

**Akdeniz University**  
Institute of Social Sciences

**University of Hamburg**  
School of Business, Economics and Social  
Sciences

Umut Ezgi Bozdog

**Impacts of ILO Core Labour Standards to Achieve Globally Superior Labour  
Standards:  
Does Social Dumping (Low Road) Argument have Reality?**

Joint Master's Programme European Studies Master Thesis

Antalya / Hamburg, 2012

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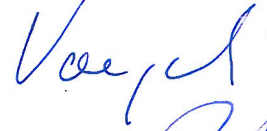
Akdeniz Üniversitesi  
Sosyal Bilimler Enstitüsü Müdürlüğüne,

Umut Ezgi BOZDAĞ'ın bu çalışması, jürimiz tarafından Uluslararası İlişkiler Ana Bilim Dalı Avrupa Çalışmaları Ortak Yüksek Lisans Programı tezi olarak kabul edilmiştir.

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Tez Başlığı: Impacts of ILO Core Labour Standards to Achieve Globally Superior Labour Standards:  
Does Social Dumping (Low Road) Argument have Reality?

Onay : Yukarıdaki imzaların, adı geçen öğretim üyelerine ait olduğunu onaylıyorum.

Tez Savunma Tarihi : 13/04/2012

Mezuniyet Tarihi : 17/05/2012

Prof.Dr.Mehmet ŞEN  
Müdür

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## LIST OF ABBREVIATIONS

- GATT: General Agreement on Tariffs and Trade
- WTO :World Trade Organisation
- IMF: International Monetary Fund
- FDI: Foreign Direct Investment
- NGO :Non-Governmental Organisation
- UN: United Nations
- IFI :International Financial Institution
- AmCham :American Chamber of Commerce
- PPP :Purchasing Power Parity
- FTAA: Free Trade of the Americas Agreement
- OECD :Organisation for Economic Co-operation and Development
- R&D :Research and Development
- FTA: Foreign Trade Agreement
- ILO :International Labour Organisation
- IPEC :International Programme on the Elimination on Child Labour
- GB:Governing Body
- CEACR :Committee of Experts on the Application of Conventions and Recommendations
- CAS :Committee on the Application of Standards
- MNE :Multinational Enterprises
- ICTFU :International Confederation of Free Trade Unions
- FDI: Foreign Direct Investment
- FLO :Fairtrade Labelling Organisations International
- MSI:Multi-Stakeholder Initiatives

**ABSTRACT**

**IMPACT OF ILO CORE LABOUR STANDARD TO ACHIEVE GLOBALLY  
SUPERIOR LABOUR STANDARDS**

Labour standards have often been mentioned as one of the new issues to be undertaken in the global governance. The core labour standards in the ILO conventions are the main resources in this regard that are recognised by both developed and developing countries. Nevertheless, an effective global enforcement system of core labour standards never could be established. On one hand, most developing countries regard the issue as a form of covered up protectionism, because, they are using low labour standards or low wages as competitive advantages. On the other hand, because of the power imbalances between developing and developed countries, there is no other way for some of them.

In addition, without internationally recognised labor standards , chiefly developing countries could continue to violate labor standards forever, more importantly it is not just an issue of competitive advantage, it is also an issue of human rights. This study is an examination of the effectiveness of internationally recognised labour standards system of ILO and other secondary mechanisms that have an aim of providing respect to global labour standards. My focus will be on core labour standards. In my research, first, I will briefly illustrate what globalization has brought concerning labour standards to both developing countries and developed countries and thereby what are the roots of the problem. Second, I will make the portrayal of the current situation and discuss the moral and legal roots of labour standards as well as the definition of core labour standards. Third, I will investigate the non-implementation reasons of labour standards and find a solution for future implementations by examining both prime and secondary mechanisms that exist today. My research is a study of discourse analysis from different resources. My research also include a test of the argument of “social dumping” which supports the notion that the globalization process leads a race to the bottom regarding labor standards between developed and developing countries. In this regard, both arguments that are prounded by developed and developing countries will be examined with a discourse analysis. Last, my arguments will be supported by a little case study that is involved “Natural Stone Industry in India”.

**Keywords:** Core Labour Standards, Social Dumping

## ÖZET

### ILO'(UÇÖ) NUN TEMEL ÇALIŞMA STANDARTLARININ KÜRESEL DÜZEYDE DAHA İYİ ÇALIŞMA STANDARTLARINA ULAŞILMASINA OLAN ETKİSİ

Çalışma standartlarından sık olarak küresel yönetime ilişkin yeni sorunlardan biri olarak bahsedilmektedir. ILO sözleşmelerinde yer alan temel çalışma standartları bu bağlamda gerek gelişmiş gerekse gelişmekte olan ülkeler tarafından tanınan tek kaynaktır. Fakat küresel düzeyde çalışma standartlarının uygulanmasını sağlayacak etkili bir sistem hiçbir zaman oluşturulamamıştır. Bir yanda, birçok gelişmekte olan ülke konuyu bir çeşit üstü örtülmüş korumacılık olarak görmektedir, çünkü, gelişmekte olan ülkeler düşük çalışma standartlarını veya düşük ücretleri uluslararası rekabette avantaj olarak kullanmaktadırlar. Öte yandan, gelişmekte olan ülkeler ve gelişmiş ülkeler arasındaki güç dengesizlikleri nedeniyle, bazı gelişmekte olan ülkeler için başka bir yol da yoktur. Üstelik, uluslararası olarak kabul edilmiş çalışma standartları olmadığı takdirde, özellikle gelişmekte olan ülkeler çalışma standartlarının ihlaline sonsuza kadar devam edebilir, daha da önemlisi bu konu sadece uluslararası rekabet sorunu değil, insan hakları sorunudur.

Bu çalışma, gerek uluslararası olarak tanınmış olan ILO çalışma standartları sisteminin gerekse çalışma standartlarının küresel düzeyde tanınmasını amaçlayan ikincil mekanizmaların etkililiğinin araştırılmasıdır. Çalışmanın odak noktası, ILO'nun temel çalışma standartları olacaktır. Çalışmamda öncelikle, kısaca küreselleşmenin çalışma standartlarıyla ilgili olarak hem gelişmekte olan ülkelere hem de gelişmiş ülkelere neler getirdiğini ve böylece sorunun kaynaklarını göstereceğim. İkinci olarak, konuyla ilgili olarak mevcut durumun portresini yapacağım ve çalışma standartlarının ahlaki, hukuki kökenlerini ve temel çalışma standartlarının tanımını tartışacağım. Üçüncü olarak ise, çalışma standartlarının uygulanmama nedenlerini inceleyeceğim ve günümüzde varolan birincil ve ikincil mekanizmaları inceleyerek gelecekteki uygulamalar için bir çözüm bulmaya çalışacağım. Çalışmam, çeşitli kaynaklardan oluşan bir literatür taramasıdır. Çalışmam dahilinde ayrıca, küreselleşme sürecinin gelişmekte olan ülkeler ve gelişmiş ülkeler arasında çalışma standartları açısından dibe doğru bir yarışa neden olacağı görüşünü savunan “sosyal damping” argümanının doğruluğunu test edeceğim. Bu bağlamda, gerek gelişmiş ülkeler, gerekse gelişmekte olan ülkeler tarafından ortaya sürülen argümanlar literatür taraması eşliğinde sınanacaktır. Son olarak, savlarımı “Hindistan’da ki Doğal Taş Endüstri’sini” içeren ufak bir vaka çalışması ile destekleyeceğim.

**Anahtar Kelimeler:** Temel Çalışma Standartları, Sosyal Damping

“Today we live in a global economy, but not in a global society”(Roger, 2004, p.4).

## INTRODUCTION

“The notion that labor should not be subjected to the unfettered machinations of a liberal market economy has given theoretical life by economic thinkers such as Marx and Polanyi”. (Heintz, 2002, p.4) For example, Marx warned that the commodification of labor would lead to the alienation of the working population from the functions of economy, with substantial human and social costs. Likewise, Polanyi (1944) argued that subjecting labor to free market forces would generate external costs; including health problems, a deterioration of family and community structures, an erosion of craft standards, and a general degradation of many aspects of public and private life. Additionally, Heintz acknowledged that labor standards could be justified in terms of economic efficiency, such as better labor relations, cooperation on the job, and the sharing of information, factors that are interrelated with increasing productivity. Thus, Heintz expressed the relationship between labor standards and increasing productivity. In addition, he added that “Better standards, including higher wages, could pay for themselves through efficiency wage effects that increase effort on the job” . (Heintz, 2002, p.4) Because, while market mechanism bases on profit, it ignores the long term effects and focuses on the short-term effects.

Nowadays, a part of the workforce in developing countries lives under sweatshop conditions. Moreover, industrialized countries like the USA, welcomes the ILO’ (International Labour Organization) violations of core labour standards such as: freedom of association and collective bargaining. In my research, first, I will briefly illustrate what globalization has brought to both developed countries and developing countries. Second, I will discuss the portrayal of the current situation and the moral and legal roots of labour standards as well as the definition of core labour standards. Third, I will investigate the non-implementation reasons of core labour standards and find a solution for future implementations by examining both the prime and secondary mechanisms that exist today. My research is a study of discourse analysis from different resources. This study does not offer new empirical material. Rather it reviews the relevant literature consisting of scholarly contributions. Last, I will test the argument of “social dumping” which supports the notion that the globalization process leads a race to the bottom regarding labor standards both on the

side of developed and developing countries. In my research, my focus is on “core labor standards”, to make an analyze of whether glabal regulation should include other labor standards as well or not, a deeper analysis is needed. In addition, “Social dumping” argument has a huge concept including; wages, health and safety conditions and other social measures of working conditions as well. Thus, in my study, I will consider also “core labor standards” while examining “social dumping” argument. In this context, as part of my thesis statement “Social dumping” argument has protectionist roots because developed countries such as; USA is violating trade union rights as well.

My research does not include the issue of “international migration” which is the one of the main mechanism of globalization and also has effects on global labour standards. Furthermore, with its focus on labor conditions, the research does not consider how globalization influences enviromental quality, the level of social spending, cultural characteristics, or the likelihood of international financial crisis. My thesis statement is, the conditions of globalization which are supported by historical differences, create a situation that global regulation regarding labour –business relations, is a must.

In this sense, we can adopt O’Rourke ‘s criterias for defining effective nongovernmental regulatory systems to define the necessity of international labor standards. (1) legitimacy- are key stakeholders involved in all stages of standard setting, monitoring, and enforcement?; (2) rigor-do codes of conduct or other secondary mechanisms meet or exceed ILO conventions and local laws, are standards measurable, and is monitoring technically competent?;(3) accountability-is monitoring independent and transparent?; (4)complementarity—do international labor standards support state regulation and processes to learn and improve standards and monitoring methods? (O’ Rourke, 2003, p.25)

Most of the answers of the questions above are unfortunately “No”, so, a new mechanism is needed or a need to improve the current situation is clear. Because current national and international mechanisms are not sufficient to guarantee even core labor standards worldwide. In some developing countries, all of the core labor standards; in developed countries especially, trade union rights are violating. Moreover, both a profit-based standpoint and different national interests of countries are an obstacle for an effective global regulation mechanism. ILO mechanism is inefficient for even the implementation of



just core labour standards in today's situation and secondary mechanisms are not the solution of the problem by themselves. Lastly, in ethical terms, low labour conditions should not be the only way for the growth in developing countries, and also the increasing inequality between countries could lead to worldwide instability. These are the answers to the question of "Why globally better labour standards are needed?" Moreover, especially core labour standards are human rights and they need no other justification.

Regarding "social dumping" argument, I would like to add some remarks: After India and China entered global labor pool, having twice as many workers and almost the same amount of capital causes great pressure on labor markets throughout the world. This pressure will influence workers in the developing countries who had traditionally participated in the global economy, as well as workers in advanced countries. In 1980, the global workforce consisted of workers in the advanced countries, parts of Africa and most of Latin America. But in the 1980s and 1990s, workers from China, India and the former Soviet bloc entered the global system of production and consumption. (Freeman, 2005)

The traditional trade story rely on the fact that most workers in advanced countries benefit from trade with developing countries because advanced country workers are skilled, while developing country workers are unskilled. But this analysis has become increasingly invalid due to the massive investments that the large populous developing countries are making in human capital. (Freeman, 2005)

China and India are producing millions of college graduates capable of doing the same work as the college graduates of the United States, Japan or Europe at much lower pay. By 2010, China will graduate more PhDs in science and engineering than the United States. Today, most major multinationals have R&D centers in China or India.

Business experts report that if the work is digital — which covers perhaps 10% of employment in the United States — it can and eventually will be off-shored to low-wage highly educated workers in developing countries. If and when Russia gets its economic act together, labor market pressures on educated and skilled workers will grow. In advanced countries, real wages and/or employment are likely to grow more slowly than in years past. In developing countries that have traditionally been part of the global economy, manufacturing jobs are at risk (Freeman, 2005).

Growth of informal sector accompany the decline in the manufacturing jobs with rising poverty. The shift in labor to the informal sector with rising poverty, as indeed has occurred in many countries. China and India themselves are likely to face problems. (Freeman, 2005) Hence, if we consider skilled workers worldwide, there won't be a race to the bottom if we consider core labour standards. Because, skilled workers are educated people, a child or a person who forced to work can't do their job and they have acquired rights in the developed countries, although, the competition between educated workforce in developed countries and in developing countries, could likely to suppress "Freedom of Association and Collective Bargaining" and "Discrimination and Equal Remuneration". Because, employers could threaten workers with changing the place of production or if unemployment rises, they could give priority to their nationhood. But, if we take into account unskilled workforce worldwide, which include the workforce of sectors such as extractive and manufacturing, there can be a race to the bottom among developing countries that includes India and China. Because, again in the developed countries, unskilled workers have acquired rights as well and in the sectors I mentioned below costs of production is the predominant determinative factor which leads companies to give the decision of investing or not investing to the concerned country. However, at the same time use of forced labor or child labor can cause to lose the company's credibility as well. Moreover, another reason is, post-fordist improvements could lead companies to stay in their homeland which are mainly developed countries. Though, countries like India and China which are highly populated and have disciplined workforce could still attract companies. Also, companies especially brand ones, won't take risk of producing under sweatshop conditions because of the global civil society, however, it is also true that they can't control all of their outsourcing units, also in some sectors it is hard to "name and shame". Because there are no known brands such as in the textile industry. In this sense, there can be a race to the bottom among developing countries especially, trade union rights are under threat. In addition, consumers mostly care about child labor or forced labor, violation of trade union rights seem more acceptable to them. Moreover, workers usually do not want to take risk of getting fired. Thus, "Freedom of Association and Right to Collective Bargaining" are often under attack, nominally allowed but often effectively banned. Consequentially, right of "Collective Bargaining and Freedom of Association" is the core labor standard which is violating by both developing and developed countries.

Additionally, part of the “social dumping” argument has real roots which supports the notion, “Social Dumping” causes an increase in the unemployment rates of unskilled workers in the developed countries. However, there are also other reasons for this situation like technological innovations and migration.

## PART I BACKGROUND AND CONSEQUENCES OF GLOBALIZATION ON LABOUR CONDITIONS

### A.GLOBALIZATION AND GLOBAL LABOUR STANDARDS

Early support for international labor standards first emerged in the 19th century. Advocates included Robert Owen, the Scottish industrialist and utopian thinker; Charles Hindley, a British member of parliament from 1835 to 1857; and Daniel Legrand, a prominent manufacturer from Alsace. As early as 1818, Owen was suggesting that the governments of continental Europe should implement a system of labor standards to improve conditions among Europe's working classes. Similarly, today's "race to the bottom" arguments, Hindley argued that international standards would prevent competitive pressures from eroding working conditions in Britain – in particular, lengthening the working day. Again with a similar aim, Legrand promoted international labor legislation for Europe in the mid-19th century (Heintz, 2002, p.14). "Legrand was strongly influenced by the Christian socialist tradition which advocated for reforming capitalism to produce humane social outcomes while condemning as heresies the demands of more radical socialist movements". (Heintz, 2002, p.14) (Which is close to today's social democrat views)

In terms of the history of globalization, some authors concentrate on events since 1492, but most of them concentrate on the recent past. If we consider 1492 as the beginning, the mixture of trade, conquest, religion and adventure lead the new world to contact with the old world. "The need for mine workers and plantation labor gave rise to the slave trade. The world's first multinationals helped to build colonial empires". (Nayan, 2003) In the 18<sup>th</sup> and 19<sup>th</sup> centuries globalisation processes sped up with technological innovations and their consequences. According to this, the first stage of globalisation was from the late 1400s to 1815; the second stage was from 1815 to 1914; the third stage was from 1914 to 1968; and the fourth stage was from 1968 to 2001. World trade increased even more rapidly during the first years of the post-World War II growth which is defined as the second wave of globalisation. (Flanagan, 2006, p.3) The GATT (General Agreement on Tariffs and Trade-1944), and its successor the WTO (World Trade Organisation-1995) which were established after 1914, had huge roles in reducing trade barriers to international trade (Flanagan, 2006, p.3). After the Second World War USA has become the centre of power. During 1960s, Asian tigers produced labor-intensive products with low wage and abundant workforce which gave them competitive advantage. Throughout the 1980s and 1990s, the debt issue was very significant

between the relationship developing and developed countries. At the same time, throughout 1980s, 42 countries obtained loans from the World Bank to improve their trade regimes. This situation causes interdependence of developing countries on the IMF (International Monetary Fund) (Kazgan, 1994, p.75). After the collapse of the Soviet Union which is after 90's, developed countries politically do not need developing countries anymore and this situation leads an increase on their interdependence. Moreover, it is claimed that the Bretton Woods institutions have adopted a 'one-shoe-size-fits-all' strategy to the countries with debtness (Bhagwati, 2004, p.116). After the 1990s, the collapse of the 'Second World' planned economies in eastern Europe and the Soviet Union has also lead to an increasing consensus over economic and political norms based on the US model of free market democracy and neo-liberal economics (the so-called Washington Consensus).

