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THE ROLE OF LABOR-RELATED ISSUES IN THE FOREIGN ASSISTANCE FRAMEWORK

TECHNICAL PAPER

JUNE 2008

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ACRONYMS

ACILS	American Center for International Labor Solidarity (now, the Solidarity Center)
ADR	Alternative dispute resolution
ATPDEA	Andean Trade Preference and Drug Eradication Act
AFL-CIO	American Federation of Labor-Congress of Industrial Organizations
AGOA	Africa Growth and Opportunities Act
BFC	Better Factories Cambodia project
BTA	Bilateral Textile Agreement
CAFTA-DR	Central American Free Trade Agreement-Dominican Republic
CAO	Civic advocacy organizations
CBA	Collective bargaining agreements
CBERA	Caribbean Basin Recovery Act
CBTA	US-Cambodia Bilateral Textile Agreement
CBTPA	Caribbean Basin Trade Partnership Act
CECC	Congressional-Executive Commission on China
CLS	Core labor standards
COMESA	Common Market of Eastern and Southern Africa
CSR	Corporate social responsibility
DCHA	USAID Bureau for Democracy, Conflict, and Humanitarian Assistance
DRL	Bureau of Democracy, Human Rights, and Labor (U.S. Department of State)
DOL	U.S. Department of Labor
EGAT	USAID Bureau for Economic Growth, Agriculture, and Trade
EU	European Union
FAA	Foreign Assistance Act
FAF	Foreign Assistance Framework
FMCS	Federal Mediation and Conciliation Service
FOA	Freedom of association
FTA	Free trade agreement
GNP	Gross National Product
GSP	Generalized System of Preferences
G/TIP	Office to Monitor and Combat Trafficking in Persons (U.S. Department of State)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HRDF	Human Rights and Democracy Fund
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFC	International Finance Corporation
ILAB	International Labor Affairs Bureau (U.S. Department of Labor)
ILCSR	Human Rights and Democracy Fund
ILO	International Labor Organization
ILO C	International Labor Organization Convention
IMF	International Monetary Fund
IOE	International Organization of Employers
ITUC	International Trade Union Confederation

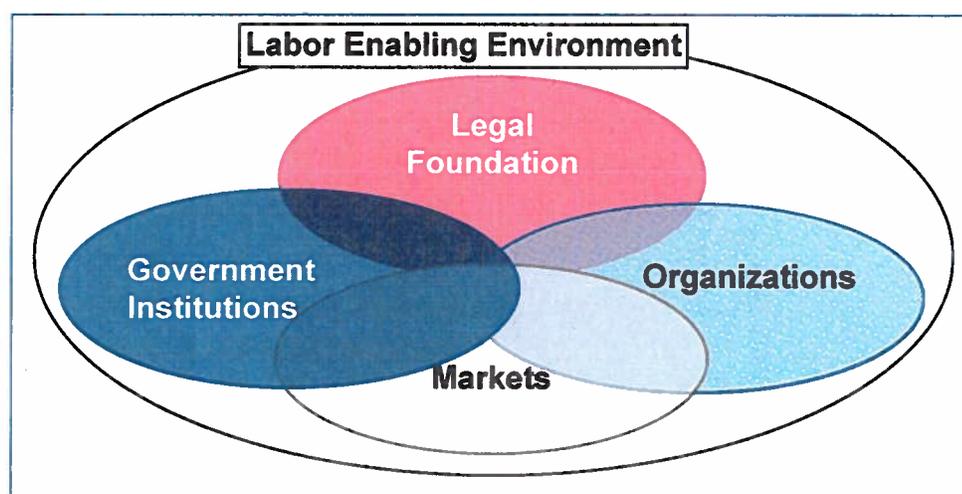
JFTA	U.S.-Jordan Free Trade Agreement
LAC	Labor Affairs Council
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MEPI	Middle East Partnership Initiative
MFN	Most Favored Nation
NAALC	North American Agreement on Labor Cooperation
NAFTA	North America Free Trade Agreement
NAO	National administrative offices
NED	National Endowment for Democracy
NGO	Nongovernmental organization
NLRA	National Labor Relations Act
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
PESP	Partnership to Eliminate Sweatshop Employment
SADC	Southern Africa Development Community
SEWA	Self-Employed Women's Association
TCB	Trade capacity building
TIFA	Trade and investment framework agreement
TPA	Trade Promotion Authority
TVPA	Victims of Trafficking and Violence Protection Act
UN	United Nations
UNAIDS	Joint United Nations Program on HIV/AIDS
USAID	U.S. Agency for International Development
USG	U.S. government
USTR	Office of the U.S. Trade Representative
WAEMU	West African Economic Monetary Union
WB	World Bank
WHA	Bureau of Western Hemisphere Affairs (Department of State)
WHO	World Health Organization
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

EXECUTIVE SUMMARY

This Technical Paper represents the first in a series of publications based on conceptual and analytic work being undertaken by USAID's Democracy, Conflict, and Humanitarian Assistance Bureau and the State Department's Bureau of Democracy, Human Rights, and Labor in response to a request from the Director of Foreign Assistance. The U.S. Agency for International Development (USAID) and the Department of State have for decades supported international labor-related programs¹ designed to contribute to development and diplomacy objectives. Because the thinking and paradigms of the development process have continued to evolve as have diplomatic objectives, it is important to take a fresh look at how labor-related programs can best contribute to the prevailing objectives of foreign assistance. The aim of this Technical Paper is to present a conceptual framework for analyzing how addressing labor-related issues can help achieve U.S. government (USG) objectives in international development and foreign policy under the Foreign Assistance Framework (FAF).

Chapter One: The Labor Sector and Labor-Related Issues

FIGURE 1. FOUR COMPONENTS OF A WELL-FUNCTIONING LABOR SECTOR



A sound labor enabling environment requires:

- An established legal framework that promotes the rule of law and respect for human rights, including labor rights;
- Freedom of association to form worker and employer organizations, and nongovernmental organizations, that bargain collectively on wages and working conditions at the firm level, and advocate for their interests in labor matters;

¹ For the purposes of this paper, the term "labor-related" refers broadly to issues, organizations and institutions in the labor sector involving workers, employers and government; in contrast, the term "labor" commonly applies specifically to workers and their trade unions.

- A competitive and well-regulated market system that allows for the smooth allocation of appropriately educated and skilled labor in response to the private sector's needs in agriculture, industry, and service sectors of an economy; and
- Support from government institutions (including executive, legislative, and judicial) for a progressively improving set of labor laws and policies, their implementation and continuous improvement, and effective systems of adjudication and dispute resolution.

Viewing the labor sector through the optic of a system brings several additional benefits in terms of highlighting the mutually reinforcing and interdependent nature of the functions performed by each of the four elements described above. A systems analysis applied to the labor sector helps us understand how a properly functioning labor sector is important to the development of a liberal democracy and favorable to market-driven economic growth. A systems approach can provide a method for examining the functions performed by the four elements of the labor sector to determine where legal, process, and capacity gaps lie, and how these gaps are interlinked, facilitating a more strategic approach to program choice. This theme is elaborated throughout this paper, beginning with a review of the scope of labor-related issues.

However, a systems optic of the labor sector contains a built-in bias towards equilibrium and stability that must also be tempered by other considerations. In particular, several aspects of the contemporary labor enabling environment challenge neoclassical interpretations of labor. First, the competitive pressures of global markets make it increasingly difficult for governments, employers, and labor to establish social protection programs that might raise costs in excess of comparable benchmarks or that are out of line with productivity levels. Second, the presence of vast reserves of migratory, informal labor, while providing the global economy with key labor market flexibility, exerts downward pressure on formal labor wages. Third, pressures from the unaddressed needs of the largely disenfranchised informal labor force may present potential threats to political stability in multiple states around the world.

Chapter Two: Defining Labor-Related Issues

For the purposes of this paper, labor-related issues encompass all four elements of the labor sector: labor rights (as a key component of a legal foundation), labor-related organizations and institutions, and labor markets. The labor-related universe of programmatic possibilities offers a wide array of approaches that directly contribute to development and transformational diplomacy objectives. In the discussion below, labor-related issues are analyzed as related to and involving the legal foundation for labor rights, labor-related organizations, labor-related government institutions, and labor markets.

The Legal Foundation for Labor Rights

A well-functioning labor sector operates within an established legal framework that promotes the rule of law, which requires both respect for procedural justice with established rules and procedures that are fairly, transparently, and consistently applied and respect for substantive human rights, including labor rights. The term "labor rights" has been defined in international instruments, multilateral agreements, trade law, and domestic law to cover:

1. Freedom of association (FAO) and the right to organize;
2. Effective recognition of the right to collective bargaining;
3. Elimination of all forms of forced and compulsory labor;
4. Effective abolition of child labor and the prohibition of the "worst forms" of child labor;
5. Elimination of employment discrimination; and
6. Promotion of "acceptable conditions of work" with respect to minimum wages, hours of work, and occupational safety and health.

Labor-Related Organizations

In establishing the role of labor in international development and diplomacy, it is necessary to address the role that labor-related organizations can play in the process. For the purposes of this paper, labor-related organizations include: worker organizations, including trade unions; labor rights organizations; and employer organizations.

The role of labor-related organizations is relevant in achieving goals in three areas:

1. Promoting democratic change as important partners in civil society;
2. Improving labor law, relations, policies and practices and expanding social dialogue to protect labor rights as a foundation for democracy, improve government policy, broadly promote the interest of workers, and encourage sustainable economic growth; and
3. Promoting good governance and combating corruption.

Labor-Related Government Institutions

Labor-related government institutions include labor ministries and departments, dispute resolution boards, labor courts, and administrative tribunals and boards. Labor ministries or departments generally educate on labor law, and regulate, investigate, conciliate and prosecute either directly or through another government body, such as a ministry of justice. Labor ministries and departments commonly enforce laws that protect labor rights, enforce labor standards, promote labor peace by encouraging collective bargaining, support tripartite social dialogue to improve labor relations and labor policy, promote best practices, and promote the resolution of labor-management disputes through investigation and enforcement of the law. Labor courts operate in judicial branches with specialized knowledge and jurisdiction over labor matters. Administrative tribunals and boards commonly adjudicate disputes and/or promote the resolution of disputes through alternate dispute resolution (ADR). A well-functioning legal framework also requires a judicial process that results in binding decisions.

Labor Markets

Labor markets allocate the work of men and women according to the forces of supply and demand. Labor markets “function best” when:

- Information about employment opportunities is widely available to all labor force participants and to the educational and training institutions that prepare them,
- Workers can move easily in search of legitimate work, protected from exploitation, and
- Systems of social protection exist to enable workers to cope with exogenous shocks.

Well-functioning labor markets are critical to achieving economic growth, job creation, and poverty reduction. Labor markets “function well” when:

- Labor demand and labor supply intersect to establish wages sufficient to provide a decent standard of living,² consistent with the level of competitiveness of enterprises and development of countries;
- Many buyers and sellers of labor exist in the market;
- Levels of employment and wages are determined by that labor market equilibrium, reflecting labor productivity, labor availability, and individuals’ preferences for work versus leisure, without employment access bias by gender, ethnicity, age, or other variables;
- A minimum amount of time is spent without employment for those actively seeking work;
- Employers can hire and fire labor without excessive regulatory burden or cost;

² The definition of “decent” or “fair” wages normally must be set according to local standards, costs of living, and market conditions.

- Skills standards and certified education and training define employers' job requirements and whether a job candidate is qualified for a specific position;
- Education and training institutions, access to which is unrestricted, send well-prepared workers into the market;
- Information about job openings, job requirements, and compensation is readily available to job seekers;
- Information about job candidates, their educational and prior work backgrounds, their skills and personality assets, and the dedication they will bring to their jobs is readily available to employers; and
- Physical mobility within national boundaries is unrestricted, so that job candidates can pursue employment wherever it is available; physical mobility across national boundaries is regulated according to national laws.

The ideal conditions outlined above approximate the classic definition of a competitive market. In recognition of the imperfect conditions under which buyers and sellers of labor frequently interact, society has developed institutions and regulations to guide labor markets, manage risks, and defend social goals, including:

- Provision of institutions that allow the voice of each stakeholder (especially the tripartite partnership of workers, employers, government, and education and training institutions) to be heard in the workforce system;
- Regulation of conditions of work according to agreed-upon core and substantive labor standards, as reflected in the ILO conventions, and allowance for actors to monitor compliance with those standards;
- Establishment of social protections to provide a minimum of livelihood security for workers who face unusual risks (e.g., unemployment, health problems, loss of a key breadwinner, political crisis, natural disaster, etc.); and
- Respect for dispute resolution and contract enforcement mechanisms by all stakeholders.

In addition to defining the areas that perform key functions in the labor system, it is also important to consider how the various labor-related areas are mutually reinforcing and interdependent. For example, the effective functioning of the legal enabling environment requires strong and transparent government institutions, labor-related organizations need to have enough capacity to feed evidence-based analysis and demands into the system, and markets have to function well enough that most people have work of one sort or another which the legal framework can regulate and adjudicate. *One of the key findings to emerge from this paper is the advantage to be gained through a more holistic and systemic way of strategizing interventions in this system.*

Chapter Three: Overarching Development and Diplomacy Themes and the Labor Sector

Labor-related issues are integral to central themes in both international development and diplomacy. Assessing the components of a well-functioning labor system in a given country can help inform USG development and diplomacy objectives, and contribute to the prioritization of specific interventions to develop and support well-functioning labor systems. Chapter 3 examines the ways in which labor-related issues relate to key development and diplomacy themes.

Human Rights

In the past century, a broad consensus in the international arena has developed concerning the principle that labor rights are fundamental human rights worthy of universal protection and promotion. Governments are not simply obliged to recognize fundamental labor rights as an abstraction; rather, consistent with the rule of law, they are obliged to actively promote and protect them in law and in

practice with appropriate remedies and penalties for their infringement. The promotion of labor rights may also serve a functional role in promoting other goals related to democracy building, good governance and social and economic development, among others. It plays an integral role in supporting a well-functioning labor sector with its legal foundation rooted in the rule of law and supported by labor-related organizations and institutions and appropriate labor market policies.

The Rule of Law

Promoting the rule of law in the labor sector is both a goal in itself and a means of providing broader support for the rule of law. Labor-related organizations have essential roles regarding labor rights. Worker organizations focus on educating workers, employers and labor-related government institutions; advocating for changes in laws and practices consistent with the fundamental principals of labor rights; representing their members' interests in bargaining; and promoting improvements in democracy, governance and economy policy that serves the interests of their members, all workers interests and, in many cases, the public. Employers seek a predictable rules-based environment that adheres to rule of law principles in order to effectively manage their operations and account for risks. Additional means by which to promote labor rights and the rule of law can be drawn from rule of law approaches. Examining rights and remedies involves looking at the labor legal framework as well as whether government institutions make policies that are consonant with labor rights.

Political Processes

Worker and employer organizations, labor rights organizations and other NGOs often play instrumental roles in giving voice to important segments of society. Employers often push for the implementation of political policy that supports business growth. Labor rights organizations often advocate for policy change that protects the rights of disadvantaged groups and for working people in general. Worker organizations are, in general, among the most effective CAOs in providing voice, organization and leadership for the working and middle classes. Yet, labor movements do not always support expanded political competition. They often engage political actors, parties and processes with a utilitarian approach to advance their institutional interests that usually, but not always, support expanding democracy.

Civil Society

Labor-related organizations form significant elements of civil society. One reason the labor equation is hence important to democratic reform is because the natural tensions between business and labor form one of the most important and enduring socio-political divisions within many societies. It is thus important to strengthen dialogue processes and culture of compromise that are key to the functioning of democratic institutions, to the formation of interest-based party systems, to the sustainable and demand-driven development of an accountable justice system, and a strong and sustainable civil society. Worker organizations are a special subset of civil society organizations because they are both representative membership organizations and interest groups with a unique set of interests, opportunities, and abilities. When properly understood, appropriate worker organizations can be engaged in promoting democracy-building, good governance, and economic growth as well as labor rights and other labor-related issues.

Unions at their best are highly democratic because they have many decision-makers which, ironically, may make them more difficult and time-consuming to work with in foreign assistance programs. Engaging workers can lead to *better decisions* because of the numbers of persons consulted and their specialized knowledge and experience gained through their work and communities. Worker organizations are "interest groups" because they represent the interests of their members.

As consistent with the overall findings of this paper, the intertwining of the labor sector and civil society extends beyond worker organizations. Namely, the provisions for the formation and operation of labor-related organizations are often embedded in the broader legal framework for associations or civil society. Other NGOs are likely to advocate for a liberalization of rules for associations that could benefit the labor

sector. Many economic and professional interest groups have direct interests in the improvement of the labor market.

Governance

All labor-related organizations and institutions have important roles to play in improving governance and fighting corruption in matters pertaining both to labor-related issues and governance in general. Labor ministries and departments commonly enforce laws that protect labor rights, promote labor peace by encouraging collective bargaining, support tripartite social dialogue to improve labor relations and labor policy, promote best practices, and promote the resolution of labor-management disputes through investigation and enforcement of the law. Worker organizations, employer organizations and NGOs may find common ground in promoting democracy, the rule of law and good governance. They often have acted on their common interests in promoting a predictable rights-based and rules based systems. There is a role for labor to play in anti-corruption efforts in the public and private sectors. Workers in the public sector are often losers in corruption. Public sector unions have strong institutional reasons for fighting corruption and should be enlisted in the fight. In the private sector, employer organizations and unions also have a common interest in fighting corruption.

Economic Growth

The process of economic growth brings pressure on labor across the economy, for men and women in rural and urban environments and in informal and formal sectors. Economic growth strategies that are truly broad-based must therefore directly incorporate labor considerations in order to ensure that workers can access the education and skills, assets, rights, mobility, and livelihood and employment opportunities they need in order to benefit from the new opportunities that economic growth should stimulate.

Labor, in particular the duality of rural and non-rural labor markets, has occupied development economists for decades. By the 1970s and 1980s, some economists began to question how neoclassical economic models taught in textbooks – based on perfectly competitive markets that always clear, the existence of many buyers and sellers, and equal access to information – should be adapted, if the fundamental assumptions underlying them do not hold. Developing countries are full of examples of labor markets where there are few buyers, markets are not competitive, and information about work opportunities is opaque and comes only at a cost.

Such issues are particularly vital as the political economy of labor is affected by structural adjustment and globalization. The cost of labor in the developing world in the 1970s and 1980s was kept low by publicly financed social welfare systems that subsidized the cost of basic consumer goods, such as food and energy. After the era of structural adjustment in the 1980s and 1990s, this public safety net disappeared as many developing countries shed some or all of the subsidies. Although informal economies and social networks have sprung up to provide private safety nets in the wake of adjustment, their effectiveness is being tested in the face of exogenous economic shocks, such as the rising global commodity prices experienced in 2008. Such pressures thus pose acute questions regarding how best to represent workers' interests in the labor market. The representation of worker interests by trade unions or other worker organizations is the exception, not the norm, in most developing countries. Promoting core labor standards serves as a means of improving competitiveness both in individual enterprises and national economies. The promotion of labor rights also has a functional utility for economic development. In fact, a number of studies have shown a correlation between economic growth and respect for core labor standards (CLS). Similarly, some developing countries have successfully promoted core labor standards and trade union rights as part of a market-based globalizing strategy. The World Bank has also recognized that labor standards can be instrumental in helping to achieving its objectives, including the promotion of economic growth.

International Trade

Labor-related issues have increasingly played a critical role in the promotion of trade, which is crucial to increasing broad-based economic development in developing countries and thereby reducing poverty. To gain increased access to markets, technology, and capital, both developed and developing countries have entered into a wide range of trade agreements that establish rules-based trading systems. Many of these agreements establish rules-based systems for labor standards as well as commercial standards. Promotion of international trade also raises labor-related questions with respect to labor markets, as labor demand shifts as a result of easier access to global markets for goods and services. This in turn requires that the workforce development system provide appropriate education and training to respond to changing workforce requirements. In addition to labor rights issues, employment and wages are affected through trade reforms that open the local economy to cross-border flows of goods, services, capital, and labor. When developing countries open their borders to foreign trade and investment, demand rises for the larger supplies of less skilled (and thus lower cost) labor that typically comprise the bulk of their workforce.

The Informal Sector

In the developing world, up to 60 percent of the labor force works in the informal economy, as temporary or self-employed workers. The informal economy is a sector of the economy that is essentially unregulated by the institutions of society. Governments neither tax nor monitor economic activity in the informal sector, often due to their weak capacity to enforce existing laws. A truly broad-based labor strategy must address labor issues in the informal, as well as formal, sector of the economy.

The informal sector was once viewed as a segment of economic activity in developing countries to be absorbed by the formal economy as the latter grew. However, the continued expansion of informal employment around the world has led to the emergence of another view of informal labor as the residual of economic activity that remains after the formal economy has shed itself of permanent workers. While labor laws protect worker rights and uphold labor standards in many countries, these protections often apply only to workers in the formal sector.

HIV/AIDS

Because the fight against HIV/AIDS is a common concern for employers, workers and government, it presents an opportunity for promoting and building tripartite cooperation. Labor-related organizations address health issues, particularly HIV/AIDS, where transmission/infections may occur at work, for example in hospitals and clinics, and in occupations where workers face a greater risk given the nature of their work, such as truck driving. At the same time, employers have used their organizational skills to help manage the processes of education and treatment. Labor ministries can also play an important role in educating and discouraging discrimination on the basis of HIV/AIDS. When competing stakeholders join together to advance a common interest, they build a relationship of trust that makes it possible for them to address more contentious zero-sum matters, such as collective bargaining over wages or negotiations to establish minimum wage rates.

Vulnerable Populations

Labor-related issues are often of paramount importance to persons in vulnerable populations because obtaining income and evading discrimination may be a matter of survival. Attempts to engage vulnerable populations in sustainable development activities will necessarily involve integrating them more effectively into the labor force.

Conflict

Labor-related issues directly affect the potential for conflict in two principal ways. First, labor unrest can occur and affect relations between and among specific groups of workers, government, and often

business. Secondly, as states gradually shift the onus for the provision of public safety nets to the private sector at the same time that the need for international competitiveness creates a downward push on compensation, there is a greater likelihood that workers will contribute to broader manifestations of political unrest as citizens are challenged to take care of their own basic needs.

Mitigation of the potential for conflict in fragile states often will require addressing the degree to which entitlement to basic goods and services is accessed through market mechanisms as opposed to public programs. In the past, wage, employment, and safety net policies helped buffer workers against volatility in wage markets, both formal and informal. Currently, however, it will increasingly fall on business and labor organizations to seek to reach better accommodation regarding reconciling the need for competitiveness with the requisite of an adequate degree of economic buffering and political stability.

Labor, Human Trafficking, Smuggling, and Migrants

Large numbers of migrants, most of whom are neither smuggled nor trafficked, are compelled by economic and social circumstances to move to another country for work. In the expanding global economy, both push and pull factors have contributed to increasing numbers of migrant workers, who are “pushed” to move because in their home countries they face few or no jobs, low pay, and bad working conditions and are “pulled” because of real or perceived improvements in job opportunities and pay in other countries.

Regarding trafficking, the 2007 U.S. State Department’s *Trafficking in Persons Report* reports that approximately 800,000 people are trafficked across international borders each year, with approximately 80 percent being women and girls and up to 50 percent being minors. Many millions more are trafficked within their own national borders. The ILO estimates there are 12.3 million people in forced labor, bonded labor, forced child labor, and sexual servitude at any given time while other estimates range from 4 million to 27 million, with many these victims ensnared in trafficking schemes.

The Labor Sector and Crises/Post-Crisis Transitions

In the wake of crises, disasters, and other unexpected upheavals, peoples’ livelihoods are disrupted. In the face of such instability, people need to resume earning a living either at home or in a new place of residence, or they will either starve or remain dependent on humanitarian assistance. The humanitarian assistance community can better strategize for post-crisis transitions by incorporating labor considerations into their work.

Multiple Applications of Labor-Related Programming

While Chapter Two considered the four principal points of intervention (labor rights, labor-related organizations, government institutions, and labor markets) for labor-related foreign assistance, this chapter has elaborated on the diversity and range of thematic strategic objectives that can be pursued under the labor rubric. Having laid out the full range of labor’s potential in foreign assistance, the next chapter addresses how to balance and prioritize different types of assistance interventions.

Chapter Four: Tensions and Synergies in Foreign Assistance Goals

Both perceived and real tensions exist between foreign assistance objectives, particularly competitiveness and the rule of law, and between approaches to labor-related issues. There are also considerable synergies. A basic overarching question is whether the promotion of human rights supports or conflicts with the promotion of economic growth. Consistent with well-established international and U.S. law and policy, human rights, including labor rights, serve as a foundation for building meaningful democracy, good governance and broad-based and sustainable economic growth. These rights lay at the foundation of democracy in part because, particularly through the principle of freedom of association, they involve the

rights of persons to join together, speak for themselves, and advocate for their own interests. Three examples illustrate key potential tensions and synergies, as follows:

Advocacy for Core Labor Standards: Promoting Labor Rights and Employer Competitiveness

The “appropriate” degree of labor laws’ regulation and enforcement and effects on employment are a key area of concern. As discussed above, the promotion of sound labor practices rooted in core labor rights can improve the competitiveness of enterprises and economies where properly implemented. However, increased “cash” labor standards, such as minimum wage increases, and strong unions bargaining for wage and benefit gains, can reduce corporate profits where not linked to productivity gains. Increased wages and benefits may have both positive effects, e.g., boosting demand in the local economy, and negative effects, reducing enterprise competitiveness. The optimal strategy is to promote, as far as possible, both labor rights and employer competitiveness. Doing so requires identifying the differing problems and interests, understanding the context, finding new linkages between issues, and considering a range of approaches and organizations that may be engaged to achieve the goals.

