Protection of Workers' Rights," *3 Journal of Small and Emerging Business Law 131*, Summer 1999.

International Labor Organization, "Twelfth Synthesis Report on the Working Conditions in Cambodia's Garment Sector," August 8, 2005,
http://www.betterfactories.org/content/documents/1/12th%20Synthesis%20Report%20(En).pdf.

Sandra Polaski, "Cambodia Blazes a New Path to Economic Growth and Job Creation, *Carnegie Endowment for International Peace*, October 2004.

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The U.S.-Cambodia Bilateral Textile Agreement

By Carol Piers

The U.S.-Cambodia Bilateral Textile Trade Agreement (U.S.-Cambodia Textile Agreement) was in force from January 1999 through December 2004. It was not a unilateral trade preference program, as it was negotiated between the United States and Cambodia rather than legislated by the United States. However, it was also not a free trade accord, as it only governed the flow of textiles and apparel from Cambodia to the United States. Therefore, it can be viewed as a hybrid of sorts.

The agreement was possible because of the Multi-Fiber Arrangement (MFA), which from 1974 through 2004 regulated world trade in textiles and apparel through a quota system that allowed importing countries to negotiate, year by year and country by country, textile and apparel quotas for exporting countries.

The agreement committed Cambodia to improve working conditions in its textile and apparel sector and the United States to grant Cambodia increased textile and apparel quota if "working conditions in the Cambodian textile and apparel sector substantially comply" with Cambodian law and internationally recognized core labor standards. The agreement was supported by a broad range of groups, including business and labor, and is considered to have contributed to greater respect for workers' rights in Cambodia's textile and apparel sector, though problems remain.

Needing to demonstrate to the United States that it was fulfilling the pact's labor rights goals, the Cambodian government, along with Cambodian garment manufacturers, negotiated with the ILO to monitor textile and apparel factories. To ensure high factory participation in the ILO monitoring program, the Cambodian government limited textile and apparel export quotas to the United States only to participating firms. The ILO monitoring reports were made public and were considered by the U.S. government in deciding whether to award Cambodia increased quotas.

In August 2005, the ILO's factory inspectors issued a report covering the twenty-six garment factories that they had monitored since the monitoring program began in 2001. The report notes that although "significant progress" was made towards improving working conditions at most of the factories, some concerns remained, including mixed progress in complying with national workplace health and safety standards, regular use of overtime work above two hours per day, and failure by one third of the factories to pay casual workers the minimum wage.

"Small Traders Fear Border Barriers in SADC Trade"

By Joel Konopo

Every Friday morning as the sun rises, Ditiro Motlhamme, a vendor at the Gaborone Station Mall heads south to Johannesburg to buy merchandise. In the evening, the 67-year-old-man returns to Gaborone. His life and trade bestride the two cities.

The products come from China and his customers in Gaborone are mainly the young working class. He sells jeans, t-shirts and caps. There are thousand of vendors who purchase from Johannesburg and sell in places as far as Livingstone in Zambia, Maun and Francistown. To the vendors, the border posts are just like doors leading to rooms in the same house. However, they say the customs officials think otherwise. Motlhamme says he has been badly treated at the Tlokweng border post. "I have been to South Africa since 1997 when I started my business. We are ill-treated at the border posts. We even lose some of our belongings when we declare them," he says.

At the just-ended SADC leaders' summit, a protocol on the facilitation of free movement of people in the region was discussed but only four countries South African, Mozambique, Namibia and Lesotho - signed it. Motlhamme is not surprised that the Botswana government did not sign the protocol. He says the elite have not assisted him to escape from poverty and squalor.

The implementation of SADC protocol on trade, which promotes intra-trade liberalisation, began in 2000. The protocol stipulates that: trade in goods and services and the enhancement of cross-border investment are major areas of cooperation among member states. But the situation at border posts is different, traders say.

"I first went to South Africa some three years ago when I started my business. Initially when I started, it was fine, but now the customs people are unbecoming," says Ofentse Kgangkenna, a vendor at BBS Mall in Gaborone.

Police at Ramokgwebana border post with Zimbabwe explain that they are worried that the "free flow of crime" will escalate if the Botswana government facilitates the free movement of people. Officials in Botswana are hesitant to lift the border controls because they fear an influx of unskilled workers and economic refuges.

That Botswana has not ratified the SADC protocol on free movement of persons is of no consequence to traders like Kgangkenna. What worries her most is the hostility of the immigration and customs officers at the border post. A top SADC official, Steven Sianga has said that hostile customs officials can be a barrier to trade.

Meanwhile, a senior customs' official at Tlokweng border post who did not want to be identified said business commodities are charged 10 % Value Added Tax (VAT). He said SACU members enjoy duty-free exports. "We have to charge VAT, there is nothing we can do," he said.

The need to re-enforce efforts towards

SADC regional integration has been underscored by SADC officials. SADC acting director of trade, industry, finance and investment, Fudzai Pamacheche told Mmegi that the next stage will cover market access, rules of origin, trade facilitation and customs' cooperation.

Government's decision to delay signing of free movement protocol has been welcomed in some quarters.

"We can not have a free trade area without free movement of people. Eventually Botswana will sign," says BOCCIM executive director Elias Dewah.

He says the protocol has nothing to do with petty traders such as Motlhamme and Kgangkenna. Panic that Botswana has delayed in signing the agreement is unwarranted, says Dewah.

"We are not closing borders with any country; small traders will continue running their daily businesses. Perhaps what needs to be addressed is the bureaucracy that prevails at the border posts," Dewah points out.

He asserts that Botswana is still struggling to develop economically and the influx of unskilled labour from neighbouring countries would defeat its effort to develop its promising economy.

"We also have limited resources in terms of human development," Dewah says, urging Botswana to sign the protocol only when the region has attained macroeconomic stability.

University of Botswana lecturer on international trade Dr Oupa Tsheko believes that free movement of people should be commensurate to the kind of service they render to the recipient country.

"There are big economic disparities between SADC member states. The facilitation cannot be done in isolation," says Tsheko. "Some countries are going to experience an influx of unskilled labour from one place to another. Such people would not be contributing towards the development of that country."

Reprinted with permission from "Small Traders Fear Border Barriers in SADC Trade" by Joel Konopoi, Mmegi/ Dikgang Publishing Company (DPC), Botswana. August 24, 2005

CHAPTER FIVE

A Global Squeeze on Garment Workers?

The Phase-out of International Quotas and Its Impacts on Developing Countries

By Scott B. Martin

Overview

As the previous chapter suggested, global trade policies—and politics -- have the potential to profoundly affect jobs and working conditions. This chapter will explore the impact of one particularly important agreement on the tens of millions of workers employed in the global garment industry.

The ten-year phase-out over 1995-2004 of the Multifiber Agreement (MFA), a complex system of quotas that had governed global textile and apparel trade for three decades, seemed finally to herald simpler rules, an end to numeric restrictions on any country's exports to any markets. However, in a series of moves beginning in May 2005 and still underway as of September 2005, the United States and European Union, the world's two largest garment markets, have re-imposed quotas on most Chinese apparel imports. In doing so, with China's reluctant assent, the U.S. and E.U. have made use of their right, under the rules of the World Trade Organization (WTO) and China's terms of entry into that global trade body in December 2001, to enact safeguards in response to a deluge of imports. Moreover, even as quotas have been temporarily resurrected, the fears that had led producers from 100 other countries to predict in a joint April 2004 statement that, without quotas, China would capture 50% or more of the world's clothing and textile trade and eliminate more than 30 million jobs worldwide have not been put to rest.

The new China-only E.U. and U.S. quotas, which may last only until December 2007 according to WTO rules, are just as complex (varying, say, for women's blouses, men's slacks or undergarments), and they are just as crucial for the welfare of developing countries dependent on apparel exports as the old multilateral restrictions were. Given that the new quotas are dictated not by the concerns of Third World workers, but by the interests and pressures of domestic producers in rich countries, and that China may move upmarket in order to make the most of its continuing quota space, blunting the "China impact" remains a daunting challenge for developing countries. At best China's competitors in the developing world have merely achieved some breathing space with the latest U.S. and E.U. moves. For workers in those emerging economies, the crucial issue is whether their labor standards -- already low, generally speaking -- will be dragged down further, toward those of China, as competitive concerns force manufacturers into a low-road cost-cutting strategy and China enjoys a steadily greater freedom to export.

This chapter will focus on the apparel (garment) sector, about three times larger by value globally than the textile sector (though in many cases, official statistics for the two are gathered, and thus here are reported jointly). Apparel's lower technology requirements and dependence on unskilled and mostly young, female labor help have made it an obvious starting point for countries seeking export-led industrial development in recent decades. Of the fifteen leading garment exporting countries in the year 2003, eleven were developing countries--China, Turkey, Mexico, India, Bangladesh, Indonesia, Romania, Thailand, Vietnam, Morocco, and Pakistan, in that order. In that same year, apparel and textile exports together accounted for more than 80 % of total merchandise exports in Cambodia, Haiti, Bangladesh, and the Chinese territory of Macao; 70 % in Pakistan and Lesotho; and 50-60 % in Mauritius, Sri Lanka, and Nepal.

For decades the MFA quotas artificially suppressed the already-considerable growth in exports to the West of some dynamic Asian developing economies—first Hong Kong, Taiwan, and South Korea, and, more recently, India and, above all, China. Free-trade advocates and first-world retailers have long advocated the end of what they viewed as a skewed, inefficient quota system that hurt consumers, and they lament the latest restrictions on China. As economist Pietra Rivola notes, defining quotas country by country, product by product, under the MFA, was an eminently political process driven more by domestic interests and foreign policy considerations than strictly economic rationales. This is proving to be no less the case with the immediate post-MFA resurrection of China-focused quotas.

Trends in employment and share selected countries, 1995-2005

Year Employment	Year	Employment	Share (%)	Year	Employment	Share (%)
Bangladesh [1]	1998	1 049 360	49.9	2004	2 000 000	n.a.
Cambodia	1995	–	n.a.	2005	250 000	38.2
China [1]	1995	14 710 000	6.2	2004	19 000 000	18.9
India	1998	398 618	5	2001	463 319	6.2
Pakistan [1]	1996	26 915	4.8	2001	2 300 000	42.9
Sri Lanka	1997	154 542	34.9	2000	165 388	34.2
Mexico	1997	72 660	5.2	2005	460 000	12.3
Guatemala	1997	66 800	n.a.	2005	104 464	23
Romania	1997	286 300	14.1	2002	403 400	25.3
Turkey	1997	142 554	12.6	2000	164 353	14.6
Mauritius	1997	69 423	65.6	2001	76 963	65.8
Morocco	1997	131 995	16.1	2002	176 894	17.8
Madagascar [1]	1999	83 000	44.9	2001	87 000	44.8

n.a. : Not available. –: Insignificant.

