

# **International Labour Standards and Social Policy Principles**

**by**  
**Eddy Lee**<sup>\*</sup>

## 1. Introduction

The current discussion on the desirability and role of generally agreed principles of social policy has antecedents in the establishment and subsequent evolution of the International Labour Organization. The driving force behind the establishment of the ILO in 1919 was the recognition of the importance of establishing a framework of cooperation on labour policies. The decades before the first World War has often been described as the first era of globalization in the world economy that had interesting parallels with the current phase of growing economic integration. A common characteristic of the two periods was intensifying economic competition and, both then and now, concerns over the effects of differences in labour standards in distorting international competitiveness and trade have surfaced as contentious issues in international relations.

In the earlier period the main concerns were fourfold. First, there was the concern that substandard wage and labour conditions in some countries was an important factor making for unfair competition in international trade. Secondly, there was the moral revulsion against inhumane labour conditions and the determination to eliminate them. Thirdly, and deriving from the previous two concerns, was the belief, enshrined in the Preamble to the ILO Constitution that ‘the failure of any nation to adopt humane conditions of labour is an obstacle in way of other nations which desire to improve the conditions in their own countries.’ Fourthly, there was the prudential concern, understandable in the wake of a world war and the Bolshevik revolution, that failure to improve labour conditions would lead to widespread social and political unrest that would threaten peace.

The outcome of these concerns was the establishment of the ILO to provide a framework within which governments, together with representatives of Workers and

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<sup>\*</sup>International Labour Office. The views expressed in the paper are those of the author and do not necessarily reflect those of the ILO.

Employers, would regulate labour policies in the world economy. Indeed, ‘the world community acknowledged in 1919 when establishing the ILO that labour policy cooperation among governments was desirable and that labour rights were to be part of international law.’ In this context it is relevant to note that ‘international labour legislation is based on the same principles as all national legislation--the moral demands of public opinion and the need for legal compulsion.....the fact that [labour legislation] is assuming an international form at the present time is due to the fact that the nations are more and more coming to form a close and coherent society.’<sup>1</sup>

The significance of this for the current discussion of principles of social policy is that labour legislation is an important component of social policy. As will be argued below fundamental labour rights such as freedom of association and the right to collective bargaining are foundational conditions for good social policy. In addition, it is important to note, that beginning soon after its establishment, the ILO’s standard setting activities expanded beyond a narrow focus on labour conditions (such as hours of work, minimum age of work, and protection against particular industrial hazards) into broader aspects of social policy such as sickness insurance and most other aspects of social protection; employment policy; and human resource development.

What is particularly significant to notice is that this corpus of ILO Conventions and Recommendations (encompassing both those narrowly related to labour conditions as well as those on wider social policy issues) constitute significant elements of what could be considered principles of social policy. Moreover, they have been widely endorsed and are subject to the ILO’s long-established supervisory machinery on compliance. The wide endorsement derives from the acceptance of the Constitution, which includes the Declaration of Philadelphia, by the ILO’s universal membership; the many ratifications of the relevant Conventions; and the fact that both Conventions and Recommendations are the result of broad-based tripartite discussions at ILO conferences and are adopted by a two-thirds majority.

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<sup>1</sup>James T. Shortwell, (Ed), The Origins of the International Labour Organization, Volume I (New York, Columbia University Press), 1934.

Before going on to discuss the main principles of social policy contained in ILO Conventions and Recommendations, it would be of interest to note two interrelated elements of the rationale that underpins them. The first is the view that governmental intervention is required to ensure the well-being of all citizens through correcting the excesses and failures of impersonal economic forces. The adoption and enforcement of labour standards is required to eliminate exploitative labour practices and protect vulnerable workers. The basic right of workers to organise to defend their interests has to be guaranteed as an additional safeguard against exploitation and as a means of ensuring a fair distribution of income. Beyond this governments also have to intervene to alleviate poverty and, on the basis of social solidarity and the collective bearing of risks, provide social protection against hazards such as involuntary unemployment and loss of income.