Moreover, since 1980, the Foreign Direct Investment (FDI) has significantly risen. By the mid 1990s, the innovation of internet rocketed the process of globalisation. In this new environment new actors came up: 63.000 multinational corporations, 23.000 NGOs (Non-governmental Organisation), UN (United Nations) agencies, WTO, IMF, billions of customers and tourists. (Nayan, 2003a) Thus, global interdependence is even more raised, and when instability or financial crises occurs in some part of the world, it spreads to the whole world. With the words of the Marx: "intercourse in every direction, universal interdependence of nations, in contrast to a narrow-minded provincialism that had plagued humanity for untold eons" . (Marx 1848, 476) As a summary;

As a result of of this huge increase in the scope and influence of global corporations, consumers in the developed world have never before been offered such a range of products sourced from so many distant lands, and the profitability growth of many businesses is now increasingly driven by opportunities to seek out cheaper source materials and labour from around the global marketplace. Whilst increases in overall global trade, global GDP, and foreign direct investment (FDI) have all helped improve life expectancies and overall standard of living for many in developing countries, global inequality has also grown (Nicholls & Opal, 2005, pp.4-5).

Globalisation depends on comparative advantage theory. "Under theory of comparative advantage, countries export what they are relatively good at producing and they import what they cannot produce sufficiently". (Cline, 2004, p.17) However, even globalisation has good sides; "comparative advantage theory" does not explain all the facts of the process.

According to statistics world trade over several decades has generally grown at a faster rate than the economy as a whole. However, this fact does not necessarily confirm the theory of comparative advantage, since there are many other factors (including the significant decline of transportation costs and other “natural” barriers to trade) that could at least partly explain the fact. (Jackson, 1990, p.13)

In this regard, this question gains significance: is international trade a win-win situation? The comparatively rapid industrialization of South Korea, Taiwan, Hong Kong go along with wage gains, a more educated work force, higher labor standards and political democratization, however, this is a result of economic development rather than the openness of these countries. (Milberg, 2004, p.2) Also, however, economic development can not be conceived of outside of world trade, without good governance and different economical approaches, they could not succeed.

Initially, “Globalisation have transformed the international economic landscape: The center of manufacturing transferred from developed to developing countries” (Vogel, 2009, p159). But then, post-fordist organisation methods lead to integration of production phases. Hence, developing countries lost their attractiveness for FDIs, however, some of them (especially, India and China) which has very disciplined workforce and extremely low wage can still attract business.

Thus, on the one hand, all of these situations together increased both globalization opposition and protectionist attitudes in developed countries. On the other hand, business people say that labor costs are now such a low share of total costs low wages can not be a significant competitive advantage. But this is also because of outsourcing or the shift in the production process. (Kraugman, 1995, pp.336-7) In addition, globalisation has changed the structure of international trade; there is a huge growth of trade in intermediate goods which means outsourcing. (Milberg, 2004, p.3) Also, in the case of outsourcing, organisational centre of chain’s operation could lose control on its outsourcing units and if just outcome is important then there is no need to monitor each stage of the supply chain. For instance; Nike defended itself with the same argument while being attacked by the criticisms of activists. (Cline, 2004, p.59) There are two types of chain operation. First one is producer-driven chain which is

typical and is often driven by transnational corporations who may outsource production but keep R&D and the final good production within the firm. Automobiles, computers, and aircraft are examples of this. Second one is, buyer-driven commodity chains which occur mainly in consumer goods such as apparel, footwear, and toys. In this case the global commodity chain is driven by large retailers (e.g. Wal-Mart, The Gap), firms that do no manufacturing themselves, but concentrate on design and marketing, subcontracting which are the actual production of the good. Both types of outsourcing can lead pressure on labor costs and labor standards because of competitive pressures. (Milberg, 2004, pp 6-8)

The spread of technology and the spread of higher education in developing countries like China and India is a further consequence of globalization. Nevertheless, %60 of “Made in China” exports are made by foreign invested factories and foreign capital is sometimes an obstacle to raise labor standards in China. (Lee, 2008) Even most of the TNCs stick to core labor standards, the increased use of sweatshop labour today is linked with the increase in outsourcing. (Milberg, 2004, pp.9-10)

Here is the question, “Would international trade itself lead individuals to establish similar standards?” (Casella A., 1996, p.120) My answer is “No”. If it is so, one day all countries will have the same labour standards without any global regulation, but, unfortunately that is not the situation. Experience has shown that if trade does not go along with a sustainable and fair manner, it can “exacerbate poverty, and inequality, undermine sustainable development and food security, and negatively impact local cultures and vital natural resources. (Cline, 2004, p.27) Because, globalization is also source of many critics which are especially centered on the issues like unsavory package of working conditions and labour rights: low wages, long work hours, unsafe and abusive work conditions, child labour, and supression of collective representation. Demonstrations in Seattle against the ministreal meeting of the World Trade Organization in 2000 and at the World Economic Forum in Davos in January 2000 and 2001 are just leftist populism as Freeman asked. (2002, p.7) My answer is again “No”. On the other hand, “Some of the critics have more self-interested opposition which include concerns about superior labor conditions would be a competitive disadvantage” as Flanagan stated. (2006, p.4) Moreover, according to Freeman, the fear of a race to the bottom and using low labor standards as a competitive advantage leads to the establishing of ILO in the first place. (Freeman, 2002, p.3)

Even the reason behind establishing ILO is the fear of race to the bottom, in today's situation global labour standards are compulsory because, "If there are no rules then the sprint for the competitive advantage will forever disregard the human factor ". (Trotman, 2004, p.25) And, as Freeman stated (2002) "Why shouldn't labor rights have the same legal standing under globalization as capital and intellectual property rights? " (p.1)

Moreover, as stated in the website of ILO, "Lowering labour standards can encourage the spread of low-wage, low-skill, and high-turnover industries and prevent a country from developing more stable high-skilled employment, while at the same time making it more difficult for trading partners to develop their economies upwards". (ILO, "The benefits of International Labor Standards")

Additionally, another important result of globalisation include weakening of state ability to tax and help lower income earners. Also, the greater capital mobility compare to the labour mobility cause disadvantage for labor regarding bargaining power and tax instrument of government for redistribution. Increasing capital mobilization, along with globalization, has brought about a competition especially among developing countries to attract the more of it. As Stiglitz stated, (2002) "In tandem with the retreat by government in many government in many countries from traditional social welfare agendas, the growing economic muscle of multinationals has created losers as well as winners". Moreover, the need for a more effective global regulation regarding social issues is clear. Because, without an international mechanism, for instance, "The Right to Collective Bargaining" could not be implemented in cases of TNCs. As defined in the Stanford Encyclopedia of Philosophy (2010):

In a globalizing world, the lack of democracy or justice in the global setting necessarily impacts deeply on the pursuit of justice or democracy at home. Indeed, it may no longer be possible to achieve our normative ideals at home without undertaking to do so transnationally as well.

Also in today's situation, according to the article "Oxfam challenges the World Bank's policies on labour market deregulation" (1996), flexible working practices lead companies to avoid government legislation and collective bargaining agreement which make workers open to exploitations as well. Moreover, temporary or home-based workers mostly do not have the



right to collective bargaining. Contrary to the predictions of orthodox economists, flexible labour market did not grow with equity as we saw in the Chile example. Employment expansion has occurred in low paid, low quality, precarious jobs creating a new class of working poor, many of whom are women. While unemployment has fallen significantly in recent years, this masks widespread under-employment which is not captured by official figures: (as cited in Leiva, 1994).

The experiences of global history showed that: Even fast-growing economies with high-skilled workers can experience unforeseen economic downturns. The Asian financial crisis of 1997 showed how decades of economic growth could be undone by dramatic currency devaluations and falling market prices. Unemployment doubled in many of the countries affected. Thus, not only workers in the developing countries, also the workers in the developed world can come up with such situations which are mentioned above. Unemployment has led to the vulnerability of labour exploitation as well both on the developing and developed countries in different structures. Also, maybe it is the main reason behind sweatshop conditions. Moreover, after examining the social impact of the crisis, an ILO study concluded that strengthening social dialogue, freedom of association, and social protection systems in the region would provide better safeguards against such economic downturns (E. Lee, 1998). On the other hand, freedom of association, social protection, occupational safety and health, vocational training, and other measures that international labour standards bring, are effective methods for reducing poverty and bringing workers into the formal economy. (ILO, "Decent Work and the Informal Economy") (As cited in Report VI, 2002, pp. 39-54)

Nevertheless, globalization and labor standards do not have an automatic relationship. The ILO was created in 1919, as part of the Treaty of Versailles that ended World War I. The Constitution contained ideas tested within the International Association for Labour Legislation, founded in Basel in 1901. It resulted in a tripartite organization before its time. The first International Labour Conference held in Washington in October 1919 adopted six international labour conventions, which dealt with hours of work in industry, unemployment, maternity protection, night work for women, minimum age and night work for young persons in industry, however, "This early zeal was quickly toned down because some governments felt there were too many conventions, the budget too high and the reports too critical". ("History

and Origin”, n.d.) After that, in 1946, the ILO became a specialized agency of the newly formed United Nations. However, after the establishment of ILO trade gained international dimension during second globalisation process but, international labor law could not follow the same route.

Moreover, if someone favors labour standards, it is claimed that he or she is against globalisation, thus, globalization and labor standards seem alike in conflict. Defenders of free trade assert that free trade leads resources to the most productive uses and it leads working conditions in the long run to a better situation. They also indicate that improvements regarding labour conditions are better in countries open to free trade and that the FDI (Foreign Direct Investment) invests in countries which are industrialized not in countries with poor labor conditions. (Freeman, 2002) (In my view, that’s not the case in the reality and the reason for the positive relationship between free trade and FDIs, is mostly the origin countries of the FDIs, because they are also industrialized countries) Thus, trade economists, IFIs (International Financial Institution), governments, free marketers, and multinationals are on one side of this discussion, advocates of global standards, students, NGOs, Human Rights activists, leftists and perpetual critics are on the other side (Freeman, 2002).

Nevertheless, It is a clear fact that still, trade unions are violently suppressed, people work in unhealthy and unsafe conditions in countries with low conditions. Because of all these reasons, globalization needs social dimension, and social justice is needed for fair globalization. Countries can not get competitive advantage by violating human rights. In recent World Bank analysis, countries like Columbia, China, and Saudi Arabia get good remarks as sites for investment, countries where labour laws and workers’ rights play no role and that nip in the bud any attempt to change the situation. (Freeman, 2002) So, it is a fact that current global mechanisms does not guarantee even core labor standards. Moreover, free trade is not the solution if it is not accompanied by effective global mechanisms.

However, “On the other hand, globalization puts standards on world policy agenda: gives activists tools to improve conditions.” (Freeman, 2008) During the process of China Labor Contract Law, AmCham (American Chamber of Commerce) gave a lengthy commentary that warns it will “reduce employment opportunities” and will impact negatively foreign investment. International unions, labor relations and labor law community worldwide

opposed AmCham. (Freeman, 2008) Thus, they can't success to prevent adoption of China Labor Contract Law. As such, Cambodia improved standards after the US trade threat and Nike improved factory conditions after badly publishing. Furthermore, Cambodia has even used good labor standards as a competitive advantage, after this kind of improvements.

## **1.Moral Background of Labour Standards**

Morality is a concern for justice, which is making restitution if wrong are done and at the same time, it is a justice and fairness issue for activists. Moreover, ethics is the science of morals in the human context. (Cline, 2004, p.55)

“Labour Standards” and “Core labour standards” are included in the general labour law context. Thus, first we should analyse the roots of the labour law. Labour law’s traditional theory of justice based on the idea of inequality of bargaining power. However, there are different and new approaches in this subject as well. For instance, Amartya Sen and her folloer Langille built up a new approach:

Following Amartya Sen, Langille argues that our basic goal is real, substantive, human freedom-the real capacity to lead a life we have reason to value. And labour law is needed to structure the creation and deployment of human capital-which is at the core of human freedom. The idea labour is not a commodity but a fictive commodity. The uniuque problems associated with selling labour regulatory dilemmas and the role of labour law is to address them. (Langille & Davidov, 2011, p.4)

Also ILO is supporting “labour is not a commodity approach.

“International labour standards are first and foremost about the development of people as human beings. In the ILO's Declaration of Philadelphia of 1944, the international community recognized that "labour is not a commodity". Indeed, labour is not like an apple or a television set, an inanimate product that can be negotiated for the highest profit or the lowest price. Work is part of everyone's daily life and is crucial to a person's dignity, well-being and development as a human being. Economic development should include the creation of jobs and working conditions in which people can work in freedom, safety and dignity” . (ILO, “The Benefits of International Labor Standards”)

As such, “Labour is not a commodity worker is not just a consumer or cost of production it is an individual the dignity of a worker is essential”. (Langille & Davidov, 2011, p.4) Humanity of workers are first reference point hence, moral foundations of core labor standards rely on human values such as justice, fairness and concern for the physical and mental well-being of every human being in an effort to maximize individual freedom without limiting the freedom of others. In this sense, “Freedom is Association” is very important. Because as Pursey stated,

Where individuals enjoy the right to set up organisations of their own choosing, the state is recognising that people can get together to change the way society functions; they are citizens. For instance, where freedom of association does not exist, the state is in a position to command its subjects to obey and not to question or challenge authority. Of course other freedoms are tremendously important, freedom of expression, of religion, the right to a fair trial and so on, but it is freedom of association which creates the possibility for citizens to win other freedoms. The work experience is clearly more than just a means of earning a livelihood and escaping from poverty, it is also the main way people participate in, for want of better words, civil society. (Pursey, n.d.)

“Freedom of Association” is a fundamental prerequisite for the functioning of a democracy and applies in the workplace as well as in society at large. It also supports both traditional theory of justice based on the idea of inequality of bargaining power and new approaches such as Amartya Sen’s “Labour is not a commodity”. Because, it enables the individual worker to redress the inherent imbalance in the power relations that determine contracts of employment. Furthermore, by creating the possibility of collective bargaining gives trade unions and employers the opportunity to solve many problems that otherwise might require resort to extensive labour legislation and expensive litigation. However, in that sense, “Freedom of Association” must be supported by the counterpoint of freedom of association is the right not to be forced into an organisation that workers do not want to join or they cannot control democratically. (Pursey, n.d.)

Moreover, standards are common rules or regulations through which a society achieves a public goal. The value of standard depends on its being shared by a group that is not too small for the standard to emerge as indeed a standard. In this sense, core labour standards has very

high value because it is being shared by all countries that has ratified conventions. We have broad agreement on the essential principles because they correspond to universal cross cultural ideas of justice, fairness and human dignity.

## 2. Labour Standards as Human Rights

Ethics of social justice lead the establishment of the Philosophy of Natural Law, which suggests an objective moral order above human law. This set of ideas centres on a notion of inalienable human rights and proposes that there is an objective moral order that goes beyond human law. Natural law established three key human rights initially: life, liberty and property. Then it has expanded, for example, freedom of association is included as well. Three key statements of human rights arised from the Natural Law tradition of thinking: the American Declaration of Independence (1776), the French Declaration of the Rights of a man (1789), and the United Nations Declarations of Human Rights (1948).

In this context, we could find human rights dimension of core labour standards. (to what extent do the core labor standards constitute human rights, i.e. to what extent can the core labor standards be traced back to human rights norms?); Effectively, the core labor standards as stipulated in the ILO Declaration on Fundamental Principles and Rights at Work can be traced back to key human rights instruments such as the Universal Declaration of Human Rights (especially Articles 4, 5, 22, 23 and 24), the International Covenant on Economic, Social and Cultural Rights (especially Articles 7, 8 and 9) and / or have entered the domain of customary international law. As such, the core labor standards agenda is firmly tied to basic human rights. Core labor standards are human rights and as such require enforcement regardless of political or economic circumstance. (Witte, 2008, pp.52-53)

The code (The Universal Declaration of Human Rights) said that "human rights and fundamental freedoms are the birthright of all human beings" and as a result such rights may neither be granted nor be taken away by legislation. It said that all fundamental human rights are "universal, indivisible, interdependent and interrelated" and therefore deserve equal respect. (Adams, 1999)

In addition to the ILO instruments and instruments such as Universal Declaration of Human Rights, there are other sources of globally applicable international agreements that cover norms on core labour standards. They include the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the UN

Convention on the Elimination of All Forms of Discrimination against Women, and the UN Convention on the Rights of the Child.

During the 1990s “Freedom of Association” as a human right has been further confirmed by the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the International Confederation of Free Trade Unions (ICFTU) and its global social partner the International Organization of Employers. Although collective bargaining is not mentioned specifically in the Universal Declaration of Human Rights, it was later affirmed to be an inalienable aspect of the freedom of association and in the latest statements and declarations has been affirmed to be a right equal in stature to the Freedom of Association. (Adams, 1999)

Labour standards are divided into core labour standards (CLS), which are widely accepted by most of the countries, and other labour standards, which are less universally accepted. Although many kinds of labour standards exist, the ones referred to as the four core labour standards are those that the international community has agreed are applicable to all countries because they protect basic human rights. Standards are adopted by a two-thirds majority vote of the ILO's constituents and are therefore an expression of universally acknowledged principles. (ILO, “How Labour Standards are created”, n.d.)

Core labor rights are accepted as a part of economic and social rights, however, cash / cost standards, which include wages, and health and safety conditions are very controversial issues. Moreover, even the issue of whether economic and social rights are fundamental human rights or not is still problematic; core labour standards are accepted worldwide as fundamental human rights. Additionally, some scholars accept health and safety conditions as core labor rights as well.

### **3. ILO Core Labour Standards**

The term “labour standard” has two distinct meanings. This has led to both misunderstanding and confusion. The first meaning defines the actual terms and conditions of employment, work and welfare of workers in a particular location and point in time. It describes “what is” the situation of the labour force, normally by using statistics that indicate

the national average level of education and vocational skills, wages, hours of work, occupational health and safety, social security, and so on. I will refer to these as “labour conditions”. The second connotation of the term “labour standard” is normative or prescriptive. Labour standards stipulate “what should be” the terms and conditions of work. They specify the basic worker rights of freedom of association, collective bargaining, freedom from forced and compulsory labour, freedom from child labour, and freedom from discrimination in employment and occupation. They also stipulate social standards - also called economic and social rights, such as the norms on employment and training; termination of employment, occupational safety and health, minimum wages, maximum hours per day or week minimum rest periods, paid holidays, maternity leave, protection of workers with special needs, such as migrant workers and home workers, social security and rules for conflict resolution. The main roles of labour standards for workers are, participation, promotion, protection, in that sense. (Sengenberger, 2005)

The debate about labour standards has its roots in the early industrialization period in Europe in the mid-19<sup>th</sup> century. At the time, growing political movement for enhanced workers rights reflected. Initially, supporters of labor rights movement were particularly concerned about health and safety conditions and focused for female and child workers. Over time, in addition to standards relating to health and safety, other concerns such as minimum wage and vacation time and others have emerged on the agenda. However, specific number and form of labour standards as well as their enforcement differs widely across countries. As such, no simple definition of labour standards exists. Rather the phrase means a diverse collection of rules and regulations governing work, social policy, social security and human rights. (Witte, 2008, pp.22-23) The core labour standards –drawn from the most fundamental of the ILOs labour conventions and enshrined in the 1998 declaration on Fundamental Principles and Rights at work . Before that, there is no such an agreement on core labor standards.

