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Labor Standards, Development, and CAFTA

Kimberly Ann Elliott

Kimberly Ann Elliott is a research fellow at the Institute for International Economics and has a joint appointment with the Center for Global Development. She served on the National Academies Committee on Monitoring International Labor Standards in 2002–03 and, in 1999, as chair of the Task Force on Civil Society of the State Department Advisory Committee on International Economic Policy. Her publications include Can Labor Standards Improve under Globalization? *(2003),* Corruption and the Global Economy *(1997),* Reciprocity and Retaliation in US Trade Policy *(1994),* Measuring the Costs of Protection in the United States *(1994), and* Economic Sanctions Reconsidered *(2d ed., 1990).*

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The debate over linking trade and worker rights is often a dialogue of the deaf, with advocates on either side paying little attention to the scope for positive synergies between labor standards, development, and globalization. Instead, each side views the other as promoting positions that will, intentionally or not, impoverish poor people in poor countries. Opponents of global labor standards fear that these standards will undermine developing countries' comparative advantage in low-wage goods or be abused for protectionist purposes, thereby denying workers jobs. Standards advocates argue that failure to include labor standards in trade agreements increases inequality and leads to a race to the bottom for workers worldwide.

Both sides in the standards debate have some things right but others wrong (Elliott and Freeman 2003). Globalization enthusiasts are right that increased trade can contribute to growth and that the jobs global engagement creates are generally better than those in agriculture or the informal sector. But they downplay the increased income inequality that sometimes accompanies globalization, the disproportionate influence that multinational corporations have had on international trade negotiations, and the possibilities for directly improving conditions for workers in less developed countries without risking economic growth. Worker rights advocates are right that global labor standards can spread the benefits of globalization more broadly, discourage the worst abuses of workers, and increase public support for trade agreements. But they undervalue the need for increased market access for

developing-country exports to enable poor people to move from agriculture and the informal sector to more productive jobs.

Since 2001, labor standards have become a common feature in US bilateral trade agreements, but the debate rages unabated over the recently concluded Central American Free Trade Agreement (CAFTA). Its fate in the US Congress is uncertain because of a combination of protectionist interests on both sides of the aisle and Democratic concerns that the labor provisions are not strong enough.

The International Labor Organization should retain the central role in promoting and enforcing labor standards and should be strengthened to do that job effectively.

The first half of this policy brief explores the potential positive synergies between globalization, development, and labor standards. It argues that certain core labor standards can be applied globally and that doing so would be good for development. It then reviews the evidence on comparative and competitive advantage, showing that higher labor standards do not necessarily raise costs and that globalization is not leading to a worldwide race to the bottom in labor standards. At the same time, employers and some developing-country governments ignore labor standards for business and political reasons, which may set off a race to the bottom *from the bottom* in certain sectors, suggesting a limited role for addressing trade-related violations of core labor standards in trade agreements.

Far more is needed, of course, to ensure that labor standards and globalization progress together. As discussed in detail in Elliott and Freeman (2003), the International Labor Organization (ILO) should retain the central role in promoting and enforcing labor standards and should be strengthened to do that job effectively. In addition, the business community and nongovernmental organizations (NGOs) can expand the role of the "market for standards," by providing consumers the information they need to choose products made under decent conditions.

The second half of the policy brief examines these issues in the context of the free trade agreements (FTAs) the United States Trade Representative (USTR) has concluded and is pursuing. The brief concludes by recommending ways of improving the labor provisions in the CAFTA to bolster the probability of its ratification.[1]

International Labor Standards, Globalization, and Development

Ensuring that labor standards, globalization, and development are mutually reinforcing depends on the following key distinctions:

- core versus cash standards
- universal versus uniform standards
- competitive versus comparative advantage
- lack of capacity versus lack of political will

Extensive research and analysis suggest that certain *core* standards can be applied *universally* without harming developing countries' *comparative* advantage in labor-intensive products. But some evidence also suggests that concerns about short-run *competitiveness* in some sectors or firms can undermine the political will to effectively implement standards.