The second is a recognition of the need for concerted international action. ‘The main economic argument for concerted international action in the field of social policy is that in the absence of international coordination the efforts of some countries to introduce improvements in social standards and conditions may be frustrated by the competition of other countries with a less well developed social conscience.’<sup>2</sup> In addition, there is the consideration that ‘international discussion of social problems can stimulate a desire for social progress....International recommendations addressed to governments, employers’ organisations or trade unions carry weight and influence opinion. If international agreements can be reached that the introduction of certain types of social measures is desirable, this will strengthen the hand of those who, in the various countries, are pressing for the introduction of the measures in question.’<sup>3</sup>

## 2. Basic Objectives and Principles

The primary value underlying the work of the ILO is social justice. This has been defined in the Preamble of the Constitution as the removal of “conditions of labour...involving such injustice, hardship and privation to large numbers of people”. This has been elaborated in

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<sup>2</sup>ILO “Social Aspects of European Economic Integration”, (Geneva), 1956, P.85.

<sup>3</sup>ibid. p.84.

the Declaration of Philadelphia with the formulation that “all human beings, irrespective of race, creed, or sex, have the right to pursue both their material well-being and their spiritual development in conditions of *freedom and dignity, of economic security, and equal opportunity*”. The Declaration also emphasises the importance of pursuing policies “to ensure a just share of the fruits of progress to all and a minimum living wage to all employed and in need of such protection.”

Within this framework four key objectives and corresponding instruments of social policy have emerged from the standard-setting activities of the ILO. These are: -

(a) *Ensuring fundamental principles and rights at work*

At the core of this objective lies a solid consensus derived from the Constitution to which all member States of the ILO are party; it was confirmed, after the World Summit on Social Development, in the Declaration on Fundamental Principles and Rights at Work adopted by the International Labour Conference in 1998. These principles and rights are defined in the core ILO Conventions relating to (i) freedom of association, and the right to organise and bargain collectively,<sup>4</sup> (ii) freedom from forced labour,<sup>5</sup> (iii) freedom from child labour,<sup>6</sup> and (iv) freedom from discrimination.<sup>7</sup>

Respect for these fundamental principles and rights is both an objective in itself and a basic means for achieving the other objectives of social policy. These rights are an objective because they are an important part of universally-recognized basic human rights and respect for them is thus a moral imperative. They are a means because “freedom of expression and of

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<sup>4</sup> Freedom Of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98).

<sup>5</sup> Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105).

<sup>6</sup> Minimum Age Convention, 1973 (No. 138). A possible new Convention on child labour is on the agenda of the 87<sup>th</sup> session of the ILO Conference in June 1999.

<sup>7</sup> Equal Remuneration Convention, 1951 (No. 100); Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

association are essential to sustained progress” (Declaration of Philadelphia), and freedom from forced labour, child labour and discrimination are also essential for this purpose. This follows from the fact that the strengthened observance of these standards worldwide would confer multiple benefits to the international system. First, it will directly hasten the elimination of the most inhumane labour practices such as child and forced labour that has outraged the conscience of the international community. Secondly, through guaranteeing the freedom of association and the right to bargain collectively it will create the countervailing power necessary to eliminate the many forms of unacceptable labour practices that still continue to exist. Thirdly, this countervailing power will contribute significantly to a redressal of the central problem of an uneven distribution of the gains from trade and economic growth. Fourthly, freedom of association provides the enabling conditions for the growth of sound industrial relations systems and social dialogue that will permit cooperative action between management and workers to increase the productivity and competitiveness of enterprises. Fifthly, there are wider benefits to be reaped such as the contribution of a free labour movement to ensuring greater democracy, more transparent (and hence more efficient) public policies, and better social protection. In all the above ways improved observance of core labour standards can make a significant contribution to alleviating many of the social problems that are at the root of the disenchantment with trade liberalization and globalization in general. Moreover, apart from defusing a potential backlash against globalization, uniform observance of core labour standards across the world will eliminate an important source of friction that could disrupt further trade liberalization.

A vital instrument for achieving this objective is the follow-up mechanism to the 1998 Declaration on Fundamental Principles and Rights at Work, supplementing the ILO’s highly developed supervisory mechanism for Conventions and Recommendations. Under the Declaration all Member states accept an obligation to respect core ILO Conventions and to report on implementation, regardless of whether they have ratified the Conventions in question. The Declaration also provides for the identification of areas of technical cooperation and advisory services to assist member States to overcome obstacles to the implementation of core standards.

