

Monitoring International Labor Standards: Human Capital Investment: Summary of a Workshop

Monica Ulewicz, Editor, National Research Council
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MONITORING INTERNATIONAL LABOR STANDARDS

HUMAN CAPITAL INVESTMENT

Summary of a Workshop

Monica Ulewicz, Editor

Division of Behavioral and Social Sciences and Education

Policy and Global Affairs Division

NATIONAL RESEARCH COUNCIL
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This workshop summary has been reviewed in draft form by individuals chosen for their diverse perspectives and technical expertise, in accordance with procedures approved by the Report Review Committee of the National Research Council. The purpose of this independent review is to provide candid and critical comments that will assist the institution in making its published report as sound as possible and to ensure that the report meets institutional standards for objectivity, evidence, and responsiveness to the charge. The review comments and draft manuscript remain confidential to protect the integrity of the process.

We thank the following individuals for their review of this report: Sarah Bachman, Santa Clara University, CA; Maria Beatriz Orlando, Center for Global Development, Washington, DC; and Alberto Paloni, University of Glasgow, Scotland.

Although the reviewers listed above provided many constructive comments and suggestions, they were not asked to endorse the content of the report nor did they see the final draft of the report before its release. The review of this report was overseen by Burt Barnow, Institute for Policy Studies, Johns Hopkins University. Appointed by the National Research Council, he was responsible for making certain that an independent examination of this report was carried out in accordance with institutional procedures and that all review comments were carefully considered. Responsibility for the final version of this report rests entirely with the author and the institution.

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Monica Ulewicz, Editor

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List of Acronyms

AED	Academy for Educational Development
ARLAC	African Regional Labour Administration Centre
CCT	conditional cash transfer
CMILS	Committee on Monitoring International Labor Standards
DOL	U.S. Department of Labor
FTE	full-time equivalent
GDP	gross domestic product
GNP	gross national product
ILO	International Labour Organization
LCU	local currency units
NFE	nonformal education
NGO	nongovernment organization
NRC	National Research Council
OECD	Organisation for Economic Co-operation and Development

PETI	Programa de Erradicacao do Trabalho Infantil
TUAC	Trade Union Advisory Committee
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
WISE	Work Improvements in Small Enterprise
WRAP	Worldwide Responsible Apparel Production

1

Introduction

An increasingly globalized world economy creates new economic, cultural, and social opportunities. Globalization also poses the challenge of ensuring that workers throughout the world share in these opportunities. In 1998 the International Labour Organization (ILO) adopted the Declaration on Fundamental Principles and Rights at Work, a set of core international labor standards embodying basic workers' rights.¹ Carrying out this commitment to workers' rights requires an understanding of labor conditions and country-level compliance with these standards. The U.S. Department of Labor (DOL) contracted with the National Research Council (NRC) of the National Academies to advise the U.S. government on the design of an integrated and comprehensive system to monitor country-level compliance with these core international labor standards.

THE NATIONAL ACADEMIES PROJECT

The NRC has convened the Committee on Monitoring International Labor Standards (CMILS) to provide expert, science-based advice on monitoring compliance with international labor standards.² The committee has undertaken a two-year project with multiple intersecting activities that will

¹The core labor standards are freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor, and the elimination of discrimination in respect of employment and occupation.

²Refer to Appendix A for committee membership.

- identify relevant, valid, reliable, and useful sources of country-level data on labor standards and incorporate them into a database tailored to the current and anticipated needs of DOL's Bureau of International Labor Affairs;
- assess the quality of existing and potential data and indicators that can be used to systematically monitor labor practices and the effectiveness of enforcement in order to determine compliance with national labor legislation and international standards;
- identify innovative measures to determine compliance with international labor standards on a country-by-country basis and to measure progress on improved labor legislation and enforcement;
- explore the relationship between labor standards compliance and national policies relating to human capital issues; and
- recommend sustainable reporting procedures to monitor countries' progress toward implementation of international labor standards.

The substantive scope of the CMILS' study includes national compliance with the international standards identified in the ILO's 1998 Declaration on Fundamental Principles and Rights at Work and issues related to "acceptable conditions of work," as defined in U.S. trade law, including minimum wages, hours of work, and occupational safety and health.³

Workshop on Human Capital Investment and International Labor Standards Compliance

As part of its mandate, the CMILS is charged with exploring the linkages between labor standards compliance and human capital investment.⁴ To what extent do investments in human capital create capacity within

³The CMILS has held a number of public events to gather information for this project. These workshops and forums have been summarized in a series of publications, including NRC (2003a, 2003b, and 2003c), of which this summary is the fourth. The committee's final report (NRC, forthcoming) will include its findings and recommendations.

