

## Opinion of the Economic and Social Committee on 'Human Rights in the Workplace'

(2001/C 260/14)

At its plenary session on 30 November 2000, the Economic and Social Committee decided, under Rule 23(3) of its Rules of Procedure, to draw up an opinion on the above-mentioned proposal.

In accordance with Rules 11(4) and 19(1) of its Rules of Procedure the Committee set up a subcommittee to prepare its work on this subject.

The subcommittee adopted its draft opinion on 11 June 2001. The rapporteur was Mr Putzhammer and the co-rapporteur was Mr Gafo Fernández.

At its 383rd plenary session on 11 and 12 July 2001 (meeting of 11 July 2001), the Economic and Social Committee adopted the following opinion by 120 votes in favour to 10 votes against, with 23 abstentions.

### 1. General comments

1.1. On 18 October 2000, Commissioner Lamy asked the European ESC to draw up an exploratory opinion on the subject of 'Human rights in the workplace'.

### 2. Purpose of the opinion

2.1. The main purpose of the opinion is to define the Committee's position on the issue of trade and social development after consultation with civil society, and to bring this position to bear on the negotiating stance of the European Union. The ESC has already addressed this issue in various opinions.

2.2. This could be the basis for discussing a general strategy, in particular through an analysis of the complex links between trade and social development and the relationship between trade and combating poverty, thus to clarify that the core labour standards are not and must not be seen by developing countries as a hidden protectionist policy on the part of the industrialised countries.

2.3. It could also be useful to examine the connections between social standards and trade flows, and the interaction between economic growth and improvement of working conditions.

### 3. Main themes addressed in the opinion

#### 3.1. *The state of play*

International trade requires international rules, including basic workers' rights. In addition, the far-reaching impact of glo-

balisation on the world of work has intensified the debate on the basic rights of workers.

3.1.1. After the Second World War the link between trade and social development was an important aspect of international relations, and was enshrined as a basic principle in the Havana Charter of the International Trade Organisation. However, the 1948 General Agreement on Tariffs and Trade (GATT) then focused mainly on trade liberalisation as an instrument for promoting growth and employment.

3.1.2. The ESC stresses the importance of free trade for global economic growth. Economic growth is the fundamental contributor to prosperity in wealth, in employment creation and to the decrease of poverty. But it is necessary to provide a framework for growth that will lead to these objectives. In this context the ESC states the importance of a sustainable and socially-responsible growth.

3.1.3. WTO data show that developing countries (excluding countries at war and the former Communist states) which were part of the global free trade system, enjoyed average annual export growth of 4,3 % in the 1980s and 6,4 % in the 1990s. Although overall the proportion of developing countries' GDP accounted for by exports has been rising, this has been concentrated in only 13 countries (three in Latin America and 10 in east and south-east Asia). In their economic strength and level of development the latter have drawn closer to the developed industrialised countries. In the other developing countries exports consist primarily of raw materials and not industrial goods. One of the reasons is that the

developed countries have barely opened their markets to agricultural products from the developing countries whilst manufactures encounter technological difficulties and technical barriers in becoming competitive on those markets.

3.1.4. The 1997 UNCTAD Report on Trade and Development points out that market access and trade liberalisation do not automatically lead to increased economic growth in developing countries. The reasons are a fall in raw materials prices, low economic growth in the developed countries in the nineties, and rigid fiscal and price stabilisation programmes in the developed countries, which dampened domestic demand.

3.1.5. Opposing interests and differing perceptions cannot call into question the fact that globalisation should lead to a generalised improvement in quality of life. However, there is evidence that economic growth does not always improve development indicators (i.e. poverty, educational level, infant-mortality rate, general access to health care). Stronger growth continues to be the main contributor to an improvement in the employment situation. But growth does not automatically mean more jobs and less poverty. There are different sorts of growth. If growth leads — as in Brazil, Colombia, Kenya and South Africa — to major social inequalities in wages and income, poverty increases and then barriers to growth arise<sup>(1)</sup>.

3.1.6. In many parts of the world it has not been possible to make any real impression on poverty or the development and prosperity gap between poor and rich countries. In 1960, per capita GDP in the world's 20 richest countries was 18 times that of the world's 20 poorest. By 1995, this had increased to 37 times. Over 80 countries now have lower real per capita incomes than 10 years ago<sup>(1)</sup>.

3.1.7. According to the 2000 World Employment Report<sup>(2)</sup>, one third of people in the world who want to work are unemployed or under-employed. Over 3 billion people (about half of the world's population) currently live on less than 2 US dollars a day.

<sup>(1)</sup> 'Global trends in work, employment and income — challenges for social development', Werner Sengenberger, ILO, Geneva, 2001.