Today there seems to be an almost universal agreement that all workers, regardless of which country they live in, and in which industry sectors they work should be able to enjoy these basic rights. In numerous countries, ratified international treaties apply automatically at the national level. Their courts are thus able to use international labour standards to decide



cases on which national law is inadequate or silent, or to draw on definitions set out in the standards, such as "forced labour" or "discrimination". Freedoms of association, non-discrimination, freedom from forced labor, freedom from child labor (starting with the worst forms) are the core labor standards which are worldwide recognized. Among them right to unionize is the controversial one, because it is the one which can increase production costs.

Three of core labor standards are prohibitive in character the other two affirmative:

- **Elimination of forced and compulsory labour** (Conventions 29 and 105) where forced labour is "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily." Requires governments to suppress all forms of forced or compulsory labor.
- **Abolition of child labour** (Conventions 138 and 182). Aside from violating children's basic human rights, sending children to work rather than to school perpetuates poverty and compromises economic growth. Each signatory, regardless of level of economic development, agrees to design and implement a course of action, effectively monitor implementation and apply appropriate sanctions. Sets a baseline minimum working age of 15. However, for countries not sufficiently developed it provide exceptions.
- **Elimination of discrimination in respect of employment and occupation** (Conventions 100 and 111) is central to achieving greater social justice while also promoting development through a more efficient allocation of resources. Discrimination includes "any distinction, exclusion or preference" made "on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation...". Requires governments to establish national laws that outlaw discrimination.

**Freedom of association and collective bargaining** (Conventions 87 and 98). The right for workers and employers to freely create and participate in organisations to promote and protect their interests is a fundamental principle behind the ILO's work. Signatories must give workers and employees the right freely to establish and join organisations of their choice, without any type of prior authorisation. Signatories further

agree to establish mechanisms to ensure the right to organise and to encourage the practice of negotiating between employers and workers' organisations. Employers must not discriminate against workers who join certain organizations and the government has an obligation to foster voluntary collective bargaining. (OECD,"Core Labor Standards", n.d.)

These core labor standards have a special status for two reasons. First, all ILO member states have an obligation, arising out of membership requirements, to promote and implement these standards despite failure to ratify the relevant conventions. Second, these standards are also contained in key human rights documents, including the Universal Declaration of Human Rights. (Witte, 2008, pp.17) The ILO's "1998 Declaration on Fundamental Principles and Rights at Work" made respect for the core labour standards an inherent requirement for all ILO members, a member country's ratification of these conventions is essentially an active affirmation of an obligation. (OECD,"Core Labor Standards", n.d.) 1998 Declaration reinforces the mechanisms of follow up and related supervision of the actions of various countries.

Moreover, The ILO's fundamental conventions regarding core labour standards are: Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Forced Labour Convention, 1930 (No. 29), Abolition of Forced Labour Convention, 1957 (No. 105), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182), Equal Remuneration Convention, 1951 (No. 100), Discrimination (Employment and Occupation) Convention, 1958 (No. 111) as stated above.

### **3.1 Effective abolition of child labor**

When countries signed conventions, it did not mean that they enforced anything, conventions are statements. Nevertheless, conventions ratified more rapidly during the globalisation period, though, we should consider that the ILO was established during the globalisation period as well. Among them, child labor conventions are the most adopted ones. The problem is that countries mostly signed standards they had already achieved. (Flanagan, 2006, p.5)

In 2000, there were 67.4 million children that were economically active between ages of 10 and 14 which were 76.4 in 1960. (Flanagan, 2006, p.19) African countries constituted 37 percent of them and Asian countries 25.9 percent in 2000. It was declined by 10 percent in Asian countries compare to 1960. Most child labor consists of unpaid work in an agricultural or household setting. Thus, there is an increasing consensus on the elimination of just “worst forms of child labor” such as prostitution, forced labor, and armed labor. Because there is a claim that for example, eliminating child labour such as unpaid work in an agricultural or household setting could encourage child prostitution. Thus, fighting with poverty must accompany eliminating child labour. Moreover, I should add that, investments in infrastructure which reduce distances that children must travel to school, increased teaching, training and reduced pupil-teacher ratios all raise the attractiveness of school relative to work. Thus, social state plays an important role here. (Flanagan, 2006, p.76)

According to Onida (2009):

Recourse to child labour is largely affected by a series of factors, both institutional (e.g. the incidence of under-developed rural areas or cottage industries and the availability of schools) and socio-cultural (level of education of the head of the family, legislation and above all prevalent social norms). ( as cited in Brown-Stern 2007, Maskus 1997, Bhagwati 2004 chap. 6) (p.20)

Thus, again as stated by Onida (2008), in the case of child labour prohibition only is not an enough mechanism, it should be supported by other mechanisms (such as social welfare state mechanism). Because prohibition does not make an effect on the child being sent to school (if school is accessible), it can cause a flourishing of petty crime and prostitution linked to human trafficking or extreme poverty (Edmonds-Pavcnik 2005, Basu 2003), because the situation is linked with poverty as it is in the case of maternal mortality which could be sourced from child marriage. Moreover, “One must not forget that the evolution of fundamental social norms that ultimately affects legislation and the actual conduct of citizens is quite different between continents, countries and even between regions within a country”. (Onida, 2008, p.20) So, eliminating child labour needs different strategy in every country or even in every region. Thus, in 1991, a new strategy against child labour was adopted via the ILO- IPEC (International Programme on the Elimination on Child Labour) programmes.

A recent ILO study has shown that eliminating child labour in transition and developing economies could generate economic benefits nearly seven times greater than the costs, mostly associated with investment in better schooling and social services. (ILO, 2004, pp. 4-5)

This is a very vital point concerning child labour because poverty is presented as mostly the number one reason of child labour but child labour increases poverty by reducing growth rates. (Witte, 2008, p.20) Moreover, “Children are vulnerable because they are not able to exercise free choice and their physical and mental health can be severely impaired, especially if they are exposed to hazardous and arduous conditions and long hours of work”.(Witte, 2008, p.20) There is widespread agreement that alongside labour laws, there needs to be increased investment in education places and a major effort to ensure that parents of child labourers, who were themselves often forced to work as children and are now very disadvantaged on the labour market, get the chance to earn a decent living and support their children. (Witte, 2008, p.20)

### **3.2 Freedom of association and the effective recognition of the right to collective bargaining**

The principle of the freedom of association is also a right proclaimed in the Universal Declaration of Human Rights (1948). The right to organize and form employers' and workers' organizations is the prerequisite for collective bargaining and social dialogue. Nevertheless, it is still problematic to apply these principles: in some countries certain categories of workers (For example; public servants, seafarers, workers in export processing zones) are denied the right of association, workers' and employers' organizations are illegally suspended or interfered with, and in some extreme cases trade unionists are arrested or killed. (ILO, “Freedom of Association”, n.d.) As far as union rights and collective bargaining are concerned, a fundamental role has been played by Committee on Freedom of Association, a tripartite body started by the GB (Governing Body) in 1951 and working closely with CEACR (Committee of Experts on the Application of Conventions and Recommendations) and CAS (Committee on the Application of Standards). Moreover,

There have been numerous and often effective ILO's interventions on single governments aimed at freeing union delegates (Solidarnosc was a famous case, but similar episodes could

be found in South Korea, Indonesia, Cote d'Ivoire), stopping arbitrary trials and anti-union violence, cancelling legislation prohibiting freedom of union association, right to strike and right of collective bargaining. ( as cited in Gravel-Duplessis-Gernigon 2001) In the past, timely complaints of situations of this type have induced local governments and their multinational clients to face their responsibilities, and take action to end the worst cases of abuse. (e.g. Benetton in Turkey, Armani in India) (Onida, 2009, pp.10-11)

According to the ILO's website, freedom of association ensures that workers and employers can associate to efficiently negotiate work relations. Strong freedom of association, collective bargaining practices ensure that employers and workers have an equal voice in negotiations and prevents costly labour disputes. In the long term trade unions foster employment relations, increase "in job training" and investment, job satisfaction, they provide a direct channel between workers and the management and give the workers a voice. (Elliot &Freeman, 2003)

And with regards to free association and union representation rights, an additional argument (Faini, 2000) states that in the absence of any kind of union protection, in an economically and culturally backward country that is often influenced by a dominant conservative oligarchic power, workers have little incentive and scarce opportunity to acquire the knowledge and experience to improve their "human capita" . (Onida, 2009, p.22)

Moreover,

Indeed, some research has indicated that countries with highly coordinated collective bargaining tend to have less inequality in wages, lower and less persistent unemployment, and fewer and shorter strikes than countries where collective bargaining is less established. ( as cited in Aid & Tzannatos, 2002)

On the other hand, increased foreign competition stimulated employer opposition to unions, particularly in countries with decentralized bargaining arrangements, such as the United States. (Flanagan, 2006, p.78) Moreover, nowadays the relationship between business and labour has been dramatically changed to the advantage of the MNE (Multinational Enterprises) because of globalisation process. At the same time, collective bargaining expresses the power relationship between business and labour. (Blanpain, 2006, p.14) Thus, collective bargaining process changed on behalf of MNEs as well.

Yet, at the same time almost one third of the world's countries have refused to ratify the core labour standard of "Freedom of Association", including the USA. It is claimed that the non-ratifiers are the countries that mostly violate trade union rights. Countries that have not ratified include industrial giants such as USA and South Korea, Asian "tigers" such as Indonesia, and Malaysia; countries which are fast industrialising, such as Brazil, India and China, as well as developing countries like Sudan and El Salvador. For example in the USA, one in ten union supporters campaigning to form a union is illegally fired by the employer. As the picture shows, freedom of association which include right to strike, collective bargaining, is the most controversial right among core labour standards. Because the nature of the relationship between labour and business is a symmetric power relationship and freedom of association changes this and give right to the workers to struggle against this relationship. Examples for the violations:

In Malaysia, the government acts rather like a police state in the tight control which it exercises over union matters. In Brazil, a trade union activist was murdered in front of her children, and workers in textile factories are regularly intimidated, and violently attacked by police when trying to form unions. In China, any worker who attempts to form a trade union independent of government control is branded a traitor and sentenced to many years in a 're-education camp'. In Sudan trade union officials are arrested, and held in "ghost houses", detention centres where they are tortured, as they are suspected of opposition activities. Meanwhile in El Salvador, workers are sacked when they join unions, and Iliberto Dominguez, a union official has been assaulted eight times because of his union activities. (ICTFU (International Confederation of Free Trade Unions), 1997)

### **3.3 Elimination of all forms of forced or compulsory labor**

There are four most important types of forced labor: slavery and abduction, coercive recruiting, bonded labor and the prison labor. (Flanagan, 2006, p23) Although, forced labour is universally condemned, the ILO recently estimated that at least 12.3 million people are victims of forced labour worldwide. 9.8 million of these are exploited by private agents, including more than 2.4 million in forced labour as a result of human trafficking. Another 2.5 million are forced to work by the State or by rebel military groups. Traditional slavery is still found in some parts of Africa, while forced labour in the form of coercive recruitment is present in many countries of Latin America, in parts of the Caribbean and

elsewhere. In many cases, they are restrained from leaving the employers' home by means of threat or actual violence. Bonded labour persists in South Asia where millions of men, women, and children are tied to their work through a vicious cycle of debt. In Europe and North America, an increasing number of women and children are victims of traffickers who sell them into forced prostitution or sweatshops. Finally, forced labour is sometimes still imposed as a punishment for expressing one's political views. (ILO, "Forced Labour", n.d.)

### **3.4 Elimination of discrimination in respect of employment and occupation**

Last core labor standard is the elimination of discrimination. Discrimination is the only core labor standard that has no relationship with growth. (Flanagan, 2006, p.76) Elimination of discrimination includes all kinds of discrimination. However, gender and race discrimination are the ones which can be seen often both in developed and developing countries. The reason for race discriminations sometimes has its roots in unemployment fears within their own citizens. Freedom from discrimination is a fundamental human right and is essential for both workers to choose their employment freely and to develop their potential to the full. Moreover, "Non-discrimination" definition includes; gender, race, color, origin, religion, national, age, sexual orientation, political opinion, social origin, and, disability and other health conditions (e.g. HIV). "There is also a premarket discrimination which limits the access of some groups to schooling, training, and other services and influences the skills and abilities of individuals". (Flanagan, 2006, p.18) Nevertheless, I will exclude this concept. As the definition shows, the measurement of discrimination is very difficult.

Millions of women and men around the world are denied access to jobs and training, receive low wages, or are restricted to certain occupations simply on the basis of their sex, skin colour, ethnicity or beliefs, without regard to their capabilities and skills. In a number of developed countries, for example, women workers earn up to 25% less than male colleagues performing equal work. (ILO, "Breaking Through the Glass Ceiling: Women in Management", 2004, p. 30)

On the other hand, when we talk about discrimination, the first that comes into mind is gender discrimination. ILO standards on equality provide tools to eliminate discrimination in all aspects of the workplace and in society as a whole. They also provide gender equality. According to the study by Weichselbaumer and Winter-Ebner, the wage difference between men and women falls from 65 percent to 30 percent (Flanagan, 2006, p.19). However, still



majority of the women labour working in low-income sectors for producing manufactured exports. (Heintz, 2002)

As a conclusion, fatal job injury rates, child labor force participation, and hours of work all declined and sweatshop practices are seen as anectodes by some scholars. (Flanagan, 2006, pp. 22-26) In my view, even there is improvement regarding labour standards in the late twentieth century, still there is a long way because this improvement statistics do not prove that sweatshop conditions are just anectodes. Moreover, globalization brings, to access information easily too and we witness to lots of sweatshop conditions' situations. Also, violations of trade union rights occur worldwide. Additionally, "Changes in the overall international dispersion of labor conditions were mixed: for some conditions the differences between countries decreased; for the others increased". (Flanagan, 2006, p.34)

There are also Cash /Cost standards that need direct regulation and level of prosperity so, they need more time for worldwide implementation. They involve minimum wage, living wage, healthy and safety conditions, unemployment insurance, national pensions. For instance; the living wage in Bangladesh will be different than the living wage in developed countries (Flanagan, 2006). I am focusing on core labour standards so, I will exclude cash / cost standards, however, the relationship between cash / cost standards and core labour standards are very important. Moreover, in my view, some of them for example, healthy and safety conditions could not be separated from core labour standards.

### **B. GROWTH, POVERTY AND INEQUALITY**

The ILO has always insisted that economic growth alone does not sufficient to ensure the improvement of the working and living conditions of the labour force. (Sengenberger, 2005) Development is not the only reason for superior labour standards because two countries which have equal conditions regarding development stage, could be different regarding labour standards. (Flanagan, 2006, p.36) Also, many analysts assume that the growth in the world trade share is the result of a growth in intra-firm trade, which is a international trade within a single transnational company. (Milberg, 2004, p.7) Moreover, some of the scholars claimed that, the gross domestic product (GDP) of a country must be re-examined because the GDP is camouflaging the truth by combining both the income of wealthy and the poor together to find level of national wealth. (Trotman, 2004, p.24-25)



Furthermore, trade liberalization does not always automatically ensure development as it is claimed by some scholars. (Eigen, 2004, p.132) It is also maintained by some scholars that, comparative advantage theory is not matching with the reality that perfect competitive environment does not often exist. For example, there are monopolistic tendencies that can badly damage the theory. Thus, international trade is not always a “win-win” situation. Also the impacts of the trade and growth differs country to country. Wood (1997) has provided a useful review of this issue. He asks why East Asian experience in the 1960s and 1970s, in which more openness to trade tended to narrow the wage gap between skilled and unskilled workers, appears to have been contradicted by the Latin American experience since the 1980s, in which greater openness has been “accompanied by rising rather than falling wage inequality”. (Onida, 2008, p.33) It is also an ideological and oversimplified look, to come to a conclusion that favours that trade openness is guarantee of development. (Onida, 2009, p.18)

Nevertheless, it is also a fact that the growth reduces poverty, but that the rate of decline has been underneath what might have been expected and higher poverty exists than might be expected in many middle-income countries. World Bank estimates indicate that, “Extreme poverty (\$1 per day) fell only from 28 percent of global population in 1987 to 24 percent in 1998, whereas the rise in per capita income should have reduced this incidence about 18 percent during this period”. (Cline, 2004, p.44-45)

About 2.9 billion people, or about half of the world’s population, live below the international poverty line of \$2 (PPP) (Purchasing Power Parity) per day. A more fundamental question, perhaps, is whether the PPP threshold of \$2 per day used internationally is really comparable to \$2 per day in an industrial country. (Cline, 2004, p.14)

The difference in per capita income between the countries with the highest per capita and those with the lowest per capita income was 19 times in 2000. Moreover, these differences are measured in terms of purchasing power parities (PPP) instead of using the nominal exchange rates of the year. (Dehesa, 2007, p.16) When incomes in different countries are compared using actual exchange rates, according to evidences, the world income distribution is more unequal. (Dehesa, 2007, p.107)

If even we take GDP as an indicator of growth. Cross-country evidence shows a close correlation between export growth and GDP growth. (Cline, 2004, pp.44-45) In contrast,

imports from all developing countries are only about 8 percent, and the bulk of these imports is from middle-income countries where the income share of the poor is low even if the headcount incidence of poverty is not. (Cline, 2004, p.26) In particular, the debt crises such as in Latin America in the 1980's and the round of the financial crises in the second half of the 1990s must have had great impacts on poverty in developing countries. (Cline, 2004, p.256)

Just two countries, India and China, account for 1.5 billion of the world's poor, or about half of the total. Together with India and China, another 29 countries with at least 10 million people living in poverty cumulate to 90 percent of the global poor. Four of these have approximately 100 million poor people each (Indonesia, Pakistan, Nigeria, Bangladesh). (Cline, 2004, p.10) So continuation of growth near the rapid rates experienced by both countries in the past decade (9.2 percent annually per capita in the period 1990-2000 for China, 4.2 percent for India [World Bank 2002d] would make a major contribution toward reducing global poverty. (Cline, 2004, p.266)

Also, contrary to the predictions of some growth theories, the poorest countries do not in general grow more rapidly than the richest countries. (Flanagan, 2006, p.5) Moreover, studies in measuring poverty differ; earlier studies are based on the distribution of consumption rather than the distribution of income. (Flanagan, 2006)<sup>1</sup> This can lead a situation where statistics are understated.

