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DEPARTMENT OF STATE *PRM Implementation & Eval*

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PRM 2

SUBJECT - Submission of Labor PROP

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REFERENCE - M. O. 1025.1

COUNTRY: Colombia Project Number: 514-15-410-015

on pro fault

Submission Date: September 1, 1969

Project Title: LABOR

U.S. Obligation Span: FY'53 through FY'72

Physical Implementation Span: FY'53 through mid-FY'73

Gross Life-of-Project Financial Requirements:

U.S. Dollars: \$ 2,395,000

Cooperating Country Cash Contribution: 980,000

TOTAL.....\$ 3,375,000

Other Donors (See External Assistance Paragraph for FY'70 - FY'72 only)

735,000

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PAGE 1 OF 15 PAGES

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APPROVED BY:
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I. SUMMARY DESCRIPTION

A more effective trade union movement in Colombia is essential to achieve improved income distribution and social progress within a democratic political framework. In order to better serve Colombian workers, the existing trade unions require substantial administrative improvement and restructuring, a stronger financial base and greater effort toward organizing non-union workers and encouraging development of union members' skills to increase their productivity. This project assists the democratic trade union movement by providing advisory services, increased training opportunities, help in organizing worker housing projects, assistance to the Colombian Labor Ministry and associated agencies in the establishment of an employment service and in developing government-sponsored technical service programs.

The objectives of the project are important in overall CT strategy, since stronger labor unions, essentially oriented toward economic goals, can gradually reduce some of the income inequalities which constrain the domestic market and pose a danger to political stability. With more enlightened and sophisticated leadership, the unions can also represent the aspirations of workers in an orderly, institutionalized manner, thus providing this segment of the population with a voice, and therefore participation in the affairs of the nation. The appeal of political demagoguery should be lessened as workers come to know they are effectively represented.

II. THE SETTING AND PROJECT OBJECTIVES

Project objectives have been worked out with the Colombian Government and democratic trade unions. These objectives are discussed in the context of the Colombian situation - (CT Sub 210)

A. Continued Strengthening of National Union Organizations and Decreasing Significance of Independent Company Unions.

Setting : Labor's strength in the private sector has been based on company-wide local unions. These unions are given precedence in law in that only local unions have the legal right of membership dues check-off by employers, have their own legal personality granted by the Government, and are the sole representatives for workers in collective bargaining. Notwithstanding the dangers of employer domination of such unions, they still have the advantage of bargaining in a protected market which has resulted in considerable wage gains for organized workers. However, these local unions have not had the resources nor size of membership to adequately conduct worker education programs, or withstand protracted labor-management disputes. In addition, the majority of these unions cannot afford to maintain a full-time staff of union officials. Thus, despite their lack of formal legal status, state federations and national organizations have been able to develop rapidly as they have provided the type of services which are attractive to the locals. It should be emphasized that the national organizations are not illegal, and that their de facto power has grown up in the vacuum created by the lack of modern labor legislation. Recently, the

orientation has been toward the creation of labor sector federations within a national organization system. The pioneer in this direction has been FEDALTHYS, a strong, U.S.-structured federation of hotel and restaurant workers. The Mission anticipates that the national UTC, in particular, will be giving increasing attention to this type of federation alliance in such sectors as metal working, chemicals, and maritime workers. Our first objective, then, is to encourage the continued growth of national rather than local labor organizations so that they may become more effective instruments in spreading the benefits of unionization to a larger proportion of Colombian workers.

B. Greater Efforts to Increase the Level of Union Membership Beyond the Present 18% of the Total Labor Force -- Concentrating on Low-Income Worker Groups in Agriculture and Construction

Setting: Colombian unions have organized more than 75% of firms in the "modern" urban sector. National organizations carry out a wide range of cooperative and educational activities-- as well as collective bargaining leadership for their local affiliates. However, only 18% of the total labor force is organized. Unorganized labor sectors are principally composed of campesinos in the rural areas and artisans from small-scale urban industries. These groups have not been very susceptible to unionization, although some progress has recently been made by the UTC --with the assistance of the Ministry of Agriculture and INCORA-- to organize rural workers. In addition, the UTC --the largest national confederation with an industrial sector orientation-- has initiated new efforts to attract workers in small firms with under 25 employees, which, by law, are not eligible for incorporation as independent company unions. For this reason, and those discussed below, these small, informal groups cannot be particularly effective in the near term but the national organizations' interest in this direction is a useful beginning to the task of reaching the traditional sectors.

