

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a light blue color with darker blue outlines for continents. The hourglass is centered on the page.

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*The International Labor Organization and International
Labor Issues in the 105th Congress*

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Abstract. Congress is concerned about both the size of the International Labor Organization (ILO) budget and the size of the U.S. assessment, as it is with many U.N. system agencies. Beyond this budgetary issue, the ILO is part of the debate on future U.S. role in U.N. agencies in the post-cold war world, the use of labor standards as a measure of fairness in trade agreements, and the reduction of child labor around the world. Congress is currently considering fast-track trade agreement implementation legislation that seeks to expand the role of ILO in enforcing labor standards. This report provides an overview of these issues.

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The International Labor Organization and International Labor Issues in the 105th Congress

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Summary

The International Labor Organization (ILO) is a specialized technical agency of the United Nations system. It has an assessed budget, which means that each nation's contribution is set as a percent of the total ILO budget. In the ILO, government representatives are joined by delegates representing a country's worker and employer organizations, who always, theoretically, speak and vote independently of their governments.

The ILO addresses workers' rights, such as child labor and working conditions. It does this through the negotiation, adoption, and implementation of labor standards as treaties which are binding on the governments that ratify them. The ILO has begun to address the issue of labor standards in trade and to refocus member attention on the core human rights labor standards. A declaration adopted in June 1998 confirms the obligation of all members to respect and apply the principles of seven core labor standards conventions and the ILO will begin an annual examination of how all nations comply with them. The ILO is currently debating a convention to eliminate the worst forms of child labor. These are slavery or bonded labor, work by very young children, and work under hazardous conditions or in hazardous occupations. The ILO has a highly regarded technical assistance program to help countries eliminate child labor. The United States is a major contributor to this voluntary program.

Congress is concerned about the size of the ILO budget and the U.S. assessment. The United States owes the ILO dues for previous years (arrears) and the ILO will need to comply with congressional reform benchmarks in order to be paid. The ILO is also part of the debate on the use of labor standards as a measure of fairness in trade agreements. These issues are the subject of legislation during the 105th Congress. This report provides a brief overview of the issues and the legislation introduced to address them. CRS has produced many related products which are referred to in the text. Basic information on the ILO can be found in CRS Report 95-766, ILO: A Fact Sheet.

Child Labor Issues

During the 105th Congress, many bills have been introduced addressing child labor provisions, including: developing an international system of labeling to certify products in which no child labor is used; prohibiting the import of products produced by children; and prohibiting U.S. foreign assistance to countries which use child labor. Two provisions have become law: P.L. 105-61 includes language restricting the importation of goods produced by forced or indentured child laborers and P.L. 105-121 adds child labor to the list of criteria for denying credit by the Export Import Bank. For FY1999, the Administration requested \$30 million for IPEC, an ILO technical assistance program to curb child labor and P.L. 105-277, the Omnibus Appropriation Act appropriated this amount. (For more specific information on child labor issues during this Congress, see CRS Issue Brief 97052, *Child Labor and Public Policy in a Global Setting*.) The Department of Labor published its fourth annual report examining various aspects of child labor in U.S. trading partners.

Child Labor Convention. The ILO has been concerned with child labor since its founding. A recent ILO study estimates that at least 250 million children are working either full or part time. ILO Convention number 138 sets a minimum age for labor at 12 to 18, depending on how developed the country is and what type of work is involved. It has been ratified by 64 countries though enforcement of minimum age laws remains a problem in many of these countries. The United States and most ILO members want to develop a new convention to focus attention on reducing the worst forms of child labor such as bonded or slave labor, certain hazardous conditions or occupations, and work by very young children. Some ILO members are concerned that the proposed new convention will be too narrow. Others are concerned that some of the conditions which the proposed convention wants to control, such as prostitution, are crimes which are police matters rather than labor problems. The June 1998 ILO Conference discussed a new child labor convention which addresses the worst forms of child labor. Convention 138 would remain the basis for protecting underage workers. The language and contents of the new Convention are being debated at ILO meetings now. It is expected to be ready for adoption at the ILO Conference in June 1999. A number of differences in language and content remain to be resolved.