Unions and Employment

The decision to engage with labor unions is not without controversy. Where unions are strong and have been able to cause wages to rise, considerable traction can be gained by engaging them in the process of promoting concomitant productivity and quality gains, rather than pursuing options to limit, restrain or repress them, as has been the case in numerous countries. Prioritizing support to unions in countries where the repression of unionists has been severe serves both human rights goals as well as developmental objectives. In other situations, supporting union organizing and increased capacity is warranted by the key role they can play in democracy building. In all cases, it is necessary to consider both context and variation in union types and internal organization, when engaging this sector.

Globalization

Encouraging open markets and trade liberalization affects labor in a number of ways. For example, increased integration with global markets may have differential impacts by worker gender, age, region, and education or skill level and dynamic effects that need to be more carefully understood and planned for. Sometimes promotion of export-led growth may be accompanied by relaxing or ignoring of national labor laws.

The political economy of labor has undergone dramatic changes over the last twenty years. Vast pools of agrarian labor have fueled rural-urban migration, allowing countries to enter the world marketplace on the basis of cheap labor costs. As many countries’ economies have failed, however, to provide adequate domestic demand for labor, international labor migration has grown, taking place largely outside of the formal labor enabling environment established at the national level. In the past state policies buffered workers’ welfare and maintained political stability, but insufficient economic integration with global markets led to stagnation. Today, many states have opted instead for fiscal reform, reduced safety net expenditures, and greater integration with world markets in order to improve competitiveness, stimulate economic growth, and thereby expand employment opportunities for workers. But as the pressures of the global marketplace increasingly affect wages and standards of living, the interests of all workers, both formal and informal, will need to be represented and preserved in order to maintain equilibrium and stability within a nation state structure.

Chapter Five: Contribution of Labor-Related Issues to Foreign Assistance Framework Objectives

The Foreign Assistance Framework (FAF) aims at promoting the USG’s efficient and effective use of resources in five priority areas: *Peace and Security, Governing Justly and Democratically, Investing in People, Economic Growth, and Humanitarian Assistance* (see Appendix A). As countries are categorized

according to their contexts, the FAF provides guidance as to how to approach the relative mix of the five priority program areas. A summary discussion of how labor-related issues may be incorporated into each of the five priority program areas is presented below, with a more detailed matrix included in Appendix F.

To determine whether labor-related issues are relevant to objectives in any of five priority program areas, it is useful to pose the following questions when reviewing each of them. Does the program area, element and sub-element set forth an objective that:

- Explicitly promotes a labor right or standard?
- Includes, integrates or incorporates a labor right or standard?
- May be achieved by addressing labor-related issues?
- May be achieved by engaging labor-related institutions and organizations?

Achieving Peace and Security

Trafficking in persons is a key issue addressed by diplomacy and development activities under “Achieving Peace and Security.” Labor-related organizations assist in prevention, victim support, and prosecution of traffickers. Another area of intersection between “Achieving Peace and Security” and labor-related issues is through activities carried out by worker organizations in the name of peace and security. For example, unions may represent police, customs and border agents, prison guards, and other law enforcement officials. Closely linked to the level of compensation for both informal and formal labor are broader considerations of access to basic goods and services. As states have moved away from a centrist social profile, the labor market and/or private actors need to be able to more effectively fill the gap while still remaining competitive on global markets. Inadequate democratic processes to ensure the balancing of economic growth objectives with the need to protect human rights and political interests of formal and informal sector workers, who represent a broad swath of civil society, can lead to declining legitimacy and contribute to civil unrest.

Governing Justly and Democratically

Labor-related organizations, particularly unions, have played and can continue to play an important role in promoting political competition and consensus building. Development activities in the civil society strengthening area also develop and strengthen trade unions and their federations to promote labor rights through organizing and advocacy for workforce development and health initiatives. They also may help to improve their capacities to engage in collective bargaining and tripartite processes, and to act as incubators for democracy. Program priorities in this area also call for promoting a free media, which journalist organizations and unions have done under difficult and often dangerous circumstances. Because it is in their members’ interests to do so, they can serve as excellent watchdogs to ensure that public funding is spent for government purposes rather than stolen or squandered.

Investing in People

Labor-related dimensions in this program area include protecting the rights, including labor rights, of people in vulnerable groups, promoting their employment and ability to earn income, and ensuring that they have safety nets. To reform the laws and policies, tripartite partners could be engaged; to implement them, the capacities of labor ministries/departments and other government offices should be improved.

Promoting Economic Growth and Prosperity

Employers, labor organizations, and labor-related government institutions and their stakeholders all have personal and organizational stakes in promoting economic growth and prosperity. There are many promising methods of employee involvement, including workforce councils at the enterprise-level and joint committees at a sectoral or national level, for employers and worker organizations to promote their

common interests. Labor is already a crucial, if often hidden, dimension in many economic growth programs.

Providing Humanitarian Assistance

With efforts focused on achieving specific results in the short term, engaging labor-related organizations may be instrumental in providing humanitarian assistance regarding income generation, employment opportunities, and basic social service support.

Chapter Six: Toward a New Synthesis in Labor-Related Foreign Assistance Programming

This Technical Paper has demonstrated that labor-related foreign assistance programming has the potential to have a much broader impact than has been the case with past conceptualizations of how to approach this area of programming. In particular, there have been four key findings of this paper that have implications for how a re-conceptualization of labor-related programming could improve the likelihood of such interventions contributing directly to the USG priority areas for foreign assistance.

- First, conceptualizing the labor sector from a systemic methodological approach offers new advantages that would likely render labor-related programming more nuanced and able to contribute to a broader set of objectives that has been the case in the past.
- This leads into the second key finding, which is that labor-related programming should be conceived not only as a means to promote not only labor rights and organizations for their own sake, but that the labor sector itself can be used as a platform for programming that can directly help to achieve priority USG foreign policy objectives.
- Third, this paper has demonstrated that labor-related issues are of integral importance to achieving the priority USG foreign policy objectives. That is, incorporating labor elements into strategic plans to achieve the five FAF objectives is essential. Not adequately addressing labor-related issues in broader foreign assistance programming will risk undermining progress that might otherwise be achieved.
- Finally, by broadening the systemic approach through including political economy considerations, the paper has demonstrated that there is an urgency associated with resolving the need to develop mechanisms to mitigate trends towards competitiveness that undermine popular access to basic goods and services that are not sufficiently widely available through labor markets. Without addressing such growing concerns, greater threats to political stability are likely to continue to emerge.

The challenge is to consider how to work within the labor sector to both effect meaningful gains for all workers in developing countries as well as to contribute to broader foreign policy objectives. As countries become increasingly globally interconnected, getting the labor equation right will also involve addressing challenges in each of the four pillars of the labor sector. Fruitful dialogue is needed with policy makers about the pace, sequencing, and intersectoral incidence of such liberalization. These and other questions will be examined in upcoming country-level labor assessments and other future, labor-related work to be undertaken by USAID and the U.S. Department of State.

INTRODUCTION

This **Technical Paper** represents the first in a series of publications based on conceptual and analytic work being undertaken by USAID's Democracy, Conflict, and Humanitarian Assistance Bureau and the State Department's Bureau of Democracy, Human Rights, and Labor in response to a request from the Director of Foreign Assistance. It represents an introduction to a multi-dimensional and holistic approach to labor, including:

- Definitions of labor-related issues of labor rights, labor organizations, and labor markets;
- Their connections to overarching themes of development;
- Highlights of the tensions and synergies that arise when looking at labor issues in such a way; and
- Connections of labor issues to various objectives within the Foreign Assistance Framework.

In addition to the present document, an **Assessment Guide** is being prepared that will outline how USAID missions and other offices may approach these issues from the field and what data to collect to improve understanding of labor issues in various country and regional situations. This guide was field-tested by the authors during a labor assessment undertaken in Cambodia in October 2007 (Lerner, Salinger, and Wheeler 2008).

During the course of this process, USAID and State have organized public **labor fora** to exchange ideas with labor partners and keep them briefed on the evolution of this work.

1.0 LABOR-RELATED APPROACHES IN UNITED STATES GOVERNMENT DEVELOPMENT AND DIPLOMACY PROGRAMS

1.1 INTRODUCTION

The U.S. Agency for International Development (USAID) and the Department of State have for decades supported international labor-related programs³ designed to contribute to development and diplomacy objectives. Because the thinking and paradigms of the development process have continued to evolve as have diplomatic objectives, it is important to take a fresh look at how labor-related programs can best contribute to the prevailing objectives of foreign assistance. The aim of this Technical Paper is to present a conceptual framework for analyzing how addressing labor-related issues can help achieve U.S. government (USG) objectives in international development and foreign policy under the Foreign Assistance Framework (FAF). This paper has been produced in response to a request from the Director of U.S. Foreign Assistance and USAID Administrator in January 2007 and in cooperation with the Department of State's Bureau of Democracy, Human Rights, and Labor (DRL).

Viewing development challenges through a labor lens can be integral to achieving long-term development goals. Moreover, using that lens to identify programming options may actually be a *more effective strategy* for achieving those goals in some cases. Working with labor unions and business and employers associations, communicating social and political messages through such labor organizations, and strategizing economic growth by focusing on employment levels and conditions can provide valuable traction in achieving long-term development goals. In addition, working with labor unions especially can provide closer proximity to the poor, broader coverage, and more comprehensive and equitable program outreach.

Failure to address labor-related issues increases a country's vulnerability to pressures of workplace unrest and unemployed and disaffected youth, and weakens a country's long-term competitiveness through failure to comply with labor standards, provide stable labor relations, and address workforce development needs. These factors in turn discourage both domestic and international investment, which can exacerbate a downward spiral.

Labor-related programs are implemented by USG agencies, international organizations, and implementing partners. Other programs managed by these three sets of actors may also affect the labor sector. To date,

³ For the purposes of this paper, the term "labor-related" refers broadly to issues, organizations and institutions in the labor sector involving workers, employers and government; in contrast, the term "labor" commonly applies specifically to workers and their trade unions.

USG labor-related programs have generally addressed objectives in four main areas: labor rights, labor markets, and the roles of labor-related government institutions and civil society organizations in promoting foreign assistance goals. The USG has promoted labor rights as a key set of rights on their own and as a means of lending support to the advancement of all human rights.

Several USG agencies are responsible for implementing labor-related programs overseas. Together, the U.S. Department of State and the U.S. Agency for International Development manage the largest share (about 60%) of USG international affairs funding. The State Department's labor programs focus on labor rights and trafficking issues. USAID supports the strengthening of democratic trade unions and their role in democratic and economic development. It also helps to reform labor markets in order to enhance conditions for economic growth, agriculture, and trade, thereby serving to combat poverty and causes of unemployment and underemployment. Other illustrative activities include the improved collection and analysis of labor statistics for policy making, and the incorporation of labor standards in trade agreements and international lending instruments. In addition, in funding and promoting labor-related programs, the U.S. Department of Labor (DOL) has long applied its unique expertise in labor affairs. Historically, its efforts focused broadly on promoting labor rights and standards, particularly freedom of association with constructive labor-relations. In recent years, it has primarily focused on supporting programs that reduce child labor, with other programs focused on improving the monitoring of labor conditions abroad, raising working conditions, and addressing HIV/AIDS in the workplace.

Other USG agencies also implement labor-related programs overseas. For instance, the U.S. Department of Labor (DOL) has provided substantial funding for labor programming, primarily focusing on child labor. Other USG agencies implement programs abroad that may affect the labor sector, or take labor sector dimensions into account in their design. For instance, the Millennium Challenge Corporation (MCC) utilizes labor-related indicators to determine country eligibility for MCC compact assistance. A fuller description of the labor-related programs being implemented by USG agencies and implementing partners may be found in Appendix B.

Evolving USG strategic approaches to foreign affairs present a ripe opportunity for a new look at programming in the labor sector. The USG's foreign affairs mission statement promotes "transformational diplomacy" through which the USG seeks "to help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system" (State and USAID 2007). To provide focus for its international development and diplomacy objectives the USG has developed the Foreign Assistance Framework. The FAF is an analytical tool that aims to promote the USG's efficient and effective use of resources and account for results at the country, regional, and global levels. The FAF is presented in a simplified matrix in Appendix A and in more detail by objective area in Appendix F.

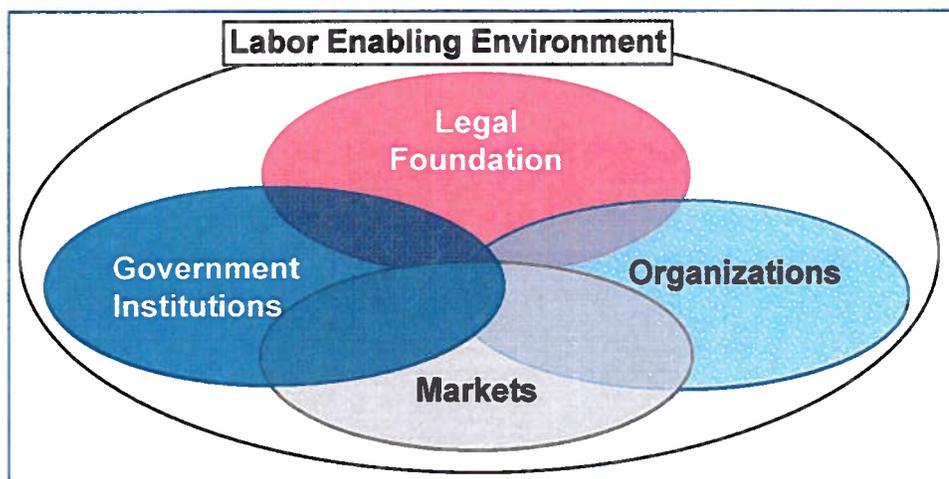
This technical paper identifies ways in which labor-related programs may be both integral to and instrumental in achieving development and transformational diplomacy objectives. Several critical labor-related issues are highlighted and situated within the FAF framework. Alternative approaches toward labor programming are presented and contrasted, with suggestions for tailoring programs to specific contexts.

1.2 THE LABOR SECTOR AND LABOR-RELATED ISSUES

Around the world, different historical, cultural, political, and economic contexts have laid the foundation for different labor sector configurations. One may observe a range of structures and behaviors with regard to countries' legal commitments to labor rights, institutional configurations in the workplace, tripartite relations, political engagement of labor organizations (both for workers and employers), employment and workforce participation, and degree of reliance on market forces to allocate labor. Yet despite the myriad

of labor sector market and institutional arrangements observed around the world, the basic structure of a labor sector in any country can be usefully explained with the simple diagram below.

FIGURE 2. FOUR COMPONENTS OF A WELL-FUNCTIONING LABOR SECTOR



A sound labor enabling environment requires:

- An established legal framework that promotes the rule of law and respect for human rights, including labor rights;
- Freedom of association to form worker and employer organizations, and nongovernmental organizations, that bargain collectively on wages and working conditions at the firm level, and advocate on behalf of parties' interests in labor matters and more broadly in civil society;
- A competitive and well-regulated market system that allows for the smooth allocation of appropriately educated and skilled labor in response to the private sector's needs in agriculture, industry, and service sectors of an economy; and
- Support from government institutions (including executive, legislative, and judicial) for a progressively improving set of labor laws and policies, their implementation and continuous improvement, and effective systems of adjudication and dispute resolution.

Viewing the labor sector through the optic of a system brings several additional benefits in terms of highlighting the mutually reinforcing and interdependent nature of the functions performed by each of the four elements described above. A systems analysis applied to the labor sector helps us understand how a properly functioning labor sector is important to the development of a liberal democracy and favorable to market-driven economic growth. A systems approach can provide a method for examining the functions performed by the four elements of the labor sector to determine where legal, process, and capacity gaps lie, and how these gaps are interlinked, facilitating a more strategic approach to program choice. This theme is elaborated throughout this paper, beginning with a review of the scope of labor-related issues.

However, a systems optic of the labor sector contains a built-in bias towards equilibrium and stability that must also be tempered by other considerations. In particular, several aspects of the contemporary labor enabling environment challenge neoclassical interpretations of labor. First, the competitive pressures of global markets make it increasingly difficult for governments, employers, and labor to establish social protection programs that might raise costs in excess of comparable benchmarks or that are out of line with productivity levels. Second, the presence of vast reserves of migratory, informal labor, while providing the global economy with key labor market flexibility, exerts downward pressure on formal labor wages. Third, pressures from the unaddressed needs of the largely disenfranchised informal labor force may present potential threats to political stability in multiple states around the world. This paper will hence

augment its systemic orientation with special consideration for the evolving political economy of the labor sector.

For the purposes of this paper, labor-related issues encompass all four elements of the labor sector: labor rights (as a key component of a legal foundation), labor-related organizations and institutions, and labor markets. Labor-related issues address the aspirations of, and constraints faced by, children, youth, and adult men and women, as they prepare for and participate in the world of work. We understand the world of work in its broadest context, encompassing people engaged in agriculture, industry, and service sectors, whether formally employed or informally engaged in making a living. We recognize that workers and employers may be organized to forward their interests. People work on- and off-farm, in rural and urban areas, in their own countries or abroad. They may toil in legal or illegal activities. They may be working voluntarily or, in the case of trafficked persons, against their will. Each of these labor-related issues encompasses a host of specific topics, outlined below in Table 1.

TABLE 1. LABOR-RELATED ISSUES

Rights	Institutions and Organizations	Markets
<p>Labor rights</p> <ul style="list-style-type: none"> • Freedom of association • Collective bargaining • Forced labor • Child labor (minimum age) & worst forms of child labor • Discrimination • Acceptable conditions of work (minimum wages, hours, safety & health) <p>Trafficking in persons for labor exploitation</p> <p>Labor rights law & policy reform</p> <p>Capacity to educate, promote and protect labor rights improvements</p>	<p>Engaging with labor-related institutions & organizations to:</p> <ul style="list-style-type: none"> • Promote democratic change • Improve labor law & relations • Promote good governance & combat corruption <p>Building capacity in labor-related institutions & organizations:</p> <ul style="list-style-type: none"> • Worker organizations (unions) • Employers • Governments • Labor rights organizations <p>Improve systems/processes:</p> <ul style="list-style-type: none"> • Social dialogue • Employee involvement • Alternative dispute resolution 	<p>Macroeconomic foundations</p> <ul style="list-style-type: none"> • Economic growth and employment • Job creation, pro-poor growth • Formal vs. informal employment <p>Trade and Investment</p> <ul style="list-style-type: none"> • Impact of trade liberalization on labor • Impact of industrial relations on trade & investment <p>Private sector competitiveness</p> <ul style="list-style-type: none"> • Labor market policies & regulations • Labor supply & demand/effects on employment & wages • Access to employment • Labor productivity • Agricultural vs. non-agricultural employment • Agricultural price policy & returns to farm labor • Workforce development • Migration (trafficked and voluntary) <p>Crisis/Post-crisis situations</p> <ul style="list-style-type: none"> • Risk management & social protection • Livelihoods

2.0 DEFINING LABOR-RELATED ISSUES

The labor-related universe of programmatic possibilities offers a wide array of approaches that directly contribute to development and transformational diplomacy objectives. In the discussion below, labor-related issues are analyzed as related to and involving the legal foundation for labor rights, labor-related organizations, labor-related government institutions, and labor markets. In the following chapter, they are analyzed in relation to overarching development and diplomacy themes.

2.1 THE LEGAL FOUNDATION FOR LABOR RIGHTS

A well-functioning labor sector operates within an established legal framework that promotes the rule of law, which requires both respect for procedural justice with established rules and procedures that are fairly, transparently, and consistently applied and respect for substantive human rights, including labor rights (O'Donnell 2004: 32). A state's constitution generally guarantees the protection of enumerated human rights, commonly including some or all fundamental labor rights. Legislation commonly adds depth and breadth to these rights and establishes a range of labor standards addressing both *collective rights* by protecting freedom of association and regulating collective bargaining and *individual rights* by setting minimum standards for wages, overtime, termination notice and pay, leave, health and safety, and retirement benefits, among others. In addition to protecting *rights* in principle, the law must provide meaningful *remedies* for their infringement. The law may draw inspiration from or formally "domesticate" international instruments, such as the ILO Conventions. The law should also provide for the enforceability of contracts and permit only limited court review of collective bargaining agreements (CBAs) with mandatory dispute resolution clauses, such as arbitration clauses.

The term "labor rights" has been defined in international instruments, multilateral agreements, trade law, and domestic law. Although these definitions have historically varied in scope, in the past few decades convergence has largely been achieved. The following definition covers rights collectively under all of them:

1. Freedom of association (FAO) and the right to organize;
2. Effective recognition of the right to collective bargaining;
3. Elimination of all forms of forced and compulsory labor;
4. Effective abolition of child labor and the prohibition of the "worst forms" of child labor;
5. Elimination of employment discrimination; and
6. Promotion of "acceptable conditions of work" with respect to minimum wages, hours of work, and occupational safety and health.

Recent U.S. free trade agreements have included all these rights in their definition of labor rights. The first five are addressed in the 1998 ILO Declaration on Fundamental Rights and Principles, except the prohibition of the worst forms of child labor, which was addressed in a 1999 Convention (ILO C. 182) that was ratified by the USG. They are collectively referred to as "core labor standards" (CLS). All of them are addressed in ILO Conventions, including the sixth on acceptable conditions, elements of which are addressed in a number of Conventions. Because the "acceptable" minimum level varies from country to country, the National Research Council and the State Department's Bureau of Democracy, Human

Rights and Labor have provided guidance on evaluating the status of these conditions (National Research Council 2004: 224-245). All of these labor rights are explained in more detail in Appendix C.

2.2 LABOR-RELATED ORGANIZATIONS

In establishing the role of labor in international development and diplomacy, it is necessary to address the role that labor-related organizations can play in the process. For the purposes of this paper, labor-related organizations include: worker organizations, including trade unions; labor rights organizations; employer organizations; and labor-related government institutions, including labor ministries and departments, dispute resolution boards and tribunals and labor/industrial courts (see Table 2). Objectives may be reached by building their organizational capacities or by partnering with them or by both means. Some organizations, particularly labor rights organizations, may be located outside of the country, and therefore the development aid focuses on the programs they implement rather than the need to build their organizational capacities.

TABLE 2. LABOR-RELATED ORGANIZATIONS AND PARTNERS

Worker Organizations	Labor Rights Organizations	Employers	Government
<ul style="list-style-type: none"> • Free & independent unions <ul style="list-style-type: none"> – Craft – Occupational – Industrial – General – Enterprise – Public Sector • Benevolent associations • Ad hoc workers' groups (See Box 1 for definitions) 	<ul style="list-style-type: none"> • Labor rights' groups • Legal advocacy groups • Independent monitoring groups • Women's rights groups • Children's rights groups • Faith-based organizations • Anti-sweatshop campaigns • Migrant rights groups 	<ul style="list-style-type: none"> • Individual employers <ul style="list-style-type: none"> – Multinational – Domestic • Employer federations • Employer sector groups • Corporate social responsibility (CSR) organizations 	<ul style="list-style-type: none"> • Labor ministries & departments • Boards/Tribunals <ul style="list-style-type: none"> – Public sector – Private sector – ADR • Labor courts

International Partner Institutions: ILO, World Bank (and the International Finance Corporation), Asian Development Bank, etc.

The role of labor-related organizations is relevant in achieving goals in three areas:

1. Promoting democratic change as important partners in civil society;
2. Improving labor law, relations, policies and practices and expanding social dialogue to protect labor rights as a foundation for democracy, improve government policy, broadly promote the interest of workers, and encourage sustainable economic growth; and
3. Promoting good governance and combating corruption.

2.2.1 Worker Organizations/Trade Unions

The ILO defines a “workers organization” as one in which workers are members with a view to furthering and defending their interests (ILO 2005: 24); see Box 1 for definitions. Thus, the key difference between worker organizations and NGOs and most rights and development groups is that the former, by its definition and ideally in practice, is governed by its members and for its members. Because worker organizations are representative organizations, they have special responsibilities and duties to their members both in terms of process and outcomes. Unions are a key type of worker organization and the terms “trade union” and “union” are generally used interchangeably with it, though unions acting as

representative agents with authority to enter into contracts for their members' behalf usually must adhere to legally established principles aimed at ensuring that they consult with and properly represent their members.

BOX 1. TYPES OF WORKER ORGANIZATIONS

- Craft unions represent skilled or semi-skilled workers, such as carpenters, painters and shoemakers, with a sense of community based on their specific set of skills, use of vocational and apprentice training, and aim of defending their jurisdiction by ensuring that most or all such workers are in their union. They may operate hiring halls through which they supply skilled workers to employers.
- Occupational, professional, and "white collar" unions and associations represent employees grouped by occupation, often highly skilled, such as teachers, health care professionals, police, and accountants. They may lobby to improve policies related to their members' work, e.g., more funding for schools, better training for customs and park service officials, more resources and better patient support in hospitals and clinics. They may also play a role in helping to establish professional standards and improving their members' skill levels.
- Industrial unions claim jurisdiction of workers in an entire industry or group of industries, with workers in a wide range of positions usually in large employers. In some countries, they are the most militant and politically active and often lead worker rights' movements.
- General unions organize workers irrespective of their occupation and industrial boundaries and are often active in social and politics causes.
- Enterprise unions represent employees in differing positions and locations within a company. "Enterprise unionism" more specifically refers to systems commonly found in Latin America, where employment is often concentrated in a few large enterprises, and in Japan (Cella; 202).
- Public sector unions may represent employees throughout a ministry or in parastatal organizations or all government employees in a geographical location. Their members tend to have better job security, though pay increases may be less frequent and smaller than in the private sector. However, they may be susceptible to job loss through privatization.
- Informal sector associations represent self-employed or home-based workers, and workers whose livelihoods are based outside of the formal economy, such as street vendors or individual transportation providers.
- Benevolent associations do not collectively bargain for their members but serve as social welfare organizations, particularly where they are not permitted to unionize. For example, an association for police officers may provide support to families of officers killed or injured in the line of duty. They may serve as the first step to forming full-fledged unions.
- Ad hoc workers' groups may form for a limited time to address a specific grievance or problem, often with loose or little organization and motivated by a strong sense of injustice.

