The International Dimensions of Work: Some Implications for the UK

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Executive summary

Economic integration is linking markets around the world, pitching governments, companies, and workers into unprecedented competition with each other. The question is whether workers in North and South are destined to be bitter competitors for jobs, or partners in a common global effort to improve the lives of all working people.

The objective of this report is to provide an international perspective to work and employment policy in the UK. It draws on the practical and policy experience of Oxfam GB, an international development agency. It argues that part of both the cause of and the solution to the UK’s recent employment problems lies at the international level. These problems include job insecurity, erosion of workers’ rights and growing income inequality. It recommends that the UK voluntary sector should engage with Southern organisations, which are experiencing similar problems, to press for reforms to international policies and institutions.

Findings

The paper focuses on the accelerated expansion of international trade and investment experienced since the early 1980s — or globalisation as it has become known. It is widely accepted that international trade and investment has some effect on employment and incomes. The controversy is over the size of that effect and the appropriate policy response. The prevailing consensus among policy makers is that trade and investment flows play only a minor role in explaining the rise of unemployment or inequality, when compared to national factors such as technological change or consumer demand. In so far as they are recognised to have an impact this is assumed to be largely beneficial, leading to improved export and employment opportunities in richer and poorer countries alike.

The report acknowledges that national policies still largely determine the terms on which national economies engage with the international economy. However, the powers of governments are being reduced as a result of the growing power and mobility of capital, the new global rules on trade and investment, and the deregulation and spectacular growth of financial markets. They will be further eroded by the new obligations imposed by the World Trade Organisation (WTO) and other new trade and investment agreements, in particular the proposed new OECD Multilateral Agreement on Investment, if it is implemented.

Grassroots experience suggests that globalisation is bringing far-reaching changes to people’s lives. The effects are particularly strong in weaker developing economies, but also apparent in the rich OECD countries. In fact, international trade and investment is neither inherently good or bad for employment. Although they generally help to promote growth, they may either enhance or undermine employment and living standards. Their impact depends on many factors, including the control and distribution of production and marketing, the terms on which countries trade and receive foreign investment, and the nature of the regulatory framework.

In practice, globalisation has brought significant gains to some countries and groups of workers, while marginalising and excluding others. At a global level, it has been accompanied by mass un- and under-employment and a shift towards more insecure, irregular, non-unionised forms of work. This in turn has been associated with widening income inequality within and between countries. The paper argues that these trends are due to the unequal nature of national and global markets, the regressive effects of the free-market policies which underpin them, and the lack of an adequate international regulatory framework.

In the industrialised countries, including the UK, the impact of foreign trade on employment and wages has been relatively minor in comparison to the effect of national factors. The main competitive challenge for the UK is still mainly from the EU and other high-productivity developed countries, rather than developing countries, although this picture is changing as
competition from the transition economies and newly industrialised countries increases. Nevertheless, competition from lower-wage developing countries has contributed to growing income inequality in industrialised countries, reducing demand for unskilled workers by around 20 per cent in recent years according to one analyst.\footnote{1} This in turn has caused serious social disruption in certain sectors. It has also contributed to growing job insecurity and downward pressure on workers' rights. These effects have been particularly pronounced in the UK due to the labour market deregulation instituted by the previous government.

As for developing countries, globalisation brought significant gains to a group of East Asian countries, representing a significant proportion of the world's population; although the recent financial crisis in the region has raised serious questions about the future prosperity of these economies. However, international trade and investment flows continue to bypass many of the poorest countries almost completely. Globalisation is also contributing to growing inequality within developing countries by favouring certain groups and regions over others, and failing to create enough new jobs to compensate for those lost during restructuring.

One of the key lessons for the UK resulting from an assessment of different international and national experiences is that the negative effects of labour-market regulations on growth, investment, and jobs tend to be dwarfed by deflationary and high-interest-rate monetarist policies. Overly-rapid, unselective integration into highly unequal global markets has also been damaging to local industries and jobs, especially in weaker economies.

Another important lesson for the UK is that cheap labour strategies entail high social costs and cannot lay a sound basis for long-term economic expansion. Indeed, labour-market deregulation, combined with the effects of the growing mobility of capital, has weakened the bargaining power of labour and been an important cause of growing income inequality and job insecurity. Evidence suggests that long-term competitive advantage is shaped far more by human capital and control of new technologies than by wage levels. The early success of the East Asian economies, for example, was built on investment in education, skills, and research and development. Government intervention to direct trade and investment flows was also initially helpful in promoting knowledge-based industries. The experience of Taiwan and South Korea demonstrated that a relatively equitable distribution of the benefits of foreign trade and investment can be translated into increased employment and poverty reduction.

At the local level, the report shows how the impact of globalisation can also be modified by the actions of individuals, community-based groups, and civil organisations. It provides some concrete examples of how support for community development initiatives, or the social economy as it has become known, can help to generate self-employment and income at the local level. Confidence-building, organisational strengthening, and advocacy work can help people to secure jobs and improve wages and conditions. One of the key lessons is the importance of national, cross-sectoral, campaigning coalitions, in achieving progressive policy change: unfortunately, these cross-sector coalitions are a recent development in the UK. However, such measures should be seen as complements, rather than alternatives, to government commitments to securing full employment and fair working conditions.

**Recommendations**

With regard to the policy implications of globalisation, the report challenges the accepted wisdom that the route to more and better jobs is to adapt to global realities by deregulating national markets. Even within the constraints imposed by globalisation, the UK and other governments could do more to promote equity and social cohesion. For example, there is arguably scope for the UK government to strengthen labour rights, and raise progressive income and corporate taxes, without damaging competitiveness. Richer governments also have a responsibility to ensure that their markets remain open to the exports of the poorest countries. They will therefore need to compensate and retrain workers who have lost their jobs as a result of foreign competition, and take active measures to help the economy adjust to competition.

Nevertheless, globalisation does restrict the ability of the UK and other governments to significantly improve employment opportunities and conditions by acting on their own. Higher inflation or labour costs may have short-term economic costs, especially in developing countries which cannot compensate with high levels of productivity.
Increasingly, employment generation and protection of labour rights requires coordinated action by governments at the international level. Oxfam, along with other international NGOs and workers' organisations, is advocating a middle path between the extremes of a global free-market which consigns large swathes of humanity to subsistence incomes, and beggar-thy-neighbour protectionism which generates economic inefficiencies and may ultimately lead to economic collapse. It would entail the adoption of more expansionary policies, the regulation of foreign trade and investment in order to protect workers and the environment, special treatment for developing countries, and reforms to international institutions to make them more democratic and accountable. International regulation may entail some loss of GDP, a small rise in inflation, and higher prices for consumers — but these costs need to be set against the high social cost of inaction which may eventually threaten the stability of the multilateral trading system.

From Oxfam's perspective it is important that international policies reflect the needs and concerns of the people most affected by global economic integration. This in turn implies an important advocacy role for international alliances of community-based and civil organisations. This suggestion rests on the belief that workers share a long-term common interest in preventing growing job insecurity, and a global downward spiral of wages and conditions. This is not to deny the short-term conflicts and competition which can exist between workers in countries at different levels of development. But it does suggest that there should be a shared concern to find ways of reforming the international trading and investment system to ensure that all workers receive their fair share of the fruits of economic progress.

In terms of the need for international regulation, the paper recommends, among other things, coordinated international advocacy aimed at strengthening the supervisory mechanisms of the International Labour Organisation (ILO) with respect to core labour standards, reforming the WTO to ensure that trade does not damage workers' rights, with binding obligations on international business to adhere to agreed standards relating to working conditions. However, progress on such issues will depend on convincing policy-makers and companies that workers are part of the solution, rather than a barrier, to achieving growth and competitiveness. This in turn will require the collection of convincing evidence. It will also require developed countries to meet their commitments to provide market access, debt relief, and technology transfer to developing countries.

Finally, the report makes a series of recommendations for poverty-focused organisations in the UK. These include the need for detailed research on the likely impact of new international economic rules on employment and poverty in the UK; and joint advocacy between UK-based development agencies, international networks, and Southern organisations, to influence international policies and institutions.

Outline of the paper

Section 1 provides an overview of the phenomenon of globalisation and recent economic trends, including changes in the nature of investment and employment, and the growth of inequality within and between nations. Section 2 summarises national and international policy debates about the causes of unemployment and the changing patterns of work. Section 3 draws out some preliminary implications for the UK. Section 4 draws on Oxfam's experience and research, as well as wider evidence, to examine the combined impact of national and international policies on the level, pattern and conditions of employment in the UK and elsewhere. Section 5 examines Oxfam's work on employment and livelihood issues, including community development work, campaigning and international advocacy. Section 6 provides conclusions and recommendations.

The report was originally written in 1996 to provide an international perspective to the Work and Opportunity Programme of the Joseph Rowntree Foundation, to strengthen its understanding of the recent changes in the UK labour market and to make recommendations regarding its research, policy-influencing, and practical work. In preparing the paper for publication, it has not been possible to incorporate any new material to reflect the policies of the present UK government, which came to power after the general election of 1997.
Section 1: Global trends

1.1 Introduction

The term 'globalisation' refers to the recent accelerated integration of the world economy through the expansion of trade, investment, and financial flows, underpinned by the revolution in information and communications technology. Globalisation is linking labour markets around the world, pitching workers into fierce competition with each other in an unprecedented manner, and profoundly altering employment patterns and conditions. As the Financial Times reported 'there is a real risk that the integration of the world economy will ... impose insufferable costs on the world's workforce.'

The fear which globalisation invokes for UK workers is graphically illustrated by the recent transfer of jobs by British Polythene Industries from Telford to China, where wage costs are one-tenth the UK level, after Telford workers had trained the new Chinese workforce.

In recent years, many countries in the Third World and former Soviet block and Eastern Europe, especially those implementing IMF and World Bank structural adjustment policies, have adopted free-market policies, opening up their borders to trade and investment. These countries are becoming increasingly powerful in economic terms, and now account for 43 per cent of world output, 30 per cent of world trade, and 45 per cent of foreign exchange reserves.

Moreover, the share of developing countries in world exports of manufactures has jumped from 10 per cent in 1980 to an estimated 22 per cent in 1993 (although South-East Asia generated over 75 per cent of these exports). Manufactured imports from developing countries now account for roughly one-third of all US imports, compared to 14 per cent in 1970. In the EU, imports of manufactured goods from developing countries have risen from 5 per cent to 12 per cent of total imports in the same period.

Globalisation has brought 3 billion people of working age in Asia, Latin America, and Eastern Europe to join the 1 billion from OECD countries who already participate in the global market economy, increasing the global supply of labour and exerting downward pressure on wages. Many of these 3 billion receive significantly lower wages than their Northern counterparts: labour costs are $25 an hour in Germany, $16-$17 an hour in the US and Japan, but only $5 in South Korea, $2.40 in Mexico, and 50 cents or less in China and Thailand (although, as we shall see, the differences in unit labour costs are much smaller when productivity differences are taken into account).

These trends have revived fears that globalisation is creating new jobs in the poorer developing countries at the expense of richer ones such as the UK, and hence, in order to remain competitive, labour costs and standards must be reduced in a global 'race to the bottom'. This report explores the arguments and evidence behind these perceptions.

1.2 The extent and nature of globalisation

There is some disagreement about the extent to which globalisation represents a qualitatively new development in the global economic system. The evidence suggests that economic integration has indeed accelerated since 1960 but that it is not an unprecedented phenomenon. In some respects, in particular in the openness of economies to trade (measured by the ratio of trade to GDP) and capital (measured by current account balance to GNP), the current international economy is less open than it was in the period between 1870 and 1914. Then as now, economic integration was associated with profound political, social, and cultural upheavals. The fact that there have been previous periods of economic globalisation does not make it any less necessary to assess the nature and implications of globalisation today, and more urgently, to find ways of enhancing and spreading its wealth-creating potential, and minimising its negative effects.
The growth of foreign trade and investment

Since 1984 the volume of world trade has grown faster than world output, marking a return to the rising post-war trend before 1974.10 There has also been a steady increase in openness across most of the developed and developing worlds, particularly in the East Asian economies. In 1960 the share of trade in the GDP of the industrialised countries averaged 12 per cent; it is now over 20 per cent.11 In certain parts of the developing world, trade growth has been even more impressive, reaching about 80 per cent of GDP in East Asia, before the current economic crisis affecting the region. Even China, virtually isolated from the world economy less than 20 years ago, exports 25 per cent of GDP.

Since the early 1980s, the growth of trade has been eclipsed by the expansion of private capital flows, in particular foreign direct investment (FDI), which has been expanding at a rate unparalleled in the post-war period. Flows of FDI in 1994 exceeded $220bn, a four-fold increase from 1981-1985, compared to an increase of about 50 per cent in the value of trade.12 The growth in FDI in the service sector has been one of the most notable features of the recent surge in foreign investment.13

An important new feature is the spectacular increase in global short-term financial flows. The daily turnover on foreign-exchange markets is over $1 trillion, double what it was in 1989. Only 10 per cent of this reflects real trade in goods and services, with the other 90 per cent relating to currency speculation (20 years ago, the proportions were reversed). The composition of flows has also changed, with a shift from bank lending to bonds and other securities, and the development of a wide range of financial instruments.

The expansion of these flows is related to the deregulation of government controls over international trade, investment, and finance in the late 1970s and 1980s, and the subsequent consolidation of these measures in bilateral, regional and international trade and investment agreements (examined in later sections). It is also related to the development of satellite communications, which allows cheap and instantaneous analysis and communication of information, and to lower transport costs, and the development of new information technology both of which facilitate the rapid relocation of production.

The uneven geographical distribution of trade and investment

The surge of trade and investment has been reflected in a restructuring of the global economy, in which some countries emerged as winners and others as losers. The distribution of trade and investment remains highly unequal, with trade and investment flows largely skewed in favour of OECD countries and a handful of developing countries. North America, Europe, and Japan are the main originators and destinations of foreign investment, accounting for 75 per cent of the total accumulated stock of FDI and 60 per cent of the flow.

Developing countries have significantly increased their share of world manufacturing exports, although in 1993 South-East Asia accounted for over 75 per cent of these exports.14 However, the 48 least developed countries now account for less than 0.3 per cent of world exports, less than half the level of two decades ago.15 This situation is likely to get worse, as a projected two-thirds of the economic benefits of the most recent round of the Uruguay Round of GATT will go to industrialised countries. Sub-Saharan Africa, the world’s poorest region, stands to lose from the agreement.16

In recent years, inflows of FDI into developing countries have surged from $31bn in 1990 to $80bn in 1993. However, in 1992 ten countries accounted for 76 per cent of the total foreign direct investment in developing countries, while the 48 least developed accounted for only 0.6 per cent of total flows. Sub-Saharan Africa has been almost totally bypassed by these flows.17 One estimate suggests that nearly two-thirds of the world’s population has been written off the map as far as foreign investment is concerned.18 Of the total accumulated stock of FDI, 75 per cent is accounted for by North America, Europe, and Japan, who also benefit from 60 per cent of the flow; these three areas are the main originators and destination of FDI.

The control of foreign investment and new technology

A critical new feature of this phase of globalisation is the growing concentration of investment in the hands of a few transnational corporations (TNCs), combined with control over the cutting-edge new technologies which are increasingly a precondition for international competitiveness. The ease of transfer of these technologies allows multinationals to
organise production on a global scale, allowing them to transfer high technology to the best and cheapest production sites, making them super-competitive. For example, in Hermosillo in Mexico, a Ford plant built in 1986 which, unlike the company's other Mexican plants, uses Just-in-time and Total Quality Control procedures, achieves higher quality levels than any of Ford's other North American plants, similar productivity rates to US workers, but has a markedly smaller wage bill.19

In the early 1990s, there were an estimated 37,000 TNCs, controlling about 170,000 affiliated organisations.20 The 100 largest corporations control over one-third of the stock of foreign investment, while 40 percent of world trade takes place within companies. The ten largest TNCs control assets which represent three times the total income of the world's poorest 38 countries with a population of over one billion people (excluding China and India).21 Over 90 per cent of TNCs are based in developed countries. Of the 500 largest, nearly 40 per cent are based in the US and 25 per cent in Japan. The headquarters of large numbers of TNCs are also in the UK, Germany, and France.22

Implications for relations between states, multinationals and labour

Some analysts have argued that these trends have served to increase the power of capital, relative to governments and labour. This in turn has led to the progressive abandonment of social goals, such as full employment, and has negatively affected the quality of employment. They suggest that the current global restructuring is driven by the attempts of companies to recuperate falling profits due to the rigidities of the post-war period and in particular the deep recession from the 1970s onwards. There is a move away from the large-scale fixed-capital investment, strong interventionist states, and strong unions of the post-war period, towards new, flexible forms of production.23

The dismantling of government controls over trade and investment, and the increased power and mobility of multinationals, are seen to have weakened the power of the nation state. Because such a large proportion of international trade and investment occurs within multinationals, the concept of a self-regulating free market is no longer relevant. The challenge therefore is to ensure that the control formerly exercised by governments over trade and investment is replaced by new forms of social and environmental regulation of international business.

The freedom of governments to implement fiscal and monetary policy is also being circumscribed by the increased power of currency speculators. This power is clearly illustrated by the breaching of the Exchange Rate Mechanism in 1992 on Black Wednesday, and the collapse of the Mexican peso in 1994. Further constraints on governments are the influence of monetarist ideology with its emphasis on deflationary policies, and the rolling back of taxation and the mushrooming of financial subsidies to create a favourable investment climate for foreign investors. Poorer countries who cannot afford these incentives are penalised; the public revenues available for employment generation or social services are reduced; and the flow of foreign investment distorted. Data from UNCTAD shows that the use of incentives has grown in almost every region in the world in the past few years, with 103 countries offering incentives in the early 1990s. In Eastern Europe, for example, 80 per cent of countries offer 'tax holidays' to investing companies.24

The growing mobility of capital is also seen as having weakened the bargaining power of organised labour and its ability to protect labour standards. This allows TNCs to exploit differences in standards between countries, and fosters competitive deregulation between governments seeking to offer the most favourable conditions to investors. The effects can be seen in the spread of free trade zones, the weakening of trade unions, deregulation of labour markets, and spread of flexible working practices in many countries. Moreover, the increasing ease with which technology can accompany capital across borders is breaking the link between high technology, high productivity, and high wages: it is now possible to use the latest technology but pay subsistence wages. (The impact on labour standards is explored in Section 3.)

However, the growing power of capital has been tempered to some extent by the growth of consumer power. Certainly, an increasing number of companies have felt obliged to adopt voluntary codes of conduct on labour and environmental issues in response to consumer demands. However, consumer pressure is most effective with companies which have a brand name to protect. It cannot and does not influence all companies. (Further limitations of
voluntary codes are explored further in Section 5.) The ethical investment movement offers another source of countervailing power to capital, but the huge potential of worker investments in pension schemes remains largely untapped.

### 1.3 The importance of work

What must be avoided at all costs is seeing human beings as merely the means of production and material prosperity, regarding the latter to be the end of the causal analysis — a strange inversion of ends and means. Bestowing value on human life only to the extent that it produces profits — the "human capital" approach — has obvious dangers. In its extreme form it can easily lead to slave labour camps, forced child labour and the exploitation of workers by management — as happened during the industrial revolution. (UNDP 1994 Human Development Report).

For Oxfam, work is not just a means to generate economic growth, income or consumption, as the more extreme versions of free-market theory would suggest, but is important in its own right. It fulfils a basic human need, and the right to work is a fundamental human right enshrined in international conventions. Work is a determinant of welfare and, as the recent Enquiry for the Churches into Unemployment and the Future of Work points out, it is also a service to the community and wider society.25 The quality of jobs is as important as the quantity. Policy makers often point out that although the jobs created by globalisation may be of poor quality they offer higher incomes than unemployment, or work in the informal or rural sector. However, this should not imply a passive acceptance of poor quality jobs. The experience of Oxfam's partners suggest that higher incomes do not necessarily equate with a better quality of life. There is much evidence, both in the UK and overseas, of personal stress, ill health, crime, and family/community stress and breakdown associated with poor quality, insecure jobs. Women working in the free trade zones in Dominican Republic, for example, are often unable to see their children because of the long hours worked, causing great personal distress and a breakdown of family life.

Work can take many forms, including paid employment, independent and self-employed production, and unpaid subsistence and domestic work. The main focus of this paper is on paid employment, because of its importance as a determinant of welfare and income distribution in the UK, because of its growing importance in developing countries, and because of the growing integration between labour markets in the UK and elsewhere as a result of globalisation. This in turn is resulting in a growing commonality of experience. Where appropriate, brief reference is also made to small-scale independent producers because of their importance as a source of livelihood in developing countries, and their growing importance in richer countries such as the UK. However, this focus still leaves out the vast amount of unpaid and largely unrecognised work carried out by women around the world, whether in the home, in the provision of community services, or in subsistence agriculture, which is not reflected in national economic statistics.

### 1.4 Summary of global employment trends

Paid employment has always been an important source of livelihood in the industrialised countries, but in recent years has become increasingly so for people in developing countries. This is especially true in regions such as Asia and Latin America, where large numbers of people have been displaced from their traditional livelihoods as rural producers. In Latin America, for example, 60 per cent of the poor live in urban areas, and are largely dependent on wage labour or informal self-employment for their survival. By 2025 it estimated that 57 per cent of the population in developing countries will be living in urban areas many of them making a living from wage labour.26 Even in rural areas, increasing numbers of people have become wage labourers. At the same time, an increasing proportion of the world labour force is engaged in activities that are linked to international trade and capital flows.27 However, this growing dependence on wage labour and international markets is occurring at a time when unemployment is rising and paid employment is becoming increasingly insecure.

Many workers, especially those in Northern countries, experienced great improvements in their living standards during the post-war period. Over the last 15 years, however, while a large group of workers have continued to gain, a significant number have experienced a
marked deterioration in employment opportunities and conditions, eroding many of the hard-won gains of the post-war period. The recent phase of globalisation has been accompanied by mass unemployment and under-employment, the erosion of basic labour rights, and spreading job insecurity in many countries. This has in turn contributed to growing global poverty, widening inequalities, and social disintegration.

The World Bank estimates that 120 million people are unemployed globally. According to the ILO, millions more suffer from under-employment, bringing the figure up to nearly one billion people, or approximately 30 per cent of the entire global workforce. This represents an increase of one-fifth from the ILO's 1994 estimate of 820 million, and has occurred despite a steady recovery in the world economy. This has led some analysts to suggest we are entering a period of 'jobless growth'. However, in some developing countries, much of this increase in unemployment reflects rapidly growing populations.

In many areas labour markets are characterised by a dwindling core of highly-paid, secure, permanent workers, and a growing number of 'working poor' in insecure, poorly-paid jobs with poor working conditions. The growth of free trade zones, and the spread of flexible forms of work in the formal sector, such as temporary, part-time, and casual work, means that a job in the formal sector no longer guarantees an escape from poverty. In some Latin American countries more than 40 per cent of wage-earners are poor. Self-employment in the informal or 'third' sector is also increasing, although a growing proportion of the informal workforce is linked to the formal sector through sub-contracting relations. Many of these workers suffer from low incomes, and a lack of rights, and work in dreadful conditions.

Women have increased their participation in the workforce in many countries in recent years, providing them with an important new source of income and, potentially, independence. In Latin America, for example, female participation in the labour force has increased from 22 per cent in 1970 to 30 per cent in 1990. But women continue to face great discrimination, and barriers to certain jobs, and tend to be concentrated in low-paid, insecure jobs. Their wages are often considerably less than those of men doing similar work, and they do not necessarily maintain control of their income within the household. Even when working full-time, women are expected to continue performing their unpaid domestic labour, such as caring for the young and elderly. In many countries, women's domestic responsibilities have intensified over recent years as a consequence of cuts in state health and education services. Despite this, their domestic work remains unrepresented in national accounting systems. Meanwhile, in many countries, unemployment is growing among men, creating emotional pressures and in some instances intensifying domestic conflict and violence. In the UK for example, in 1996 male unemployment was 10 per cent against 7 per cent for women.