There are, however, two main constraints which limit union activity and increased union membership, i.e. high unemployment levels and low productivity of most industrial sectors. With unemployment levels at 10-15% and considerable underemployment in the cities, employers can easily prevent unionization and full "walk-outs". Moreover, even when unions successfully organize small firms, productivity is so low that increased wage demands threaten firm solvency --and employment itself. This is due to the small margin of profit, undercapitalization, and poor management practices of these firms. Thus, labor has had difficulty in organizing small-scale urban industries on the one hand, and being able to press for increased labor benefits even when unionization is successful. Despite these obstacles, gradual organization of workers in small firms is considered to be a legitimate objective for it can be an incentive to both employees and owners to jointly consider the opportunities for and obstacles to greater efficiency, earnings and wages in this sector.

C. Increased Emphasis in Labor Education Programs on Productivity Problems and Stimulation of Demand by Unions for Skills Training

Setting: Although labor education programs will necessarily continue to be oriented primarily toward problems of union organization, management, and tactics, it is also in the unions' interest to become more concerned with labor productivity, especially at the level of small enterprise. As noted above, labor's capability to organize, and its bargaining power in low productivity sectors is minimal. While skills training generally is neither the responsibility of unions nor within their capabilities, unions should be encouraged to increase coverage of productivity problems in their education courses, press employers to provide or improve skills training where possible, and seek out on behalf of their members the opportunities which are available for such training in public and private institutions. Demonstrations of such interest by the unions would have a salutary effect on both employers and training agencies. Moreover, in time it would increase labor's bargaining power since lock-outs of trained workers would be costly as a management tactic.

D. Increased Trade Union Capability to Finance the Costs of Worker Education and Social Programs

Setting: As discussed below in AID Strategy, paragraph IIIA unions must provide an increasing share of the costs of union services through improved dues collection and "pay-as-you-go" education and social programs. Yet, their ability to increase the availability of funds for these purposes is contingent upon the benefits union services bestow on the membership --in the way of increased wages through acquisition of greater skills and better living conditions through participation in housing and cooperative programs. Accordingly, US technical assistance should help Colombian unions improve allocation of resources to maximize services within limited available means, thereby increasing the confidence of members that dues payment is in their interests because union revenues are efficiently and honestly invested.

E. Creation of an Employment Service and Improved Administration of Technical and Social Services under Labor Ministry Direction

Setting: The Labor Ministry suffers from a lack of well-trained officials and staff to provide adequate collective bargaining guidelines, technical services to workers, and employment policies. Thus, the Ministry does not provide the type of direction needed in the development of the labor sector. An important step in improving its capabilities will be in the establishment of an employment service. This service will enable the Ministry to assist in matching skills with jobs and in identifying specific types of labor inputs needed by employers. In addition, associated agencies of the Ministry, such as the Social Security Administration, must increase the efficiency of their services in order to expand their coverage.

III. STRATEGY

The Mission will continue its present labor program at least through FY'72, but with changes in emphasis and performance criteria related to the above objectives. Since 1963, Mission's assistance has been channeled largely through the American Institute for Free Labor Development (AIFLD). AID, through this contract, has provided more than \$900,000 to finance AIFLD advisory services, educational programs for the unions, and help in managing union housing projects. Principal beneficiaries of this assistance have been the UTC and CTC --the two largest national confederations of the democratic trade union movement. AIFLD has encouraged the development of these organizations and the expansion of their membership to include labor sector federations. Under guidelines prepared jointly by the Mission and AIFLD, continued assistance to trade unions should be based on a set of conditions within a general implementation timetable.

These conditions include:

A. The capability of the unions to finance an increasing share of labor education programs --their share now being approximately 20%. (UTC efforts in self-financing these programs have been better than the CTC, and the Mission has rewarded this self-help performance by allocating larger amounts of educational funds to that organization).

B. Phased completion of worker housing projects under construction and previously financed by AID Program Loan counterpart pesos and the IDB. The Mission plans to terminate advisory assistance to the unions in the management of these housing projects by the end of FY 1971 and will channel all future technical assistance in housing through the national housing agency (ICF).

C. Better performance by the unions in utilizing international AID-financed training programs for improved union administration, dues collection, and services to affiliated locals. Concerning dues collection, the weakness is in local union contributions to federation and national union organization services --not within the locals themselves. The Mission will also maintain sufficient flexibility in financing union groups so as to maximize assistance to organizations which make the greatest efforts in improving union activities. For example, in recognition of their self-help efforts the Mission has shifted educational program funds from confederations to selected federations affiliated with the International Trade Secretariats during CY 1969 --particularly FRENALTHYS and the IFPCW.