Workers in the public and private sectors and employers (except the police and military) have the right to form their own organizations and engage in collective bargaining.⁴ In promoting freedom of association (FOA), the law should provide for some balance between promoting worker choice in forming different unions and worker unity in requiring that they join in coherent unified organizations for the purpose of

⁴ Although ILO Convention No. 87 provides that a government may, at its discretion, exempt the police and military, in many countries the police are represented by associations or unions that may or may not engage in collective bargaining. As a programmatic matter, they may be involved in efforts to fight governmental corruption and improve policing.

collective bargaining.⁵ Workers have the right to strike (subject to reasonable restrictions), except for a narrow grouping of those engaged in “essential services.” These are defined by the ILO as those services the interruption of which would endanger the life, personal safety or health of the whole or part of the population commonly including police and emergency personnel.⁶ NGOs that promote labor rights may not be directly covered by these rights but are generally protected by broader principles of freedom of association and the rights of civil society in a functioning democracy.

Unions must adhere to certain practices often established in law, e.g., their leaders must be elected, to be considered “free and independent.” In some states, the governments impinge on this independence in varying degrees, ranging from mere influence to domination to direct control. They may also do so at varying levels, including the central, provincial and workplace levels. For example, a government may control or dominate unions at the central level but have little or no role at the workplace levels, where worker representatives may function with relative independence. While a union may not be fully “free and independent,” often similar to other organizations in a state, its status may not necessarily rule out their involvement in development projects. At one extreme, a union’s capacity to oppress workers on behalf of government should never be enhanced. At the other end, there certainly are circumstances in which an imperfect union may be engaged to achieve appropriately focused objectives.

Extending beyond the realm of collective bargaining, unions and other worker organizations are frequently key actors in broader social, political, and human rights movements. They are often rooted in community networks and act in concert with other community organizations. Where the law does not protect the right of workers to form unions, workers often form associations, clubs, or other groups, either independently or as part of other organizations. In a number of states, for example, workers in the public sector are denied the right to form unions and collectively bargain but may have the more limited right to form “associations.”

2.2.2 Labor Rights Organizations

Labor rights organizations include nongovernmental organizations that, in whole or in part, advance respect for labor rights in developing countries. They include groups addressing labor rights, legal advocacy, independent monitoring, children’s rights, women’s rights and migrant rights’ as well as faith-based organizations and anti-sweat shop campaigns (Elliott and Freeman 2003: 143-146). They range from small organizations in developing countries operating on shoe-string budgets to larger, more complex organizations directed from developed countries with substantial budgets. Labor rights organizations in recipient countries may be provided with capacity building assistance to promote local ownership, act as a “checks and balances,” and provide sustained support.

2.2.3 Employer Organizations

The principles of FOA and the right to collectively bargain are also rights held by employers. No other party is in a better position to speak for employers than employers, who have a unique understanding of employment and the real-world issues of how to operate businesses efficiently and effectively. In addition to promoting their members’ direct interests, many employer organizations have promoted respect for labor rights as well. The International Organization of Employers (IOE), which

⁵ FOA does not require that states allow an unlimited profusion of unions with collectively bargain rights; rather, the law may provide reasonable and fair rules for establishing which union may exclusively represent a group of employees for the purposes of bargaining (see ILO 2004).

⁶ The ILO’s supervisory bodies have taken the position that where the right to strike is subject to restrictions or a prohibition, the workers concerned should be afforded compensatory guarantees, such as conciliation and mediation procedures leading, in the event of deadlock, to arbitration machinery perceived to be reliable by the concerned parties (ILO 2004).

represents employers before the ILO, notes that, by focusing “on the fundamental principles that every member State should promote, the responsibility for creating and maintaining minimum national standards would remain where it should be – at the government level – rather than on individual companies” (IOE 2006: 4). Thus, “[a]s companies are sometimes asked to fill gaps that governments fail to meet, the [ILO] Declaration can be a very useful vehicle through which to reinforce the clear distinction between the role of governments and the role of business by providing an effective basis for governments that have as yet failed to give effect to the fundamental principles” (IOE 2006: 4). Of course, employers have a unique understanding of employment and the real-world issues of how to operate businesses efficiently and effectively. Governments, whether autocratic or democratic, are often tempted to exert inappropriate influence over employers and officials may pressure or solicit them to engage in corrupt transactions with threats to impinge upon their FOA rights if they fail to do so.

2.3 LABOR-RELATED GOVERNMENT INSTITUTIONS

Labor-related government institutions include labor ministries and departments, labor courts, and administrative tribunals and boards. Labor ministries or departments generally educate on labor law, and regulate, investigate, conciliate and prosecute either directly or through another government body, such as a ministry of justice. Labor ministries and departments commonly enforce laws that protect labor rights, enforce labor standards, promote labor peace by encouraging collective bargaining, support tripartite social dialogue to improve labor relations and labor policy, promote best practices, and promote the resolution of labor-management disputes through investigation and enforcement of the law. Labor courts operate in judicial branches with specialized knowledge and jurisdiction over labor matters. Administrative tribunals and boards commonly adjudicate disputes and/or promote the resolution of disputes through alternate dispute resolution (ADR).

A well-functioning legal framework also requires a judicial process that results in binding decisions. Legal systems usually have a role for the judiciary either for hearing labor disputes or reviewing administrative decisions on appeal. The judiciary may process labor cases through common courts or through specialized industrial or labor courts. Many systems resolve certain labor disputes through quasi-judicial bodies such as administrative tribunals, boards and councils.

2.4 LABOR MARKETS

Many of the issues regarding labor – where people work, how they work, what knowledge and skills do they bring to work, for what wages do they work, whether they work in jobs whose terms of employment are formally protected or jobs whose terms of employment fall outside the labor law, and so forth – are resolved through “labor markets.” Labor laws, institutions, and organizations function in the context of, and in turn help to shape, these markets. A more extensive discussion of labor markets is found in Appendix D.

Whether in the context of perfectly competitive, regulated, or centrally planned economies, labor markets allocate the work of men and women according to the forces of supply and demand. Just as we understand that in a market for goods (from daily bread to airplanes), supply and demand meet to determine the quantities and prices at which goods are bought and sold, so, too, a market for labor determines the level of employment (the “quantity” of jobs) and wages (the “price” of labor) in the world of work.⁷ The price of labor (i.e. the full cost of wages, benefits, and other labor-related costs) affects demand for labor: as the

⁷ This is not meant to equate labor with commodities – as discussed in section 3.1 below on human rights, the ILO declared in 1944 that “labour is not a commodity” – but simply to acknowledge the role of markets in determining employment and wages across sectors, regions, and employers.

price rises—due to supply constraints, skills shortages, or negotiated compensation levels – higher labor costs may create incentives to invest in more capital-intensive, labor-saving techniques of production. On the other hand, in countries where supplies of labor are ample, shifts in demand – for example, due to the creation of a new, labor-intensive manufacturing industry – have less impact on price and more on overall levels of employment.

Markets for labor exist in all sectors of the economy. Wages and other terms of employment vary among sectors of the economy. On the labor side, workers consider these alternative opportunities, which affect the sectors in which they seek and find jobs, how they work, where they live, what migration forces may pull or push them, and even what kinds of education and training investments they undertake. Labor markets encompass workers who are formally employed, including those who are organized in unions and those who are not, and those who are informally employed.⁸ They even encompass those who work for themselves or their families. For example, in the rural areas a person might work on rice cultivation on his family's farm during the rainy season, yet migrate elsewhere in the dry season in search of wage employment in construction, transportation, fishing, or other areas. On the demand side, employers may be large or small firms, run by domestic or foreign managers on behalf of domestic or foreign owners. Or employers may run informal or family-based operations, and hire in labor. Employers make decisions about labor allocations, the intensity with which they will use labor versus capital to run their enterprises, and the wide range of practices they may employ to promote higher labor productivity.⁹

In order to better understand the labor market, it helps to break down participation in the world of work into more detailed labor force groups. For example, the total available labor force in an economy – or what economists call “labor supply” – can be disaggregated by age, gender, knowledge and skill level, and other variables. The total workforce needs of the broad economy – or what is referred to as “labor demand” – can be distinguished by the economic sector in which employers are found, the knowledge and skill requirements sought for specific occupations within those sectors, the duration or seasonality of employment, and other dimensions. The 2008 USAID economic growth strategy acknowledges the importance of well-functioning labor markets to achieving broad-based economic growth:

For workers to receive higher wages and contribute to rising productivity, labor markets must continuously create new jobs and help workers move from less productive to more productive employment. Excessive job protections make it risky for firms to hire full-time employees, leaving many poor workers – especially youth – either unemployed or stuck in low-paying jobs in agriculture or the urban informal sector, where they enjoy neither benefits nor legal protections. USAID encourages countries to reduce unnecessary barriers to job creation and labor mobility, helps improve workers' job skills and productivity, assists firms in understanding how good labor practices can contribute to productivity and competitiveness, encourages governments to adopt policies that respect internationally recognized core labor rights, and facilitate their design and implement flexible and effective labor protections and benefits programs. (USAID 2008: 16)

Labor markets function best when:

- Information about employment opportunities is widely available to all labor force participants and to the educational and training institutions that prepare them,
- Workers can move easily in search of legitimate work, protected from exploitation, and

⁸ The distinction depends on the extent to which the terms of employment and obligations between employer and employee are formalized in a contract.

⁹ Such as workplace councils, industrial engineering practices, incentive-based pay, off- or on-the-job training, etc.

- Systems of social protection exist to enable workers to cope with exogenous shocks.

The first condition refers to the existence of “workforce development systems,” i.e. systems that connect employers’ needs with education and training programs, and information about employment opportunities and career paths is available to students and job seekers. Mechanisms to ensure this interaction may include national or sectoral training boards, skills councils, curricular review committees, educational and training frameworks to achieve competency standards, recognition of skills certification, and the like. In addition, public and private employment offices, youth centers, media announcements, career forums, physical and electronic job boards, and personal connections help to connect job seekers with employers.

The second condition refers to migration, when labor moves to seek employment in town, in a different region of the country, or even internationally. Such movements in search of work may involve legal migration, illegal movement across borders, or even involuntary or exploitative trafficking of persons. Where such movements occur, governments should seek ways to protect migrants from exploitative practices and help victims of those practices to be re-integrated into legitimate labor markets.

The third condition refers to the fact that some countries offer social protection schemes, such as health insurance and pension programs, to help workers protect themselves against predictable risks of illness and old age. Other social protection schemes may also exist to help workers to cope with sudden, external shocks. For example, a worker’s livelihood may suffer in the event of an employer’s lay-off of some or all of its workforce or a factory closure, a sudden catastrophic event, or even from trade-related adjustments as an economy liberalizes its border policies. To help workers and their families cope with these shocks, countries employ a variety of mechanisms, including *inter alia* public works or food-for-work programs, unemployment insurance, portable health insurance, and employment and retraining assistance.

Well-functioning labor markets are hence critical to achieving economic growth, job creation, and poverty reduction. Labor markets “function well” when:

- Labor demand and labor supply intersect to establish wages sufficient to provide a decent standard of living,¹⁰ consistent with the level of competitiveness of enterprises and development of countries;
- Many buyers and sellers of labor exist in the market;
- Levels of employment and wages are determined by that labor market equilibrium, reflecting labor productivity, labor availability, and individuals’ preferences for work versus leisure, without employment access bias by gender, ethnicity, age, or other variables;
- A minimum amount of time is spent without employment for those actively seeking work;
- Employers can hire and fire labor without excessive regulatory burden or cost;
- Skills standards and certified education and training define employers’ job requirements and whether a job candidate is qualified for a specific position;
- Education and training institutions, access to which is unrestricted, send well-prepared workers into the market;
- Information about job openings, job requirements, and compensation is readily available to job seekers;
- Information about job candidates, their educational and prior work backgrounds, their skills and personality assets, and the dedication they will bring to their jobs is readily available to employers; and
- Physical mobility within national boundaries is unrestricted, so that job candidates can pursue employment wherever it is available; physical mobility across national boundaries is regulated according to national laws.

¹⁰ The definition of “decent” or “fair” wages normally must be set according to local standards, costs of living, and market conditions.

The ideal conditions outlined above for a labor market to best function approximates the classic definition of a competitive market. Yet other labor market structures may also exist in which either the numbers of employers or the number of workers are more limited - thereby accruing greater bargaining power to the side whose numbers are more limited - access to information is not equitably distributed, transition and transaction costs are high, risks abound, etc. In recognition of the imperfect conditions under which buyers and sellers of labor frequently interact, society has developed institutions and regulations to guide labor markets, manage risks, and defend social goals, including:

- Provision of institutions that allow the voice of each stakeholder (especially the tripartite partnership of workers, employers, government, and education and training institutions) to be heard in the workforce system;
- Regulation of conditions of work according to agreed-upon core and substantive labor standards, as reflected in the ILO conventions, and allowance for actors to monitor compliance with those standards;
- Establishment of social protections to provide a minimum of livelihood security for workers who face unusual risks (e.g., unemployment, health problems, loss of a key breadwinner, political crisis, natural disaster, etc.); and
- Respect for dispute resolution and contract enforcement mechanisms by all stakeholders.

As mentioned earlier, the aspects of the political economy that could threaten systemic equilibrium are the integration of significant parts of a country's economy into the world market, and the presence of large pools of informal labor that are not protected by the same types of governance mechanisms described above. Neither of these features of the political economy is adequately addressed in the labor-related organizations and institutions that have been established within countries to allow for the labor markets to function smoothly and minimize potential for conflict and civil unrest. Most of these governance mechanisms have been established to function at the national level, but globalization has also introduced new power dynamics into negotiations between capital and labor. For instance, as long as the labor enabling environment is not harmonized across countries, transnational capital can seek out investment opportunities in countries that are less regulated and therefore offer cheaper sources of labor, undermining the competitiveness of countries that follow the industrial relations and safety net mechanisms outlined in the last four bullet points, immediately above. Secondly, transnational investment often relies on alliances with political elites within countries, further enhancing the power of these elites relative to other domestic actors.

2.5 A MENU OF LABOR-RELATED ISSUES

The preceding overview of labor-related rights, organizations, institutions, and markets helps to provide a sense of the multiple issues and arenas for intervention that exist under the rubric of labor programming in foreign assistance. In addition to defining the areas that perform key functions in the labor system, it is also important to consider how the various labor-related areas are mutually reinforcing and interdependent. For example, the effective functioning of the legal enabling environment requires strong and transparent government institutions, labor-related organizations need to have enough capacity to feed evidence-based analysis and demands into the system, and markets have to function well enough that most people have work of one sort or another which the legal framework can regulate and adjudicate. One of the key findings to emerge from this paper is the advantage to be gained through a more holistic and systemic way of strategizing interventions in this system.

Having reviewed the range of labor-related issues, the subsequent chapter takes a further step toward developing strategies for programmatic selection by focusing on how labor assistance relates to current priorities in development and transformational diplomacy.

3.0 OVERARCHING DEVELOPMENT AND DIPLOMACY THEMES AND THE LABOR SECTOR

Labor-related issues are integral to central themes in both international development and diplomacy. As discussed above, labor-related issues pertain to and involve rights, organizations, institutions, and markets. The promotion of democracy and governance, the protection of human rights, improving the environment for economic growth, and the encouragement of international trade all depend to one degree or another on getting the labor sector equation right. Assessing the components of a well-functioning labor system in a given country (e.g. effective and accountable government institutions and labor-related organizations, the “right” kind of legal foundations and regulatory systems, well functioning markets that allocate labor supply according to demand, etc.) can help inform USG development and diplomacy objectives, and contribute to the prioritization of specific interventions to develop and support well-functioning labor systems (e.g. promoting legal reform, building government capacity and strengthening organizations, etc). This chapter examines the ways in which labor-related issues relate to key development and diplomacy themes.

3.1 HUMAN RIGHTS

In the past century, a broad consensus in the international arena has developed concerning the principle that labor rights are fundamental human rights worthy of universal protection and promotion. This principle has most often been affirmed after labor rights have been most egregiously violated, as happened after both World Wars when the USG and other nations formally recognized that labor abuses fed the intense suffering and poverty that rocked the foundation of democratic societies and gave greater common appeal to extreme views and totalitarian movements. For example, in creating the International Labor Organization (ILO) in 1919, the signatory nations to the Treaty of Versailles declared that “conditions of labor exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled.”¹¹

Similarly, the 1948 Universal Declaration of Human Rights (UDHR) declares that “recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,” and that these rights include the right to form and

¹¹ To tackle this problem, they directed the ILO to establish a system of international labor standards to prevent competition based on diminishing labor conditions and provide a forum in which worker organizations, employers and governments could develop mutually beneficial solutions to their problems (Erickson 1998: 148-150).

join trade unions, receive “just and favorable” remuneration under just and favorable conditions of work, and receive equal pay for equal work (Art. 23). The UDHR declares that these rights must be protected by the rule of law. The 1976 International Covenant on Civil and Political Rights (ICCPR) (US adopted 1992) proclaims that no one shall be required to perform forced or compulsory labor and that everyone shall have the right to freedom of association, including the right to form and join trade unions (Art. 22) and that governments have the duty to provide “effective remedies” for rights violations (Art. 2).¹²

In 1998, the ILO and its member nations adopted the ILO Declaration on Fundamental Principles and Rights at Work, which commits them to protecting and promoting the core labor standards (CLS). The impetus for the Declaration was the growing recognition that: 1) the destabilizing as well as positive affects of globalization created both great wealth and great disparities of wealth; 2) labor rights were becoming more important in trade negotiations; and 3) the large number of technical ILO Conventions had distracted attention away from the fundamental rights. Because of their fundamental nature, the Declaration affirmed each member nation’s commitment to CLS, whether or not they have ratified the Core Conventions.¹³ The principle that labor rights must be protected for ethical reasons and as a means to achieving other objectives is also well established in U.S. domestic law, which protects individual and collective labor rights and promotes processes for peacefully resolving conflicts, including collective bargaining.¹⁴

After several years of intense debate, the World Bank began accepting and acting on the principle that labor rights are fundamental human rights that are relevant and even integral to achieving World Bank objectives. It has done so primarily by focusing on the instrumental utility of promoting labor standards. For example, the World Bank developed a staff toolkit on core labor standards for preparing country assistance strategies (World Bank 2001) and its International Finance Corporation (IFC) adopted a Performance Standard that requires its clients to protect the “basic rights of workers” (IFC 2006). For similar reasons, the Asian Development Bank has incorporated consideration of CLS into its project design, implementation, and evaluation phases after adopting a Social Protection Strategy in 2001 that commits the ADB to promoting compliance with CLS. The principle has also been formally adopted in a number of regional multi-national bodies including, for example, the Southern Africa Development Community (SADC), which in 2003 adopted its Charter of Fundamental Social Rights establishing its member states’ individual and collective commitments to promoting labor rights, including freedom of association and collective bargaining.

Similarly, the Asian Development Bank has incorporated consideration of CLS into its project design, implementation, and evaluation phases after adopting a Social Protection Strategy in 2001 that commits the ADB to promoting compliance with CLS. The principle has also been formally adopted in a number

¹² Likewise, the 1966 Covenant on Economic, Social and Cultural Rights (ICESCR) (U.S. signed 1977) obliges governments to protect the right to form and join trade unions and recognizes the right of trade unions to function freely, the right to strike and the right of workers to decent and safe working conditions and remuneration that allows them to make a decent living (Arts. 7 and 8).

¹³ Regarding CLS, the U.S. has ratified the Worst Forms of Child Labor Convention (C. 182) and the Abolition of Forced Labor Convention (C. 105). It has also ratified the Labor Administration Convention (C. 150) (ensures the effective operation of an administrative system protecting labor rights).

¹⁴ For example Title VII of the Civil Rights Act of 1964, as amended, prohibits employment discrimination both because it is ethically wrong and because doing so harms the national interest by preventing individuals with these characteristics from being fully productive members in our society and economy. Similarly, the impetus for the original National Labor Relations Act, the “Wagner Act,” (NLRA, 1935, amended 1947), was the common concern that the Depression’s poverty and suffering, exacerbated by growing labor-management conflict, fueled interest in extreme views from the right and left. Senator Wagner asserted that a “free and self-disciplined labor movement ... is essential to this democratic purpose of maintaining our system of free enterprise,” in part because it would help ensure that the workforce played an active and constructive role in supporting the U.S. democratic and economic system. (Silverberg 1945: 2-3).

of regional multi-national bodies including, for example, the Southern Africa Development Community (SADC), which in 2003 adopted its Charter of Fundamental Social Rights establishing its member states' individual and collective commitments to promoting labor rights, including freedom of association and collective bargaining.

Because human rights are moral rights that we inherently possess because we are humans endowed with the right to live with dignity, they "cannot be granted nor taken away by legislation. They are rights that all individuals, nations, institutions and actors have a moral obligation to respect and promote" (Adams 1998). They are also rooted in rational utility because their application may provide protection from arbitrary action "that is based upon personality rather than merit, and is not predictable on any reasoned basis" (H. Wheeler, Klaas and Mahoney 2004: 1). From this perspective, because labor rights are fundamental human rights, they take precedent over interests such as efficiency and profitability (Werhane 1985). Thus, as the ILO's Declaration of Philadelphia of 1944 declared, "labor is not a commodity," meaning that economic development is not undertaken for its own sake but to improve the lives of human beings.¹⁵

Governments are not simply obliged to recognize fundamental labor rights as an abstraction; rather, consistent with the rule of law, they are obliged to actively promote and protect them in law and in practice with appropriate remedies and penalties for their infringement. As further noted below, the promotion of labor rights may serve a functional role in promoting other goals related to democracy building, good governance and social and economic development, among others. It also plays an integral role in supporting a well-functioning labor sector with its legal foundation rooted in the rule of law and supported by labor-related organizations and institutions and appropriate labor market policies.

Foreign assistance that relates to labor rights has largely been channeled through various types of support to labor-related organizations. In regards to *worker organizations*, freedom of association serves as a foundation for all other labor rights because it means that workers have the right and the authority to join together to decide for themselves what their interests are and how to defend them. Employers may address labor rights on their own and with employer-oriented organizations, in cooperation with labor rights organizations, and in conjunction with multilateral institutions. Some key *employer organizations*, including the International Organization of Employers (IOE) have formally accepted the ILO's Declaration and CLS, including those protecting freedom of association for their employees, as a means of supporting sustainable economic and social development. A number of multinationals have developed codes of conduct for themselves and their suppliers that include labor rights. Many have been rooted in the principles of corporate social responsibility (CSR), which is defined as the integration of business goals, operations with the interests of wide range of stakeholders, including investors, customers, employees, the community and the environment.

Labor rights organizations often have specialized knowledge and skills that best enable them to implement activities and find solutions for promoting labor rights. For example, they provide legal services, address the concerns of women or have specialized skills for monitoring and inspections. At times, they can implement activities and show results more quickly and easily than other labor-related organizations. Labor rights organizations may be better able to address the issues when other labor-related organizations are focused on other matters, are not interested, or are weak or co-opted. They may also provide linkages with local groups and draw support from sources and organizations outside of the recipient country. In some countries, they may be better insulated from political pressures and interference while in others they may be more susceptible to being influenced by them, particularly where they are dependent on the support of elites and their funding.

¹⁵ See [http://www.ilo.org/global/What we do/InternationalLabourStandards/Introduction/benefits/lang--en/index.htm](http://www.ilo.org/global/What_we_do/InternationalLabourStandards/Introduction/benefits/lang--en/index.htm) for further elaboration.

The systemic approach toward labor advocated in this paper suggests that the promotion of human and labor rights is potentially best achieved when legal foundations and labor-related organizations and institutions are mutually engaged. In determining priority strategic interventions in the sector, a broad and systemic approach to the sector can hence yield dividends, as demonstrated in the following sub-sections.

3.2 THE RULE OF LAW

Promoting the rule of law in the labor sector is both a goal in itself and a means of providing broader support for the rule of law. An important distinction exists in the law between individual and collective rights (Keller 1997). In some countries, such as the U.S., “labor laws” address collective rights, such as freedom of association and collective bargaining and “employment laws” address individual rights, such as the prohibition of forced labor, child labor and employment discrimination. Laws governing individual rights may address a panoply of other issues by setting minimum standards for wages, overtime, termination notice and pay, vacation, family and sick leave, health and safety, workers compensation, and retirement benefits. These “individual” rights may also involve public rights and interests as well. For example, a discrimination case on behalf of a racial minority, a woman or a child may set an important precedent for others in that class or segment of society. Similarly, where an employer is violating a minimum wage standard regarding one employee, it may have a long-standing practice of violating it regarding many others.

The nature of the legal system also gives shape to the rule of law and the application of labor rights and principles. For example, in common law systems, courts have greater power because they issue decisions that fill the “gaps” in civil statutes (not criminal ones) and establish precedents that are binding and decisive on legal issues in subsequent decisions (*stare decisis*). In civil or code law systems, court decisions generally do not have such precedent-setting authority, which is reserved for legislative codes and principles elucidated in old treatises. In common law systems, the primary legal question is: what is the *right*? In contrast, in civil law countries, the primary question has traditionally been: what is the *remedy*? Both questions are essential to determining whether laws and their application adhere to the rule of law principle.

Labor-related organizations have essential roles regarding labor rights. Worker organizations focus on educating workers, employers and labor-related government institutions; advocating for changes in laws and practices consistent with the fundamental principals of labor rights; representing their members’ interests in bargaining; and promoting improvements in democracy, governance and economy policy that serves the interests of their members, all workers interests and, in many cases, the public. They may also play key roles in representing or assisting workers in defending their “individual” rights. In many cases, workers have neither the resources nor the knowledge of the legal processes and their rights to protect themselves. Thus, worker organizations may “collectively” address “individual” rights by assisting in processing claims, litigating cases, advocating for change in the law, and negotiating appropriate provisions into collective agreements.

Employers seek a predictable rules-based environment that adheres to rule of law principles in order to effectively manage their operations and account for risks. For employers, economic security in market based activity is predicated on their ability to enter into binding contracts, including labor contracts. Thus, employers generally support the rule of law to help ensure a balance of political power that blocks arbitrary governance that can undermine economic security (Palley 2005). Labor rights organizations and other NGOs also play key roles in advocating for change.