Children also form a significant part of the workforce, particularly in developing countries. A recent report by the ILO doubled its estimate of the number of child workers worldwide to more than 250 million. The report links the increase to greater economic insecurity and more flexible work practices resulting from the rapid transition to market economies and the impact of IMF structural adjustment programmes. However, only a minority work in the export sector. This is not a problem confined to poorer Southern countries: according to Anti-Slavery International, the majority of the 1-2 million school-age children who are employed in the UK are working illegally.

The denial of basic labour rights remains widespread. The 1980s saw a distinct trend towards de-unionisation, decentralisation of collective bargaining, and deregulation of the labour market in virtually all industrialised countries. Globally, a 1995 report estimated that there had been a 65 per cent increase in reported repressive action against organised labour in the previous three years, spreading to 98 countries, the highest total so far. The rise in abuses is attributed to pressures from globalisation.

1.5 Summary of regional employment trends

A large group of workers in the first and second generation of newly industrialised countries (NICs) in East Asia experienced an unambiguous improvement in employment and wages in the 1980s. It is interesting to note that a number of these countries relied on a significant degree of state intervention for their success. Nevertheless, authoritarian regimes, weak labour legislation, and the denial of basic trade-
union rights and collective bargaining still remain problems. Neither are the gains totally secure, as the recent financial crisis in Asia demonstrates. Some of the first generation NICs, such as South Korea and Taiwan, are now also threatened with a loss of jobs to low-wage countries such as Indonesia and China. South Korea has also recently lost some jobs to the UK. This provoked a government attempt to deregulate the labour market.

In the industrialised world, unemployment has reached proportions not witnessed since the 1930s, averaging around 8 per cent and affecting 35 million people, three times the level in the 1950-60s. This has occurred despite only a small increase in the labour force, and continued economic growth. There are another estimated 15 million or so 'discouraged' workers, who do not register as unemployed because they have given up hope of finding work or have unwillingly accepted a part-time job. The US and UK have gone further than other countries in bringing down unemployment. However, even here there are problems: wage differentials reached levels not recorded since the last century. Differential also widened in the 1980s in 12 out of 17 industrial countries studied by the OECD. Real wage growth decelerated sharply in all OECD countries during the 1980s and first half of the 1990s. Over 100 million people in the OECD live below the poverty line.

Latin America, the region which has gone furthest in integrating into the global economy on the basis of free-market policies, experienced a collapse in growth, investment, and formal sector jobs, and a significant decline in real wages during the 1980s, a situation which has not yet been reversed by renewed growth in the 1990s. The spread of flexible labour practices and job insecurity in Latin America's modern sector has striking parallels with developments in the UK and US labour markets. These trends have been associated with a significant increase in the number of people living in poverty and inequality. Sub-Saharan Africa, which introduced similar policies in the 1980s, has experienced similar trends in large part due to its inability to compete in global markets.

Unemployment in transition economies in the former Soviet Union and Eastern Europe has risen explosively since the introduction of market reforms in 1990, and by 1994 unemployment rates had reached double figures in almost all countries. Wage employment fell by as much as 30 per cent in Bulgaria and Hungary. Real wages have also fallen sharply throughout the region, increasing poverty and inequality in many countries. In South Asia, employment trends were mixed, with some growth in the formal sector including manufacturing employment. Bonded and child labour are still widespread, wages are generally very low, and under-employment and poverty widespread.

1.6 Global inequality

The 1996 UNDP Human Development Report shows that, while there has been a dramatic surge in economic growth in some 15 countries since 1980, bringing rapidly rising incomes to many of their 1.5 billion people, economic decline or stagnation has affected 100 countries, reducing the incomes of another 1.6 billion.

It also states that over the past 15 years the world has become more economically polarised both between countries and within countries, arguing that 'if present trends continue, economic disparities between the industrial and developing nations will move from inadequate to inhuman.' The gap in per capita income between the industrial and developing worlds tripled from $5,700 in 1960 to $15,400 in 1993. The ratio of the shares of the world's richest to the poorest people doubled from 30:1 to 60:1 over the last 30 years. The assets of the world's 358 billionaires exceed the combined annual incomes of countries with 45 per cent of the world's people.

In many instances, inequalities have also grown within countries, including in many OECD countries, notably the US and UK, and developing countries (an issue which is explored further in Section 4). Inequality matters because it deters investment and growth. UNCTAD points out that what is especially disturbing is that the increased concentration of national income has not been accompanied by higher investment and faster growth. In the North profits are at levels not seen since the 1960s but in the main they now generate much less investment and employment than previously. In the South, the rich often receive more than half of the national income, but private productive investment is rarely sufficient to generate a significant increase in per capita income.

Inequality is important because of its links to poverty. Evidence from developing countries...
suggests that the incidence of poverty tends to be more responsive to changes in inequality than to economic growth. Moreover, the experience of Oxfam’s partner organisations in the UK and elsewhere suggests that growing inequality has also been associated with the spread of social problems such as rising crime, delinquency, violence, and drug abuse. For example, in Colombia, homicide rates tripled between 1983 and 1993; in Peru they increased five times between 1986 and 1991; and in Panama they doubled between 1988-1990. In richer countries, recent studies suggest that for some groups of people, the negative effects of social and environmental disintegration are beginning to outweigh the gains from rising incomes and consumption. This suggests that the assumptions underlying orthodox economic policy-making, which equates consumption with well-being, may have to be revised. It may also create a basis for solidarity between groups of workers in rich and poor countries.

Inequality also matters because it can be an important cause of low growth. The Inter-American Development Bank recently identified inequality as one of the main barriers to economic growth in Latin America. Social unrest deters investors, and poverty depresses internal markets and exacerbates fiscal problems through lost tax revenue. Inequality has also been identified as a source of economic inefficiency in the UK. Nevertheless, a recognition of growing income inequality must be tempered by the acknowledgement that, in many countries, average incomes have risen and social indicators, such as life expectancy, infant mortality, and literacy, have shown a steady improvement.
Section 2: Policy debates and responses to unemployment and changing patterns of work

For more than a decade, the international policy agenda has been dominated by free-market monetarist policies aimed at reducing inflation. Now, rising unemployment and inequality are forcing employment policy back into centre stage. The policy debate in both richer and poorer countries focuses largely on whether supply-side or demand-side factors are responsible for rising unemployment and inequality; and on questions about the role of labour market institutions and government policy. In terms of international policies, a crucial question is how far international trade and investment flows are responsible for these trends, compared to other factors such as new technology. There are also other less orthodox critiques from trade unions, poverty-focused groups, and environmentalists. These different approaches are examined below before turning to a review of actual policy responses.

2.1 The debate on national policies

Free-market policies became increasingly prominent in the late 1970s and 1980s in response to what were seen as the growing contradictions and inefficiencies of the previous set of interventionist policies. The failure of interventionism was demonstrated by a severe financial crisis, characterised by huge burdens of debt, in many developing countries. Northern countries were also affected, though to a lesser extent, by budgetary problems, high debts, and rising inflation. Internationally, the leading proponents of free-market policies have been the IMF, World Bank, the OECD, and certain governments, notably the UK, US, and Chile. These three countries can be considered as test cases for the effectiveness of these policies.

In recent years a neo-Keynesian counter-critique has begun to emerge in response to the growing social problems associated with free-market policies. This approach is dominant among the social democratic parties in the North, centre-left parties in the South, and international organisations such as the ILO, UNICEF, UNDP, and the Regional Economic Commissions of the United Nations. Some elements of this approach have recently found selective support from the World Bank and OECD. Workers' organisations and non-government organisations (NGOs), and other campaigning groups, have fiercely criticised these policies, from a poverty, rights, or environmental focus.

Growth

Both free-marketeers and neo-Keynesians agree that growth is a crucial determinant of employment creation. Environmentalists, in contrast, argue that continued growth is neither a desirable or feasible route to higher employment because of the strict physical limits exerted by environmental constraints on further output-growth (although this does not preclude growth through efficiency improvements). It is, however, generally accepted that Southern countries, because of their greater poverty, will have to continue expanding output for some time yet. But because of the global environmental implications, Northern governments should ensure that they help poor countries in the South to gain access to modern environmentally-friendly technologies.

Many environmentalists are also pessimistic about the potential of growth to create employment due to the job-saving effects of new technology. It is argued that, in contrast to previous job-replacing technologies, information technology pervades all sectors, is being introduced more rapidly, and makes work more mobile so that new jobs will be permanently shifted round the globe. Such instability is creating high levels of structural unemployment, and exacerbating inequality by raising the productivity and price of skilled workers. This view forms the basis of the 'end of work' theories which have recently gained some prominence in the mainstream debate.
The role of supply-side and demand-side factors

One area of contention between the free-marketeers and the neo-Keynesians is whether factors of supply or demand are more important determinants of growth, and hence of employment creation. The free-marketeers argue that 'supply-side distortions' in labour and capital markets, caused by inefficient government intervention in many countries in the 1970s and 1980s, fostered an inefficient, inward-looking, and capital-intensive pattern of growth. This contributed significantly to poor economic performance, and increasing unemployment and under-employment. High wages and rigid labour-market protection are also blamed for inhibiting growth and investment. The World Bank has singled out inflexible minimum-wage agreements, restrictive regulations on job security, and severance pay, maternity or other gender-based benefits, high levels of employers' taxation, contributions to non-wage benefits, and inefficient public employment schemes. In the case of capital markets, it has blamed subsidised credit, overvalued exchange rates, and export taxes for artificially cheapening the cost of capital, promoting capital imports, and discriminating against labour-intensive and export sectors.

In contrast, the neo-Keynesians, while admitting that some of the supply-side reforms introduced in the 1980s were necessary, still believe that the effect of government regulation and trade unions on investment, growth, and employment is dwarfed by the negative effect of low domestic demand. They argue that the recent widespread adoption of over-deflationary and high-interest-rate macro-economic policies has been mainly responsible for low investment, poor growth, and rising unemployment in the 1980s and early 1990s.

Economists in developing countries also argue that free-market theory puts too much emphasis on the role of relative prices as determinants of growth and employment. Instead, they emphasise the structural barriers to growth and employment creation, such as unequal land distribution and the lack of access of small producers to financial capital, skills, and markets.

The role of government regulation

Advocates of free-market policies generally assert that growth automatically leads to more jobs and higher wages as the labour market tightens. But they argue that this is frequently prevented from happening because government legislation and trade unions artificially raise wages and benefits above their true market value, thereby pricing workers out of jobs. Crudely put, countries are seen as facing a choice between high employment protection with persistent unemployment, as seen in many European countries; or lower protection but with higher rates of employment, as seen in the US and UK.

The neo-Keynesians draw on a growing body of evidence which suggests that there is not such a strong trade-off between jobs and labour standards as free-market theory suggests. For example, a recent comprehensive survey of 100 German companies in ten industrial sectors showed that companies which place workers at the core of their strategies also produce higher long-term returns to shareholders than their industry peers, outperform their competitors, and create more jobs, demonstrating that good employment practices are good for business and employment. In addition, various recent studies show that measures to protect the labour-market, such as minimum-wage regulations, employment security, and employers' taxes, do not necessarily have a significant negative effect on employment in the long term, although there may be short-term costs associated with restructuring. Much will depend on the level at which the minimum wage is set, and whether it is binding; and on the structure of production (for example, the size of firms and whether they are subcontracted or independent).

Evidence on minimum wage protection in Chile, Costa Rica, Colombia, the UK, and the US suggests that it has not had a significant effect on employment, and in some cases may have had a positive effect. According to the 1996 OECD Employment Outlook, countries with wage floors and healthy benefit-payments are faring better than their Anglo-Saxon counterparts, and minimum wages do not appear to cause job losses among the most affected groups, including women, young people, and the unskilled. Other evidence cited is that unemployment increased while wages fell dramatically, in Latin America in the 1980s. In the UK, rising wage-inequality was associated with increasing unemployment of the less skilled. In the US, real wages fell both relatively and absolutely, but this did not coincide with
significant changes in the unemployment rate of the less skilled. Research in OECD countries has shown that over the long term, increases in employers' taxes are often shifted back onto workers in the form of lower wages. Moreover, weak employment protection increases hiring but also increases firing, so there are few long-term gains from flexibility.

The neo-Keynesians argue further that labour-market deregulation may win markets and save some jobs in the short run, but the strategy is ultimately economically inefficient and self-defeating. Long-term competitiveness depends on productivity rather than wage levels per se. Therefore the idea that low wages and standards are necessary for competitiveness is wrong; low wages also reduce purchasing power, and thereby undermine growth and employment prospects. This has been acknowledged by the World Bank to be a cause of the failure of the structural adjustment programme in Bolivia in the 1980s. Some economists have gone so far to suggest that this is the 'Achilles' heel' of the capitalist system.

The lack of employment rights and social security encourages defensive reactions from workers and thereby inhibits worker mobility. Low wages and flexible labour practices may cause wages to fall below their 'efficiency level', impairing workers' productivity through high labour turnover, low commitment, or poor health.

**Distributional issues**

Free marketeers have argued that labour-market regulations and trade unions not only inhibit growth and employment, but have exacerbated income inequality. The World Bank, for example, argued in its 1996 World Development Report that, because labour market regulations can only be successfully enforced in the formal sector, they exacerbate the income gap between privileged 'insiders' in the formal urban labour market, and the marginalised 'outsiders' in the unprotected, informal or rural sectors. In other words, the 'insiders' absorb an unfair share of the benefits of gains in productivity. The World Bank has therefore promoted labour-market deregulation as a central plank of policy.

Some neo-Keynesians have accepted this view, but others, along with trade unions and NGOs, have argued that it is the deregulation, rather than the regulation, of labour markets which has exacerbated inequality, by weakening the bargaining power of labour. This view has recently found backing from the ILO, which argues in its 1996 World Employment Report that as much of 20 per cent of the overall increase in wage dispersion in the US and UK can be accounted for by the decline in unionisation, labour-market deregulation, and other institutional changes. A growing body of analysts also argue that deregulation fosters a new class of working poor by undermining the rights of those in work, and contributes to growing job insecurity. Even the OECD, in a departure from its normal free-market line, has recently argued that minimum wages, strong trade unions, and generous welfare benefits help to defend the social fabric of industrialised nations against the corrosive impact of wage inequality.

Some trade unions go further and argue that, far from exacerbating income differentials between insiders and outsiders, improved rights and conditions for insiders provide outsiders with a bargaining position to achieve working conditions in line with those of permanent workers. They argue that increased incomes for marginalised outsiders could be generated by a fairer distribution of productivity gains between profits and wages, rather than by eroding the incomes and rights of insiders. The fact that a growing number of small businesses and home-based workers are linked to large successful formal-sector companies and multinationals by sub-contracting relations would imply that labour rights can be extended to them without incurring the kind of enforcement difficulties or job losses which it is claimed would occur in genuinely independent or informal-sector small businesses. In other words, large retailers or manufacturers should be able to take responsibility for working conditions along the sub-contracting chains and absorb the resulting increases in costs.

The most radical campaigning groups suggest that, if large numbers of workers remain unprotected by labour standards, it is not the standards which need to be changed but the economic development model itself, which is incapable of providing for large sections of society.

**Policy recommendations**

Free-market policy solutions are aimed chiefly at supply-side reforms to remove labour market and capital 'distortions'. The typical policy package involves a combination of fiscal discipline to reduce inflation and cut the balance of
The international dimensions of work

payments deficit; privatisation and market deregulation to reduce government inefficiencies and allow the market to allocate resources; devaluation and the opening-up of the economy to international competition and investment, to promote competitiveness. Labour-market deregulation is also sometimes combined with devaluation to 'correct' labour-market distortions and promote competitiveness. Together these policies are supposed to encourage a more efficient allocation of resources away from inefficient import-substituting and subsidised state enterprises, to new efficient domestic and export sectors.

International institutions, such as the World Bank, acknowledge that these policies may create a negative effect on growth and employment in the short term due to recession and restructuring, but in the long term they are expected to expand output and exports. For developing countries, the World Bank has argued that the additional benefit is that enhanced trade will promote increased specialisation in labour-intensive goods, thereby increasing the demand for labour and reducing poverty and inequality.59

As a result of mounting criticisms during the 1980s about the devastating social costs of structural adjustment programmes (SAPs), the World Bank began to promote the establishment of emergency employment programmes and public works to help to compensate and protect vulnerable workers during restructuring. It has also recently begun to stress the role of public investment in infrastructure, training, and education to help countries to adapt to changing global markets and reduce unemployment and inequality. It increasingly advocates active government intervention to help workers to find jobs, especially in periods of adjustment. The new emphasis on 'human capital' in promoting growth is leading to a convergence of thought with some neo-Keynesians. However, the core of free-market thinking remains intact among the international financial institutions and many governments.

Although neo-Keynesians see a role for supply-side reforms their main solution to unemployment is still expansionary policies aimed at expanding the demand for labour. While they also see investment in skills and education as vital, they argue that this alone will not increase the supply of jobs. They stress the need to regulate financial markets to lessen the deflationary bias caused by high interest-rates. They also tend to advocate a greater role for government, for example through job subsidies to compensate low-paid workers, public investment to create employment, and a flexible regulatory framework to protect workers' rights. The latter may entail some support for the minimum wage and for pay ceilings.

NGOs and trade unions tend to promote the strengthening of workers' organisations and more effective national and international social regulation of companies to protect workers' rights and living standards. However, there is also a growing (albeit belated) recognition among trade unions, especially in the South, of the need to increase representation of traditionally marginalised groups such as women, and 'flexible' workers. However, their continued failure to do so in some instances has resulted in growing disillusionment and the establishment, by some of these groups, notably homeworkers, of their own organisations. (See Annexe Case Study 8 below for an account of the homeworkers international campaign for a new ILO convention on homework.)

Northern environmentalists argue that new jobs should be created through the redistribution of existing jobs, the job-creating effects of recycling activities, and state financing of socially useful jobs. They also argue for a shift of taxation from employment to natural resources, for example, through the imposition of an energy tax, in order to promote job creation. (The energy-tax proposal has now been taken up by policy-makers and was put forward by the EU in 1993, when it argued for a reduction in social-security contributions to be financed by a carbon tax.) They also put greater emphasis on the importance of promoting the social economy, or informal sector, as it is known in developing countries. This may take the form of co-operatives, family or community businesses, or local savings and credit schemes. An example of economic initiatives in the informal economy in the UK is the increasing number of Local Exchange Trading Schemes (LETS).

2.2 The debate on international policies

Most of the debate in the UK still focuses on the national causes of unemployment and income inequality. But the effect of the accelerated expansion of trade and investment and finan-
cial flows on jobs has recently become a subject of intense international debate among economists, because of anxieties about the possible impact on jobs in richer economies of the North. All agree that international trade and investment have an effect on employment and incomes in richer and poorer countries; the controversy is over the size of the effect and the appropriate policy responses. The debate is polarised between ‘trade optimists’ and ‘trade pessimists’. The main point of contention with respect to developed economies is whether increased competition from low-wage countries, or technological change, is the more important determinant of rising unemployment and income inequality. There is also a growing debate about the development impact of foreign investment; not whether such flows can be beneficial, but whether there should be any significant restrictions on them.

**Trade ‘optimists’**

The optimistic view is supported by the majority of governments and most international institutions. According to conventional theory, free trade will generate efficiency gains by encouraging countries to specialise in those goods in which they have comparative advantage relative to other countries. Although there may be short-term transitional costs as resources are relocated from import-competing industries to export industries, in the long run output, and hence employment, will increase in all countries. Moreover, free trade and foreign investment are also supposed to bring additional gains, such as expanded economies of scale, competitive spurs to firms, increased access to capital and technology, and improved skills. According to this view, the fear, prevalent in the UK, that the Third World will take output and jobs from richer countries, is misguided on several counts. First, because productivity is much higher in richer countries, unit labour costs vary much less than wage differentials alone would suggest, limiting the incentive for capital to transfer to cheap-labour sites. Moreover, as capital costs, research and development, and marketing increase in importance, the competitive advantage of low wages is being eroded. This view is supported by a recent OECD study on trade and labour standards which shows that there is no long-term competitive advantage to be gained from lowering core labour standards, and reinforced by the fact that trade and investment flows are still largely concentrated in OECD countries.

Second, trade optimists argue that it is incorrect to suggest that any increase in output in poorer countries must be at the expense of richer ones, as is commonly assumed. Increased exports give developing countries more money to spend on imports from developed countries (and vice versa). Any negative effect trade might have on the structure of employment is likely to be localised and temporary. Third World manufactured imports account for only around 3 per cent of GDP in most industrial countries, and the manufacturing sector now only accounts for a relatively small proportion of their GDP and employment (for example 18 per cent of GDP and 17 per cent of employment in the US). The main competitive pressure on most developed countries comes from other developed countries.

Such observations have led others to reinvoke national factors as the main cause of rising unemployment and wage inequality in developed countries. Krugman has argued that it is the labour-displacing effects of new technology on less skilled workers that is contributing to unemployment and wage inequality in the developed world. He also presents evidence to suggest that the demand for skilled labour has decreased in many sectors, not just in those industries facing wage competition from developing countries. A possible cause is that the composition of domestic demand in richer countries has shifted away from manufactured goods to services.

**Trade ‘pessimists’**

The trade pessimists comprise a small group of academics and policy-makers, the vast proportion of Southern and Northern NGOs, international trade unions, and environmentalist groups, along with protectionist elements in the North. They are sceptical that trade and investment liberalisation will necessarily lead to greater efficiency and growth. The economic benefits from trade depend on whether or not the products are being exported into fast-expanding markets. Recent evidence suggests that the terms of trade for manufacturing exports from developing countries fell over the period 1970-1991. But even if trade usually confers benefits, they argue that this does not imply that total liberalisation is the optimal policy choice. The evidence from the early economic successes in East Asia suggests that the ‘infant industry’ argument for protection
remains valid if governments have the skills to implement it effectively. (See section 2.3 below for further discussion of this point.)

Moreover, critics argue that the contribution of unregulated foreign investment to growth may be more limited than often assumed. Because of their superior capacity in relation to domestic competitors, multinationals may be able to abuse their market power, for example to extract monopoly profits. Transfer pricing within multinational companies may allow companies to avoid paying taxation. The IMF has recently acknowledged that an excessive inflow of foreign capital may cause the exchange rate to appreciate, resulting in rising inflation, a loss of competitiveness, and balance of payments problems, as occurred in the recent crisis in Mexico. Multinationals may also create an excessive outflow of foreign exchange through foreign purchases or profit repatriation. They may also fail to reinvest locally, create dynamic backward linkages, or transfer skills and technology to the host country.

Some of the stronger criticisms relate to the negative distributional effects of trade and investment liberalisation. Many trade unions and NGOs argue that foreign trade and investment mainly serves a narrow range of established interests, and as such, fails to benefit the mass of unskilled workers globally. They argue that it contributes to unemployment and growing inequality because it allows multinational companies to relocate production, or threaten to do so, to the cheapest production sites, thereby leading to a global lowering of labour standards for unskilled workers. This is exacerbated by policy competition between governments to offer foreign investors the most favourable conditions.

With regard to richer countries, the trade pessimists believe that capital mobility and free trade will provoke a steady shift of manufacturing production to low-wage countries, decreasing employment and exacerbating inequality in the North. This view is backed up by standard (and quite ancient) trade theory which predicts a widening wage gap between skilled and unskilled workers in developed countries (a fact which is generally played down by the free-trade optimists for fear of exacerbating protectionist tendencies). According to this theory, trade liberalisation is supposed to lead richer countries to concentrate on products using skilled labour, resulting in an increase in the incomes of this group relative to the unskilled, thereby increasing inequality.