The Mission also plans to shift the emphasis of its Labor Project during the next three years, i.e., FY 1970 - 1972, toward increased training of key union officials as AIFLD in-country services are reduced. (See Labor Project budget, page 15). Greater use will be made of "union-to-union" programs of exchange whereby Colombian union officials visit counterpart U.S. unions and then receive return visits. The purpose of these programs will be to demonstrate U.S. union techniques and membership services in such areas as collective

bargaining, union organization, dues collection, and worker benefits. It is hoped, moreover, that durable relationships will be created which can serve to maintain US-Colombian cooperation in labor affairs as AID's participation is reduced.

The Mission will also increase its support of "Ministry-to-Ministry" programs for Labor Ministry staff personnel in cooperation with the U.S. Department of Labor.

An important issue in CT Labor strategy is the duration of AID assistance. Termination of the present Labor Project by the FY 1972 date specified in the Congressional Presentation is, we believe, a desirable but difficult objective. Logically, by 1972 (the 20th year of AID assistance to Colombian labor) this Project should have made enough progress toward achievement of its technical objectives to permit termination or substantial reduction without jeopardy of losing the benefits of past investment.

Significant advances have already been made in labor's capability to organize and carry out labor education programs and there is good reason to believe that such progress will continue. At the same time, despite the progress made with U.S. assistance, it seems highly improbable that the labor movement here will have reached a level of technical development and financial strength by 1972 to sever all ties with sources of external aid.

In terms of purely technical objectives, it should be possible over the next three years to create a higher level of professionalism among Colombian labor leaders through the various programs set forth above. However, we are building from a low base and, when it is recalled that the difficult task of expanding unionization to the more traditional sectors is just beginning, it seems evident that the Colombian labor movement will need assistance beyond the 1972 termination date to assist in programs of larger scope. And it is obvious that Colombian unions will not be in a position to "buy" U.S. technical assistance. Moreover, given their weak financial situation and competing requirements for funds, it will be extremely difficult for them to assume all costs by 1973 of the labor education programs, for which AID is now providing the major financial subsidy. This AID subsidy must be systematically reduced as a stimulus to eventual self-reliance. But abrupt cessation in 1972 probably would cause disruptions in the program (as well as political problems) which would be disproportionate to the small amount of funds AID is investing in labor education activities.

The Country Team is reviewing total long-range labor strategy and will define the future roles of all U.S. agencies, probably including a role for AID beyond FY 1972. When this review is completed, CT recommendations will be sent to Washington, and this PROP will be revised, if necessary.

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In any event, the objective during the early 1970's will be to solidify the highest priority types of training while demphasizing AID support of low-level, routine courses. This will assist the unions by tightening up the program and eliminating marginal activities in preparation for their assumption of major financial responsibility. Moreover it is important to note that the AID-AIFLD program will have made a fundamental contribution to the Colombian labor movement by 1972. Whatever the difficulties of transition may be, the foundations for labor education will have been laid, and these programs will continue. This achievement will be due in no small measure to our assistance.

IV. EXTERNAL ASSISTANCE

During the next three years, AID will finance AIFLD contract services, advisory assistance in the establishment of an employment service for the Labor Ministry, and participant training for both the unions and Labor Ministry. Total cost will be approximately \$640,000. In addition, continued assistance to the Colombian labor sector is anticipated from the following international organizations:

- (a) AIFLD : To finance the services of a director of the Campesino Service Center --and a portion of international training program costs (estimated at \$25,000 annually).
- (b) AFL-CIO : To finance small, impact projects for unions on both a grant and loan basis (\$10,000 annually).
- (c) ILO : To continue ~~advisory~~ labor administration, (1) employment service, and (2) productivity ~~and~~ on a full time basis to provide assistance to the Labor Ministry (\$80,000 annually).
- (d) The UNDP : To support a request by the Labor Ministry for technical services in the establishment of an employment service (estimated at \$300,000 for life of project).
- (e) The OAS : To continue to offer in-country trade union, training seminars and support for union participants at international training programs (estimated at \$5,000 annually).
- (f) The Friederich Eberj Foundation : To continue support for a full-time representative in Colombia as well as financing of selected union participants at international training programs (estimated at \$25,000 annually).

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ANNEX 1

(AIFLD Assistance in Housing)

A. Status of Housing Projects

Approximately -1,400 IDB-financed units in Bogotá are completed and occupied with functioning cooperative administrations in both the Timiza Project and Ciudad Kennedy. The remaining 450 units should be completed during CY 1969. AIFLD will continue to press for the completion of this \$2.5 million dollar project and will attempt to establish a closer working relationship with ICT as the first step toward phase out of AIFLD housing assistance by the end of FY 1971.