Universal Core Labor Standards

Some labor standards—for example, wages and health and safety regulations—clearly must vary with the level of development and local living standards in countries. Such "cash standards," if set too high, can raise labor costs beyond what productivity justifies and can decrease employment and exports. Core labor standards, however, are framework standards that are comparable to the rules that protect property rights and freedom of transactions in product markets, rules widely viewed as necessary for market economies to operate efficiently.

In 1998, more than 170 ILO members identified four standards as "fundamental principles and rights at work" that all countries should promote, regardless of their level of development. These core standards—freedom of association and the right to organize and bargain collectively, the abolition of forced labor, the elimination of child labor, and nondiscrimination in employment—strengthen markets because they protect workers' rights to choose whether and under what conditions to work. But they are also based on democratic

[1] The implications of these FTAs for development and for the multilateral trade system are important but are not addressed here. For discussion of some of these issues, see Elliott (2003) and Schott (2004).

principles and are recognized as fundamental rights to which all workers are entitled.

Moreover, the global application of these core standards does not mean forcing developing countries to adopt rich-country standards. Just as universality of property rights and freedom of market transactions does not imply identical laws or institutions among countries, universality of core labor standards does not imply uniformity in the details of the protections or in the institutions that implement them. Even the legally binding ILO conventions that define the core standards leave substantial room for national differences—for example, they do not prescribe any particular set of industrial relations institutions.

No one questions the need to abolish forced labor, and the goals of ending child labor, as the ILO defines it, and discrimination are also broadly shared.[2] The only reference to labor standards in the General Agreement on Tariffs and Trade (GATT) is Article XX(e), which allows countries to ban imports of products made with prison labor. The expected benefits of tackling child labor and discrimination are clear from the priority they are given in the Millennium Development Goals. The UN target of achieving universal primary school enrollment cannot be achieved without addressing child labor. In support of these joint goals, the ILO released a report estimating that the global benefits of moving children from work to school, while also improving educational quality and offsetting some of the lost family income, might be seven times higher than the costs (ILO 2004, 4). Quantifying the costs and benefits of eliminating gender discrimination is more difficult, but a World Bank (2001) study documents extensive benefits from empowering women, including better health and well-being for women, children, and men; higher overall productivity and economic growth; and better governance. These goals will not be achieved if women face widespread discrimination in the workplace.[3]

The goal of achieving freedom of association and the right to collective bargaining is more controversial. Governments and employers often resist it because freedom to form unions and negotiate over work conditions increases the power of workers relative to the state or capital. But giving workers a mechanism for raising and negotiating about workplace problems lays the foundation for addressing other labor standards, particularly in developing countries where governments lack the resources to enforce labor laws. Union rights are also a means of ensuring more equitable distribution of the gains from globalization (Freeman and Medoff 1984).

The World Bank recently published a survey of more than 1,000 studies on the economic effects of unions, which concluded that there is "little systematic difference in economic performance between countries that enforce [union rights] and countries that do not" (Aidt and Tzannatos 2002, 4). The survey shows that what unions do varies depending on local institutional and legal arrangements and the competitive environment in which they operate. In general, it finds that estimates of the economywide welfare losses from union wage premia are small and that high union density reduces earnings inequality (Aidt and Tzannatos 2002, 7–8, 11).[4]

Labor ministry officials sometimes concede in private that foreign investors threaten to go elsewhere if they must deal with unions.