The pessimistic view has recently found support from Adrian Wood, a British academic, who has argued that because Third World exports are concentrated in labour-intensive sectors, the impact on the labour market will be large. Furthermore, he contends that labour-saving technology is itself in large part induced by increased competition from low-wage producers. He concludes that trade with developing countries reduced the demand for unskilled workers in developed countries by 20 per cent in the 30 years to 1990, with three-quarters of that decline taking place in the 1980s. Patrick Minford has recently argued that increasing competition from developing country manufactures accounts for some 1 per cent per annum of the relative wage decline experienced by OECD countries. He concludes that globalisation 'packs a huge punch which it has taken massive Western technological and public spending to dilute..' and that '...trade's general blessings have always been built on income redistribution'.

With respect to poor countries, standard trade theory predicts that free trade will lead them to specialise in products which use less-skilled labour, thereby increasing the incomes of this group relative to skilled labour, and thus reducing inequality. However, the trade pessimists argue that this effect will not be realised because trade liberalisation favours certain groups over others, and the job-creation effects of free trade in the new export sectors are insufficient to compensate for the loss of livelihoods in labour-intensive industries and among small-scale producers. A recent UNCTAD report argues that in almost all developing countries that have undertaken rapid trade liberalisation, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages, of the order of 20-30 percent in some Latin American countries. Chile and Mexico are particularly notable examples.

Moreover, they argue that the relocation of foreign investment from richer to poorer countries will fail to benefit the mass of workers in these countries due to its limited job-creating capacity in the face of massive and growing labour reserves, and the effects of authoritarian governments and international policy competition in holding down wages and benefits. Multinationals may also introduce highly
capital-intensive technologies, limiting the number of jobs created and raising the salaries of skilled workers, thus increasing inequality. The trade pessimists claim that, as well as widening inequalities, foreign trade and investment may have other negative social, environmental, and cultural effects. Investments in extractive industries often contribute to serious environmental problems and disrupt indigenous communities. The availability of foreign goods may shift demand in a socially undesirable way and undermine local cultures.

2.3 Policy implementation at the national level

The structural adjustment programmes (SAPs) imposed by the IMF and World Bank on indebted countries in exchange for new loans, following the debt crisis of the early 1980s, are the purest expression of free-market policies. SAPs generally involve fiscal stabilisation; privatisation; devaluation combined with liberalisation of trade and investment; and deregulation of financial, labour, and agricultural markets. They were initially introduced to correct the inefficient policies which were believed to underlie the Third World debt crisis, and were particularly prevalent in Africa, Latin America, and the Caribbean. More recently the transition economies of Eastern Europe, the former Soviet Union, and parts of Asia have begun to adopt the neo-liberal recipe, also under the auspices of IMF and World Bank programmes. In Africa there have been more than 160 World Bank and IMF structural adjustment programmes, covering more than 30 countries, and over 100 in 18 countries in Latin America and the Caribbean, since the early 1980s. To a lesser extent, the free-market ideology has also influenced the policies of a growing number of richer countries as they become subject to intensified competition. Unusually for richer countries, the UK was forced to adopt an IMF stabilisation programme in the 1970s. The UK subsequently went furthest among Northern countries in implementing free-market policies, and helped to pioneer and promote them internationally from 1979 onwards.

For all countries, intensified competition in recent years has made labour markets a critical, although contested, area of reform. During the 1980s devaluation was used extensively as a means of lowering labour costs and making exports more competitive in many developing countries, under SAPs, and was also used in some Northern countries, such as the UK. Despite these moves, labour markets have recently been singled out by the IMF and World Bank as an area in need of further deregulation. Many governments in Latin America and Africa, as well as in the US and UK, have already taken steps in this direction. In contrast, the EU until now has managed to retain a relatively generous level of social provision through the Social Chapter, but this is increasingly under threat. Significantly, a recent meeting of European Union Social Ministers called for 'reforms to social security systems that hinder job creation'.

In developing countries, import liberalisation, from which the North has much to gain in the form of new markets, has been implemented more vigorously than almost any other aspect of SAPs apart from devaluation. Latin America now has lower tariff protection than any other developing region. Much of Sub-Saharan Africa has undergone a transformation in trade policy of only marginally less impressive dimensions. Asian countries, too, especially the Philippines and Indonesia, have been removing tariff and other barriers to trade at an accelerating rate.

Trade liberalisation has increasingly been accompanied by the lifting of government controls over foreign investment as governments compete to offer the most favourable environment to foreign investors. The UNCTAD Division on Transnational Corporations and Investment have calculated that in 1992 there were 43 countries which had passed 79 pieces of legislation in this regard, all of which were liberalising measures. These measures have significant implications for the distribution of employment within and between richer and poorer countries, as we will see below.

The growth record of countries undertaking the more extreme forms of free-market policies has not been auspicious. Per capita income fell drastically in Latin America and Africa during the 1980s. The renewed growth rates in Latin America in the 1990s, which the IMF and World Bank have attributed to the introduction of free-market policies, is still well below that of the pre-1980s period and that of the Asian tigers. Eastern European and Central Asian countries have also suffered dramatic declines in incomes as part of the process of transition towards
market economies. The IMF and World Bank argue that the decline would have been worse without adjustment programmes, an assertion which it is impossible to prove; and that individual cases of poor performance are often due to non-compliance with the conditions of their structural adjustment programmes. In fact, although adherence has inevitably been mixed, some of their own studies show that compliance has been relatively high. The World Bank's third review of adjustment lending, published in 1992, confirmed that 'adjustment lending has not significantly affected economic growth and has contributed to a statistically significant drop in investment ratios.'

Nevertheless, some countries, in particular the US, Chile, and the UK, have been cited as successful examples of the free-market model. Chile has achieved impressive growth and saving rates in the 1990s (although these are not so impressive when compared with the pre-reform period), and has had to struggle through a long and difficult transition period. The US model, which has often been cited as an alternative to the European model, has secured high growth in employment without inflation, but productivity growth has been very low in comparison with Europe and productivity per hour is now lower in the US.72

The growth record of the UK is at best mixed. Although productivity has grown recently it was still 10 to 20 per cent less than in France and Germany, 30 per cent less than in Japan, and 60 per cent less than in the USA in the early 1990s.73 The UK's investment record is one of the worst among industrialised countries. Its industrial base has shrunk more rapidly, with the manufacturing sector in persistent current-account deficit, and some parts of its service sector are lagging behind France and Germany in terms of efficiency. The UK has slipped to nineteenth place in the International Institute for Management Development's World Competitive league table. Each of these countries have suffered from significantly growing inequality, job insecurity, and social exclusion, issues which are examined further in sections 3.3 and 3.4.

The recent collapse of the communist economies eliminated the only valid alternative system to capitalism. There are of course different models of free-market policies, especially among the richer Northern countries, which are generally in a stronger economic position than their poorer Southern counterparts to pick and choose policies, at least until recently. The specific mix and weight given to the curtailment or restraint of public expenditure, cuts in social security and welfare programmes, reductions in progressive taxation, abandoning of full employment policies, curbing of trade unions, and increased privatisation, varies from country to country. Many have retained protectionist policies with respect to agricultural products and certain industrial goods, whilst preaching the virtues of free trade to the rest of the world (which has been particularly damaging to developing countries).

Germany, for example, is widely considered to be an example of a country which has successfully secured strong economic growth based on a comparatively high level of government intervention. It has recently come under pressure to increase competitiveness by removing some of its strong labour regulations and cutting public spending; but Richard Layard has attributed its recent economic problems to the fact that it is transferring 5 per cent of GDP to the former communist east, rather than intrinsic problems with its model of development. Layard has argued more broadly that the European model remains successful both in terms of growth, jobs, and social inclusiveness.74

Some of the more successful developing country alternatives to the free-market recipe of the IMF and World Bank have been provided by the East Asian economies such as South Korea and Taiwan. The World Bank claimed in its widely quoted report, *The East Asian Miracle*, that the experience of the East Asian economies since the 1960s offered supporting evidence for the view that trade liberalisation contributes to reduced wage inequality in developing countries.75 However, critics argue that in fact the significant lesson from these economies is that intelligent state intervention can play a crucial role in achieving sustained export success, greater employment, and poverty reduction. In contrast to the policies to protect inefficient, inward-looking, capital-intensive industries pursued by many Latin American, African, and Eastern European countries, intervention in these Asian economies was selective and temporary, aimed at developing long-term comparative advantage, after which time companies were expected to operate in world markets. It included regulation of foreign investment, selective trade protection, tax incentives and lower import-duties, and export subsidies. According to the same World Bank
report, the most important forms of state intervention which underpinned that growth could not be pursued today, because they would be inconsistent with obligations under the World Trade Organisation treaties.

Some East Asian countries also demonstrate the importance of investment in education and an even distribution of income and wealth in promoting employment, and reducing poverty and inequality. South Korea and Malaysia devoted 22 and 18 per cent respectively of their public expenditure to education, compared with 12 per cent in the UK. As a percentage of GDP, government spending on education in Britain has declined from 5.4 per cent in 1978-89 to 4.8 per cent in 1990-1991. Early and far-reaching land-reform programmes in Taiwan and Korea were also important in extending economic participation.

2.4 Policy implementation at the international level

The removal of government controls over trade and investment, and other market reforms, are being consolidated and extended in legally binding regional and international free-trade agreements, such as GATT (the General Agreement on Tariffs and Trade, which is now administered by the WTO\(^7\)), NAFTA (North American Free Trade Agreement), and the Maastricht Treaty in the European Union (EU).

Far from guaranteeing a 'level playing field', these global trade agreements reflect the dominance of Northern countries and TNCs. The most recent Uruguay Round of GATT opened up new sectors to trade, such as banking and insurance, where Northern TNCs have a comparative advantage; made further progress in liberalising agricultural markets, thereby restricting the ability of Southern governments to protect their food systems against cheap imports dumped by industrialised countries; and limited the rights of governments to control foreign investment in the social interest. The WTO has also recently successfully concluded a deal to liberalise telecommunications services and information technology products, and is now pushing to liberalise trade in financial services.

The Agreement on Trade Related Measures (TRIMs) in the Uruguay Round of GATT contains significant measures to loosen controls on investment. For example, governments will not be able to insist, as a condition of market access, that foreign companies meet minimum requirements for using local materials in the production process. Nor will they be able to oblige these firms to export a specific share of their products, or limit their imports of component parts. The Agreement on Trade in Services (GATS) prevents national governments from restricting the entry of firms into sectors such as banking, insurance, and advertising. Measures aimed at regulating the activities of companies in terms of social and environmental standards, transfer pricing, restrictive business practices, and excessive profit repatriation are conspicuous by their absence.

More recently still, the OECD, backed by pressure from the European Commission, the US, and several other industrialised countries, has pressed for a more extensive free-standing Multilateral Agreement on Investment (MAI), to be open to both OECD members and non-members alike, with an estimated completion date of April 1998. The agreement would reduce discriminatory government regulation of foreign investors, provide greater security and protection for investments, and set up a settlement mechanism for disputes. The MAI would greatly increase the rights of TNCs, backed by international law, with no corresponding transfer of social and environmental responsibilities. If implemented it will go far beyond than investment rules in the existing TRIMs agreement of GATT and remove many government tools for regulating foreign investment.\(^8\) (The implications for the UK are examined in Section 3.)

In direct contradiction to these liberalising measures, the Uruguay Round extended to 20 years the standard period for patent protection for intellectual property, where Northern TNCs have a competitive advantage. It also failed to promote the free movement of labour, which would help to equalise wages globally; nor did it tackle the massive growth in the use of subsidies by rich Northern countries to attract foreign investment, which represents an unfair advantage over poorer countries, which cannot afford to offer such high subsidies.

The Uruguay Round also failed to fully address the array of Northern discriminatory practices still facing developing countries' products. For example, although the agreement on agriculture involved reductions in direct export subsidies, the OECD countries continue
to spend the equivalent of around $175bn annually subsidising agricultural production and farm incomes, equivalent to half the value of the OECD’s agricultural output. This has dire consequences for small-scale producers in the South. Similarly, the Multi-Fibre Agreement (MFA), which allows industrialised countries to protect their domestic textile and clothing industries from Third World imports by imposing bilateral quotas, will not be fully phased out until 2005. Southern countries depend heavily on their textile industries for foreign exchange and jobs.
Section 3: Some implications for the UK

3.1 Globalisation and the UK

The UK has always been a very open economy. According to a government White Paper on competitiveness by the Department of Trade and Industry: 'more than most countries, the living standards of our people and our industry's competitiveness depend on the ability to trade and invest freely... The UK is the world's fifth-largest exporter and importer of both goods and services... Exports are equivalent to more than one-quarter of GDP and a major source of employment.'80 Although imports from developing and transition countries are increasing in importance, the bulk of UK trade is still with other developed countries. The EU, for example, accounts for some 60 per cent of UK visible exports.

The UK also has the highest ratio of inward and outward investment to GDP of any leading economy. It also has a greater stock of inward foreign investment than any other major industrial nation.81 However, the outflows of direct investment are much more significant than the inflows in contributing to GDP, suggesting that the UK has much to gain from the liberalisation of other countries.

London boasts the second highest concentration of investment portfolios of pension funds after Tokyo, many of which are managed overseas. The City of London also acts as a clearing house for vast amounts of financial capital. The UK economy is at one and the same time a relatively powerful economic force in the global economy, and yet highly susceptible to international economic trends. Globalisation therefore offers both opportunities and threats. The implications for government policy and the labour market are examined in the following sections.

3.2 National policies

The restrictions that globalisation is exerting on the power of governments to formulate and implement economic policy is illustrated by the growing convergence between the main political parties in the UK in their acceptance of free-market policies. However, even within the economic parameters set by globalisation, there is still a range, albeit a narrowing one, of different policy options. The previous Conservative Government chose to meet the challenge of intensified global competition by pursuing a strategy of cheap and flexible labour.

Indeed, according to the OECD, the UK is among the countries which have gone furthest in pursuing neo-liberal policies and deregulating labour markets. A 1991 Department of Trade and Industry booklet, Britain the Preferred Location, sums up the situation:

The overall cost of labour in Britain is significantly below that of other major European industrial countries...There is no legal requirement for a company in Britain to recognise a union. Many companies — especially foreign-owned ones — do not do so. Throughout Britain as a whole the number and percentage of employees who are members of trade unions has been falling since 1979. The balance of power in industrial relations has shifted significantly since 1979. Effective legal action can be taken against any union which seeks to organise unlawful industrial action; organisation of industrial action will always be unlawful if, for example, the industrial action is 'secondary' (or 'sympathy') action taken by workers whose employer is not party to the dispute to which the 'primary' action relates; or if it is not wholly or mainly about employment matters; or if it consists of picketing away from the pickets' own place of work; legal proceedings can be brought to restrain a union from organising industrial action if does so without first obtaining majority support from a properly conducted secret ballot of its members.

The international experience outlined in this document suggests that a cheap labour strategy can not lay the basis for long-term sustainable economic expansion. A more appropriate strategy for a rich and developed nation like the UK would be to develop policies aimed at promoting higher-value-added production based on new technologies and production techniques.
Moreover, as argued below, even within the constraints imposed by globalisation, there is much that a UK government could do to promote greater equity and social cohesion.

The effectiveness of the UK's cheap labour strategy

It is claimed that the UK's cheap and flexible labour strategy has helped to attract a substantial amount of foreign investment. The UK is the world's second largest outward investor, with a stock of £214bn of overseas investments in 1995, and the value of overseas assets equal to almost one-third of annual GDP. After the US, the UK is the world's largest recipient of foreign direct investment and also attracts about one-third of all inward investment into the EU. Foreign investment in Britain accounts for 24 per cent of net output, 32 per cent of net capital expenditure, and 40 per cent of exports. In 1995 the UK's stock of inward investment stood at £160bn. There is also some evidence which suggests that these flows have been associated with improved productivity due to the introduction of new production and management ideas.

However, the UK's cheap and flexible labour force is not necessarily the main attraction for foreign investment. The UK's easy access to EU markets, its good infrastructure, relatively skilled workforce, and high financial incentives are also important. Moreover, the net contribution of foreign investment to the economy is not as significant as sometimes implied. Three times more investment flows out of the UK as flows into it, leaving a gap of £12bn in 1994. A report by the Labour Party showed that 60 per cent of inflow of foreign capital in 1996 involved takeovers of British companies rather than net additions to investment.

Nevertheless, foreign investment has made an important contribution to job creation in the UK. According to the DTI's Invest in Britain Bureau, recorded foreign investments have directly created or safeguarded 770,000 jobs since 1979. This represents 3 per cent of the UK workforce, and 18 per cent of all manufacturing jobs. But, as section 4 argues, the benefit of the jobs created by foreign investment needs to be set against the cost of attracting it.

One indirect cost of attracting inward investment to the UK has been a generalised lowering of labour standards, which in some instances has been inconsistent with international labour law and standards outlined by the ILO, and which has in turn contributed to deteriorating job quality, and growing income inequality.

In terms of the direct costs or benefits of foreign investment, much depends on the nature and quality of the investment. Foreign investment is generally seen as having brought new technologies, skills and management practices to the UK: workers employed in foreign companies are also often assumed to be better paid and produce more per capita than the national average. But its actual impact depends on whether the investment has been attracted by low wages, or high skills; whether it is selling to the UK or European market; whether it sources locally or overseas; whether it constitutes a take-over, greenfield investment, or join venture; the management culture of the company, etc. So for example, the growing presence of South Korean companies in regions such as Yorkshire and Humberside, Wales, and Northern Ireland, has been in some part attributable to the low wages and high subsidies on offer. While foreign investment has created around 160,000 jobs in Wales since 1983, the strategy has been criticised for focusing on a few low-skill and low-wage industries such as the manufacture of television sets and cars. Jobs in management, finance, and research and development are frequently maintained at the foreign headquarters or filled by outsiders. R&D in Wales is reportedly one-third of the UK average and declining.

Over-reliance on foreign investment may also exacerbate job insecurity. Around 35 per cent of manufacturing industry in Wales is owned by foreign investors, who could leave without warning. The recent financial crisis in Asia has heightened fears about the potential mobility of foreign investment.

The price of attracting or keeping foreign investment also includes the large sums spent on incentives such as tax breaks and financial incentives. The UK has one of the lowest main corporate taxes on profits in the EU (33 per cent). The government and regional development authorities also spend large sums on financial subsidies, particularly in the Assisted Regions. In 1994-5, for example, $89m was spent attracting Samsung to north-east England and around $107m attracting Jaguar to Birmingham, which worked out at $29,675 and $107,400 per job respectively. Competitive bidding between the regions for FDI is increasing, despite efforts by the DTI's Industry...
Development Unit to adjudicate disputed cases; and tensions are likely to increase with devolution in Scotland and Wales. The funds used to attract FDI could instead be used to stimulate home-grown investment and employment or pay for public services. By way of comparison, a recent survey for the Rowntree Foundation of different welfare-to-work programmes across the UK indicated that the majority fell in the cost bracket of from £3,000-£6,000 or £6,000-£10,000 per additional person in work.

Another possible cost of the UK's dependence on foreign investment is growing social and cultural tensions. The Equal Opportunities Commission and the Commission for Racial Equality have recently had to prepare guidelines on employment for Japanese companies following complaints by their UK employees, who now number more than 750,000. The guidelines advise them not to treat local employees differently from Japanese ones, to avoid direct discrimination such as refusing a job to non-Japanese staff or dismissing only non-Japanese staff in cost-cutting exercises, not to ask for 'only fair-haired women for interview for a secretarial job', to ensure that all important company information is available in the English language, and not to exclude local staff from meetings because they cannot speak Japanese.88 (There are parallels here with the behaviour of UK and other OECD companies operating overseas.)

3.3 International policies

The previous UK government was at the forefront of efforts to promote trade and investment liberalisation world-wide within the EU, the WTO (mediated through the EU), the IMF and World Bank, and in the G7 countries. It has also been a strong supporter of structural adjustment policies, as well as measures under GATT and the OECD Multilateral Agreement on Investment (MAI), and has consistently opposed moves for the international social regulation of trade and investment, including the proposal for a Social Clause at the WTO and the Social Chapter in the EU (see below). The new international rules open up important new investment and export opportunities to UK companies, especially in services. They also create a much more predictable trading and investment environment. The UK's clothing industry, and the large workforce, will also temporarily benefit from the prolonged phase-out of the MFA, although many argue that this delays the inevitable phase-out at the expense of developing countries.

There are also significant costs. Because the UK has already gone a long way in opening its economy to foreign trade and investment it would seem as if the new rules will not have much affect on current policies. However, the new agreements will significantly reduce the ability of governments to regulate trade and investment in the public interest which in turn has important implications for jobs.

The GATT rules on tariffs and quotas will make it increasingly difficult for the UK to restrict imports as it currently does on health or safety grounds, or because of the abuse of human rights, or the unsustainable exploitation of natural resources. The WTO recently ruled, for example, that the EU ban imposed on US beef imports produced with growth-hormone implants is illegal under GATT rules. The new trade rules may also cause other social and environmental policies to come under attack. The US argued that the provision of free dental care in some of Canada's provinces constituted an unfair trade practice under NAFTA rules, because it subsidised the cost of labour.

Voluntary organisations may also find their actions restricted. The EU recently threatened to take South Korea to the WTO because a 'frugality campaign' launched by a group of local NGOs had caused a reduction in luxury imports from the EU and was therefore seen as an unfair trading practice. This raises important questions about the autonomy of NGOs. The MAI currently under negotiation by the OECD goes even further than the GATT investment measures. Critics say that the deal will legalise an unprecedented transfer of rights from citizens and governments to corporations, without a corresponding transfer of social or environmental obligations. Unless it is substantively reformed, the proposed MAI would seriously restrict the ability of governments to regulate foreign investment in the public interest. It would give corporations the right to sue governments for breaches of the MAI rules but not provide citizens or governments with a corresponding right to sue investors. It would prevent the screening-out of undesirable foreign investment, or any restrictions on foreign ownership of sensitive national assets, unless exempted from the agreement. (The UK
government is currently seeking an exemption from these rules to minimise foreign ownership of fishing fleets to help to conserve depleted fishing stocks. It may prevent governments insisting on joint ventures, technology transfer, employment of local personnel, or domestic content of products, designed to maximise employment creation and the transfer of technology or skills. It may also prevent governments giving special treatment to infant industries. The freeing-up of capital which the MAI entails would also exacerbate downward pressure on labour and environmental standards and a mushrooming of financial incentives.

Although the UK is already a relatively deregulated economy, the negative effects of the MAI may become increasingly pronounced as dependency on foreign investment increases. In Wales, for example, because of the failure of inward investment to close the poverty gap with England and Scotland, there is a growing debate about the need to put stronger emphasis on helping Welsh enterprises to grow, but that may be prohibited by the MAI. More widely, if agreed, the MAI will serve to establish the discredited free-market policies of the last decade, which are associated with growing poverty and inequality.
Section 4: The social impact of free-market policies on employment and living standards

In this section the experience of the UK is compared to that of other countries, in particular the US and Chile, which are also considered to be successful examples of the free-market model.

4.1 The regressive role of free-market policies

Globalisation is neither inherently bad or good for employment and living standards; it can either enhance wealth and jobs, or undermine them. Whether it has a positive or negative impact depends on many factors, including the national and international control of production and marketing, and the terms on which countries trade and receive foreign investment, among other things.

The evidence outlined above shows that while globalisation has generated considerable benefits for some, it has been accompanied by growing un- and under-employment and deteriorating conditions for a large group of workers. The IMF and World Bank have argued that this situation is the inevitable short-term cost of adjustment from the previous set of inefficient, interventionist policies to more efficient free-market ones, and that the situation would have been worse without the reforms. In contrast, Oxfam believes that the gross inequalities which characterise national and international markets, and the exclusionary nature of the free-market policies introduced during the 1980s, are the causes of the problems.