However, there are additional means by which to promote labor rights and the rule of law that can be drawn from rule of law approaches. Under the rule of law, the law itself reigns supreme: regulations must be authorized by and consistent with legislation, which must be consistent with and derive its authority from a constitution. Governmental policies are generally administrative plans for implementing laws and

regulations; or, at the very least they may not be contrary to the laws and constitution. A common mistake is for development assistance to promote changes in policies without promoting changes in laws and regulations. These policies frequently encourage (with limited incentives) without mandating certain behavior. There is a substantial difference between simply dissuading violations of fundamental rights and prohibiting them by law. On labor-related issues, an individual employer may be *persuaded* that it should follow a policy, for example to not exploit child labor, but may be economically pressured to do so in the face of less scrupulous competitors who cut costs by violating rights.

Thus, to determine whether a state system adheres to the principles of the law, both generally and regarding labor-related issues, the questions that need to be asked relate to the systemic functioning of the sector. Examining rights and remedies involves looking at the labor legal framework as well as whether government institutions make policies that are consonant with labor rights. Is the labor market itself sufficiently regulated so that rights are not impugned through economic rather than political means? What remedies can be promoted through labor-related organizations and which can be pursued through other means?

3.3 POLITICAL PROCESSES

Worker and employer organizations, labor rights organizations and other NGOs often play instrumental roles in giving voice to important segments of society. Employers often push for the implementation of political policy that supports business growth. Labor rights organizations often advocate for policy change that protects the rights of disadvantaged groups and for working people in general. Because worker organizations often have a substantial number of members, they are better able to mobilize for action than many other CAOs (civil advocacy organizations). For these reasons, worker organizations are discussed in more detail below.

Worker organizations are, in general, among the most effective CAOs in providing voice, organization and leadership for the working and middle classes. They are generally better organized for mass action than other CAOs; indeed, "labor unions are the strongest movement organizers that can establish a position against state coercions, and they are the framing centers for alternative viewpoints of the world" (Lee 2007: 587-588). Moreover, worker organizations are the only ones that consciously and directly represent the economic interests of the middle class and working poor. Their efforts to promote distributional justice in the economic realm often link well with efforts to promote political justice in the electoral realm. They also have substantial knowledge and power where they act in both economic and political realms in both the public and private sectors. In the process of organizing for collective bargaining, worker organizations must bring together, forge consensus and mobilize action among individuals and groups differing in race, religion, ethnicity, national origin and other characteristics. The strong and autonomous organization of subordinated interests is the most important counterbalancing factor against the cultural, political and economic hegemony of elites. Thus, it has been noted that the labor movement is "the most consistently pro-democratic force" (Rueschemeyer, E. Stephens, J Stephens 1992: 8). The labor movement's forging of alliances with community and other social groups and provision of linkages between the middle and working classes can be critical to creating and maintaining a "watchdog" function over political officials (Lee 2007: 590).

Yet, labor movements do not always support expanded political competition. They often engage political actors, parties and processes with a utilitarian approach to advance their institutional interests that usually, but not always, support expanding democracy. For example, it has been argued that Latin American labor movements have been "contingent democrats" because they have "fought for democracy when no better alternative existed or when their leaders believed that democracy would further their material and organizational interests" (Levitsky and Mainwaring 2006: 21). Many workers organizations choose not to be politically active at all.

Public policy has an impact on each of the four pillars of the labor sector (legal foundation, organizations, markets, and government institutions). Hence, intervening in the labor sector can also involve working on issues of electoral processes, political processes, and political parties. For those worker organizations that decide to become active in party politics, there are generally three ways in which they do so:

Join one political party to the exclusion of others. A worker organization may join a political party for instrumental and ideological or philosophical reasons. It may support a party because it has the power. Its leadership may calculate that, while the ruling party does not fully support its agenda, it is in a better position to implement part of its agenda than an out-of-power party that may more fully support its agenda. The worker organization's motivation under this scenario is thus to seek to exert influence from the inside.

Define an agenda and support the party that best advances it. A worker organization may be most effective in a multiparty democracy when it defines an agenda and asks the parties whether they support it. A common result is that a party announces its support of the agenda, wins election with labor approval, and fails to implement all, part, or any of it, with the hope that labor will forget the promises by the time of the next election or the power relationship will substantially shift in favor of the elected officials and their party. The challenge for the organization is to measure performance and maintain accountability while accepting the need for appropriate compromises in government policies.

Choose not to support any party. Worker organizations may choose this option either because no party supports its agenda or multiple parties could support all or part of its agenda. In many countries, unions of skilled professionals and government bureaucrats chose not to support any political parties because they view their profession as their community's primary glue and their interests as above and beyond political party fights. Public sector unions may not support, or may be prohibited from supporting, political parties in order to insulate their membership from terminations that may result from a change in ruling political parties and to maintain continuity in the performance of the civil service work beyond any short term electoral changes.

3.4 CIVIL SOCIETY

Labor-related organizations form significant elements of civil society. Employer organizations are key actors in civil society because they collectively represent the economic interests of employers in policy formation and labor rights organizations often provide specific skills to advance the interests of workers. One reason the labor equation is hence important to democratic reform is because the natural tensions between business and labor form one of the most important and enduring socio-political divisions within many societies, and is thus a key arena in which to build the dialogue processes and culture of compromise that are key to the functioning of democratic institutions, to the formation of interest-based party systems, to the sustainable and demand-driven development of an accountable justice system, and a strong and sustainable civil society. Worker organizations are a special subset of civil society organizations because they are both representative membership organizations and interest groups with a unique set of interests, opportunities, and abilities. When properly understood, appropriate worker organizations can be engaged in appropriate ways to promote democracy-building, good governance, and economic growth as well as labor rights and other labor-related issues.

A free and independent worker organization, or union, is one that operates without a government or employer controlling it or exercising undue influence over it. A union may be free and independent from the influence of outside parties, yet vary considerably regarding whether it is internally democratic. The ILO strongly encourages and national laws frequently require unions to meet certain internal democracy requirements in order to be certified as the workers' representatives or bargaining agents, which must be set forth in constitutions and bylaws. The hallmarks of these requirements are that the unions regularly hold free and fair elections, members may run for office and vote, and, usually, members may vote

whether to accept or reject negotiated collective agreements and whether to go on strike. In terms of process, union leaders provide information to the membership, consult with them, facilitate debates among members, help forge consensus when needed and give them a collective voice. They may consult with members directly or through committees. Of course, in practice, unions vary considerably regarding the nature and extent of their internal democratic practices.

Unions at their best are highly democratic because they have many decision-makers which, ironically, may make them more difficult and time-consuming to work with in foreign assistance programs. Yet, they can be excellent development partners. Engaging workers can lead to *better decisions* because of the numbers of persons consulted and their specialized knowledge and experience gained through their work and communities. Similarly, worker organizations are "interest groups" because they represent the interests of their members. While this may seem obvious, in practice, donors and other civil society actors may seek to engage worker organizations in areas that the membership may view as outside their interests. Members may conceive of their interests as: narrow, limited to their own wages, hours, terms and conditions of employment; as broad, involving the rights of all workers whether in the formal sector or unionized or not; or very broad, involving democratic transformation of governance and society. Of course, they may very well consider it useful to pursue broader transformation in order to advance their narrow interests as well.

In general, the more centralized the power in worker organizations, the more effective but less precise it will be in giving voice to the full range of worker views and desires. Conversely, the more decentralized the power is, the more the leadership will be able to express and act on differing views, but the power will be weaker and less effective. At the same time, centralized unions may very well be democratic and have efficient and effective consultative processes. Where they have these characteristics, they can be more effective in ensuring broad-based worker buy-in regarding agreements made with governments and employers.

Labor laws often regulate the structures, sizes and goals of worker organizations and thus influence the ways in which worker organizations organize, mobilize and link with each other. Their choice of action generally depends on the availability of resources, the instrumentality of an action, and the channels permitted by the state (H. Wheeler 1985: 27-28).¹⁶ For example, if a regime provides no channels for consultations with workers and they strike, the regime may crack down with violence, encouraging violence in response.

Under the principle of freedom of association (FOA), worker organizations have the right to join together in federations, which may represent their collective interests at the national level and wield political and economic power, and the international level, including within the ILO, where they may promote the protection of labor rights. National federations and individual unions have the right to join regional and international federations covering all types of unions or grouped by industry or occupation. International federations, such as the International Trade Union Confederation (ITUC), seek to advance universal human and labor rights and promote cooperation and solidarity among unions.

As consistent with the overall findings of this paper, the intertwining of the labor sector and civil society extends beyond worker organizations. Namely, the provisions for the formation and operation of labor-related organizations are often embedded in the broader legal framework for associations or civil society. Other NGOs are likely to advocate for a liberalization of rules for associations that could benefit the labor sector. Many economic and professional interest groups have direct interests in the improvement of the labor market.

¹⁶ Resource mobilization theory holds that "what increases, and gives rise to insurgency, is the amount of social resources available to unorganized groups, making it possible to launch an organized demand for change," but that collective action may not be a viable action "because of a lack of resources and the threat of repression" (Jenkins & Perrow 1977: 250-251).

3.5 GOVERNANCE

All labor-related organizations and institutions have important roles to play in improving governance and fighting corruption in matters pertaining both to labor-related issues and governance in general. The role they may play is best understood in the context of their specific labor relations systems and cultures. Moreover, positive approaches to collective bargaining may provide support for improvements in governance.¹⁷

Labor-related government institutions include labor ministries and departments, labor courts, and administrative tribunals and boards. Labor ministries and departments commonly enforce laws that protect labor rights, promote labor peace by encouraging collective bargaining, support tripartite social dialogue to improve labor relations and labor policy, promote best practices, and promote the resolution of labor-management disputes through investigation and enforcement of the law. They generally have three roles: 1) educate workers and employers about labor law, labor rights, and best practices; 2) investigate and prosecute alleged violations of the law; and 3) promote the resolution of individual and collective disputes through the promotion of alternative dispute resolution (ADR), including arbitration, mediation and conciliation, i.e. the proposing solutions. Labor administration is often the weakest link in ensuring compliance with labor standards. Governments often have a substantial gap between, on the one hand, the adequate coverage of the labor laws and polices and, on the other hand, the weak ability to enforce them. Labor ministries are commonly under-funded in comparison to other ministries and capacity problems may be rooted in dysfunctional government-wide civil service systems.

It should be noted that some countries have labor relations systems more focused on an "adversarial" approach, like the U.S., but that many others are more focused on a "social partnership" approach (Bamber and Lansbury, 1998: 6-9). Most systems have a range of processes, relationships, and laws that have mix of these approaches, in differing degrees. Development strategies originating in the U.S. may wrongly assume that employers and workers naturally take an antagonistic approach to each other, when in fact managers and employees may share a sense of solidarity based on cultural, tribal, and national affiliations; they may even share a sense of solidarity against a state's incursions against their collective rights. Employers may address labor rights on their own and with employer-oriented organizations, in cooperation with labor rights organizations, and in conjunction with multilateral institutions. Some key employer organizations have formally accepted the ILO's Declaration and CLS, including those protecting freedom of association for their employees, as a means of supporting sustainable economic and social development. A number of multinationals have developed codes of conduct for themselves and their suppliers that include labor rights, often rooted in the principles of corporate social responsibility (CSR). Democratic practices and processes can be advanced through "social dialogue," which includes all types of negotiation, consultation, or simply exchanges of information between, or among, representatives of governments, employers, and workers on issues of common interest relating to economic and social policy. The main goal of social dialogue is to promote consensus building and democratic involvement among the main stakeholders in the world of work.

Modern approaches to collective bargaining can set positive examples and patterns not simply for governance in labor matters, but also coalition-building among civil society organizations and competing political, ethnic and religious factions. For example, in "interest-based bargaining," the parties frame negotiation as joint problem-solving to resolve each side's underlying issues, needs, and concerns. The

¹⁷ The industrial relations theory established by John R. Commons stresses the importance of the institutional structures in which labor-management interactions occur. This view argues that, to explain labor-related processes and outcomes, it is insufficient to simply consider the pressures of economic and environmental forces; rather, one must also understand the patterns, laws, customs, and structures that build up over time to establish institutional features of the relationships, which exert an independent effect of their own (Kochan, Katz and McKersie 1986: 15).

process works by encouraging the parties to focus on interests, not positions, and to use communication and innovative thinking to identify win-win solutions. It usually produces better outcomes than positional bargaining, which is based on presenting fixed and opposing viewpoints (positions) that tend to result in no agreement at all or compromises that do not meet the needs of either party. The parties widely share relevant information to ensure that they develop effective solutions.¹⁸ Options are developed to satisfy those interests should be evaluated by objective criteria, rather than power or leverage. Alternative dispute resolution (ADR) in employment can also be an effective means for promoting consensus-building and problem-solving approaches, which may serve as a foundation for democracy-building.

Worker organizations, employer organizations and NGOs may find common ground in promoting democracy, the rule of law and good governance. They often have acted on their common interests in promoting a predictable rights-based and rules based systems. For example, in Chad, both trade unions and the Chad Chamber of Commerce denounced government corruption, forcing key changes (State 2003).¹⁹

There is a role for labor to play in anti-corruption efforts in the public and private sectors. Workers in the public sector are often losers in corruption; public funding may be diverted from teacher salaries and school books to a minister's offshore account, from supporting law enforcement training to pay a kickback or from a fund to hire more nurses at an understaffed clinic to money launderers in a drug cartel. To exit the cycle in which "[i]ndividuals struggle to belong to the privileged group rather than to change the rules of the game ... is to organize the losers in this system against the status groups and the predatory elites" including "not only idealists from civil society, but groups who stand to lose the most by corruption. If churches and unions join NGOs and independent media, an effective alliance can be formed" (Mungiu-Pippidi: 86-88, 97). In short, public sector unions have strong institutional reasons for fighting corruption and should be enlisted in the fight.

In the private sector, employer organizations and unions also have a common interest in fighting corruption. Governmental corruption often imposes direct costs on employers, for example, when officials solicit bribes in the processing of goods through customs and reviewing of business licenses. As a result, employers usually are more engaged in the fight. Although the impact on workers is often more indirect, it may still be quite profound: an employer who loses money to corruption has less to spend on hiring employees and increasing wages. Thus, corruption impairs economic growth, which is discussed below.

3.6 ECONOMIC GROWTH

The U.S. government's foreign affairs goal of broad-based economic growth seeks to provide benefits for all citizens. Such growth requires that economies transform themselves structurally, reallocating economic resources to their most competitive uses. The process of economic growth therefore brings pressure on labor across the economy, for men and women in rural and urban environments and in informal and formal sectors. Economic growth strategies that are truly broad-based must therefore directly incorporate labor considerations in order to ensure that workers can access the education and

¹⁸ The US Federal Mediation & Conciliation Service (FMCS) observes that the following approaches are also central to interest-based bargaining: focus on issues, not personalities; focus on the present and future, not the past; focus on the interests underlying the issues; and focus on mutual interests and helping to satisfy the other party's interests as well as your own. See www.fmcs.gov.

¹⁹ "Chad: Country Reports on Human Rights Practices 2003," U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, February 25, 2004.

skills, assets, rights, mobility, and livelihood and employment opportunities they need in order to benefit from the new opportunities that economic growth should stimulate.

Labor, in particular the duality of rural and non-rural labor markets, has occupied development economists for decades.²⁰ The early “surplus labor” models of the 1950s and 1960s (Lewis 1954; Ranis and Fei 1961) held that rural sectors of a developing country economy can provide bountiful supplies of labor to the urban sector without any noticeable drop in rural production. Migration models of the 1960s and 1970s (Harris and Todaro 1970) explained that higher wage and non-wage benefits in urban areas draw in supplies of labor from rural areas, even in the face of urban unemployment. Within rural and urban labor markets, further distinctions have been made. Even rural households may be net buyers or net sellers of labor, depending on the size of their land holdings. Labor obligations may also be linked through various forms of contractual relationships to land and/or credit markets (Binswanger and Rosenzweig 1984). Urban labor markets are also seen as dualistic, comprised of those who work in the “informal” sector, i.e. typically family-owned businesses that are unregistered and pay no taxes, or “formal” sector, i.e. for registered enterprises or public sector employers (Fields 1975).

From the perspective of international trade, economists have long considered how a country’s set of resource endowments affects its comparative advantage. The classic general-equilibrium model of trade, known as the Heckscher-Ohlin theorem, explains that countries specialize in production of goods for export according to their local factor endowments (Ohlin 1933). Countries with abundant capital are expected to export mostly capital-intensive goods, while countries that enjoy abundant (“surplus,” per above) labor will have a comparative advantage, and thus specialize for export, in more labor-intensive goods, according to the theorem. By the 1970s and 1980s, some economists began to question how neoclassical economic models taught in textbooks – based on perfectly competitive markets that always clear, the existence of many buyers and sellers, and equal access to information – should be adapted, if the fundamental assumptions underlying them do not hold. Developing countries are full of examples of labor markets where there are few buyers, markets are not competitive, and information about work opportunities is opaque and comes only at a cost. Information problems abound in labor markets: workers do not know how many employees are to be hired, employers do not know how hard an employee will work, rural workers do not know how to find a job in the city, they migrate to the city nevertheless not knowing their chances of finding work, and so on. The “new development economics” recognized that the norm in developing countries consisted of “rational actors in environments in which information is imperfect and costly” (Stiglitz 1986: 263).

Economic actors are not always perfectly “rational,” or at least not as defined by neoclassical economics, where utility-maximization – in which profit is viewed as being nearly synonymous with utility – is seen as the primary motivator of economic behavior. This innovation in economic development theory helps us to understand a number of labor market-related questions: What motivates employers and workers besides profit maximization? How do information problems explain apparent failures of labor markets to clear? What mental models or personal biases may explain why unions and employers sometimes have such a hard time finding opportunities for win-win collaborations? How can attention to non-market issues, such as labor rights and organizations, help to promote desired economic growth outcomes?

Such issues are particularly vital as the political economy of labor is affected by structural adjustment and globalization. The cost of labor in the developing world in the 1970s and 1980s was kept low by publicly financed social welfare systems that subsidized the cost of basic consumer goods, such as food and energy. After the era of structural adjustment in the 1980s and 1990s, this public safety net disappeared as many developing countries shed some or all of the subsidies. Although informal economies and social networks have sprung up to provide private safety nets in the wake of adjustment, their effectiveness is

²⁰ This section draws heavily from Rosenzweig (1988).

being tested in the face of exogenous economic shocks, such as the rising global commodity prices experienced in 2008.

Such pressures thus pose acute questions regarding how best to represent workers' interests in the labor market. The representation of worker interests by trade unions or other *worker organizations* is the exception, not the norm, in most developing countries.²¹ This stems from the fact that "formal employment," with formal contracts that stipulate wages, benefits, and rights and standards, is itself a rarity for developing country workers, with self- or informal employment the norm. In place of trade unions, the interests of non-organized workers may be defended by other emerging forms of labor market institutions, such as non-membership organizations or non-union membership organizations (Freeman, Hersch, and Mishel 2005). An example of the former is international nongovernmental organizations, such as Oxfam or the U.S. National Labor Committee, that lobby for pro-poor policy change on behalf of developing country workers. An example of the latter is national farmer organizations that lobby for better prices or working conditions on behalf of their membership.

As globalization brings buyers and sellers ever closer together, new actors may also begin to play a role to mediate against extreme labor market abuses. For instance, increasing numbers of consumers prefer not to purchase goods produced under substandard labor conditions. Under threat of consumer boycott, particularly against recognized brand label producers or retailers, new market arrangements, such as fair trade, factory compliance monitoring, and other forms of social responsibility put pressure on employers or contractors in developing countries to employ labor under compliant conditions (Polaski 2006).

Promoting core labor standards serves as a means of improving competitiveness both in individual enterprises and national economies. A "high road" approach to development seeks to treat employees better and expect more, in contrast to the low-road approach, which seeks gains by pushing costs lower in part by violating basic rights, for example by using forced or child labor or preventing unionization. Using the high-road approach, many enterprises achieve greater profitability by respecting the rights and roles of workers. For example, they use the processes of "employee involvement," in which employees "have the opportunity to identify and help solve real problems where they work" using their skills, intelligence, and ideas to increase job satisfaction, employee morale, and commitment to the organization, as well as to increase productivity, reduce turnover and absenteeism, and enhance the quality of products and services produced (Bluestone, 1992: 145). High involvement workplaces are believed to be more effective than traditional 'top-down' management regimes because workers work harder in them and they lead to operational changes that improve efficiency (Lawler 2001; Price 2007). Such efforts are more successful where workers perceive the results as benefiting them personally, e.g., they share in the gains and they are collectively engaged through their unions.²²

The promotion of labor rights also has a functional utility for economic development. In fact, a number of studies have shown a correlation between economic growth and respect for CLS. For example, an OECD study found a positive correlation between exports and employment growth on the one hand, and respect of CLS on the other (OECD 1996). An ILO study found a positive, though weak, correlation between association and bargaining rights and foreign direct investment inflows (Kucera 2001). A survey of literature found a strong connection between economic growth and improvement of labor standards,

²¹ Union membership has also declined in developed countries. Though recent comparative data is scarce, Borjas (2007) cites declining trends in the U.S. (31% in 1970, 17% in 1987; the Bureau of Labor Statistics reports that just 12% of employed wage and salary workers were union members in the U.S. in 2006. Union membership in the U.S. is significantly higher among public sector workers than their private sector counterparts.

²² In some studies, managers have reported that they believe consultation with employees and their unions is best for their companies because: 1) the quality of the decisions is better; 2) the results are better accepted and implemented by the employees; and 3) the employees must share responsibility when the decision turns out to be the wrong one (J. Wheeler, 2002).

postulating that CLS may stimulate economic transformations by acting as "enabling regulations" (Dølvik and Tørris 2002).

Similarly, some developing countries have successfully promoted core labor standards and trade union rights as part of a market-based globalizing strategy. Their promotion of decent wages helped to distribute the gains from trade, expand domestic demand, increase domestic savings and investment, and reduce poverty (Polaski 2003: 21). Some studies have shown that more equal income distribution is, in and of itself, strongly correlated with improved economic performance (Alesina and Rodrik 1994) and that adoption of CLS is associated with a significantly more equal distribution of income, which can also promote political and economic stability (Palley 1999).

The World Bank has also recognized that labor standards can be instrumental in helping to achieving its objectives, including the promotion of economic growth. For example, The World Bank's International Finance Corporation (IFC) has established the role of labor standards in supporting its aim of promoting open and competitive markets, generating productive jobs, and creating opportunities for people to escape poverty and improve their lives. To be eligible for IFC funding, a project must respect "basic worker rights" for the practical reason that "by treating the workers fairly and providing them with safe and healthy conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations" (IFC 2006). Promoting respect for worker rights also improves program sustainability (IFC 2006a) and improves companies' engagement with stakeholder in emerging markets (IFC 2007). Moreover, The World Bank Group now requires that all procurement contracts with the Bank respect and protect CLS.²³ Similarly, the Asian Development Bank has incorporated consideration of CLS into its project design, implementation and evaluation phases after adopting a Social Protection Strategy in 2001 that commits the ADB to promoting compliance with CLS.

3.7 INTERNATIONAL TRADE

Labor-related issues have increasingly played a critical role in the promotion of trade, which is crucial to increasing broad-based economic development in developing countries and thereby reducing poverty. To gain increased access to markets, technology, and capital, both developed and developing countries have entered into a wide range of trade agreements that establish rules-based trading systems. To take advantage of the opportunities presented by these agreements, developing countries must promote their own rules-based systems grounded in the rule of law to ensure, among other things, the rational and predictable enforcement of contracts. Many of these agreements establish rules-based systems for labor standards as well as commercial standards. Promotion of international trade also raises labor-related questions with respect to labor markets, as labor demand shifts as a result of easier access to global markets for goods and services. This in turn requires that the workforce development system provide appropriate education and training to respond to changing workforce requirements.

Since the 1980s, the USG has expanded the promotion of labor rights through unilateral preferences, bilateral preferences, free trade agreements (FTAs) and other agreements such as sector-specific trade agreements. These instruments have increased: 1) the scope of labor rights to cover all fundamental labor standards; 2) the range of potential remedies and sanctions for labor rights violations to (nearly) equal those of commercial-related violations; and 3) the range of instruments in which labor rights are addressed. The USG has promoted labor standards both to help ensure that American workers and

²³ In February 2003 the Bank published *Unions and Collective Bargaining: Economic Effects in a Global Environment* (Aidt and Tzannatos), which found, among other things, that high unionization rates and highly coordinated collective bargaining resulted in lower earnings inequality, reduced wage discrimination against women, and 'improved economic performance', for example by reducing unemployment, and that, overall, unions appeared to not have a negative effect on economic growth. See also "Core Labor Standards Toolkit for Staff Preparing Country Assistance Strategies" (World Bank 2001).

businesses are not forced to compete with countries that allow labor abuses and to promote high-road development strategies in developing countries in which labor rights serve as a foundation for “enabling” broad-based growth.²⁴

In 1976, Congress established a key set of unilateral preferences through the U.S. Generalized System of Preferences (GSP), which waives import duties on eligible products for “beneficiary developing countries” meeting certain conditions. In its 1984 amendments of the Trade and Tariff Act, Congress added that, when considering whether a country is eligible for GSP benefits, the U.S. Administration must consider whether it has taken steps to afford workers in that country “internationally recognized” workers’ rights.²⁵ A beneficiary’s adherence to the labor criteria can be evaluated under the U.S. Trade Representative’s (USTR) annual review process. Third parties may submit complaint petitions and the USTR may invoke GSP review, particularly where a beneficiary has repeatedly ignored GSP petitions.

BOX 2. CAMBODIA’S GARMENT SECTOR LABOR PROGRAM

The most far-reaching labor-related provisions between the USG and a trade partner were found in the U.S.-Cambodia Bilateral Textile Agreement (BTA) (1999, now expired with the conclusion of the WTO Agreement on Textiles and Clothing.). As a result of challenges to Cambodia’s GSP trade status for extensive labor rights abuses, this agreement established quota limits for garment exports into the U.S., but allowed annual quota increases provided that Cambodia’s garment industry “substantially complied” with its own national labor laws, revised in 1997 with help from the ILO and the Solidarity Center.