(b) *Ensuring decent and safe working conditions*

Exploitative and repressive working conditions not only constitute a violation of rights but are also a principal manifestation of social injustice. They are fertile ground for breeding discontent and social and political instability and are thus counter-productive from the standpoint of achieving economic and social progress. The elimination of such conditions through a combination of trade union pressure, collective bargaining, voluntary initiatives from employers and governmental enforcement of the relevant labour legislation is thus crucial both for improving welfare and for achieving social progress.

The main policy guidelines for achieving this objective are contained in the conventions on Labour Administration, on Labour Inspection, on Collective Bargaining and on Minimum Wage-fixing<sup>8</sup>. The common thread is that countries are enjoined to set up the appropriate administrative structures to enforce national legislation relating to the conditions and terms of work.

(c) *Eliminating poverty and income insecurity*

The elimination of poverty was highlighted as a primary objective of social policy in the Declaration of Philadelphia with the statement that “poverty anywhere constitutes a danger to prosperity everywhere” and that “the war against want requires to be carried out with unrelenting vigour within each nation, and by continuous and concerted international effort”. The progressive improvement in working conditions makes an important contribution to reducing poverty. But this needs to be supplemented by additional measures such as the organisation of social security systems and the public provision of basic social services. As stated in the Income Security Recommendation, 1944 (No. 67) income security schemes are required to “relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of a breadwinner”. This is a critical means of relieving poverty in normal times as well as of mitigating its rise during economic crises and other periods of

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<sup>8</sup>The relevant Conventions here are: (i) The Labour Administration Convention, 1978 (No. 150), (ii) The Labour Inspection Convention, 1947 (No. 81), (iii) The Collective Bargaining Convention, 1981 (No. 154), and (iv) the Minimum Wage Fixing Convention, 1970 (No. 131).

economic adversity.

A more general statement is found in the Social Policy (Basic Aims and Standards) Convention, 1962 (No. 117) which states that “all possible steps should be taken by appropriate international, regional, and national measures to promote improvements in such fields as public health, housing, nutrition, education, the welfare of children, the status of women,...”.

In addition the Income Security Recommendation, 1944 (No. 67) defines several general principles with respect to the provision of income security. These include the principles that “income security should be organised as far as possible on the basis of compulsory social insurance” and that “provision for needs not covered by compulsory social insurance should be made by social assistance”. It also recommends that member States “apply progressively [these] general guiding principles, as rapidly as national conditions allow, in developing their income security schemes.”

(d) *Ensuring full employment and rising standards of living*

This objective underscores the fact that social policy is not simply a static process concerned with the elimination of “social ills”. It is also part of overall public policies to achieve steady economic growth, which is an indispensable condition for bringing about social progress in the context of rising standards of living. This is especially important when viewed in the context of the vast inequalities in living standards between industrialized and developing countries and when it is recognized that in poor countries rapid economic development is a precondition for the reduction of poverty and improving working conditions. This is why the Declaration of Philadelphia cites the “achievement of full employment and the raising of standards of living” as the first item in its list of policy priorities which it is “the solemn obligation of the International Labour Organisation to further among nations of the world”.

The attainment of full employment is both an end in itself as well as an important part of economic policies for achieving higher growth and rising living standards. It is an end in itself because unemployment imposes psychic costs on those affected in terms of loss of

income and of a sense of participation in economic and social life. It is also sound economic policy in that it avoids the waste of human resources and is the major means of ensuring economic security and of promoting a broad sharing of the fruits of economic progress. Moreover, full employment is an important means of improving working conditions and living standards of the majority of the population. For all these reasons employment policies constitute the principal interface between economic and social policies.

Apart from the previously cited priority given to the objective of full employment in the Declaration of Philadelphia, the Employment Policy Convention, 1964 (No. 122) requires ratifying countries to “declare and pursue, as a major goal an active policy designed to promote full, productive, and freely chosen employment”. This policy “shall aim at ensuring that there is work for all who are available for and seeking work”. Guidelines on the policies to be pursued in order to achieve full employment, ranging widely from public investment policies to employment promotion in the informal sector, are set out in the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169). This has been updated by the 1996 Conclusions of the discussion on employment policies at the International Labour Conference.