<sup>(2)</sup> ILO 'World Employment Report: Life At Work in the Information Economy', Geneva, 2001.

### 3.2. *The importance of implementing core labour standards as guiding principles of economic and social organisation*

3.2.1. There are many factors which can lead to an improvement in the economic and social situation as described in the previous chapter. For instance, the ILO core labour standards as defined internationally in 1998 are an important instrument as they:

- promote the development of a social market economy, its legal foundations and institutions;
- strengthen the recognition of employers' associations and trade unions and hence help to consolidate a civil society;
- improve the general position of marginalised groups and their social and economic situation (workers without contracts, children, women, forced labour);
- have a positive redistribution effect for working women (in the formal sector).

3.2.2. World trade must bring benefits for all. Every effort must be made to avoid fierce competition between developing countries using comparative advantages solely based on low wages and exploitation. In many cases, they cannot compete with the production quality of the industrialised countries. In order for the poorest countries to escape from this trap, the foundations must be laid for higher productivity and innovative capacity — and this begins with people in the workplace. Infringements of association and collective bargaining rights, along with child labour and forced labour, are not really comparative advantages for the developing countries.

Thus, foreign direct investment favours dynamic markets with a stable environment. According to the OECD, in 1998 55 % of FDI<sup>(3)</sup> in the developing world (excluding countries such as China and Indonesia) went to countries with an improving political and social environment, e.g. Brazil, Mexico and Singapore, while the 48 poorest developing countries accounted for only 1 % between them.

<sup>(3)</sup> FDI = Foreign Direct Investment.

3.2.3. Exploitative forms of child labour and forced labour hamper sustainable economic development as they result in an underskilled population. The focus is solely on the comparative advantage of low/zero wages with no attempt to raise productivity. The liberalisation of trade and new technologies have, however, reduced the need for low-skilled workers on the labour market. The pace of economic activity and technological change calls for innovation and knowledge — i.e. human capital is becoming increasingly important. The International Programme on the Elimination of Child Labour (IPEC), which was set up in 1991, provides an example of how respect for the ban on child labour can be promoted. The international community sees participation in the IPEC as a sign that the countries involved are committed to abolishing child labour. This has become the ILO's biggest technical cooperation programme, and demonstrates that the core labour standards can be implemented transparently on a cooperative basis if the political will is there<sup>(1)</sup>.

3.2.4. The Declaration on Fundamental Principles and Rights at Work explicitly mentions migrant workers who are employed legally in the host country. Many of these workers are employed in countries or economic sectors where foreigners are specifically banned from forming trade unions or joining such organisations (e.g. in Kuwait), are clearly not covered by labour legislation (e.g. in Kirghizstan) or are subject to excessive restrictions on the role they can play in professional organisations (e.g. in Mauritania, Nicaragua, Rwanda and Venezuela). In this context the core labour standards can provide a worldwide minimum level of protection for migrant workers<sup>(2)</sup>.

3.2.5. Association and collective bargaining rights enable workers to secure wage levels commensurate with the productivity of their labour. They do not eliminate worldwide differences in workers' incomes, but the gap may gradually be closed. To this extent a comparative advantage remains. Association and collective bargaining rights could increase the capacity for innovation and employability of workers and also their long-term attachment to the same company.

3.2.6. Respect for ILO core labour standards is further bolstered by new awareness on the part of consumers who are opting increasingly for fair trade products.

3.2.7. International labour standards are also figuring more often on the agenda of multilateral and bilateral negotiations:

- At the 1995 World Summit for Social Development in Copenhagen, the Heads of State or Government undertook to respect the following basic workers' rights:
  - freedom of association and right to organise;
  - the prohibition of forced labour;
  - the prohibition of child labour;
  - equal rights at the workplace.
- At the 1996 ministerial conference in Singapore the WTO and ILO secretariats decided to cooperate on the social dimension of world trade, but real formal cooperation has not taken place.
- With the 1998 ILO Declaration on Fundamental Principles and Rights at Work, a global consensus was reached on the need for a generally accepted minimum standard to prevent global competition from impairing working and living conditions. This minimum standard was universally defined, and what follows concerns this standard alone. The International Labour Organisation (ILO) was mandated to provide technical assistance, financial aid programmes and monitoring of the ratified ILO conventions in order to foster the implementation of the core labour standards. The ILO can also investigate the situation with respect to core labour standards in countries that have not ratified the conventions. Ratification of the ILO conventions makes them constitutionally binding, and of 184 members, some 150 countries have now adopted the eight core conventions within the above four groups of labour standards.
- Both the preamble and Article 50 of the new Cotonou Agreement of 23 June 2000 refer to the relationship between trade and core labour standards. The main objectives of the Agreement are poverty eradication, sustainable development and the gradual integration of the ACP countries into the world economy; for their part, the ACP countries have undertaken to implement a development strategy.
- The EU's free trade agreement with South Africa and its negotiating brief for a free trade agreement with Mercosur incorporated for the first time basic labour standards and the monitoring of these in relation to free trade.