1 Recent data from Bangladesh, China, Pakistan and Madagascar are for clothing and textiles. China's textiles and clothing share based on 2003 data. Manufacturing employment in 2003 based on estimation.
Sources: UNIDO: Industrial Statistics Database (INDSTAT) 2003 and 2005, Rev. 2 and 3; Cambodia: Better Factories Cambodia Project; China: China Textile Industry Development Report 2005 for textiles and clothing and China Statistical Yearbook 2004 for manufacturing employment; Pakistan: Textiles and clothing employment for 2001 from Institut Français de la Mode (IFM) et al.: Study on the implications of the 2005 trade liberalization in the textile and clothing sector (Paris, Feb. 2004), manufacturing employment from the Federal Bureau of Statistics; Bangladesh: Bangladesh Garment Manufacturers' and Exporters' Assocation (BMGEA) for 2004 data; Guatemala: Asociación Gremial de Exportadores de Productos no Tradicionales; Madagascar: Ministry of Labour and Social Law.

The "China Price"

Just what kind of challenge does China pose to competitors in developing countries and how does it affect their labor standards? A March 2004 petition for U.S. protective measures filed by the U.S. trade union federation AFL-CIO found that the communist regime's systematic violations of core labor rights artificially lowers labor costs by 47-86 % depending on the product, and cheapens the prices of Chinese textile and garment manufactures from 11-44 %. A 2004 US government study indicates that in 2002, average monthly wages and benefits for workers in China's urban manufacturing sector as a whole stood at US$112, with estimated hourly compensation of 69 U.S. cents (U.S.$0.69). In September 2005 an Indian industry delegation returning from China reported annual garment and textile wages that were still much closer to those in the US--$1,200-1,700. Indeed, apparel provides a prominent example of the "China price" that has become a new benchmark in many global industries—with the end of the MFA, retail clothing prices in the U.S. dropped by 10-15 % in the first few months of 2005, and wholesale prices for some items, like cotton tops and pants, by 20-40 %.

Even under the MFA quotas, China managed to more than double its share of world garment exports every decade, from 4 % in 1980 to 18.3 % in 2000 and 23.0 in 2003. With the December 2004 elimination of the last MFA quotas, its rate of growth of China's global textile and apparel exports mushroomed. In the first two months of 2005 alone, the Chinese government reported that its global textile and apparel exports to all countries rose 31% to nearly $14 billion, from $10.5 billion in 2004. Exports to the United States and Europe soared by 56 % over the same period, according to Chinese government figures, and the U.S. government reports that the country's Chinese imports surged for the first quarter by 63 % overall and by up to 2,000 % in some product segments. The complex new series of product by product quotas introduced and in some cases adjusted over the May-September 2005 period —some imposed unilaterally by the U.S. and E.U., respectively, some negotiated bilaterally with China—generally allow for a cap in the annual rate of growth in Chinese imports (around 7.5 % for the U.S. and from 8-12.5 % for the E.U.). These temporary quotas, say analysts and trade associations, will postpone but not forestall the long-term process whereby, once all quotas are lifted, China is expected to account for anywhere from 40-70 % of world clothing exports within 10-15 years.

The "China impact" and "China price" put garment producers and especially governments in other developing countries in a bind, if not an outright contradiction. On the one hand, in seeking relief from the end of MFA quotas, which the WTO denied them in late 2004, these countries are quick to decry China's low wages, as well as other alleged abuses such as currency manipulation and illegal subsidies to firms. A group of fourteen less-developed nations as well as tsunami-ravaged countries have also used these to make the case for special tariff concessions from the U.S., discussed below. Moreover, a major argument successfully used by advocates of the U.S.-Central America free trade agreement (CAFTA), passed by a single vote in the US Congress in July 2005, was the purported advantages that duty-free access to the U.S. market would give Central American nations and the Dominican Republic--not to mention the U.S. textile producers providing them the cloth they must use--in responding to the challenge of Chinese competition.

On the other hand, China's competitors are loath to raise the social aspects of "unfair trade"--exploitation of workers, unsafe working conditions, and lack of tolerance of trade unions and strike--because their own records on labor standards are typically far from stellar. In recent rounds of WTO negotiations on proposed new global trade liberalization, developing countries have also resisted linking labor standards with trade calling it a disguised form of Western protectionism. In taking this stand—principled though it may be—other developing countries are missing an opportunity to contain the competitive threat from China. Moreover, these countries have only recently begun to recognize the fact that in addition to illegitimate comparative advantages such as suppression of labor rights, China also enjoys many legitimate comparative advantages over other developing nations; it has excellent infrastructure, a relatively good education system, strong raw materials and textiles industries, capacity for technological absorption, and a huge internal market.

Poor Country vs. Poor Country?

Though driven by first-world domestic interests, MFA quotas had the unintended effect for several decades of dispersing the most labor-intensive segments of the garment industry around the globe, becoming a sort of backdoor "foreign aid" program for some of the world's least developed countries. For instance, once Taiwanese apparel makers had exceeded their quota of, say, women's blouses for the U.S. market, they began to engage in "quota-shopping," shifting production overseas to poorer Southeast Asian neighbors like Thailand and the Philippines, Central American nations such as Guatemala, and African countries such as Mauritius -- all of which had lower labor costs. The brand name "global buyers" who have come to dominate the apparel production chain each found themselves, in the last decade, sourcing garments from several dozen countries in Asia, Africa, Latin America, and the Middle East. Apparel accounts for the single largest share of the more than 42 million people worldwide, across 116 countries, who work in more than 3,000 specially designated Export Processing Zones (EPZs) that import goods without tariffs (in this case, items such as cloth and dye) and stitch or assemble them in a labor-intensive fashion for immediate export. In 1986 there were only 176 such EPZs in 46 countries.

The initial effects of the end of the MFA have been blunted somewhat by the anticipation -- and then adoption -- of the mid-2005 E.U. and U.S. quotas on China, as global buyers have had to divert orders originally slated for China to other countries, particularly in South and Southeast Asia. The effects have also varied dramatically by country. However, there are evident downward pressures on employment and costs across most, if not all, garment industries in the post-MFA world. Considerable restructuring is occurring, as (in the best of cases) a few new factories open while many existing ones modernize, downsize, or close. Moreover, many began to feel the impact even before the end of the last MFA quotas, as firms prepared for the new competitive environment.

In *Latin America*, 18 apparel factories closed in January and February 2005 in Guatemala, Honduras, Costa Rica, and the Dominican Republic, leaving 10,000 workers unemployed. Following a year in which El Salvador lost 3 % of garment production and saw eight garment factories close, that country experienced, during the first quarter of 2005, a further 6.8 % decline in production in its export processing (*maquila*) sector, where garments figure prominently. In the Dominican Republic, where garments and textile make up about four in ten maquila jobs, total exports from its export zones were up 5.3 % during the first half of 2005 while net employment was down somewhere between 3,400 and 26,200, depending on the source of the estimates – meaning there were fewer jobs, but with far greater productivity pressures on the workers. Similarly, Guatemala registered an 11 % jump in clothing and textile exports for the first quarter even as an additional 21 plants closed and 3,500 jobs were eliminated. A September 2004 report prepared for the United Nations Economic Commission for Latin America predicts that once temporary quotas on China end, Mexico's share of all U.S. garment and textile imports will decline from 15 % to 3 %.

Among key garment exporters in *Asia*, one of the few clear winners at the level of export figures as of September 2005 is Bangladesh, whose apparel shipments to the U.S. were up 18.5 % in the first quarter. In Turkey, post-MFA garment exports declined 6.8 % through July 2005. Several years of booming clothing exports were followed by a meager 0.4 % growth in the first half of the year for Vietnam, well below official targets. In Cambodia, meanwhile, 30,000 apparel jobs were lost and 10,000 new ones created between January and May, though exports reportedly picked up midyear. In tsunami-ravaged Sri Lanka and Indonesia, meanwhile, it was difficult to separate out the impact of natural disaster from that of the end of global quotas. In India, where government and industry had expected post-MFA export growth rates of 35-40 % annually, trade sources indicated a disappointing annualized growth rate of only 10-12 % (in local currency terms) through August 2005.

Turning to *sub-Saharan and Northern Africa*, the nascent or revived export industries that had emerged with duty-free U.S. access under the Africa Growth and Opportunity Act (AGOA) seem to be facing post-MFA decimation. The Brussels-based International Textile, Garment and Leather Workers' Federation, in a June 2005 statement on Africa, painted this dire picture:

Hundreds of factories [are] being forced to close across the continent... with the loss of tens of thousands of jobs... Every country in the continent with textile and clothing employment has suffered. Lesotho which relies on the garment industry for some 99 % of its manufactured goods export earnings has seen eleven factories close with the loss of 13,000 jobs. Another 20,000 jobs are under threat. No alternative employment exists for these workers. Kenya has lost twelve factories and 14,000 jobs; Mauritius, six factories and 15,000 jobs lost; South Africa, eleven factories and 4,000 jobs. Malawi has lost 2,500 jobs and Namibia, 2000. Tanzaniahas seen two textile mills close. Tunisia expects to lose up to 40 % of its industry or nearly 100,000 jobs. Morocco, Ghana, Nigeria and Swaziland have all lost or expect to lose a significant part of their textile and clothing industries.

On the whole, the emerging post-MFA reality looks a lot like the predictions of a study released in June 2005 by the United Nations Conference on Trade and Development (UNCTAD), which forecast heightened competition among countries to provide a more attractive environment for export-oriented apparel and textile manufacturing. UNCTAD reckoned that the East Asian manufacturing firms that have come in recent years to dominate the production stages of the industry, through far-flung networks of overseas factories (including in Africa and Latin America) supplying goods to global retailers, would increasingly concentrate their activities in larger factories located in an ever-smaller number of countries. Along with labor cost, proximity to key markets, and access to special E.U. and U.S. tariff preferences granted to particular regions or countries -- all factors increasingly shaping these location decisions, the report notes -- will be macroeconomic stability, technological capacity and infrastructure. On all these counts, many smaller and poorer developing countries may find it difficult to retain their toeholds in an increasingly fierce global competition for garment jobs and investment.