International Program for the Elimination of Child Labor (IPEC). The ILO began a technical assistance program to curb child labor in 1992 which is now operating in 30 countries and has small programs in many more. There are 23 additional countries awaiting funding to begin IPEC programs. IPEC programs focus on bonded child laborers, children in hazardous working conditions and occupations, very young working children and working girls. They address the causes of child labor within each country, support local efforts to prevent child labor, provide alternative income, and build a permanent capacity within the country to address child labor. The programs include efforts by ILO, UNICEF, local government agencies and nongovernmental organizations, and the national government in an effort to change the situations within poor countries which lead to child labor. IPEC is considered very successful by many governments and is supported by many members of Congress because the programs are cooperative and inclusive and address specific child labor situations in each country. The U.S. Council for International Business (the U.S. business representative to the ILO) calls IPEC programs well conceived and comprehensive. IPEC is currently funded by voluntary contributions from 16 donors, including the United States. IPEC documents indicate that the 1996-1997 biennium budget was \$18.4 million and the anticipated 1998-1999 budget will be \$17.7

million. Congress provides contributions to IPEC in the Labor/Health and Human Services Appropriations Acts. U.S. contributions since 1992 total \$8.1 million. P.L. 105-277 appropriated \$30 million, as requested by the President, compared to \$3 million in FY1998.

ILO Labor Standards And Trade

Since the creation of the World Trade Organization (WTO) in 1994, the debate over the role of this new agency in relating labor standards to international trade practices has been heated and continuous. The United States proposed (and P.L. 103-465, the Uruguay Round Agreements Act, endorsed) that a working party be established in the WTO to examine the relationship between workers' rights and international trade issues. In December 1996, WTO members voted that the ILO, rather than the WTO, should be the forum where the social dimensions of liberalized world trade are debated. In their Declaration, WTO members pledged a "commitment to observe internationally recognized core labor standards". In June 1998, the ILO members adopted a Declaration declaring that all ILO members have an obligation to respect and promote core labor rights which are the subject of 7 ILO Conventions, whether or not they have ratified the conventions. While the Administration continues to press the WTO to address the trade/labor standards issue, it supports the ILO Declaration and the development of an ILO procedure for the examination of compliance with the "core" labor standards.

Anticipating the increasing ILO role in the trade/labor standards area, ILO member governments began to focus on labor standards and explore new means of ensuring compliance with them several years ago. Member governments have debated and agreed that there are seven ILO labor conventions which are fundamental to workers' rights. These "core" human rights conventions deal with freedom of association, right to organize and bargain collectively, equal pay and benefits for men and women for work of equal value, nondiscrimination in employment on the grounds of race, sex, religion, political opinion, or national origin, freedom from forced labor, and minimum age for employment. The ILO members also agreed that the ILO should focus on encouraging wider ratification of these core conventions among ILO members and to emphasize them in the ILO technical assistance programs.

Countries Ratifying the Core Conventions

No. 87 Freedom of Association/ Right to Organize	122
No. 98 Right to Organize/ Collective Bargaining	139
No. 29 Forced Labor	147
No. 105 Abolition of Forced Labor	133
No. 100 Equal Remuneration	137
No. 111 Nondiscrimination in Employment	130
No. 138 Minimum age	64

U.S. trade legislation since the 1970s has often required trading partners to comply with "internationally recognized workers' rights," with a waiver where U.S. national interests require. More recently, such compliance has been suggested for bilateral and multilateral foreign aid eligibility as well. These "rights", as described in legislation and

practice, include compliance with the principles contained in the “core” ILO labor conventions. Congress continues to be interested in including labor standards in trade agreements. Failure of the Administration’s fast track trade legislation during 1997 has been blamed in part on inadequate labor standards provisions. (For background information on this issue, see CRS Report 97-272, *Worker Rights and U.S. Trade Policy: WTO Singapore Ministerial and Fast-Track Extension* and CRS Report 94-535, *Trade Agreements and the International Labor Standards of the ILO*.)