This is not to deny that sound economic policies are needed in countries facing chronic trade and financial difficulties. There is also an important role for the market, and a pressing need to make governments more efficient and accountable. It is also true that an overemphasis on social issues at the expense of economic considerations can generate inefficiencies. But Oxfam's participative research programme on the social impact of structural adjustment policies in developing countries indicates that over the last 15 years free-market policies have in many instances exacerbated rather than alleviated the economic and social problems which they set out to cure.

While there was clearly scope to reform protectionist policies, it did not follow that the market, left to itself, would necessarily improve output, jobs, and welfare. Moreover, the free-market policies which were promoted by the IMF and World Bank were unnecessarily regressive. They included an emphasis on cutting government expenditure rather than switching expenditure or increasing tax revenue as a means of meeting fiscal targets; raising regressive forms of taxation such as sales tax while reducing progressive forms such as income tax and corporate taxes; privatisation without effective new forms of regulation; the dismantling of national redistributive mechanisms without putting new forms of protection in their place; too great a reliance on foreign trade and investment; and an emphasis on achieving competitiveness through devaluation and labour-market deregulation rather than by increased productivity.

There are striking parallels between this approach and the policies adopted by the UK in the 1980s. The Invest in Britain Bureau boasts that the UK has one of the lowest main corporate tax rates on profit in the European Union, low personal taxation rates, generous capital allowances for business, no exchange controls or any other restrictions on profits sent overseas, liberal and undemanding labour regulations, labour costs significantly below other European countries, 24-hour, seven-days-a-week production standards in many industries, free movement of goods, services, capital, and people within Europe.

The following section draws on Oxfam's programme experience and research in the UK and overseas, as well as wider evidence, to examine the combined impact of national and international policies on the level, pattern, and conditions of employment in both richer and poorer countries.
4.2 Job losses

One of the main factors contributing to rising un-and under-employment in developed and developing countries has been the widespread adoption of deflationary monetary policies by governments during the 1980s, entailing high interest-rates, restrictive credit policies, and cuts in public-sector employment. Another important factor, especially for developing countries, has been their overly rapid and unselective integration into highly unequal global markets, generally encouraged by the IMF and World Bank. Contrary to common perception, job loss through company relocation is increasingly affecting developing as well as developed countries.

**Developed countries**

Northern countries are generally better equipped than developing countries to compete in world markets because of their control of new technology, higher levels of skills, and better infrastructure. However, they are also experiencing substantial job losses as a result of trade and investment liberalisation. While many of these losses are often dismissed because they occur among dead-end jobs in declining industries, such industries were often important employers and their demise can have devastating social effects on communities.

Oxfam’s Clothes Campaign has examined the effects of foreign competition on the UK clothes industry, a labour-intensive and highly mobile industry, and one particularly affected by foreign competition because labour costs account for about one-third of total production costs. Around 400,000 jobs have been lost in the UK clothing industry since 1979, far more than in other European countries.90 But with another 400,000 employees left, it still remains one of the top six employers.91 Despite the restrictions imposed by the MFA, clothing imports from developing countries account for 54 per cent of all imports, and come mainly from the NICs such as Hong Kong, South Korea, Thailand, and more recently, China and Eastern Europe. Analysts have estimated that between 17 per cent and 30 per cent of the industry’s decline up until the early 1990s was due to imports, of which an estimated 9 per cent was due to imports from developing countries. The rest was due to productivity increases and changes in domestic demand.92 However, these figures seriously underestimate the impact of imports as they neglect the effects of trade on productivity increases. It is estimated that the phase-out of the MFA will accelerate job losses in the UK clothing industry, and another 50,000 jobs could move overseas by the end of the next decade.

While retailers such as British Home Stores and C&A have sourced most of their clothes from overseas for some time, 77 per cent of the garments sold by Marks and Spencer are reportedly made here. But the stated intention of Marks and Spencer’s main suppliers is to shift production overseas.

In other sectors, leading German chemical firms such as Bayer have transferred industrial plastics plants to China. In Germany, over half of all companies are reported to be planning a transfer of production to other countries.93 Levi is cutting manufacturing jobs by one-third in North America because of competition from rivals selling cheap jeans made in low-wage Asian countries.94 There are signs that job losses in developed countries due to relocation are not just restricted to the declining manufacturing sector. The skill-intensive and service sectors in the richer countries are also beginning to feel the effects of global competition. Many typically ‘female’ jobs are being created in developing countries, as data-processing, tele-communications, and financial services are moved from industrialised countries. Computer giants such as Texas Instruments and IBM now maintain software companies in Bangalore; international airlines, banks, and insurance companies now employ armies of data-processors in countries such as the Dominican Republic, India, and Thailand, all linked by computer via satellites.

In the US even the very lowest estimates indicate that there has been a net loss of 1.4 million jobs due to the excess of imports over exports.95 The Economist magazine has predicted that globalisation will wipe out millions of jobs, and the effect on richer economies is likely to increase as manufacturing exports increase from newly emerging market economies such as China, Eastern Europe, and the former Soviet Union.96

However, the effects of foreign competition on richer countries have arguably been dwarfed by the negative effects of deflationary macroeconomic policies. Many countries abandoned full employment as a policy priority in the early 1970s; restrictive monetary policy and financial deregulation have pushed up interest rates to historically high levels and increased their...
The social impact

volatility. In the UK, real interest rates for the period 1981-1992 were double the average for the previous 20 years. These factors have been associated with a sharp decline in investment and therefore employment. In Europe, capital stock has grown at only 3 per cent a year since the early 1980s: half the level of the 1960s. In order to meet tight fiscal targets, cuts have been made in public-sector investment and employment, the main source of new jobs in many European countries, which has also contributed to rising unemployment.

Developing countries

Contrary to common perception, which assumes that company relocation arising from the increased mobility of capital mainly threatens jobs in richer countries, there are signs that it is also beginning to affect jobs in developing countries. Rising wage costs in the first generation of the newly-industrialising countries (NICs) have prompted the transfer of investment to South-East Asia, where wage costs are one-tenth of those in South Korea and Taiwan. Vietnam, China, and Indonesia have diverted foreign investment from the second generation of NICs.

More surprisingly, South Korea has lost jobs to South Wales because of lower wages — an average of £8,000-£10,000 in South Wales compared to £10,000-£12,000 in South Korea. The South Korean government announced plans to introduce labour reform in order to weaken job-security rights, in response to what the South Korean president described as 'cut-throat global competition'. In the Dominican Republic, workers in garment factories in the Free Trade Zones are under constant threat that companies will relocate to Haiti, where wages are much lower, or to Mexico, which has been granted preferential trade-access to US markets under NAFTA. In 1996 an estimated 75,000 people lost their jobs in the FTZs in the Dominican Republic.

Oxfam has researched and documented the negative effects of rapid trade liberalisation in some developing countries implementing structural adjustment programmes. When combined with deflationary high-interest-rate policies, the effect on jobs in potentially competitive labour-intensive industries can be disastrous. Oxfam supports rural producers and workers in Nicaragua, which is one of the world's poorest and most indebted countries. The rapid elimination of tariffs under a 1990 IMF/World Bank programme, coupled with the imposition of severely deflationary policies entailing high interest-rates and a severe curtailment of credit, resulted in a 14 per cent decline in industrial production during the period 1990-1993. This was combined with severe cuts in public employment to meet tight fiscal targets, and job losses through privatisation. Official unemployment jumped from 11 per cent to 22 per cent between 1990 and 1993. Under-employment rose from 33 per cent in 1988 to 54 per cent in 1994.

In Zambia, where Oxfam also supports local groups, fragile industries have been damaged by punitive interest rates and a surge in competition from cheap imports. More than three-quarters of Zambia's textile factories have closed in the last few years, reducing textile towns such as Livingstone to centres of mass unemployment.

The impact of trade liberalisation is not just confined to workers in manufacturing industries in developing countries: its effect on the millions of small informal and agricultural producers in these countries may be far more drastic. Small-scale farmers in developing countries are often forced to compete, without adequate access to credit or technical assistance, in an international market dominated by cheap, heavily subsidised US and EU exports of staples such as maize and wheat. The result is depressed prices and the loss of markets to unfair competition from rising imports, reduced rural employment and incomes, and growing displacement from the land, thereby contributing to the already massive labour reserves of un- and under-employed. Cheap imports are also threatening the livelihoods of many small producers and entreprenuers in cottage industries. In countries such as India and Bangladesh, more than 90 per cent of the economically active women operate in the informal sector. Millions of these women, for example, in industries like hand-loom weaving, are being pushed out of the informal economy.

4.3 Job creation

According to free-market theory, the jobs lost during the adjustment period are supposed to be replaced by growth in new efficient, export-orientated industries in the longer term. Whether sufficient jobs are created depends in the first instance on whether countries can compete, attract foreign investment, and
The international dimensions of work

expand their economies. As we have seen, the distribution of trade and foreign investment is very uneven, and almost completely bypasses many countries. The outlook for a significant minority of the world’s population in the least developed countries is bleak. A recent United Nations report states that ‘the economic situation for the 48 least developed countries was worse than in the 1980s, which was regarded as a lost decade for these countries.’

The creation of new jobs also depends on the employment intensity of growth, which determines whether sufficient new jobs will be generated to keep pace with population growth, and replace those lost during restructuring. The 1996 ILO World Employment Report finds that there has been no generalised decline in the employment intensity of economic growth, in spite of rising unemployment. Moreover, it argues that predictions of jobless growth ignore compensatory job-creation elsewhere in the economy. However, in contradiction to this view, a growing body of opinion predicts that we are indeed entering a new phase of jobless growth. While the more extreme predictions are overstated, adequate job-creation is unlikely to occur if left to free-market forces. The examples below suggest the need for active government intervention to help to protect and create jobs.

The service sector as a source of new jobs in developed countries

According to the trade optimists, free trade will provoke richer countries to switch production away from manufacturing industries to high-skill-intensive industries and the service sector. Most of the new job growth in the OECD countries during the 1980s was in services, and in the UK and US more than 70 per cent of jobs are now in services. However, the ‘end of work’ theorists suggest that the potential for job creation in the service sector is limited because of the job-displacing effects of new technology. Drawing on evidence from the US, Jeremy Rifkind has argued that ‘human labour is being systematically eliminated from the economic process.’

For example, whereas 422 additional jobs are created downstream for every 100 jobs created in manufacturing, only 147 are created for every 100 jobs in personal and business services, and 94 for every 100 jobs in the retail trade sector. This means that, even in the US, the homeland of most of the world’s new software industry and much of the high-tech industry in general, although overall job creation has been impressive, it has been minimal in these sectors. The combined grand total of employees in software industries in the US, including Microsoft and Intel, is a mere 128,000 employees, one-third fewer than those employed by a single car-manufacturer such as Ford in the United States. This is despite their massive value on Wall Street. Microsoft and Intel alone are worth much more than General Motors, still the world’s largest manufacturer.

According to the Financial Times, the strategic questions facing banks in the UK is not whether on-line banking is going to happen but when; and how quickly they can wind down their physical networks. This will cause thousands of redundancies in a sector which is supposed to be generating jobs.

Labour-intensive exports as a source of new jobs in developing countries

The challenge to create jobs is most extreme in developing countries as a result of the massive loss of traditional livelihoods, the vast and growing size of labour reserves, unequal world markets, and the limited job-creating capacity of foreign investment, estimated to be responsible for 12 million jobs in these countries.

Free-trade theory predicts that in developing countries trade liberalisation will provoke an expansion of labour-intensive manufacturing industries, as occurred in the case of the Asian tigers. However, the Latin America experience suggests that this is not automatically translated into new jobs, despite renewed growth in the 1990s and some mixed success with expanding exports. According to the UN Economic Commission for Latin America, renewed growth in Latin America has so far failed to generate adequate new jobs to replace those lost during the restructuring. One reason is that South America does not have comparative advantage in labour-intensive manufacturing as the Asian tigers did, but in the production and processing of agricultural and mineral products from the region’s abundant natural resources, which is not particularly labour-intensive. As a result, while export volumes rose steadily in the 1980s in Latin America, this generated little employment. Africa has similar problems, compounded by the fact that it does not have the necessary skills to process the primary products to world standards and thus has to export them unprocessed.
4.4 Changing employment patterns and conditions

A growing body of evidence suggests that in a number of countries, where new jobs are created in the modern formal sector, even though they may offer higher incomes than the alternatives in the rural or informal sector, an increasing proportion are insecure and of poor quality. One of the reasons for this is that many companies and governments are increasingly attempting to meet the challenge of intensified international competition by reducing labour costs (despite growing evidence that this is not an effective route to long-term economic expansion). Some of the easiest ways for companies to reduce costs, besides downsizing, are relocating production to countries with cheaper labour forces; repressing trade unions; ignoring labour legislation; and using 'flexible' workers who are often not eligible for full employment rights. These moves are increasingly being 'legalised' by governments as they compete to offer foreign investors the most favourable conditions. Such measures contribute to the growth in the number of the working poor and in wage inequality. The creation of poor quality, flexible jobs has also become an effective way for governments to transform open unemployment into disguised unemployment.

Free trade zones

An increasingly common method for governments to attract foreign capital is through the creation of free trade zones (FTZs), which are now found in more than 60 countries, especially in South and South-East Asia and Central America. The number of people working in these zones increased from around 50,000 in 1970 to more than four million in 1996. Around 80 per cent of the workforce in these zones are women, working mainly in the textile, clothing, toy, and electronics sectors. Free trade zones offer foreign companies special tax breaks and freedom to invest without government interference. Although wages may be higher in these zones than in other jobs, they often do not adequately cover subsistence needs. Moreover, labour rights, such as the right to join a union, are often denied. According to an ICFU report, *Worlds Apart*, anti-union repression is an integral part of FTZs. Potential investors see the absence of unions as an advantage, and their preference for young women workers is a deliberate part of their anti-union policy, as women's cultural conditioning is believed to make them less likely to rebel. Workers are often forced to work very long hours, and working conditions can be poor, with lack of adequate child-care facilities a frequently cited problem. Intimidation and abuse by employers also occurs. Environmental standards may also be very poor.

There are seven Free Zones operating in the UK which allow imported goods to be held without payment of Customs duty or import VAT, and quantitative restrictions are also suspended. They also offer 100 per cent write-down capital allowances for Corporation Tax purposes on investment in industrial and commercial buildings, full exemption from local property taxes on industrial and commercial property, and simplified planning procedures.

Labour market deregulation and flexible labour practices

As we have seen, in recent years many countries have come under pressure to deregulate their labour markets and dismantle trade unions. This has meant that labour practices which were previously restricted to the FTZs are being generalised across whole economies. The aim has been to facilitate the development of flexible labour markets, which are seen as an important way of helping companies to maintain competitiveness, and cut labour costs in the face of intensified international competition and rapidly changing patterns of demand.

Although governments do not yet systematically collect data on non-standard forms of work, and although the issue is controversial, information from surveys suggests that an increasing number of companies, in developed and developing countries alike, operate with a dwindling core of highly-skilled male workers, and a growing number of female flexible workers in insecure poorly-paid jobs. Flexible employment practices may include subcontracting from small businesses, sweatshops or homeworkers; or the use of casual labour and temporary contracts.

Self-employment

Small businesses are an increasingly important source of new jobs in both the developed and developing world. This growth often raises concerns about the emergence of parallel economies: a modern formal sector and an informal economy.
sector made up of small independent enterprises operating separately from each other. However, while many small businesses are genuinely independent, a growing number are linked to the formal sector through subcontracting relations. Unfortunately, these relations are generally not reflected in national statistics.

In the OECD, non-farm self-employment in 13 countries grew faster than overall employment growth in the 1980s. The percentage of the manufacturing workforce employed in small enterprises ranges from 15 per cent of manufacturing employment in Germany, 24 per cent in France to 34 per cent in Italy. Small businesses employ an estimated 10 million workers in the UK. The percentage of the workforce in small and medium-sized enterprises in Asia varies from 32 per cent in the Philippines to 84 per cent in China. In Latin America, small enterprises are responsible for between 36 per cent (Colombia) to 79 per cent (Brazil) of non-agricultural employment. In Africa, an estimated 61 per cent of the labour force outside agriculture is employed in microenterprises. However these figures often do not include micro-enterprises located in the informal sector, many of which are unregistered. In Latin America, more than half the urban workforce earns a living in the informal sector. Even with improved growth rates in the 1990s, four out of every five new jobs were still being generated in the informal, rather than the formal, sector.

Sub-contracting

Surveys indicate that sub-contracting is growing in the manufacturing sector. According to the ILO's 1995 Employment Report there was a pronounced growth of large firms subcontracting from small firms in both the formal and informal sector in Latin America during the 1980s. A survey of over 3000 manufacturing firms in Malaysia showed that over a third of all electronics, textiles, and garment firms had subcontracted part of their production work. A similar trend has been reported in the forestry industry, with contract labour accounting for a significant share of the workforce in Chile (almost 100 per cent), Finland (80 per cent), France (60 per cent), Indonesia and Malaysia (both over 50 per cent), Sweden (70 per cent), the UK (over 50 per cent), and the US (close to 80 per cent). Surveys also indicate that it is utilised extensively in the extractive industries of a number of countries and in the construction industry, and is growing in the services industry.

In an attempt to cut costs, governments have also begun to contract out public services to small businesses. In the UK, for example, the introduction of Compulsory Competitive Tendering (CCT) has extended sub-contracting to refuse collection, catering, cleaning, building maintenance, and even highly skilled occupations such as accountancy, legal and architectural work, and administration. It is estimated that the value of contracts won by the private sector is as much as £356m, with a profit of £92m per year.

Household surveys from around the world show an increasing number of homeworkers sub-contracted by large companies, in Asia, Europe, Latin America, parts of Africa, North America, and Australia. In the UK, the Quarterly Labour Force Survey indicates that homeworking tripled between 1981 to 1994. It is estimated that there are some one million homeworkers, two-thirds of whom are in the clothing or footwear industries.

Temporary, casual, and part-time work

In OECD countries part-time employment makes up an increasing proportion of total employment, with the majority of part-time workers being women. In many OECD countries the share of temporary work within total employment remained relatively stable over the 1980s, except in France and Spain where it increased sharply due to the reform of legislation regulating employment contracts. The UK has seen a reduction in full-time male employment in manual occupations alongside a growth in self-employed, temporary, and part-time working. A recent report by the Child Poverty Action Group states that new jobs are mostly part-time and the bulk taken by women.

Evidence is far more scanty in developing countries, but the use of temporary and casual contracts does seem to be growing. Oxfam supports a network of voluntary groups in Peru who are working on the impact of structural adjustment policies on employment. By 1993 over 50 per cent of all employment in the private sector was casual compared to 11 per cent in 1985, as a result of trade liberalisation and labour-market deregulation. In Chile a combination of trade liberalisation and stringent labour market deregulation has facilitated the spread of flexible working practices.
Approximately two-thirds of wage labour in the fast-growing agricultural export sector is employed on a temporary basis, double the proportion at the start of the 1980s. Many of the workers are women. 126

**Labour rights and working conditions**

Flexible working patterns can offer significant benefit to workers; for example, flexible working hours allow women to combine work with child care. For skilled workers acting as consultants or with other sources of income they may provide certain advantages. However, for the mass of unskilled workers, these employment practices are often used as a way of denying them the rights enjoyed by permanent workers; and flexible workers are therefore among the most vulnerable and most exploited.

Some of the clearest examples of this are subcontracted unskilled homeworkers and small businesses. As many of these units are classed as self-employed or not registered at all, subcontracting allows companies to cut labour costs by bypassing existing labour regulations and collective bargaining agreements. In the clothing industry in the UK, for example, subcontracting allows employers to pay lower wages, and avoid paying national insurance contributions, benefits, and taxes. Companies can also reduce overheads because workers bear the costs of heating or equipment. Sub-contracting also allows companies to 'hire and fire', and increase or decrease the intensity of work, easily. In short, many of the risks of production are passed on to homeworkers.

Flexible labour practices often mean poverty wages, insecure jobs, long working-hours, and health and safety problems. There is a disregard for family responsibilities, as workers are supposed to be available for work at short notice or when there are no child-care facilities or sick-pay provision. Such practices also make trade union organisation very difficult, and have contributed, along with regressive labour reforms, to a generalised decline in trade union activity in many countries.

Temporary and part-time workers are also widely denied the rights and benefits enjoyed by permanent workers. In Chile, for example, between 40 and 50 per cent of temporary agricultural workers have no contract, and are denied basic employment rights, such as the right to collective bargaining, and to sickness or maternity pay. Many work excessive hours and are paid piece-rates. 127 In the UK, the number of workers covered by basic employment rights has fallen from 91 per cent of all employees in 1975 to 62 per cent in 1990. The figure climbed back up to 70 per cent in 1995, when the EU forced the inclusion of more-part-timers into legal protection. Job insecurity has also increased: median male tenure has declined by 25 per cent since 1975 and 43 per cent of the jobs people leave are full-time and permanent compared with 27 per cent of jobs taken on re-entering the labour market. 128

In the case of homeworkers, research reveals a similar catalogue of problems around the world. According to a recent ILO study these include 'very low wages, often below legal minima where they exist; anti-social working hours; health and safety problems, often affecting the whole family of the homeworker; delays in payment, and on occasion, non-payment of wages; misinformation from employers about homeworkers' legal rights and status, and evasion of such regulations as may exist; and the threat of withdrawal of work used as a means to intimidate homeworkers and prevent them claiming their rights.' The typical homeworker in the UK works 36 hours a week, including eight hours at the weekend, for an average rate of pay of £1.28 an hour, or £46 per week. 129

While the growth of genuinely independent or 'own account' small businesses offers a dynamic source of new jobs, it is widely accepted in developing countries that average productivity and incomes in the informal sector are below those of the formal sector. Many owners of small businesses rely on exploiting their own or their family's labour to survive, and working conditions can be atrocious. Many also suffer the effects of deflationary and high-interest-rate macro-economic policies, and have limited access to credit, technology, training, and markets. As a result, failure and bankruptcy rates tend to be very high.

There is a need to ensure on the one hand, that flexible workers receive the same rights as permanent workers, and on the other, that governments and voluntary organisations help to support community enterprises and small businesses to gain better access to credit, and market technology.

**The UK's record on labour rights**

The UK has not ratified ILO convention 111 on Freedom from Discrimination, nor ILO on 138 on Child labour. It has only ratified one of the
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23 new ILO conventions since 1979, the most notable exclusion being the new Collective Bargaining Convention 1981 (No 154), because the government at that time could not accept the obligation to promote the extension of collective bargaining by direct government intervention. As a result the UK is only covered by Convention 98, which does not impose a duty on employers to negotiate with trade unions (due to the voluntary nature of collective bargaining).

The UK government was also unwilling to ratify the Termination of Employment Convention 1982 (No 158) partly because it did not allow for the exclusion of part-time workers and because it narrowed the grounds for unfair dismissal and included those dismissed in a strike or other industrial action. The Thatcher government also denounced several Conventions, including the Minimum Wage Fixing Convention 1928 (no 126) which paved the way for the eventual abolition of the Minimum Wage Councils.

Moreover, the number of complaints for alleged breaches of the ILO’s conventions has grown markedly since 1979, with the ILO’s Supervisory Mechanisms expressing serious concern about the UK government’s record in several instances. Not all recommendations were implemented or complaints upheld, though that was partly due to the weaknesses of the ILO supervisory and enforcement machinery.

Complaints include violation of:

- the right to collective bargaining (Convention no 98) relating to the government’s failure to prevent blacklisting of trade unions by the Economic League and the political vetting of building workers; the banning of unions at GCHQ; and concerns about the termination of collective bargaining agreements for teachers, civil servants and journalists
- the right to strike (no specific convention but considered by the ILO to be essential for workers organisations to pursue their interests) relating to restrictions on trade union legal immunities; narrowing of trade union disputes; restrictions on secondary and sympathy action; and vulnerability of workers after strikes (e.g. the sacking of striking seafarers)
- the freedom of Association and Protection of the Right to Organise (no 87) relating to laws increasing government interference in the internal affairs of trade unions and thereby undermining their autonomy such as the right of trade unions to indemnify members and officials.