Some observers, while not opposing freedom of association in principle, regard unions in developing countries as elitist, corrupt, rent-seeking institutions that reduce a country's growth prospects and so oppose unions in practice. Unions fit that image usually in countries where politicians and firms are also elitist, corrupt, and rent-seeking. In others, unions are a force for democracy and protection of property rights, without which workers would lose their jobs. Since the late 1990s, Zimbabwe's trade unions have been the main opposition to the Mugabe dictatorship and its land seizures. Unions were also a leading force in the campaign against apartheid in South Africa. The Solidarity trade union was a major force in toppling the communist leadership in Poland in the 1980s. Where unions do fit the caricature, the solution is the same as for firms and politicians: exposure to competition and

[2] The ILO definition of child labor does not encompass all economic activity but only work that endangers the health of children or interferes with their ability to go to school (up to a minimum age of 15 or 16). In 1999, the ILO further delineated priorities in this area by adopting a new convention calling for immediate action against the "worst forms of child labor."

[3] Although the UN goals focus on gender, ILO convention 111 also covers discrimination based on race, color, religion, political opinion, national extraction, and social origin. The ILO also has specialized conventions addressing discrimination against or other special problems of migrant workers and indigenous peoples.

[4] See also World Bank (1995) and Freeman (1993). The evidence from these studies underscores the fact that adherence to core labor standards, in particular freedom of association, does not imply harmonization to one particular model.

democratic reforms to ensure that they are accountable to their members.

In sum, the *core* labor standards support sustainable and broadly shared political, social, and economic development. Moreover, since transparency, democratic accountability, and competition are central goals of globalization enthusiasts, their goals and those of labor standards proponents are consistent and mutually reinforcing.

Evidence on Comparative and Competitive Advantage

Relative endowments of land, labor, human and physical capital, and other factors of production determine the comparative advantage of countries. Developing countries usually have abundant labor and therefore a comparative advantage in low-wage, labor-intensive activities. Whether labor standards could, in theory, affect this comparative advantage depends on the standard in question and also on the environment in which they are applied. In practice, the evidence suggests that the costs associated with implementing the core labor standards would not be so great as to undermine overall comparative advantage in labor-intensive activities.

Poverty, lack of resources, and weak governmental capacity are not the only reasons why developing countries do not effectively enforce labor standards. Some also lack the political will to do so.

In the short run, forced labor and child labor increase the supply of labor and could be used to increase low-wage exports, but both are uncommon in export industries (ILO 2001, 2002). Thus, taking action against them would have little impact on international competitive advantage. Indeed, taking children out of factories and enrolling them in schools could even increase productivity in the longer run by expanding human capital.

The effects of efforts to combat discrimination and promote freedom of association are less certain a priori. For example, discrimination in the export sector lowers the potential labor supply, raises the cost of labor, and reduces exports. In that situation, raising standards could *help* comparative advantage. But in many developing countries, discrimination discourages employment of female workers outside of less-skilled work in low-wage industries such as clothing, footwear, and toys. This increases the supply of female workers in those industries, which could lower prices and increase production and exports of those goods relative to what would happen otherwise. Whether enforcing nondiscrimination standards would affect short-run competitiveness in certain sectors depends on available alternatives and the productivity effects of treating all groups equally. But either way, promoting nondiscrimination would contribute to achieving overall development objectives and would not undo *overall* comparative advantage.

The economic effects of freedom of association and bargaining rights are also contingent on the sector and the environment in which they are exercised. As noted in the World Bank study cited earlier, the labor-cost effects depend on the net result of potential increases in wages and productivity. Moreover, stiff competition in export markets will tend to constrain the "monopoly face" of unions but still allow the "voice face" to work on improving conditions with low immediate costs for the employer—verbal and physical abuse, fire safety measures, bathroom breaks, and other health and safety measures (Freeman and Medoff 1984).

In general, existing evidence does not suggest that globalization is leading generally to a race to the bottom, and there is no evidence that countries with lower labor standards attract more foreign direct investment or grow faster. There is evidence, mostly anecdotal, that many developing-country governments, employers, and multinational buyers *perceive* there are costs associated with higher standards and try to gain *competitive* advantage by ignoring labor and other laws. Such practices, however, are usually associated with low productivity, undermine the rule of law, and do not contribute to development in the long run.

