

Track 3
Rapporteur's Report
Industrial Relations and Global Labour Standards
Mark Thompson,
University of British Columbia
Vancouver, Canada

Introduction

The Theme of this Track goes to the heart of the concerns of the IIRA. It is a truly global organization, with members from over 80 countries, with a common preoccupation with industrial relations, broadly defined. The Track builds on the themes featured in earlier congresses. As the process of globalization continues, the issue of the conditions under which citizens will work in all regions of the world becomes more urgent. The possible link between trade liberalization and protection for labour is the subject of vigorous debate, in the academy, in government and even in the streets occasionally. The topic is destined to provoke more research in the future. The 16 papers in this track illustrate the diversity of interests and possibilities for enquiry in the area of globalization and industrial relations.

Plenary Session

The papers in the plenary session demonstrate the breadth of issues arising from globalization. The first question one might ask in this context is: What are labour standards? What subjects do they cover, and is it feasible even to compare them on a transnational basis? Some critics declare that the quest for global labour standards is hopeless. Local conditions are too varied. Protectionism by interests in developed countries motivates efforts to establish common standards for workers on a global level.

Block, Berg and Roberts tackle the first element of this question in their paper. They compare labour standards in the United States (at the federal level) with the European Union. Building on earlier work that compared standards in the US and Canada, they examine the contents of legal labour standards in twelve broad areas, ranging from minimum wages to employee involvement. After assembling a large body of data, the authors constructed an elaborate index scoring system for each jurisdiction. The comparison illustrates an important distinction between the US and Europe in regulating the employment relationship and the role of labour relations. The EU countries place a higher value than the US on formal protections for workers, and their labour standards thus are more comprehensive and generous than the United States.

A major element in the debate over global labour standards is the impact they may have on workers in developing countries. The traditional neo-classical view is that global labour standards are a form of protectionism, while institutional economists and NGO's argue that they represent a necessary protection for workers and stimulus to higher productivity. Opponents of trade-labour links state that unions in developing national do not support labour standards (or "social clauses") on the grounds that they will undercut the low wage competitive advantage of developing economies. While a range of views exists within labour movements, the factual bases for the statements of union opposition are weak at best. **Griffin, Nyland and O'Rourke** tested this argument empirically for the first time. They conducted a survey of delegates to three international union congresses, one in the education sector, a second in metalworking and the third at a conference of the largest international union central, the International Confederation of Free Trade Unions. Over 90 per cent of the respondents accepted the notion of core labour standards. Over 80 per cent supported the inclusion of trade

agreements would be an effective means of supporting core labour standards. Delegates expressed their personal support and expressed the view that their fellow unionists agreed. They perceived opposition by employers and saw governments as neutral. Unionists from all regions favoured enforcement measures, although respondents from the “South” were less likely to support trade sanctions than delegates from the “North.” This paper adds a significant new dimension to the debate on the linkage of labour standards and trade agreements—unionists in this sample from all regions favour such measures.

The North American Agreement on Labour Cooperation (NAALC), enacted in 1993 as a side agreement to the North American Free Trade Agreement (NAFTA), provides one example of an effort to promote international labour standards. To European observers in particular, NAFTA is a weak instrument. The treaty merely commits the three states to observing their own labour legislation, but it does include a complex mechanism for bringing public pressure to bear on violators. **Dombois** argues that the NAALC reveals more general problems in the legal regulation of labour standards in free trade areas. The NAALC was a product of domestic American politics. The Clinton administration wanted labour’s support for NAFTA and offered NAALC to allay labour’s fears about job loss to Mexico. Mexico and Canada accepted NAALC as a necessary price for the treaty, one that would not lead to foreign intervention into employment policies. The NAALC suffers from four problems: the protection of national sovereignty, the dominance of the US in the treaty area, the balance between conflict and cooperation and the problem of participation of non-state actors in the system. These problems exist in any international labour regulation regime, especially one involving conflict resolution.