Additionally, government policies which have allowed the spread of casual, part-time, temporary and self-employment could also be said to have restricted the ability of people to organise or conduct internal ballots, and undermine their access to the rights enjoyed by permanent workers. For example, homeworkers are not covered by basic employment rights, and until 1994 part-timers working less than 16 hours per week with less than 5 years continuous service were exempt from laws on unfair dismissal and redundancy. Recent laws have also effectively diluted a range of rights by denying people access to industrial tribunals. In 1989 the government repealed protective legislation regulating the hours of work of young people.130

4.5 Incomes, poverty and inequality

The deteriorating employment trends outlined above have been an important contributing factor to the growth in poverty and inequality in many countries. This effect has been exacerbated by the decreasing ability of governments to compensate ‘losers’, as a consequence of the widespread adoption of restrictive monetary policies, the collapse of the welfare state, and the political unwillingness of the ‘winners’ to compensate the losers via increased taxation.131

While increasing inequality is an international trend, it has been particularly marked in the UK due to the extreme and regressive nature of the free-market policies adopted. The curtailment of collective bargaining rights, and labour-market deregulation, including the dismantling of minimum-wage protection, the consequent spread of flexible labour practices, and the erosion of social-security benefits, have led to an increase in the number of individuals with low incomes during the 1980s. The real incomes of those in the poorest 20-30 per cent of the population stagnated over the 1980s, and even fell, for the very poorest. In 1979, 9 per cent of the population lived on an income below the poverty line (less than half the average income). By 1989 this had increased to 22 per cent of the population. The number of children living in
poverty tripled over the same period, from 1.4 million to 4.1 million.\textsuperscript{132} Many of the low paid are women.

The combination of a flexible labour market in the US and the harsh benefits system which forces people to accept poorly-paid employment, meant that paid workers actually saw their real earnings declining, not only in relative terms but also in absolute terms. According to a New York Times survey carried out in 1995, two-thirds of all workers who found jobs after a layoff did so at lower levels of pay. As a result, the proportion of people living with a family income below the poverty line increased from 15 per cent to 19 per cent between 1974 and 1994.\textsuperscript{133} In 1992 a report by the National Centre for Children in poverty estimated that the number of American children under the age of six living below the poverty line increased by one million between 1987 and 1992 to a total of six million, or slightly over one-quarter of the population in that age group. Equally alarming was the finding that 58 per cent of these children came from families in which parents worked, at least part-time.

Widely touted as a free-market success story, Chile has been a laboratory for free-market reforms and labour market deregulation for over 20 years. Contrary to the predictions of free-marketeers, its flexible labour market has failed to deliver growth with equity. Wage dispersion, inequality, and poverty increased significantly. Research for Oxfam\textsuperscript{134} shows that in 1992, despite an increase in jobs and wages achieved by the new civilian government, the spread of flexible working practices left 43 per cent of salaried workers earning less than the amount necessary to cover the basic needs of an average family.

According to one UN study, the single major cause of poverty in Chile is no longer open unemployment or informal sector work but precarious low-wage employment.\textsuperscript{135} Between 1990 and 1992 the share of national income allocated to wages actually fell, while the share of national wealth enjoyed by the wealthiest 10 per cent has remained around 45 per cent. These trends have been associated with growing crime, youth delinquency, drug abuse, depression, and family breakdown.

Growth in the numbers of working poor has often gone hand-in-hand with a relative increase of salaries for the 'knowledge elite' and the directors and managers of newly privatised and other industries. The UNCTAD 1997 Trade and Development Report states that capital has gained in comparison with labour, and profit shares have risen everywhere.

The UK has seen the widest inequalities in pay since 1886,\textsuperscript{136} with the wages of the top 10 per cent of earners rising by about 35 per cent relative to the bottom 10 per cent. Corporate profits are now around 15-16 per cent of GDP, while the share of GDP taken in salaries is around the lowest for 30 years.\textsuperscript{137}

In the US, the wages of the top 10 per cent of male earners rose by 20 per cent relative to the bottom 10 per cent during the 1980s, contributing to levels of inequality unprecedented in the post-war period. One illustrative example is that in 1960 the chief executive of one of America's largest non-financial corporations earned $190,000 or about 40 times the wage of his average factory-worker before tax, 12 times after tax. By the end of the 1980s, the chief executive earned more than $2m, 93 times the wage of the average factory-worker before taxes and about 70 times after taxes.\textsuperscript{138} The share of corporate profits in national income has doubled over the past decade, while the share of labour has fallen.\textsuperscript{139} In Latin America the number of billionaires rose from six in 1987 to 42 in 1994, a trend associated with the increase in privatised industries.\textsuperscript{140}
Section 5: Possible solutions at the local and international levels

In this section we will look at the different ways Oxfam works on employment and livelihood issues. Section 5.1 will focus on Oxfam's development work in support of people's own strategies to enhance their livelihoods. Section 5.2 looks at campaigning activities, and how consumers can exert pressure on companies to adopt good employment practices. Finally, in section 5.3 we turn to the international context and look at the policy changes which could lead to improved employment opportunities and working conditions. As the Case Studies in the Annexe show, Oxfam works with groups attempting to link these different areas and levels of activity, using a range of tools: grants, training, research, networking, campaigning, and lobbying; and each project or programme may combine a different mix of approaches.

5.1 Oxfam's community development experience

The global trends outlined in this report affect poor people in extremely diverse ways. This means that there is no single blueprint for intervention and any response will vary according to the context.

One of the assumptions underpinning community development work is that the formal or modern sector in many developing countries is not capable, at least in the short and medium term, of providing sufficient employment for their rapidly growing populations. Nevertheless, the promotion of community initiatives is seen as a complement, rather than an alternative, to government measures to expand employment. Full employment should remain an important long-term goal of government policy, and could be achievable given the right policy reforms in the national and international arenas. For this reason Oxfam has increased its research and advocacy work to promote full employment and protect working conditions. It has also recently launched a campaign aimed at improving working conditions in the clothing industry, recognising the importance of alliance-building for achieving policy change.

In the past, much of Oxfam’s work was focused on small-scale peasant farmers in rural areas, because this was where most poor people lived. This focus was also seen as a means of counteracting the pressures which were forcing people to move to towns. The deterioration in working conditions among formal-sector workers and the growth of the working poor described in Section 3, combined with rapid urbanisation and growing urban poverty, have led to a partial refocusing of Oxfam’s community development work. First, more work is being done with workers in the formal sector, particularly the so-called 'flexible' workers — sub-contracted, home-based, temporary, and casual — who are often the most vulnerable and badly paid. Second, the focus on urban centres is increasing, for example, in Brazil and other countries of South America, Egypt, West Africa, Kenya, India, and countries in East Asia. This refocusing increases the potential for exchanging and comparing experiences with richer industrialised countries. The case studies from this section draw mainly on these aspects of Oxfam’s work.

Urbanisation

Urbanisation is a growing phenomenon throughout the less industrialised world, and is a process parallel and linked to the globalisation of markets. Urban growth is partly due to 'push factors' relating to the displacement of peasant farmers from the land, and partly to 'pull factors' relating to the attractions of urban areas. Opportunities for income generation and employment in urban areas are usually more diverse, as well as being more sensitive to external changes, than those in rural areas. According to national statistics in Brazil, about half of its poorest inhabitants now live in urban centres. This influx is putting immense strain on limited health care and education services. Some would argue that we are seeing an 'urbanisation of poverty', and we can no longer make assumptions about urban services being better than those in rural areas.
Employment, self-employment, and access to productive resources are obviously major concerns for survival in urban areas. However, poor people employ many different strategies to meet their survival needs, which cannot be looked at in isolation. Some of the effects of poverty and marginalisation, such as ill health, discrimination or homelessness, impede people's ability to be employed or generate income. Threats of eviction, indebtedness, and other vulnerabilities also prevent poor women and men from finding a job or generating revenue.

**Oxfam's approach**

The diversity of survival strategies is reflected in the diversity of Oxfam's responses. Oxfam tries to take a holistic approach to development work which recognises that people's livelihoods are made up of several different and related components, of which paid employment or self-employment (including subsistence production) are but one part. In addition, because people differ in terms of their class, gender, and ethnicity, the same global trends will have differing impacts on their lives. Oxfam therefore endeavours to ensure that a basic social analysis — which differentiates between different social groups and genders — informs all its work.

The outcome of this approach is a range of practical and strategic interventions aimed at promoting different types of livelihoods in different circumstances. These may involve:

- directly strengthening the capacity of small producers and businesses to gain better access to resources and participate in markets;
- indirectly enhancing employment opportunities through health and informal education projects;
- strengthening workers' abilities to claim their rights and secure employment by funding support organisations, such as para-legal bodies, and by national and international advocacy work derived from local-level experience related to legislation, debt, trade, and issues of corporate conduct.

This sections draws out some of the main issues related to Oxfam's work in urban areas, as well as relevant points from work in rural areas, which is complemented by the case studies. We conclude with a section which attempts to relate these issues to the UK.

**Financial services and income-generation projects**

Oxfam is rarely involved in schemes to generate paid employment. It has much more experience in supporting self-employment and income-generation activities. Some of the main problems facing small-scale producers and businesses in the informal and rural sector are lack of access to land, finance, markets, and technology. Free-market policies have often exacerbated these problems by introducing high interest-rates and credit restrictions aimed at reducing inflation. Much of the work in relation to these groups has been support for credit and savings schemes to stimulate agricultural activities, petty trade, small-scale production, and housing improvements.

A recent joint study undertaken by Oxfam and Action Aid examined work in the area of financial services and drew several conclusions of broader significance. Poor people require a wide variety of financial services and usually are already using them — particularly informal mechanisms such as rotating-loans clubs — in many different ways. There is a need to shift the perception that such schemes are solely concerned with income generation; they also enhance other aspects of people's lives. This is consistent with a view of poverty which looks beyond low income to issues related to vulnerability, discrimination, and powerlessness.

Because poor people's needs are many and varied, the more successful schemes have been those that provide a range of flexible services that can be adapted to changing demands. In addition, many of the more successful schemes have been built on people's saving requirements and have developed lending based on people's demonstrated ability and willingness to save; compulsory savings is a common feature (see the Ladywood Credit Union Case Study 4 in the Annexe). These schemes, in order to discourage the better-off, have tended to keep loan sizes small, encourage peer-group lending, insist on regular repayment and regular meetings of the peer-group, and dispense with the need for physical collateral.

Poor people need access to financial services on a long-term basis. The financial sustainability of these services is therefore important to them. Providing credit with interest fixed below market rates has proved ineffective and led to the failure of many schemes. However, particularly at the initial stages when costs are high, setting interest rates in line with costs can price
services out of the market. Phasing-in of levels of interest that would lead to sustainability as costs decline may be a better option.

However, financial services can harm poor people as well as benefit them: the other side of credit is debt. Financial relationships such as debt are one of the ways in which people's powerlessness is exploited. Evidence suggests that when women receive and repay loans, relationships within the household may mean that they do not benefit from the use of the money and may be further disempowered as a result. It is therefore incumbent on those intervening in this area to attempt to understand existing power relations and how they affect livelihoods. The study suggests that schemes that are owned, and usually designed, by their users are less likely to be exploitative than those provided for them by others on a 'for-profit' basis. Evidence also suggests that women are often more reliable managers of and participants in credit schemes than are men. However, in many cases the nature of power relations may mean that other types of intervention (usually subsidised), such as basic health and education services, the development of technical skills or group organisation, are necessary for very marginalised or oppressed groups if they are going to be able to participate effectively in credit and savings schemes.

Finally, the study makes the point that many NGOs do not have the necessary skills to undertake successful savings and credit schemes, and that an honest self-appraisal is required of them. For funders of NGO credit work, this suggests a more rigorous assessment of their capabilities.

**Understanding gender relations**

Women work longer hours than men and have a larger range of responsibilities, but much of the work they do is neither acknowledged nor paid and is considered marginal and without economic value. The sexual division of labour, both within the household and in the jobs market, reflects social relations between men and women. Women's ability to make use of job opportunities is conditioned by those social relations.

Historically, much of Oxfam's development work was focused on men (see, for example, the early work in the Zabbaleen community, Case Study 1), but that has changed for several reasons, on grounds of equity and justice as well as efficiency. Women's access to independent income is now recognised as crucial not only to their ability to survive and improve their social status, but also to their children's well-being.

Access to income and employment has several additional spin-offs. For example, research in Bangladesh suggests that, as a result of credit, women have managed 'to negotiate gender barriers within the household' and to acquire new skills and confidence. The case study from Mali illustrates that, while the additional cash provided by the credit is essential in helping women to avoid falling prey to moneylenders, the groups in which they are organised also perform important social functions (see OMAFES in Case Study 2). The local workers in an income-generation and a health project in Cairo, and other women of the Zabbaleen community, gained so much confidence over the past eight to ten years that the projects are having a profound effect on the public role of women (Case Study 1).

These examples point to the important relationships between the private, personal, and collective spheres. Opportunities for women to meet and discuss their problems with other women can play a vital role in building their self-confidence and esteem, thus allowing them to increase their bargaining power at work and renegotiate relationships within the household. (See Case Study 6 on Chile). This can in turn permit women to gain greater access to income-generating or employment opportunities, which further builds a degree of autonomy. However, a gender analysis which looks at both women and men and the relationships between them, as opposed to a women-only analysis, also leads to a focus on men's self-esteem and self-respect and how this affects women's well-being. In some cases this has led to broadening projects to include men (see Case Study 2 on OMAFES).

In most parts of the world, women still perform nearly all the unpaid work upon which the world of paid employment rests. Although traditionally distinctions have been made between these private and public spheres, women for many years have refused this distinction and pointed out that 'the personal is political'. What happens in the private sphere is determined by power, rules, and customs often established in the public sphere. However, what happens in the private sphere can perpetuate the status quo or change it.

The challenge remains to develop ways in which getting a living can be related to caring for people, and to transform the relationship between the 'care' and commodity economies.
Diane Elson has suggested that this might mean redesigning paid employment, rather than paying for housework, not just in terms of hours but by making child-care experience a qualification for higher pay and promotion. In this way 'male-biased norms of working would be overturned and men would have a positive incentive to change the division of unpaid labour'.

**Environmental sustainability**

Oxfam is also concerned about the effects of urbanisation from a perspective of 'human ecology', both in terms of the increasingly crowded and unhealthy conditions in which poor people live in many urban areas, and from a perspective of global sustainability and pollution. More affluent countries and population groups consume most of the world's resources; they pollute locally and globally, causing climate change which is a particular threat to poorer countries, regions, and individuals.

Technologies and practices that support the creation of employment and serve the environmental goals of reduction of pollution and resource consumption exist, and need to be further developed and applied, both locally and internationally. The example of Oxfam-supported work in Cairo shows how poor people are helping a large city to cope with its enormous output of garbage through recycling, composting, and disposing of the rest (see Case Study 1). The technologies for recycling have been adapted locally and have been used to create employment. An important problem that the Zabbaleen and others face is that they do not necessarily get the recognition and support they deserve for their service to the local economy and environment, but instead they are accused of spoiling the urban landscape, and are threatened with eviction.

As others have noted, sound environmental policies do not necessarily have to cost jobs. Oxfam's experience suggests that with a different policy environment, where at least some of the environmental and social externalities are costed, and where incentives are given to groups such as the Zabbaleen, people can and will organise to take advantage of opportunities.

**Promoting participation**

Oxfam has a long history of working with people and supporting participatory processes in rural areas and, increasingly, in urban areas. Developing participatory processes in urban areas throws up particular methodological and practical challenges. This is because in such locations populations are extremely mobile (both physically and socially), and people often have become more distrustful of outsiders than in rural areas, sometimes because of their experience of intense political manipulation.

As NGOs (and now most multilateral development agencies) are fond of stating, participation is a critical element in all stages of development projects, and is evident in most of the project examples presented in this paper. Yet it remains a crucial area for further learning and debate. Different organisations have differing interpretations of the term. How can one decide whether or not an action is based on 'genuine participation'? Who is participating in what? Are we talking of external agencies participating in the agenda of the people, or vice-versa?

One of the problems that development organisations need to confront is the development of criteria to assess the 'quality' of participation. This is particularly necessary if alternative development strategies are to redress the balance between the qualitative and the quantitative dimensions of development impact. In addition, such criteria are also going to have to deal more explicitly with issues of difference, such as gender, race, ethnicity, and class, and the degree to which external agencies are enhancing the capacities of particular groups.

However, participatory methods and approaches cannot thrive if there are not significant changes in the way in which institutions function. Development agencies, including large NGOs, are not immune from the problems, such as complacency, hierarchy, inertia, and poor information flow, confronting other bureaucracies. These problems can result in loops of self-deception as feedback from activities is distorted or manipulated, as individuals seek to protect themselves. Senior managers in the 'if it ain't broke, don't fix it' mode will tend to go along with the positive news and thus carry on regardless until something breaks. As Robert Chambers has suggested, this kind of institutional blindness has led to the most remarkable feature of development efforts over the last few decades: 'how wrong "we" were when "we" thought we were so right'.

One of the principal changes that is therefore required is a greater emphasis on learning within and between NGOs. This means focusing more
The international dimensions of work on the 'front-line', and emphasising programme-level learning systems as a vital internal project activity. This approach to more decentralised and nimble learning needs to be based less on large one-off evaluations and more on smaller regular assessments of programmes. This would involve a step-by-step approach, with each step revealing small amounts of information which are useful to decision-makers, so that problems can be identified early and changes made. NGOs need to seek more reliable guidance that things are going well or badly from the people and staff themselves, who are already monitoring impact in their own way.

It is increasingly clear that sustainable changes in poor people's lives must be based upon their values and priorities; projects cannot be deemed successful or to have failed if the perceptions of the beneficiaries diverge seriously from those of the objective external evaluator. Genuine participation in assessment of projects often leads to surprises for programme managers and other 'outsiders'. An example is the case of the Zabbaleen community in Cairo (Case Study 1), where the central problem for the people involved was seen to be their image as portrayed by the media, and harassment by government officials, while poverty and health issues were seen to be less fundamental. Being open to such surprises requires not only new methods for assessing impact but also the development of organisational cultures and reward systems, which encourage learning and adaptation rather than conformity and deception.

Some of the experience of development organisations, such as Oxfam and its partners, in participatory approaches is now being shared with organisations in the UK, through various fora and meetings, with the aid of modest amounts of funding from Oxfam's UK programme. Building alliances for broader change

The case studies illustrate diverse ways to respond to poor people's needs in different contexts. What is common to them is a 'one-programme approach', which means removing the often artificial distinction between relief, development, and advocacy. As such, all programmes are becoming more integrated so that, for example, a development programme is strengthening the ability of a local organisation to lobby its own government to provide adequate relief to drought victims.

Working in this way involves making strategic alliances with a broad range of partners. One example of this is Oxfam's work with fishing communities in the Philippines. Here, Oxfam works with grassroots community-based organisations in coastal areas, funding community resource-management activities, such as replanting mangroves and developing artificial reefs for fish nurseries. At the same time, Oxfam supports national organisations, such as the National Alliance of Fisherfolk, which support community groups and represent their interests at the national level. Oxfam also encourages links between these organisations and more specialist lobbying organisations, in order to change legislation at national level. Bringing municipal waters under local government, as opposed to national government, control, so that community groups can lobby their own local officials, is an example of change at a national level having significant impact on local livelihoods.

The examples of coalition building outlined in the account of the Hunger Campaign in Brazil (Case Study 4), international alliances of homeworkers (Case Study 7), and the trinational NAFTA coalition (Case Study 5), are all examples of how Oxfam tries to link broader advocacy objectives with improving the rights and access of local people to employment and services such as credit, health care, education, and housing. The most successful networks usually combine concrete and achievable objectives with long-term, more ambitious goals, in order to maintain commitment. Support may take the form of funding, or building the capacities or skills of organisations to advocate for changes they would like to see.

Some of the international alliances and campaigns which Oxfam supports have an increasingly sophisticated analysis and advocacy strategies to reform global policies and institutions. The case study on Chile outlined in Case Study 6 describes some of the advocacy work aimed at influencing government and World Bank policies on employment and labour rights.

Relevance of Oxfam's programme experience to the UK context

Many of the lessons arising from work in the developing world are relevant only to their own specific context. Indeed, one of the most important learning points is that the mechanical transfer of 'lessons' can be unhelpful and even
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positively dangerous. This is why exchanges of analysis and strategies are most effective when they take place directly between the people concerned. However, there are also certain general principles that are of wider application:

- There are recognisable global trends which affect employment opportunities, although there is great diversity both within and between countries as to the impact of those trends on different groups. Thus, it can be useful and important to share ideas and techniques for improving the situation, as long as these are adapted to local circumstances and grounded in local analysis.

- A holistic approach to employment is required. Poverty has several inter-related components, of which material poverty is but one; powerlessness, exclusion, discrimination, marginalisation, and oppression are others. An approach which seeks to understand existing patterns and relationships between these different elements so as to use limited resources to bring about wider change is preferable to expending more resources on alleviating the symptoms of the problem. At the heart of this analysis must be an understanding of social and gender relations which makes the links between paid and unpaid work.

- Work is not an end in itself but a means to a better quality of life. Poor people are not static objects waiting to be affected by employment schemes or other projects. They have developed, and continue to develop, their own strategies to enhance their well-being. These can be combined with outside interventions in positive or negative ways. Any assessment of the impact of an intervention must be based on the views of those it is meant to support, and whether they believe that it has contributed to a better quality of life.

- People’s employment opportunities are the result of a myriad of factors, both micro- and macro-level. There is therefore a need to tackle long-term structural problems and short-term needs simultaneously, and to work at several levels at the same time. NGOs have limited influence and, like the Brazil Campaign against hunger and the campaigning coalitions on NAFTA suggest, they need to create new relationships not only among themselves, but also with the state and the private sector, in order to develop sustained changes at both the local and the wider policy level, nationally and internationally.

5.2 Oxfam’s campaigning experience: consumer pressure and corporate good practice

Pressing companies to adopt voluntary codes of conduct has become an increasingly popular strategy in recent years, in response to growing international and consumer concern about unethical and exploitative corporate practices. This has coincided with growing public disillusionment about the ability of official governmental or intergovernmental mechanisms to protect labour standards. Official bodies are seen as at best lacking political will and effective enforcement capacity, or at worst corrupt. From the perspective of many NGOs and workers’ organisations, voluntary codes appear to offer a quicker and more effective way of improving standards than official regulation, which is often either weak or inadequately enforced.

In response to the appalling conditions faced by garment workers in countries such as Bangladesh, India, Dominican Republic, Chile, and the UK, Oxfam recently launched the Clothes Code Campaign, to put consumer pressure on major UK retailers to adopt voluntary codes of conduct to ensure that they and their suppliers abide by minimum labour standards based on core Conventions of the International Labour Organisation, a specialist agency of the United Nations.

Corporate codes of practice are not just concerned with working conditions in developing countries. They apply to all a company’s suppliers, including those in the UK; ‘sweatshop’ conditions exist here as well. Company codes of conduct should therefore be seen as a vital instrument in improving pay and conditions in the UK, as well as overseas.

There are many reasons why a company would want to have such a code. These were summarised by one British company, when asked why it was instituting a code of practice for its suppliers as follows:

- the desire that the company should have a ‘responsible’ image;
- the recognition that the community now expected more ethical behaviour from companies, and the wish to be a leader in the field;
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- an anxiety to find the scandals and 'sweatshops' first, before the media did, to avoid damage to the company image;
- staff would not be happy working for an unethical company;
- customers would not be happy patronising such a company.

There is also growing awareness that valuing and investing in workers can be good for business and help companies to gain a competitive edge. Good employment practices improve staff morale, commitment, and productivity. However, while this is almost a management truism among some companies, more evidence is needed to convince sceptics. Such evidence is now beginning to emerge; for example, a recent survey of 100 German companies in ten industrial sectors showed that companies which place workers at the core of their strategies also produce higher long-term returns to shareholders than their industry peers, outperform their competitors, and create more jobs.