To monitor compliance of Cambodia’s garment industry with the provisions of the CBTA, the USG supported a formal, independent factory monitoring program implemented by the ILO (Ludwig and Timberman 2006). A tripartite Project Advisory Committee guided the process. The Cambodian government required companies to participate in the monitoring process in order to receive quota allotments for the U.S. market and the ILO made the process transparent by reporting on the results and naming specific factories that, after re-inspection, had not remedied previously found violations. Thus, a process of “continuous improvement” was born. The monitoring program was initiated by the ILO and is now managed by the Better Factories Cambodia (BFC) project, with funding provided by the Royal Government, the garment industry, and a consortium of donors, including USAID. BFC aims to become self-supporting by 2009.

Garment companies benefited because quotas were significantly increased each year and the monitoring system provided a form of reputation risk insurance. Workers benefited because labor standards and the quality of working life improved and incomes significantly increased. The Cambodian government benefited from the monitoring plan because labor standards improved and trade expanded. The key drawback of the efforts, however, was that the Cambodian government’s capacity to conduct labor inspections was not properly improved to internalize the process (Polaski 2006). For further detail on Cambodia’s labor sector, see Ludwig, Lerner, Salinger, and Wheeler (2008).

Congress and the U.S. Administration have also gradually expanded the scope and improved the treatment of labor rights in trade agreements. For example, the 1993 the North American Agreement on

²⁴ At the same time, a debate in the international trade arena in the past few decades has raged over whether the promotion of labor rights helps or hurts economic development. The World Trade Organization (WTO) has not adopted labor rights provisions in their trading requirements; rather, it has recognized the ILO as the authority on international labor standards. This position can be viewed either as a positive one because it acknowledges the ILO’s role, or as a negative one because the WTO will not invoke for labor rights its mandatory enforcement mechanism, which the ILO lacks.

²⁵ Similarly, in January 2002, the European Union (EU) adopted a new Generalized Scheme of Preferences that doubles tariff reductions available to developing countries on a wide range of products where the EU determines that applicant countries effectively protect basic labor rights.

Labor Cooperation (NAALC, also known as the labor side accord of the North American Free Trade Agreement) provides that the parties shall enforce their own labor laws, which should reflect “high labor standards,” though, in effect, it lacks any enforceable binding obligations on labor rights (Erickson and Mitchell 1998). The U.S.-Cambodia Bilateral Textile Agreement (1999) contained labor provisions that led to the implementation of a novel and largely successful enforcement mechanism overseen by the ILO, which was created by discussions following the AFL-CIO’s filing of a GSP complaint (see Box 2 above). The 2000 U.S.-Jordan Free Trade Agreement (JFTA) was the first bilateral free trade agreement (FTA) that included labor criteria directly in the main text and, in stronger language, affirmed the parties’ commitment to promoting internationally recognized labor standards.

Congress further established the importance of labor standards in the 2002 Bipartisan Trade Promotion Authority Act (19 U.S.C. 24 §3802), which provides, among other things, that the USG’s overall trade negotiating objectives include:

- Promoting respect for worker rights consistent with ILO core labor standards and an understanding of the relationship between trade and worker rights;
- Seeking provisions in trade agreements that help ensure that the parties do not weaken or reduce the protections afforded in domestic environmental and labor laws as an encouragement for trade; and
- Promoting universal ratification and full compliance with ILO C. 182 on the worst forms of child labor.

Although this trade promotion authority expired in July 2007 and has not yet been renewed, it has served as the foundation for numerous agreements with detailed labor provisions and for model language developed by the USTR. For example, the 2004 Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) adds more detail to the parties’ commitment to improving application of labor rights and includes the goal of eliminating the worst forms of child labor. The USTR used nearly identical language in FTAs negotiated with Peru, Colombia, Panama, and Korea. Going further than the JFTA’s requirement that the parties “strive to” protect labor rights, new language requires the countries to “adopt and maintain [labor standards] in its statutes and regulations, and practices” and enforce the ILO Declaration’s core labor standards, expressly including the prohibition of employment discrimination. Also, for the first time in FTAs, the dispute settlement procedures and remedies for labor and commercial rights are the same.

The USG has also entered into more than thirty Trade and Investment Framework Agreements (TIFAs), which are pacts establishing frameworks for expanding trade and resolving outstanding disputes with other countries and common markets, which may serve as foundations for FTAs. Generally, each TIFA is a short agreement with a brief clause in varying formulations (depending on the other parties’ capacity and commitment) stating that one purpose is to promote labor rights.²⁶ The USTR reports that, as trade agreements have increasingly included strong labor rights provisions with detailed requirements for efforts to protect labor rights, trading partners have increasingly requested labor-related capacity building assistance.

In addition to labor rights issues, employment and wages are affected through trade reforms that open the local economy to cross-border flows of goods, services, capital, and labor. When developing countries open their borders to foreign trade and investment, demand rises for the larger supplies of less skilled (and thus lower cost) labor that typically comprise the bulk of their workforce.²⁷ The impact is felt on

²⁶ Labor rights are also addressed in a wide range of other laws and initiatives. For example, the Congressional-Executive Commission on China (CECC) reviews China’s treatment of labor rights for reasons related to their trading status, and has recommended that Congress establish a corporate code of conduct for U.S. businesses operating in China (Lum 2003: 1).

²⁷ Summarized in Salinger, Bolnick, Reisman, and Endean (2006).

employment, not wages, because of the large supply of less skilled labor that usually exists. However, liberalization also exposes local economies to skills biases inherent in many export-oriented sectors. Thus demand also increases for skilled labor, the supply of which is usually much more limited in developing countries. This puts upward pressure on the wages of skilled workers and increases domestic wage inequality as a result. Though increasing income inequality is considered by many to be an adverse consequence of economic growth,²⁸ one positive aspect of increasing wage inequality is the incentive created for individuals to invest in education and training to improve their skills and thus their earnings potential.

Trade liberalization brings mixed effects to gender dimensions of labor markets. As outlined in Gammage et al. (2002), women's participation in labor markets is conditioned by asymmetric rights and responsibilities for household work, reproduction and childcare responsibilities, gendered norms with respect to work and wealth, labor market segregation, consumption patterns within the household, and time poverty. While trade brings definite benefits – employment often rises as female workers may be preferred over their male counterparts for their “acquiescent” attitudes, constrained as they usually are by the lack of formal sector employment alternatives – to women, their vulnerability to exploitative conditions is also thereby exacerbated (Kabeer 2004).

Appendix E further elaborates the relations between labor and international trade agreements and other foreign policy laws.

3.8 THE INFORMAL SECTOR

In the developing world, up to 60 percent of the labor force works in the informal economy, as temporary or self-employed workers. The informal economy is a sector in which certain types of income and the means of their generation are “unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated” (Portes, Castells, and Benton 1989:12; Portes 1994). Governments neither tax nor monitor economic activity in the informal sector, often due to their weak capacity to enforce existing laws. In contrast to formal economic activity, informal economic activity is not included in the government's calculation of national income (i.e., Gross National Product (GNP)). As a result, the informal economy is often “overlooked” with regard to labor strategies, leaving informal sector workers most vulnerable to rights abuses, risk, and exploitation. A truly broad-based labor strategy must address labor issues in the informal, as well as formal, sector of the economy.

The informal sector was once viewed as a segment of economic activity in developing countries to be absorbed by the formal economy as the latter grew. However, the continued expansion of informal employment around the world has led to the emergence of another view of informal labor as the residual of economic activity that remains after the formal economy has shed itself of permanent workers.²⁹ Chen, Sebstad, and O'Connell (1999: 604) offer four possible explanations for the persistence of informal employment in developing countries: lack of economic growth, jobless economic growth, “growth from below” (i.e. faster growth of small-scale enterprises compared with formal firms), and temporary employment shedding due to a period of economic adjustment. A fifth possibility, that some workers may actually prefer the informal sector, for its flexibility, sociability, and easier working conditions, is suggested by Maloney (2004). Although some have posited that union success in raising formal sector wages may lead to higher informal sector employment, Galli and Kucera (2004) find that Latin American

²⁸ Particularly if the gains of economic growth are not shared in some other way, as in increased delivery or quality of public services.

²⁹ See, for instance, Beneria and Floro (2004), p. 3 and Heintz and Pollin (2003).

countries with higher labor standards, particularly with respect to FOA, tend to have higher shares of formal sector employment.

The ILO has found that in the informal sector “working conditions are oppressive and unsafe; incomes are usually at or below the poverty line; access to state-provided social protection, services, and training are severely restricted; and exploitation and infringement of workers’ rights are common” (Naidoo and Frye 2006: 195). Some of the livelihood options pursued are dangerous and some may be exploitative or illegal. Some jobs may involve the use of toxic materials. Children may be obliged (or forced) to work to support their families.

While labor laws protect worker rights and uphold labor standards in many countries, these protections often apply only to workers in the formal sector. Thus, a very important question is: how can these rights and standards be extended to help improve the lot of the poor in the informal sector? Strategies may include: developing laws and enforcement regimes that extend labor rights and standards to a broader segment of the population; creating social protection schemes that provide at least a minimum of safety net to all workers; organizing informal workers to represent their own interests and improve their access to information which, in turn, increases their bargaining power vis-à-vis contractors and policy makers; and extending microfinance and business services to informal workers to expand their livelihood opportunities.

3.9 HIV/AIDS

In 2007, UNAIDS and WHO estimated that about 33.2 million people are HIV positive (UNAIDS/WHO).³⁰ In countries where it is prevalent, HIV/AIDS has a devastating impact on employers, workers, and national economies. It causes intense suffering and can cripple businesses through high employee absenteeism, high turnover, and decreasing productivity. Workers lose income, suffer from discrimination, endure physical pain and the loss of friends and family, and often lose their lives. Workplace efforts to address HIV/AIDS generally educate, prohibit discrimination, and advance confidential testing, treatment, and counseling. In some cases, employers have a duty to provide reasonable accommodation to employees with AIDS-related illnesses.

Because the fight against HIV/AIDS is a common concern for employers, workers and government, it presents an opportunity for promoting and building tripartite cooperation. Labor-related organizations address health issues, particularly HIV/AIDS, where transmission/ infections may occur at work, for example in hospitals and clinics, and in occupations where workers face a greater risk given the nature of their work, such as truck driving. For example, tripartite efforts in South Africa have led to extensive education and treatment campaigns with transport workers who travel throughout the region. Unions have been successful in peer education campaigns because their educators speak peer-to-peer to fellow transport workers. At the same time, employers have used their organizational skills to help manage the processes of education and treatment. Labor ministries can also play an important role in educating and discouraging discrimination on the basis of HIV/AIDS. When competing stakeholders join together to advance a common interest, they build a relationship of trust that makes it possible for them to address more contentious zero-sum matters, such as collective bargaining over wages or negotiations to establish minimum wage rates.

³⁰ 2007 AIDS Epidemic Update.

3.10 VULNERABLE POPULATIONS

Labor-related issues are often of paramount importance to persons in vulnerable populations because obtaining income and evading discrimination may be a matter of survival. “Vulnerable populations” include persons in profoundly unstable social and economic circumstances, including war and famine. They may also include persons in more stable societies, such as women, children, and minority groups of various types. Labor-related organizations may or not exist in unstable circumstances. Where they do, they may provide the foundation for promoting cooperation, development and survival. Unions often play a key role in protecting and advancing the rights of women and minorities, because their power is predicated on organization, numbers and solidarity. At times, they may reflect the same prejudices and biases of majority populations and governments. In such cases, labor rights groups may play a central role in providing assistance. Employers, who are generally concerned with improving quality and production, may also play a constructive role in integrating vulnerable populations into the workforce. Attempts to engage vulnerable populations in sustainable development activities will necessarily involve integrating them more effectively into the labor force.

3.11 CONFLICT

Labor-related issues directly affect the potential for conflict in two principal ways. First, labor unrest can occur and affect relations between and among specific groups of workers, government, and often business. Secondly, as states gradually shift the onus for the provision of public safety nets to the private sector at the same time that the need for international competitiveness creates a downward push on compensation, there is a greater likelihood that workers will contribute to broader manifestations of political unrest as citizens are challenged to take care of their own basic needs.

Mitigation of the potential for conflict in fragile states often will require addressing the degree to which entitlement to basic goods and services is accessed through market mechanisms as opposed to public programs. In the past, wage, employment, and safety net policies helped buffer workers against volatility in wage markets, both formal and informal. Currently, however, it will increasingly fall on business and labor organizations to seek to reach better accommodation regarding reconciling the need for competitiveness with the requisite of an adequate degree of economic buffering and political stability. This theme is elaborated in greater detail in the next chapter.

3.12 LABOR, HUMAN TRAFFICKING, SMUGGLING, AND MIGRANTS

The concepts related to human migration, trafficking, and smuggling are quite distinct though they all involve the movement of persons within and between countries and, in practice, have some aspects that overlap. Large numbers of migrants, most of whom are neither smuggled nor trafficked, are compelled by economic and social circumstances to move to another country for work. In the expanding global economy, both push and pull factors have contributed to increasing numbers of migrant workers, who are “pushed” to move because in their home countries they face few or no jobs, low pay, and bad working conditions and are “pulled” because of real or perceived improvements in job opportunities and pay in other countries (Misra, no date). Employers’ demand for cheap labor as a relatively easy way of reducing costs has intensified labor migration, with migrant workers often filling positions that workers in the domestic workforce refuse to do because of low wages and harsh working and living conditions. Migrant workers are often not protected by a state’s own labor laws, either because they are excluded by law or by practice because employers find it easy to exploit them, fueled by great disparities in wealth and power. For example, migrant workers may not be able to join unions and may be required to work under dangerous conditions lacking basic safety and health protections. Worker organizations at the international and national levels have engaged in efforts to reduce human trafficking and promote the

rights of migrant workers both for philosophical reasons of solidarity and practical reasons, as unionized workers are disadvantaged when forced to compete against exploited workers and unions are stronger where their ranks are united and their numbers larger.

Regarding trafficking, the 2007 U.S. State Department's *Trafficking in Persons Report* reports that approximately 800,000 people are trafficked across international borders each year, with approximately 80 percent being women and girls and up to 50 percent being minors. Many millions more are trafficked within their own national borders (U.S. Department of State 2007: 8). Trafficking and other criminal or exploitative activities are most likely to occur when people are desperate for work and willing to undertake great risk and pay sums of money to find it. Human trafficking often involves the violation of one or more labor rights because the purpose may be for forced and compulsory labor and/or one of the worst forms of child labor. The ILO estimates there are 12.3 million people in forced labor, bonded labor, forced child labor, and sexual servitude at any given time while other estimates range from 4 million to 27 million, with many these victims ensnared in trafficking schemes.

The Victims of Trafficking and Violence Protection Act (reauthorized 2005) (TVPA) aims to combat trafficking in persons, especially in the sex trade, slavery and involuntary servitude. It directs State, through the Office to Monitor and Combat Trafficking in Persons (G/TIP), to produce annual reports on trafficking that rates countries in three tiers according to whether they meet "minimum standards" regarding their anti-trafficking commitments, with potential negative consequences (termination of non-humanitarian aid, loss of US support for IMF and World Bank loans, etc.) for tier 3 countries, which are those not making significant efforts to comply with the standards. The USG has committed substantial resources to foreign governments and NGOs to combat trafficking, including \$96 million in 2004.

The UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, which supplements the Organized Crime Convention (U.S. ratified both in 2005), defines "trafficking in persons" as an act of "recruitment, transportation, transfer, harboring or receipt of persons" by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, or the abuse of power. Trafficking in persons may also result from a position of vulnerability, involving the giving or receiving of payments or benefits for the purpose of exploitation through what would seem to be non-coercive methods, where the victim consents to their ill-treatment.³¹ Human trafficking should be distinguished from "smuggling," which is defined as the procurement to obtain, directly or indirectly, a financial or other material benefit of the illegal entry of a person into a state of which the person is not a national or permanent resident.³² Thus, by definition, smuggling necessarily involves the crossing of a state border, while trafficking does not; trafficking necessarily involves exploitation, while smuggling does not.

3.13 THE LABOR SECTOR AND CRISES/POST-CRISIS TRANSITIONS

In the wake of crises, disasters, and other unexpected upheavals, peoples' livelihoods are disrupted. Beyond the security, health, housing, and nutrition dimensions of post-crisis transitions, it is essential that labor markets continue to function and people find work.

Formal and informal sector activity may be at a standstill or severely disrupted, as productive assets (everything from cattle to factories) are damaged, rendered inaccessible, or destroyed. Markets to bring in inputs or food or send out products may no longer function, as transport and telecommunications circuits

³¹ The Protocol has three basic purposes: combating and preventing human trafficking; protecting and supporting trafficking victims; and promoting cooperation within and between state parties. Countries that ratify the Protocol are obliged to enact domestic laws making these activities criminal offences if they are not already in place (J. Wheeler 2005).

³² From the Protocol against the Smuggling of Migrants by Land, Sea and Air, which also supplements the Organized Crime Convention.

are disrupted or broken down. Banking systems may no longer operate, currencies may have sharply shifted in value, and purchasing power may be weakened or destroyed. Chronic insecurity or violence may further threaten the renewal of livelihoods activities.

In the face of such instability, people need to resume earning a living either at home or in a new place of residence, or they will either starve or remain dependent on humanitarian assistance. The humanitarian assistance community can better strategize for post-crisis transitions by incorporating labor considerations into their work.³³ What coping strategies are people already using to re-generate their livelihood or shift into a new line of work? What assets (physical, social, motivational) do various categories of displaced persons (by age, gender, ethnicity, etc.) possess that will enable them to find work? What strategic inputs would best launch people back into work (e.g., seeds, tools, credit, etc)? Can/should work be “created” through food distribution or development reconstruction projects? How do displaced persons find new work in a new environment, or how can they be encouraged to resume their former livelihoods back in their traditional areas of residence?

3.14 MULTIPLE APPLICATIONS OF LABOR-RELATED PROGRAMMING

While Chapter Two considered the four principal points of intervention (labor rights, labor-related organizations, government institutions, and labor markets) for labor-related foreign assistance, this chapter has elaborated on the diversity and range of thematic strategic objectives that can be pursued under the labor rubric. The preceding discussion has shown that there are labor dimensions to many of the key objectives integral to the promotion of development. Similarly, labor considerations are vital to some of the principal diplomatic undertakings, such as international trade and migration. Having laid out the full range of labor’s potential in foreign assistance, the next chapter addresses how to balance and prioritize different types of assistance interventions.

³³ See Lautze (1997) and Lautze and Raven-Roberts (2006) for expanded discussions of these issues.

4.0 TENSIONS AND SYNERGIES IN FOREIGN ASSISTANCE GOALS

The preceding chapter articulated the many ways that labor-related assistance can contribute to development and transformational diplomacy objectives. However, the selection of foreign assistance interventions must also maximize accountability by taking into consideration the degree of impact that is likely to result from specific interventions.

Tensions sometimes crop up between or among various objectives of a foreign assistance strategy. A push to open borders to facilitate trade, for example, may inadvertently create new health problems as diseases establish themselves more readily across an open border with freer movement of goods and people. Freedom of association for workers and employers may protect fundamental rights and promote democracy but, without appropriate systems for dispute resolution and processes for bargaining, may lead to more workplace disputes that could impair competitiveness. Other examples of such tensions can surely be found in development experiences around the world.

Development professionals should acknowledge these tensions openly, and then seek synergistic win-win situations to move forward on key development issues. For instance, open borders may also create new opportunities for regional health organizations to improve advocacy, education, and patient outreach. Unions may both advance the material interests of workers *and* support increased productivity and competitiveness, while employers may seek both to increase firm profitability *and* respect their employees' rights. Unions should have the right to withhold their labor, i.e., strike, *and* reasonable restrictions may limit the circumstances in which that right may be exercised, for example when a collective agreement has a no-strike clause. Other synergies can surely be found as well.

Both perceived and real tensions exist between foreign assistance objectives, particularly competitiveness and the rule of law, and between approaches to labor-related issues. There are also considerable synergies. A basic overarching question is whether the promotion of human rights supports or conflicts with the promotion of economic growth. Consistent with well-established international and U.S. law and policy, human rights, including labor rights, serve as a foundation for building meaningful democracy, good governance and broad-based and sustainable economic growth. These rights lay at the foundation of democracy in part because, particularly through the principle of freedom of association, they involve the rights of persons to join together, speak for themselves, and advocate for their own interests. Thus, the question is not when should we deny or abrogate the rule of law and basic human rights to promote competitiveness; rather, it is how do we establish these principles and rights and use them as a foundation for achieving it?

Accepting this principle acknowledges that key actors at times make “bad” choices, e.g., against the common interest, the interest of others or appear to be anti-competitive. An optimal development solution is not to take away their ability to choose; but rather, to help provide them with the skills and knowledge to choose better, and develop fair and self-sustaining systems that build the parties' trust, narrow the areas of disagreement, increase the areas of constructive engagement, promote reasonable compromise and resolve differences. In this light, the optimal goal is not ensuring that all the choices made are the “right” ones; rather it is to help ensure that the social partners develop effective and appropriate laws, policies

processes and institutions through which they will, as a common practice, reach constructive goals and solutions.

4.1 ADVOCACY FOR CORE LABOR STANDARDS: PROMOTING LABOR RIGHTS AND EMPLOYER COMPETITIVENESS

The “*appropriate*” *degree of labor laws’ regulation and enforcement* and effects on employment are a key area of concern. As discussed above, the promotion of sound labor practices rooted in core labor rights can improve the competitiveness of enterprises and economies where properly implemented. However, increased “cash” labor standards, such as minimum wage increases, and strong unions bargaining for wage and benefit gains, can reduce corporate profits where not linked to productivity gains. Increased wages and benefits may have both positive effects, e.g., boosting demand in the local economy, and negative effects, reducing enterprise competitiveness. The optimal strategy is to promote, as far as possible, both labor rights and employer competitiveness. Doing so requires identifying the differing problems and interests, understanding the context, finding new linkages between issues, and considering a range of approaches and organizations that may be engaged to achieve the goals. An example illustrates the point:

- **Labor rights problem.** Employers violate labor rights with impunity. As a result, workers oppose all labor law reform and view all proposals with distrust because they believe employers and the government are attempting to control or destroy their unions.
- **Employer competitiveness problem.** Labor laws set up a complex regulatory environment that is not fairly or properly enforced and imposes high non-wage costs. As a result, employers change their organizational structures and distort operations to evade application of all labor laws and/or seek the repeal of all labor regulations.
- **Potential solution.** The answer is not to throw “the baby out with the bathwater,” i.e., do away with all labor laws or reduce its coverage of employers; nor is it to impose harsher laws on employers. Rather, one solution is to expand real protection of core labor rights in law and practice *and* repeal the provisions and end practices that impose unrealistic burdens on employers. Another possibility may be for the government, in cooperation with unions and employers, to develop job retraining and placement assistance and increase publicly funded social protection, in exchange for reducing the rigidity of employment laws, particularly those that impose high costs on employers for discharging workers for economic reasons. It should be noted that the parties are highly unlikely to agree to this rational approach where the existence of unions is under threat and the parties do not have an effective legal and dialogue process.

Another example of working synergistically in the area of core labor standards includes corporate social responsibilities. In some contexts it may not be CLS per se, but rather the myriad of regulations and institutions associated with their implementation, that may frustrate enterprise growth. For instance, monitoring of compliance with CLS has evolved into an elaborate service industry that can be disruptive of business operations. Comprised of internal corporate social responsibility teams and external for- and not-for-profit (the latter are sometimes referred to as “independent” monitors) contractors, the monitoring industry conducts inspections of suppliers’ manufacturing facilities both before initiating a supplier relationship and on an ongoing basis once that relationship is established. While the social goals of such monitoring activities are laudable, their implementation can impose burdens for manufacturers. Proponents of monitoring argue that these relatively new institutions are necessary to compensate for weak capacity of local governments to inspect and monitor labor conditions themselves. A synergistic approach to this apparent dilemma may be captured as follows:

- **Employer competitiveness problem.** The monitoring scheme, whether implemented by an international organization or domestic ministry, interferes with production.
- **Labor rights problem.** The monitoring scheme is not very effective and workers fear that even that scheme will be ended.
- **Potential solution.** Efforts should focus both on reducing interference with the employer's production and promoting an effective system. The parties should be flexible in consideration of the optimal approach, which may include: monitoring through the local union (if there is one), a joint labor-management committee, an independent monitoring organization or government agency or coordination between any of them. The process should be transparent and fair, with both elements of education and enforcement.

4.2 UNIONS AND EMPLOYMENT

The decision to engage with labor unions is not without controversy. Where unions are strong and have been able to cause wages to rise, considerable traction can be gained by engaging them in the process of promoting concomitant productivity and quality gains, rather than pursuing options to limit, restrain or repress them, as has been the case in numerous countries. For example, in Guatemala in the 1990s union leaders were routinely murdered by death squads and many current employers simply refused to recognize unions or accept their right to exist. Prioritizing support to unions in countries where the repression of unionists has been severe serves both human rights goals as well as developmental objectives. In other situations, supporting union organizing and increased capacity is warranted by the key role they can play in democracy building. In all cases, it is necessary to consider both context and variation in union types and internal organization, when engaging this sector.