⁴The Organisation for Economic Co-operation and Development (OECD) offers a useful definition of human capital: "the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being" (OECD, 2001, p. 18). For the purposes of this project, human capital encompasses formal and nonformal education and training for children and adults. Human capital issues related to health are beyond the scope of this project.

nations to comply more effectively with core international labor standards? Conversely, if core labor standards are themselves considered a form of human capital, how does that impact the likelihood that countries will make investments in compliance? These questions became the focus of the committee's work on this task.

This task represents a relatively new area of inquiry. The linkage between labor standards and human capital policy has been suggested in some research and policy on child labor but has not yet been explored with respect to other core standards. Consequently, the CMILS convened a workshop on February 27, 2003, to bring international experts together to explore the issues related to this task—human capital. The workshop had two purposes: (1) to explore the linkage between country-level investment in education and training and the capacity to attain (and exceed) international labor standards, and (2) to raise awareness among policymakers about the importance of this linkage in developing long-term strategies for labor standards compliance.

The workshop was organized around three themes: a conceptual framework of the linkage, the problem of child labor, and the impacts of stakeholder education and training on compliance with international labor standards. Each presenter received a set of guiding questions to focus his or her presentation. These questions are summarized at the beginning of each of the following chapters. It is important to note that presenters were given broad guidelines because the committee intended the discussion to be exploratory in nature and did not want to preempt certain expertise from emerging by being too prescriptive about macro versus micro perspectives. See Appendix B for a complete workshop agenda, Appendix C for a list of attendees, and Appendix D for biographical sketches of invited speakers.

This workshop summary highlights the day's presentations and discussions to communicate to the reader the key ideas raised. The discussions were exploratory in nature, and no definitive conclusions or policy recommendations were drawn. This summary does not contain any deliberations, conclusions, or recommendations of the CMILS. Although members of the committee guided workshop planning and guest speaker invitations, they did not participate in the writing of this summary. This resource is offered in hopes that the ideas raised will move forward the debate on compliance with international labor standards.

2

Conceptualizing the Link Between International Labor Standards and Human Capital

Presenters were asked to explore the issues related to human capital and core international labor standards and to suggest a future research agenda.

THE LINK BETWEEN LABOR STANDARDS AND HUMAN CAPITAL: RAY MARSHALL, UNIVERSITY OF TEXAS, AUSTIN

Ray Marshall argued that labor standards play an important role in fostering human capital. After discussing the importance of human capital in general, he summarized the rationales for labor standards in the global economy to introduce the linkages between the two.

Marshall said that most people would agree that investment in human capital is critical to improving the human condition. He raised three general points regarding human capital investment. (1) Human capital is costly; resources for human capital formation are limited, especially in poor countries; and it is important to use these resources efficiently in the production of knowledge and skills. (2) Human capital cannot be considered in isolation from overall economic and social policy. In other words, production systems that demand educated labor must be in place if the increased supply of educated labor is to be absorbed. (3) The concept of education should be thought of more broadly than just schooling. Learning takes place out-

side of formal schooling. Families, workplaces, and civic organizations are all important learning systems.

Marshall then went on to discuss how labor standards play an important role in strengthening human capital producing systems. Freedom of association and the right to collective bargaining promote human capital formation through democracy and high value-added development. In the broader definition of education, civic organizations, unions, and other associations are learning systems that develop human capital. People develop leadership skills and learning related to cooperation and trust. Associations also promote democracy and democracy is another important learning system. As the research of Amartya Sen (1999) and Dani Rodrik (1999) demonstrates, Marshall said, people learn better through democratic processes. Through democracy and associations, people have an opportunity to learn from one another, building trust and social capital. He noted, "One of the main reasons . . . that democracy is a good human capital formation process is [that] it provides a voice to workers, which can improve decision-making. . . ." Assuring that workers have a voice improves learning between workers and managers through information sharing. Marshall said, for example, that labor-management safety and health committees are more effective than government or unilateral regulations because joint problem solving combines the knowledge and concerns from both parties to prevent problems. These types of labor-management programs, according to Marshall, "provide more effective training than any of the parties doing it by themselves." This cooperative learning process improves performance of labor standards, as in the case of safety and health.

Marshall believes that freedom of association and collective bargaining promotes high value-added economic strategies (strategies that focus on increasing productivity and quality as opposed to reducing wages). In a case where there is income inequality, for example, the uneven distribution of wealth inhibits social and human capital investments needed to improve the conditions of poor people. Unions and collective bargaining can work to counteract this inequality. According to Marshall, high value-added performance systems are important because they create a demand for educated people.

Marshall then briefly described systematic approaches to addressing the elimination of child labor in a multinational context. Simply prohibiting child labor will not be effective; the prohibition must be connected to other activities. He noted that the International Labour Organization (ILO) has effective programs that demonstrate the relationship between prohibi-

tions on child labor, the development of jobs and income-earning opportunities, and the provision of schooling. He concluded by saying that one of the most effective ways to break the self-perpetuating cycle of poverty in developed and developing countries is to apply a systematic approach to achieving the goals that labor standards were designed to accomplish: to remove children from the workplace, to educate them, and, at the same time, to overcome discrimination and provide jobs for adults.