Nevertheless, labor ministry officials sometimes concede in private that foreign investors threaten to go elsewhere if they must deal with unions. Factory managers complain that foreign buyers often demand they follow a corporate code of conduct and then place an order that cannot possibly be met without forcing workers to stay on the job 14 to 16 hours a day, seven days a week without overtime pay. Also, some theoretical and empirical cross-country research, albeit not robust, suggests that core labor standards and competitiveness could be negatively correlated in some sectors.[5] That is, there

[5] This research is summarized in Elliott and Freeman (2003, chapter 1) and UK Department for International Development (2003, 13).

could be a race to the bottom *from the bottom* among low-wage countries competing in highly price competitive, low-skill, and geographically mobile sectors such as clothing and footwear.

A few countries make no pretense about this. Pakistan, Bangladesh, and a few other countries explicitly restrict core labor standards in export processing zones (EPZs)—usually freedom of association and bargaining rights—with the stated goal of attracting foreign investment and increasing exports. In many more countries, union organizers are blacklisted by firms or denied access to EPZs that are usually surrounded by high walls or fences. Workers in export firms are often fired with impunity for trying to organize unions, even when local law prohibits this practice.

Globalization is not leading to a worldwide race to the bottom for workers, but greater respect for the core labor standards could help spread its benefits more broadly.

Detailed World Bank research on the garment sector in Bangladesh also shows that young women are overrepresented in sewing jobs and underrepresented in more-skilled jobs in apparel factories and in all other sectors of the economy. Manufacturers there reportedly prefer to employ women in sewing jobs because they are more docile, less likely to join unions, and more likely to accept low wages, in part due to discrimination in other sectors (Paul-Majumder and Begum 2000). Bangladesh is hardly alone in these practices.

In other words, poverty, lack of resources, and weak governmental capacity are not the only reasons why developing countries do not effectively enforce labor standards. Some also lack the political will to do so, which suggests the need for a multifaceted approach to promote compliance. Meaningful progress will be most likely in countries that want to improve implementation of labor standards and are provided financial and technical assistance to do so, but sticks are also sometimes necessary.

The ILO is the leading international agency on these issues, and in addition to providing technical assistance to labor ministries and other agencies, unions, and employer groups, it has two other tools for improving working conditions. First, it supervises compliance with global labor conventions and publicizes violations of standards to shame countries to improve matters. Second, and contrary to conventional wisdom, it has an enforcement mechanism, one that it had not used until the 1990s. More vigorous enforcement action by the ILO requires not sharper teeth but political will on the part of its members. In addition to official assistance, private-sector initiatives, including independent monitoring and verification of codes of conduct, can be an important complement to fill gaps while local capacity is being strengthened.

But the evidence that some countries repress labor standards or look the other way to promote trade or investment suggests that the international community needs to retain the stick of trade sanctions to address egregious violations that are trade-related and not amenable to remedy by other means. Incorporating measures against violations in trade agreements would also help build support among critics who believe these agreements are biased in favor of corporate interests. Thus far, labor standards have been included in only a few US bilateral trade agreements. The jury is still out on whether the carrots and sticks included in these agreements are more than window dressing.

Congressional Politics and Trade Agreements

Respect for worker rights has been a condition of US unilateral trade preference programs since 1984, but it became an issue in reciprocal trade negotiations only with the decision to pursue a trade agreement with Mexico in the early 1990s. After eight years of debate over whether and how to incorporate labor and environmental standards in trade agreements, Congress finally passed the Trade Act of 2002, which included "trade promotion authority" (TPA) allowing the president to negotiate trade agreements that Congress must vote up or down, without amendment. Even with a compromise that allows limited labor and environmental issues to be addressed in trade agreements, however, the House of Representatives sent the initial bill to the Senate by one vote and ultimately approved the conference report by just a three-vote margin.