Yet it is not just the poorest, least developed garment exporters who face trouble post-MFA. As one Chinese apparel entrepreneur told *The Financial Times* in September 2005, "the Chinese government wants to restructure this market and kick out the low-priced, low-quality players. They just waste energy and resources." The reason: quotas dictate the *number* of items per product type (say knit blouses or khaki pants) allowed into the consumer country per year, so within the quota system's constraints, the higher end the goods, the more export revenue China can generate. To the extent that this Chinese upgrading occurs, it means that the dominant post-MFA policy recommendation from international agencies like UNCTAD to existing developing country garment industries -- move *upmarket* to more exclusive consumer niches (say, fashion-intensive women's wear) so as not to compete head-on with China on labor costs -- may prove difficult to follow in practice.

Poor Worker vs. Poor Worker?

Before the end of MFA quotas, labor rights advocates from unions and NGOs expressed considerable fear that labor standards for garment workers in poor countries would be lowered, and that small beachheads of labor rights improvements in certain countries and companies would be jeopardized. The Washington-based Worker Rights Consortium (WRC), for instance, outlined concerns in an early 2005 statement about potential negative consequence of MFA phase-out for factories the organization monitors producing U.S. university-logo apparel: closing of the factories which have made the most dramatic labor rights improvements, refusal to pay mandated legal severance where there are factory closures or large lay-offs, "outright bans" on independent unions in some countries, and "downward pressure on working conditions." On the other hand, organizations more optimistic about free trade's potential benefits for poor countries, such as the Global Fairness Initiative (GFI), argue that developing countries with high, verifiable labor standards can use them as the basis for an enduring post-MFA competitive advantage in a world of sweatshop-conscious consumers—a "high road" strategy. Global apparel buyers who seek "brand security" will remain or be attracted to such labor-friendly locations, studies cited by the GFI find, as long as they are "competitive in price, quality, and speed to market."

Job loss in many developing countries has been a clear consequence of the end of the MFA, but it is rare to find a "smoking gun" linking labor rights abuses or lax labor standards enforcement directly with the end of quotas. Abuses by definition happen in the private space of the factory, hidden from public view, much less international scrutiny. But one political result of the end of the MFA was the Indian government's proposed legislation in early 2005, which would have created special economic zones, within which state governments would be allowed to exempt firms from labor and social welfare laws—much as China and many other developing countries do within their specially designated EPZs. However, pressures in the parliament and from left-wing parties within the governing coalition led the government to remove these provisions from the bill that ultimately passed in July 2005.

What of the prospects for labor standards improvements in China? Reforms in that country could help indirectly to improve standards in many developing countries as they no longer must lower standards to compete with China's rock-bottom labor costs. There are growing incidents of protest by workers in some industries in China. Yet the regime continues to harshly restrict dissent in the export sector, and the only union it permits is the state-dominated, party-affiliated All-China Federation of Trade Unions. *A Financial Times* investigation published in April 2005 found that over half of the firms audited for compliance with foreign buyer's labor standards requirements in China falsify records to disguise underpayment, excessive overtime, and other abuses. While some slight upward bidding of wages and benefits could happen as workers vote with their feet and change jobs more frequently, the pool of poor migrant laborers from the countryside is still plentiful enough that they could continue to be treated as "interchangeable parts" in the country's low-wage garment export machine for perhaps decades to come. An alliance of local and national party and government officials and international investors continues to block any serious reform efforts.

Reform Strategies

Outside China, recent events have intensified labor rights activism, both in the developing world and in wealthier consuming countries. Many will continue to experiment with strategies of engaging brand-conscious retailers and seeking to monitor their compliance with internal codes or cross-industry standards such as SA-8000 (as discussed in Chapter Three). Others, such as labor activists, seek to "shame" abusers through negative publicity and use shareholder and consumer pressure to get results. However, efforts to make global branded buyers' supply chains "sweat-free," however crucial, may be only one element of a broader labor rights strategy. Not all brand-conscious retailers are subject to the influence of public opinion on labor rights issues--witness mass merchandiser Wal-Mart, which controls a large chunk of US clothing sales, and has been almost impervious to pressure. Nor would there appear to be much natural leverage, or inclination, to improve labor standards, among the increasingly large Korean, Taiwanese, and overseas Chinese multinational apparel manufacturers – whose brands are unknown to many consumers -- that are ever more powerful players (and often quite abusive overseas employers) in the global apparel production chain.

Another complementary reform route is that of bilateral government-to-government pressures—and rewards—wherein the U.S., E.U. or other wealthy government bodies can tie labor standards enforcement to preferential market access. Here the pressure of transnational activist alliances can also play a useful role. In the past the threat or revocation of U.S. Generalized System of Preferences due to labor standards violations (though typically applied very selectively for political reasons) has been shown in some instances to lead to improvements in national enforcement. Tariffs in rich country markets still play an important role in the global apparel trade and are likely to continue to do so. However, international pressure alone is a blunt instrument for achieving sustainable advances in local labor rights enforcement, particularly where local will is lacking, incentives for shirking are strong, or when First World priorities shift away from labor rights from government to government (as they did from Clinton to George W. Bush). The abject failure of the NAFTA labor accord to improve labor rights for the U.S.'s neighbor and second most important trading partner, and the recent tendency for global and regional negotiations and agreements to sidestep labor rights issues, are discouraging signs. Nor it is clear, given the politically contentious nature of trade politics within the rich countries, that--with or without labor rights--special garment preferences for additional poor countries have much prospect of passage.

A high road, labor-friendly development strategy in garments will have to involve a genuine, proactive, and creative commitment to link labor standards improvements with policies that improve the managerial and technological capacities and global connections of local firms. This means that training to improve skills and labor standards enforcement would need to be tightly integrated rather than seen as separate tasks, and that labor ministries would need to coordinate closely with agencies responsible for economic development, and to view labor standards reform as an integral part of human resource development and competitive strategy. This would involve overcoming many bureaucratic and ideological barriers, not only for governments in the South and international agencies but also for labor rights advocates who too often refrain from intervening creatively in development debates. The task, in short, is nothing short of reframing labor rights challenges as development challenges and *vice versa*. Economic growth and export generation are not ends in themselves; rather, they are necessary but insufficient means to improved working lives and communities.

Conclusion

The garment industry long seemed like a natural first rung on the ladder to development, as indeed it was for Hong Kong, South Korea, and Taiwan after the 1960s. However, only a few countries now seem positioned to retain their footing on that increasingly taller and steeper ladder, while the rest seem likely to either get pushed off altogether or be pushed down to the precarious lower rungs. In either event, barring serious reform efforts, workers stand to be the losers. The prospects that the apparel industry could ever offer decent wages, dignified working conditions, and the right to organize unions and strike—as it did for much of the twentieth century throughout the global North—seems ever more distant for both China and its competitors in today's global South.

Tips for Future Coverage

Here are some questions to ask as you assess the impact of the end of the MFA in your city, region or country:

- What effects (on export levels, types of exports, job levels, business closures/openings) have been felt (locally, nationally and regionally), both during the end of the phase-out period and since January 1, 2005?
- Have impacts varied since the U.S. and E.U. began to re-impose quotas on China? What do government, business, academic, and labor experts predict will be the medium-and long-term consequences?
- What role has your government played in international efforts to avert the MFA phase-out, or in seeking preferential agreements with the U.S. or other major markets to ease the impact?

- What policies, if any, has your government adopted to try to encourage "upgrading" by locally operating firms into higher-margin, higher-tech goods? Have firms and business associations, or other actors such as unions and NGOs, lobbied for such policies or criticized the government's stance?

- What measures have been considered to deal with the -- actual or projected --displacement of workers and the loss of income from declining apparel and textile exports (schooling, training, or public works targeted at unemployed workers)? What solutions to these problems do NGOs, trade unions, other civil society advocates, and international organizations such as the ILO advocate?

- Have reports of labor rights abuses—forced overtime, underpayment of wages, physical abuse, unsafe working conditions, sexual harassment, etc.—accelerated since the end of the MFA, as local businesses pressure workers to try to lower costs and remain competitive? Are there any available data on local industry wage trends? Which domestic actors advocate on behalf of labor standards?

- Which global firms are the key buyers of the garments produced in your country, and which multinational corporations are engaged in direct investment, setting up and operating their own local factories? What labor rights standards do these companies purport to adhere to in their corporate social responsibility efforts?

Glossary

Tariffs: Taxes on goods shipped from one country to another.
Labor intensive: Production that employs large amounts of (usually unskilled) labor and small amounts of equipment, machinery, and technology (capital).

Links for Further Information

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WAL-MART IN CHINA

By Carl Goldstein

The signs all over the store proclaiming Everyday Low Prices look the same (except that they're printed in Chinese), as do the neatly dressed "associates" patrolling the selling floor. Busy shoppers plucking bargains ranging from music CDs to shoes to fresh bean curd have the same determined look about them. And one other thing about Wal-Mart in China is familiar, too: The company's labor problems are making headlines.

To be sure, the All-China Federation of Trade Unions (ACFTU), which has launched a public relations campaign against Wal-Mart over the firm's refusal to let its Chinese workers unionize, does not much resemble unions in the United States (where Wal-Mart is the target of almost forty lawsuits alleging forced overtime without pay; a class-action lawsuit claiming gender discrimination; and, most recently, charges by federal prosecutors that the company has violated immigration laws by hiring undocumented workers). It is, rather, a virtual extension of the Communist Party and the government, and the fight with the antiunion Wal-Mart does as much to showcase the labor group's own shortcomings as those of the corporation.

The labor federation is threatening to sue Wal-Mart unless the US company agrees to establish unions in its stores. Wal-Mart, for its part, maintains that officials in the central government have assured the company that it's not required to do so. Which seems a bit odd, because Article 10 of China's Trade Union Law clearly states that a union "shall be set up" in any enterprise with twenty-five or more workers. The explanation for the apparent contradiction may be that the government's desire for foreign investment and jobs trumps any concern for workers' rights. That wouldn't be surprising in the Chinese environment, where strikes are forbidden and the official labor grouping actively supports the government's efforts to block the rise of independent unions.