Moreover, after the 2001 financial crisis, because of the financial policies of the USA, all of globe grew rapidly until 2007. (Kazgan, 1994, p.154) and this lead a positive impression regarding poverty and inequality. Another argument is,

The rich have higher saving rates than the poor, because the propensity to save is higher from profits than wage income, it follows that the more unequally national income is distributed, the greater will be aggregate savings rate and hence the greater will be the investment and the growth rate. (As cited in Lewis, 1954; Kaldor, 1957; Cass and Stiglitz, 1969) (Bahaya, 2007, p.138)

Thus, growth does not reduce inequality automatically. Yet, in the real world high inequality is mostly bad for growth because growth needs social stability as well. (Bahaya,

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<sup>1</sup> Accessed at <http://www.baobabconnections.org>.

2007, p.139) Because if there is no social stability foreign investors would hesitate to invest in those countries. Moreover, inequality has other consequences such as crime, war.

However, something has to be done to arrest the gap which continues to widen between the rich and the poor. Worldwide income inequality finds that income inequality increased more or less continually between 1820 and 1980. Inequality grew most rapidly between 1820 and the beginning of World War I, a period that includes the first wave of globalisation. The increase in global inequality through 1980 is almost entirely the result of increasing inequality between countries. (Flanagan, 2006, p.7) In September 2000, the World Bank president James D. Wolfensohn stated in a speech: "Something is wrong when the average income for the richest countries in 20 countries is 37 times the average for the poorest 20." (Cline, 2004, p.39) However, some scholars claimed that, the notion that there has been a failure of convergence between rich and poor countries does not take account population of each country. (Cline, 2004, pp.44-45) Nevertheless, in today's situation,

...If the poorest countries and peoples of the world, who are being left out (some of them because of their own poor quality domestic policies and institutions) from international trade, investment, and technology, do not receive more aid, world income inequality may shoot up producing...widespread violence, terrorism, and even war (Dehesa, 2007, p.11)

Moreover, "Among the low-income countries income distribution was more unequal." (Dehesa, 2007, p.117) Both of those situations (inequality between countries and within a country) cause violations of core labor standards . Because poor countries tend to violate labor standards in a situation of rising inequality between countries. Moreover, if inequality rises within a country, workers are obliged to work under conditions of sweatshops. Also, growth might not lead to poverty mitigation if it is linked with an increasing inequality of income. However another reason for growing inequality between countries is the rise in total population. Actually during globalisation period , worldwide poverty rates declined but "Declining poverty is compatible with increasing inequality when incomes increase more rapidly at the top than the bottom of the income distribution." (Flanagan, 2006, p.11) Thus, again decreasing poverty does not always mean increasing inequality or better labor standards.

However, at the same time inequality between individual citizens is rapidly growing as I mentioned before. “The richer of 1% of the world’s people receive as much income each year as the poorest 57%. (“Poverty and Inequality”, 2009)

This leads to a situation of instability. Social instability hinders growth as well as declared before. Moreover, “Inequality not only leads to a decline in productivity but also breeds poverty, social instability and even conflict”. (ILO, “The Need for Social Justice”) Inequality weakens democracy processes as well. Because power imbalances handicap democracy processes. For instance, US and China are basically the same regarding inequality.

Moreover, corruption is one of the other significant reason regarding inequality in developing countries. Countries with the most abundant deposits of oil, and minerals are the poorest countries because of corruptions and other reasons. “Corrupt behaviour impedes, obstructs and distorts international trade and capital flows. (Eigen, 2004, p.132) “Poor tend to suffer the most from corruption through higher-priced public goods, misallocation of public funds and subversion of the democratic process.“ (Moore, 2004) Moreover, developing countries mostly consist of rural agricultural societies (Cline, 2004, p.19) and the trade liberalization has at least the potential to raise poverty in countries where the bulk of poor are urban rather than rural (Cline, 2004, p.146) Thus, different growth strategies are need in those countries. Last but not least, ethnic and religious divisions reduce development rates in developing countries as well. (Flanagan, 2006, p.51) The absence of a true democracy and a strong civil society, the lack of clearly defined social and economic rules accepted by the population, are the other reasons for poverty. (Dehesa, 2007, p.6) It is like a vicious cycle. Poverty causes lack of true democracy, lack of true democracy causes poverty. And in case of poverty nobody cares about working conditions. But, still growth is instrumental to reduce poverty. However, in the absence of true democracy, it does not guarantee better working conditions or decreasing poverty. Nevertheless, there is a relatively widespread agreement that sustained economic growth in developing countries is essential to the reduction of global poverty. The Millennium Development Goals, aims to cutting world poverty in half by 2015.

Since the days of Adam Smith, economists have recognized that total compensation includes both monetary pay and non-monetary working conditions and poverty has both monetary and non-monetary dimensions. Moreover, economists have long recognized that per

capita income provides a incomplete measure of economic welfare. It has limitations because it doesn't include non-income measures of inequality such. (Flanagan, 2004, p.12) This is where labor standards step in; growth improves labor standards in a country when growth is accompanied by equality between the people of this country and the reduction of poverty. And for worldwide implementation of labor standards the gap between developed and developing countries should be narrowed. Again, The ILO Declaration of 1998 on the Fundamental Principles of Rights at Work recognizes that economic growth alone is not enough to ensure equity, social progress and eradicate poverty. ("The declaration", n.d.)

On the other hand, no study finds that low-standards countries grow faster or get more foreign investment. China and India's situation is different in this sense. Because they also have an educated workforce and infrastructure for R&D (Research & Development). Thus, using low standards is not an appropriate way for growing but, developing countries do not have other tools mostly as well. Education of the workforce could be another tool for the future generations of those countries. However, it needs a true will of the government, a true democracy and also technology infrastructure.

### **C. THE SITUATION OF MULTINATIONALS REGARDING LABOUR STANDARDS**

Nowadays, markets often coordinated by multinational firms. (Cline, 2004, p.41) "Multinational corporations are the main drivers of technology diffusion, mainly because they are also main creators of technology and the main investors in R &D". (Dehesa, 2007, p.49) Moreover, technology brings productivity and growth. As a consequence, the largest of these multinationals have turnovers equivalent to small independent countries. For example, Wal-Mart the world's largest company by market capitalization in 2003- had a turnover in 2002 greater than the gross domestic product (GDP) of Turkey, Denmark, South Africa and many other countries. (As cited in Young &Welford, 2002) (Nicholls & Opal, 2005, p.4) Thus, a policy change regarding labor standards in firms such as Wal-Mart and Starbucks will have a great impact on national regulations. (Vogel, 2009, p.166) According to researches mostly multinationals have better labor standards compared to local companies. So, according to that, multinationals are sometimes the reason behind why local companies improve labor conditions. Because large multinational firms generally have to stick to OECD standards in their developing country operations. (Vogel, 2001, p.519) Nevertheless, multinationals mostly use out-sourcing thus; they can't control all the supply chain within the firm. Moreover,

multinationals turned upside-down collective bargaining process. Because, collective bargaining mechanism is effective on the national level. Thus there is a need for a similar effective mechanism within the firm. Also, it is very difficult to monitor companies overseas and the companies subcontracting to them. And, this situation activates poor labor conditions. Because if nobody can monitor, it is not happening. Casualization of labor is another problem, because monitoring this part of workforce is even more difficult. Thus, they can be subjected to all kinds of violations. "At the same time international law generally limits the ability of home country governments to set up rules which governs the subsidiaries of global firms." (Vogel, 2009, p.163) Because in some cases they're legally responsible to their home country. Furthermore, lots of developing countries' governments do not have goodwill to enforce it as well. As we know, there is a lack of international mechanism too. Lastly, whether the arrival of multinationals can improve working conditions depends on the labor supply conditions and the company's human resource management policies. (Flanagan, 2006, p.122) For example; if unemployment rates are high companies included multinationals tend to not to improve the conditions. However, known brands do not want to lose their credibilities so, they're mostly stick to core labor standards. Nevertheless, here comes again out-sourcing problem. Also, some companies are more responsible in that kind of issues, some are not.

#### **D. SOCIAL DUMPING ARGUMENT**

The view of the race to the bottom originates from competition within federal systems, especially the United States. (Vogel, 2001, p.517) "Social dumping" term as we used today rely on the notion:

Production has been shifting all over the globe to wherever the least labor costs are possible and high standards couldn't be kept if they compete with the countries with low standards. Moreover, cheap imports or immigrants from other countries will lower the relative wages of low-skilled workers, more rapid economic change and shifting patterns of comparative advantage will increase economic insecurity and international competition will squeeze out social spending. (Flanagan, 2006, p.5)

Moreover, this kind of standpoints are supported by real facts, For example;

German Siemens (2003) is delocalising 1/3 of its software development to low wage countries, as well as part of its production and accountancy. By 2008, forecasts McKinsey, IT services and back-office work in India will swell fivefold to an annual export industry employing 4 million people and accounting for 7 % of India's gross domestic product. (Blanpain, 2004, p.10)

The manufacture of clothing and wearing apparel is the one of the main sectors for countries with an abundance of low-wage labour. (Flanagan, 2006, p.123) Since companies in industrialized countries face a higher relative wage for unskilled labor at home than they do abroad, they outsource activities that use considerable unskilled labor to less-industrialized foreign countries, while retaining high-skill activities at home. Outsourcing therefore, reduces the demand for unskilled workers in industrialized countries. Increased trade in intermediate goods can explain up to half of the decline in returns to unskilled labor in some advanced countries.

However, contrary to the predictions of traditional and outsourcing theories, the returns to skilled labor in developing countries increase while to unskilled labor. (Flanagan, 2006, p.61) India and China's abundant and educated workforce are the reason behind this situation. Moreover, because of the abundant workforce in India and China, the conditions and the situation of labor standards in those countries could remain the same even if they are not deteriorated.

Traditionally, both home and host countries of R&D internalization took place in the developed world. But in the last few years this trend also has been changing and MNCs are internationalizing an increasing the amount of R&D to developing countries as well. (Dehesa, 2007, p.49) However, over 80 percent of the largest 700 R&D spending firms come from only five countries: United States, Japan, Germany, the UK, and the France. (Dehesa, 2007, p.50) Thus, even if R&D is transferring to developing countries, investors are from developed countries.

Also, manufacturing is no longer the main sector at any income level of countries. (Flanagan, 2006, p.30) Thus, the need for the skilled labor is increasing worldwide. Moreover, "FDI looks for skilled, competent and healthy workers, an appropriate infrastructure, and a developed consumers' market (Blanpain, 2004)" and "Export shares are larger in countries



with high educational attainment by the population”. (Flanagan, 2006, p.81) Thus, However, in the short run, globalisation threatens working conditions for some unskilled workers in the richer countries, in the long run it will threaten skilled workers as well.

Trade increases the level of standards desired by low-skill workers, while reducing that desired by high-skill workers because of the new trend of globalisation which needs abundant skilled labour. Because while the abundant skilled workforce in countries such as China enhancing the competition between skilled workforce, such tools as internet that brings globalisation give opportunity to monitor the working conditions of low-skill workers. However, despite the views of free traders, “Globalization has produced neither policy convergence nor a race to the bottom. There is limited evidence of policy convergence with respect to either macroeconomic policies or micro-policies”. (Vogel, 2001, p.157-158) the Hence, “social dumping” argument has no reality. Because there is no deterioration regarding core labour standards in the industrialized world and because working class in industrialized countries has gained their labour rights historically contrary to workers in the developing world. Thus, with exception of the high pressures on the “freedom of association” in some of them, the other core labor standards are cultural phenomenons. However, in today’s world nationalist tendencies in the developed world can cause violation of no discrimination at work as well.

Moreover, labor costs are not the only factors that have an impact on the decision of multinationals. Besides, other factors like technology abundant skilled labour force are on behalf of industrialized countries with the exception of China, India (also Asian tigers but those two have extremely more population). Also, the dominant production factors are the abundance of skilled labor as compared to unskilled labor, the capital-product ratio and the fact that two dominant regions are North and South. (Dehesa, 2007, p.147) Thus, abundance of unskilled labor is not the only factor here. However, increasing export rates do not tend to improve conditions until unemployment rates remain as in the case of abundant workforce as well. (Flanagan, 2006, p.67) Thus, abundance of both skilled and unskilled workers is the one of the most important reason behind the bad working conditions.

India and China are the developing countries which have significantly high rates of exports. For instance, more than 60% of the FDI going to developing countries flows into just one, China, where labor costs do happen to be low. (Kuruvilla & Verma, 2006, p.6) “On the



other hand, as China and India are getting more advanced countries, FDI flows locate in other cheap countries with abundant skilled labour.” (Bahaya, 2007, p.150) But, maybe it won't be realized anytime because of the pressures of the FDI in China which constitute a big part of China's economy and the abundant unskilled workforce compare to other cheap countries. Moreover “there are other factors such as population, the quality of institutions, immigration trends”. (Bahaya, 2007, p.150) So, it is more reasonable to worry that bad standards in some developing countries might lead deterioration in other developing countries. (Dehesa, 2007, p.157) “In view of the end of the textile quotas, countries like Philippines, Cambodia, Thailand, Sri Lanka, Bangladesh, Mauritius, Marocco, Turkey and Mexico feel threatened by the vast and rapid expansion of the Chinese manufacturing industry, and they have demanded new restrictions on the trade of garments.” (Sengenberger, 2005, p. 38) Thus, the competition between developing countries can cause deterioration of working conditions in developing countries to attract foreign investors. Locked in a fierce competition to attract foreign direct investment and expand exports, these countries are presumably concerned that enforcing even basic labor standards will shackle their competitiveness and, as a result depress their economic growth and therefore prospects for development. A regulatory race to the bottom may be the consequence between those developing countries.

Also another argument regarding social dumping is, “Exporters can reduce the labor cost of output in two ways: improving productivity and / or reducing labor compensation, broadly conceived”. (Flanagan, 2006, p.84) So, according to Flanagan, workers in low-wage countries do not lead an increase on unemployment shares in high wage countries, because productivity differences ensure similar labor costs per unit of output in all countries. Pay per unit of output, not pay per worker, decided the product prices. (Flanagan, 2006, p.38) However, this argument is valid only in the case of huge productivity differences between countries.

As a conclusion, “social dumping” argument (please, consider my research includes just core labour standards) as it is propounded by developed countries, has no reality. Core labour standards in the developed world, are not threatened by the competition between developing countries and developed countries. However, it is also a fact that abundant educated workforce in the developing world such as China and India can cause unemployment in the developed world. On the other hand, “trade union rights” and “rights

again discrimination at work” are under threat also in the developed world. Moreover, abundant workforce (both skilled and unskilled) can cause a race to the bottom among developing countries, especially among India China. Because, they have the highest populations and they have also a huge amount of educated population which means skilled workers at the same time. In case of skilled workers in the developing world, as a matter of course, again just “trade union rights” “rights again discrimination at work” in danger. Nevertheless, in case of unskilled workers all core labour standards are under threat and violating. Even globalisation increased name-shame rates, because of outsourcing and other reasons, still child workers and forced workers remains. Furthermore, it is a fact that most of MNCs delocalising to low wage countries but, on the other hand, post-fordist improvements has changed this trend. Thus, low-wage countries are not attractive as it were before, especially in case of unskilled workers. Again, just India and China are the ones which can still attract business because of their high population. Nonetheless, because of this situation core labour standards are highly violating in those developing countries and competitive pressures, high population, undemocratic governments make it remain.

## **PART II REASONS FOR NON-IMPLEMENTATION OF CORE LABOUR STANDARDS**

### **A. IMPACT OF GLOBAL LABOUR STANDARDS ON LABOUR COSTS**

In general, assessing the microeconomic economic impact of introducing labor standards (broadly defined) is not easy and is hindered by a serious lack of comparable data. (The debate about the macroeconomic impacts of core labor standards is somewhat more clear-cut. As such, there is little systematic knowledge about their impact on workers so far (i.e., have worker rights improved ?) and their other (intended and unintended) consequences (e.g., what are the economic consequences of introducing codes and standards ?). Do core labor standards increase costs as it is claimed ? Indeed, empirical studies have shown a correlation between better labor standards and higher labor costs. (Rodrik 1996) However, even when standards raise the cost of labor, these higher costs do not automatically translate into a substantial loss of jobs. The question of the connection between labor costs and jobs remains an empirical one. (Heintz, 2002)

If we take core labor standards one by one, “Elimination of discrimination” does not increase or even decrease labour costs, because the employer will have more choices regarding the workforce. Again, “Freedom of Association” does not establish direct costs. Nevertheless, it could lead an increase on the wages by collective bargaining. On the other hand, it increases the motivation of the workforce which increases productivity. It could be said that the elimination of child labour and forced labour could increase costs, however, using this types of labour is unacceptable.

Another argument is, “Part of the cost fall on workers who prefer high standards”. (Bahaya, 2007, p.156) Nevertheless, I am not sure this argument is valid regarding core labour standards. Because, workers who experience violations of core labour standards, mostly live in very poor conditions and do not have a choice.

As a consequence, even it is not easy to calculate the economic impacts of core labour standards, still their implementations are must. Moreover, according to researches till now, especially core labour standards do not have high costs and enforcement of them increase productivity, stability.

## **B.THE ROLE OF NATIONAL GOVERNMENTS**

This study does not offer the scope for a comprehensive review of national variations of labor standards regimes. Liberal market economies are usually characterized by less extensive and more flexible labor standards regimes primarily negotiated at the firm-level. Thus, For example; while at similar income levels, Europe and United States feature different approaches to issues such as freedom of association and the effective recognition of the right to collective bargaining.

And yet, even though the case for core labor standards is sound, enforcement of these basic rights varies quite significantly across nations. First, despite all of the evidence available, demonstrating that core labor standards have positive economic effects, developing countries remain skeptical of approaches to increase standards and see these efforts as a trade between higher standards and national competitiveness. However, this is particularly true for countries that have a workforce low in skills and education. This underscores the need for coordinated international action.

Second, the setting of labor standards generally ensues the principle dynamics of regulatory politics. Costs as well as benefits for introducing and enforcing new standards tend to be concentrated with clearly identifiable stakeholder groups. Socioeconomic actors – unions, companies and other relevant stakeholders – respond to the core labor standards agenda based on how they are impacted by its implementation, particularly costs and resulting consequences for international competitiveness.

Third, the worst worker abuses are taking place in countries with weak or non-existing government structures. Without a functioning administrative system, the introduction and enforcement of standards is a real capacity problem.