Stymied by the absence of TPA in the 1990s and by the collective opposition of developing countries in multilateral and regional forums, the United States has since 2000 negotiated and approved only three FTAs incorporating labor standards. But they were relatively minor agreements with small, far-away countries with high standards, good working conditions, and few sensitive exports: Jordan, Singapore, and Chile. Ratification of the CAFTA—the

agreement with five Central American countries—is more likely to resemble the partisan battles that accompanied the TPA debate.

The five—Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (with the Dominican Republic to be added in coming weeks)—export labor-intensive apparel and sensitive agricultural products and, outside Costa Rica, have working conditions that are worse and labor standards that are, in practice, lower than other recent FTA partners. Key Democrats in the House argue that the labor language incorporated in previous agreements is not adequate in this case and have vowed to defeat the agreement. They may be able to do so because many Republican congressmen who voted for free trade bills in the past represent constituencies that compete with Central American exports.

Meaningful progress will be most likely in countries that want to improve implementation of labor standards and are provided financial and technical assistance to do so, but sticks are also sometimes necessary.

It now seems clear that the TPA compromise glossed over fundamental political differences and did not resolve the issue of how to address labor standards in trade agreements. The labor chapter in the Chile and Singapore FTAs and CAFTA calls on parties to the agreement to enforce their own laws but does not require that those laws be consistent with international standards. These agreements reaffirm each party's commitment to the core labor standards contained in the ILO's "Declaration on Fundamental Principles and Rights at Work" and also "recognize that it is inappropriate to encourage trade or investment by weakening or reducing the protections afforded in domestic labor laws." But the only labor provision that is subject to dispute settlement under these agreements is a failure to "effectively enforce" each party's own labor laws—all of them, not just the core standards. And even that provision excludes weak enforcement that is due to "a reasonable exercise of . . . discretion [with respect to investigatory, prosecutorial, regulatory, and compliance matters], or results from a bona fide decision regarding the allocation of resources."

The key criticism of this approach is that it does not include adherence to core labor standards as an enforceable obligation of these agreements. The gap between developing-country labor laws and the core standards is often less than thought because countries that are at least formally democratic, as is true of Central America, generally have labor laws that are close to fulfilling—on paper—the obligations of the core ILO conventions. Longer-standing and more stable democracies, like Costa Rica, generally do better than those with weak and nascent democracies, such as El Salvador. But no country's laws are perfect (including the United States), and incentives for further improvements in the core standards are desirable.[6]

At the same time, many developing countries have labor laws that are overly rigid, that encourage forms of employment—part-time and short-term contracts—that are generally excluded from formal legal protections, and that transfer a greater burden of economic uncertainty to workers. Workers would generally do better in a system that provides robust protection for the core labor standards and a stronger safety net and training programs for unemployed and low-skilled workers, while making it easier to hire and fire workers.

Instead of encouraging such reforms, the "enforce-your-own-laws" standard could have the opposite effect. It could discourage improvements in the core labor standards if partner countries are not able to enforce existing laws and fear being subjected to sanctions. But it could also inhibit needed reforms in other areas because of the language discouraging the weakening of laws to attract investment or promote exports.[7] Many developing-country partners, including those in Central America, may also be more concerned about the possibility of enforcement actions under this standard, given the well-known problems in implementing labor standards, especially with respect to legal wage payments and excessive hours.

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[6] In 2000, Human Rights Watch released a report documenting deficiencies in US labor law that undermine freedom of association. In addition, while El Salvador is the only one of the five Central American nations not to have ratified all eight core conventions (87 and 98 on freedom of association and bargaining rights are unsigned), the United States has ratified only two—105 on forced labor and 182 on the worst forms of child labor. The "enforce-your-own-laws" standard will be more problematic if the administration goes forward with its proposal for an FTA with the Middle East, where several countries ban trade unions.