<sup>(1)</sup> Banning child labour means defining certain types of exploitative work, including for instance the trade in child slaves in some African countries.

<sup>(2)</sup> Global report within the follow-up to the ILO Declaration, Geneva, 2000.

- The Generalised System of Preferences (GSP) of the EU and the USA offer additional incentives for developing countries if they abide by the core labour standards.
- The demonstrations that have taken place since the third WTO conference in Seattle show that basic human and workers' rights are a key issue in the public debate and will therefore not disappear from the political agenda.

3.2.8. The implementation of core labour standards and other social improvements in developing countries require money and time, not to mention a political commitment on the part of governments in developing countries and worldwide civil society support for this process. The ESC is therefore of the view that it is necessary to accompany this process step by step with support measures by the EU and other international bodies.

### 3.3. *Work on a 'Social Agenda' for the New Round*

3.3.1. The industrialised countries are endeavouring to push ahead with the liberalisation of world trade in the WTO and are therefore committed to getting the developing countries on board for a new round of negotiations in Qatar in November. The intention is to set up a 'development round' aimed at giving developing countries special market concessions and supporting the integration of developing countries in the world economy by addressing the development dimension of trade. The ESC promotes the idea of an international and inter-institutional 'social agenda' in parallel with the WTO agenda. The following measures should figure substantially in the negotiation package:

3.3.1.1. Support for the initiative by Kofi Annan — 'The Global Compact: A Challenge to Business'. Together with a majority of its member countries and their economic partners, the ILO is attempting to persuade businesses to abide by the internationally recognised minimum labour and environmental standards. However, the Global Compact is not intended to be a code of conduct and therefore does not include a procedure for monitoring compliance with the obligations companies impose on themselves. Nevertheless, it is an important instrument in terms of public relations.

3.3.1.2. Guaranteeing compliance with e.g. international labour and environmental standards, or others. It is intended that a monitoring mechanism involving the national contact points supports the enforcement of those guidelines. Voluntary codes of conduct can also be a good and alternative way to ensure this effective implementation at a company level.

3.3.1.3. Support measures, such as international recognition awards or preferential access to international public lending institutions, for multinational companies who commit to international labour standards in accordance with the ILO's Tripartite Declaration by means of a self-imposed code of conduct or fair trade marking.

3.3.1.4. As a matter of principle, respect for and monitoring of international labour standards should be progressively included in the EU's bilateral free trade agreements. The current EU Generalised System of Preferences grants preferential rights, subject to respect of ILO conventions on freedom of association and the right to organise, and the minimum age for admission to employment (ILO Conventions Nos. 87, 98 and 138). In the case of Burma, the European Union withdrew additional preferential rights after an observation period of 10 years because of serious human rights violations in the form of forced labour and child labour. However, the economic leverage that can be achieved through incentives has to be reinforced. This GSP of the European Union, which provides additional tariff concessions when international labour standards are respected, must be enhanced and broadened through additional incentives. Urgent feasibility studies should be carried out to this end.

3.3.1.5. The ESC welcomes the 'Everything but Arms' initiative adopted by the EU Council of Ministers, which provides for immediate lifting of EU duties and quotas for the 49 least developed countries, as an important concession for developing countries. These concessions should be further expanded in future, linked to respect for ILO core conventions.

3.3.1.6. In the next WTO Round, other matters should be included in the agenda for negotiation with the developing countries to help improve their economic situation, including:

- renegotiation of the agreement on trade-related aspects of intellectual property rights (TRIPS);
- improved market access for exports from developing countries;
- block exemptions, pending certain objective and accountable requirements, of developing countries from certain obligations to liberalise under WTO rules so as to take due account of the development gap;

- assistance for developing countries in the use of the trade dispute settlement mechanism.

The ESC will expand on these recommendations in an opinion it is preparing on 'The Preparation of the 4th WTO Ministerial Conference in Qatar — ESC position'.

3.3.2. In the overall context of such a negotiating package it is clear that the core labour standards are not and must not be seen by developing countries as a protectionist policy on the part of the industrialised countries. If the European Union is making respect of the core labour standards a key part of its political agenda, then it must obviously pursue a policy based on these principles and implement them itself and in its external relations.