Fourth, in many developing countries, more than 80 percent (often more) of the workforce is working in the informal sector. Introducing core labor standards in the informal economy (farmers, cotton outgrowers etc.) presents important problems that many developing country governments find difficult to undertake. (Witte, 2008, pp.22-23)

Furthermore, “A country’s dominant political orientation and legal tradition appear to be more powerful influences on the strength of its national labor regulations than does its openness or international competition”. (Flanagan, 2006, p.153) In most cases, the problem is not so much the lack of national regulations in developing countries, but the inability or unwillingness of governments to adequately enforce them. (Vogel, 2009, p.164) Moreover many of these governments have a fear of losing foreign investment because of domestic labor or environmental standards. Nevertheless, it is national governments (and by extension regional, sub-regional and local governments) who have more resources and better access to reach all types of workers and workplaces in different industrial sectors. Most labor laws in developing countries are quite comprehensive and cover the core labor standards. However, there are widespread violations of labor standards even in those countries.

There are few ideas regarding solutions to continuing situation. For example; the desire that lead to the establishment of Global Compact is the notion that the largest corporations’ voluntary compliance would make a snowball effect where other companies, including suppliers, would follow. Moreover, a solution similar to Global Compact includes the idea below.

At the national level, each government would initiate a process similar to Global Compact at the national level the process could be initiated by at a meeting of business, labor and government leaders at the national level. The parties would be charged with developing a set of standards for firms for both their domestic and international operations. In another variation of the soft regulation approach, the government could encourage a standard for the particular industry. (Kuruvilla & Verma, 2006, p.27)

In case of national government’s situation to enforce core labour standards, fighting with informal economy has a crucial role. Predominant number of people in developing countries is making their living in the informal sector, which makes it difficult if not possible to introduce and enforce labour standards. The leading authority on informal employment around the world reports that “informal employment comprises one half to three-quarters of non-agricultural employment in developing countries. (Flanagan, 2006, p.33) Moreover, child labour is very common in the informal sector. The reasons for informal economy have a great variety but I will not mention all of them. I will just mention the relationship between

informal economy and labour standards. Firstly, informal economy is inevitable in case of underdevelopment. (De Soto, 2000)

Notice that the weight of the informal economy is estimated to be around 50-60% in a country like Columbia, that has a yearly per capita income of US\$ 6,820.00 (at purchasing power parity), and that in 2004 was considered one of the “middle income” countries, surpassing countries such as Morocco, Algeria and Lebanon. (ILO-WTO 2007, p. 69)

Informal economy is one of the main reasons for the non-implementation of the ILO’s Recommendations and Conventions as well. (Maupain 2001, p. 142) Market liberalization and greater openness tend to reduce the informal economy. (Onida, 2008, p.19) But trade is not a receipt that has no other negative implications. Thus, trade could reduce the informal economy only by proper politics that reduce inequality rates with countries and peoples. Because as the case in Columbia, growth rates always do not accompany reduction in the informal sector. Moreover, it is worried that, possible implications of labour standards would lead many small enterprises to exit the market and cause the return of workers to the informal economy where the situation is even worse in the case of labour rights and monitoring. But without the implementation of labour standards, those small enterprises would violate standards anyway. Moreover it should be noted that, the informal economy is not the cause, but rather the effect of the non-observance of standards. Hence, because of all of these reasons the implementation of labour standards should accompany the struggle against informal economy.

### **C. LONG-TERM AND SHORT-TERM EFFECTS OF LABOUR STANDARDS ON TRADE AND GROWTH**

Studies typically find it difficult to clearly isolate the impact of codes and standards,

- a) because the flow of causality is not always clear and
- b) other intervening variables are probably more decisive in determining good work-place conditions.

Proponents of the core labor standards agenda have also advanced a series of political arguments in support of positive effects of core labour standards which I agree. However, they usually supported their arguments by illustrative examples rather than broad empirical

data, these political arguments rest on a number of points: First, introducing core labor standards helps to create and nurture political institutions that play important roles in the management of the economy. Referring to the example of the East Asian crisis and its impact on South Korea, Second, some studies suggest that the right to freedom of association is particularly successful for fostering sustainable political development and the emergence of a “responsive” democracy. ( Witte, 2008, p.21) Trade is an important element in fostering growth but the distribution of its benefits depends on factor conditions and domestic policies. However, there is different views regarding the effects of the core labor standards on trade and growth.

**According to Trade creation hypothesis:** Implementation of different technical regulations and standards weakens the free international trade. Internationally accepted standards can thus have a positive impact on imports. Labor standards can ease international trade by setting internationally accepted levels of how and under what conditions products are produced.

**Competitive advantage hypothesis:** Standards can actively enhance exports, but also reduce imports. In that view, labor standards can be seen as one source of national competitiveness.

**Trade destruction hypothesis:** Standards reduce trade flows as they constitute “technical” barriers to trade. Conclusive empirical evidence for the case of labor standards is not available.

Another argument for developing countries to introduce and enforce labor standards relates to the emergence of an ethical consumer base in industrialized countries. While research suggests that this market for virtue remains relatively small.

According to Witte, which I agree “Core labor standards also make macroeconomic sense; they help to generate investment, foster trade and enhance the effectiveness and efficiency of the market. Finally, adherence to core labor standards has positive political and governance effects, strengthening democratic institutions and demonstrating the rule of law.” (Witte, 2008, pp.20-30)

However, there is lack of data on empirical effects of core labor standards as mentioned above, illustrations shows the positive effects of core labor standards. Nevertheless, there is no statistically significant relationship between a country's export share of GDP and the number of the ILO standards that it has ratified. But this is because ratification does not automatically produce advances in national labor relations. (Flanagan, 2006, p.151) Also, there are two kinds of export growth structure; in the first one it is linked with rising productivity, in the second one it is driven by wage suppression or currency depreciation. (Milberg, 2004, p.12) Both of them could be the reason behind growth.

Another important question is, do standards reduce the speed of development ? There is no evidence that standards impede development. Also there is no evidence that says that they are positively related. Studies find no systematic relationship between core labor standards (CLS) and comparative advantage. (Freeman, 2008) Moreover, some of the standards improve economic growth in the long run, even if they raise costs on the short run (the situation of children go to school rather work). Also, The World Bank, finds no evidence that unions harm economic development. (Freeman, 2008) Furthermore, "An increasing amount of research shows that the failure to apply labour standards is damaging to national development as well". (Blanpain, 2004) Moreover, Onida stated that (2008) there is no pure empirical evidence on worsening export performance due to increased implementation of labour standards. And, Onida acknowledged more that however, the credibility of econometric analyses are sometimes uncertain, empirical studies find a considerable positive correlation between export manufacturing ability and union rights indices, or more generally democracy indices. (p.19) (as cited in Kucera-Sarma 2006; ILO-WTO 2007, pp. 67-68) Moreover,

In particular, on the one hand, imposing better Labour Standards in low-wage developing countries generates rising production costs and therefore lower price competitiveness of their exports. But at the same time better Labour Standards forces these countries to search for higher labour productivity, which means increased competitiveness in the medium run. (Onida, 2008, p.19) ( as cited in Wolf 2004, ch. 10)



Additionally, several papers on locational determinants of foreign direct investments suggest that low labour standards regarding core labour standards do not attract potential investors alone. Because, they also need a relatively cheap skilled workforce with good infrastructure in a country.

For example: Costa Rica took the decision not to undergo a race to the bottom in competition with other low-wage countries and instead to make substantial investment in education, it managed to attract successfully foreign capital in higher value added activities. (Onida, 2008, p.20) (as cited in Doumbia-Henri and Gravel, 2996, p. 201)

However, the case of sectors such as energy and other mineral extractive industries is somewhat different, in this sense. (Onida, 2009, p.22) Those industries are the ones in which excessively core labour standards violations occurred. Because these sectors are nor need infrastructure nor skilled workforce. As a conclusion, even there are not a lot of empirical studies that supports the notion of core labour standards and trade are positively related. Still, the positive impacts of core labour standandards on growth, productivity, democracy institutions are obvious and in the long run they are paying the costs of short-term effects.

Among positive impacts productivity has a crucial importance. Working conditions around the world will vary with

a) investment in education, skills and the health that workers make in themselves to improve their productivity.

b) investments that firms make in the training of workers and the health and the safety of work enviroment

c) investments that governments make in workers to raise their productivity. (Flanagan, 2006, pp.39-40)

However, long-run growth of per capita output rests on a country's productivity growth (Flanagan, 2006, p.36) Economic theory and some empirical evidence suggest that the introduction of better labour standards in low-wage countries, while increasing production costs in the short term, is likely to foster labour productivity and thereby to increase competitiveness in the medium term. (as cited in Wolf 2004, chap. 10) (Onida, 2009, p.22)

Moreover, higher wage and working standards and respect for equality and safety standards can provide better and more satisfied workers and lower the turnover of staff. Investment in vocational training can result in a better-trained workforce and higher employment levels which can also increase productivity. Employment protection can encourage workers to take risks and to innovate which again increases their productivity. (World Development Report 2005, pp. 136-156)

Productivity is linked with technological progress and development. “Because it saves time and costs associated with production, distribution, transport, and commercialization.” (Dehesa, 2007, p.25) More capital-intensive sectors bring higher productivity and wages. (Milberg, 2004, p.2) Capital-intensive sectors increase productivity in comparison to labor-intensive sectors or natural-resource-based industries. (Akyüz, Wright, Mayer, 2004, p.21) Thus, nowadays to be productive is more significant than to be cheap as a worker and education; also the improvement of conditions of work is the only way for this.

#### **D. GLOBAL LABOUR STANDARDS ARE DISGUISED PROTECTIONISM ISSUE**

According to “Global labour standards are disguised protectionism” view, global labor standards give protection to western workers, harm workers in developing countries, and also lower the growth of developing countries.

In the case of labour standards, developing countries believe they are not yet at the development stage where it would be ‘fair’ to permit other members to ban imports produced under labour conditions where all four core labour standards were not met. (Freeman, 2008)

Again, according to this view, the need to adhere all these standards would only slow down their economic growth by reducing their exports but also slow down their progress in meeting these standards in the future. They also suspect that the efforts of some industrial countries to bring core labour standards in the WTO are a disguised form of import protection on their part. Moreover, they believe the high costs of enforcing these standards would require the use of scarce domestic resources that could be better used to promote the economic and social welfare of their people in other ways. (Baldwin, 2004, p.64) In my view, developing countries are not intimate in their last argument which mentions using scarce sources to

promote social welfare of their people, even if they are right in their view that some developed countries have protectionist purposes. Because most of those governments do not have true will to even enforce core labour standards. Moreover, adhering to standards could increase costs but in the long term it will compensate those costs with increasing development. Also as stated before, low labour standards and growth are not directly related. There are so many other factors such as the technology level of country, the infrastructure of country and most of these factors are positively related with more education and better labour standards. To be cheap is not enough to attract FDI flows. Also, "Southern" governments argue that worker welfare is a national consumption decision which is another sovereignty argument. (Kuruville & Anil, 2006, p.6) However, it is not acceptable in the sense of global economic integration. Because, even governments still try to use "sovereignty argument" as a weapon, it is a fact that governments could not control everything anymore. Labour do not have mobility as capital thus, global regulations are a must. Additionally, advocates of labour standards are do-gooders not garment workers. When union leaders/ politicians want protectionism they don't hide it. Social protectionism does not mean protectionism, but at the same time "social dumping" is an argument of protectionism. (Freeman, 2008)

On the other hand, it is also true that, the world trading system is 'unfair'. Because poor countries are faced with protectionism when competing with industrialized countries which have absolute advantage regarding technology e.t.c.

The rich countries have held on to their trade barriers against poor countries while using the Bretton Woods institutions to force down the trade barriers of poor countries; and that it is 'hypocritical' to ask poor countries to reduce their trade barriers when the rich countries have their own (Bhagwati, 2004).

Improved market access for developing countries will not be enough unless basic differences in economic conditions between developed and developing countries are recognized and addressed. These differences arise from several factors, including imperfect or absent markets, inadequate infrastructure and institutions, imperfect information and technological backwardness. (Oyejide, 2004).

The enormous debt rates of developing countries are also another factor. More market access in the areas of agriculture and labour-intensive manufactures, such as textiles, should

be guaranteed and contribute resources to technical assistance and capacity building is needed (Moore, 2004). Also, the fact that the relationship between core labour standards and trade is mostly advocated by the United States which is a country that takes very limited obligation to improve standards inside its borders, strengthens the protectionist argument. (Kuruville & Anil, 2006, p.6) Moreover, the industrial tariffs average for the rich countries is 3 per cent but 13 per cent for the poor countries. (Bhagwati, 2004, p.118) On the other hand, some argue that to link labour standards to trade could even defuse protectionist attitudes.

### **PART III POSSIBLE SOLUTIONS FOR GLOBALLY SUPERIOR LABOUR STANDARDS**

ILO conventions and recommendations which are the most significant tools to guarantee labour standards worldwide are civil regulations. Civil regulations are mostly “soft law” implications. They are based on those of intergovernmental organizations such as the Organization for Economic Cooperation and Development (OECD), the International Finance Corporation (IFC) of the World Bank, and the International Labor Organization (ILO)”.

Implementing the ILO’s labour standards are still problematic. Because industrialized countries mostly ratified conventions, those they’ve already achieved; where developing countries mostly do not enforce conventions. (Flanagan, 2006) Moreover, labour standards could lead to some job losses and it can harm workers in the worst part which is the informal part. On the other hand, low standards are risky to the country too. Capital flows –companies ruled out investing in several countries that failed to meet standards and more significant, low standards are morally wrong and they’re universally accepted as human rights. Lastly, because of global economic integration, governments do not have all the tools they used to have. Because the capital is immobile and it can have enormous impacts on a country’s economy and so the politics of this country. Of course, the labor conditions as well.

Many government and private practitioners are not all in favor of an effective international rules system. One of the reasons of that situation is older concepts of national sovereignty. Another reason is the current international rule-making process is faulty and international and the national institutional system for some reason makes the reform impossible. (Jackson, 1990, p. 84) Another concern is of course, concern of profit.

## **A. PRIMARY SOLUTION: STRONGER ILO ENFORCEMENT MECHANISM AND EFFECTIVENESS of ILO SYSTEM**

During the cold war era the ILO was a platform for ideological confrontation between East and West. The end of cold war and the intensifying process of globalization, made the ILO seemingly less effective and also less relevant. As a matter of fact, the ILO came under sustained attack from two sides. These critics are pointed out while ILO important as an international forum, was failing to achieve its mission. Moreover, as a consequence of the international set up of the ILO, the key stakeholders in the organisation reproduced primarily status quo interests. (Witte, 2008, p.17)

However, for much of the 20<sup>th</sup> century, the traditional formula of setting and enforcing labour standards was characterized by a combination of national labor regulation and international cooperation more significantly in the context of ILO. The trade union movement has played an instrumental role in pushing this agenda forward. At least, in the industrialized world this approach worked rather well. Economic growth after World War II had also huge effect on this. (Witte, 2008, p.15)

If we look deep into the structure of ILO, Governing Body (GB) of the ILO consists of 56 members: 28 government representatives (10 from the more industrialized countries which are permanent members, and 18 representatives from other countries, rotating every three years), and 14 representatives each of employer and workers' organizations. (Onida, 2009, p.3) It is the only tripartite system.

ILO have "Conventions" and "Recommendations" as tools. The Convention is an international treaty that is binding on Member States that ratify it, while the Recommendation provides more detailed guidance on how to apply the Convention. The ILO 2008-09 budget totals almost US \$600 million (approximately €410 million at current exchange rate), an amount that in real terms is unchanged compared to 2006-07, but a significant drop compared to the past years, despite the rapid growth of the number of member countries. This reduction is because of some countries headed by the US that would like to achieve their aim by bilateral development projects rather than favouring multilateral bodies and funding. (Onida, 2008, p.9)

Industrial nations, such as the USA and the members of the EU, have found that trade gains can induce the smaller developing nations to accept provisions in regional agreements on such matters as labour standards and the environment that these countries reject in multilateral trade negotiations. At the same time, the larger developing countries are likely to seek more regional agreements among themselves and with the smaller developing countries (Baldwin, 2004, p.51).

As part of its mandate ILO regularly reviews the status of labor standards in member countries. For those labor standards that have been ratified by member states, ILO offers a complaints procedure that can be utilized in case violations are suspected. It relies on “naming and shaming”, providing technical assistance to member countries. However,

Without having direct sanctioning powers, the ILO can only ask individual governments to enforce the recommendations, by making special reference to specific clauses in bilateral or regional free trade Agreements (e.g. NAFTA, Mercosur) or to programs enacted by international organizations such as the IMF, the World Bank or the WTO. The bargaining instruments range from administrative sanctions (i.e. fines) to trade and/or financial sanctions aimed at discouraging the defaulting government from tolerating (or even fostering) the reported abuses. (Onida, 2009, p.12)

According to the ILO’s enforcement mechanism, they are just examined by a Committee and reported in the ILO publications, and to the Conference. Complaints may result in a Commission of Inquiry, and further action can be taken through the use of Article 33 of the ILO Constitution, which empowers it to take broad remedial action against persistent violators. However, until 2000, Article 33 had never been invoked, making it the first and only time in the ILO’s 85 year history. This occurred in 2000 against Burma for its continuous use of forced labor. The ILO thus requested that all multilateral agencies of the United Nations and the Breton Woods institutions refrain from program assistance to Burma. Until 2000, the ILO had only encouraged compliance through the supervisory and technical assistance systems. (Kuruvilla & Verma, 2006)

Thus, the ratification of the ILO standards appears to be a symbolic act, signaling a country’s existing level of labour conditions. Ineffectiveness of the current system of the ILO emerges from a system of voluntary compliance. (Flanagan, 2006, p.152) On the other

hand, along with the country reports, the ILO produces director general global reports. These reports summarize key problems in CLS implementation and identify specific nations with CLS violations. Several countries attempted to stop the director general from “naming names” or specifically listing nations with labor violations. So, it has a potential. The ILO, however, never clearly points out violations or categorizing countries in order to avoid conflict with its members. Hence the ILO’s methods must be viewed as a soft regulatory method rather than as hard legislation. (Heintz, 2002)

The hard law is characterized by a clear definition, specifies some standards, and articulates penalties for failure to comply with the legislation. Thus, hard regulation is always “compulsory.” Often soft regulation takes the form of recommendations, or opinions, or statements. Soft regulation is just easier to achieve because conflicts of interests may be easier settled in a flexible format. Codes of conduct, the OECD guideline for multinational companies, the ILO’s tripartite declaration on social policy, the UN Global Compact, certification approaches all fall quite clearly under the rubric of “soft” regulation. Clearly the degree of “softness” varies dramatically in these approaches. Also, the failure of hard regulation, i.e labor law in developing countries that gave rise to the international pressure for labor standards. (Heintz, 2002, p.18)

Nevertheless, historically, ILO has assumed responsibility for defining and promulgating core labour standards at the international level. “(1998) ILO Declaration on Fundamental Principles and Rights at Work “ is a cornerstone in this sense. After 1998 Declaration, The ILO also agreed to put a special review mechanism to monitor and enhance compliance with the core labor standards. This mechanism requires all member states who have not ratified relevant core labor standards conventions to report, on an annual basis, on what they do to promote relevant principles. The other two ILO stakeholder groups – employers and unions – can comment on these reports. An independent expert commission reviews the national reports and provides written comments. In addition, the Director-General of the ILO is preparing an annual report on the state of implementation of the Declaration, focusing in each report on one of the principles stipulated in the agreement. Most importantly, the ILO was credited for raising further international attention on key workers' rights after this attempt .Also, The World Commission on the Social Dimension of Globalization concluded



that core labor standards must be a key part of the “broader international agenda for development”<sup>2</sup>.