[7] Even though this provision refers to "internationally recognized" worker rights, the definition is a unilateral American one that predates and is inconsistent with the 1998 ILO consensus. The US definition includes three of the four ILO standards, but it excludes discrimination and includes minimum conditions of work related to wages, hours, and health and safety.

Improving CAFTA's Prospects

Despite the problems, changes to the enforcement provisions in the CAFTA labor chapter are unlikely.[8] Therefore, vigorous action on other fronts is needed to encourage reforms and bolster the prospects for ratification. Promises to implement a cooperation program to promote labor standards compliance will be insufficient because the weak implementation of the labor and environmental side agreements to the North American Free Trade Agreement has disillusioned standards proponents. More recently, action, or in some cases inaction, by governments in the United States and Central America has reinforced this skepticism.

The Bush administration's repeated efforts to shrink the Department of Labor's (DOL) Bureau of International Labor Affairs, which funds technical assistance on labor standards, has called into question the administration's commitment to a "parallel track" for labor standards (box 1). USTR Robert Zoellick announced in October 2003 that the United States would provide nearly $7 million in technical assistance over four years to improve labor standards in Central America. But this seems inconsistent with the administration's request for $12 million for the international bureau for fiscal 2004, which is not enough even to cover operating costs.

Other elements of the administration's announced plans for promoting labor standards in Central America do not help its credibility on these issues either. First, in addition to cutting the overall budget, the Bush administration has also reduced US budgetary support for the ILO. The USTR fact sheet on CAFTA lists "working with ILO" as the second part of its three-part strategy for improving working conditions in the region. But the DOL awarded the $6.75 million for technical assistance to the region to a Costa Rican–based NGO that works on democracy but appears to have little experience with labor issues (www.funpadem.com). Involving the ILO would have brought far greater expertise and credibility to the effort.

[8] For an alternative approach based on GATT Article XX(e), which allows countries to ban the import of products made with prison labor, see Elliott and Freeman (2003).

Box 1. Is the Bush administration committed to promoting labor standards?

The last two years of the Clinton administration saw the budget for promotion of international labor standards, especially child labor, increase sharply. Since entering office, the Bush administration has repeatedly tried to cut this budget (see table). So far, Congress has restored most of the cuts, but most of the funds are increasingly for child labor programs. Support for ILO technical assistance outside the special program for eliminating child labor has largely disappeared. By fiscal 2004, $82 million of the roughly $100 million in technical assistance funds was earmarked for reducing child labor, and only $2.5 million was slated for bilateral and multilateral technical assistance to improve labor standards compliance in other areas; the remaining $15 million was for AIDS at work programs and DOL labor standards monitoring. In fiscal 2003, by contrast, $20 million had been provided for multilateral and $17 million for bilateral technical assistance programs.

Budget Requests and Appropriations for the Bureau of International Labor Affairs (millions of dollars)

Fiscal year	Appropriated	Bush administration request
2000	70	n.a.
2001	148	n.a.
2002	148	72
2003	152	55
2004	110	12
2005	n.a.	31

n.a. = not applicable

Source: Various official White House budget documents.

Second, with respect to encouraging private-sector efforts to improve standards compliance, administration fact sheets refer only to the Worldwide Responsible Apparel Production (WRAP) program, an industry-sponsored initiative that is regarded as the weakest and least transparent of several private code monitoring projects. Overcoming suspicions about the depth of the administration's commitment to labor standards requires, at a minimum, releasing a detailed workplan and budget for it at the same time that implementing legislation for the trade agreement is introduced.

Selected labor law and institutional reforms by governments in the region and a more concerted private-sector effort to expand and strengthen independent, external monitoring of codes of conduct are also needed to ensure progress. The recent ILO report on labor laws in the region found problems that should be rectified, but the real problem is with the implementation and enforcement of existing laws. Early action to approve labor law reforms in key areas would also signal that the governments in the region have the political will to address these issues. But governments and capacity-building efforts should emphasize strengthening institutions needed to ensure that workers are able to exercise the rights that the law gives them.