The AID counterpart peso, 8-city project has nearly 150 units completed in 3 cities and contracts in the other cities are ready to be signed. Anticipated completion of this project is by the end of FY 1971, pending ICT and AID contract approval. In each project, limited homeowner cooperatives are being formed and organized. Under the original counterpart agreement, costs were to be shared by counterpart (60%), employers (20%), ICT (10%), and the purchases (10%). However, employers have failed to meet their commitment --with the result that ICT has agreed to finance the needed (20%) portion.

B. Future of the Housing Alliance

As stated in the body of this PROOP, AIFLD assistance in the management of worker housing projects will be terminated by the end of FY 1971. This also means that the Housing Alliance, presently composed of the UTC, CTC and AIFLD, will have to be adjusted to provide for a replacement for AIFLD. The Mission therefore, plans to recommend the inclusion of ICT in the Alliance so as to provide continuity of professional assistance to the union organizations. Moreover, inclusion of ICT is expected to assure the continuation of housing project investments.

ANNEX IILABOR EDUCATION PROGRAMS

As discussed in the body of this PROP, the Mission intends to work toward greater self-reliance by Colombian unions in financing education programs, and to encourage the introduction of productivity problems and skills training in these programs.

The Mission's contribution to labor education programs will continue to decline as part of the Mission strategy to stimulate unions to take on increasing responsibility for labor education financing. However, the Mission views its contribution as an essential instrument in helping unions to identify labor education priorities and to increase the scope and quality of these courses. For this reason, the Mission and AIFLD have worked out a plan to initiate two new education program techniques in FY1970 as the first step toward eventual termination of AID assistance. First, the Mission will finance an AIFLD sub-contract with a training institution. This institution will take over administrative and training responsibilities for a portion of labor education courses. The purpose of this technique will be to develop an in-country training resource which can successfully replace AIFLD education program services by mid-FY1973. The second technique will involve the introduction of partial AIFLD financing for two or three skills training courses for selected industrial/commercial federations. During the early part of 1969, AIFLD worked out with FENALTHYS a technical training program for hotel employees which was extremely well-received by attending unionists. The Mission and AIFLD, therefore, plan to encourage union interest in skills training and productivity problems so that unions will include these subjects in labor education programs and press for skills training as well as higher wages and benefits in collective bargaining with employers.

There are adequate institutions and resources available in Colombia to provide such training, but the Mission believes that effective demand for it among small firms and workers themselves has been low. The Mission does not intend to divert substantial funds from regular labor union training to skills training nor set precedents and create expectations that AID is a source of local funds for skills training. Rather, it will use small amounts of labor education program funds for demonstration purposes when unions, employers, and training institutions can be brought together in a common effort to improve productivity. Such demonstrations will help to increase the effective demand for skills training and introduce the issue in the expectation that it will eventually become a normal subject of labor-management negotiations.

AID-FINANCED SOCIAL PROJECTS
FOR UNION ORGANIZATIONS

<u>YEAR</u>	<u>PROJECT</u>	<u>UNION/ORGANIZATION</u>	<u>DOLLAR COST</u>	<u>% OF TOTAL COST</u>
FY'64	Office Equipment	Union de Trabajadores de Colombia (UTC)	\$ 1,412.56	-
FY'64	Office Equipment	Confederación de Trabajadores (CTC)	1,412.56	-
FY'66	Medical Supplies	Union Nacional de Trabajadores de Paq de Rio	2,260.03	12%
FY'67	Community Center	Barrio Modelo del Norte	3,703.03	2%
FY'67	Electrical Equipment for theatre & union administ. center	Federación Nacional de Hoteleros FENALHYS	3,076.92	6%
FY'67	Cultural Center	Sindicato de Porcelanda Sanitaria	1,538.46	15%
FY'67	Office Equipment	UTRAN-UTC	460.00	25%
FY'67	Union Building Improvements	Union de Trabajadores del Valle	1,230.77	25%
FY'67	Union Hall	Sindicato de Trabajadores de ICASA	1,415.38	10%
FY'67	Cultural Center	Cuerpo de Obreros y Profesionales de Bogotá	1,538.46	5.5%
FY'68	Furniture	Instituto de Fomento Gremial de Colombia	863.47	5%
FY'68	Union Building Improvement	Union de Trabajadores (UTC)	1,966.81	20%

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(Cont.... ANNEX III)