However, ILO is also criticised for losing sight of other significant issues such as regulations on working hours and minimum wages after new Declaration. “In practice, the Declaration is playing a central role in efforts to replace the broader labor rights agenda with a narrow focus on a much more limited corpus of four core labor standards and to move towards an approach that is fundamentally promotional, rather than grounded in firm legal obligations and involving targeted institutional responses to violations of labor rights.” (Witte, 2008, p.18) Also, initial reviews of the reporting and compliance mechanism suggested that the Declaration process is not working as well as the ILO may have intended. Finally, while the Declaration features a separate monitoring mechanism, it is still criticized for a “lack of teeth” in enforcement. The document's emphasis on promotional techniques, dialogue, and technical assistance as opposed to sanctions or other legal enforcement mechanisms has triggered critical responses especially from civil society. Yet critics point the fact that even ninety years after the creation of ILO and development of international labor rights movement, many workers in developing and emerging economies still lack the most basic labor rights. ILO still lacks the necessary resources and enforcement mechanisms. (Witte, 2008, pp.18-19) Monitoring of labour conditions should also focus on Special Economic Zones (including the Export Processing Zones) in this sense. Because it is claimed that those places have worse labour conditions.

Another ILO mechanism is labour inspectore. Proper application of labour legislation depends on an effective labour inspectorate. In addition, labour inspectors give advices to national authorities regarding national law. They play an important role in this sense. Because the international community recognizes the importance of labour inspection, the ILO has made the ratification of two labour inspection conventions (Nos. 81 and 129) a priority. To date, more than 130 countries (over 70% of ILO member states) have ratified the Labour Inspection Convention, 1947 (No. 81) ILO. (“Labour Inspection”, n.d.)

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<sup>2</sup> See World Commission on the Social Dimensions of Globalization (2004), *A Fair Globalization: Creating Opportunities for All*, p.48. Available at <http://www.commissiononglobalization.org/homelinks/AFairGlobalization.pdf> P. 98 (accessed 2 December 2011)

Nevertheless, challenges remain in countries where labour inspection systems are underfunded and understaffed. Some estimates indicate that in some developing countries less than 1% of the national budget is allocated to labour administration, of which labour inspection systems receive only a small fraction. Other studies show that the costs resulting from occupational accidents and illnesses, absenteeism, abuse of workers and labour conflict can be much higher. Labour inspection can help prevent these problems and thereby enhance productivity and economic development. (ILO, "Labour Inspection", n.d.)

As we have seen, the powers of the ILO machinery are also only moral, relying on persuasion. However, still, In today's conditions, ILO conventions are the most important guarantee of global labor standards, but it needs a better implementation mechanism. I will discuss how this mechanism could be better. the ILO's traditional system of promoting respect for labour rights is in fact, in crisis. "There is a need for an independent group of experts to evaluate the effectiveness of what the ILO is doing The Declaration's follow-up mechanisms need to develop". (Alston, 2005, p. 16) For a better implementation mechanism, firstly, the supervisory mechanism of the ILO should be strengthened and the impact of the standards system through technical assistance should be improved; and to assess the standards' effectiveness, periodic reviews could be a solution. "Enforcement is effective when existing violators are consistently successfully prosecuted, and punished." (OECD, "Core Labour Standards", n.d.) Also to give the possibility to private citizens to inform the relevant government agency of a breach, is an effective mechanism. It could be supported by a government-operated hotline to report violations. Moreover, the protection of persons who report violations, is significant in this sense. (OECD, "Core Labour Standards", n.d.)

"A single enforcement agency to monitor multinational behavior could be housed in a well-established international organization, such as the ILO. Of course, additional resources would need to be channeled to the agency for operational support." (Heintz, 2002, p.19) However, there are some successful examples as: In 1998, at the request of the UN, Portugal, Russia, and the United States, the UN Security Council forbade the purchase of diamonds from UNITA, which is a rebel group that finances civil war with the profits. (Vogel, 2009, p.172) "In the case of Cambodia, both USA and Cambodia turned to ILO,

which caused for the first time establishing a system for monitoring workplaces by ILO.” (Vogel, 2009, p.174)

However, at the same time, some scholars think that the ILO mechanism could never be an effective solution. Moreover, one of the challenges of the ILO labour standards is that these standards are seen as a product of Western values by developing countries. Nevertheless, the true reasons for rejecting.”ILS are rarely economic or cultural. For example, trade union rights are often denied because trade unionists form part of the political opposition to authoritarian regimes.”(Sengenberger, 2005)

In 2007, the 96th Session of the Conference adopts Report V: “Strengthening the ILO’s capacity to assist its Members’ efforts to reach its objectives in the context of globalization”. This Report contains many suggestions about how to increase the ILO’s effectiveness.

- a) A detailed exam by the GB of the periodic country reports, so as to provide a firm and rigorous knowledge base to the priority choices emerging from the Conference
- b) Reinforce the effectiveness of the ILO by promoting results-based management strategies and cross-fertilization of the various experiences and successful practices.
- c) Strengthen the complementarity of the various objectives of the Decent Work Agenda.
- d) Link the actions of the ILO - with its unique tripartite identity - to the programmes of the other UN agencies, especially the UN Development Assistance Framework (UNDAF) and the Poverty Reduction Strategies of the World Bank and the International Monetary Fund. (Onida, 2009, p.6)

Also, collaboration with NGO’s or trade union organisations are other important supporting solutions. An important new survey taken by the International Trade Union Confederation (ITUC 2007) has been made available since 2007. It found 15,111 cases of violations of union rights in 2006 in 138 countries, including 4,959 arrests, 832 cases of tortures/beatings, and 144 killings. Unfortunately most of these countries never ratified the Convention n. 87, hence they are not accountable to the ILO. Thus, a growing link between

the ITUC's reports regarding unions and the monitoring performed by the ILO's network of offices could be therefore a part of the solution.

There ought to be a procedure that an international or national trade union organisation can refer a complaint to the ILO Freedom of Association Committee alleging a breach of Conventions 87 or 98 by a corporation in respect of its conduct in a third country. The right to complain should apply in respect of the conduct of the company, its subsidiaries, its suppliers, and any other body in the supply chain. ( International Centre for Trade Union Rights, 2000)

The International Centre for Trade Union Rights established a project on July 13th 2000, The purpose of the ICTUR's latest project was to set out those basic trade union rights which the international labour movement regards as fundamental rights. Their aim was campaigning for their incorporation into international instruments and domestic law by national governments. Projects like that also could help the enforcement of the ILO core labour standards. The ILO could make campaigns together with that kind of NGO's.

Also, The IMF and the World Bank should follow and apply the ILO Conventions in their relationships with national governments. Compliance could be a condition of aid. (International Centre for Trade Union Rights, 2000) But, it should not be used with protectionist purposes because otherwise they will lose their credibility and it can cause increasing poverty in developing countries.

UNCTAD (United Nations Conference on Trade and Development) must reinforce its position as a UN agency, independent of the Bretton Woods Institutions. Fair trade programmes also could be promoted by UNCTAD. (Cline, 2004, p.27-29)

Moreover, initiatives linking trade with union rights such as those taken recently by the EU should also be encouraged. (International Centre for Trade Union Rights, 2000) Moreover, a closer collaboration between the ILO and the UNDP (United Nations Development Programme) peripheral units in countries where the ILO alone cannot afford a direct stable presence, due to budget limitations, could be an effective mechanism. (Onida, 2009, p.25) Lastly, as Eigen notes, "Patchwork of enforcement efforts needs to be complemented by preventive efforts at international level". (as cited in Eigen, 2004, p.xiv)

## **B. SECONDARY SOLUTIONS FOR SUPERIOR LABOUR STANDARDS**

### **1. Aid Programmes and Technical Assistance**

Aid programmes, compensation packages (unemployment subsidies, family welfare cheques, work-study scholarships, etc.) and technical assistance are the complementations of ILO conventions. If we compare them with loans;

The possible involvement of the main international institutions, namely development banks and financial institutions in trade concessions and financial incentives could be a solution for globally better labour standards. Nevertheless, there are three arguments to justify ODA (Official Development Assistance) (Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount) For example, an incentive of the OECD). First of it, moral or humanitarian reasons like decreasing poverty and inequality which could be very effective for both monetary and non-monetary dimensions of poverty. Second argument is a political argument that the US needed to fight with communism and now with terrorism. The third argument is an economical one because those loans are needed to pay back. (Dehesa, 2007, p.235) However, mostly those poor countries can not pay back their debt because of lack of infrastructure, bad governance e.t.c. So, debt reduction or even debt amnesty is needed in collaboration. Moreover, grants are much easier to monitor and control because they are paid for each unit of public goods or services supplied or developed and they have lower transaction and bureaucratic expenses, both for the donor and the recipient. (Dehesa, 2007, p.250)

Moreover, these countries have other problems as well like; lack of a true democracy, institutions, technology. Furthermore % 70 of this aid negotiated bilaterally because this way they could sell some infrastructure projects or goods to poor countries. Moreover, most of this aid is assigned to Turkey, Israel, and Egypt. (Dehesa, 2007, pp.237-238) which are for sure not extremely poor countries. Thus, poverty reduction aim in extremely poor countries by grants could not be achieved and poverty is the one of the main reason for violating core labor standards.

The ILO (2007b) highlights that the IFC (World Bank Group) has started to put some commitments by debtor countries regarding labour and environmental standards (also known as the IFC performance standards) into its development loan contracts. Many national development banks (or “equator banks”) adopt these standards on medium-sized financing projects, i.e. above US\$10 million. The Asian Development Bank, in collaboration with the ILO, has created a proper manual on CLSs (ADB-ILO 2006). Also, the World Bank and the International Monetary Fund have launched some reports specifically aimed at racial discrimination (“Ethnic Audits”) in relation to the Poverty Reduction Strategy Papers. ( as cited in ILO 2007b, p. 101) ( Onida, 2009, p.14)

Poor countries need help in developing the public goods and services: political and social institutions, education, healthcare, drinking water and rural infrastructures for their integration to the globalization process. It won’t just reduce inequality, improve growth as well. ( Dehesa, 2007, p.128) Also education is the only way to reduce their population growth. (Dehesa, 2007, p.10) However, as we knew growth alone is not a remedy. It must be supported by true democracy implications such as strong civil society; fight with informal economy and bad governance implications like corruption.

## **2. Corporate Social Responsibility (CSR) for Multinational Companies**

Overall the available evidence suggests that the code of conduct and standards can make contribution to the enhanced implementation and enforcement of core labour standards but there remain significant hurdles to galvanize their full potential. However, it is also hard to measure their impact on contribution to the enforcement of core labor standards. The debate about impacts also suffers from the fact that most companies, if they launch evaluations at all, usually do not share review results publicly. The few impact assessments conducted and publicly available focus on multi-stakeholder initiatives.

Critics also emphasize that codes and standards may further weaken the global labor standards movement by focusing on the promotional aspect of core labor standards rather than pushing for enhanced legal rights combined with tough sanctioning mechanisms.

Also “code of conducts” of multinational companies focusing on popular worker rights (e.g. abolition of child labor) at the expense of standards that are either politically contested and/or difficult to achieve. (e.g. freedom of association and collective bargaining) (Witte, 2008, p.71)

The review of the literature on codes and standards has highlighted some of their potential as well as their limits.

Despite the explosion in total the number of codes and standards, the number of companies who effectively implement them remains rather small. In addition, effective ways must be devised in order to extend codes and standards into the informal economy. Overall, all assessments examining the effectiveness of codes of conduct and standards emphasize the importance of stakeholder dialogue and capacity-building rather than relying exclusively on auditing and punitive measures. (Witte, 2008, p.72.)

Thus, by no means are they a substitute for governmental or intergovernmental efforts in the field of social standards. They may put additional pressure on states to conclude effective agreements; they may serve as catalysts for a more effective implementation of existing intergovernmental treaties and contracts. Among other things, this should include efforts to enhance the substantive coherence in existing codes and standards; a streamlining of implementation and reporting requirements; the development of strategies to extend codes and standards beyond export sectors; and efforts to measure their impact in a more reliable way. (Witte, 2008, p.72)

In this sense, corporate perspective could be describe as ‘ethical pragmatism’(Opal & Nicholls, 2004, p.7)

Multinationals establish codes of conduct because of their growth as global brands. The exercises of codes of conduct began to expand significantly during 1990s. Some firms developed their own codes and some of them subscribe to industry or cross-country codes. The largest private business code, the Global Compact, has more than 3,500 corporate signatories. (Vogel, 2009, p.158)

Generally, the scope of codes are quite similar, focusing on the core labor standards but including safety, health, working hours and working conditions. (For an example of a typical corporate code, see [www.nikebiz.com](http://www.nikebiz.com)) (Kuruvilla & Verma, 2006, p.13) It is important to understand that the attitudes of various different stakeholders to codes of conduct can be quite different. For many large corporations, codes of conduct are a matter of their public image. Public campaigns have been effective on firms such as Nike, Home Depot, Shell, Ikea, C&A. In other cases, It is often after criticisms and to satisfy their own employees. (Nicholls & Opal, 2004) Moreover, the public often does not differentiate between the social or environmental practices of firms in the same industry. (Vogel, 2009, p.168) So, this situation lead a spread of code of conduct exercises in the same industry. Multinational firms, with increasing shares in world production, investment, and trade flows, represent the most visible part of the 'globalization' phenomenon. If we have good conditions in some companies in a sector, it spills over. However in general, still there is a need of more sensibility regarding labor issues.

Nevertheless, there are lots of valid criticisms regarding the impact of the code of conduct practices to the improvement of labor standards. First, workers who are covered by the code often do not know the contents of the code of conduct. Second, there has been a lot of dissatisfaction with monitoring of the code. Because 60% of the firms do the monitoring themselves and only 15% of corporations accept independent monitoring. Fourth, unions claim that codes do not include the right to organize and bargain collectively. Fifth, there are no penalties. Thus, because of all that reasons the ability of voluntary models like corporate codes of conduct to significantly improve labor standards for the majority of workers in developing countries is also limited. (Nicholls & Opal, 2004, p.27) Unions are also skeptical of codes without independent monitoring or agreements. Moreover, codes of conduct could be used to fulfill protectionist purposes as well. (Alessandra Casella, 1996, p.144)

Because, ironically, same global firms who agree to adopt voluntary standards, are opponents of stronger international treaties, extra-territorial business regulations and the links between trade liberalization and labor, environmental, and human rights practices. (Vogel, 2009, p.188) Because, in some cases, "industries adopt codes of conduct to prevent additional government regulation."(Vogel, 2009, p.167) For example, "Responsible Care" was adopted



by several national chemical industry associations to avoid a more severe safety standards following the chemical plant explosion at Bhopal, India". (Vogel, 2009, p.167) At the same time, the increasing rates of the codes of conducts has not reduced the importance of profit-maximization for firms.( Vogel, 2009, p.170) However, there are some successful implementations of code of conduct as well, and :

While establishing code of conducts both business and non-business actors are included. This soft law exercises help to include non-state actors in regulatory mechanisms and this is because of emergence of global "civil society" (Vogel, 2009, p.157)

In 1974, The UN took the lead and established the Center on Transnational Corporations (UNCTC), which began developing a comprehensive code of conduct for multinational corporations covering many aspects of corporate behavior, including labor practices (United Nations 1986). Despite several drafts, the UN code was never ratified and the Center on Transnational Corporations disappeared completely in 1993, having been incorporated into the United Nations Conference on Trade and Development, or UNCTAD. (Heintz, 2002) To date, the scope of international human rights treaties does not include international firms. During the 1970s, the ILO, the UN Commission on Transnational Corporations, and the OECD all attempted to adopt legally binding codes of global corporate conduct; None of these efforts were successful. Nevertheless, the OECD did adopt comprehensive guidelines for multinational corporations, but they are non-binding. (Vogel, 2009, pp.162-163) The lack of a consensus on social dimensions of the proposed Free Trade of the Americas Agreement (FTAA) Governments, united in international bodies like the UN, the ILO, the OECD (Organisation for Economic Co-operation and Development) have developed codes of conduct for multinational enterprises. Nevertheless, compliance was voluntary, but the codes contained few, if any, incentives to encourage firms to change their practices . The UN Global Compact of 1999, the ILO Tripartite Declaration of Principles, the North American Agreement on Labor Cooperation, and the OECD Guidelines for Multinational Enterprises are the mechanisms of international soft law regarding labour standards; non of them has binding power. Nevertheless in 2003, there were 90 global corporations, 11 international business associations, 7 inter-sectoral business associations, 9 international labor unions federations, and 11 civil society organizations which are participating Glabal Compact which is a global platform of code of conduct that established

by UN. However, there is no monitoring for firms which are participated. Moreover, there has been a movement towards establishing a standardized code of conduct, with independent monitoring and enforcement, to implement labor standards across entire commodity chains. Nevertheless, the scope of corporate social responsibility is limited in the sense that the world's workforce would receive any benefits, since the standards are for workers who produce goods for export. (Heinz, 2005, p.18)

Lastly, "code of conduct" could be a complementary mechanism to the other stronger mechanisms such as ILO mechanism, but it is not sufficient alone. Moreover, it focuses on just some of the core labor standards according to expectations of consumers and shareholders. Also, still it is hard to measure their impacts to the enforcement of core labor standards.