At the June 1998 ILO Conference, the members adopted a Declaration on Fundamental Principles and Rights at Work. This declaration states that all ILO members agree to adhere to the principles of the seven core conventions, regardless of their state of development or whether they have formally ratified the conventions. Although the United States had hoped for agreement by all members by consensus, the vote was 273 to 0. Thirty countries, 8 labor delegates, and 5 employer delegates abstained from voting. (The U.S. employer and worker delegates supported the declaration). The ILO members also agreed to establish procedures for annual reports on the seven core conventions by all countries which have not ratified them. Comments on these reports by labor and employer groups will be included. (Countries which have ratified the conventions report to the ILO at time intervals established by the various conventions). The annual reports will be used to oversee how well countries are complying with the principles, but there is still widespread disagreement over how the reports will be reviewed and used by the ILO.

In his June 1997 report to the members, the ILO Director General also proposed the development of a “social label” for goods which are produced by countries found to be in compliance with core standards by independent international inspectors. This proposal was very controversial among members, with industrialized countries supporting and developing countries opposing such a social label. Social labeling is increasingly being encouraged by consumer groups and by some governments.

U.S. Contribution Shortfalls

In FY1998 the United States contributed the full amount owed to ILO for calendar 1997. The FY1999 appropriation covered nearly the entire assessed amount. Appropriations shortfalls during the last 10 years have left the United States about \$29 million in arrears to the ILO, but the amount fluctuates as the exchange rate changes from day to day.

The ILO Constitution requires that all members pay an agreed portion of the budget. The U.S. share is currently set at 25%. Congress funds the U.S. contribution to the ILO through the Department of State Appropriations, in the Contributions to International Organizations (CIO) Account, part of title IV of the annual Commerce, Justice, State Appropriation bill. The CIO account funds many U.N. agencies and non-

U.S. Contributions to the ILO (in millions of dollars)

FY1991	\$62.0
FY1992	54.6
FY1993	57.3
FY1994	53.3
FY1995	62.2
FY1996	64.5
FY1997	54.0
FY1998	60.4
FY1999 (req)	59.8

Source: Department of State

U.N. agencies, such as NATO and the Organization of American States. The ILO contribution is the fourth largest in this account. As part of efforts to reduce the budget deficit, Congress has cut spending for the CIO account. The reduction is made more severe because contributions to some international agencies, such as International Atomic Energy Agency and NATO, have been protected from the cuts, requiring even greater reductions for the remaining agencies. In addition, contributions to the ILO are set in Swiss Francs, rather than U.S. dollars, so changes in the exchange rate also affect the U.S. assessment even after money has been appropriated. The Department of State, as well as the U.S. labor and employer delegates, have long been concerned that the U.S. arrears make it much more difficult for the United States to achieve its foreign policy objectives in the ILO, including reform of the agency, increased emphasis on core labor standards, and concentration on child labor.

Agency Reform

U.S. proposals to reform the ILO mirror U.S. efforts at the United Nations, focusing on budget reduction and transparency, elimination of waste, and effective oversight. H.R. 1757, the FY1998 authorization bill, as passed by Congress, required reform measures before any arrears payments could be made. This included changes in the ILO budget and a reduction of the U.S. assessment to 20%. H.R. 1757 passed both Houses but due to disagreement between the House and the Administration over abortion language unrelated to the U.N. agencies, the President vetoed the bill. Appropriations bills have included arrears funds but they also require passage of an Authorization bill (and thus the reform measures) before the arrears may be paid. In March 1999, a new ILO Director General, Juan Somavia of Chile, will take office. His election was supported by the United States as the person most likely to continue the reforms needed in the ILO.