**Oxfam Clothes Code Campaign**

Oxfam launched its Clothes Code Campaign in May 1997. The aim is to improve labour standards in the clothing industry both in poorer countries and in the UK. The initial strategy was to galvanise the large number of Oxfam supporters in the UK to put pressure on leading UK retailers to adopt voluntary codes of conduct backed by independent monitoring. The strategy combines media work and high-street action by campaigners with face-to-face dialogue with top managers of some of the major retailers.

The code which Oxfam promoted was based on consultation with Northern and Southern trade unions and NGOs, particularly with partner organisations in Bangladesh and the Dominican Republic. One of the main demands was that retailers should accept responsibility not just for conditions in their own outlets or factories, but also for those along the sub-contracting chain in the UK and overseas. Part of the rationale was that if UK retail companies can guarantee quality control for products from their overseas suppliers, they should also be able to ensure minimum labour standards. The acceptance of this principle was critical, as most Northern clothing retailers do not manufacture their own products but contract production out to large numbers of suppliers in developing countries. At the same time there is a tendency for some UK and US companies to also contract out production to sweatshop and home-based workers in their home countries, which offers the 'advantage' of Third World wages with minimal transport costs.

**The UK Ethical Trading Initiative**

At the same time, other NGOs in the UK were conducting their own campaigns. Christian Aid was targeting supermarkets, WDM was targeting toy manufacturers, and CAFOD, shoe makers. The effectiveness of these campaigns and the high level of press coverage meant that many of the companies were eager to talk to the various NGOs. In order to prevent duplication, a group of around 15 major UK retailing companies, and most of the major UK development and human rights agencies, have recently come together to form the UK Ethical Trading Initiative.

The idea of this initiative is to develop a common approach to codes of conduct and independent monitoring, based on pilot projects between companies, workers, and NGOs, which can then be applied more widely. The initiative is backed by the Department for International Development of the UK government, which is keen to promote ethical trading and to engage the business sector in helping to alleviate poverty. There are also representatives from the international section of the Trades Union Congress, and the relevant section of the international trade secretariats.

**Other initiatives**

Alongside the UK work there has also been fast-moving developments in the rest of Europe, the US and internationally. In Europe, there is an important initiative by the Clean Clothes Campaign, based in the Netherlands, drawing on the ICFTU guidelines for codes of conduct and independent monitoring, and seeking to establish an independent International Monitoring Foundation. This would be contracted by companies to monitor compliance with the code, assist in implementing the code, and provide consumers with information on labour practices in the clothing industry. The Foundation would be made up of representatives from companies, trade unions and NGOs.

In the US, there has been the GAP campaign, which has been successful and well-publicised, and, more recently, the Clinton Apparel Industry Partnership Initiative. This has
involved corporations, unions, NGOs and government departments in developing an agreed code and monitoring criteria. Standards are similar to the European ones, and there is a commitment to independent verification. The NIKE code is a good example of the kind of code emerging out of this initiative.

There are two major international initiatives of particular significance. First is the work of the ICFTU in developing international guidelines for codes of conduct and independent monitoring. These guidelines share much common ground with the NGO campaigns, and have formed the basis for a recent agreement between the European Trade Union Federation of Textiles, Clothing and Leather workers (ETUF-TCL) and EURATEX, the European Textile Employers Organisation, to adopt a code of conduct. According to a joint press release by the two organisations, the code "illustrates the social partners' determination to comply with and protect basic human rights in the workplace (as established by the) everywhere in the world". The code is the first European-wide code of conduct, and covers 60-70 per cent of enterprises in the sector.

The second major international initiative is one promoted by the US-based social auditing NGO, the Council for Economic Priorities. It has set up a new body, the Council on Economic Priorities Accreditation Agency (CEPAA), to develop a new auditable common international standard to guarantee the basic rights of workers. The initiative is called SA 8000 — Standard for Social Accountability. (The name mimics the international quality standards, ISO 9000, and environmental management systems, ISO 140000, already developed by the International Standard Organisation.) The idea is that companies can submit to an independent audit to examine their compliance with these standards. The auditing will be done by respected international certification companies. Trade unions and NGOs will be able to submit complaints if they think a company has been unfairly audited. The standards and principles for auditing have been drafted with assistance from trade unions (including the ICFTU), academics, and business.

**General principles of codes of conduct**

Despite the disparate initiatives outlined above, good communication and consultation have meant that there is growing consensus about the principles which should apply to the design, implementation, and monitoring of codes of conduct. For example, that voluntary codes should:

- include an implementation and monitoring agreement signed by the company and an appropriate trade union and any other organisations involved, such as NGOs;
- be seen as minimum acceptable standards and not used by companies as maximum conditions applicable to workers;
- be based on principles of positive long-term engagement with suppliers and not be used by companies to end contracts with suppliers unless they are persistent abusers;
- not substitute for governmental and intergovernmental regulation on labour standards; codes can be one element in a long-term strategy to achieve a comprehensive framework for international business activity;
- not substitute for collective bargaining; their main role is to promote collective bargaining and establish sound industrial relations;
- be backed by internal and independent monitoring;

Programmes must also be developed to help any workers who are negatively affected by the codes, for example displaced child or informal sector workers. Companies based in the North should absorb any short-term increases in costs by paying suppliers higher prices. (Although in the long term improved employment practices should pay for themselves through higher productivity, in the short term there may be some increase in costs.)

**ILO standards**

There is now also growing consensus about the kinds of labour standards which should be included in any company codes of conduct. This consensus has been built on discussions with companies, workers in the South and the North, fair-trade organisations, and NGOs. There is agreement that standards should be based on the core ILO Conventions outlined above, including Freedom of Association and Collective Bargaining, Freedom from Discrimination, Equal Remuneration, Forced Labour, and Child Labour, together with additional provisions on living wages, health and safety, security of employment and working hours.

Of these Conventions, those relating to freedom of association and collective bargaining are the most important and yet the most
often neglected. These are fundamental human rights, a precondition for workers to achieve other rights, and should exist in any country irrespective of the level of development. Many Third World countries are already signatories to these Conventions.

**Implementation, monitoring and verification**

Adopting a code of conduct may be a relatively easy option for a company if it is used mainly as a public relations exercise. It is much more difficult to ensure effective implementation. It is widely agreed that voluntary codes should not just entail internal monitoring by the company itself but must also be backed by independent verification by an external body, agreed to by the parties signing up to the code of conduct.

The rationale for external independent monitoring is based on the same principles as financial audits: that an independent body should verify the results of internal monitoring through spot checks, interviews, and other methods. This body should in turn be certified by an internationally recognised institution such as the ILO. But while the principles of independent monitoring are reasonably well established, the scale of the task is daunting. One US company sources from some 13,000 different suppliers, each of which uses an average of five sub-contractors, making a total of 65,000 suppliers to be regularly monitored.

There are at least four experimental models for independent monitoring:

- **The British Toy and Hobby Association** has adopted a minimalist approach. Given the huge size and complexity of the Asian toy industry, it is not remotely feasible for the BTHA or any other non-government body to run a factory inspection system. They have therefore created a complaints committee to assess the compliance of BTHA members with the code of conduct.
- **The model used by GAP** involves establishing a monitoring group in the countries where goods are made, with members from outside the industry, including human rights groups. This is effective, but costly in terms of time and resources; and depends on finding people trusted by all parties, and persuading them to work together. The Clean Clothes campaign is proposing a similar approach, where companies would contract an independent foundation (established and controlled by representative of companies, appropriate trade union organisations, and NGOs) to verify the results of internal monitoring.
- **Some British NGOs** believe that the only feasible approach is for companies to pay for commercial social audits on a par with existing financial audits. Some social audit firms already provide this service. They tend to be either large accounting firms, or companies whose expertise is environmental auditing but who are now expanding their scope.
- **Another model suggested by the ICFTU** is that a code adopted by a framework agreement between a trade union and a company could be monitored by the trade union.

There are a series of questions which arise from a consideration of these models:

- Who should conduct independent verification: commercial companies, unions, human rights groups, or NGOs?
- Do such bodies have the capacity to carry out the task?
- What would be the role of existing government inspectorates and the ILO? How can the new forms of independent monitoring best complement existing official mechanisms?
- Who should pay for independent monitoring? This is traditionally the job of governments; if companies pay for their own independent monitoring, will this compromise the independence of the monitoring?
- Would commercial social auditors be sufficiently independent from the companies which contract them?
- Who should verify the independent monitors and train the inspectors? Could the ILO have a role?

Voluntary codes of conduct are an important means of promoting good employment practices in the UK and overseas. However, they should not become a substitute for collective bargaining by trade unions, and should seek to strengthen, rather than substitute for, government and ILO mechanisms for monitoring and enforcing labour standards.

They also have their limitations. They can result in an *ad hoc* approach because it is generally only companies with a brand name to protect which respond to consumer pressure. Moreover, because codes are voluntary, ethical
companies still come under cost-cutting pressure from less scrupulous employers. Finally, governments have ultimate responsibility for monitoring and enforcing human rights. Oxfam therefore believes that voluntary codes need to be backed by supportive national and international regulation. This issue is addressed in the following section.

5.3 Oxfam's international advocacy work

Globalisation cannot be held solely responsible for the employment trends outlined in earlier sections. The range of experiences of different countries described in the paper suggests that national policies still largely determine the terms on which national economies engage with the international economy, and the consequent distribution of jobs and income. Nevertheless, in its current form, globalisation has contributed to the employment problems experienced in both industrialised and developing countries and is narrowing the policy options open to governments. In richer countries, including the UK, the impact has been relatively minor to date compared with the effect of national policies. The main competition for the UK comes from the EU and other developed countries, rather than from developing countries. However, competition from lower-wage countries, especially the Asian economies, has negatively affected unskilled workers in certain sectors in recent years, and is contributing to growing income inequality. This effect is likely to increase in future years due to growing competition from Asia, Latin America, and the transition economies.

In the case of developing countries, globalisation brought gains to a small group of Asian countries, which represent a large proportion of the world's population. However, the distribution of trade and investment remains highly unequal and almost completely bypasses many of the poorest countries. Neither is globalisation creating sufficient new jobs to compensate for the widespread destruction of livelihoods in the rural and informal sector in the majority of developing countries.

Denying these negative effects in order to counter protectionist arguments is dangerous, because it ignores future prospects of simmering social tensions and the disempowerment of workers through higher levels of joblessness. Consequently, there is an urgent need for co-ordinated international policies and action to assist workers and communities in both richer and poorer countries.

There is a widespread consensus between neo-liberals and neo-Keynesians that import barriers and controls over foreign investment are neither feasible nor desirable. They increase costs to consumers, generate black-markets, act as a tax on export industries, raise the cost of inputs, drain resources away from more productive uses, and generate the threat of trade retaliation of the kind seen during the 1930s recession.

On the other side of the divide are the new protectionists, arguing for tariffs to protect Northern workers from cheap exports from developing countries. In developing countries, there are also growing calls for trade protection or complete delinking from global markets, on the part of organisations of peasants, NGOs, environmentalists, and informal sector groups who fear that globalisation will destroy their livelihoods.

The alternative, which many NGOs and international trade unions are advocating, is a strategy of co-ordinated international action to allow more expansionary policies, to regulate trade and investment, and to make international institutions more democratic and accountable. Such action will be difficult to achieve and may involve some loss of real GDP due to economic distortions, higher prices for consumers, and a rise in inflation. High prices for basic consumer goods will detrimentally affect poor people and will require mitigating policies. However, these costs must be matched against the enormous human and social costs resulting from mass un- and under-employment which the world now faces.

The institutional framework

The WTO, IMF, and World Bank, are the most important economic international institutions currently operating. Unfortunately, these institutions lack transparency and accountability. The decision-making structures of the IMF and World Bank are also dominated by Northern industrial powers, because votes are weighted according to financial share. In the case of the WTO, each country has an equal vote, but the GATT negotiations proved to be highly susceptible to influence by Northern governments and TNCs. For many Southern NGOs, reforming the institutional framework
to allow a greater voice for Southern governments and voluntary organisations is as important as lobbying for specific policy changes. The UK is also affected by the rulings of the WTO, and indirectly affected by IMF and World Bank policies in developing countries insofar as they exacerbate poverty and inequality and thereby reduce export markets and provoke greater migration.

The social regulation of international trade

The ILO is the most significant multilateral mechanism for establishing, monitoring, and improving labour standards internationally. However, it has no legal powers of enforcement and therefore has to work largely by moral persuasion. As a result, many argue that it has been unable to effectively prevent the downward pressure on workers' rights associated with globalisation. This has led many Southern and Northern trade unions and NGOs to argue for the development of international enforcement mechanisms.

One mechanism which has been proposed is the introduction of a social clause — a core of minimum labour standards — into the WTO. This would combine the monitoring processes of the ILO with the enforcement ability of the WTO through trade sanctions or the withholding of trade privileges. That is, WTO trade privileges would be made conditional on a country's compliance with internationally agreed core labour standards. However, this proposal is regarded with suspicion by the vast majority of Southern governments, who fear that a social clause will be abused by powerful protectionist elements, particularly in the US, and would undermine their comparative advantage, which is based on cheap labour. Many NGOs are also fearful that trade barriers would damage the very people they were intended to help.

The ICFTU, and others, have suggested that this problem could be partially solved if the ILO is given a lead role in monitoring compliance and judging infringements. It would also be essential to ensure that monitoring and enforcement procedures are transparent and involve a strong representation of governments and NGOs from developing countries. Trade barriers should be used as a last resort only after an agreed period to allow voluntary incentives to work. Rulings would be based on a country's willingness to take concrete steps to address the abuse, rather than complete eradication of the abuse itself. Mechanisms would also be developed to provide technical and financial assistance to help countries to meet the desired standards.

The ILO conventions being proposed for inclusion in a social clause relate to the basic human rights of workers', and make no attempt to equalise wages or establish a global minimum wage. They include:

- Convention 87: Freedom of Association and Protection of the Right to Organise
- Convention 98: Right to Organise and Collective Bargaining
- Convention 100: Right to Equal Remuneration for Men and Women Workers
- Convention 111: Freedom from Discrimination
- Conventions 29 and 105: The Abolition of Forced Labour

Some also add Convention 138: Minimum Age of Admission to Employment.

However, there would be serious difficulties in including such a wide range of Conventions. Child labour, for example, is a consequence of poverty, rather than trade pressures. A worldwide ban would make matters worse by making poor families even poorer. It would not solve the problem of child labour in family businesses and farms where the majority of children work. Oxfam's support for the social clause is therefore focused on the inclusion of Conventions 87 and 98, in the first instance. These rights are clearly trade-related and should exist in any country, irrespective of its level of development. To a large extent they are a precondition for achieving other workers' rights. This is not to question the importance of the other labour standards around which there is now international consensus, but merely to argue that their enforcement through trade mechanisms, which can be a very blunt instrument, may not be appropriate.

If established effectively, a social clause of this kind should have little effect on jobs but would provide a basis of workers' rights which no country or company could flout, helping to distribute the benefits of trade more equitably. This would reduce the incentive to pursue competitive advantage based on the abuse of human rights, and encourage governments and employers who wish to improve labour standards.
Another important benefit of a social clause would be to provide a basis from which workers could organise internationally to put pressure on their own governments to protect labour rights. It is often assumed that Northern trade unions are interested in the social clause only in so far as it would help to prevent jobs being relocated to lower-wage economies; however, it could also be used by marginalised workers to exert pressure on their own governments to strengthen labour rights. It could, for example, be useful to workers in the UK who have experienced a curtailment of basic labour rights in areas relating to the Right to Collective Bargaining and the Freedom of Association and Right to Organise.

Despite trade union support and strong backing by the US and Norway for the establishment of a WTO working group to examine possible implementation of a social clause, the proposal was defeated at the WTO Ministerial Meeting in Singapore in December 1996, as a result of widespread opposition, particularly from developing country governments. Nevertheless, the final declaration contained a reference to a renewed commitment to the core ILO labour conventions and recommended that the ILO find ways of strengthening its supervisory mechanisms. But even if the ILO is strengthened, it will still lack enforcement powers, so the need for an international enforcement mechanism will remain. The growing use of bilateral trade sanctions by countries such as the US and Germany for goods produced using child labour will result in disputes being taken to the WTO. The growth of voluntary codes of conduct may also eventually lead to trade disputes if they become trade diverting or if they are backed by governments.

It is vital that further detailed work is done on how a social clause could operate and the likely distribution of costs and benefits. Alternatives to a sanction-based approach should be explored, for example, the use of trade incentives to encourage compliance with labour standards. However, the use of incentives appears to be ruled out by the GATT principle of Most Favoured Nation (which means that countries are obliged to extend their most favourable trading preferences to all countries), and the usefulness of such an approach will diminish as countries move closer towards zero tariffs under successive rounds of liberalisation.

Many Southern organisations are highly distrustful of any attempts to use the WTO to promote labour standards, because they believe it is dominated by powerful Northern interests. Proposals for international enforcement mechanisms aimed at TNCs rather than governments, are emerging. Some Southern NGOs and unions are developing proposals for a special international body able to impose financial penalties on companies which abuse basic labour rights. Fining companies directly would also avoid the risks associated with trade sanctions. There are also attempts to ensure that international investment agreements place binding obligations on companies to abide by certain internationally agreed standards.

Because of political resistance from developing countries, all that may be feasible in the short term, is to pressure for closer coordination between the ILO and WTO, perhaps with the establishment of a working committee; and for the WTO trade policy reviews to include an assessment of compliance with core labour standards. In the longer term, progress towards introducing a social clause at the WTO will to a large extent depend on industrialised countries removing unfair trade barriers to developing country exports, especially textiles and agricultural products; and meeting the commitments made in international fora such as the Social Summit to debt relief, aid, and technology transfer.

Social regulation of foreign investment

The growing mobility of capital and lack of international regulation is making the case for an international code of conduct for foreign investors ever more pressing. There have been a number of attempts to draw up international standards or codes of conduct for TNCs through UN bodies, the most important being the 1992 UN Draft Code of Conduct which, despite more than 12 years of negotiations, was abandoned in 1992 when developed countries claimed that it was superseded by the GATT.159 Unfortunately, the new international agreements on investment contain measures increasing the rights of foreign investors, without corresponding social and environmental obligations. Critics argue that governments should be able to retain powers to control foreign investment in order to promote pro-poor growth, and that the rights of foreign investors under these agreements should be made conditional on their compliance with internationally agreed standards on social, environmental and consumer protection. These issues are relevant to both
The international dimensions of work

countries, including the UK, although its influence over investment policy is still contested. As the world's largest trading bloc, and because it offers an important market to developing country exports, its trading policies have an important influence on employment patterns within the UK and other member countries. It is therefore a vital sphere of influence for those in the UK concerned about labour issues.

Externally, the EU has developed a variety of trade agreements with different regions, the most significant in development terms being the Lomé Convention, which offers preferential trade access to the poorest countries. There is increasing pressure to dismantle this protocol because of high structural unemployment and declining economic and trade performance in some EU member states compared with North America and East Asia, and because of criticisms of its effectiveness. The Lomé Convention is also in conflict with new WTO rules with which all trade agreements must now comply. However, it is likely to continue in some form.

At the same time, the EU is putting considerable emphasis on promoting and strengthening inter-regional free-trade agreements in areas where it has an economic interest, and recently signed a landmark agreement committing itself to a gradual establishment of a free trade zone with the South American Mercosur group of countries. This will have profound implications for workers in EU member countries, yet it is being introduced with very little public debate.

Internally, the proposed moves to a single European currency will have significant implications for employment patterns within the EU. On the plus side, the single currency may result in lower interest-rates and better access to European markets, both of which would be good for jobs. On the minus side, governments will have to adhere to strict convergence criteria relating to fiscal policy, and will also lose control over their own exchange rates, thereby limiting their ability to pursue expansionary and redistributive policies. As part of an anti-inflationary drive, the equivalent of 0.7 per cent of GDP will have to be trimmed from public spending to meet the Maastricht criteria that budget deficits should be no more than 3 per cent of GDP. This seems excessively harsh in a region where unemployment affects 11 per cent of the population, while inflation averages less than 4 per cent.

The EU Social Chapter and Convention on Human Rights provide an important framework
for the protection of workers' rights within Europe. However, as we have seen, this framework is in danger of being significantly weakened due to intensified competition. Much of the pressure for deregulation comes from within the EU, notably from the UK in the recent past.

Unlike NAFTA, the EU has been, until recently, an agreement between relatively equal trading partners, thereby reducing some of the distributional problems of free trade. Also, unlike any other regional or international trading bloc, it has a parliament, and a relatively well-developed set of social policies which are crucial for maintaining social cohesion. It therefore offers a useful model to other emerging regional groupings.

Finally, the sheer size of its market gives it an incomparable influence on international trade issues, particularly within the WTO. This power and influence means it has a particular responsibility to ensure that its policies promote, rather than damage, livelihoods in both poorer and richer countries.
6.1 Summary of implications for the UK

The combined impact of globalisation and free-market policies has contributed to great changes to people's lives in the UK over the last 15 years. Positive changes include rising average wages, growing consumer choice, and lower prices. Negative changes are growing unemployment and job insecurity; the growth in the numbers of working poor; rising inequality; social and environmental problems; and the growing influence of the global economy and unaccountable international institutions over people's lives. These negative effects are similar in form, if not degree, to the problems experienced in developing countries, and this shared experience could create the basis for joint advocacy for reform of international policies and institutions.

Although in the short term unskilled workers in richer and poorer countries appear to be in competition with each other, potentially there is a long-term common interest in fighting job insecurity, the global downward spiral of wages and conditions, and the social and environmental problems associated with globalisation. Some studies suggest that for some groups of people, the negative effects of social and environmental problems are beginning to outweigh the gains from rising incomes and consumption. This suggests that the assumptions underlying orthodox economic policy-making, which equate consumption with well-being, may have to be revised. It also suggests that some groups in the UK, as much as in developing countries, could benefit from the social regulation of international trade and investment flows.

A positive example of this common agenda is illustrated by the tri-national campaigning platform between Mexican, Canadian, and US coalitions which came together in the early 1990s to reform NAFTA (see Case Study 5). Another example is the international campaign by homeworkers for a new ILO convention on homework which won approval at the ILO Conference in June 1996 (see Case Study 7).

6.2 An agenda for reform

This is not to underestimate the wide differences and conflicts of interest which remain between workers in rich and poor countries, and the difficulties entailed in creating a common understanding. Nor is it to suggest a mass international mobilisation in opposition to free trade. It is also important that a focus on common North-South interests in reforming international policies does not undermine the urgent and continued need for traditional forms of assistance to poorer countries. The unequal nature of the global economic system, and the far greater levels of poverty in developing countries, mean that there is still an ethical imperative for Northern governments to assist developing countries through aid, debt relief, and their trade and investment policies. Continued support and campaigns by Northern groups in those areas would be an important pre-condition for developing a common advocacy platform. It would be in the long-term interests of richer countries to provide such support, as the effects of Third World poverty increasingly rebound on developed countries in the form of shrinking export markets, increased incentives for drug production, and greater flows of economic migrants.