To promote sustainable economic interests, an optimal strategy would seek to balance employers' need to be competitive and workers' interest in being fairly paid and treated, with government playing an effective supportive role. The following example illustrates this point:

- **Employer competitiveness problem.** The workers' union has grown strong but performance has not improved, placing the employer at a competitive disadvantage in international markets and threatening their survival.
- **Worker's problem.** The employers pressure them to work harder for less pay, but if they become more productive, workers will be laid off. They believe that employers will not share profit gains with workers.
- **Government's problem.** The economy is not growing and tax revenue is shrinking; there is therefore less money available for education and services to assist employers and workers.
- **Potential solutions.** This set of problems is often among the most challenging to address. Solutions may include:
 - Educating workers about business issues so they understand the competitive pressures on employers;
 - Help employers implement incentive schemes in which workers can receive additional benefits and/or bonuses for improving production and quality;
 - Train and implement "employee involvement" techniques. For example, involve workers in the process of finding ways of improving production and quality (e.g., suggestion boxes) and give them recognition and rewards for recommended changes that are implemented and establish joint-labor-management committees to achieve properly focused objectives;

- Promote skills training that will enable better paid workers to be more productive;
- Devise processes by which laid-off workers receive assistance in finding new work and gain skills sought in the labor market. They may be directed by government, employers, unions or all them, depending on their institutional abilities and circumstances in the country.

Another area of tension frequently arises with respect to *definition of non-wage benefits*, such as pensions. Solutions may be found by jointly addressing the parties' legitimate concerns that have been not susceptible to resolution when addressed separately. For example, in Zambia, employers sought to reduce very high termination allowances for economic reasons, which the unions opposed for social policy reasons because the pension schemes provided only very small benefit payments. In these circumstances, the employers were right that the termination allowance should be reduced and the unions were right that the pension scheme should be improved. An effective solution is to reform both processes so that termination payments are reduced as pension payouts are increased, thus promoting a more sustainable system for all parties. In such cases, an optimal strategy would call for promoting/maximizing the benefits for citizens, minimizing the cost for businesses, and improving the effectiveness of government. The following scenario illustrates this point:

- **The workers' problem.** The government sponsored pension system results in very low benefits. As a result, the unions negotiate for additional employer-paid pension schemes and oppose the reduction of very high statutory termination allowances.
- **The employers' problem.** Employers are stuck paying for contributions both to the government scheme and its own scheme and, because of the allowances, are saddled with high debt burdens. Thus, they contemplate closing shop and leaving the country.
- **The government's problem.** The law requires public managers to maintain holdings in domestic currency and real estate, leading to low fund growth. At the same time, fund management skills are low and enforceable fiduciary responsibilities are weak. As a result, government shifts the burden to employers.
- **Potential solutions.** In a tripartite process, the parties would identify their underlying interests and an independent expert would provide them with advice on whether to improve either the public or private scheme and address the issue in conjunction with termination allowances. An optimal solution might be to make changes that gradually increase pension payments and, at the same time, reduce terminal allowance payments. For example, if the public scheme was preferred, the law could be amended to strengthen fiduciary responsibilities and authorize managers to diversify the portfolio for greater returns. An alternative could be to end the public scheme and develop laws encouraging and regulating private ones.

4.3 GLOBALIZATION

While support for labor organizations can sometimes appear to be in conflict with economic growth goals, as per above, economic growth goals can also sometimes appear to be in conflict with labor-related objectives.

Encouraging open markets and trade liberalization affects labor in a number of ways. For example, increased *integration with global markets may have differential impacts by worker gender, age, region, and education or skill level and dynamic effects* that need to be more carefully understood and planned for (Gammage et al. 2002, Salinger et al. 2006). In response to exogenous shocks such as sudden trade liberalization, clearance of supply and demand, i.e. equilibrium, in labor markets may not occur instantaneously. Challenged by trade liberalization, labor markets may send signals of demand for new skills that local labor markets may not be able to meet right away. As wage inequality grows between

skilled and less skilled workers, incentives increase for education and training institutions to develop curricula that meet employers' needs and for youth and students to stay in school longer to acquire greater knowledge and skills. As women's societal roles evolve, sometimes under pressure from labor demands stimulated by globalization, labor markets must also adjust to the increased supply of female workers into job categories they did not previously occupy. The potential dislocation effects on livelihoods and employment, in addition to the potential gain through increased competitiveness and resource allocation efficiency, must be considered and may be of overriding importance to policymakers in partner countries.³⁴

Sometimes *promotion of export-led growth may be accompanied by relaxing or ignoring of national labor laws*. Countries are understandably eager to attract foreign investment to their shores to stimulate growth and employment, yet need to be mindful of the implications for foreign capital inflows for local labor markets, labor rights, and labor organizations. Enforcement of national laws must be extended to all parties, and not be excluded from export processing zones and other special cases.³⁵

Globalization debates have largely focused on liberalization of cross-border flows of goods and, more recently, capital. Policies and programs regarding *cross-border labor flows* have attracted some U.S. foreign assistance attention with respect to trafficking in persons. Far less attention has been paid to finding solutions to domestic labor markets that are closed to voluntary migrants who seek employment overseas (Pritchett 2006).

The political economy of labor has undergone dramatic changes over the last twenty years. Vast pools of agrarian labor have fueled rural-urban migration, allowing countries to enter the world marketplace on the basis of cheap labor costs. As many countries' economies have failed, however, to provide adequate domestic demand for labor, international labor migration has grown, taking place largely outside of the formal labor enabling environment established at the national level. In the past state policies buffered workers' welfare and maintained political stability, but insufficient economic integration with global markets led to stagnation. Today, many states have opted instead for fiscal reform, reduced safety net expenditures, and greater integration with world markets in order to improve competitiveness, stimulate economic growth, and thereby expand employment opportunities for workers. But as the pressures of the global marketplace increasingly affect wages and standards of living, the interests of all workers, both formal and informal, will need to be represented and preserved in order to maintain equilibrium and stability within a nation state structure.

³⁴ Such concerns led FTA negotiators from the Kingdom of Morocco to press their U.S. counterparts for tariff-rate quotas and long periods of tariff transition on the Moroccan side, in order to minimize the immediate, disruptive effects of tariff elimination on the profitability of Moroccan farmers' key sources of livelihood, namely wheat and livestock.

³⁵ For more information, read about the Solidarity Center's experience in this area at <http://www.solidaritycenter.org/content.asp?contentid=413>.

5.0 CONTRIBUTION OF LABOR-RELATED ISSUES TO FOREIGN ASSISTANCE FRAMEWORK OBJECTIVES

The Foreign Assistance Framework (FAF) aims at promoting the USG's efficient and effective use of resources in five priority areas: *Peace and Security*, *Governing Justly and Democratically*, *Investing in People*, *Economic Growth*, and *Humanitarian Assistance* (see Appendix A). It classifies 154 developing and transitional countries into five categories with the purpose of designing aid programs in those countries on the basis of the specific challenges they present to achieving the priority goals of U.S. assistance. The categories are as follows:

- **Rebuilding Countries:** states “in, or emerging from and rebuilding after, internal or external conflict,” including 12 countries: Afghanistan, Colombia, Haiti, Sudan, Liberia, Kosovo, Iraq, Democratic Republic of Congo, Nepal, Côte D’Ivoire, Sierra Leone, and Somalia.
- **Developing Countries:** states with “low or lower-middle income, not yet meeting Millennium Challenge Corporation (MCC) performance criteria, and the criterion related to political rights,” including 66 countries ranging from Albania to Cambodia, Egypt to Ecuador.
- **Transforming Countries:** states with “low or lower-middle income, meeting MCC performance criteria, and the criterion related to political rights.” The 24 countries in this category – ranging from Bolivia to Mali to Thailand – are ones that are moving toward the threshold for MCA eligibility.
- **Sustaining Partnership Countries:** states with “upper-middle income or greater for which U.S. support is provided to sustain partnerships, progress, and peace.” This category includes 43 countries, with a number of US strategic partners, including Israel, as well as Panama, Argentina, Kuwait, and Singapore.
- **Restrictive Countries:** states “of concern where there are significant governance issues” and in some cases serious restrictions on direct U.S. funding, including 11 poorly governed authoritarian countries. The list of countries is not publicly available, but likely includes North Korea, Zimbabwe, Belarus, and other “outposts of tyranny.”³⁶

³⁶ See Secretary Condoleezza Rice's remarks to the Senate Foreign Relations Committee, January 18, 2005.

Labor-related foreign assistance strategies should change as countries devolve or improve. For example, aid in a *restrictive country* may be limited to labor-related organizations agitating for democratic reform. If it becomes a *rebuilding country*, then aid may be directed to the new government to create high employment on public works projects to employ demobilized soldiers and internally displaced persons and build basic infrastructure. As a *developing country*, aid may begin to promote relatively low-skill employment in the private sector with a basic labor code. As a *transforming country*, they may seek to diversify industries and create a more complex regulatory environment for health, retirement and welfare benefits. The question is not “should we develop the public sector *or* the private sector?” Instead, it should be “how do we develop both the public sector *and* the private sector, in mutually supportive ways considering the country’s circumstances?”

Certain factors may cut across these categories and have an impact on strategic choices regarding labor-related issues. They include:

- Whether labor rights are protected in law and policy;
- Which labor rights issues are more or less salient;
- Status of government regarding labor law enforcement (inspections, courts, remedies, etc.);
- Status of unions - weak, strong, independent, dependent, co-opted;
- Status of employer organizations – weak, strong, independent, dependent, co-opted;
- Status of social dialogue – formal/informal structures and processes are robust or weak; and
- Labor market issues - nature and extent of:
 - Human capacity investments;
 - Employment training, general and for disadvantaged groups;
 - Pro-employment economic growth strategies;
 - Productivity training;
 - Active labor market programs;
 - Labor mobility and migration programs;
 - Social protection programs;
 - Livelihoods support; and
 - Labor policy and institutions support.

As countries are categorized according to their contexts, the FAF provides guidance as to how to approach the relative mix of the five priority program areas. A summary discussion of how labor-related issues may be incorporated into each of the five priority program areas is presented below, with a more detailed matrix included in Appendix F.

To determine whether labor-related issues are relevant to objectives in any of five priority program areas, it is useful to pose the following questions when reviewing each of them:

Does the program area, element and sub-element set forth an objective that:

- Explicitly promotes a labor right or standard?
- Includes, integrates or incorporates a labor right or standard?
- May be achieved by addressing labor-related issues?
- May be achieved by engaging labor-related institutions and organizations?

For example, as noted below, reducing trafficked forced labor is an explicit goal and promoting labor rights is an integral component of promoting human rights. And as noted above, the goal of promoting labor rights is incorporated into the goal of promoting compliance with trade agreements that have labor-related provisions. In other cases, labor-related institutions and organizations may simply be in a good position to help a project achieve other objectives, such as fighting HIV/AIDS, promoting the rights of women and minorities, advocating for democratic change, implementing training, or fighting corruption.

5.1 ACHIEVING PEACE AND SECURITY

Trafficking in persons is a key issue addressed by diplomacy and development activities under “Achieving Peace and Security.” Labor-related organizations assist in prevention, victim support, and prosecution of traffickers. Most commonly, tripartite bodies of labor ministries/departments, other government offices, and worker and employer organizations cooperate to create laws, regulations, and policies to combat trafficking. Labor rights organizations commonly provide victim support, and government offices and worker organizations police for violations.

Another area of intersection between “Achieving Peace and Security” and labor-related issues is through activities carried out by worker organizations in the name of peace and security. For example, unions may represent police, customs and border agents, prison guards, and other law enforcement officials. Such unions can provide constructive pressure on government executives, legislatures, and the public to ensure that law enforcement receives proper support in the forms of funding, training, and supplies. They may also be engaged in training and educating about terrorism, organized crime, money laundering, and other areas related to peace and security. Unions representing workers in hazardous materials industries may engage in training in security, material handling, and safety, particularly where the materials could be used in WMDs.

Closely linked to the level of compensation for both informal and formal labor are broader considerations of access to basic goods and services. As states have moved away from a centrist social profile, the labor market and/or private actors need to be able to more effectively fill the gap while still remaining competitive on global markets. Inadequate democratic processes to ensure the balancing of economic growth objectives with the need to protect human rights and political interests of formal and informal sector workers, who represent a broad swath of civil society, can lead to declining legitimacy and contribute to civil unrest.

5.2 GOVERNING JUSTLY AND DEMOCRATICALLY

“Governing Justly and Democratically” expressly involves promoting labor rights in constitutions, laws, policies, and practice. It also provides for building capacity in human rights organizations, which include labor-rights organizations, to promote these rights and the rule of law.

This area also provides for good governance throughout the public sector at the national, executive, and local levels by incorporating democratic principles and supporting “voice, negotiation/problem solving, and consensus building” in the workings of government. It further provides for reducing corruption through reform, oversight, and enforcement. When properly engaged, public sector unions can help ensure that governments become more efficient and effective. Because it is in their members’ interests to do so, they can serve as excellent watchdogs to ensure that public funding is spent for government purposes rather than stolen or squandered.

Labor-related organizations, particularly unions, have played and can continue to play an important role in promoting political competition and consensus building. Development activities in the civil society strengthening area also develop and strengthen trade unions and their federations to promote labor rights through organizing and advocacy for workforce development and health initiatives. They also may help to improve their capacities to engage in collective bargaining and tripartite processes, and to act as incubators for democracy. Program priorities in this area also call for promoting a free media, which journalist organizations and unions have done under difficult and often dangerous circumstances.

5.3 INVESTING IN PEOPLE

Activities undertaken in the “Investing in People” program area include engaging institutions and organizations to address health (including HIV/AIDS), education, and social services and protections. Labor-related dimensions in this program area include protecting the rights, including labor rights, of people in vulnerable groups, promoting their employment and ability to earn income, and ensuring that they have safety nets; see Chapter 3 for explorations of the role of labor in several of these development themes. To reform the laws and policies, tripartite partners could be engaged; to implement them, the capacities of labor ministries/departments and other government offices should be improved. For example, the tripartite partners could advance anti-discrimination laws, labor ministries/departments could support appropriate training and assist in job placement in coordination with employers, labor rights organizations could provide services, and unions could provide education and assist in preventing discrimination.

5.4 PROMOTING ECONOMIC GROWTH AND PROSPERITY

Employers, labor organizations, and labor-related government institutions and their stakeholders all have personal and organizational stakes in promoting economic growth and prosperity. There are many promising methods of employee involvement, including workforce councils at the enterprise-level and joint committees at a sectoral or national level, for employers and worker organizations to promote their common interests. Labor-related organizations should receive skills training to be able to properly evaluate business and employment-related information and to understand and comply with the law, consistent with CLS. They should also be engaged in bi- and tripartite processes to promote cooperation on matters of common concern and develop efficient and effective processes for peacefully resolving their disputes. Labor is already a crucial, if often hidden, dimension in many economic growth programs.

5.5 PROVIDING HUMANITARIAN ASSISTANCE

With efforts focused on achieving specific results in the short term, engaging labor-related organizations may be instrumental in providing humanitarian assistance regarding income generation, employment opportunities, and basic social service support. They may also help by creating a stable labor environment to serve as a foundation for achieving objectives under other FAF areas including, for example, mitigating conflict, reconciling groups, preventing vulnerable people from becoming trafficking victims, and providing a stable foundation for good governance and economic growth.

6.0 CONCLUSION: TOWARD A NEW SYNTHESIS IN LABOR-RELATED FOREIGN ASSISTANCE PROGRAMMING

This Technical Paper has demonstrated that labor-related foreign assistance programming has the potential to have a much broader impact than has been the case with past conceptualizations of how to approach this area of programming. In particular, there have been four key findings of this paper that have implications for how a re-conceptualization of labor-related programming could improve the likelihood of such interventions contributing directly to the USG priority areas for foreign assistance.

- First, conceptualizing the labor sector from a systemic methodological approach offers new advantages that would likely render labor-related programming more nuanced and able to contribute to a broader set of objectives that has been the case in the past.
- This leads into the second key finding, which is that labor-related programming should be conceived not only as a means to promote not only labor rights and organizations for their own sake, but that the labor sector itself can be used as a platform for programming that can directly help to achieve priority USG foreign policy objectives.
- Third, this paper has demonstrated that labor-related issues are of integral importance to achieving the priority USG foreign policy objectives. That is, incorporating labor elements into strategic plans to achieve the five FAF objectives is essential. Not adequately addressing labor-related issues in broader foreign assistance programming will risk undermining progress that might otherwise be achieved.
- Finally, by broadening the systemic approach through including political economy considerations, the paper has demonstrated that there is an urgency associated with resolving the need to develop mechanisms to mitigate trends towards competitiveness that undermine popular access to basic goods and services that are not sufficiently widely available through labor markets. Without addressing such growing concerns, greater threats to political stability are likely to continue to emerge.

As we have seen, consideration of labor-related issues, defined within a four-pronged (rights-institutions-organizations-markets) approach, enters into all five of the USG's priority areas for foreign assistance. The broad scope of the multi-faceted labor approach presented in this report provides a comprehensive lens through which to consider foreign assistance objectives in the thematic areas of democracy and governance, investing in people, economic growth and prosperity and, in some respects, peace and security and humanitarian affairs. Thus, the scope encompasses a wide range of labor sector issues, certainly including but not limited to those involving unions, formal sector employment and labor market flexibility, all considered in the context of these thematic areas.

As one probes more deeply into each of these areas, tensions among disciplines and program approaches inevitably arise. Yet the potential for synergistic and broad-based outcomes, rooted in a labor perspective but implemented creatively across the foreign assistance objective areas, may yield fruitful results in unexpected areas, such as counter-terrorism, security, and transnational crime; dealing with HIV/AIDS, tuberculosis, malaria, and other diseases through the workplace; and livelihood support in crises and post-crisis transitions. It is no surprise that most of these issues and foreign policy objective areas are now considered to have global dimensions. It is therefore imperative that new conceptual frameworks regarding labor-related programming be formulated to address how imbalances caused by the accumulation and movement of transnational capital can best be addressed in the absence of effective transnational political regimes. How the concentration and movement of global capital affects labor markets in both the formal and informal economies will help to determine the prospects for maintaining the stability necessary for sufficient levels of economic growth.

The challenge is to consider how to work within the labor sector to both effect meaningful gains for all workers in developing countries as well as to contribute to broader foreign policy objectives. As countries become increasingly globally interconnected, getting the labor equation right will also involve addressing challenges in each of the four pillars of the labor sector. Fruitful dialogue is needed with policy makers about the pace, sequencing, and intersectoral incidence of such liberalization. These and other questions will be examined in upcoming country-level labor assessments and other future, labor-related work to be undertaken by USAID and the U.S. Department of State.

APPENDIX A: FAF MATRIX

Goal	To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.				
Objectives	Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance
	To help nations effectively establish the conditions and capacity for achieving peace, security, and stability; and for responding effectively against arising threats to national or international security and stability.	To promote and strengthen effective democracies in recipient states and move them along a continuum toward democratic consolidation.	To help nations achieve sustainable improvements in the well-being and productivity of their populations through effective and accountable investments in education, health, and other social services.	To generate rapid, sustained, and broad-based economic growth.	To save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacements.
Foreign Assistance Program Areas	<ul style="list-style-type: none"> • Counter Terrorism • Combating WMD • Stabilization Operations & Security Sector Reform • Counter-narcotics • Transnational Crime • Conflict Mitigation & Reconciliation 	<ul style="list-style-type: none"> • Rule of Law & Human Rights • Good Governance • Political Competition & Consensus-Building • Civil Society 	<ul style="list-style-type: none"> • Health • Education • Social Services & Protection for Especially Vulnerable Populations 	<ul style="list-style-type: none"> • Macroeconomic Foundation for Growth • Trade & Investment • Financial Sector • Infrastructure • Agriculture • Private Sector Competitiveness • Economic Opportunity • Environment 	<ul style="list-style-type: none"> • Protection, Assistance & Solutions • Disaster Readiness • Migration Management
Country Categories					
<ul style="list-style-type: none"> • Rebuilding: States in or emerging from & rebuilding after internal or external conflict. • Developing: States with low or lower-middle income, not yet meeting MCC performance criteria, & the criterion related to political rights. • Transforming: States with low or lower-middle income, meeting MCC performance criteria, & the criterion related to political rights. • Sustaining Partnership: States with upper-middle income or greater for which US support is provided to sustain partnerships, progress, & peace. • Restrictive: States of concern where there are significant governance issues. • Global or Regional: Activities that advance the five objectives, transcend a single country's borders, and are addressed outside a country strategy. 					

Source: U.S. Department of State, "New Direction in Foreign Assistance," January 29, 2007 (<http://www.state.gov/f/direction/>) For a breakdown of program elements and sub-elements by objective area, see Appendix F.

APPENDIX B: USG LABOR-RELATED PROGRAMS

1. U.S. GOVERNMENT AGENCIES

USAID

USAID is the primary federal government agency working to promote development and raise living standards in other nations. Its Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) oversees programs in support of labor rights, labor organizations, and labor-related democracy and governance. Its Bureau for Economic Growth, Agriculture, and Trade (EGAT) addresses labor markets operation and regulation. Regional and country programs based within USAID missions abroad also may incorporate labor-related programming.

USAID has provided over \$300 million in funding to the Solidarity Center (formally known as the American Center for International Labor Solidarity, or ACILS) and its direct predecessors to promote democracy through support for free and independent trade unions, dating from the decades following WWII to the present. In 1997, under a directive of the Administrator, USAID began a core-funded, broad-based labor program to (USAID/DCHA 2004: 35):

- 1) promote the adoption and effective enforcement of core labor standards;
- 2) establish legal frameworks to protect and promote civil society;
- 3) increase citizen participation in policy processes, implementation, and oversight of public institutions;
- 4) increase institutional and financial viability of labor unions and labor NGOs;
- 5) enhance free flow of information;
- 6) strengthen democratic culture and gender equity;
- 7) support anti-sweatshop activities;
- 8) promote broad-based, equitable economic growth;
- 9) build human capacity through education and training; and
- 10) improve health through workplace and peer-to-peer health education and prevention.

In 2001, the grant supporting this program was restructured to be competed for the first time; ACILS was awarded the cooperative agreement in 2002. In addition to the core grant to ACILS, USAID has also funded a limited number of labor-related projects at the level of individual missions overseas ranging from pension reform to workforce development within region- or country-specific procurements.

Outside of the core labor program implemented by ACILS, the USG funds trade-related investments in human resources and labor standards areas. These have represented a declining share of total trade capacity building (TCB) funds in recent years. Since 2002, two-thirds of the funding in this category has

been allocated to child labor-related activities, another twenty percent to labor standards, rights, and worker safety areas, and the remaining 14.5% has been spent on institutional development, workforce development, economic growth, and other areas (see Table B-1).³⁷

TABLE B-1. TRADE CAPACITY BUILDING FUNDING FOR HUMAN RESOURCES AND LABOR STANDARDS ACTIVITIES

(Million \$)	1999	2000	2001	2002	2003	2004	2005	2006	2007
Human Resources & Labor Standards	40.9	84.2	132.1	100.0	115.3	138.4	87.7	95.4	103.6
TOTAL	369.1	504.5	598.7	637.8	760.1	921.2	1345.3	1417.4	1401.3
%	11%	17%	22%	16%	15%	15%	7%	7%	7%

Source: USAID Trade Capacity Building Database (accessed May 29, 2008)

Department of State

The Department of State (State) addresses a range of labor-related issues through a number of programs, including the Office of International Labor and Corporate Social Responsibility (ILCSR) of the Bureau of Democracy, Human Rights and Labor (DRL), the Office to Monitor and Combat Trafficking in Persons (G/TIP) in the Democracy and Global Affairs Bureau, and the Near East Asia Bureau's Middle East Partnership Initiative (MEPI). Funds have also been made available through the Bureau of Western Hemisphere Affairs (WHA) for CAFTA-DR trade capacity-building projects regarding labor rights.

DRL has overseen labor-related projects through two major programs in recent years – the Partnership to Eliminate Sweatshop Employment (PESP) and the Human Rights and Democracy Fund (HRDF). PESP aims at promoting corporate social responsibility, strengthening worker organizations, improving industrial relations, and sharing best practices regarding factory monitoring and codes of conduct. Major programs have operated in China, Mexico, Central America, South Africa, India, and other nations. In the period of 2000-2005, funding levels have ranged from a little under \$4 million to just under \$2 million per fiscal year. The HRDF programs include labor-related activities to build democratic free trade unions and promote rule of law in labor, with most projects in China and some in the Middle East, Central America, and Pakistan.

The vast majority of G/TIP's technical assistance projects address trafficking for commercial sexual exploitation. A small but growing share, however, focus on so-called labor forms of trafficking, which can include trafficking into forced labor in sweatshops, bonded labor, domestic service, and other activities. In Fiscal Years 2005 and 2006, G/TIP administered approximately \$17 million in funds to combat trafficking worldwide.

Department of Labor

The Department of Labor implements international labor policy through the Bureau of International Labor Affairs (ILAB). In carrying out its responsibilities, ILAB coordinates with other U.S. government agencies, intergovernmental organizations, and nongovernmental organizations. ILAB's mandate comes from Executive Branch initiatives, with authority delegated by the Secretary of Labor and legislation.

³⁷ Author's calculations from USAID TCB data by specific activity and country, available for 2002-2006 only.

Most DOL labor programming in recent years has been aimed at combating the worst forms of child labor, as defined by ILO Convention 182. In 2006, it provided \$38 million to its child labor programs. In the past six years, DOL has also overseen programs to promote a broader range of labor standards, raise working conditions, use workplace programs to address HIV/AIDS, and improve the monitoring of labor conditions abroad. Although Congressional funding for a number of these programs has ended, certain projects are still ongoing.

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC), a U.S. government corporation created in 2004 to provide financial support to countries that meet U.S. goals of good governance, economic freedom, and investments in their people. The MCC utilizes 17 policy indicators, including several that relate to some of the core labor standards, to determine country eligibility for multi-year assistance through Compact Grants. Indicators include Freedom House and World Bank measures of civil liberties (including freedom of association, the existence of free trade unions and effective collective bargaining, the right to strike, and the absence of economic exploitation), political rights, voice and accountability (also including freedom of association), and rule of law. As of April 2008, sixteen countries had signed or begun to implement Compacts, while another 24 countries are in various stages of discussion with the MCC about future Compacts.