These guidelines are supplemented by conventions that cover specific components of employment policy such as those on Employment services, on Vocational Guidance and Training, and on the Termination of employment. The Human Resources Development Convention, 1975 (No. 142) concerning Vocational Guidance and Vocational Training calls on ratifying countries to “adopt and develop comprehensive and coordinated policies and programmes of vocational guidance and vocational training, closely linked with employment, in particular to public employment services”. The Employment Service Convention, 1948 (No 88) requires ratifying States to “ensure...the best possible organisation of the employment market as an integral part of the national programme for the achievement and maintenance of full employment and the development and use of productive resources.”

While the principles described in the above four areas constitute the core, it is also important to note that ILO Conventions and Recommendations deal not only with the



substance of social policy but also with the manner in which policies are conceived and implemented. It is impossible in the ILO's experience to have effective policies in the social and labour field-and thus for development in general without the close involvement of employers' and workers' organisations. Hence most Conventions and Recommendations contain provisions calling for this. In addition, the Tripartite Convention (International Labour Standards) Convention, 1976 (No. 144) and the accompanying Recommendation (No. 152) indicate the place of tripartite consultations on all labour standards issues.

### 3. The Relevance of ILO Standards to the Current Discussion

The principles described above have, of course, been subject to occasional criticism on grounds such as their unsuitability for developing countries or their potential negative economic effects. Some of the same points have been expressed in current discussions on principles of social policies. It would therefore be of interest to examine a few criticisms of ILO standards and the responses to these.

One criticism has been that ILO standards are ill-suited to developing countries. In this context it is important to recognize that ILO standards recognize that for many developing countries the principles of social policy described in the previous section represent goals that are to be attained progressively since their full and immediate implementation is not possible. This is explicitly stated in most ILO Conventions and Recommendations. For example, the Recommendation on Income Security requires countries "to apply progressively the following general guiding principles as rapidly as national conditions allow" while the Convention on Employment Policy recognises that policy "shall take due account of the stage and level of economic development."

The rationale for this is that many countries may not have the financial and human resources to immediately apply all these principles and that some policies may not be immediately appropriate when applied in a developing country context. This is why ratification is voluntary and why allowance is often made for levels of economic development in the conventions and recommendations. But this does not diminish the importance of the principles before countries can ratify the Conventions. They define objectives and standards that should

be pursued with the maximum possible effort. This in turn provides a clear yardstick for evaluating whether particular countries are genuinely committed to these principles and are making all possible efforts to achieve them instead of using the “developing country exception” as an excuse for inaction. For example, the recent financial crisis in Asia has revealed cases where, in spite of having attained very high income levels, little effort had been made to develop institutions for providing income security.

A distinction also needs to be made between principles that can be applied at little or no cost and those that have larger resource implications. An example of the former is the principle of freedom of association and the right to organise. All that is required is for governments to refrain from obstructing the free exercise of these rights. This observation is true of most basic principles and rights contained in the 1998 Declaration. There is also no evidence that the full observance of these principles and rights is harmful to economic development. Indeed there is mounting evidence that they are essential for sustained economic development.

A common criticism of the ILO approach to social policy is based on the concern that it focuses on workers in the organised sectors of the economy. In low-income countries this group of workers often constitutes a minority of the labour force that is also relatively privileged in terms of earnings. It is feared that promoting improvements in working conditions and social benefits for this group would increase the income gap between them and the majority of the labour force and would also, through its impact on labour costs, reduce employment creation in the modern sector. The response to this is twofold.

First, it is untrue that ILO standards care only for workers in the organized sector. The problems of coverage arise almost exclusively at the national level, when governments have not yet been able to extend effective protection of national law to all workers. Most ILO standards refer to “all workers” and Conventions such as those on freedom of association and other fundamental rights do indeed benefit all workers. The same applies to the standards on, for instance, public employment services and employment policy. At the same time there are standards specifically intended to cover workers outside the organized sector such as those on rural and home-based workers. For example, the Social Policy (Basic Aims and Standards)

Convention, 1962 (No. 117) calls for action to improve the standards of living of agricultural workers that includes the elimination of indebtedness, control over land use and alienation, and the regulation of tenancy. Moreover, where these standards initially apply only to workers in the organized sector, there is sometimes explicit provision for their progressive extension to other categories of workers. For example, the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169) includes among its general principles the statement that “Members should take measures to enable the progressive transfer of workers from the informal sector, where it exists, to the formal sector to take place.” Similarly, the guiding principles set out in the Income Security Recommendation, 1944 (No. 64) affirm, after calling for the introduction of compulsory social insurance, that “social assistance appropriate to the needs of the case should be provided for other persons in want.”