Labour standards are not only the result of legal regulation. Employer policies obviously have a major impact on the employment relationship. When the employer is a multinational national enterprise (MNE) located in a host country where the employment relationship is substantially different from the home country, which influence predominates in the management of human resources? **Zhang** and **Edwards** examine this question from a novel perspective. They studied the behaviour of Chinese MNE’s located in Britain. Although the liberalization of the Chinese economy has moved employee relations in the direction of European practices, they found strong Chinese characteristics in these firms. The UK subsidiaries absorbed general British management practices under a market economy as part of their development as internationally competitive firms. The parent organizations exercise central control over major management decisions. However, as management becomes more comfortable with British practices, they are moving toward local practices, a process the authors label “absorption localisation.”

Regional Trading Blocs and Labor Standards

Expansion of international investment undermined the capacity of European welfare states to protect workers in Europe and especially overseas. This trend led to the development of corporate codes of conduct, a process **Sobczak** analyzes in his paper. Contemporary codes produced by private actors, usually companies, and they apply not only to the parent firm, but also to their global supply chains. The paper argues that these codes can be a useful element in a policy mix that seeks to improve working conditions in supply chains. One problem with corporate codes of conduct is enforcement. The author refers to the regulation of misleading advertising applied in a California court to suggest a means for enforcing codes in Europe.

The European Union has addressed labour standards more comprehensively than any other regional trading bloc. The paper by **da Costa** asks if the emerging European system of industrial relations is a new system in its own right or is supplementary to national systems of

member states. The paper reviews the classics of industrial relations theory to examine the place of supranational industrial relations institutions at the European level. The traditional questions of industrial relations: the form of worker representation, the contents of the rules of employment, the institutions responsible for labour standards, all are relevant at the European level. However, industrial relations theory has yet to integrate these new considerations.

A familiar theme in discussion of international labour standards is the uneven treatment of labour and capital. Labour organizations have struggled to identify tactics that can offset this disadvantage. **Greven** uses a corporate campaign by the United Steelworkers of America (USWA) against Continental AG, a German firm. American unions developed corporate campaigns to assist local unions bargaining with large employers. A USWA local was negotiating unsuccessfully against a subsidiary of Continental in the US, so the union launched a campaign in Germany. This was a new technique there, and the American union used the media skillfully. Greven identified the key elements of a successful campaign: limited objectives, the use of effective messages to attract the media, escalating actions against the company, and an “exit strategy” to end the campaign. Other labour campaigns that have not followed these principles have had limited success.

Employment Restructuring in a Global Economy

The expansion of the global economy has brought disruption as well as gains in productivity and living standards. One of the most severe impacts of globalization is “employment restructuring,” a polite term for job loss. Perhaps the most dramatic examples of employment restructuring in the 1990s were in East Asia, a topic **Bai, Kim, Pang, Park** and **Suzuki** analyze in their paper on China, Japan, South Korea and Taiwan. The authors start from the perspective that the four countries confront similar issues in employment and industrial relations and will experience similar directions of change. Labour market features common to all countries are: rich human resources, strong security of employment a limited role for collective bargaining, labour law revisions to avoid trade frictions and expansion in China by Asian firms. Although the impact of the Asian financial crisis affected each country differently, common trends emerged. Most firms have sought flexibility through greater reliance on contingent workers. Social safety nets are weak in all four nations, and institutions for the expression of workers’ views in a climate of globalization are seldom active.

The garment industry has been subject to the forces of globalization. National or local institutions, however, mediate the effects of foreign competition. **Trasporte** examines the implications for industrial relations in the Philippine industry after international quotas protecting the industry were removed. A majority of workers in the industry have experienced deteriorating conditions of employment, despite high levels of unionization. Although wages rose faster than productivity, Philippine wages were internationally competitive in the mid-1990s. Government action has concentrated on expanding markets, not protecting workers.

Part-time work is increasing in most, if not all, regions of the world, part of the broad trend to employment restructuring. **Senise Barrio and Sánchez González** examine the effects of part-time work on total employment in Spain, where the unemployment rate has been substantially higher than the European average. The authors analyze the effects of a reduction in the number of hours per worker (through part-time work) on job creation, a form of job-sharing in other words. Using a variety of econometric tests, they found a relationship between part time work and total employment in the Spanish labour market, i.e. part time

employment promotes job creation. The influence is strongest in the short run, but moderates over time.

Regulation of Human Rights in Employment

Employment issues have always fallen within the broad rubric of human rights. The expansion of international economic activity and the spread of democratic institutions have brought new attention to the employment aspects of human rights.