Federal Mediation and Conciliation Service

Through its international programs, FMCS offers training in the prevention and resolution of collective and individual labor disputes, consultation in the design, creation and development of governmental institutions for mediation, and the facilitation of meetings in international forums. These programs address process and institutional reforms that impact peace and democracy efforts. In the past three years, FMCS has provided assistance in Argentina, Bulgaria, Canada, Colombia, China, Cambodia, Croatia, Hungary, Indonesia, Latvia, Mozambique, Peru, Serbia, Thailand, Viet Nam and Uganda. Congress has authorized the FMCS to do this work, however, because specific appropriations have not been granted the agency must seek reimbursement for its efforts. Among others, DOL, the ILO, numerous countries, NGOs, and others have engaged the FMCS for conflict resolution expertise.

2. INTERNATIONAL AGENCIES

International Labor Organization

The ILO is the United Nations agency responsible for tripartite collaboration among governments, employers, and workers on labor-related issues. According to the ILO's website, its primary goal today "is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security, and human dignity." Decent work is addressed through ILO departments organized around four strategic objectives – standards and fundamental principles and rights at work, employment, social protection, and social dialogue – which are pursued at local, regional, and multilateral levels.

The ILO was created in 1919 as part of the Treaty of Versailles after World War I; the U.S. has been a member since 1934.³⁸ Employer and worker representatives from member states meet annually at the International Labor Conference to discuss policy issues, approve the annual budget, and elect the

³⁸ A brief hiatus of non-membership occurred in 1978-1979.

governing body. The ILO is also responsible for publications and data collection on labor-related topics. The latter is coordinated through the Key Indicators of the Labor Market program, part of the ILO's Bureau of Statistics.

International Finance Corporation

The IFC, a member of the World Bank Group, finances private sector investment, mobilizes international capital, and provides advisory services to businesses and governments. Since 2006, the IFC has been engaged in a partnership with the ILO to improve simultaneously both labor standards and the competitiveness of global supply chains through a jointly funded Better Work Program.³⁹ In addition to national tripartite stakeholders, international value-chain buyers are also engaged. Country programs in Jordan, Vietnam, and Lesotho will apply lessons learned from the Better Factories Cambodia project.

3. IMPLEMENTING PARTNERS

The National Endowment for Democracy

The National Endowment for Democracy (NED) is a private, nonprofit organization created in 1983 to strengthen democratic institutions around the world through nongovernmental efforts. NED is governed by an independent, nonpartisan board of directors. With its annual congressional appropriation, it makes hundreds of grants each year to support pro-democracy groups in Africa, Asia, Central and Eastern Europe, Latin America, the Middle East, and the former Soviet Union. ACILS, which is one of the four core institutes of NED, receives core funding from the Endowment and the vast majority of all NED labor-related funding. In 2005, it provided more than \$10 million in funding for labor programs, which was substantially higher than in previous years.

³⁹ See www.betterwork.org for more information.

APPENDIX C: LABOR RIGHTS

1. The Scope of Labor Rights

The term “labor rights” has been defined in international instruments, multilateral agreements, trade law, and domestic law. Although these definitions have historically varied in scope, in the past few decades convergence has largely been achieved. The following definition covers rights collectively under all of them:

1. Freedom of association and the right to organize;
2. Effective recognition of the right to collective bargaining;
3. Elimination of all forms of forced and compulsory labor;
4. Effective abolition of child labor and the prohibition of the “worst forms” of child labor;
5. Elimination of employment discrimination; and
6. Promotion of “acceptable conditions of work” with respect to minimum wages, hours of work, and occupational safety and health.

Recent U.S. free trade agreements have included all these rights in their definition of labor rights consistent with a template developed by the Office of the U.S. Trade Representative (USTR). The first five are addressed in the 1998 ILO Declaration (discussed below), except the prohibition of the worst forms of child labor, which was addressed in a 1999 Convention (ILO C. 182) that was ratified by the USG. They are collectively referred to as “core labor standards” (CLS). All of them are addressed in ILO Conventions, including the sixth on acceptable conditions, elements of which are addressed in a number of Conventions.

In human rights terms, these rights are “negative rights,” because states are required to *not* violate them and *not* engage in the prohibited conduct. However, if private individuals, businesses and other organizations violate these rights with impunity, then governments are not meeting their international human rights obligations. As a result, labor rights are also “positive rights,” requiring states to act to protect them by providing effective recourse and remedies for violations (Compa 2003: 283). Under the ILO’s tripartite system, worker and employer organizations share responsibility for protecting and promoting these rights. These roles and responsibilities are effectively directed through social dialogue and its processes of democratic consultation.

2. Labor Rights Defined

a. Freedom of Association and the Right to Organize

The principles of *Freedom of association* (FOA) and *the right to organize* mean workers and employers have the right to form and join their own organizations to represent their interests (ILO 2005: 24). As a general matter, the difference between the two is that FOA concerns relations between governments and worker and employer organizations and, the right to organize concerns relations between worker organizations and employers (Lyle and Compa/ACILS 2004: 3). They include the right to establish and join organizations of their own choosing without prior authorization; to draw up their own constitutions and rules and elect their own representatives; to join in federations and affiliate with international organizations; and to be protected against dissolution or suspension by the government (ILO C. 87). It also includes the right to be protected from discrimination based on union activity (ILO C. 98). A government may, at its discretion, exempt the military and the police.

In international law, these rights have been understood to include the right to strike as one of the essential means available to workers for promoting and protecting their economic and social interests (Leary 1996: 34). This right, however, is qualified because strikes must be peaceful, they may be made subject to certain preconditions, e.g., notice and mediation, and the right to strike may be denied to public servants and workers engaged in “essential services,” defined as those the interruption of which would endanger the life, personal safety or health of the whole or part of the population. It is also linked to the right to engage in collective bargaining.

b. Collective Bargaining

Collective bargaining is broadly defined as “the collective assertion of power by employees to influence the employer’s actions regarding employment,” which serves as “a democratic process capable of preserving human dignity, and serving worker rights and interests, while still being compatible with employer needs for efficiency and profitability” (H. Wheeler 2001: 593). Consistent with the ILO Declaration, it means that workers have the right to be represented in negotiating the prevention and settlement of disputes with employers and that governments have the responsibilities to promote mechanisms for voluntary negotiations between workers and employers (ILO C. 98). The term “collective bargaining” is often used to refer more narrowly to negotiations between workers, through their representatives, and their employers to determine wages, benefits, hours, and working conditions. In some countries, bargaining may be wider in scope by including, at one end, decisions that are traditionally in the realm of management, such as closing and moving factories, to the other end, decisions involving local quality of working life issues, such as the provisions of water, canteens and restrooms.

Bargaining can take place in a range of processes, involving various formal and informal structures such as work councils and ad hoc committees as well as traditional contract bargaining relationships. The coverage of bargaining can range from a few workers in one union at one employer’s worksite to thousands of workers in industry-wide multi-employer and multi-union units. In some cases, there may be two levels of agreements – one level with one agreement for all workers in a multi-employer or multi-site unit on a few matters such as standard wage rates; and a second level with a number of agreements in different worksites and/or employers on a wider range of local conditions and standards.

c. Forced and Compulsory Labor

Forced and compulsory labor is “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” (ILO C. 29). It may be used as a means of political coercion or punishment for expressing political views or participating in a strike; for labor discipline; for racial, social national or religious discrimination; or for economic development (ILO 2005: 29). It may also involve human trafficking.

d. Child Labor

The *prohibition of child labor* gives consideration to the complex reality in which efforts to reduce child labor often must be coordinated with efforts to expand educational opportunities for children and permit work on family farms where it is not exploitative and does not interfere with the children’s health or educational opportunities (ILO C. 138). It sets the general minimum age for employment and work at 15 years (13 years for “light” work) and the minimum age for “hazardous” work at 18 (16 under limited conditions). It provides for the possibility of initially setting the minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed. A key is that no child should be employed in work that is likely to jeopardize his or her health or interfere with school attendance. States should progressively improve their support and protection of children. The *worst forms of child labor* include all forms of slavery, including trafficking; prostitution and pornography; their use in illicit activities, such as the drug trade; and work that “is likely to cause a high degree of harm to the health, safety or morals of children” (ILO C. 182).

e. Elimination of Discrimination

Prohibited discrimination includes discrimination based on any distinction, exclusion or preference made on the basis of race, color, sex, religion political opinion, national extraction or social origin in relation to hiring, firing, promotion, terms and conditions of employment, and access to training (ILO C. 111). Discrimination on the basis of gender generally includes sexual harassment and discrimination on the basis of pregnancy. Governments, in consultation with worker and employer organizations, may identify other types of discrimination that should be prohibited (ILO C. 111 Art. 1 §1(b)), which commonly include discrimination on the basis of handicap, age, and HIV/AIDS status. Employers may be required to make reasonable efforts to accommodate workers with physical limitations in what are often referred to as “reasonable accommodation” requirements. The prohibition of discrimination in employment is often linked to the right to equality in employment and occupation, which includes requiring equal pay for men and women for work of equally value (ILO C. 100). The Equal Remuneration Convention is considered a “fundamental” though not a “core” Convention.

f. Acceptable Conditions of Work

As noted above, “acceptable conditions of work” refer to minimum wages, hours of work, and occupational safety and health. In contrast to “core labor standards,” these conditions of work are also called “cash standards,” because they mandate particular outcomes that directly effect labor costs (Elliott and Freeman 2003: 13). The level of cash standards vary depending on the level of development in a country. In practice, the distinction between the standards is not always clear; for example, some improvements in health and safety may save an employer money and some health and safety violations may be so egregious as to violate fundamental rights.

The Department of State Bureau of Democracy, Human Rights, and Labor has explained that “acceptable conditions of work refer to “the establishment and maintenance of mechanisms, adapted to national conditions” providing for minimum standards in the following respects:

- Wages that provide “a decent living” for workers and their families;
- Working hours that do not exceed 48 hours per week with a full 24 hour rest day;
- A specified number of annual paid leave days;
- Minimum conditions for the protection of safety and health.

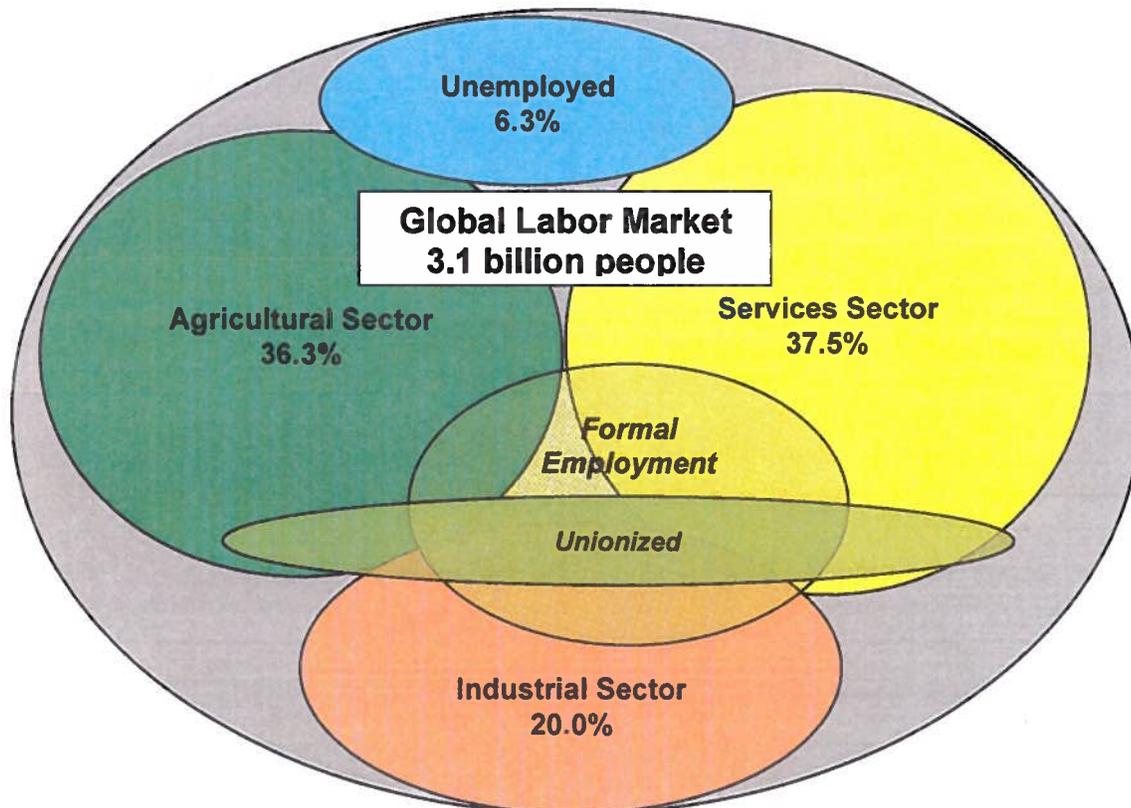
With regards to these conditions, in contrast to the core labor standards, governments may reasonably engage in progressive implementation to achieve the higher levels specified in these standards (National Research Council 2004: 232-233).

APPENDIX D: LABOR MARKETS

Labor is the most fundamental economic asset of the world's poor. Even if land and capital resources are inaccessible to the poorest, individuals can use their own labor to generate goods, sell them for revenue, or sell their time in a "labor market" to generate income. Labor markets are the means by which individuals and households offer themselves for work to secure their immediate well-being, accumulate resources for present and future consumption, and access social services such as education and health that will provide better futures for themselves, their parents, and their children. Labor markets are also the means by which private companies, organizations, and public agencies attract manpower and skills used to furnish goods and services into the marketplace.

While labor markets in industrial countries or settings are usually synonymous with formal sector employment, outside of these settings "labor markets" refers to the choices people, as individuals and as members of households, make about how and where to earn a living. This broad definition of labor markets is similar to the concept of "livelihood," defined as comprising "people, their capabilities and their means of living, including income and assets" and distinguished from narrow thinking on "production," "employment," or "incomes" by Chambers and Conway (1991). Livelihoods, therefore, are also labor market issues.

FIGURE D-1. GLOBAL LABOR MARKET COMPOSITION



Source: Author, developed with sectoral allocation and unemployment data from ILO (2007).

Figure 2 depicts a rough breakdown of the global labor market. According to the ILO (2007), 2.9 billion people around the globe work, i.e. are self-employed, employed, employers, or work without pay in the household, in the formal and informal sectors of the economy. Those out of work number around 200 million. Employment is spread across the three sectors of the economy; in 2006 the share of service sector employment eclipsed for the first time that of agricultural sector employment.

Figures on the number of workers in the formal and informal sectors of the economy vary widely from country to country. Moreover, definitional issues make it difficult to come up with reliable global statistics (ILO 2002). The share of informal sector employment range from 5-10% in Central Europe to over 50% in many Latin American, African, and Asian countries. In Figure 2, we therefore show formal employment as being a smaller subset of total employment.

An even smaller share of workers is unionized, as seen in the sample union density statistics presented below. Once the exclusive domain of the formally employed, there also exist today labor unions that represent the interests of the informally employed, especially in service industries.⁴⁰

TABLE D-1. SAMPLE UNION DENSITY RATES AROUND THE WORLD

Country	Union Density Rate	Country	Union Density Rate	Country	Union Density Rate
Argentina	31%	El Salvador	5%	Nigeria	15%
Australia	19%	France	7%	Singapore	21%
Bangladesh	3%	Germany	20%	South Africa	15%
Brazil	15%	India	10%	South Korea	7%
Cambodia	1%	Indonesia	3%	Sri Lanka	15%
Canada	26%	Japan	16%	Turkey	11%
Chile	9%	Kenya	4%	United Kingdom	23%
Egypt	18%	Mexico	10%	United States	10%

Note: Union density rates calculated by author as Union Membership (#) divided by Active Labor Force (#).

Source: Union membership figures from Hall-Jones (2007); active labor force of 15-64 year olds calculated from World Bank, World Development Indicators (2005 data). See also ILO (1997), Table 1.2 for union density rates from the early 1990s.

1. What is a Well-Functioning Labor Market?

a. Labor Supply

Men, women,⁴¹ and children⁴² supply their labor assets through work in a variety of settings, often in combination. They work for themselves or their families, either on farm or off-farm in rural or urban

⁴⁰ One of the best-known of these is the Self-Employed Women's Association (SEWA), an Indian trade union created in 1972, which represents women street vendors, home-based workers, manual laborers, and independent entrepreneurs.

⁴¹ A review of women, work, and poverty is found in Chen et al. (2005).

⁴² While children may be engaged in wage labor with formal or informal enterprises, such practice not only contravenes established labor standards to which many countries of the world are pledged, it is also hugely atypical of most child labor. The vast majority of children around the world who work do so alongside their parents on farms, perform household chores, or assist in family businesses (Edmonds 2008).

informal⁴³ markets. Adult men and women may also work as formal employees in agricultural, industrial, or service sector jobs. They may contribute their labor to the family farm or enterprise, or sell it in a variety of settings in exchange for food, wages, or other forms of compensation. People seek to earn their living under a variety of labor market conditions, including during or in the wake of disasters and crises. Livelihoods may be devoted to legal or illegal pursuits. Examples of the latter include the cultivation of illegal drug-producing crops or participation in other criminal activity. Most people look first to supply their labor through work in their own countries. Some will seek to move abroad (legally or illegally) in search of work elsewhere. And some are so desperate that they pursue work at home or abroad through whatever means necessary, sometimes falling victim to trafficking schemes.⁴⁴

Wages and other forms of compensation vary in response to differences in education and skill levels among workers. Education and training institutions influence labor supply, by preparing candidates with core knowledge and specialized skills. If supplies of specialized skills are unavailable in the local labor market, employers may import them from outside the country, as seen in developing countries where manufacturing firms hire low-skilled labor locally and bring in from abroad skilled managers, engineers, and technicians; on the other hand, if supplies of low-skilled labor are limited in the local labor market, as in industrial countries where local labor is unavailable for lower-skill jobs, these skills may also be imported in from abroad (Pritchett 2006).

b. Labor Demand

Labor can be employed within the family household, by informal or formal private enterprises, or by the public sector.⁴⁵ In developing countries, overall labor demand is a function of the overall health of the economy, the business environment, the responsiveness of the financial sector to businesses' needs, and the relative prices of labor and capital. To the extent that an economy is actively growing, businesses can be established without undue restriction, investment and working capital are available to fund enterprises, and the price of capital goods is not subsidized relative to the price of labor, then jobs should be created.

c. Labor Market Regulation

Two polar views exist with regard to the optimal level of labor market regulation (Sengenberger 2005). Some observers believe that efficient resource allocation is achieved when the forces of supply and demand are allowed to clear in the market without intervention, known as "labor market flexibility." In this view, when minimum wages are set, conditions on hiring and firing are imposed, or benefits and social protections are mandated, the effective cost of labor to employers is raised, which lowers demand for workers and reduces employment. Others believe that if labor markets are left unregulated, the unfettered interaction of supply and demand forces will result in a "race to the bottom," as employers shift operations to districts or countries with the lowest costs and protections of labor. In this view, reliance on markets alone would result in wages that barely cover living costs and working conditions that are non-compliant with international labor standards, which is the antithesis of the goal of "decent work" espoused by the International Labor Organization.⁴⁶

⁴³ When labor markets are made inflexible by rigid regulation, the formal sector cannot easily create new jobs, forcing workers to seek employment in the informal sector, where workers "receive no health benefits, no support for their children, no sick leave and no pensions. If abused by their employer, they have no recourse to the courts..." (World Bank 2006, p. 21).

⁴⁴ Trafficking has been defined as, "people ... coerced into bonded labor, bought and sold in prostitution, exploited in domestic servitude, enslaved in agricultural work and in factories, and captured to serve unlawfully as child soldiers." (Lagon 2007) The USG estimates that of the approximately 800,000 people trafficked across international borders each year, about 80 percent are female and up to half are minors.

⁴⁵ Public sector employment has fallen as a result of structural economic reforms in many countries, however.

⁴⁶ "Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development

In between these opposing positions, the appropriate balance of labor market flexibility with employment security is a hotly debated topic.⁴⁷ Some analysts, such as the International Finance Corporation's Doing Business project, believe that economic growth depends in part on less regulation of the private sector.⁴⁸ Annual reports rank countries according to ten objective criteria that measure the ease of doing business in a country. One of the ten criteria is employment regulation, based on 1) employment rigidity (difficulty of hiring, rigidity of work hours, and difficulty of firing), 2) the cost of non-wage compensation to labor, and 3) the cost of firing a worker, using a methodology developed by Botero et al. (2004).⁴⁹ Analysts such as the International Trade Union Confederation (ITUC no date), however, criticize the *Doing Business* employment rigidity index for ignoring countries' performances with respect to core labor standards, penalizing countries for implementing worker social protection programs, and only focusing on the costs, while failing to address the benefits, of labor market regulation.⁵⁰

Markets function even better when labor market policy makers are guided by regularly collected, survey-based data on labor force participation, employment and unemployment, wages, and productivity, disaggregated by sector, age, and gender, supplemented by occasionally collected insights into livelihoods strategies practiced by various household types and workforce assessments from employers' and workers' perspectives. These labor market information systems are typically weak in most developing countries.

2. Labor Market Institutions and Actors

Conduct in the labor market is conditioned by a variety of institutions and actors.

Institutions that directly affect the labor market include organizations at each point in the tripartite dialogue. This includes *government agencies* that oversee employment, inspect workplaces, provide vocational training or social protection, and collect labor market statistics, such as ministries of labor, sectoral ministries, and macroeconomic oversight institutions such as ministries of planning or economic affairs. *Wage boards* oversee the setting of minimum wages or collective bargaining agreements. Independent *labor dispute resolution* institutions mediate disputes between workers and employers. *Employers' associations* represent the interests of those who demand labor, organized on a sector-specific (as in a Garment Manufacturers' Association) or economy-wide (as in the General Confederation of Enterprises, or "patronat" as it is known in francophone countries) basis.

Other institutions also play direct roles in labor markets. *Government employment agencies*, private *human resource bureaus*, and various *media outlets* provide direct linkage between demand and supply in the market. In addition, *skills councils or training boards* may bring employers and educators/trainers together directly to address workforce needs. *Career counseling offices* of colleges and universities also offer career path insights to their pending graduates.

and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.: From <http://www.ilo.org/public/english/decent.htm>. See also ILO (2007b).

⁴⁷ Referred to by some as "flexsecurity." See, for example, ILO (2006) and Auer (2007).

⁴⁸ See www.doingbusiness.org.

⁴⁹ Botero et al.'s analysis suggests that 1) more protective collective relations laws are associated with a larger degree of labor market informality, 2) more protective employment, collective relations, and social security laws lead to lower male participation in the labor market, 3) more protective employment laws lead to higher youth unemployment, and 4) wealthier countries provide more generous social security to workers. (2004, p. 1378)

⁵⁰ See http://www.ituc-csi.org/spip.php?article1503&var_recherche=doing%20business.

Another set of institutions that help with labor market governance are *statistical agencies* that collect and publish data on economically active shares of the population, workforce participation rates (by gender and age), unemployment (by sector, gender, age), employment by sector, wages, work hours, union membership, and so forth.⁵¹ The collection and analysis of labor statistics and labor trends promotes medium- and long-term workforce planning. In most countries, however, the availability of microeconomic data needed to assess labor market entry and exit decisions by individuals/households is thin. Increasingly reliable sources of information are *local research firms and think tanks* that are often contracted by domestic or international partners to gather and analyze data, including on labor markets. Employment, salary, labor force, and socioeconomic surveys will all provide useful insights into livelihoods and employment.

Education and training institutions may be public or private, for profit or non-profit, general or sector-specific. Youth and adult learners access these institutions' services to acquire core and sector-specific knowledge and skills to use in their subsequent jobs and careers.

Beyond institutions, *policies and regulations* affecting clearance of supply and demand in the labor market include laws and implementing legislation that address variables such as minimum employment age, wage rates, regular and overtime work hours, working conditions, work-related benefits and social protections, worker mobility and flexibility, migration, individual dismissals and mass layoffs, employment discrimination, and other dimensions. Public policies also affect incentives to invest in education and training, through the public provision of services, teacher training and accreditation systems to ensure quality, availability of scholarships and subsidized education loans, and training levies assessed on employers.

3. Economic Development and Labor Markets

Economists care about how product and factor markets (land, labor, capital) function – in a broad macroeconomic sense, at the microeconomic level of firms and households, and “in-between” in the mesoeconomy where institutions, information, and political economy act as the mortar for macro and micro bricks. The field of labor economics is growing in geographic breadth⁵² and labor market issues are beginning to seep into global, regional, and country-specific EGAT activities (see Box D-1).

BOX D-1. EXAMPLES OF LABOR MARKET-RELATED USAID ECONOMIC GROWTH PROGRAMS

USAID has supported labor market-related programs at global and country levels. Examples include:

- The Office for Women in Development's Greater Access to Trade Expansion (GATE) project, examines the differential impact of globalization on men's and women's work and employment, with analysis and strategy development underway in countries around the world (e.g., Albania, Bangladesh, the Dominican Republic, Kenya, Nigeria, Peru, and South Africa). (www.onlinedts.com/ Projects)
- Under the global Indefinite Quantity Contract Supporting Economic Growth and Institutional Reform/General Business, Trade, and Investment task order for Trade Capacity Building, a resource guide on the impact of trade reform on labor markets was prepared (Salinger et al., 2006). (www.tcb-project.com) USAID's Africa Bureau's Strategies and Analysis for Growth and Access project explored the impacts of economic liberalization on labor markets in a number of sub-Saharan African countries. (www.saga.cornell.edu)
- The Global Workforce in Transition project conducted workforce assessments of labor supply and demand,

⁵¹ Multi-country databases of labor statistics and key indicators of the labor market are available from the International Labor Organization; see [http://www.ilo.org/global/What we do/Statistics/lang--en/index.htm](http://www.ilo.org/global/What_we_do/Statistics/lang--en/index.htm).

⁵² Freeman (2007a) cites as evidence of labor economics' rising prominence the sharp rise in number of papers submitted to the National Bureau of Economic Research over the last year, and the increasingly international orientation as evidence of the labor economics' widening geographic field of study.

identifying opportunities to improve employment outcomes in Europe and Eurasia and Asia and the Near East (www.gwit.us) The "Jobs for the 21st Century" initiative of the Asia/Near East Bureau developed analysis and strategy recommendations. An example of a country-level workforce development project that grew out of a GWIT workforce assessment is the Education and Training for Employment project in Morocco (www.alef.ma).