National policy reform

This analysis of the international context suggests a number of areas where policy reforms could make a significant contribution to improving employment opportunities and the quality and conditions of work. (In the list of recommendations below, the relevant sections of this paper are indicated.)
on domestic policy imposed by globalisation, there is much a UK government could do to ensure greater equity and social cohesion without losing competitiveness. Useful lessons could be drawn from other national experiences, in particular the early experience of the East Asian countries. The UK government could be urged to promote a more inclusive pattern of growth by:

- The adoption of a more expansionary economic environment with higher public investment and low and stable interest rates (section 4.2).
- A move from a strategy based on a cheap and flexible labour force to one based on higher value-added production, including public support for R&D in new technologies, increased investment in education and training targeted at disadvantaged groups, and active government policies to attract investment in high-quality and labour-intensive enterprises (section 2.3).
- The provision of adequate and flexible forms of income support for the unemployed and low paid; adequate child-care, particularly for single parents; and a role for government as employer-of-last-resort in providing socially useful work for the unemployed.
- Financial support for community-based enterprises, including provision of credit, training, and technical assistance (section 5.1).
- Exploring ways of financing the measures outlined above through increases in progressive income tax, corporate taxation, or taxes on natural resource use. (The Financial Times, for example, has recently pointed out that a rise in the UK corporation tax rate from 33 per cent to 35 per cent would raise £1.7bn a year and would still be low by historical standards)(section 4.1).
- Establishing a supportive environment for workers' organisations, and ratifying and implementing the core ILO conventions, including Convention 111 on Freedom from Discrimination, and the ancillary Convention 154 on Collective Bargaining which promotes the extension of collective bargaining by direct government intervention, and Convention 138 on Child Labour (soon to be supplemented by a new Convention seeking to prohibit the most abusive forms of child labour)(sections 4.4 and 5.3).
- Establishing an Independent Human Rights Commission to vet UK legislation to ensure that there is no violation of the international labour standards outlined by the ILO conventions, the European Convention on Human Rights, and the European Social Charter, and the International Covenant on Economic, Social and Cultural Rights (sections 4.4 and 5.3).
- Publishing an annual report on how labour standards in the UK match up to international standards; holding regular parliamentary debates on the issue; and incorporating international labour standards directly into UK law (section 4.4 and 5.3).
- Adopting legislation to ensure that these rights cover all categories of workers, including part-time, temporary, and home-based workers, as originally intended. In particular, ratifying and implementing the new ILO Convention on Homework, and supporting future moves within the ILO to develop conventions covering sub-contracted work (section 4.4).

International policy reform

The ability of the UK government to significantly improve employment opportunities and conditions would be greatly enhanced by reforms to international policies. In addition, the UK government should do more to ensure that international policies and agreements support, rather than damage, livelihoods in developing countries. This is important not just for ethical reasons, but because Third-World poverty exacerbates unemployment in the UK by reducing markets for exports. Advocacy work aimed at reforming international policies is therefore vital, but while UK poverty-focused NGOs recognise the constraints imposed by globalisation, few, if any, are actively campaigning on this issue. The UK government could be urged to:

- Work within the OECD negotiations on the MAI to move discussions on trade and investment issues to a more inclusive international forum, where developing countries can have an input. Failing that, to develop more flexible accession terms for developing countries allowing them to sign on sector by sector; broaden the consultation on the proposed OECD Multilateral Agreement on Investment in member countries to include other government ministries, local authorities and NGOs and promote public debate; include a broader list of general exceptions from MAI rules based on discussions with
developing as well as OECD countries for sectors such as social services or policies aimed at protecting natural resources and human and animal health and safety (similar to the general GATT exception); incorporate binding social and environmental obligations on corporations; press for the removal of the investor-state dispute mechanism or failing that the provision of citizens' rights to bring claims against investors, and present their case to tribunals considering state-state or investor-state disputes; common rules on financial incentives including ceilings on financial subsidies and restrictive business competition such as transfer pricing (section 5.3). (See Oxfam briefing paper on this issue.)

- Work within Europe to ensure less restrictive convergence criteria on budget deficits for the single European currency, and introduce targets for poverty reduction and employment creation (section 5.3).
- Work within the G7 and IMF to develop co-ordinated policies to allow more expansionary policies and the regulation of international financial flows, for example through a small tax on speculative currency transactions to raise development finance (the "Tobin tax") (section 1.1).
- Work to maintain commitments in the Social Chapter and other EU directives to ensure adequate labour protection based on ILO standards (section 5.3).
- Work within the ILO and other international fora to support the international commitment for governments to promote and ratify core ILO conventions, to strengthen the existing ILO supervisory mechanisms on these conventions, and to introduce new conventions ensuring that 'flexible' workers have rights equivalent to those of permanent workers (section 5.3).
- Renew calls for a joint ILO/WTO working committee to consider the relationship between trade and labour rights and to explore the options for the introduction of a social clause at the WTO. The Working Committee should provide observer status to, and draw evidence from, experts, NGOs, and grassroots organisations, including those representing marginalised groups and women (section 5.3).

6.3 Research

There appears to be little detailed analysis of the social impact of recent international trade and investment agreements on UK/EU policy, or the economic and social impact of foreign trade and investment flows on poverty and inequality in the UK. There also appears to be little systemised information about the UK's existing regulations on foreign investors at regional and local level. Further research and dissemination of information on these issues would be useful, including:

- Detailed research on the likely impact of the proposed OECD Multilateral Agreement on Investment (MAI), and WTO policies on first, the UK/EU's present foreign trade and investment policies, for example the use of performance requirements on TNCs especially in Assisted Regions or specific sectors; second, inward foreign investment and its impact on the level and quality of employment in the UK; and third, outward investment and its impact on employment levels in the UK. The research on the MAI is urgently required and the process of drawing up, discussing and disseminating the research could be used as a means of encouraging other UK voluntary organisations to become involved in advocacy on the issue (section 5.3).
- Research into the employment policy and practice of foreign-based multinationals operating in the UK, and the effect of these on the workforce and community, including the likelihood of relocation, and the social and cultural impact (section 3.2).
- Research and seminars to explore the lessons from different economic models, to feed into advocacy work in the UK; and to compare the EU's social chapter and NAFTA's Labour Side Accord (sections 2.3 and 5.3).
- Research into the trade-off between measures to improve workers' rights and conditions (whether through legislation or voluntary codes of conduct) on the one hand, and employment levels and patterns, productivity and shareholder performance on the other. Both theory and evidence suggest that a minimum wage set at the right level can raise employment levels, but the impact of other measures, such as the right to collective bargaining, wage benefits, and health and safety measures, is not clear (section 2.1).
• Research on the extent and nature of subcontracting by private companies and its implications for pay and working conditions (section 2.1 and 4.4).
• Research on the gender constraints imposed on women's employment by the low status ascribed to child care, the lack of child-care provision, and the household division of labour between men and women; and on the legal implications of the UK's signing up to the ILO Convention 111 on Discrimination in Employment and Occupation (sections 4.4 and 5.3).
• Participatory research to improve understanding of informal-sector initiatives in the UK, their potential for job and income creation, and how government policies can promote them; and the setting up of pilot projects to assess which community economic initiatives work best in different contexts (section 5.1 and Annexe).

6.4 Networking

(Sections 5.1, 5.2 and Annexe.)
International alliance-building is vital to ensure that international policies benefit marginalised groups in richer and poorer countries. Poverty-focused organisations in the UK could learn much from the experience of similar organisations in developing countries, and from closer contact with UK-based development agencies, and vice versa. Some activities might be:

• Encouraging alliances across the voluntary sector and setting up a working group consisting of national and international voluntary organisations, to develop research and advocacy on the international dimensions of work.
• Sponsoring visits by national and international coalitions and networks, for example the Brazilian Hunger Campaign, the tri-national NAFTA coalition, and representatives from the International Network of Homeworkers to meet with sister groups in the UK to share their experiences of strengthening organisations, alliance building, and advocacy.
• Sponsoring visits by workers' organisations and community-based groups to exchange experiences of work at the local and national level especially with women.
• Organising workshops and commissioning research to promote learning from international experiences in relation to community development, gender analysis, confidence-building, and skills-training.
• Organising workshops with UK-based and overseas voluntary groups, to share international learning on techniques of best practice in income-generation schemes, microfinance, and participatory methodologies for appraising and evaluating the social and gender impact of community development initiatives.
• Developing training workshops for community-based groups in the UK to improve their understanding of globalisation and other economic issues, to strengthen their campaigning and advocacy work.
• Encouraging dialogue between consumers and companies, and between companies, on the social responsibilities of the corporate sector.
Introduction

These case studies have been selected to show a variety of programme experience and ways of working. Case Studies 1 to 3 give examples of community-level work. Case Study 4 deals with networking and campaigning at national level. The organisations involved in the Hunger Campaign in Brazil include a multitude of community groups not dissimilar to those in Case Studies 1 and 2. The final three Case Studies show how groups with shared concerns or similar experiences working at the local and national level can link up to network, inform, campaign, and influence at an international level.

Case Study 1 Employment generation in the Zabbaleen migrant community in Cairo

The people

'Zabbaleen' means 'waste collector'. The Zabbaleen of present-day Cairo are migrants who have taken over the collection of Cairo's waste from the earlier collectors, the Wahiya, who started controlling the business and extracting payment for the service. The Zabbaleen benefited by being able to feed their pigs on organic materials in the waste; later, they began to sort, resell, and recycle materials, such as rags, plastic, and tin. The Zabbaleen were seen as a disadvantaged, minority group who lived in appalling physical conditions, and were exploited by outsiders such as pig-dealers and the Wahiya.

Oxfam's early interventions

Oxfam began working with the Zabbaleen in 1979. A local consultancy organisation, EQI, was contracted to carry out the work. They developed a local organisation, the Zabbaleen Gameyya, in order to implement changes in the waste collection system (replacement of donkey-carts by motor vehicles had been ordered by the Cairo governorate) and end the exploitation of the Zabbaleen by the Wahiya. EQI also ran an income-generation programme, the Zabbaleen Small Industries Project (ZSIP), to give loans to individuals for the purchase of recycling machines. Processing would add value to sorted materials, and exploitation by traders would be reduced.

A review of the ZSIP in 1986 found that the work was fundamentally flawed because it did not address the needs of the most vulnerable.

A new phase of support

Oxfam then tried to remedy the situation. It dispensed with EQI's services, hiring individuals to run the nascent Zabbaleen Health Team.
(ZHT) and the successor to the Small Industries Project, the Women-Headed Households Income Generation Programme (WHHIGP). Women had been identified as the most disadvantaged in the community, particularly those who were household heads.

Only women heads of households, formed into credit groups of three to five women, were eligible for the WHHIGP; the groups were self-selecting; the maximum loan size was very low; repayment rates were flexible; and the default of one group member would result in withdrawal of credit from the whole group. Thus, the project encouraged co-operation rather than rivalry, and the sense of responsibility of members to the group resulted in a 100 per cent repayment rate. The very small loans were only of interest to the very poor. The demand for loans from the WHHIGP remains high, suggesting that those who have received loans have benefited; and women in the community are visibly more confident as a result of training of the local health and credit-scheme workers.

The Zabbaleen Health Team started its work slowly, by carrying out a health survey which identified priorities. With experience, and training in health care and communication skills, the local health workers gradually expanded their role to include home visits, and carried out a sanitation survey. Tangible improvements include a reported drop in infant mortality from 230 to 160 per 1000 live births.\(^{161}\)

Conclusions
There were revolutionary changes in the Zabbaleen settlement during the 1980s. The overall physical environment improved immeasurably in the eyes of those who knew the settlement (although first-time visitors still find it shocking). Brick-built and multi-storey houses replaced wooden shacks where people and livestock lived together, and a large measure of industrialisation occurred.

These changes cannot simply be attributed to the Oxfam-funded projects, as many factors, external and internal, were affecting the community during this period, such as infrastructure development. The case shows that security and empowerment of vulnerable and poor people are crucial factors in development, and also that the wider environment must be taken into account in development interventions.

A participatory assessment of the impact of the more recent work suggests that the scale of both projects has remained very limited (only hundreds benefit from the credit scheme, although the whole community is being affected by vaccinations through the health project). Another important achievement was that women's confidence increased (the projects work with part-time employees from the community), and their participation in public life is becoming accepted by many male leaders. The main concern expressed by local men and women was to improve their image among the rest of the population of Cairo. They believe that they are seen in a negative way, and as parasites; this would largely explain the harassment and lack of development support from government officials.\(^{162}\)

Case Study 2 OMAFES: Credit for Women in Bamako\(^{163}\)

Introduction
Mali is the largest country in West Africa, but it has a population of fewer than 9 million inhabitants. While most people live in rural areas, its cities are growing rapidly. Mali is heavily dependent on international financial institutions and on bilateral donors, and began a Structural Adjustment Programme in the early 1980s.

The population of the capital, Bamako, has multiplied more than tenfold in the last 30 years, mainly due to in-migration from rural areas. Urbanisation has been accompanied by high rates of unemployment of unskilled workers. What has been glorified by many World Bank experts as the 'miracle of the informal sector' represents precarious, and ill-paid work.

Oxfam's involvement
Oxfam has supported projects in Mali since the 1960s, and has been involved in credit schemes in the country since 1984. In addition to its rural programme, it supports urban-based initiatives, an important one being in Sabalibougou, in Bamako, one of the most densely populated districts of the capital. In 1993 Oxfam made a small grant to an NGO, Oeuvres Maliennes d'Aide à la Femme et à l'Enfant au Sahel (OMAFES), to widen the base of a credit and savings scheme with poor women in Sabalibougou. The programme had been initiated by women in Sabalibougou, with funds from a Canadian agency, Solidarité Canada-Sahel.
Women make up more than 51 per cent of the population in the district and many are originally from rural areas. A feature of this diverse population is that informal groups and associations have formed, especially women’s groups, often based on geographic origins. These usually fulfill a social function, in response to a need for mutual help and support. Informal credit schemes which operate within these groups have enabled members to carry out income-generating activities or to pay for medical care or for their children’s education.

Conclusions
The chief benefit of the OMAFES urban credit scheme has been to provide additional cash to women petty traders, thereby enabling them to circumvent money lenders who provide credit at extremely high rates of interest. Oxfam’s contribution not only extended this existing credit scheme to a larger group of women, but also permitted the women to diversify their trading activities and start up new ones. Activities include buying products, such as vegetables, firewood, and cereals in bulk or directly from the producers for resale in the market.

Recently OMAFES’s work has expanded from a focus on women and children to incorporate men. Other modifications to the scheme are changes to the way loans are repaid (allowing for a longer repayment period), and the opening of a second office, which will facilitate closer contact between project staff and beneficiaries. Other agencies working in the district of Sabalibougou include UNICEF (installing solar pumps and training young people) and Enda-Tiers-Monde (setting up a training centre for young people).

Case Study 3  Ladywood Credit Union, Birmingham UK

Introduction
Ladywood Credit Union (LCU) was set up in 1987, as part of the Ladywood Project, which includes a range of initiatives, such as a drop-in centre for parents and small children, a women’s group, a domestic violence forum, and a furniture exchange, where poor families can obtain second-hand donated furniture. Ladywood is an inner-city area of Birmingham, with a very high incidence of unemployment and dependence on state benefits. The LCU is staffed by one full-time development worker and a number of volunteers, who are mostly from the community itself. The staff are supporting an element of social interaction which is central to the project’s way of working. This demonstrates the limitations of evaluating financial sustainability on the basis of a narrow financial calculation, especially in cases where it is possible to sustain voluntary inputs in the long term.

LCU financial services and more
LCU offers a voluntary savings facility. Members can deposit as little as they like. Withdrawals of up to £10 can be made at the main or at one of the various satellite collection points which operate on a part-time basis. Larger amounts may take longer, but for those who suffer mobility problems, these rules are implemented very flexibly.

Quick-access loans in emergencies are also available. The profile of membership and lending, in which better-off customers are able to take larger loans which involve lower risks for LCU, suggests that to some extent these clients are helping to ensure the availability of LCU’s services to its poorer clients.

The role of LCU goes beyond financial service provision, although many members use it solely for that purpose. Its role is more broadly supportive of members in financial difficulties, and its history and flexible way of working distinguish it from commercial providers of financial services. It provides a means of building self-esteem, of being in control of one’s own life, of being valued and able to contribute and develop personal skills.

A recent assessment of the project revealed that the credit union membership did not generally include the very poorest Ladywood residents, i.e. people living in debt. The study demonstrated that some members see LCU as a preventive measure to keep themselves out of a downward spiral of indebtedness to private credit-companies. In Ladywood, indebtedness to private loan companies is common and mostly affects those people whose income is derived from benefits and various forms of casual labour.

One of the clear advantages of the private credit-companies was the immediate nature of their loans, given without collateral (against rates of about 50 per cent interest on an annual basis). There is thus a philosophical difference
between the credit union and the private loan-companies. While the former promotes an ethic of thrift, providing people with a means of being in control of their own finances, and living within their income, the latter tempt people to spend, live beyond their means, and count the cost tomorrow.

LCU users who live on benefits or very low incomes tend to save in irregular small amounts. They reported using loans to help to pay for items such as TV licences, utility bills, and life insurance. Such members felt they could not use banks due to embarrassment at the small amounts they deposited. Some who had tried to save in the credit union found themselves unable to keep up with their initial expectations of their own savings capacity. Those people on benefits are very positive about the credit union, stressing in particular the understanding approach of staff, the flexibility, the chance it provides to save in small amounts, the low rate of interest on loans, and the greater sense of control it offers them in difficult circumstances.

However, the majority of LCU members fall into another category: they are people who have a regular income, including some professionals. All of these people have bank or building-society accounts into which their salaries are paid, and make contributions to LCU by means of automatic transfers.

**Conclusions**

The case of LCU illustrates a number of points, in addition to underlining the importance of voluntary workers to the sustainability of these initiatives. First, it shows the difficulties of reaching those who are already highly indebted and unable to make even small but regular savings which might eventually qualify them for a loan. Second, the importance of the combination of a financial service with a strong social-support structure which encourages people to take control of their finances. Third, the role that other members of the local community can and do make in providing the service. These better-off people contribute by investing their capital and hence providing the funds for on-lending, taking and repaying loans, so providing LCU an income, and also by volunteering their time to assist in the running of the union.

The financial sustainability of the project is still questionable. Despite a modest profit from 1995, the project is still run by volunteers and a staff member paid with council funds. However, it is clearly not the only valid criteria for the project’s assessment.

**Case Study 4 Brazil’s Campaign Against Hunger, Misery and for Life**

**Introduction**

The objective of Brazil’s campaign against hunger, misery and for life is to raise awareness in Brazilian society about the situation of the poorest 20 per cent of the population (some 32 million people), who are unable to meet even their basic food needs. It aims to involve people in practical action, such as the donation of foodstuffs or employment creation schemes at the local level, through local committees. It also aims to increase pressure on the authorities (municipal, state and federal) for effective short and long-term policy measures to eliminate extreme poverty. It addresses both short-term welfare responses and longer-term structural changes, and links poverty and misery to a denial of rights.

The campaign, formed in 1993 and led by Brazilian NGOs, followed on from the Campaign for Ethics in Politics, which was instrumental in the impeachment of the then President Fernando Collor. It has achieved government support, and a governmental National Food Security Council, which includes representatives of NGOs among its members, has been created. The private sector and banks have also given their support, as well as trade unions, church groups, students, teachers, and other professionals. There are thousands of local committees and volunteer workers involved. It is an unusual example of large-scale public response to the erosion of social and economic rights and of co-operation between civil society and the state.

**Jobs**

The campaign encompasses thousands of local initiatives, and in March 1994 launched its objective for jobs. This phase of the campaign aimed to ensure that any policy of development must affirm that work for all and a just wage are conditions of citizenship. In a country with 2.4 million unemployed and some 12 million who receive less than the minimum wage this is optimistic. Some of the citizens’ action
committees are finding creative ways of developing community work for local unemployed people. Although the Campaign is said to be losing some of its earlier momentum, successful examples are still being reported. For example, the Comite de Fonte in Campo Grande has facilitated self-help in building 74 houses by a local tailoring co-operative, whilst members of the same co-operative are being trained in industrial sewing by a textile company. The Comite de Fonte is now looking for donations of sewing machines.165 In Belo Horizonte a locally-funded project brings 500 children back to school through paying school fees and is organising skills training for their unemployed parents.166

Conclusions
The Campaign is a good example of an approach that recognises the need to tackle long-term structural problems and short-term needs like employment, education, and also food provision simultaneously, as they are mutually determined. It is recognised that there is a need to work on several levels at the same time. The Campaign also illustrates that NGOs are only one actor amongst several, and that rather than substituting for the state or the private sector, the participating organisations have sought to create new relationships between them in order to develop sustained changes.

Case Study 5 The Tri-National Campaigning Coalition Against NAFTA

In January 1994, the North American Free Trade Agreement came into effect, linking Mexico, the United States, and Canada in a pact to promote the free movement of trade and investment. The agreement was of special importance because it was the first of its kind to link countries from the developed and developing worlds.

Campaigners saw the agreement as essentially anti-democratic, as it cemented into place unpopular free-market reforms into an international agreement which would be very difficult for national governments to abrogate. Unlike the European Union, there were no political structures to ensure the accountability of the tri-national trade commission. Nor were there initially any social policies or provisions to safeguard labour rights, or any structural funds to redistribute income within the area. Campaigners predicted that the agreement would destroy jobs, and foster poverty and inequality within and between the member countries.

Strong and active campaigning coalitions built up in Mexico, Canada, and the US initially to oppose the introduction of NAFTA and promote an alternative 'development pact' between the three countries. When this battle was lost and NAFTA was introduced these groups continued campaigning to reform it. The coalitions formed together in a tri-national coalition to coordinate their campaigning objectives, analysis, and strategies. This was crucial because the free trade agreement appeared to be pitching US, Canadian, and Mexican workers into even more intense competition with each other. (Oxfam helped to fund some of the advocacy work of the Mexican coalition and published a book to publicise their work in Europe.167) Enough pressure was generated, also by right-wing populist elements in the US, to persuade the member governments to introduce side agreements aimed at safeguarding labour and environmental standards.

There are many important lessons from the national and tri-national coalitions which could usefully be transferred to the British and European scene, especially as Europe moves towards the introduction of a single currency, which will have far-reaching social implications. This case study focuses on the lessons from the Canadian coalition, the Action Canada Network (ACN), which are of more immediate relevance to the UK.

Although the ACN failed in its main objective, which initially was to halt the introduction of NAFTA, it achieved some significant successes. It provided the missing link between fragmented and largely powerless community or single-issue groups, and national political parties which were unwilling or unable to challenge the business elite. It was able to exert a strong pressure on the government and political parties, providing an important counterbalance to the influence of the business interests which had successfully lobbied in favour of NAFTA. It also helped to galvanise public opinion behind a reforming agenda, shifting the terms of the debate and forcing politicians and the media to respond to some of its concerns. Enough pressure was generated to
Case studies

persuade the member governments to introduce side agreements aimed at safeguarding labour and environmental standards.

A key factor contributing to the success of the ACN is its membership which is organised on a multi-sectoral and provincial basis, and consists of over 50 national organisations and networks including trade unions, and 9 provincial coalitions made up of aboriginal, anti-poverty, church, cultural, development, environmental, farmers, labour, tenants' rights groups, peace, senior citizens, women's centres, and others. The strong local and grass roots involvement ensures the coalition's relevance to the lives of ordinary people and provides a voice to those normally excluded from policy making. By bringing together these groups the coalition also helps transform what would otherwise be a broad variety of relatively powerless single issue and community based groups into a powerful coalition for broad social change. Even so, these groups would not have been able to mount effective opposition to neo-conservative policies without the support of the more powerful national organisations, such as trade unions.

The coalition meant that difficult decisions about policy trade-offs between different groups were debated and decided directly by the participating groups, rather than distant policy-makers. This in turn forced the participating organisations to learn from each other. The Canadian labour movement was, for example, strongly influenced by its interaction with the women's movement, and came to strongly support its demands. Anti-poverty groups gained a greater understanding and support of labour's concerns, and unions were able to broaden their links with other groups and to see themselves not just as workers but as members of communities concerned about the environment, housing, education, health etc.

One striking example of how the unions became more sensitive to other groups was the introduction of 'solidarity pacts' by the Canadian Union of Postal Workers, an initiative which reflected their concern about how vulnerable groups were affected by public sector strikes. During their 1991 strike the union agreed to continue to deliver pension cheques and social assistance to pensioners, students, poor people, people with disabilities and rural groups. It also made a commitment to try to stop the closure of rural post offices. In return each of these groups made a commitment to the Union to talk about their issues within their organisations, encourage their members not to break picket lines, and to support their picket lines.