H.R. 1757, the bill authorizing contributions to the ILO, contained a series of reform "benchmarks" which must be met before any payment of arrears may be made. These include a reduction of the U.S. assessment to the ILO from 25% to 22% in 1999 and to 20% in 2000. In addition, the ILO must establish an independent inspector general similar to the UN Inspector General, and he/she must prepare regular reports to the members. The ILO must adopt program evaluation procedures to establish the continued effectiveness of programs and terminate programs no longer needed. The ILO must establish clearer budget procedures and not exceed budget levels agreed upon at the beginning of the biennium except by consensus of members. Finally, the ILO must approve a 2000-2001 budget which is lower than the 1998-1999 budget. Another provision of the bill, which sets the total U.S. contribution to agencies in this account at \$900 million, may ultimately require greater reductions in U.S. contributions or withdrawal from one of the larger U.N. agencies.

U.S. government reform proposals for the ILO focus on clearer budget presentation, budget reduction, elimination of waste and overlap, and effective member oversight. In all these reform areas, the Department of State judges the ILO as one of the more reform-minded UN organizations. According to the Department of State, the ILO has made changes in budget format which have begun to address the U.S. desire for a clearer budget presentation but have a long way to go. In other areas, such as reduced printing costs and meeting expenses, the ILO has made substantial progress, according to the Department of State. Efforts to establish program priorities and eliminate internal duplication and low priority programs

are being addressed. The ILO Governing Body adopted amendments which tighten financial oversight and the agency does have internal and external audits. In all these areas, the Administration expects the new Director-General to continue the progress made under the current one.

In its February 1997 report on U.S. participation in 5 U.N. Agencies (GAO/NSIAD-97-2), the GAO estimated that when inflation and the exchange rate are taken into account, the ILO budget declined 2% in real terms between the 1994/95 biennium and the 1996/97 biennium. This resulted partly from action taken by the ILO Governing Body to reduce expenditures after the budget was adopted in view of the unlikelihood of full U.S. contributions. (The United States, Canada, Argentina, and Israel voted against the 1996-97 budget.) The June 1997 International Labor Conference approved a 2-year 1998-1999 budget of \$481 million, a 3.75% reduction, in constant dollars, from the previous biennium, according to the Department of State. Under its normal procedures, the ILO Conference will not address assessments again until the June 2000 ILO Conference. Until that time, the U.S. assessment will remain 25% and the ILO is unlikely to qualify for arrears payments under currently proposed provisions of reform legislation.

U.S. Ratification of ILO Conventions

The United States has ratified 12 of the 176 ILO conventions. Of the 12, two have never entered into force because not enough governments ratified them. The small number of ILO Conventions ratified by the United States has long been a matter of diplomatic concern for many member states, particularly U.S. failure to ratify the “core” human rights labor conventions. The United States has ratified only one of the “core” Conventions, no. 105 on forced labor. Another, no. 111, prohibiting discrimination in employment, was sent to the Senate for consideration on May 18, 1998.

Lack of ratification has historically been due to concern within Congress that ratification would undermine the U.S. legislative process in domestic matters since treaties become the law of the land, concern that the division of authority between states and the federal government for labor standards would be undermined, and opposition from much of the U.S. business community. Nonetheless, lack of ratification inhibits the U.S. ability to encourage wider observance around the world of the standards set by them, according to the Department of State. When the United States returned to the ILO in 1980 after a 2-year absence, one of the changes adopted by the Administration was the establishment of TAPILS, the Tripartite Advisory Panel on International Labor Standards. This panel, composed of labor, business and U.S. government members, was established to provide a more systematic assessment of ILO conventions by all concerned parties with the goal in mind of increasing U.S. ratification of ILO conventions. Five conventions have been ratified since the process began, including one of the core human rights labor conventions, number 105, which prohibits forced labor. Number 111, which prohibits discrimination in employment, has been cleared for ratification by the President’s Advisory Committee on the ILO following a favorable report by TAPILS. Clearance by this committee means that there are no legal impediments to implementing the treaty under U.S. law. In January 1997, then Labor Secretary Reich recommended that the convention be submitted to the Senate for approval.