- **Private sector competitiveness** projects often include a labor market-related component as part of their activities to improve business enabling environments. In Ghana, for example, the Trade and Investment Reform Program supported tripartite dialogue around the need to reform the country's labor law. (Stryker et al., 2003) Tripartite dialogue in the face of the end of the Agreement on Textiles and Clothing was the focus of multi-country workshops organized in south and southeast Asia by The Asia Foundation (www.asiafoundation.org)
- In the fight against **trafficking in persons**, USAID/Bangladesh has helped to build the capacity of local nongovernmental and legal institutions to research, raise awareness, repatriate, and rehabilitate victims. (www.usaid.gov/bd/trafficking_response.html#more)
- Increasing private sector competitiveness through management and technical training to increase **labor productivity** is the focus of the Garment Industry Productivity Center in Cambodia. (www.gipc.org.kh)
- In Central Europe, a number of USAID missions – e.g., Croatia, Kosovo, Serbia – have brought private sector, government, and labor leaders together to discuss options for **pension and social security reform**. (http://www.usaid.gov/locations/europe_eurasia/press/success/progress_toward_pension_reform.html)
- Capacity building support for **labor market oversight institutions**, such as Ministries of Labor and training boards, has been the object of attention in projects such as USAID/South Africa's technical support to the Department of Labor, Labor Centers, and Sector Education Training Authorities.

4. Economics of Labor Market Organizations: Unions

If markets are imperfect, then buyers and (particularly) sellers of labor face asymmetries not only of information, but also of bargaining power. This is especially so in developing countries, with their large pools of poorly educated and less skilled labor, desperate for work, who interact with a limited number of formal, larger scale employers. This asymmetry creates risks. Risks to workers include low rates of pay, lack of benefits, poor working conditions, and insecure tenure, while risks to employers include high employee turnover, workplace instability, uncertain levels of worker effort, and associated costs. In such situations, institutions that can help to balance the asymmetry, manage risk, and provide pathways to communication and peaceful resolution of conflict are in the interest of both labor and employers.

This leads us to labor unions, whose economic role has been somewhat controversial. Unions have been viewed in a number of different lights: as monopolists who control the supply of labor, as counterweights to monopsonist employers who control the demand for labor, as collective representatives of an underrepresented and often vulnerable group (especially less skilled, weakly educated, and poor workers), as agitators who create unstable environments in which to do business, and as collaborators who can help to promote more productive workplaces.

In light of such differing perspectives, what do unions do?⁵³ A simple answer is that they help to address the risks identified above faced by workers and by employers. Freeman and Medoff (1984: 13) found that unions' effects are felt in every aspect of the workplace:

- **Compensation.** Unions raise wages for members (especially for younger or less educated workers),⁵⁴ while recognizing that if wages are pushed too high, total employment will be reduced; increase overall wage equality among workers, although organized blue-collar wages are indeed higher than

⁵³ This question was first famously posed by Freeman and Medoff (1984) in their review of the U.S. workplace, and revisited twenty years later by Bennett and Kaufman (2007).

⁵⁴ Through the threat of strike or restrictions of employment to union members only (e.g., closed shops), unions bid wages above the level that would otherwise be obtained in market equilibrium.

non-organized blue collar wages; increase non-wage benefits' as a share of total compensation; and shift the composition of benefits toward deferred benefits such as pensions and health insurance.

- **Working conditions.** Unions formalize workplace rules, management, and dispute resolution; limit arbitrariness of promotion, layoff, and recall actions; provide incentives to non-union firms to improve their working conditions (in order to avoid being unionized); and push for pro-labor legislation to promote workers' interests.
- **Job longevity.** Because of improved working conditions, unions reduce job turnover; they also help to protect employment in cyclical downturns through the use of temporary lay-offs.
- **Productivity.** Unions have mixed effects on workforce productivity; some union work rules may decrease productivity, while improvements in morale and cooperation and reductions in quit rates may help to improve productivity.
- **Collective voice.** Freeman and Medoff argue that unions also help to promote a democratic platform for exchange with employers of workers' views and recommendations; in particular, they represent the interests of lower-income and vulnerable working populations; however, they admit that union monopoly power may breed corrupt and non-democratic elements as well.

APPENDIX E: LABOR AND TRADE AGREEMENTS & OTHER FOREIGN POLICY LAWS

The USG has promoted labor rights through unilateral preferences, bilateral preferences and free trade agreements (FTAs) and related side agreements. Since the 1980s, these instruments have expanded the scope of covered labor rights and the range of consultative methods and potential remedies and sanctions. As trade agreements have increasingly included strong labor rights provisions with detailed requirements for efforts to protect labor rights, trading partners have increasingly requested capacity building assistance.

1. Unilateral Preferences

Through unilateral preferences, the USG has allowed beneficiary countries to export certain goods duty-free or below “most favored nation” (MFN) rates⁵⁵ into the U.S. Eligible countries must apply for the preferences and meet certain qualifications. For example, in the first unilateral preference agreement to include labor criteria, the Caribbean Basin Recovery Act of 1983 (CBERA) provided a general standard requiring the President to take into account the degree to which workers in that country are “afforded reasonable workplace conditions and enjoy the right to organize and bargain collectively.” Twenty-four countries were eventually deemed eligible for the CBERA preference. The drawbacks of the CBERA were that the labor criteria were vague and once countries conferred beneficiary status, there was little subsequent pressure or support to improve labor standards through the CBERA.

The Generalized System of Preferences (GSP), first implemented in 1976 to promote economic development through the expansion of exports, was amended in 1984 to require the President to consider whether a beneficiary “has taken or is taking steps” to give workers “internationally recognized worker rights,” including: 1) the right of association; 2) the right to organize and bargain collectively; 3) a prohibition of forced and compulsory labor; 4) a minimum age for employment of children; and 5) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. A subsequent amendment requires a GSP beneficiary to implement any commitments it makes to eliminate the worst forms of child labor. As of February 2007, the GSP covered more than 3,400 products from 134 countries and territories, including 43 “least-developed” beneficiary countries (USTR 2007: 2). A beneficiary’s adherence to the labor criteria can be evaluated under its annual review process. Third parties can submit petitions and the USTR may invoke GSP review, particularly where a

⁵⁵ The MFN requirement obligates WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their “most favored” trading partner. In essence, MFN requires WTO member countries to treat imports coming from all other WTO member countries equally, that is, by imposing equal tariffs on them.

beneficiary has repeatedly ignored GSP petitions, as it did regarding labor rights in Guatemala in 2000 and threatened to do with Ecuador in 2001.⁵⁶

In 1990, a CBERA amendment made the preference program permanent and incorporated the GSP worker rights list. In 2000, these preference were expanded through the Caribbean Basin Trade Partnership Act (CBTPA) and the labor rights provisions were strengthened to require the USG to evaluate “the extent to which” the country protects worker rights. Similar provisions were negotiated into other similar laws, including the Andean Trade Preference and Drug Eradication Act (ATPDEA) (1991, amended 2002), beneficiaries including Bolivia, Columbia, Ecuador and Peru and the Africa Growth and Opportunities Act (AGOA) (2000, extended 2004), beneficiaries including 38 Sub-Saharan African countries, with Liberia added in 2007. In AGOA, the language was strengthened to provide that a country is eligible if it “has established, or is making continual progress toward establishing” worker rights.

2. The North American Agreement on Labor Cooperation

In 1993, The North American Agreement on Labor Cooperation (NAALC) was adopted as a side agreement after proponents were unable to include labor rights provisions in NAFTA. NAALC provides that the parties shall enforce their own labor laws, which should reflect “high labor standards,” and created National Administrative Offices (NAOs) in each country to receive submissions on labor rights issues and a tri-national secretariat to conduct research and produce studies. NAALC covers “labor principles” that include the ILO’s core labor standards, including the right to strike, and minimum employment standards, prevention of and compensation for occupational injuries and illnesses, and the protection of migrant workers. Its use of research, public hearings and consultants has served as a useful example for country assessment systems (Compa 2003: 291). At the same time, its experience with submissions, which have generally been cited as not being satisfactorily resolved (Chew and Posthuma 2002), has served as an impetus for strengthening labor provisions in subsequent trade laws and agreements.

a. Bilateral Trade Agreements and Trade Promotion Authority

Agreements with Cambodia and Jordan also marked improvements in the treatment of labor rights. The US-Cambodia Bilateral Textile Agreement (1999) (CBTA) contains labor provisions that led to the implementation of a novel and promising enforcement mechanism overseen by the ILO. The Agreement established quota limits but allowed quota increases on an annual basis provided that Cambodia “substantially comply” with its own national labor laws (which had been revised in 1997 with ILO help) and “support” labor standards. The US-Jordan Free Trade Agreement (2000) (JFTA) was the first trade agreement that included labor criteria directly in the main text. Its provisions are stronger than those in prior agreements because it reaffirms the parties’ commitment to the ILO Declaration and required each of them to “strive to ensure that its laws provide for labor standards consistent with internationally recognized labor rights...and shall strive to improve those standards,” though, in effect, it lacks any enforceable binding obligations on labor rights (Erickson 1998).

The Bipartisan Trade Promotion Authority Act of 2002 (19 U.S.C. 24) provided the President with authority to negotiate trade agreements with expedited procedures for Congressional consideration under commonly know as Trade Promotion Authority (TPA) (formerly known as “fast track”).⁵⁷ The overall trade negotiating objectives include ensuring that trade agreements do not weaken or reduce labor law protections to encourage trade, they promote respect for CLS, and they prohibit the worst forms of child

⁵⁶ The most recent reauthorization of GSP will expire on December 31, 2008.

⁵⁷ This authority, which expired on July 1, 2007, must be renewed by Congress every several years.

labor consistent with ILO C. 182 (19 U.S.C. §3802(a)(6) and (9)).⁵⁸ The TPA principal negotiating objectives include: ensuring that a party does not fail to enforce its own labor laws “through a sustained or recurring course of action or inaction, in a manner affecting trade” and strengthening the capacity of US trading partners to promote respect for the core labor standards, consistent the GSP definition (§§ 3802(b)(11)(A) and (C)). The TPA includes an innovative provision that makes all principle negotiating objectives subject to the same dispute settlement procedures and equivalent remedies, thus avoiding one of the fundamental limitations of NAALC (§3802(b)12(G)). Nine FTAs have been negotiated and adopted under this authority involving, among others, Central America, the Dominican Republic and Morocco.

Like the JFTA, the Central America-Dominican Republic Free Trade Agreement (2004) (CAFTA-DR) also reaffirms the parties’ commitment to the ILO Declaration and requires them to strive to ensure that their laws are consistent with internationally recognized labor rights and strive to improve them, and adds the elimination of the worst forms of child labor as a goal. However, in recognition of lessons learned, it contains far more detailed rule of law provisions requiring each party to afford full procedural guarantees, promote public awareness of labor rights, establish a Labor Affairs Council (LAC) to address the agreement’s labor objectives, and create a capacity building mechanism to promote labor cooperation. In an annex, it details the LAC’s organization and functions and sets priorities for cooperative and capacity building efforts.⁵⁹ Congress has set aside substantial funding for capacity building related to labor rights in CAFTA-DR countries.

b. Trade and Investment Framework Agreements (TIFAs)

The USG has entered into more than 30 TIFAs, which are pacts establishing frameworks for expanding trade and resolving outstanding disputes with other countries and common markets. They are often important steps toward negotiating FTAs. The USTR reports that, in the negotiating process, potential TIFA partners often request capacity building assistance to promote labor rights. The TIFAs are set forth in short documents of about 4 pages and generally include a brief clause stating that one purpose is to promote labor rights in varying formulations depending on the capacity and commitment of the concerned countries.⁶⁰

c. The New and Pending Free Trade Agreements

The USTR has developed bipartisan model provisions for FTAs with Peru, Colombia, Panama and Korea that reflect the strongest bilateral labor rights obligations in bilateral agreements. Going further than the

⁵⁸ The other negotiation objectives concern market access, trade barriers, international trading disciplines including dispute settlement, economic growth and employment, environmental management, and access to international markets by small businesses (§3802). Consistent with the TPA, the President has delegated the responsibility to the Department of Labor to prepare a US Employment Impact Review, Labor Rights Report, and Laws Governing Exploitative Child Labor Report related to new free trade agreements.

⁵⁹ In February 2006, USAID published the Labor Justice Assessment of the CAFTA-DR Countries, which recommended increasing the use of private dispute resolution, improving training and education in labor law, improving labor court conciliation, improving labor court case management systems, increasing the use of oral proceeding in court, and professionalizing the labor inspectors’ work.

⁶⁰ For example, the 2001 TIFAs with the Common Market of Eastern and Southern Africa (COMESA) and the West African Economic Monetary Union (WAEMU) recognize the importance of “embarking on a path of compliance with, and promotion of, fundamental, internationally recognized labor standards.” In stronger language, the TIFA with South Africa (1999) provides that the parties are “reaffirming their commitment to respect and promote the fundamental rights of workers” based on the ILO core conventions. In weaker language, the TIFAs with Central Asia (2007) and Viet Nam (2007) recognize the importance of “providing adequate and effective protection and enforcement of worker rights in accordance with each Party’s own labor laws and of improving the observance of internationally recognized core labor standards.” In substantially weaker language the TIFA with Indonesia (1996) simply notes that the “common objective of both countries [is] to improve workers’ welfare and provide for better terms and conditions of employment.”

JFTA's requirement that the parties "strive to" protect CLS, it requires the countries to "adopt and maintain in its statutes and regulations, and practices" the ILO Declaration's CLS, expressly including the prohibition of employment discrimination, and enforce them. Also, for the first time in an FTA, it provides the same dispute settlement procedures and remedies for violation of the labor rights provisions as for the commercial provisions.⁶¹

3. Labor Rights in Other Foreign Policy Laws

A wide range of other foreign policy laws and diplomatic initiatives support labor rights for a range of ethical and practical reasons. For example, the Victims of Trafficking and Violence Protection Act (2000, reauthorized 2003 and 2005) (TVPA) aims to combat trafficking in persons, especially in the sex trade, slavery and involuntary servitude, thus protecting key labor rights involving forced labor and the worst forms of child labor. The TVPA has strong international policy components aims at prevention, victim support and prosecution of traffickers. It directs State, through the Office to Monitor and Combat Trafficking in Persons (G/TIP), to produce annual reports on trafficking that rates countries in three tiers according to whether they meet "minimum standards" regarding their anti-trafficking commitments, with potential negative consequences (termination of non-humanitarian aid, loss of US support for IMF and World Bank loans, etc.) for tier 3 countries, which are those not making significant efforts to comply with the standards. The USG has committed substantial resources to foreign governments and NGOs to combat trafficking, including \$96 million in 2004. The President strengthened the USG commitment to combating trafficking on signing the UN Protocol to Prevent, Suppress, and Punish Trafficking in Persons in 2005 (Miko 2006: 8-15).

The law and practice regarding the Overseas Private Investment Corporation (OPIC) has also evolved to provide a greater focus on labor rights. Consistent with the Foreign Assistance Act (FAA), in providing loans to eligible investment projects in developing countries, OPIC does provide assistance for any program, project, or activity that contributes to the violation of "internationally recognized workers rights," using the definition in the 1984 GSP Act. Every OPIC project contract must include a provision that requires the investor to respect these rights and every contract is reviewed for compliance.

Labor rights are also addressed in a wide range of other laws and initiatives. For example, the Congressional-Executive Commission on China (CECC) reviews China's treatment of labor rights for reasons related to their trading status, and has recommended that Congress establish a corporate code of conduct for U.S. businesses operating in China (Lum 2003: 1).

⁶¹ See www.ustr.gov.

APPENDIX F: LABOR-RELATED ISSUES IN THE FAF

FAF OBJECTIVE	LABOR RIGHTS OBJECTIVE EXPLICIT	LABOR RIGHTS INHERENT OR INCORPORATED/ OR DEMOCRACY/GOVERNANCE SUPPORTED	INSTRUMENTAL UTILITY – NON-LABOR OBJECTIVES	CROSSOVER SUPPORT
PEACE & SECURITY				
Counter terrorism			De-legit terrorist ideology; Engage At-Risk Pops & Communities;	At-Risk Pops & Communities
Combating WMDs			Combating WMD thru border control, nuke safety, MIS	
Ops & Security Sector Reform			Police, prison & borders (capacity bldg, training)	
Counter Narcotics			Police (capacity bldg, training)	
Transnational Crime	Trafficking in persons		Prosecute, protect, prevent	
Conflict Mitigation & Reconciliation		Conflict mitigation & reconciliation; Peace structures		Conflict mitigation & reconciliation; Peace structures
JUST & DEMOCRATIC GOVERNANCE				
Rule of Law & Human Rights - <i>Rule of Law</i>	Labor rights at core	-Const & law reform -Public knowledge -Advocacy, -Actors - Fairness/Equity - Access to justice (" <i>lab law services</i> "),		
- <i>Human Rights</i>	Labor rights at core	-Protect HR/LRs in all govt activity -Support advocates -Educ & Training - Prog design/learning	Overlap w/ other human rights	

FAF OBJECTIVE	LABOR RIGHTS OBJECTIVE EXPLICIT	LABOR RIGHTS INHERENT OR INCORPORATED/ OR DEMOCRACY/GOVERNANCE SUPPORTED	INSTRUMENTAL UTILITY – NON-LABOR OBJECTIVES	CROSSOVER SUPPORT
Good Governance	Where involve labor rights & related processes	<ul style="list-style-type: none"> -Legislative fct/processes -Citizen participation -PS exec function (<i>Effective/efficient govt</i>) --State formation & democ legitimacy (<i>voice, prob solving, consensus in govt</i>) --Civil service & Admin (<i>human capacity dev</i>) --Oversight of Exec Branch (<i>outside & commissions</i>) -Local govt & decentral -- <i>Civil participation</i> --<i>Deliver services/goods</i> --<i>authority/resources</i> -Anti-corruption (<i>transparent/accountable institutions & processes</i>) <p>System actors (whistle blowers), -Civil service/admin reform Protecting rts, Good gov in general</p>	-Good governance on overlapping non-labor issues	<p>Skills on coop. Dispute resolution, project mgmt, econ dev.</p> <p>-State formation & democ legitimacy (<i>voice, prob solving, consensus in govt</i>)</p>
Political Competition & Consensus Building		<ul style="list-style-type: none"> -Consensus bldg & dialogue process -Elections & pol process --<i>Good framework,</i> --<i>Public aware, transparency & turnout (involve unions)</i> --<i>Partic of marginals</i> --<i>monitor elections</i> --<i>democratic pol parties</i> 		Consensus bldg & dialogue process (marginalized groups & vulnerable pops)
Civil Society (p.21)	Civic participation: Strengthen unions to address- - <i>labor standards</i>	Build unions as incubators of democratic processes, mentoring & legal environment	<p>Strengthen unions –<i>for health initiatives</i></p> <p>Media/ journalist U's?</p>	<p>-Democratic spillover in skills</p> <p>-Tripartite mechs as further basis of dispute</p>

FAF OBJECTIVE	LABOR RIGHTS OBJECTIVE EXPLICIT	LABOR RIGHTS INHERENT OR INCORPORATED/ OR DEMOCRACY/GOVERNANCE SUPPORTED	INSTRUMENTAL UTILITY – NON-LABOR OBJECTIVES	CROSSOVER SUPPORT
	<ul style="list-style-type: none"> -workforce dev -tripartite mechs -Coll bargaining 			resolution
INVESTING IN PEOPLE				
Health	HIV/AIDS <ul style="list-style-type: none"> -In the workplace, -Medical trans/ blood & injection safety -Health ed in workplace Other health threats. <ul style="list-style-type: none"> -Occup H&S Maternal/child health - friendly policies at work 		Malaria – BCC p.28, reduce corruption, Other public health threats, p. 29 <ul style="list-style-type: none"> -Infectious deceases -Injuries (here?) Health governance <ul style="list-style-type: none"> -Reduce corruption, improve efficiency & cover underserved Maternal health (leave these out when in L? Too broad here?) 	Could be spillover benes in health, but pbly not here, except general stmt
Education, p. 33	Literacy for adults (?), vocational training, professional dev	-Policy dev & reform (p.34) b/c govt schools?	Literacy for adults? --Higher ed, -Policy dev & reform (p.34)	
Social services & protections for vulnerable pops (p.34)			Address society wide issues for poor/ excluded & safety nets -social policy gov	
ECONOMIC GROWTH				
Macro econ, trade & invest, financial sect, infrastructure, ag,	Macro-econ foundation for growth (using trade def).		Macro-econ foundation for growth	
Trade & Investment	Labor rights in trade agreements		Mainstream Trade for Growth & Poverty Reduction p.40	
Financial Sector	Financial sector/ services -Ins & private pension funds		Financial sector/ services -Engage banking unions; corp governance (ee owned?) -improve banking thru privatization & restructuring (p.41)	

FAF OBJECTIVE	LABOR RIGHTS OBJECTIVE EXPLICIT	LABOR RIGHTS INHERENT OR INCORPORATED/ OR DEMOCRACY/GOVERNANCE SUPPORTED	INSTRUMENTAL UTILITY – NON-LABOR OBJECTIVES	CROSSOVER SUPPORT
Infrastructure			Infrastructure (?) -Roads, etc. -Privatize	
Agriculture			Productivity	
Private Sector Competitiveness <i>Property rights, enabling enviro, business, competitive, productivity (gov & unions), workforce dev, opportunity (women, disavd, poor)</i>	Business enabling enviro laws & practices <i>-Hire, fire, work conds, coll barg. (p.45)</i> Business & orgs: <i>-Adopt & train on Lab standards</i> <i>-Support cts, lab ministries, unions, & NGO's on lab</i> Competitiveness: <i>-Promote effective, quick/cheap lab law adjudication, (ADR)</i> Private Sector Productivity: <i>-Practices meet lab standards, raise productivity</i> <i>-Bus, union, PA dev to assist members, incl women & learn competition</i> <i>-Workforce dev, readiness & vocational training</i>	Govt functioning in courts & labor-related ministries.		ADR/ interest based bargaining & problem solving and consensus building skills
Economic Opportunity- <i>Financial mkts (micro & small businesses), entrepreneurs, econ law & property rts</i>			Advance rights of women & disadvantaged	(same)

FAF OBJECTIVE	LABOR RIGHTS OBJECTIVE EXPLICIT	LABOR RIGHTS INHERENT OR INCORPORATED/ OR DEMOCRACY/GOVERNANCE SUPPORTED	INSTRUMENTAL UTILITY – NON-LABOR OBJECTIVES	CROSSOVER SUPPORT
Environment (biodiversity, gov, clean, waste mgmt)			Natural resource mgmt -Participation in & improve governance Waste mgmt	
HUMANITARIAN ASSISTANCE				
(Communities must be in involved)	Comply w/ Human rights		-Protect/support vulnerable pops, eg. IDPs -Assistance & recovery -Improve disaster response teams -Livelihood support -Disaster readiness	

KEY:

L= FAF objective also a labor objective.

I= labor's role instrumental in achieving FAF objectives under certain conditions.

F= labor rights a foundation for democracy, civil society.

C= crossover support

Labor Related Issues and the Foreign Assistance Framework

Goal	To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.							
Objectives	Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance			
Foreign Assistance Program Areas	Counter Terrorism Combating WMD Stabilization Operations & Defense Reform Counter narcotics Transnational Crime Conflict Mitigation & Response	Rule of Law & Human Rights Good Governance Political Competition & Consensus-Building Civil Society	Health Education Social Services & Protection for Vulnerable Populations	Macroeconomic Foundation for Growth Trade & Investment Financial Sector Infrastructure Agriculture Private Sector Competitiveness Economic Opportunity Environment	Protection, Assistance & Solutions Disaster Readiness Migration Management	End Goal of US Foreign Assistance	Graduation Trajectory	

Labor Related Issues and the Foreign Assistance Framework

Goal		To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.						
Objectives		Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance		
Foreign Assistance Program Areas		Counter Terrorism Combating WMD Stabilization Operations & Defense Reform Counter narcotics Transnational Crime Conflict Mitigation & Response	Rule of Law & Human Rights Good Governance Political Competition & Consensus-Building Civil Society	Health Education Social Services & Protection for Vulnerable Populations	Macroeconomic Foundation for Growth Trade & Investment Financial Sector Infrastructure Agriculture Private Sector Competitiveness Economic Opportunity Environment	Protection, Assistance & Solutions Disaster Readiness Migration Management	End Goal of US Foreign Assistance	Graduation Trajectory
Labor Related Issues/ Objectives	Category Definitions							
Labor Rights & Principles	Freedom of Association, forced labor, child labor, discrimination, health & safety, etc.							
Labor-related Organizations	worker organizations; labor rights organizations; employer/govt partners							
Labor Democracy & Governance	Democracy building; Labor rights & relations; Good governance; internalized systems							
Labor Markets	Human capacity investments, Employment training for disavd,							

Labor Related Issues and the Foreign Assistance Framework

Goal		To help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system.						
Objectives		Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance		
Foreign Assistance Program Areas		Counter Terrorism Combating WMD Stabilization Operations & Defense Reform Counter narcotics Transnational Crime Conflict Mitigation & Response	Rule of Law & Human Rights Good Governance Political Competition & Consensus-Building Civil Society	Health Education Social Services & Protection for Vulnerable Populations	Macroeconomic Foundation for Growth Trade & Investment Financial Sector Infrastructure Agriculture Private Sector Competitiveness Economic Opportunity Environment	Protection, Assistance & Solutions Disaster Readiness Migration Management	End Goal of US Foreign Assistance	Graduation Trajectory
	Pro-employment econ strategies, etc.							
Global or Regional		Activities that advance the five objectives, transcend a single country's borders, and are addressed outside a country strategy.						

Source: modified for this Technical Paper, based on U.S. Department of State, "New Direction in Foreign Assistance," January 29, 2007.

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