



ADVOCATING LABOUR STANDARDS IN THE NEOLIBERAL ERA

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I worked for the International Labour Organization (ILO) from 1986 to 2001. I started at the ILO's International Institute for Social Studies in charge of a research programme called "Labour Institutions and New Industrial Organization". A major focus of the work was the impact on labour caused by the emergence of global product and capital markets and increased economic integration, subsequently termed economic globalization.

This subject has received new attention recently when the Covid-19 pandemic revealed the vulnerabilities and other pitfalls of outsourcing and off-shoring of production through global supply chains.

1980's, divided views on international labour standards (ILS)

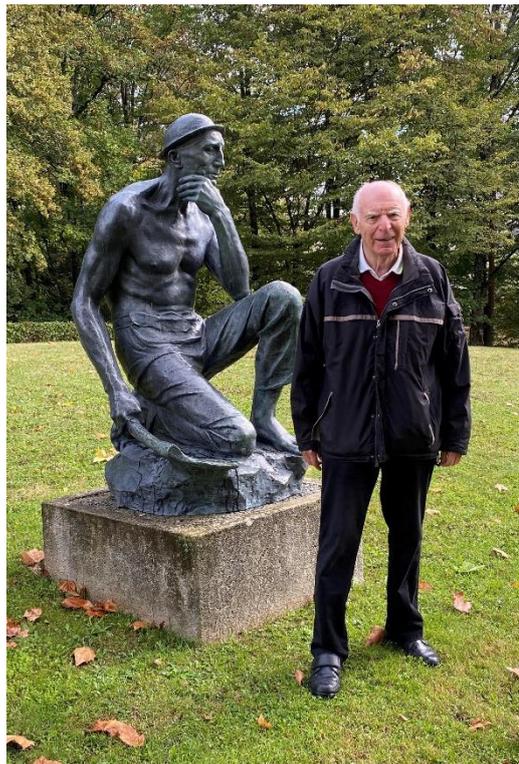
Our research was prompted by the debate in the 1980s on the role of international labour standards (ILS). At the time, both the academic community and the policymakers inside and outside the ILO were divided in their views as to whether international labour standards (ILS) constitute a help or a hindrance to good economic performance and social stability. Neo-classical theory that had become mainstream in economics asserted that the standards were economically harmful, because they would insert rigidities in production, distort the market mechanism, and hamper competitiveness and growth, resulting in "sclerotic" economies with high unemployment. Neo-liberal policies had begun to dominate the earlier Keynesian policy prescriptions. They advocated the deregulation of markets, including labour markets, privatization, and measures of austerity and structural adjustment.

Conversely, from its inception in 1919, the ILO claimed that unregulated labour markets and employment would risk depressing labour conditions. The guide for a fair and stable globalization and the remedy against "social dumping" and a "race to the bottom" would be action for the achievement of universal minimum labour and social standards. While observing standards may increase labour costs, it will improve rather than hamper economic competitiveness, since better working conditions will allow to raise productivity and innovative capacity and entail other sources of competitive advantage, such as the peaceful mediation of social conflicts.

A challenging job

My most challenging appointment in the Office was director of the Department of Employment and Vocational Training Policy. The task of the ILO in the employment policy field as well as in other areas of ILO competency, e.g. social security, was not eased, but instead often made more difficult in the presence of other, financially better equipped global players, such as the World Bank and the International Monetary Fund. The two organizations played a crucial role in promoting and financing the neo-liberal reform package of the “Washington Consensus”, not only in the developing countries, but also in the former communist countries after the break-down of the Soviet system.

I was directly confronted with the ideological conflict between the ILO and the international financial organisations in the mid-1990s, when I



was head of an ILO Multidisciplinary Advisory Team located in Budapest. Rather than being an ally, the World Bank turned out to be a rival of the ILO when it came to advise the countries in Central and Eastern Europe (CEE) during the transition from centrally planned to market economies. Its officials taught the policy makers in the region that in order to receive foreign direct investment, become internationally competitive and bring down unemployment, they would have to stay clear of “excessive” labour regulation, such as contractual or statutory minimum wages, working time limitations, unemployment compensation and the protection from unfair dismissal.

The IMF practiced “conditionality” in its loan programmes under which countries with collective labour rights were disadvantaged in receiving financial support. Just like the Bank, the Fund advised to avoid centralized collective bargaining, pushing it down to the enterprise level, thus weakening trade unions.

In the 1990s, despite the adverse influence of counselling by the Bank and the Fund, the CEE countries created tripartite social dialogue and adopted policies recommended by the ILO. They ratified the ILO Convention No. 122 on employment policy (aimed at full, productive and freely chosen employment), launched national and regional programmes of employment promotion and public employment services, including job mediation, unemployment compensation, vocational training, public works and subsidized employment, all of which contributed to reducing unemployment in the region, in particular among vulnerable groups. Later on, the World Bank admitted that it had underestimated the beneficial role of labour institutions, active labour market policies and social dialogue.

1999, the adoption of the Decent Work Concept

My final assignment in the ILO related to the adoption of the Decent Work Concept in 1999 as an agenda for all ILO programmes and activities. The first of a series of Decent Work Country Review was undertaken in Denmark, to which I was put in charge. Denmark was chosen deliberately in view of the country's respect for ILS and the concurrent dynamic enterprises, high growth rates, extensive participation of workers, high levels of income security, and social and gender equality.

In retrospect, given that ILS are a widely and strongly contested terrain among scholars of economics, among international organizations, and also among the tripartite constituents of the ILO, it means for the professional staff of the ILO to have to stand their ground in intellectual confrontations, be it in policy research or technical cooperation. I was fortunate to work there not at the beginning, but instead in the second half of my professional life. Before joining the Office, I had already gained substantial knowledge and experience through theoretical and empirical research on various aspects of labour and social policies, membership, and networking in international professional organisations, and consulting and teaching in several countries. The prior experience helped me forming an independent position in the controversy between the free market paradigm versus the school of institutional economics that attributes an important role to the state and its intervention in the economy. While the controversy on policy created a nearly permanent challenge for our work at the Office, they also ensured that the work was never boring. I found it highly rewarding to collaborate with qualified and motivated colleagues inside and outside the Office, also benefiting from a level of social security unavailable for most of the world's labour force.

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