<u>YEAR</u>	<u>PROJECT</u>	<u>UNION/ORGANIZATION</u>	<u>DOLLAR COST</u>	<u>% OF TOTAL COST</u>
FY'69	Office Equipment	Metálicas Palmira del Valle	78.82	-
FY'69	Union Center	Puerto Boyacá	1,176.47	25%
FY'69	Cultural Center	Barrio Los Libertadores de Sogamoso	1,470.58	25%
		TOTAL	<u>\$ 23,604.35</u>	

ANNEX IV

("Union-to-Union Program Schedule)

<u>Colombian Union</u>	<u>Time of Visit</u>	<u>FY'70</u>	<u>FY'71</u>	<u>FY'72</u>
Portworkers	October, 1969	X		
Textile	October, 1969	X		
Hotel & Restaurant	March, 1970	X		
Ind. Organizers	April, 1970	X		
Metalworkers	May, 1970	X		
Railroad Workers	June, 1970	X		
Maritime	July, 1970		X	
Public Transit	Aug. 1970		X	
Rural Workers	September, 1970		X	
Government Employees	March, 1971		X	
Teachers	June, 1971		X	
TV Workers	August, 1971			X
Autoworkers	September, 1971			X
Commercial	October, 1971			X
Beverage Workers	March, 1972			X
Musicians	May, 1972			X

NOTE: These visits will be made by 4 selected union officials for a period of 30 days.

<u>U.S. Union</u>	<u>Return Visit</u>			
Communications	October, 1969	X		
Petroleum/Chemical	November, 1969	X		
Portworkers	January, 1970	X		
Textile Workers	April, 1970	X		
Bank/Insurance	August, 1970		X	
Hotel/Restaurant	October, 1970		X	
Metalworkers	February, 1971		X	
Airline Workers	April, 1970		X	
Railroad Workers	August, 1971			X
Maritime Workers	November, 1971			X
Public Transit	March, 1972			X
Rural Workers	May, 1972			X

NOTE: These visits will be made by 2-man U.S. teams for a period of 21 days.

ANNEX V

(Ministry-to-Ministry Program Schedule)

<u>Labor Ministry Team</u>	<u>Time of Visit</u>	<u>FY'70</u>	<u>FY'71</u>	<u>FY'72</u>
Social Security	July, 1969	X		
Industrial Health & Safety	March, 1970	X		
Mediation & Conciliation	July, 1970		X	
Employment Service	August, 1970		X	
Manpower Training	September, 1970		X	
Labor Codes	July, 1971			X
Employment Service	October, 1971			X
Industrial Health & Safety	March, 1972			X
Social Security	May, 1972			X

NOTE: These visits will normally include 3-4 Labor Ministry officials for visits of 1 month.

NOTE: Return visits by U.S. Department of Labor specialists in social security, industrial health and safety, mediation and conciliation, manpower training, and labor codes will be programmed for one month visits beginning during the second-half of FY 1970.

ANNEX VIUnion Membership in Colombia^(a)

<u>Year</u>	<u>Number of Members</u>
1935	43,000
1936	45,500
1939	83,000
1940	84,000
1941	94,000
1942	95,500
1943	102,000
1947	165,500
1959	250,000 (est.)
1965	700,000 (est.)
1969	1,000,000 (est.) (b)

(a) Exact totals are difficult to identify in view of the fact that the Labor Ministry nor the unions themselves publish membership figures. Thus, the estimates for the years 1959, 1965, and 1969 have been calculated on the basis of local membership dues collection as opposed to stated union membership.

(b) Of the 1969 total union membership of 1,000,000 workers, the UTC claims approximately 500,000, the CTC claims approximately 100,000, and the communist CSTC about 150,000. Only the CTC has lost membership in recent years --to the CSTC.

ANNEX VII

(a)
LABOR PROJECT BUDGET
 (\$ in thousands)

1. AIFLD Contract

(a) Personnel	105	95	75
(b) Administrative Costs	13	13	13
(c) Labor Education Prog.	90	65	50
(d) Other Costs	12	7	7
	<hr/> 220	<hr/> 180	<hr/> 145
<u>Less Pipelines:</u>	75	45	20
<u>TOTAL:</u>	145	135	125
2. Employment Service (Short-term advisors)	10	10	-
3. "Union-to-Union Programs"	70	50	50
4. Ministry-to-Ministry Programs	15	15	15
	<hr/> 240	<hr/> 210	<hr/> 190
<u>GRAND TOTAL:</u>	240	210	190
	170	171	172

(a) It is anticipated that there will be a pipeline of \$75,000 for use in FY 1970; \$45,000 for FY 1971; and \$20,000 for FY 1972.