Wal-Mart currently has thirty-one outlets in fifteen Chinese cities, with 16,000 employees. A company spokesman declined to give sales figures, but published reports have put Wal-Mart's total revenues in China at just under $1 billion. Shoppers at the Wal-Mart Supercenter in Changsha are doing their best to raise that number. Corporate affairs manager Jiang Lichun says the store--which opened in June--is doing better than the roughly $60,000 a day originally projected. Wal-Mart has earned considerable notoriety in the United States and elsewhere by paying its workers rock-bottom wages. It's clear the company has adopted the same approach in China. Jiang won't give a figure for what the company pays in Changsha or other cities but says it's a "competitive" rate that's enough to "guarantee the workers' basic existence."

Wang Meihua (not her real name), a perky salesclerk in her mid-20s dressed in a bright red Wal-Mart polo shirt and blue jeans, says most workers earn about $84 to $96 a month. That's enough to provide spending money for a young person with no dependents, but anyone trying to support a family on that wage would indeed be existing in a most basic fashion. Wal-Mart's wage strategy sets it apart from many US and foreign firms in China, which tend to pay somewhat above local standards in order to attract and retain good workers. So how does a job at Wal-Mart compare with working for a Chinese company? The American company hires far fewer people, Wang says. "Here each person does the work of three! Our productivity is much higher," she says brightly. A question about unions stumps her. She's heard the term before but isn't too sure what a union would do. "You'd have to ask our managers about that," she says.

Wal-Mart's insistence on keeping the Chinese union out of its stores is another thing setting it apart from other foreign companies. Andrew Rothman, a former US diplomat who is now the China country head for CLSA Emerging Markets, an investment bank, says, "Most multinational companies of any size in China have a union presence, and I've not heard of it causing a problem for anybody." That's little wonder, because the federation unit at most companies confines itself to such things as organizing outings for workers or, less often, administering workers' health or unemployment insurance payments. So it may not be too much of a reach to suspect that Wal-Mart's real motivation here is the desire to avoid setting a precedent that might encourage workers elsewhere. Wal-Mart spokesman Bill Wertz points out that Wal-Marts in Germany have workers' councils, as required by law. But the company's antiunion zeal is clearly fueling its impasse with the Chinese labor federation: "It's our belief that it's better for us to deal with our own associates directly rather than to have someone else come in between," says Wertz.

Wal-Mart may well have determined that some unfriendly headlines are a price worth paying if the company can stick to its bedrock antiunion principles. The labor federation, for its part, is accustomed to walking into corporate offices and cutting deals with managers--not to organizing workers. That's why labor activists in China and abroad have long regarded the official union--which claims a membership of 103 million--as part of the problem, not the solution. "The way the ACFTU operates has nothing to do with trade union principles," says labor activist Han Dongfang, who was expelled from China in 1993 for his efforts to build independent unions.

There is at least one way the ACFTU resembles its counterparts elsewhere: It needs new member dues to keep going. More than 30 million Chinese workers have lost their jobs as the old state-owned industrial base has crumbled before the competitive onslaught of foreign and domestic private firms. As a result, the federation is losing members and revenues. It can rebuild its financial base only by establishing itself in the private sector through companies like Wal-Mart.

But it will mean little for Chinese workers if the official union does thrive. The federation's role, as China evolves into a corporatist, quasi-fascist system marked by close, often corrupt, ties between government and big business, mainly comes down to preventing workers from taking their rightful place at the table. Under the best of conditions Chinese leaders would have their hands full dealing with such problems as massive urban unemployment and the flood of desperate rural laborers into the cities. Squelching workers' grievances and closing off their channels for peaceful protest can only raise the danger of massive social upheaval in the near future.

And that's got to be bad for business in a way that even profit-minded Communist Party leaders and Wal-Mart executives can understand.

Reprinted with permission from "Wal-Mart in China" by Carl Goldstein, The Nation, December 8 2003

The Nation.

CHAPTER SIX

Labor Issues and Global Outsourcing of Services

By Rupa Chanda

When a person gets a ticket on the streets of New York City, for failing to clean up after her dog, or playing her radio too loudly, it is processed in Ghana. When a man in Leeds, England, calls to complain about a magazine that hasn't yet arrived, he may well speak to a woman in Bangalore.

For much of the public, the offshoring of services globalizes daily life in ways that may be alternately intriguing and troubling. But for workers on both sides of outsourcing – those who gain jobs and those who lose them – much more is at stake.

That's why, for many decades, global outsourcing of manufacturing activities has been the subject of vigorous debate. Today, more and more service sector jobs are being outsourced to emerging economies. In the past five years, technology is enabling the worldwide sourcing of services through the virtual migration of labor. Companies outsource their service operations to other countries under varying kinds of contractual and organizational arrangements. The industry follows the "sun model," of following the working day in client countries, including responding overnight where required.

Today, a wide range of services are outsourced, including, customer support via voice, email, and chat (checking on order status, for example, or providing information on products and services); technical support such as software code writing, problem resolution, network design, and IT help desk services; telemarketing; routine back office support operations such as claims processing, data entry and processing, data conversion, and bookkeeping and accounting; and knowledge processing, which involves high-end, specialized work such as research, product development, consultancy and advisory services

Offshore outsourcing of services has grown by over 20 % per year in the past five years. Estimates by IT research firms such as Gartner and Forrester place the size of the global offshore services outsourcing market at about $230 billion today with a projected size of over $500 billion within a few years. Figure 1 shows recent and projected trends in global spending on IT and Business Process Outsourcing (BPO)[14] outsourcing, based on Gartner estimates. It highlights clearly the huge growth that is expected in this area.

Global spending on IT and BPO outsourcing

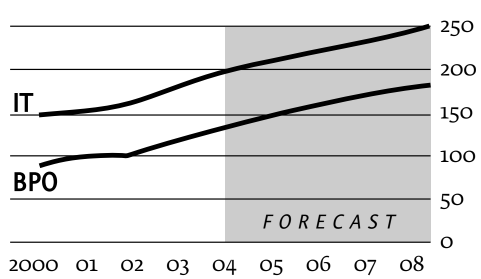

Figure 1. Source: Gartner
Economist, "Outsourcing Surveys: 2004- A World of Work", November 11, 2004. http://www.economist.com/displaystory.cfm?story_id=3351416

The United States alone accounts for about 60 % of global business process outsourcing, with more than 50 % of the top 500 U.S. companies outsourcing one or more business processes. Europe, Asia-Pacific, Japan, Canada, and the rest of the world account for the remainder of the market, with the United Kingdom being the most important source of business after the United States. (Countries using outsourcing services are "client" countries.) Among countries providing the services, India is the clear leader, but there are many potential competitors, including China, the Czech Republic, Russia, Hungary, Ireland, Israel, Mexico, Northern Ireland, Philippines, Poland, South Africa, and countries new to this market, such as Bangladesh, Sri Lanka, and Vietnam. "Delivery" countries – those providing labor for outsourced projects -- are selected based most of all on cost, but other factors include language proficiency, industry expertise, technical infrastructure, time zone, political risk, and climate. Some important services offshoring companies include Accenture, Ernst and Young, Deloitte Consulting, American Express, Hong Kong and

14 Global Business Process Outsourcing (or offshoring of services) is the outsourcing of back office and non-core operations of a firm to service providers in other countries. These services are delivered back to the outsourcing firm through internet, voice, and satellite based communications.

Shanghai Banking Corporation (HSBC), Electronics Data Systems (EDS) Corporation, IBM Global services, General Electric (GE), Microsoft, and Oracle. In recent years, some developing country firms have also started outsourcing operations to other countries. For instance, Indian BPO companies like HTMT Solutions and Daksh have outsourced operations to the Philippines and have set up subsidiaries in that country.

Global outsourcing of services replicates the international division of labor that has already happened in manufacturing. It brings many benefits to developing countries but also poses several challenges which is why it is so controversial. Many people worry about job loss, pressure on wages and the deterioration of labor standards as well as the social, emotional, and cultural well-being of those engaged in this work.

Creation of employment opportunities

The most prominent outcome of global services outsourcing is the creation of direct and indirect employment opportunities. Global offshoring of services currently provides employment to about half a million persons worldwide. In India, as of March 2004, an estimated 245,500 persons, from ordinary graduates to highly specialized persons were engaged in such services, with 95,000 employed in customer care, 40,000 in finance, 46,000 in content development, 21,000 in payment services, 4,000 in administration, and 3,500 in human resource management. About 73,500 additional jobs were outsourced to India in 2003-04. Total employment in service activities outsourced from other countries is expected to reach 1.1 million in India by 2008. In the Philippines, between 40,000 to 50,000 workers, mostly with college degrees, are employed in the call center business around the country. HSBC has a staff size of 4,000 across India, China, and Malaysia. Offshore operations of U.K.-based financial services groups, including data processing, call center, software development and maintenance operations, have grown from a mere 200 jobs in 1996 to 3,000 jobs in 2002 and to over 5,000 jobs by end 2004. Some of the larger offshoring companies, such as IBM and Accenture, employ thousands of persons across multiple offshore development centers. GE Capital Information Services (GECIS) has 12,000 persons employed in remote IT help desk operations, software quality assurance services, and bill payments. At the higher end, outsourcing creates employment for scientists, engineers, and financial analysts in developing countries. GE's biggest research center outside the U.S. is in Bangalore, India where it employs some 2,000 engineers and scientists.

Outsourcing provides opportunities for women particularly: there are a large number of female employees in offshore service firms, including at senior management levels. Legislation has been introduced in countries like India to permit women to work at night at call centers.

Figure 2 highlights recent trends in as well as medium term projections for employment in the IT and BPO sectors in India, which is at present the most attractive offshore destination country in the world today. It indicates clearly the huge increases in employment that are expected in this industry in the medium term.

IT AND BPO EMPLOYMENT IN INDIA (THOUSANDS)

Sustainable?

	2002	2003	2006*	2009*	2012*
IT	106	160	379	1,004	2,717
BPO	170	205	285	479	972

*Forecast

Figure 2. Source: http://www.outsourcing.com/content.asp?page=01b/other/oe/q304/respect.html&nonav=true , based on NASSCOM estimates.