### 3. “Fair Trade” as a Solution

Two of the basic principles of “Fair Trade” are direct trade with producers and the Fair Trade floor price. (Cline, 2004, p.32) The main idea is co-operation rather than competition between the parties in a supply chain. (Cline, 2004, p.15) Fair Trade’s aim is to give opportunity to producers in poor countries to leave extreme poverty and address the imbalances of information and power that typify North-South supplier-buyer relationships. “Moreover, fair trade allows producers to plan ahead, invest in the future of their businesses and collectively to implement larger development projects, such as building schools. “(Nicholls&Opal, 2004, p.6)

“Fair Trade represents a new way to do business that looks holistically at the supply chain to address market failures and their social impacts at source, but which still acknowledges the need for profitability. Fair Trade is not about aid, charity, or just ‘doing good’: it is about recognizing the global community as having rights and responsibilities that extend across all of its stakeholders”. (Nicholls & Opal, 2004, p.5)

It is also more sustainable to maintain the dignity of producers than aid. (Nicholls & Opal, 2004, p.6-7) “At the same time, goal of fair trade is to diminish the impacts of brokers, consolidators or other agents in the global supply chain.” (Cline, 2004, p.7) , which is a very inspirational mechanism. It also helps farmers or workers to organize. (Cline, 2004, p.7) Moreover, it accepts the power imbalances between developed and developing nations. ( as cited in Strong,1996) (Cline, 2004, p.7)

Sales of Fair Trade products in Europe, North America and Japan have grown exponentially in recent years. Sales in general are growing worldwide from 21 percent in 2002 to more than 40 percent in 2003 for labelled fair trade products ( as cited in FLO, 2003) (Cline, 2004, p.17). Coffee is an \$80 billion industry and world’s second most widely traded commodity. Fair trade coffee represents 2 percent of American coffee sales and 3.5 percent in some European countries (Vogel, 2009, p.176). Transfair USA, for instance, estimates that in five years of activity in the USA, Fair trade has returned over \$30m to coffee farmers in developing countries which is above that they received from conventional trade. It is almost double what they would have received from the market (Nicholls & Opal, p.35).

All of these statistics show that the fair trade market is growing but it still has enormous limitations. Consumers say they are willing to pay a bit more for items they buy made under good conditions and will shun products made under horrid conditions. (Experiments: Hiscox-Smyth Study) They are willing to pay % 20 more but then demand for fair trade labelled products falls. This makes low standards risky to multinationals. For instance, the share price of Nike fell when it was attacked. In this regard, shareholders demand improved conditions. Markets for standards rest on consumer sentiment/ moral appeal. (Freeman, 2008) However, it is still a secondary mechanism which can not guarantee the implementation of core labor standards. Because, for instance, consumers care about child labor but not freedom of association.

In an econometric analysis of the impact of social labeling NGOs on child labor practices in India, Chakrabarty and Grote concludes that: "The intervention of social labeling NGOs leads to an improvement in the welfare of children and households involved in the Indian carpet industry. Thus, social labeling has been found to be an effective way of combating child labor. However, this is only true for the above-subsistence households, but not for the very poor households living below the subsistence level. (Witte, 2008, p.68)

In addition, social labeling is only useful in export sectors of economies and there, only for products that can be directly sold to consumers in industrialized countries. The problem of intermediate export products often remains unsolved. However, some labeling initiatives (such as SA 8000) experiment with guidelines that require associated companies to prove that all products they use are produced according to the rules. (Witte, 2008, p.68)

Today, there are a bunch of labels concerning fair trade. Organisations are needed a label that one can trust and depend on. They need somebody to monitor this labelling process. (Freeman, 2008) Moreover, as Fair Trade is becoming popular, new certification organisations can emerge. However, it is also criticised that fair trade labels do not include most of the fair trade producers. From 1989 until 1995, independent national Fair Trade labels coexisted in Europe, the USA, Canada, and Japan. In 1997 together they form the FLO (Fairtrade Labelling Organisations International), which is the the largest social certification system in the world. For other Fair Trade goods such as handicrafts or textiles there is a lack of a certification process, the price is determined as 'fair' in a regional or local context

through agreement, dialogue, and participation among buyers and producers. Today, there are two sets of Fair Trade products and two sets of fair trade producers: those with FLO accreditation and those without. Indeed, under a collaboration, a common Fair Trade mark is underway. (Cline, 2004) But there are some opposition regarding this issue:

Not all Fair trade organisations are sure they want to be associated with the FLO certification mark because it's carried by the companies such as Starbucks...with their words "We are not Starbucks and we don't want to be associated in the minds of consumers with the Starbucks of world." (Cline, 2004, p.246)

Furthermore, for many handicrafts, Fair Trade labelling does not make sense, because those handicrafts already have a market. However, Fair trade movement should aim for an international legal status for its certification criteria and mark, at least for the producers under labelling. But it could be damaging for thousands of small-scale uncertified Fair Trade producers. (Cline, 2004, p.29) There is a need of finding a solution for them as well. Today there are 19 international Fair Trade labelling organisations and a number of certificates claimed to adhere to labor standards such as ISO14001, Rugmark, SA8000, AA1000, etc. SA8000, were launched by a coalition of rights activists, governments, MNCs. (Avon, Dole, Toys-R-Us among others) (Kuruvilla & Verma, 2006, p.16)

Even the FLO is the most comprehensive label today, FLO certified products are not yet comprehensive and, are limited to mostly agricultural products. Nevertheless, the FLO has an effective monitoring system which includes surprise visits. (Cline, 2004, p.16) Moreover, there are other effective mechanisms like publishing the results of monitoring at their website which FLA does.

Fair trade's most important contribution is to be the reason behind the code of conduct notion. (Cline, 2004, p.142) If labels are compared with the code of conduct practices, code of conduct practices mostly do not have a minimum price requirement and thus, it is a more cheap way. Code of conducts mostly refer to the ILO core labor standards. At the same time, code of conduct does not have a aim like producer empowerment. Moreover,

FLO's stakeholder model of governance ensures that all actors are represented in standards-setting and decision-making, but may reduce the ability of Fair Trade to move 'at the speed of business.' (Cline, 2004, p.150)

Moreover, fair trade helps workers to organise which will give them a voice and teach them the importance of solidarity. Thus, democracy practices and respect to the freedom of association could be strengthened in those workplaces. If fair trade will be a part of a company's corporate social responsibility agenda, it could strengthen the global mechanism of labour standards.

Lastly, fair trade could be an example of a more sustainable development. It helps the improvement of local communities above all, which leads to more education opportunities. Nevertheless, its impact is very limited today because the scale of the products that are produced by fair trade is limited. Moreover, it could be more successful in the agricultural sector because the dynamics of fair trade like diminishing brokers. It makes more sense in these sectors. But it still needs more research. Furthermore, existing labels cause confusion but at the same time, to establish a new label which includes all, could be harmful for small producers, and properly some producers do not want to be under the same umbrella with Starbucks e.t.c . Nevertheless, it still has a potential for being the receipt for the worldwide sustainable development model for the future. Here, one point is important as well; not all of the consumers portray ethical behaviours. Moreover, fair trade practices do not say a lot of things about core labour standards such as the freedom of association and the elimination of discrimination.

#### **4. WTO Mechanism Including Trade Sanctions**

Since the early 1990s, there has been a growing political movement promoting links between trade agreements and core labour standards. While the debate initially centered on adding a "social clause" to trade deals negotiated under the auspices of WTO, the discussion has since extended to integrate the core labour standards agenda into bilateral as well as regional trade instruments as well. Also, The ensuing debate over the inclusion of a social clause in the WTO initially seemed to further undermine the ILO.

Some governments and corporate interests who had been critical of the ILO in the past now decided to throw their support behind the organisation in order to reduce pressure on the WTO. As it became increasingly clear that supporters of WTO social clause would fail to reach their objectives, many also refocused their attention back on the ILO. (Witte, 2008, p.25) These efforts culminated at the First Ministerial Meeting of the WTO in Singapore in December 1996 . The debate on the social clause is usually characterized as one between developed countries for a social clause and developing countries against (“Social Clause” in the context of WTO most were based on ILO’s core labor standards).The intergovernmental discussion on linking trade and labor standards in the context of the WTO has been officially concluded with the WTO Singapore Ministerial Meeting. Yet, despite a strong (and somewhat unlikely) coalition of trade unions, civil society organizations, the Clinton Administration and select European governments, the proposal to integrate labor standards in the General Agreement on Trade and Tariffs was defeated by a majority of governments from developing countries who suspected hidden protectionism.

Some developed countries, whose textile and apparel industries (which are labour-intensive sectors) are currently facing stiff competition from textile and apparel products imported from the developing countries, seek to establish WTO labour standards more stringent than those already in place in the developing countries as a means of reducing imports of these products. (Baldwin, 2004, p.56)

Nevertheless, this statement was accepted at the Makkaresh the same meeting (1994), “Under WTO rules no country should be prevented from taking measures for the protection of human, animal, or plant life or health, or of the environments at the levels it considers appropriate.” (Baldwin, 2004, p.63) Another exception regarding labour standards is, the WTO Rules already allow countries to ban imported goods that are produced by prison labour. (Baldwin, 2004, p.64)

As reminded by Faini (2000), the draft of the International Trade Organization’s charter of 1947 explicitly states that, “Unfair labour conditions, particularly in the production of exports, create difficulties in international trade.”As we can see, there is a hidden social

dumping argument in this sentence. However, the ITO never was born. It is stimulating that the USA, which is a country that did not even sign some of the conventions of the ILO, tried to push a committee for labour standards in the WTO. It brings to mind protectionist purposes. In the Declaration emerging from this conference, ministers declared their commitment 'to observance of internationally recognized core labor standards' but also stated that 'the International Labor Organization (ILO) is the competent body to set and deal with these standards'. The Doha Ministerial Declaration openly repeated this view. (Baldwin, 2004)

A social clause in the WTO is attractive to its supporters primarily because of the perceived "teeth" of the organization's dispute settlement body and enforcement mechanisms. Thus, a social clause would mean that if a country were found in violation of a given clause, trade sanctions or some other serious consequence for enforcement might follow, e.g. one country could deny another the benefits of trade.

The WTO is on the way to become the largest single institution governing the economic development of the world. According to the articles of the WTO's establishment document, the WTO's goal is "to improve the welfare of the peoples of the member countries." (Trotman, 2004, p.19) "Also WTO' goals include the promotion of various human rights, the protection of the environment and the alleviation of poverty." (Baldwin, 2004, pp.46-47) Nevertheless, today, the WTO is the mechanism which organizes international trade. Its duty is to reduce trade barriers for free trade. Under the WTO law mechanism, there are two kinds of relationship: country-to-country and country-to-WTO.

The Tokyo and Uruguay Rounds transformed the WTO from an organization concerned mainly with reducing import duties and preventing these reductions from being offset by non-tariff measures to an institution with the goal of reducing a broad variety of (mostly) governmental measures that distort trade among nations from the patterns produced by free competitive markets. (Baldwin, 2004, p.48-49)

After years, significantly increased the workload and the need for experts by governments to promote and defend their economic interests effectively increased as well. This has been particularly onerous for small and less developed countries governments



(Baldwin, 2004, p.48-49). Thus, it is an important issue whether the world trading rules are fair to developing countries.

The WTO law mechanism has hundreds of rules, clauses, subclauses, curved brackets and square brackets. Thus, “The parties who are involved in the development of legislations could understand what each commitment is under a rule.” (Trotman, 2004, p.20) “It was the smaller less powerful who looking for an association.” (Trotman, 2004, p.21) Rich countries have a lot of attorneys and hundreds of staffers, who are specialized in the business of international trade. (Trotman, 2004, p.21)

After Singapur, it is still a controversial issue that, should the WTO use trade sanctions or other mechanisms for achieving better labor standards worldwide? Some scholars state that to give one more duty to the WTO will lead a chaos within the organization. Moreover, trade sanctions are criticized for slowing down development rates of countries, so they could never have superior labor conditions. (Freeman, 2008) Moreover, global firms highly oppose trade restrictions (Vogel, 2009, p.162) because they think that they will lose share of their profit.

Moreover, complex problems such as child labor cannot be solved through trade sanctions. In addition, and more significantly, an increasing number of bilateral and regional trade agreements have been negotiated and concluded during the past decade, many of which include provisions for fostering labor standards. The general trend towards bilateralism and regionalism in international trade reflects the fact that multilateral trade negotiations are not making much progress.

Hufbauer-Schott-Elliott (2003) counted 170 cases of “negative sanctions” in the 1914-1999 period, calculating that approximately one third had some impact, however with somewhat ambiguous results, especially in very recent years. Overall they conclude that these sanctions remain a foreign policy instrument, with few cases of success even after prolonged use (e.g. South Africa up to the abolition of apartheid; the Soviet Union after the invasion of Afghanistan), but more cases of almost total failure (e.g. Iraq, Iran, Sudan, Libya, Haïti, and North Korea). And above all, they pointed out the inevitable consequence of the effects of iniquity (e.g. impoverishment of the civil population, humanitarian crises, infant mortality) or

perverse effects. (e.g. hostility of the affected population which reinforces the local dictatorship: the so-called “rally around the flag” effect) (Onida, 2008, p.12)

“Intelligent sanctions” try on the other hand, to influence the dominant government group and to support opposition (e.g. arms exports embargo, the re-channelling of public aid from government bodies to non-governmental organizations). According to Onida, Conditional tariff/non tariff preferences or financial aid are effective ways instead of sanctions. (Onida, 2008, p.12)

The transparency of the WTO is another issue that is related to labour standards. There are two aspects to this issue; external transparency and internal transparency. The former defines “the access available to non WTO members, such as non-governmental organizations (NGOs) and other interested stakeholders, to information and WTO’s decision-making process. Internal transparency refers to transparency issues and working methods as these affect WTO member governments.” The main complaint relating to external transparency is that since trade can influence very much on many non-trade areas such as the environment and employment conditions, thus, the influenced people should have a voice in the decision-making process and the right to have information. Civil society groups should be included in the meetings of the WTO dispute settlement panels and the Appellate Body. (Moore, 2004) Moreover, lack of transparency increases the suspicions of lobbying practices and the WTO loses its credibility. (Kondrad von Moltke, 2004) Additionally, according to, LeRoy Trotman, after the participation of relevant society groups, maybe labour standards could be discussed in the the WTO (2004). Moreover,

Trotman suggests that the gap in communication between trade policy-makers and labour could be addressed if the WTO were to involve trade union groups and other NGOs in its work programmes. (2004, pp.24-25)

As I showed, “Yet while the WTO has certainly succeed in stimulating the volume of international trade, the promise of increased, equitably distributed welfare gains for all world trade participants remains distressingly unfulfilled. (Eigen, 2004, p.126)”

Furthermore, however, the WTO is a more efficient organisation because of its financial sources and tools, still, protectionist tendencies between some of the developed countries such as USA remain. If the WTO could be a more transparent organization then labour standards could be included and cooperation with ILO to enforce core labor standards will be more effective. However, only if, ILO take the lead role and have more strong mechanisms in this cooperation. Also, core labor standards are included in the WTO, new branches or mechanisms are needed for handling the workload. The WTO needs a more democratic dimension. George Soros is no doubt aware of what he is saying when he declaims 'business is motivated by profit; it is not desined to safeguard universal principles. Thus, to increase transperancy and to include civil society in their decision-mechanisms has a crucial importance. Then labor related subjects could be discussed in the WTO. Moreover, sanctions are not the only way to stimulate the labour standards according to the evidences. Because it has some negative implications as I mentioned above. But, in some extreme cases or intelligent sanctions could be effective though, it is again up to the situation. Because trade sanctions cause illegal trade as well.

### **5. Debt Reductions by IMF and World Bank**

Developing countries need to keep huge financial reserves, if they would like to open their economy to international trade. Because international trade includes enormous risikos. Thus, their debt share is persistently increasing. Debt assists growth until some threshold then it becomes increasingly negative. (Bahaya, 2007, p.253) Though, in the case of those developing countries most of them have huge indebttness rates in the first place. (Kazgan, 1994, p.68) This situation widens the gap between developing and developed countries. Because of the need for investment, it is a vicious circle for countries that have huge dept rates. So, they could never fix labor conditions. Moreover, high levels of indebttness caused countries to rely on export-intensive countries and exploit resources in the short term. (Cline, 2004, p.18) World price fluctations even extend the debt problem.

In 1996, the IMF and the World Bank forgave the depts of 26 deeply poor countries to reduce their levels of poverty and implement advices of the development policy experts. (Bahaya, 2007, p.251) Furthermore, loads of these countries are included in debt forgiveness programs because they cannot possibly pay back. (Bahaya, 2007, p.250) "But it is worried that debt reduction program can create perverse incentives for becoming indebted again in the

hope that it will be pardoned again.” (Bahaya, 2007, p. 252) Thus, in 2002, priority has been given to fight poverty and debt sustainability. There have been recent cases that have harmed the reputation of initiative. Uganda which is the one of the reformist countries, spent \$47 million on a presidential aircraft, on the other hand, again Uganda, used the savings from this initiative to waive school fees for two million children. (Dehasa, 2007, p.256)

Moreover, bilateral aid grants have risen since 2001. (Dehasa, 2007, p.256) compared to multilateral ones because developed countries use aids as a foreign policy instrument or foreign trade instrument. There is an enormous lack of solidarity among developed and developing nations. Moreover corruptions, the lack of true democratic institutions or even ethnic conflicts are the other reasons behind the failure of those debt reduction programmes that source from the recipient countries. Moreover, economic giants like multinationals also could take responsibility as well like financial aids. Because the enormous debt rates of some developing countries are the reason behind poorness, rough working conditions and the huge gap between developed and developing nations. However, even debt amnesties are not a useful tool in case of corruption and bad governance in those countries.