Trade agreements can play a role by focusing attention on labor issues and by encouraging trading partners to reform further.

As part of the process of restoring democracy after the civil wars of the 1980s, El Salvador, Guatemala, and Nicaragua reformed their labor laws, often with help from the ILO and sometimes under pressure from US threats to withdraw benefits under the Generalized System of Preferences because of a failure to meet worker rights conditions. But problems remain in Honduras and, to a lesser degree, in Costa Rica, particularly in the area of freedom of association. Costa Rica has responded to criticisms from ILO experts by reforming its treatment of employee "solidarity associations" so that they are not given an advantage vis-à-vis unions. But like all the countries in Central America (and many elsewhere), Costa Rica has nationality requirements for union leaders, a clear violation of ILO conventions and a potentially serious problem where there are large numbers of migrant workers. Most of the countries in the region also have overly burdensome registration requirements for unions and do not do enough to protect workers from antiunion discrimination. Along with easing nationality restrictions and registration requirements, further legal reforms should be priorities, including explicitly prohibiting employers using and circulating blacklists of union organizers and providing for prompt reinstatement of workers illegally dismissed for union activities.

But labor law reforms are only the first step, and institution building is at least as important. The CAFTA labor chapter rightly emphasizes the need for due process and public awareness in implementing laws effectively. The annex on labor cooperation and capacity building also lists as priorities improved labor administration, including tribunals, improved labor inspection systems, and development of alternative dispute resolution mechanisms. These are all worthy of support, but resource constraints are likely to limit the progress that can be made in the short run. The USTR documents have few specific ideas on how to achieve these goals and even less discussion on funding.

Although the administration recently notified Congress of its intent to sign the CAFTA, it still seems unlikely to submit the agreement for ratification in an election year. Although the governments of the Central American countries would like the agreement ratified as soon as possible, they could fruitfully use any delay to rectify legal deficiencies so that concrete progress can be demonstrated when the implementing legislation does come up for a vote. In addition, to demonstrate seriousness of purpose, it would be useful to launch programs that focus on empowering workers to protect their rights themselves. Mechanisms that allow workers to pursue complaints outside the normal inspection process, including through unions and collective bargaining agreements, are essential. Among the experiments tried in Central America and elsewhere that might be worth developing:

- the creation of fee-free hotlines for workers to bring complaints to the attention of authorities, as was reportedly done in Costa Rica with US funding;

- the use of official or unofficial ombudsmen to investigate complaints, a tool effectively em-

ployed on an ad hoc basis by the Fair Labor Association (FLA);[9] and

• development of independent and impartial conciliation and arbitration mechanisms.

Cambodia has created a national arbitration council with ILO advice and US funding. But some groups are also exploring proposals to expand private capacity to conduct and encourage the use of mediation and arbitration to resolve labor disputes (Zack 2003).

It is notable, however, that these projects can only be effective if workers know their rights. The CAFTA labor chapter emphasizes the need to increase public awareness of labor laws and institutions, but again, there are no specific proposals on how to do this. Costa Rican officials claim that they have succeeded in increasing awareness and that Costa Rican workers regularly contact the labor ministry to get information about their rights and to raise problems. The ministry provides information for workers on its website, advertises how to get help on television and radio, and has kiosks throughout the country with brochures and other information for workers. Costa Rica ought to share lessons from this experience with its neighbors.[10]

Multistakeholder code monitoring initiatives, such as those the FLA and Social Accountability International (SAI) operate, can also be useful in supplementing inadequate official capacity. The FLA works primarily with the apparel and footwear sectors, but SAI certification is available to plants in a variety of manufacturing and a few service sectors. SAI is also conducting pilot projects to explore adaptation of its SA8000 standard to small enterprises in the agricultural sector, and Chiquita recently succeeded in getting certification for all of its banana operations in Costa Rica. Currently, more apparel plants in Central America are reportedly monitored under the WRAP initiative than by FLA or SAI. But this is difficult to verify because WRAP does not publish a list of certified factories. Moreover, as noted earlier, close observers regard the WRAP initiative as being the least credible of the three, and its certifications are unlikely to carry much weight when the agreement comes up for ratification.