Workers in developing countries are attracted to outsourced service jobs because the wages and performance-based incentives are higher than those provided by local businesses; they are also drawn to the international corporate work environment. The average salary in outsourced service operations in India is $180 per month -- five times the country's per capita income. Fresh college graduates at Indian call centers are paid two and a half times what they would receive in other jobs. Thus, employment in such jobs makes possible a higher standard of living and faster upward mobility. Employees also benefit from learning more skills (language, for example, or technology).

Global outsourcing of services also creates indirect employment opportunities, as offshore service providers demand ancillary services such as training, placement, computer supplies and equipment, real estate, and infrastructure development. Offshore services jobs also influence the pattern of migration within developing countries, as workers move from smaller towns and cities to -- usually larger, urban -- outsourcing hubs, attracted by the opportunities and the higher standards of living these jobs can provide.

Jobs are projected to continue growing rapidly in services outsourcing as more and more companies begin, and expand, offshore operations. The U.S. is expected to outsource some 3.3 million jobs, worth $136 billion in wages, to low cost countries by 2015. Of these, 1.7 million jobs are projected to offshored in various office support operations alone, followed by 473,000 jobs in information technology, 348,000 in business operations, 288,000 in management, 227,000 in sales, and 184,000 in architecture, as shown in the table below.

NUMBER OF US JOBS OFFSHORED

Area	Number		
	2005	2010	2015
Life sciences	3,700	14,000	37,000
Legal	14,000	35,000	75,000
Art, design	6,000	14,000	30,000
Management	37,000	118,000	288,000
Business operations	61,000	162,000	348,000
Computer	109,000	277,000	473,000
Architecture	32,000	83,000	184,000
Sales	29,000	97,000	227,000
Office support	295,000	791,000	1,700,000

Source: Business Week, "The New Global Job Shift: Is your Job Next?", February 3, 2003.

Over the next two years, 40 % of the top 1,000 U.S. companies are expected to outsource one or more service projects overseas and 30 % of the large U.S. companies are expected to outsource IT services and manage certain business process via offshore vendors. Similar growth in services outsourcing is expected in the U.K. A 2003 survey of the Confederation of British Industries found that 29 % of U.K. companies were already sending their work offshore. An estimated 50,000 customer facing and back office service sector jobs are projected to be moving from the U.K. in the near future. According to the U.K's Trades Union Congress, between 150,000 and 750,000 jobs in the U.K. may eventually be sent offshore.

There are, however, some constraints. The first is speech recognition technology, which could partly reduce the demand for offshore voice-based operations in the future. The U.S. will be spending over $1 billion by 2008, up from $480 million in 2004, on speech-enabled self-service technology to replace various human jobs at call centers. Thus, to some extent, investments in technology could affect employment opportunities in developing countries.

The second problem is that demand for trained staff has begun, in recent years, to far outpace supply. Even in India, where the workforce is more skilled and speaks better English than in many developing counties, it can still be difficult to find enough qualified workers; if there is an opening for 100 graduates, only 12 to 14 are hired while the rest of the applicants are found to be unfit for the job; the remaining positions remain vacant. For every thousand applicants in Mumbai, only 1 or 2 are suitable for the jobs. A study of the global labor market found that multinationals engaged in offshoring of services found only 25 % of Indian engineering graduates to be employable. The reasons for the workers' low levels of suitability include poor language skills, the low quality of much of the educational system (or, its failures to prepare students for offshore service jobs), and lack of cultural fit. These problems are aggravated by the high rates of attrition in outsourced service jobs in delivery countries. Employees in outsourcing operations switch jobs frequently in search of higher wages; they do not generally perceive these jobs, especially those at the low end, as long-term careers. As a result, outsourcing firms are increasingly having trouble identifying, recruiting, training, and retaining workers. More and more are investing in their own training programs and moving to second and third cities and towns to find workers. Some industry associations and governments have tried to increase the supply of employable workers for offshore service operations, by introducing changes in the educational curriculum and expanding enrollment at selected institutions.

Labor Arbitrage

Global outsourcing of services results in net savings of 40 to 60 % for offshoring companies, after accounting for costs of telecom, overheads, remote management and transactions, according to McKinsey Global Institute, Gartner, and other research consulting firm studies. The U.S. banking and financial services sector has benefited by an estimated $8 billion in the last three years from outsourcing to India. GE saves about $350 million per year through offshoring. The profits come from the huge wage differentials between the home countries and the developing countries. It costs a company only $300 per month to offshore accountancy and audit services to the

Philippines, while to have the same services performed in the U.S. would cost $5,000 per month. Indian financial analysts who conduct equity research and write industry reports for leading U.S. brokerages and investment banks, like Chinese engineers, with five years of experience who design chips for US companies, cost $1,000 per month, in both cases one-seventh the cost of their US counterparts. IT professionals providing support services -- management of sophisticated networks, development of software for business processes, or designing of websites -- cost $500 per month in India; U.S. professionals doing the same work cost $twenty times that much. Producing a TV animation programs costs between $250,000 to $400,000 in the U.S. and Canada; outsourcing the work to India brings the price tag down to only $60,000.

Often, outsourcing results in greater productivity and better quality services, as measured by increased average speed of response at call centers, fewer errors in data processing, fewer defects per ten thousand lines of codes, more number of lines of code written per hour, and better quality of transcription. That is because in emerging economies, the workers engaged in such operations are often more trained, qualified, and motivated than their counterpart workforce in developed client countries. There are also gains in terms of increased trade and repatriation of profits and transfers to the outsourcing economies

Figure 3 shows the direct as well as indirect benefits due to outsourcing for the US and Germany, based on the findings of a McKinsey Global Institute study. It shows that for every US $1 offshored by the US to India, more than US $1 accrues to the US in direct and indirect benefits. However, the benefits are far less for Germany than for the US, indicating that the economic impact of outsourcing varies across offshoring countries.

Increasingly, due to problems of attrition, demand-supply imbalances, and rising training costs, wage differentials and the associated savings from outsourcing are declining. In

DIRECT AND INDIRECT BENEFITS OF OUTSOURCING TO THE OFFSHORING COUNTRY (2002)

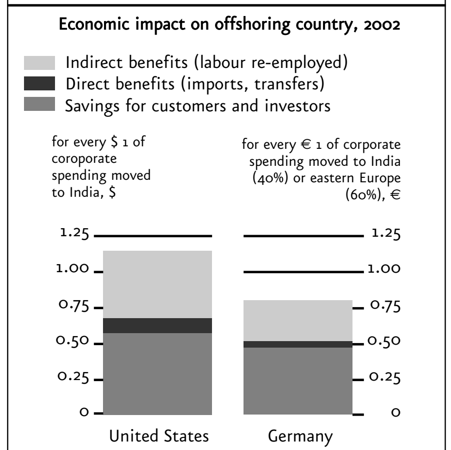

Figure 3. Source: Economist, "Outsourcing Surveys: 2004- A World of Work", November 11, 2004. http://www.economist.com/displaystory.cfm?story_id=3351416

India, employee salaries are rising on average by 20 % per year, lowering average revenue per hour for both client and provider companies in offshoring operations. Call centers and others providing low-end services such as telemarketing and support are facing growing pressures of rising employee costs and attrition. But since in the near future, low-end offshore operations will still offer companies substantial savings in wages, it is likely that firms will continue outsourcing services to developing countries.

Occupational hazards

Several studies and surveys have found that a high level of stress is associated with the constant monitoring and benchmarking of employees against performance metrics, and the emphasis on round-the-clock high efficiency levels in outsourced service operations. Call centers, in particular, are associated with a "Burn out Stress Syndrome." Workers in call centers suffer from a variety of occupational hazards, including hearing problems, voice injuries, insomnia, and chronic fatigue that result from continuous handling of phone calls, dealing with irate and rude customers, constant call monitoring for quality control, high quotas, permanent night shifts, and work days lasting 11-12 hours, or even longer. Other oft-cited negative consequences are personality disorders and identity problems, changes in the biological and social rhythm of employees, hair loss, increased heart rhythm, hormonal imbalances, sleep disorders, back pain, gynecological problems, gastrointestinal problems, and the development of bad eating and other habits. Continuous computer use and radiation result in headaches and eyesight problems. According to some surveys, the high stress levels and the monotony of many offshore service operations plus the fact that many of these jobs, especially at the lower end, are not seen as long-term career options, lead to low levels of satisfaction and poor morale among employees. Such occupational hazards in part explain the high attrition rates in offshore service jobs.

Labor displacement

Many trade unions and worker/industry associations in developed countries like the U.S. and the U.K., oppose offshoring of services on the grounds that it destroys jobs in

client economies. Studies find that high volume, low-end jobs such as those in call centers, which are repetitive in nature, are the most vulnerable to displacement. Recent announcements by major financial services companies in the U.K. to transfer back office and call center operations to India have evoked criticism from the public and from trade unions regarding the impact on domestic employment, especially in areas like South Wales, Central Scotland, and North Eastern England, where the call center industry has been an important source of employment and economic revival. Offshoring of jobs by US companies like GE and Boeing have also come under attack from professional associations and trade unions. The Communication Workers of America and the Transport and General Workers Union have lobbied against U.S. outsourcing to developing countries like India, China, and the Philippines and want tough regulatory measures against offshoring. The debate on job losses due to outsourcing of services took center stage during the 2004 U.S. Presidential elections.

Outsourcing of higher-end technical and professional service jobs has also been subject to protectionist challenges. The Seattle-based Washington Alliance of Technology Workers launched a 2002 campaign called "Giant Technology Job Exodus" to stop the export of technology jobs to low cost locales like India and the Philippines. Protesting Boeing's decision to outsource work on designing components and processes to Russian engineers, 22,000 engineers in Seattle represented by the Society of Professional Engineering Employees in Aerospace threatened to walk out when their contracts expired.

This backlash has led to protectionist legislation against services outsourcing. In 2004, the U.S. state of New Jersey passed a bill severely restricting the outsourcing of government contracts to other countries, requiring that only U.S. nationals or residents handle such contracts, unless they required specialties for which U.S. workers were not available. Several other U.S. states, including Maryland, Connecticut, Washington, and Missouri, have passed similar legislation prohibiting or restricting the state government from contracting with firms that offshore work to low wage developing countries. Other U.S. states have passed legislation penalizing companies financially -- denying them or reducing the extent of their federal aid and grants if they move jobs to low-wage developing countries – for outsourcing. Recently, legislation has been passed in the U.S. permitting customers to obtain information on the delivery country of a call center-based operation.