## PART IV A LITTLE CASE STUDY: NATURAL STONE INDUSTRY IN INDIA

As a conclusion, the natural stone industry in India will be analysed. According to statistics, about twenty-seven per cent of the natural-stone products in the international market are from India, with Rajasthan accounting for about 10 per cent. Rajasthan is the centre of the sandstone industry. (Maas & Knottnerus (ed.), 2006, p.37)

According to a Finnish research, the state's sandstone mines offer employment to nearly 2 million people. In Rajasthan, workers, around 300 thousand officially and much more unofficially, work in extremely vulnerable and precarious conditions. They face occupational health hazards and diseases like silicosis and tuberculosis. Child and forced labour are extensive. Mostly, migrant workers live in shacks without basic facilities such as drinking water and toilets. The system of piece-rate wage, which camouflages intensification of work and family labour, is a tool to not pay minimum wages to the workers. Workers are not organised, there are no systems of representation or collective bargaining, and any attempt to organise them is forcibly put down. "Prevalence of piece-rate work, employment through contractors, and non-availability of work in quarries during the monsoons are some of the crucial factors for this situation." (Maas & Knottnerus (ed.), 2006, p.37) Also, because of their fear from mercenaries, they can not challenge to struggle. On the other hand, employers see trade unions as, "Trade unions are simply a way of wasting the hard-earned money of ordinary workers." (Maas & Knottnerus (ed.), 2006, p.46) Moreover, most of the employees are temporary workers which makes organising a trade union impossible. In the case of health and safety standards,

Providing personal protective equipments like helmets, earmuffs, goggles, hand gloves, protective footwear, and safety belts, and training the workers on how to use these materials are largely ignored by the mine owners. Maximum injuries take place due to the accidental fall of materials/stones over workers. When accidents happen in a quarry, the owner somehow makes it seem to be the poor worker's fault ("Feasibility Study for Setting Standards in Natural Stone Sector in India", n.d. )

Women are highly discriminated in terms of employment and wage. Since agriculture gives only seasonal employment to men and women, a good number of women, who were

previously worked in quarries and subjected to sexual harassment, turn out to become sex workers. (Maas & Knottnerus (ed.), 2006, p.48)

In general, women are placed at the bottom of the quarrying economy in terms of pay, type of work and job security. In recent years, female employment in stone quarrying has significantly reduced with the introduction of mechanised technology.

A report from the Human Rights Watch (1996), based on the survey of 100 bonded children in five states including Rajasthan, identified the involvement of bonded child labour in stone quarries besides other agriculture and non-agriculture occupations. ( Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. ) It was impossible to get an accurate account of the number of children working in the mines but some estimates put the figure at 15 percent of the total mining work force in Rajasthan State. (as cited in Mohnot et al, 1995) (Standard for Natural Stone Industry Rajasthan (India), n.d.) However, Anti-Slavery International estimates point to roughly one million child workers in India's stone quarries (as cited in ILAB report, 2003), including bonded child labour. Children working in stone quarries face health and safety risks from pulling and carrying heavy loads, breathing in hazardous dust and particles and using dangerous tools and crushing equipment.

In 1997, based on a Supreme Court order, National Human Rights Commission (NHRC) was entrusted with the responsibility of monitoring the implementation of Bonded Labour System (Abolition) Act. The Mine Labour Protection Campaign survey found out in the year 2001, that 97 per cent of workers in sandstone mines are indebted and a majority of them are in bondage. Mining tends to be a family occupation, passed on from father to son, so is the bondage. Notwithstanding the rehabilitation efforts of the government, various reports and information from activists say that the lack of employment alternatives and an improper rehabilitation system push them back into bondage. (Maas & Knottnerus (ed.), 2006, p.46) People may be bonded because they are required to purchase their own tools and working materials, housing (in case of migrant workers) and medical expenses. In addition, families need to find the money to survive in the rainy season when the mines close down and there is no work available. They often find themselves forced to borrow money, either from the quarry owner or from moneylenders. Often, people remain indebted throughout their entire

lives because of the difficulties in repaying their loans. (Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. )

Moreover, illegal mining is the main problem. Employers in the stone industry are known for their money and muscle power, and political influence, and their brutal means of suppressing dissent. “Murder and mayhem is nothing to these people. If they are challenged (quarry owners), they will kill the workers and bury the bodies in the quarries.”( as cited in Dutt, 2006) Corruption provide them government support. There is a lack of political will. There are also some good officials, but they were threatened and forced to transfer. The situation in Dholpur and Kota regions is worse; no one, including state representatives, can dare to speak about mine-related issues. The government views in this regard are twofold. According to them, the parents ask their children to help them in their work. Moreover, even the cases of bonded labour have seemingly reduced, according to the government officials, bonded labour has become history. (Maas & Knottnerus (ed.), 2006, p.58) But, it still remains.

To put it in the words of an officer (identity undisclosed) in the Centre for Development of Stones, Jaipur:

Throughout Rajasthan, including Dholpur, child labour and bonded labour are a common sight. Government agencies, civil societies and trade unions are well aware of this, but they are not able to interfere beyond a certain extent since the nexus between the quarry owners, the politicians and the local big shots is very strong. Government officials are well aware of all the illegalities in stone industries, but they have limited power. (Maas & Knottnerus (ed.), 2006, p.58)

The contractors (who are the mediators between workers and employers) are not aware of most of the labour and environment regulations. “Most of them are money-minded and try to produce as much as possible with minimum expenditure.” (Maas & Knottnerus (ed.), 2006, p.58)

Also, existing laws are not protecting workers precisely. As per reports, with respect to Natural Stone industry, the number of workers per mine is generally around 10. In such

situation many of the provisions of the Mines Rule, 1955 are not directly applicable. The situation is so horrible that most mineworkers – male and female – use some form of palliative to ease the aches and fatigue they suffer from. Opium, country liquor, tobacco and zarda are commonly used, though women appear to stick mainly to opium. Consequently, addiction levels are high. ( Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. )

This portrayal does not mean that the mining and quarrying in Rajasthan is not regulated. On the contrary, there are many laws and regulations that are included by national law regarding just for labour conditions in the mining and quarrying sector. For instance; National Mineral Policy, 2008 Rajasthan Marble Policy, 2002 Rajasthan Granite Policy, 2002 Rajasthan Minor Mineral Concession Rule, 1986 Marble Development & Conservation Rules, 2002 Granite Development & Conservation Rules, 1999 The Mines Act, it goes on. However, despite this enormous number of laws and regulations, the enforcement of provisions of the laws are a failure. Moreover, it is extended by the mineral policies of the government which deregulate mineral production and propose withdrawal of the state from the active role of regulating employment and working conditions as well as ensuring welfare of workers.

In Germany, which is one of the top importers of natural stone from India, bad labour conditions in the production of tombstones, especially child labour, is receiving the attention of the media. About 70 cities and Bavaria in Germany declared that they will be working towards a child labour-free public procurement. The managing director of the German organisation of naturalstone businesses (Deutscher Naturstein-Verband) was also interested in a code of conduct, as they were affected by very cheap imports from India and China. The organisation had asked the EU for an anti-dumping regulation towards India, though it was not entertained. (Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d.)

Moreover, a German activist founded the label '**Xertifix**' for natural-stone imports from India, but labelling does not cover major rights violations in the stone industry. Xertifix promotes primary education and vocational training in order to rehabilitate child workers and to prevent child labour and slave or bonded labour. **Marshalls, a member of Ethical Trade Initiative (ETI)**, launched their corporate social responsibility initiative, but functions only



along its supply chain. **Globe Stone Initiative (GSI)**, an initiative by the **Natural Stone Exchange (NSNX)**, a global natural-stone procurement platform, though, does not include trade unions or civil society organisations. The GSI's objective is to establish industry-specific codes of conduct and monitoring to promote good labour and environmental practices in global supply chains in the natural stone industry.

**The Communities Artisanal and Small-scale Mining (CASM) initiative**, was launched in 2001. CASM is a global networking and its mission is stated as, to “reduce poverty by improving the environmental, social and economic performance of artisanal and small-scale mining in developing countries.” CASM is currently chaired by the UK's Department for International Development and is housed at the World Bank headquarters in Washington, D.C.

**Fair Stone Initiative** is taken by the International Section of the International Social Security Association (ISSA) on the Prevention of Occupational Risks in the Mining. Under the initiative till now, in both China and India, more than 30 local employers have signed a declaration stating that they will not permit any exploitative child labour or forced labour in their businesses.

**Mine Labour Protection Campaign (MLPC)**: It is a groundbreaking initiative for the welfare of mine labour in Rajasthan. The role of the MLPC is to build their capacities through trainings, exposures and legal assistance. It has set up labour assistance centres and 24-hour help-lines . In some mines, it has formed unions and provides paralegal assistance to workers.

**Hanuman Van Vikas Sabha (HVVS)**: It is a local NGO based at Karagate village in Udaipur district.

**Vision 2020**: The department of mines and geology of Rajasthan has formulated vision 2020 for sustainable mining.

**The Dutch trade organisation ABN** has formulated a code of conduct which refers to corporate social responsibility. Nevertheless, it launched this ‘certificate’ It is up to these

suppliers to demand compliance to the standards imposed from their respective subcontractors.

**The Federation of Indian Mineral Industries (FIMI)** has recently established a division for the promotion of Corporate Social Responsibility.

**The Mine Labour Protection Campaign (MLPC)**, an Indian NGO based in Jodhpur, Rajasthan, works towards a change within the mining society. The cooperative consists of mineworkers that undertake activities as an enterprise to earn profit out of their labour and the profit so earned is equally distributed to cooperative members, the mineworkers. This is a very impressive example of what could be done to change the situation.

Lastly, **The initiative set up by the India Committee of the Netherlands, in collaboration with Natuur en Milieu, CREM and SOMO** is a comprehensive effort to address social and environmental problems in the supply chain in an integrated way.

There are also several isolated initiatives by the NGOs and trade unions to organise workers, establish cooperatives, protect the rights of indigenous communities, safeguard the environment and natural resources, and assure women empowerment and child rights. Thus, it is claimed that, “Natural stone companies increasingly realise that corporate social responsibility is a part and parcel of good entrepreneurship. (Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. )

On the other hand, interviews with stakeholders exposed that, in contrast of this initiatives CSR issues are not included in the process of decision-making between importers and exporters. Concerns of the importers are just the quality of the product and timely delivery. Initiatives have a very limited scope. Further, most of the initiatives are not included of civil societies and trade unions. Moreover, it is important to note that the growth of Indian exports has almost doubled from 2002-03 to 2006-07. (Ethical Stones, n.d.)

During the field research in Rajasthan, it was observed that no quarry owner, processor and exporter was aware of these initiatives. According to them, the external demand for all categories of stone products in Rajasthan is likely to increase in the years to come.

Other organisations which promote core labor standards in the region are Multi-Stakeholder Initiatives (MSIs) which are defined as the voluntary initiatives for the regulation of business operations, often in a specific industry or product chain such as wood, flowers, tea or clothing. MSIs are usually set up at the international level and bring together actors from various sectors of society: companies, private sector (industry) organisations, civil society organisations (NGOs and trade unions). It is claimed that “The supply chain for natural stone (from India) might fit well into such an initiative. Certification may not benefit the most vulnerable groups and even make them worse off. Because of the complexity of the supply chain, certifying the stone products seems to be a risky task.” (CEC, Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. )

However, in order for MSI participants to constitute a legitimate representation of interests, Southern civil society organisations have to be included at all levels, the monitoring body should have the representatives of labour unions, NGOs, village councils, business and government. (CEC, Feasibility Study for Setting Standards in Natural Stone Sector in India, n.d. )Never the less,

The Multi-Stakeholders Initiatives with collaboration of international traders and civil societies will have a significant role in the process of standard setting. Initiatives in the form of MSI /Fair Trade seem to be possible . Any international-level initiative in this context may only help a few quarry owners who can afford the cost for the standards. Therefore in Multi-Stakeholders Initiative, can give preference to cooperatives of small quarry owners and to cooperatives of stone workers. But it could only benefit a small percent of the workforce, which involves a few big quarries and processing units. There is a possibility of exclusion of small quarry owners (90 per cent) from the market. A strategy can be developed by aligning the international-level multistakeholders initiatives with the local community service-based initiatives. (CEC, Feasibility Study for Setting Standards in Natural Stone Sector in Rajasthan, n.d.)

Moreover, it would further encourage the formation of more cooperatives. Thus, the entire industry can be restructured and organised. Moreover, it would also help in the unification of workers. In such an initiative, the role of local civil societies in India is very important. They

can be involved in the monitoring, training and certifying process. (CEC, Feasibility Study for Setting Standards in Natural Stone Sector in Rajasthan, n.d.)

Also, “The lack of coordination among the key stakeholders and agencies, is the reason for failure of initiatives.” (Ethical Stones, n.d.) Moreover, most of the initiatives do not include some core labour standards like freedom of association or some core actors like NGOs and trade unions. Most of them have a limited scope and resource and moreover, mostly they do not have effective enforcement mechanisms. Moreover, firms claimed that they are not able to control their suppliers. So, as a consequence most of the employers in the sector even unaware of such incentives and extreme violations of core labour standards, health and safety standards go on. It is claimed that especially, German media attract intensions but apparently it doesn't have impacts on a large scale. The situation in Natural Stone sector of India is unacceptable so, both “hard” and “soft”, “ national” and international” mechanisms should work together. Especially national enforcement mechanisms are a disappointment so, it should support with international mechanisms. Struggle against corruption and informal economy are the other necessities. As an example of soft law Multi-Stakeholders initiatives can be effective. Moreover it is claimed that, label mechanism could be risky because of complex supply chains. Lastly, mine labour protection campaign is a very impressive example which can be a solution, if it will be spread.

### CONCLUSION

Firstly, labour standards have a very broad concept but I focused on core labour standards in my research. Perhaps the strongest caution against global labor standards is the danger of job loss, particularly in developing countries with an abundance of low-wage labor and few alternative opportunities .(Heintz, 2002) Nevertheless, there is no evidence for the notion that the improvement of labour standards leads to job losses, moreover, without core labour standards, those people live in unacceptable conditions as well. Also on the long run labour standards increase productivity for sure. However, as the research shows us, growth as it stands in conditions of so-called free trade, does not close the gap between the rich and the poor or developed and developing nations. “The poverty trap and the risk of an exasperation of inequalities in income distribution have always been associated to the history of world development.” (Onida, 2008, p.22)

This situation has many shortcomings as social instability. Also, the business elites of those developing countries would like to maintain the situation so, they increase their pressure. Moreover, poverty is the biggest obstacle against the improvement of labour conditions, because most of the workers that are working under horrible conditions, have to work under these conditions. Additionally, in the long run, it is not a productive strategy for countries, today business needs skilled labour rather than unskilled. National implementations of labour law also have crucial importance but in most of the developing countries, labour laws are just symbolic.

The inclusion of global civil society such as NGO's and global trade unions as active members in agencies like the ILO could be a solution. Furthermore, it can increase the credibility of the ILO as well. Today, there is no clear strategy for global labour standards. Thus, implementing hard and soft law exercises together could be an option. Additionally, "Still borders between hard and soft law are not always sharp. For example; human rights now had implications of hard law, but, before it had implications soft law. " (Vogel, 2009, p.154) Thus, in the future, there could be more powerful mechanisms to provide labour standards. But because of the poverty obstacle, macroeconomic tools like social state are the important part of solution (Heintz, 2002). Also the most important actors of globalization multinationals should be a part of the solution.

It could be imposed global corporate reporting requirements, develop procurement policies that give priority to more globally responsible firms, establish voluntary but legally enforceable labelling requirements, and certification standards, and provide financial assistance to strengthen the regulatory capacity of developing country governments. (Vogel, 2009, p.188)

To make voluntary codes and standards more effective in the long-run, some of the different standards initiatives must be consolidated and more effective information policies need to be developed. Public sector organizations, such as the ILO or national agencies, may play a key role in this.

In particular, the available evidence suggests that in order for codes and standards to make an impact on a larger scale, strategies need to be devised to extend their use to more companies and in particular to companies beyond the export sector. In addition,

implementation and compliance mechanisms need to be strengthened. No one specific action will accomplish these objectives. Consequently, the implementation and enforcement of labor standards will, in most instances, be the result of political competition among different special interest groups. (Witte, 2008, p.72)

There is a creative idea in this sense. The basic purpose of the Ratcheting Labor Standards approach (developed by Sabel, O'Rourke and Fung, 2000) is to establish a systematic competition between firms based on their treatment of workers. The key here is to ensure that all firms in that particular sector participate. Currently only some do. Second, monitoring agents should make their publications open to public. The FLA already follows this procedure, "This initiative could be the basis for the development of common minimum standards by the government or international bodies that were appropriate for different industries and developmental contexts. (Kuruvilla & Verma, 2006, p.23) Nevertheless, this initiative could face with the opposition of firms.

Moreover, "The literature does not provide an answer to the question of how to introduce appropriate policies in countries that often lack the necessary administrative and financial capacities." (ILO-WTO 2007, p. 87) So, more research is needed. On the other hand,

Support an independent system for the enforcement of labor standards -- not the WTO system, which should be opposed on principle. The WTO structure could alienate those people who are its victims, and raises the possibility that international labor standards could be used as the pretext for economic aggression in trade wars. (Bacon, 1999)

But to be realistic, in the short run, I could not see any improvement concerning a stronger enforcement mechanism. Because there is a lack of solidarity between countries, and businesses mostly just care about profit. On the other hand, low- wage and low standards are important tools that those developing countries have for the growth. And, as we can clearly see in the example of India, this growth is just on behalf of the elites of those countries. But this is not a sustainable situation and this is the reason why global labour standards are needed. In sum, there are many different approaches to improving labor standards globally. They are diverse, not connected or integrated with each other, and each approach has significant limitations. (Kuruvilla & Verma, 2006, p.18)

Much of the debate about the impact of codes and standards tends to be rather theoretical, and frequently quite speculative. Broadly speaking, there appear three camps in the debate: one camp of critics who view the overall impact of codes and standards on workers as negative; one camp of those who support codes and standards and present them as an approach superior to government regulation; and a camp of pragmatists who view codes and standards as a helpful addition to the labor standards toolbox but adopt a more balanced view on their overall potential. (Witte, 2008,p.70)

I agree with the third approach. Nevertheless, critics also emphasize that codes and standards may further weaken the global labor standards movement by focusing on the promotional aspect of core labor standards rather.Global labor standards are just minimum bases, so if a country wants to go further regarding labor issues.

However, as education levels rise and employers look for workers who use their brains as well as their hands, as democracy spreads, as people gain access to a media which shows them what is happening in the rest of the world, the workplace cannot remain an island of authoritarian attitudes achieving and maintaining low inflation does not miraculously end conflicts about the distribution of income and wealth. The new stronger international pressures mean that the national institutions for identifying and resolving conflicts have to become stronger and more effective. Otherwise rather than being seen as a potential source of growth and prosperity globalisation will appear to many as a restraint on their aspirations for justice and a decent life. “Perhaps a company can survive by creating an atmosphere of intimidation and threat, but in the modern world of constant innovation I doubt whether they can become leaders”. (Pursey,n.d.)

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### **Declaration of Authorship**

I declare that this thesis and the work presented in it are my own and have been generated by me as the result of my own research.

None of the parts of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution.

The written document matches completely the CD version.

Where I have quoted the work of others, the source is always given within the Reference part of my thesis.

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