The coalition was also able to draw on the expertise of policy-makers and academics, which helped to ensure that the quality of their analysis, which included assessments of the impact of NAFTA on a sectoral basis, was sophisticated and rigorous.

Crucially, this experience was repeated at the international level between the Canadian, Mexican, and US coalitions. The tri-national coalition was able to develop and agree a common platform despite the fact that NAFTA would affect each economy and different social sectors in such diverse ways. There was a shared understanding that although some groups may gain in the short run, especially Mexican workers who were likely to gain jobs as companies relocated to take advantage of their cheaper labour, in the long term all would suffer the effects of mobile investment, and the ensuing job insecurity and fierce competition to lower wages and standards. In the case of Mexico, it was also the case that, vast numbers of peasants were likely to suffer due to the liberalisation of grain markets.

Conclusions

One of the preconditions for establishing a common policy platform between the Mexican, US, and Canadian networks was the commitment of the latter two groups to campaign for debt relief and improved human rights in Mexico, in recognition of the inequalities faced by Mexico.

A principal factors contributing to the success of the campaign was the fact that there was a concrete yet far-reaching issue which bound the coalitions together. This is not necessarily replicable in the UK because the EU experience is more positive than the NAFTA one, and positions are more mixed. However, the wider issue which held the NAFTA coalitions together, and which has a greater possibility for replication among progressive groups in the UK and Europe, was opposition to the regressive elements of neo-conservative policies. The ACN, for example, is engaged in a wide range of campaigns aimed at changing government policy and public opinion, particularly in defense of jobs and social services. Its most recent popular campaign involves the promotion of an 'Alternatives Federal Budget' aimed at pressurising the government to...
introduce less deflationary and more equitable fiscal policy, and preventing further cuts in social programmes.

From a reformist position, an important criticism of the campaign was that its initial campaigning objectives, which opposed the introduction of NAFTA, were not achievable. Had they concentrated on specific proposals to reform NAFTA they might have gained even more. In contrast, critics from a more radical position have argued that what was lacking was a broader longer-term vision and strategy for an alternative society.

Other suggestions to improve the campaign have included the need to broaden the membership of the coalition even further, not just to make it stronger but in order to learn from the insights and experiences of disabled groups, equality-seeking groups, ethnic groups, and others.

Case Study 6 Research and advocacy on the impact of structural adjustment policies on employment

Oxfam has a global research and advocacy programme aimed at influencing the design of Structural Adjustment Programme to help to reduce poverty and inequality. The research seeks to examine the impact of these policies on people’s lives in three main areas: employment, health, and food security. The main institutions which it seeks to influence are national governments, the World Bank, and the IMF. The work involves the joint development with other groups and networks of influencing strategies at the national, regional, and international level.

Chile was selected as one of the main focuses for the research because it is has faithfully applied free-market structural adjustment policies for over two decades, and is widely viewed as a successful model which other countries should seek to emulate.

Oxfam worked in Chile throughout the Pinochet dictatorship’s implementation of the structural adjustment programme, supporting community groups and women workers, including sweatshop and home-based workers in the garment and shoe industries, and temporary workers in the agricultural exports sector. In contrast to the impressive macro-economic indicators, the experience of these groups has been one of growing insecurity, poverty in employment, inequality, and social disintegration.

Because of the dramatic increase in poverty during the implementation of structural adjustment programmes, women became very active in the community, running soup-kitchens or providing health care and advice. These activities often involved women in negotiations with the authorities. Many of the women were also involved in human rights work. Oxfam supported community groups by providing training in confidence-building and leadership skills to help women to run these organisations effectively, speak at meetings, and negotiate with government officials.

Because of the high levels of male unemployment and falling wages during the adjustment period, women also had to become breadwinners and began entering the labour market in increasing numbers. As in Britain, many of the women took up low paid "flexible" jobs. Because the political situation was so repressive, Oxfam provided support to some of these workers in their communities, rather than at their place of work. This included training in confidence building, leadership skills, trade union organisation, workers rights relating to child care, pay, working conditions, sanitation, health and safety, and legal advice.

One long-standing project is in the Patronato district of Santiago, a centre for the clothing industry. A large proportion of garment production is contracted out to thousands of garment sweatshops and homeworkers, generally women. Labour laws are often flouted and the women often have no written contracts or are hired on a temporary or casual basis. Pay and conditions are often poor. Because of the fragmented and dispersed nature of the production system it is difficult to organised workers into unions; and unions tend to be male-dominated and not always sympathetic towards the problems of women workers.

Following a needs assessment Oxfam provided funds for a local canteen which consisted of a couple of rooms with chairs, tables and a stove, in the heart of the garment-producing area, where women could take their own food at lunchtime. The idea was essentially to provide the women with a much needed 'space' to meet, discuss their problems, and seek advice on their rights and legal issues. Slowly, women began to develop the strength and courage to speak out about abuses of labour rights. One example of this was when a woman
who was beaten up her employer decided to speak to the media even though this meant she lost her job. A more recent example was a media campaign to publicise the role of factory inspectors with the aim of tightening up on labour laws and reducing corruption.

In the early 1990s one of the main concerns of Oxfam's local staff and counterpart organisations was to explore the link between flexible labour practices and the growth of poverty and social disintegration following the implementation of extreme labour-market deregulation under Pinochet in the 1980s. Despite the concern of the subsequent civilian governments elected in 1990 and 1994 to promote growth with equity, they had maintained the essential elements of the deregulated and flexible labour market.

A reference group was set up in Chile comprised of Oxfam staff, grassroots groups, and researchers to help to develop the research and devise a capacity-building, dissemination, and influencing strategy. The group wanted to ensure that the research was relevant to local needs and could be used by local groups. The selection of researchers who combined sound academic skills with community activism meant that they played an active role in the subsequent dissemination and advocacy strategies.

At the local level the strategy included three national seminars, bringing together grassroots groups, trade unions, academics, government officials, and representatives from international institutions. It also involved capacity-building sessions with local organisations across the country. The research findings are now being incorporated into an advocacy strategy designed to influence the national government, which is the most important actor now that the IMF and World Bank has largely withdrawn from the country. This is a particularly opportune time as the government is currently considering introducing a package of labour reforms ostensibly to improve labour rights.

At the regional level, a series of seminars have been held with relevant networks in Colombia, Mexico, and Peru to exchange analysis and strategies on employment issues. Oxfam also organised a seminar for the Chilean researchers to present their evidence to the World Bank with the aim of modifying the Bank's approach in other countries.

At the international level the research findings have fed into the wider influencing strategies of Oxfam in coordination with other networks. National and international groups and networks have devised informal methods of liaising and coordinating their advocacy work in recent years. This usually entails targeting the Annual and Spring meetings of the IMF and World Bank in Washington.

The NGOs lobby government delegations (Executive Directors and Finance Ministers) and this is complemented by high-profile media work through individual briefings and press conferences. A great deal of critical press coverage has been generated in recent years, which has put pressure on the World Bank, if not the IMF, to modify some of its policies. Media work is particularly effective during the tri-annual replenishment period, when the World Bank has to seek new funding from member governments. Both the IMF and World Bank have decided to hold their own press conferences at different times, to counter the effects of NGO criticism.

The groups and networks campaigning on structural adjustment programmes have developed a relatively sophisticated analysis of the impact of these policies, as well as positive and coherent proposals for policy alternatives.

Case Study 7 A common agenda: homeworkers organising internationally

Oxfam supports organisations of homeworkers in various countries: the National Homework Group in the UK; SEWA (the Self Employed Women's Association) in India; SEWU (the Self-Employed Women's Union) in South Africa; sweatshop workers and homeworkers in the garment and shoe industries in Chile; and NGOs researching the issue in Peru.

The low pay and often abysmal working conditions of homeworkers are a central concern of Oxfam's Clothes Campaign, which is aimed at improving working conditions in the garment industry, where homeworking is widespread. As part of this campaign, Oxfam is trying to ensure that voluntary codes of conduct adopted by companies are extended to homeworkers as well as factory workers. Oxfam also supported the international campaign for the new ILO Convention on homework. The sub-contracting of homeworkers, along with other forms of flexible work, is also an important focus of Oxfam's advocacy with governments, the IMF, and World Bank to
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improve employment protection for vulnerable and marginalised groups of low-paid workers.

Homeworkers rank among some of the least protected, most vulnerable, and badly-paid groups of workers. They are frequently denied the rights enjoyed by permanent workers, and have often been inadequately represented by trade unions. Over the last 15 years they have begun to organise themselves independently, either as associations, NGOs or cooperatives in different countries around the world. SEWA is one of the oldest groups and has been organising homeworkers since the early 1970s. It has a two-fold strategy aimed at helping sub-contracted piece-workers to achieve equivalent rights to permanent workers; and helping own-account workers establish themselves as independent cooperatives and gain access to credit, markets, and technology.

One of the reasons for their campaigning success has been the recognition that in an era of mobile investment, action at the international level was essential to improve the conditions for homeworkers. As a result, in the last six years there have been growing contacts and exchanges between groups in different countries. SEWA has played a particularly active role in this, and has visited the UK National Group on Homeworking (NGH) to share analysis and organising strategies. In 1994 an international meeting was held to set up the international network, HomeNet, to coordinate work with home-based workers in different parts of the world.

Led by SEWA, the network recently organised a successful international campaign to persuade the ILO to introduce a new Convention on homework, which was approved at the ILO Conference in June 1996. Although the success of the campaign relied on winning the support of national and international trade unions, the homeworkers maintained their organisational independence throughout. The Convention was unusual for the ILO; Conventions for the protection of ‘unorganised’ workers have been rare.

Approving the Convention is, of course, only the first step. It will then need to be ratified by governments and translated into national legislation, according to local social and economic conditions. But the Convention offers an important political tool for homeworkers to exert pressure on governments and employers to ensure that they receive a living wage and just employment conditions. The Indian government has already agreed to ratify and implement the Convention. Governments in the richer world should follow suit.

Conclusions

This example shows how workers in different contexts can come together on the basis of similar experiences and shared concerns. It shows how work at the local level can be reinforced and strengthened by international networking and lobbying.
Notes

2 Financial Times, 30.6.95
3 Independent on Sunday, 7.5.95.
4 Economist 1.10.94.
6 Financial Times, 24.7.95.
7 Economist 1.10.94.
8 Certain industries — such as clothing and footwear — where labour costs account for about one-third of total production costs as opposed to around 3 per cent in semiconductors are particularly affected. About 30 per cent of all clothes bought in America come from the Third World; and 22 per cent of those in Western Europe.
16 World Bank-OECD study, quoted in *Financial Times*, 12.4.94 and 5.10.94.
17 World Bank Debt Tables.
30 Economic Commission for Latin America Chronicle, April 1997, *Reports to First Regional Conference in Follow-up to the World Summit for Social Development*.
31 Various sources elaborated in the later text.
32 IDB, April 1997, *Demographic Surprises*.
34 Anti Slavery Reporter — *Child Labour in the UK: A Call for Action*.
36 Report by the International Confederation of Free Trade Unions quoted in the *Financial Times*, 14.6.95.
37 Unless otherwise stated evidence from this section is taken from the 1995 and 1996 ILO *World Employment Reports*.
44 Economic Commission for Latin America and the Caribbean, 18th April 1997, *ECLAC reports to First Regional Conference in Follow-up to the World Summit for Social Development*.
45 Herman E Daly and John B Cobb Jr , 1990, *For the Common Good*, Green Print.
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46 Jeremy Rifkind, 'The end of work', *New Statesman and Society*, 09.6.95.


48 They also tend to stress the effects of exogenous, rather than endogenous, supply shocks in reducing growth and exacerbating unemployment, such as the two oil price increases in the 1970s which hit oil-importing countries, and falling international commodity prices and the US hike in interest rates in the early 1980s which greatly exacerbated the debts of many developing countries.

49 *Financial Times*, 10.2.97.

50 In the case of minimum wages the critical variable is their relation to average wages. The employment effects will also be influenced by such factors as the ease of substitution between different groups of workers and/or new technology; and the extent to which increased wages costs are absorbed by increases in productivity, profits or prices; and the exposure to international competition.


56 Various ILO Publications. Also, Oxfam research on Chile shows that government policy which facilitated cheap and flexible working arrangements, such as temporary work and sub-contracting, reduced incentives for companies to train workers, to invest in new technologies, or to improve product quality. See Fernando I Leiva and Rafael Agacino, 1994, *Flexible Labour Markets, Poverty and Social Disintegration in Chile: the limitations of World Bank Policies*, Updated English version also available, March 1996.

57 1996, OECD *Employment Outlook*.


60 See for example the OECD report on Trade and Labour Standards, quoted in *The Financial Times* 21.5.96.

61 *Economist*, 1.10.94.


65 Letter to the *Financial Times*, 15.5.97.


76 Denis MacShane, *Britain and the International
Economy, For Richer and Poorer.

77 The WTO came into existence in early 1995 as a result of a decision taken by the world's trading nations at the end of the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade (GATT). It is a forum in which member governments negotiate international trade agreements, set the rules for international trade and settle trading disputes. When it was established the WTO was given unusual enforcement power in the form of the ability to use the withdrawal of trade privileges or the imposition of trade sanctions to force non-cooperative governments to meet their obligations.

78 The principles which this agreement will establish will include the following; foreign investors have the right to free entry and establishment in host countries without restriction; they should be treated in the same way as domestic investors with no special treatment for the latter; prohibition of government performance requirements on TNCs; no further regulation of investment should be introduced and existing regulation should be rolled back; foreign investors should have the right to freely transfer funds overseas; there should be strong and effective protection for investors against nationalisation or expropriation; and if such actions do occur, there should be guarantees of prompt and adequate compensation at market price, rather than the purchase price; a dispute mechanisms which provides for state-state disputes but also gives corporations the right to sue governments over any breach of MAI provisions; and withdrawal clauses which lock in contracting countries for a 20-year period. For a more in-depth discussion see Oxfam briefing paper on the MAI; and Third World Network Briefing Paper: the Multilateral Agreement on Investment (MAI): Policy Implications for Developing Countries, (1997).


80 FCO, DTI, Free Trade and Foreign Policy: A Global Vision.


82 Invest in Britain Bureau, Britain the Preferred Location.

83 Financial Times, 1.5.97.

84 TUC bribing notes for speech by General Secretary John Monks, on inward investment, n.d.


86 Financial Times, 13.10.97.


88 ibid

89 The EU has complete responsibility for our trade policy subject to the provisions of GATT. All protective duties between EU states have been abolished, except for certain goods from the Canary Islands and Portugal. The EU has a common trade policy for goods entering from outside the EU. Most raw materials enter the EU duty free or at a rate seldom above 4.5 per cent but there is an escalating rate for semi-finished and finished goods, from 2 per cent to 14 per cent, and from 3 per cent to 20 per cent respectively. Under the Lomé Convention with African, Caribbean and Pacific states, and EU's Generalised System of Preferences (GSP) a wide range of goods meeting the rules of origin may be imported from developing countries mostly at a reduced or zero rate of duty. The Lomé convention will expire in the year 2000 and discussions are under way to see whether it will continue to receive an exemption from the WTO. The EU has removed most quantitative restrictions from most imports except for controls on bananas, certain textiles and clothing (B) UK Investment Policy: unlike trade policy the UK retains 90 percent of the responsibility for investment policy subject to the relevant provisions in GATT. Although the UK has a relatively liberal investment regime, it can and does put some performance requirements on foreign investors in the Assisted Regions. For example financial subsidies to foreign investors are conditional on the number of jobs created. This may change under the IGC because some EU states and the Commission have proposed that certain powers pass to the European level. The proposed OECD MAI will also reduce the government's regulatory powers. The EU also imposes certain requirements, for example that domestic and foreign car manufactures must source 70 per cent of their content within the EU.

89 Job loss in the UK has also been associated with widening wage gaps, with male manual
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workers in the rest of the manufacturing sector, and a shift away from relatively better conditions offered by large and medium-scale employers to more intensive exploitation (sweat-shops and homeworkers). Sub-contracting of this sort at home offers the advantage of low wages combined with consistent quality, flexibility, and fast response. However, countries closer to home like Morocco and some Eastern European countries can now offer these advantages with wage rates around 25 per cent of those in the UK.

91 GMB figures.
96 *Economist* 1.10.94.
100 Guardian 25.4.96.
104 Trevor Evans et al, 1995, *Structural Adjustment and the Public Sector in Central America and the Caribbean*, CRIES.
105 Central Bank of Nicaragua and Ministry of Employment.
106 As a result of trade liberalisation food imports into Sub-Saharan Africa which were insignificant in the 1960s now account for almost 20 per cent of the region's total foreign exchange earnings. The group of countries classified as 'low-income food-deficit' are now spending about their foreign exchange earnings on food imports, double the proportion they spent 30 years ago.

Over the last year the Philippines Government began to phase out import controls on US maize which is good news for US cereal companies but it poses an imminent threat to the livelihoods of over two million peasant households. US maize producers receive around $5bn annually in subsidies amounting to around $14,000 per farmer, equivalent to around 30 times the average income in the Philippines.

In Mexico the North American Free Trade Agreement has accelerated the liberalisation of US maize imports threatening the livelihoods of an estimated 2.4 million of Mexican small holders. Average yields in Mexico are less than a quarter of those in the US.

108 ibid
111 Economic Policy Institute, 1993, Washington DC
112 'Buchanan has it right', Edward Luttwak on the merits of protectionism
114 Economic Commission for Latin America, 1995 *Economic Overview of Latin America*
120 HomeNet International Newsletter
123 See Oxfam UKI briefing paper on Homeworkers, May 1996 for a summary of the research
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127 idem.

128 John Philpott and Nick Isles, Guardian 11.11.96.


131 Clearly, rises in inequality and poverty can not be solely attributed to employment trends. In Sub-Saharan Africa formal sector employment is not a significant source of livelihood for the majority of people. Conversely, in the OECD and other regions such as Latin America it plays a much more important role. According to the United Nations Economic Commission for Latin America (ECLAC) the main cause of increasing poverty and inequality in the 1980s was the 'massive decline in real wages, the rise in unemployment, and the growth in low productivity jobs, as well as the significant increase in the number of retired people most of whom live in poverty'. Other sources of income, the generosity of social safety nets, progressivity of the tax system, the distribution of unearned income, taxes, benefits also contribute to poverty and inequality. Even where wage inequality or unemployment has grown governments can redistribute income to soften the effects. The significantly lower poverty and inequality rates in Canada, for example, are attributed to the effects of a more generous social safety net. Similarly income inequality fell or remained flat in several European countries including France, Germany and Sweden despite high unemployment in some of these countries. This has not happened in the US and UK where the decline in the effectiveness of the safety net, the lessened progressivity of the tax systems, combined with a sharp rise in the inequality of wealth, during the 1980s to reinforce rising wage inequality.


133 ILO, 1996, World Employment Report

134 Research commissioned by Oxfam Fernando I Leiva and Rafael Agacino, March 1996, 'Flexible Labour Markets, Poverty and Social Disintegration in Chile: The limitations of World Bank Policies'. Updated English version

135 Alvaro Diaz, October 1993, Restructuring and the New Working Classes in Chile, UNRISD


137 Mr Richard Kersley, UK strategist at Barclays de Zoete Wedd, quoted in Financial Times, 14.1.97.


139 The Economist, 28.9.96.

140 Latin America Weekly Report, 14.7.94, 'The rich have indeed got richer'.


143 See Susan Johnson and Ben Rogaly, 1996, Microfinance and Poverty Reduction, ActionAid, Oxfam Development Guideline. Their analysis is based on literature and case studies from countries in the South but includes also experience from Birmingham in the UK.

144 A M Goetz and R Sen Gupta (1996) 'Who takes the credit? Gender, power and control over loan use in rural credit programmes in Bangladesh', World Development, 24 (1) 45-63


146 See Nancy Folbre, 1994, Who pays for the Kids?


148 See, for example, Oxfam, 1995, The Oxfam Handbook of Development and Relief, vol.1 section 3.5.2 on pp 111-117 on urban livelihoods

149 It is a threat for example because sea-level rise will cause problems in the deltas of Bangladesh and Egypt, and because patterns of rainfall will change, especially in areas where they are already erratic such as the drylands of Africa. On the relationships
between affluence and poverty, expressed through the principle of Ecological Space or 'Foot Prints': see chapter 5, written by Caroline LeQuesne, in Kevin Watkins (1996), The Oxfam Poverty Report.

150 See Neefjes and Sabri, 1996, Community and environmental health in the Mogattam — report on a training in Participatory Learning and Action, and assessment of environmental health and project impact, Oxfam report: the negative portrayal of the Zabbaleen in the media was seen by many men and women in the community as the central problem that inhibited their progress out of poverty.

151 Ed Mayo 'Dreaming of work' in Meadows, P, 1996, Work out — or work in?

152 See Neefjes and Sabri, 1996: for example, tools from PRA such as map making and the use of seasonal diagrams serves different purposes in urban areas as compared to urban settlements (the latter are actually less relevant), and well-being ranking was possible only for small sample parts of neighbourhoods. See also several recent publications by IIED, London.

153 Jules Pretty of IIED, building on the work of Guba and Lincoln, 1989, has adapted the criteria used to assess the quality of conventional research in order to find equivalent, but alternative criteria for participatory processes of inquiry. He has developed certain components of inquiry processes based on the criteria of credibility, transferability, dependability and conformability (Pretty, 1994).


155 Oxfam has funded the Community Council for Berkshire for some village appraisals and assists the organising of some meetings on PLA, Participatory Learning and Action, a toolkit and approach that encompasses other methodologies such PRA, Participatory Rural Appraisal.


157 The ILO is unique among international organisations because of its tripartite structure, which allows governments, companies and trade unions to meet together on an equal footing and develop international labour standards. Its conventions enshrine among other things the right to organise, join trade unions, and engage in collective bargaining; be free from discrimination slavery, servitude or forced labour; and receive a living wage, health and safety protection and social security coverage. Such commitments were recently reinforced by the UN Social Summit in Copenhagen, and the UN Conference on Women in Beijing, both of which were held in 1995 (Note: The Social Summit Declaration in committed states to promote the goal of full employment as a basic priority, and to enable all men and women to attain secure sustainable livelihoods through freely chosen productive employment and work. The Beijing Declaration in November 1995 called on governments to enact and enforce laws to prohibit discriminatory practice on the grounds of sex and to adopt policies to ensure the appropriate protection of labour laws and social security benefits for part time, temporary, seasonal and home based workers).

158 Calls for a social clause are often seen to reflect Northern protectionist interests. However, a recent survey of 82 NGOs and trade unions of the North and South (including 65 from the South) voted overwhelmingly in favour of the introduction of a social clause at the WTO but only if jointly administered by the ILO. See Social Clause, Survey among NGOs and trade unions of the South, Michel Egger and Catherine Schumperli, Declaration de Berne, Pain Pour Le Prochain.

159 There is also a 1977 ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

160 This is a summary from the text in Hall, Hart and Mitlin, 1996.

161 See Neefjes and Sabri, 1996.

162 See Neefjes and Sabri, 1996; this assessment also brought up some interesting methodological lessons about how to work in a participatory manner in a context where people are extremely distrustful of outsiders, have hardly any time available for meetings, etc.

163 This is a summary from an internal Oxfam evaluation.

164 Much of the analysis of the impact of LCU's work was written by Helen Derbyshire, and is reproduced in Johnson and Rogaly, 1996 op. cit.

165 Jornal da Cidadania (IBASE) 1-15 April 1996.

166 Jornal da Cidadania (IBASE) 16-30 November 1996.

167 Coote Belinda, 1995, NAFTA: Poverty and Free Trade in Mexico, Oxfam Insight.