There have been attempts at introducing protectionist legislation in other countries as well, though with less success. Unions in the U.K. went on strike to protest British Telecommunications' decision to open call centers in India. The financial services association in the U.K. has publicly opposed offshoring by British companies like HSBC, Prudential, and Aviva. The U.K.'s largest manufacturing and technically skilled persons' union, Amicus, with 1.2 million members, has been fighting the shift of service jobs to India and has been educating the public on the potential risks of outsourcing to countries like India, winning the support of labor MPs in the U.K. The slogan among some unions in the U.K. is "British jobs for British workers". Australian unions and labor opposition have supported legislation against services outsourcing similar to measures taken in the U.S. The Communications Public Sector Union or CPSU (Communications, Electrical, and Plumbing Union) agrees in principle with legislation barring companies from receiving taxpayer- funded benefits or imposing financial penalties upon them, if they offshore and do not use local skills and labor. A "Buy Australia" purchase policy has been suggested to the Australian government whereby the government would keep jobs within the country and require companies to justify their offshoring decisions. But no legislation against services outsourcing has actually been adopted in any countries other than the United States.

There are, however, various studies suggesting that the impact of services outsourcing on jobs and wages in developed economies may be much smaller than perceived. According to a U.S. Department of Labor study, offshoring has accounted for only a small fraction of the total number of jobs that have been displaced or lost in the U.S. From January to September 2004, offshoring deprived 10, 722 U.S. workers of their jobs, accounting for only a little over one-fourth of total jobs relocated — the rest of the jobs moved elsewhere within the United States – and only 2.5 % of all layoffs. Thus, the creation and destruction of jobs in economies like the U.S., has occurred for varying reasons, and services offshoring has been a small piece of the picture. A study of offshoring in the U.K. found that contrary to public perception, outsourcing from that country to India has had only a marginal effect. Several U.S. and U.K. based studies find that much of the job loss is short term, and more than offset by benefits due to increased firm productivity, lower costs, expansion of trade and investment flows between countries, and higher employment growth in the offshoring economy. This research presents outsourcing of services as inevitable given cost, demographic, and technological factors, and that ultimately, protectionist legislation attempting to prevent it is likely to be ineffective and costly. Supporters of this view have thus pushed for measures to relocate and re-train workers, and improve their skills, to ease the difficulties associated with outsourcing and to help meet current and future human resource needs.

Labor standards

Some developed country trade unions and workers' associations have expressed concern about work conditions in offshore service centers in developing countries, charging that they violate core labor standards and constitute unfair competition, which forces down wages, and living standards in the more developed economies and causes a global race to the bottom. Unions also worry that outsourcing will lead to more "flexible employer" legislation, making it easier to lay off workers in developed countries in order to compete in low wage markets. These arguments are similar to earlier objections to manufacturing outsourcing earlier.

Given the worries about workers' rights, several unions in developed countries have been pushing for the enforcement of minimum labor standards in outsourced service operations. These include standards on health, safety, use of technology for monitoring purposes, breaks from duty, overtime, and leave. Although the types of service jobs affected by outsourcing are not unionized in most countries, some unions in developed countries are pushing for collective bargaining by employees in the emerging economies and periodic negotiations with employers on wages, working conditions, benefits, and workers' rights, especially in the case of call center operations. Some labor unions in developed countries are going so far as to insist on parity in working hours, wages, and working conditions between client and delivery country service providers, measures that would completely undermine the bases for outsourcing.

Some unions are pushing for greater transparency in the outsourcing process, whereby the true costs of offshoring due to training, relocation, travel, infrastructure development, maintenance, and risk are factored in the decision making process and companies convincingly demonstrate their need for offshoring. Innovative agreements are being signed to address the impact of offshoring on domestic employment. For example, the U.K.-based financial services association, Unifi, has an agreement with the Barclays bank for managing employee security (i.e., the job security of those employed in the bank's UK operations) when its activities are relocated offshore. The agreement includes commitments to share more information with the workers at earlier stages of offshoring decisions, early consultation with affected domestic workers, and a series of measures to avoid layoffs. Workers secured a similar agreement with HSBC in 2003 on management of change and for mitigating the impact of work offshoring. The union Connect, representing British Telecommunication's managerial and professional workers, entered into an agreement in 2003 committing the company to decent treatment of its overseas workers and to avoiding layoffs at home. Some trade unions also want delivery economies to enter into international agreements to enforce ILO standards and respect workers' dignity. Other such as the Unions Network International, an international trade union umbrella organization representing 15 million workers in 150 countries, want to organize labor and build trade union structures in offshoring so as to root offshoring agreements in basic labor standards and principles and avoid a race to the bottom in wages and working conditions.

There is also another view on labor standards, which is that offshore service operations in developing countries are not sweatshop labor and that employees are not exploited, but enter at their own will, attracted by the relatively high wages and international life style afforded by such jobs. Some workers' associations in client countries have even admitted that workers engaged in such offshore work in developing countries are better off than their domestic and foreign counterparts, given the work environment, wages, and various workplace benefits and incentives they receive.

Conclusion

Global outsourcing of services involves the division of labor across countries to cut costs, improve efficiency and productivity, and diversify business. Advances in information and communication technologies are making services increasingly tradable across countries. Differences between countries in labor costs and availability drive the entire process. There is likely to be continued rapid growth in services outsourcing due to mounting cost pressures on companies, coupled with demographic and technological factors.

The main benefits of global services outsourcing are:
- Creation of jobs in emerging economies
- Higher wages, standards of living, and other spillover effects on the economies of developing economies
- Gains for client countries through cost savings, increased productivity, increased profits, and expansion of trade and investment flows
- Gains for workers in developing countries through acquisition of generic and specialized skills, knowledge upgrading, and technology transfer

The main challenges posed by global services outsourcing are:
- Job losses in client countries
- Potentially adverse effect on wages, labor practices, standards of living, and regional balance in client countries
- Possibly adverse effect on the physical, social, and emotional well being of those working in offshore service operations.

Tips for reporters

Here are some questions to consider when reporting on the impact of outsourcing. Working in developing countries, you may more often find yourself grappling with the questions for "delivery countries," but it is important to note that this could change, as emerging economies have begun to outsource some jobs as well.

IN DELIVERY COUNTRIES:

- What is the extent of global offshoring of services by your country/firm, measured by value, and numbers of jobs and employment terms?
- What are the average wages earned by those at the low, middle, and higher levels for offshore service jobs and how do these compare with wages earned in other jobs in your country?
- How does the wage compare for that received by workers performing similar jobs in client countries?
- What kinds of jobs do offshore services operations provide in your country?
- What kinds of workers are employed in outsourced service operations in your country/firm? What is there age, sex, skill level, for example? Are they

from the city or have they migrated from elsewhere in search of job opportunities?

- What are the labor standards and working conditions in outsourced operations in your area?
- How do these norms and standards compared with those in other sectors of your country's economy and with those in client countries?
- What kind of domestic legislation regulates services outsourcing in your country?
- What overseas laws and regulations, if any, govern your country's offshore service operations?
- What has been the nature and extent of impact of global services outsourcing on employment and output in your country?
- Has outsourcing of services indirectly – as well as directly – led to employment opportunities in your country?
- How do offshore services operations compare with manufacturing and agriculture as a source of employment?
- What have been the measurable economic effects of global services outsourcing (based on efficiency, productivity, costs, etc.) in your country and your firm?
- What are the effects of offshore service employment on the physical, social, and emotional well being of its employees?
- What kinds of human resource management problems are exist in outsourcing operations in your country?
- What is the extent of attrition in your company/country for offshore service jobs?
- What is the rate of growth of wages in your company/country for offshore service operations?
- Are there enough qualified workers to meet the growing demand for offshore service labor in your country?
- What kinds of government and industry level strategies are being adopted to address impending or current human resource challenges in services outsourcing in your country?
- Which countries pose a competitive challenge to your country in services outsourcing?

IN CLIENT COUNTRIES:

- What is the net impact of offshoring service operations according to such economic measures as costs, efficiency, productivity, and profits?
- What is the extent of job displacement and job loss due to services offshoring by your country?
- What is the effect of services offshoring on labor standards and practices in your country?
- What is the trend in wage gaps between your country and major delivery economies?
- What is the trade union or worker association response to services outsourcing in your country?
- What is the government's attitude towards outsourcing in your country?
- What are the existing laws and regulations concerning offshoring of services in your country?
- Is protectionist legislation against services outsourcing, on the whole, beneficial or harmful to the economy?
- Does protectionist legislation on services outsourcing save or destroy jobs?
- What kinds of codes of ethics and labor standards need to be enforced in outsourced service operations?
- What kinds of steps are being taken by unions/associations and by firms to address human resource issues relating to outsourcing of service operations in your country?

Glossary of terms

Outsourcing of services: The delegation of information technology-intensive processes to external providers. Outsourcing may be done within a country or overseas. When a service is outsourced overseas, the service is delegated to a firm in another country, and it is said to be offshored. Hence, there can be onshore outsourcing and offshore outsourcing. Global outsourcing means offshoring of services.
Call centers: These are centers that provide customer support services such as payments processing, handling of product inquiries, and sales and marketing, over the phone. These may be onshore in the same country where the client company is based or offshore in another country. Call centers in other countries follow the client country's working hours and time zone, which may require working day and night shifts. Call center operations are typically at the lowest level of the value chain in global services outsourcing as they involve work for which little knowledge or specialized skills are required.
High-end outsourcing: This refers to the outsourcing of specialized operations, such as research and development, financial analysis, scientific analysis and testing, modeling, and computational work.
Labor arbitrage: This refers to the leveraging of differences in skills, capabilities, labor availability, and wages between countries. It is this process that drives services outsourcing.
Labor standards: These refer to working terms and conditions, including the number of working hours, timing of work, wages and benefits, health and safety, incentives, leave and other entitlements, the work environment, and related labor issues.
Protectionism: This refers to trade restrictions, which take the form of tariff and non-tariff barriers. In the context of services outsourcing, protectionism takes the form of regulatory barriers, such as legislation banning outsourcing or imposing penalties on companies that offshore their services, regulations on data privacy and intellectual property, and caller identification requirements in the case of call center operations.
Occupational hazards: These refer to the negative consequences of being employed in certain occupations. They may include physiological, psychological, social, and cultural problems.