3.3.3. All international organisations such as the ILO, the World Bank, the IMF, the WTO, the UNCTAD and others, which have an influence on policy in developing countries, should bear this social responsibility. Over the past thirty years the International Monetary Fund and the World Bank have taken primarily a supply-oriented approach in the developing countries, with loans, support for direct investment and debt remission for poor countries in which reform is needed, subject to concomitant restrictive monetary, fiscal and wage policies that were designed to reduce inflation and current account deficits. Structural adjustment programmes, i.e. privatisation of the public sector and deregulation of goods and factor markets, were designed to boost free trade and market efficiency. The result was limited, with at best a slight increase, and in some cases even a fall, in economic growth and employment, an increase in developing countries' indebtedness and a widening of the income gap and consequent increase in poverty. This was due also to limited support to accompany those measures with the improvement in the governing capacity of these countries. To achieve sustainable economic development in developing countries, it will be necessary, in the light of this experience, to add a social dimension to the structural adjustment programmes imposed by the international financial institutions before account can be taken of the social situation in such countries, and also to insist on good governance in the countries concerned. This includes supportive measures by industrialised countries for debt reduction programs.

3.3.4. As far as civil society is concerned, the EU's commitment to a Social Agenda must be the starting point for core labour standards to be incorporated into negotiations for a renewed international trading system. Developing countries should be given technical and financial assistance as well as reasonable transition periods to put these minimum standards in place. Joint consultative committees for EU free trade agreements or other fora could provide important technical

support here. There are already a number of such international committees, e.g. the meetings of the EU-ACP economic and social interest groups, the Euro-Mediterranean summit of economic and social councils and similar institutions, regular meetings of the MERCOSUR economic and social forum and the economic and social council for social dialogue in Chile. The same applies to relations with India and some of the applicant countries.

3.4. How can the international system best promote the universal application of core labour standards, including the positive interface with trade and investment liberalisation?

3.4.1. Core labour standards could be enshrined as a precautionary principle in a joint declaration by as many ILO-WTO members as possible.

3.4.2. To this end there is an urgent need to conduct an examination of the relationship between trade measures, trade liberalisation and core labour standards in a Permanent Forum of the ILO and the WTO, as proposed in the conclusions of the European Council of October 1999. According to the ESC, to make this Forum really representative, it needs to be enlarged to incorporate international development and/or financial institutions such as UNCTAD, UNDP, the World Bank ... Also the international social partners and other parts of civil society should be involved in the work of the Permanent Forum.

3.4.3. This Permanent Forum should be empowered to analyse the interface between trade liberalisation and social development to identify best practices and agree on means to promote a trading system that is supportive of social development.

#### 4. Organisation of the subcommittee's work and follow-up

4.1. Given the international dimension of the issue and the need to start a dialogue with the representatives of third countries, work has been done in liaison with the various groups in the Committee that maintain formal relations with the countries in question:

4.1.1. Euromed Partnership: An ESC Information Report is being drawn up on 'International trade and social development' and a hearing of Egyptian organised civil society was organised in Alexandria on 5 May 2001;

4.1.2. EU-ACP relations: the ESC, as well as the ACP side, are preparing a thematic contribution on 'Balanced trade relations and economic and social development'. A hearing of economic and social interest groups of 15 Caribbean countries was organised in Santo Domingo on 22 and 23 May 2001.

4.1.3. The International Association of Economic and Social Councils and similar institutions composed of nearly 40 organisations from various parts of the world: the question addressed this year is 'Coping with globalisation — the only option for the most vulnerable' on which the ESC recently adopted an Information Report (CES 326/2001 fin rev.).

4.1.4. A number of hearings have been organised in conjunction with this opinion, most notably the one organised in Geneva at the ILO Headquarters, with the attendance of

trade unions and employers' representatives from Africa, Asia and Latin America.

4.2. It is proposed to present the opinion 'Human rights in the workplace' in various fora related to the implementation of the strategy and to continue the dialogue engaged with representatives of third countries on this issue.

4.3. The ESC Bureau has proposed organising a final conference in Brussels to publicise the Committee's work in this sphere.

Brussels, 11 July 2001.

*The President*  
*of the Economic and Social Committee*  
Göke FRERICHS

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## APPENDIX

**to the opinion of the Economic and Social Committee****Defeated amendment**

During the debate, the following amendment, which received more than 25 % of the votes cast, was defeated.

**Point 3.3.4**

Replace the second part of the 1<sup>st</sup> sentence by:

'... starting point for promoting internationally the universal application of core labour standards. Developing countries ...'

*Reason*

Self-explanatory.

*Result of the vote*

For: 47, against: 85, abstentions: 4.

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