One of the most pressing issues of human rights in employment is child labour. **Marin Boscán** identifies the problem and outlines the international regulatory framework concerned with this issue. Since its inception, the ILO has sought to eliminate child labour. Later other international agencies added their efforts. The International Convention on the Rights of the Child stimulated a number of nations in the region to improve protections for children. The Venezuelan Constitution deals with the rights of children specifically, and other legislation implements those principles. Elimination of child labour requires concerted efforts at the national and international levels.

South Africa is a prime example of the regulation of human rights at the national level, which **Moolman** discusses in his paper. The Constitution provides for legislation to prevent discrimination. The *Employment Equity Act* provides for “affirmative action,” but provides sweeping protections against discrimination on the grounds of race, gender, social origin, sexual orientation, among others, recognizing that South Africa is one of the most diverse countries in the world. Discrimination can be both direct or indirect: both are prohibited. The law also regulates testing of employees, including testing of employees for HIV/Aids. Disputes arising under the *Act* are ultimately subject to adjudication by the Labour Court.

Globalization has increased the significance of transnational forms of labour regulation. Enforceable labour regulations at the global level remain illusive. This gap has given individual companies the opportunity to address employment issues in their supply chains. Retailers or owners of high-profile brands have adopted corporate code of conduct. **Tsogas** discusses the experience of two firms with this policy. Codes of conduct cover a variety of topics, but child labour, discrimination, pay and collective labour rights are central. Implementation remains problematic. The author argues that labour standards should be the responsibility of human resources professionals, although this has not been the case in most organizations. C&A, a European retail chain has long experience with a code of conduct and has a sophisticated internal system for monitoring compliance through an arm’s-length audit unit with branches in three developing nations. Eileen Fisher, a small American garment manufacturing firm, uses a checklist of labour standards developed by the U.S. Department of Labor, to be administered by a quality control specialist.

Transnational Influences on Labour Standards

The link between labour standards and economic activity is also evident in the private sector, where non-governmental actors are becoming more active participants in the formulation, monitoring and enforcement of labour standards.

Verma’s paper provides an overview to the issue of transnational influences on labour standards, ranging from enforceable international law to the ILO’s core labour standards, labour side agreements voluntary corporate codes of conduct. Verma argues first for multiple approaches to labour standards rather than reliance on one source of regulation. Secondly, he

distinguishes between substantive and process standards. The latter allow the parties to work out their own solutions. National sovereignty is not compromised. A bi-lateral agreement between Canada and Costa Rica is one example of a process standard.

One of the major transnational influences on labour standards is the multinational corporation (MNC). **Jain** points out that the debate on labour standards has focussed on the labour standards as a condition of trade liberalization. He suggests that the parameters of the debate are too narrow. Labour standards should go beyond employment and consider poverty, education, unemployment, etc. He concludes that transnational cooperation will be more likely if the emphasis is on fighting the common enemy, the MNC. Corporate standards adopted under pressure from consumer groups and human rights activists are a sign that such an approach can be successful.

The contemporaneous economic liberalization of the People's Republic of China (PRC) and the creation of a "Special Administrative Region" (SAR) for Hong Kong under the control of the PRC raises many interesting questions about labour markets that **Lee** and **Warner** discuss. The PRC is loosening its traditional controls over the labour market, and Hong Kong faces problems raised by the economic decline of some of its major Asian trading partners. Taking Shanghai as a typical metropolitan area in the PRC, they found that state-owned enterprises no longer are creators of employment. As a result unemployment in Shanghai increased sharply between 1998 and 2001. During the same period, the jobless rate in Hong Kong rose to levels not experienced for 30 years. Although the general direction of public policy is similar in the two cities, the role of the state remains much greater in Shanghai than in the SAR. The latter emphasizes "active" labour market policies designed to make labour markets more efficient. Shanghai retains many "passive" labour market policies, such as unemployment insurance or job subsidies.

Conclusion

Looking back on these varied papers, one sees movement in the debate over global labour standards. The initial stages of this discussion focused on legal regulation and government action. Now we see the role of private actors becoming more prominent. Multinational enterprises, consumer groups, nongovernmental organizations and the media are all part of the debate. It appears that protection of labour standards will rely upon a mixture of public and private measures.