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SIDEBAR

THE EXODUS OF FILIPINO NURSES

By Michaela S. Cabrera

The U.S. is currently facing a nursing shortage of around 100,000 and this figure is projected to reach 434,000 by 2020, according to the American Nurses Association. Because of this incredible demand, registered nurses or RN's can earn as high as $50,000 annually, an attractive prospect for RN's from developing countries like the Philippines, India and China.

According to the World Health Organization, the Philippines is the largest exporter of RN's to foreign countries, their total number estimated at 250,000. Between 1994 and 2003, 84, 843 Filipino nurses went overseas. And why not, when hospitals abroad can offer ten times their average salary of $200-400?

With their training in American-patterned nursing schools and their facility with English, Filipino nurses are very much in demand not just in the U.S. but also in the U.K., Saudi Arabia and Canada.

The influx of these highly skilled and nurses is a much needed boon to the American health care system. But while countries like the U.S. offer greener pastures for these professionals, their exodus is draining the Philippines of its most competent health practitioners and causing a great decline in patient care. Some public hospitals are so severely understaffed that they operate with a ratio of one nurse to seventy- five patients.

And not only is the lure of a U.S. green card depriving the Philippines of its nurses but also of other professionals, a pool of career-shifters who have abandoned fields like dentistry, architecture, engineering, business and even medicine, in exchange for a nursing cap. From 2001 and 2005, about 3,500 doctors left the Philippines to become nurses.

SIDEBAR

AFRICA'S BRAIN DRAIN CRISIS

By Gumisai Mutume

One of the major development challenges facing Africa is a continuing loss of skilled personnel, generally referred to as the brain drain. Over the last few decades Africa has lost thousands of professionals, mainly to Western Europe and North America. The International Organization for Migration estimates that 20,000 people leave Africa annually.

The development cost to the continent is immense. Highly skilled personnel such as doctors, engineers and scientists often emigrate in search of higher wages and better living conditions. At least 60 per cent of doctors trained in Ghana during the 1980s have left the country, according to the U.N. Development Program. This is a country with 9 doctors per 100,000 people, compared to Italy, for example, with more than 600 per 100,000.

In the past, African governments expressed little concern about the loss of skills. Donors often added to the problem by requiring recipient countries to hire foreign experts. Today, however, numerous efforts to reverse the trend are underway. The New Partnership for Africa's Development (NEPAD), the continental development plan developed by the Organization of African Unity (OAU), for example, supports the establishment of a reliable, continental database to determine the magnitude of the problem and promote collaboration between Africans abroad and those at home.

Some countries are developing policies to restrict the exit of skilled personnel. Others are seeking repatriation, offering retention incentives such as higher wages and better working conditions. There are also efforts to enforce international agreements between industrial and developing countries to bar the recruitment of skilled personnel from poorer nations.

Rather than dwell on the downsides of the brain drain, other countries are seeing it as an opportunity, setting up networks of professionals – through new information technologies such as the Internet, satellites and mobile telephony. Some employ innovative strategies such as "sequenced visits", where a professional may pay short visits to service a particular need (e.g., a doctor serving a remote rural village).

Having a sizeable proportion of nationals living abroad has some financial advantages. Economies such as Lesotho's are heavily dependent on international remittances. Other countries are considering bilateral tax arrangements with host states, to benefit countries of origin.

These are some of the key issues and questions journalists can delve into, in order to explain a phenomenon that is only going to accelerate in an era of globalization and greater human mobility.

Unrepresented Workers Worldwide

By Earl V. Brown Jr.

Overview

This current and intense phase of globalization has created global, regional and national labor markets. Institutions to enforce commercial, intellectual property and trade rights across national boundaries in an ever more integrated global economy have emerged, both as a result of international trade bodies such as those of the World Trade Organization (WTO), and as a result of harmonizing national legal systems to a world standard. A Hollywood film company can sue in Chinese courts, and compel the Chinese police to destroy tons of counterfeit discs. Similar processes have created global law that serves the needs of international investors and commercial enterprises. Yet the international community has so far failed to provide comparable ways of protecting the human rights of millions of vulnerable workers now adrift in these new labor markets.

Millions of workers migrate within and across national borders to seek work in the booming agricultural, mining, export and construction sectors of the developing world. Work of all kinds crosses national boundaries to reach cheap workers around the globe. Chinese illegal workers comb beaches in the United Kingdom for seafood to harvest and sell, while Central American workers pick the fruit of Florida orchards. Indian call centers handle U.S. consumer inquiries and gripes. Workers all over Asia, Africa and Latin America make clothes for E.U. countries and the U.S. This worldwide mobility of both workers and work has also created downward wage competition among the members of this global workforce—the "race to the bottom".

Social and labor market discrimination on the basis of gender, race, caste, religion or ethnicity bars whole groups of workers from good jobs and turns them to more marginal or downright illegal work, often as migrants. Migrant workers have no access to functional legal systems to mobilize the power, authority and resources of the state, in its courts and governmental agencies, to protect them. Nor do they have unions or other forms of grass roots collective voice to represent them *vis-à-vis* powerful employers and governments. Indeed, many cannot even leave oppressive conditions. Often employers use force and intimidation to shackle these workers to their workplace.

Migrant workers, even more than other workers, suffer from the lack of international legal workers' rights enforcement structure. As mentioned earlier in this volume, the International Labor Organization (ILO) sets international labor standards that create the architecture for international labor law, but it has no enforcement powers. This lack of protection for workers in global labor markets depresses labor costs and labor standards worldwide.

Baran, an award winning film by Majid Majidi, depicts the life of many workers in this new global work force. In *Baran*, Afghani and Kurdish illegal immigrants workers are constructing a high rise in Teheran. They live in temporary barracks, and their wages—considerably less than those paid to legal Iranian workers—are withheld until completion of the work. The boss also holds the papers of their legal co-workers, as security for any purchases of necessities from an adjacent store, and to keep the workers at the site. Without papers they cannot leave. Without back wages they will not leave. Whether any of these workers are ever paid in full is an open question. Injured workers are simply sent home.

Baran's bleak story is repeated everyday in the global economy. In the wake of this downward globalization, women and children are often lured into outright criminal forms of exploitation as child labor and sex trafficking. The illegal networks that traffic in manual and service workers also, very often, provide the infrastructure for the sex trade.

These new marginal workers further have no institutions to articulate their needs to government, employers and the public. They are deprived of voice and representation. National unions often do not cover these workers due to their marginal legal status, but many recognize that these new workers need protection. In too many cases, as discussed in earlier chapters, the legal frameworks protecting the freedom of association for workers are weak, or flatly prohibit the formation of independent trade unions. If unions are not independent of government, employers and other interests, they cannot represent the interests of workers.

Downward Competition to Cut Labor Costs and Standards

Most individual workers are at a disadvantage when dealing with most employers. Illegal or migrant workers, without access to courts or union representation, bear additional handicaps. The costs of any employer for human labor include, typically, wages, premium wage payments for overtime work and work on holidays, payments for holidays, vacations, sick days and severance pay, and for benefits, such as health care and pensions. Labor and employment laws may mandate some of these costs, while others may be the result of individual or collective contractual arrangements. Yet if workers have no access to courts to enforce standards set by law, and no collective power to obtain pay equity, the employer can violate the law and lower standards with impunity in order to lessen his costs of production and sell his product more cheaply.

Employers who violate legal standards obtain a competitive advantage because compliance with such standards—minimum pay, safe factories and other requirements—costs money. The lawless employers thus can beat out the compliant competitor in the marketplace. When employers seek competitive advantage premised on labor law violations, they set in motion a corrosive process. If the labor law is not enforced and violators sanctioned, the cheaters win and the employers lose all incentive to comply with standards. The race to the bottom is thereby exacerbated within a country.

This failure to enforce standards also attracts work internationally, from developed countries. The differences in labor costs between developed and developing countries can be significant. Some of that difference reflects the widespread failure of developing countries to abide by international labor standards or to enforce their own labor laws. Freedom of association is a frequent casualty, with countries where labor union rights are most brutally repressed occupying a significant competitive advantage over others.

China—One example of unrepresented workers

China provides one good example of this race to the bottom—but this story is common to many other countries. Workers from the rural areas who are drawn to the cities occupy a marginal legal status. Under the *hukou* system, which requires official papers for moving out of one's locality, rural migrants are not entitled to city services and have no voice in city politics. Given their semi-illegal status, their unfamiliarity with the city, and with their legal rights, these migrants are often cheated.

The Chinese press is full of stories of migrant workers from the countryside who are simply not paid by their employers. The back pay debt of Chinese employers runs in the billions of Yuan. Unpaid migrant construction workers are, in effect, building the glittering skyscrapers of the boomtowns of China, just as the ancient Egyptian pyramids were built with slave labor.

Many migrant workers are women working in export industries that have attracted foreign investment based on lower labor costs. In these industries, such as garment, textiles, toys, and shoes, the migrant workers are housed in factory dormitories. In peak periods, the rural women face 12-16 hour days, and six to seven day work weeks and are not paid overtime. Often these workers are exposed to public humiliation and abuse as a means of labor discipline, and exposed to unhealthy chemicals on the job. Some are locked in their dorms at night to prevent theft, and have died in fires. The owners routinely withhold two months of wages owed and keep possession of travel documents of the migrants.

Independent unions could represent these migrants and pressure employers to pay wages owed, in full and on time, by striking if necessary. Such institutions for migrants are illegal in China, as discussed earlier in this book, but they are clearly part of the solution, and where they exist they have eliminated some of the worst abuses. In neighboring countries that permit independent trade unions to represent workers, this problem of employers cheating workers of pay owed is not remotely as great. For example, tiny Cambodia has many migrant workers in textile and garment factories. But it also has free unions – as well extensive monitoring and enforcement due to a bilateral agreement with the United States -- and conditions for workers are consequently, better than those in China.

This story, as *Baran* shows, is not unique to China. In the U.S., abuse of migrant labor has also proven to be a persistent problem. While independent trade unions do exist in the U.S., immigrant workers' organizing rights are inadequately protected. Some migrant workers have responded by creating their own workers' institutions, called workers' centers, which are not legally recognized, and not recognized by employers, but often enjoy enormous community support and have been able to win significant victories. Sometimes their battles even draw national attention, such as when the Coalition for Immokalee Workers, a group of Florida tomato pickers, successfully campaigned to force Taco Bell, a major brand, to improve wages and conditions in the fields.