Recognizing this, US retailer The Gap has been working with US-based multinational buyers and producers in the Central American apparel sector to strengthen and expand private-sector initiatives to improve labor standards compliance. Ideas reportedly under consideration include giving the ILO a prominent role, either in directly monitoring conditions in the sector, as it is doing in Cambodia, or in accrediting the auditors that would do the monitoring, or if the governments and the ILO cannot agree on the parameters for cooperation, creating a body with its own code and accreditation and monitoring procedures.

These are worthy ideas, but more results could be obtained with fewer resources if existing initiatives in three areas were strengthened: (1) providing more resources for training and certifying auditors, (2) mutual recognition among monitoring initiatives that meet minimum standards, and (3) transparency. Mutual recognition is needed to address reports of "monitoring fatigue" from factory managers who face demands from multiple buyers to comply with different codes and monitoring procedures that are not always consistent. The Gap–led coalition might consider contributing to a pilot program in Central America, like the one that the FLA, SAI, UK-based Ethical Trade Initiative, and other monitoring initiatives are working on in Turkey. This project is exploring elements of a common code and best practices in monitoring procedures with the goal of moving toward mutual recognition of monitoring results.

Labor standards have been included in only a few US bilateral trade agreements. The jury is still out on whether the carrots and sticks included in these agreements are more than window dressing.

However, transparency about conditions in factories is the key. The simplest and potentially most effective initiative that the business community could promote would be to encourage all suppliers and buyers in the region to affiliate with one of the existing code initiatives, perhaps including WRAP if weaknesses in its code are rectified, and then to agree to allow factory reports to be published, as the ILO does under the monitoring program in Cambodia. Transparency varies widely among the major code initiatives. The FLA publishes a global report

[9] The FLA is currently working with the Worker Rights Consortium, which also conducts ad hoc investigations of alleged labor rights violations, and Notre Dame University to improve labor standards capacity in the region, including by trying to identify candidates for an ombudsman's role in each of the five countries.

[10] Interview at the labor ministry, San Jose, Costa Rica, October 28, 2003.

that summarizes the status of working conditions in the supply chains of each of its member companies (based on external monitoring of only a fraction of suppliers in the chain), as well as "tracking reports" for each factory inspected that list problems found and remediation steps taken. These reports do not reveal the name and location of the suppliers, however, so that third parties cannot verify the reports. SAI takes the opposite approach, releasing lists of the names and addresses of certified facilities, along with information on the resolution of third-party complaints, but it does not release any reports on conditions or remediation efforts. WRAP provides no public information about the factories it certifies.

The transparency of ILO monitoring in Cambodia tops them all. Initial reports identifying problems with labor standards compliance are given only to the factory manager, with suggestions for remediation. A second inspection is done six months later, and a report is released to the public that identifies by name and location the facilities visited and that shows what actions were taken to improve conditions and what problems remain. This model of maximum transparency, if the apparel sector or the business community in Central America were to adopt it more broadly, could have a powerful impact on the region.

Conclusion

Globalization is not leading to a worldwide race to the bottom for workers, but greater respect for the core labor standards could help spread its benefits more broadly. Globalization and worker rights are complementary, not competing, ways of improving welfare. Ensuring that globalization and labor standards progress together requires a multifaceted approach, including a stronger and more effective ILO, more and better monitoring of corporate codes of conduct, and, in extreme cases, sanctions against egregious violations of worker rights. Trade agreements can play a role in this by focusing attention on labor issues and by encouraging trading partners to reform further.

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