Secondly, ILO principles of social policy are conscious of the problem of inequality between the modern and informal sectors and contain provisions for limiting the problem. A basic characteristic of ILO conventions is that they stipulate minimum standards to be attained and do not prescribe economically unrealistic levels of provision. As already mentioned there is often the provision in relevant Conventions for the standards to be implemented in a way appropriate to national circumstances. In addition, some conventions do explicitly prescribe that attention be paid to the problem of inequality between the formal and informal sectors. For example, the Minimum Wage Fixing Convention, 1970 (No. 131) states that the determination of the level of the minimum wage should take into consideration “economic factors, including the requirements of economic development, levels of productivity and the desirability of maintaining a high level of employment.”

Finally, there is the safeguard of the tripartite consultation and cooperation that is called for in all Conventions, explicitly or implicitly. Such consultations, especially those at the industrial and national levels, are a means for ensuring that narrower interests, such as those of organized labour in the modern sector, do not prevail over general economic and social interests. Thus the Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113) stipulates that such consultation should be “with a view to developing the economy as a whole.”

Another common set of criticisms is based on the possible negative impact of social policies on incentives faced by both workers and employers. This issue is recognised in the relevant ILO standards. For example, the Employment Promotion and Protection against Unemployment Convention, 1988 (No 168) requires each ratifying country to “take appropriate steps to coordinate its system of protection against unemployment and its employment policy. ...in particular [that] the methods of providing unemployment benefit, contribute to the promotion of full, productive and freely chosen employment, and are not such as to discourage employers from offering and workers from seeking productive employment.” There is thus a clear recognition in ILO principles that in areas of social policy where there is a trade-off with economic objectives every effort should be made to minimise this in the design of the relevant policies and institutions.

However, it is also clear that in viewing this trade-off between economic and social policies that basic social objectives should never be compromised. This relates not only to basic labour rights that are non-violable but also to working conditions and minimum standards of living. Having stated the fundamental objective of the ILO in terms of the right of all human beings to “pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity” the Declaration of Philadelphia goes on to affirm “that the attainment of the conditions in which this shall be possible must constitute the central aim of national and international policy.” It then states quite categorically that “all national and international policies and measures, in particular those of an economic and financial character, should be judged in this light and accepted only in so far as they may be held to promote and not to hinder the achievement of this fundamental objective.”

The emphasis on full employment is a key concomitant of this principle. Policies that deliberately inflict high unemployment in pursuit of other economic or financial objectives are clearly to be avoided. This implies, for example, that where there is a real trade-off between inflation and the level of unemployment every effort should be made to reduce that trade-off rather than accept it as a given. Ways of reducing that trade-off include labour market reform, the coordination of wage bargaining, and measures to raise productivity, all achieved through social dialogue and tripartite cooperation.

Another recent example is the social cost of dealing with financial crises. The Asian crisis has shown how high the social costs can be in the context of current policy conditionalities and the present functioning of international financial markets. These high social costs are morally unacceptable and cannot be dismissed as being unavoidable on the grounds of economic and financial imperatives. Rather, these high social costs should be a spur to action to reduce the likelihood of such crises in the future and to find ways of coping with them at a lower economic and social cost. This implies a need for concerted action on several fronts- national policy and institutional reform to reduce vulnerability to crises, the reform of the international financial system to reduce instability, and improving upon current mechanisms for resolving financial crises. It is also important that assessments be made of the potential social impact of stabilization and adjustment policies before they are applied. This should be done with a view to avoiding policies that are likely to impose very high and unnecessary social costs. A commitment to preserving social expenditures that are important to the poor and to building more effective social safety nets will also be important. Similarly, fuller respect for fundamental workers' rights and the strengthening of institutions for social dialogue will also make a significant contribution to reducing both the vulnerability to crises and the social costs of these when they occur.

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