Tips for Coverage

- The news media are increasingly covering the conditions for migrant and marginal workers. Migrants, particularly illegal workers, often work and live in hiding—in closed and remote factories or construction sites. Contacting them is difficult, and they are distrustful of authorities and people who dress like civil servants. Labor laws and issues surrounding union representation are not covered in general education, so the legal context may be obscure.
- There are ways to gain access and familiarity with the labor context, however. Reporters can contact national and international union bodies via the Internet or directly, for insights. Often, national trade unions are well informed on the conditions confronting unrepresented workers and will steer reporters to good sources of information. There are also global union federations that unite trade unions operating in a particular economic and labor market sector worldwide. These international organizations are a rich source of information.
- The ILO has regional offices across the globe, and experts specializing in the conditions of migrant labor. Many universities and bar associations sponsor legal aid clinics for migrant workers. Lawyers fighting for migrants are often well informed and eager to tell the story of their clients. Some non-governmental organizations advocate for migrants, and can help provide balance in any story.
- Finally, the migrants themselves can best tell their story. They are often well informed and eager to communicate. Their cooperation, however, will often depend on the credibility of the reporter's contact for accessing the workers. If that contact is not trusted, the reporter will not be trusted either. Conversely, if the contact has gained the respect of the workers, they will divulge more information more quickly.
- Reporters should also be sensitive to the possibility that marginal workers often face repression and retaliation. If workers feel that the reporter will not adequately safeguard their identities and secrets, they will not talk.

Links for Further Information:

International Confederation of Free Trade Unions
http://www.icftu.org

AFL-CIO
http://www.Aflcio.org

Solidarity Center
http://www.solidaritycenter.org

Union Network International, UNI
http://www.union-network.org

International Union of Food, Agricultural, Hotel Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF)
http://www.iuf.org

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SIDEBAR

UNDER THE RADAR SCREEN: WOMEN IN INFORMAL EMPLOYMENT

By Ama Marston

Agnes sells shrimp to tourists in Jamaica. On a good day she makes $15. Sophie wakes each morning at 4:30 am to sell apples on a street corner in South Africa. She makes $2 per day. After working for 12 hours she picks up her children at school and returns home to wash, cook and clean. Julie assembles electronics in her home in England for $125 per week. She earns less than women who do similar work in factories without receiving any benefits. Gayatri rolls cigarettes sitting on the floor of her house in India for hours at a time. She earns $0.75 for every thousand she produces.

Despite their divergent locations, these cases represent the increasing trend of women among the ranks of the informally employed. They toil at small, unregistered enterprises mainly as street vendors or casual workers without fixed contracts or benefits.

Much of women's informal paid work is not accounted for in official statistics, but existing data shows that the majority of economically active women in developing countries work in this sector. In Peru and India, for example, 80 % of women working outside of agriculture are concentrated in the informal sector while in Zambia the figure is 75 %. [15]

On one hand, these jobs provide women with an opportunity to make an invaluable contribution to their family's income. But unlike the men who work as informal employees, women rarely own businesses or employ others. Even though wages are low in the informal sector overall, the gap between men and women's earnings tends to be larger outside the formal sector.[16]

One of the forces expanding women's informal employment is increased competition from international trade, particularly in garment production. Intense price competition between companies has not only driven production from country to country in search of inexpensive labor, but has also lead to the restructuring of employment to allow companies to hire and fire women workers as rapidly as international companies demand. As more women lose jobs in the formal economy there is increased competition for informal jobs.

Subcontractors often prefer women to do labor intensive work in their homes, cutting down costs for manufacturers. Home-workers buy and maintain machinery and cover their own overhead, freeing factories from rent and electricity bills. The workers are usually paid by the piece and have no guarantee of long-term work. Therefore, they bear the burden of any risk or loss associated with uncertain orders.[17] This arrangement is common in the textile industry. In the Philippines, for example, approximately half a million home-workers serve as the main producers of garments.[18]

The sweeping shifts taking place in informal employment in the developing world is a rich source of material for journalists. Stories about the informal sector touch on questions of economics, development, and gender and are ripe with compelling personal struggles often undercovered in the media.

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ARTICLE

DUBAI'S KERALA CONNECTION

By Steve Raymer

DUBAI: By all accounts Dubai, the most flamboyant of the seven states that make up the United Arab Emirates, has reinvented itself as one of the most globalized corners of the world, where education, a favorable business climate, and Internet access count for more than geography. But unlike other success stories for enthusiasts of globalization, the important players giving Dubai an extreme makeover are largely hidden from public view in a land whose wealth now comes more from business and tourism than oil and natural gas. They are the invisible foot soldiers of globalization.

Largely hidden behind the glitz of the shopping malls and fancy resorts are hundreds of thousands of unskilled South Asian workers who toil in the hope their labor will benefit home and family. Thanks to four decades of their sacrifices, the effects of globalization have been trickling down to places like Kerala, a tiny Indian state on the Arabian Sea, where remittances from workers in the Middle East account for more than 20 % of the state's income.

But the price has been high.

Blue-collar Indian workers in the U.A.E., including Dubai, amount to an exploited underclass with no rights, no unions, and no stake in the country's burgeoning wealth, say human rights groups. In neighboring Saudi Arabia, a recent Human Rights Watch report says many of the country's more than one million Indian migrants live in "conditions resembling slavery." The document highlights the widespread practice of forced, around-the-clock confinement of Indian maids, often in unsafe conditions. And a U.S. State Department report on worldwide human trafficking faults the U.A.E. and other Gulf states for commonplace labor abuses like withholding pay and passports.

Employers usually confiscate passports and residence permits when workers arrive at Dubai International Airport, making it virtually impossible for laborers to seek better jobs or quit and go home. Migrants typically cannot obtain exit visas without the approval of their sponsor or employer. The story of these faceless men and women, who live in labor camps and seedy apartments, is gaining attention in the usually self-censored U.A.E. press, which now regularly reports on worker protests over delayed pay and substandard living conditions.

"I've been in Dubai eight years," says taxi driver Rajab Khan from Pakistan's Punjab Province. "But I don't make enough money to have my family join me. We in the laboring class must live apart." He shares a grim one-bedroom apartment with 10 other Pakistanis and Indians. Khan returns to Pakistan once a year to a new home he built for his family, though he worries how long work in Dubai will last.

Since the flush 1970s, when global energy prices began to soar, the earnings of these foot soldiers of globalization have financed much of India's trade deficit, according to a recent study by the British Department of International Development and the University of Dhaka in Bangladesh. And Indians working in the Middle East - mostly in the U.A.E. and Saudi Arabia - amount to only 1 % of the country's total labor force. Their remittances have considerably impacted the regional economies of poorer Indian states like Tamil Nadu and Andhra Pradesh in addition to Kerala.

Some 3.1 million Indians working in the Persian Gulf send home about $7 billion a year, according to the most recent figures available, a 2003 report by the Indian Bureau of Foreign Employment. Neighboring Bangladesh has about 1.8 million workers in the Gulf who send home $2.9 billion annually, followed by Pakistan with a million workers who remit $1.3 billion. Figures for Sri Lanka are less precise, but in 2001, the nearly one million Sri Lankans in the Gulf sent home about $700 million.

Overall, the Reserve Bank of India says Indians of the worldwide diaspora remit about $15 billion a year - slightly over 3 % of the country's gross national product. So far this year, India's economy has grown at a greater-than-expected 7 %, thanks to strong consumer spending - spending that is bolstered by expatriate Indians, including those in the U.A.E.

In Kerala, the exodus of workers to the Gulf also has resulted in smaller families and more families headed by women, giving these de facto heads-of-household newfound authority. Once more, population growth has been reduced by 20 % since studies began in 1981. Gulf remittances also have contributed to a hefty 6 % decline for Muslims living below the poverty line and a

3 % decline for Hindus, according to a 2002 study by the Center for Development Studies in the state capital, Thiruvananthapuram.

Indian workers at a high-rise construction site in Dubai say the money they send home pays for new houses, better schools, uniforms, and textbooks for their children, and dowries for marriage-age daughters. Others tell of having to repay sizable loans, some at nearly 100 % interest, to secure jobs and visas for the U.A.E. Meanwhile, the poorest Indian villages are getting new mosques and temples, satellite dishes, and outdoor advertising for all manner of consumer goods, especially flush toilets, thanks to their remittances.

The U.A.E.'s substantial investment in fiber optics allows remittances to move from the rich to the less developed world at the speed of light, though the old practice of carrying gold jewelry or ingots back to India hasn't disappeared - to the chagrin of U.A.E. and Indian government economists. In Dubai, where there are no personal income taxes, banks compete to send remittances anywhere in India inside 24 hours. As the evening Muslim call to prayer echoes from a multitude of minarets, construction workers in greasy coveralls line up at banks in the city's old souk, cashing monthly paychecks of about $200 - the cost of a mid-range Dubai hotel for the night - and sending home as much as half of their earnings.

But unskilled workers worry about their ability to keep the remittances coming home. "There are too many South Asians here now, and many are going home, not to return," says Khan, the taxi driver. "You have to work 365 days a year, no days off."

Khan may be right. While South Asian professionals are still welcome, the U.A.E. has slowed down accepting visa applications from Indians for unskilled jobs, turning instead to less troublesome Filipinos, Indonesians, and even Romanians. "I recently put an advertisement in the local newspaper for 50 jobs and 700 Indians showed up," recalls P.K. Girish, general manager of one of Dubai's 400-plus hotels and an Indian by birth. "There's no doubt Dubai needs to fine tune its labor market." Thousands of illegal South Asian immigrants are said to live in slums in the neighboring Emirate of Sharjah, he says. Throughout the Gulf, indigenous Arabs are now being hired for managerial jobs once reserved for Indians in what amounts to an affirmative action policy to fight local unemployment.

Indians of every social class gripe about discrimination and the lack of rights, like citizenship for Indian children born in the U.A.E. Still, few seem anxious to return to India. "Life is so harsh in India," say Trevor Rose, a native of India who earned a Canadian passport only to return to Dubai. "This is still better."

Contributors

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Martin has degrees from the University of California, Santa Barbara in philosophy and Columbia University in economics.

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