**PLACING CORE LABOR STANDARDS
IN THE DEVELOPMENT CONTEXT:
GORDON BETCHERMAN, THE WORLD BANK**

Gordon Betcherman said that implementation of standards occurs within the context of development; it is important to understand the socioeconomic context. Societies can do a range of things beyond monitoring and enforcement to ensure compliance. Betcherman presented a conceptual model of how people think about standards.

At one end of the spectrum, the legalist perspective takes a classic view of regulation as a three-stage process: develop standards, determine how to monitor them, and then enforce them. In the case of labor standards, Betcherman argued that the first two stages have occurred, and enforcement is now the issue. There are no universal ways to enforce compliance beyond what countries do through their own national legislation. Herein lies the challenge, according to Betcherman. On the other end of the spectrum is the economic perspective, which takes the viewpoint that development must precede compliance with labor standards. With economic growth, “countries will naturally . . . build up a demand for good working conditions and, as a result, will naturally start to implement the processes and institutions that will lead to compliance [with] core labor standards.”

Betcherman did not dispute the value of either the legalist or economist perspective, but in order to expand the understanding of the context in which noncompliance takes place, he offered a third perspective. The development perspective, as he termed it, considers the factors that determine noncompliance and how policies and interventions can change the context, alter incentives, and affect outcomes.

Betcherman used the example of child labor to illustrate his conceptual model. From the legalist perspective, setting a minimum working age is central to eliminating child labor. But this perspective does not adequately address the root causes of child labor, particularly poverty. Strict enforce-

ment of a ban on child labor, for example, will make some children and their families worse off because it will remove a source of income and possibly drive the children into more dangerous forms of work. From this perspective, Betcherman said, enforcement is possible, but without other actions, it will not achieve the desired aggregate welfare benefits.

The economist perspective acknowledges the poverty link and the reality of informal labor markets. Betcherman said that the countries of most concern with respect to core labor standards have an informal employment rate of 30 to 90 percent. He explained that it is important to keep in mind that the labor force in the informal sector is outside the protective reach of government authorities, with no collective agreement to establish rights and no access to court action. He noted that although the economist perspective acknowledges these realities, it does not adequately address the costs associated with making the transition “from a poorer country with bad working conditions to a rich country with good working conditions.”

According to Betcherman, while legal institutions and processes and growth-oriented policies are important for the elimination of child labor, the development perspective helps identify other efficient and realistic interventions as well. He named three. One key intervention is increased access to education. As an example, he cited *Progresá*, a Mexican program that provides scholarships and stipends to poor families as compensation for the opportunity costs of sending children to school—that is, they receive compensation for the income from working that is lost to the families while the children are in school. Betcherman noted that rigorous evaluations of programs like *Progresá* have demonstrated that they are successful in reducing child labor.

Another intervention is the protection of working children. Betcherman noted the importance of acknowledging that some children are working and then providing these children with protections in the form of education, health services, and access to informal learning opportunities. A third possible intervention is to provide social protection instruments. These measures, such as providing low-income families with access to credit, can help reduce the incidence of child labor by addressing poverty.

Betcherman said that the relationship between human capital and labor standards compliance can be studied conversely. “Not only does more human capital lead to higher compliance, but, at the same time, compliance with core labor standards can make a big difference over the long run in investment and maintenance of human capital.”

**A VIEW FROM CAPITOL HILL:
STEVE MOODY, OFFICE OF
REPRESENTATIVE GEORGE MILLER**

Reflecting on Betcherman's presentation, Steve Moody noted that those members of Congress who are most vocal about child labor issues are legalists. One area of potential cooperation between congressional members with different perspectives is to have those members with an economist perspective speak about how they see the economic side of child labor and why they see it through an economic lens rather than a legal lens.

Moody described several activities in Congress that are related to international labor standards. The International Workers Rights Caucus, which has about 60 congressional members, has routine sessions and briefings on international labor rights. Moody also described the trade promotion authority legislation that was debated a year and a half ago, pointing out that "the way Congress most [often] confronts the issue of international labor rights [is through] free trade." The trade promotion authority gives negotiators of trade agreements more freedom and lets the president empower them to negotiate these agreements with other countries. One of the reasons behind this legislation, according to Moody, is the degree to which trade has become complicated over the last 10 years in the United States.

Moody said that there is a growing awareness on the Hill that the problems of labor rights must be approached from various angles:

I think that there is an awareness on Capitol Hill that you just can't impose things. That you actually have to come up with creative solutions where you've got NGOs [nongovernmental organizations], workers, foreign governments, and the U.S. government trying to come to some kind of solution.

This holistic approach, with various actors working together, can be challenging. Moody noted that Congress has made progress over the last 10 years in dealing with international labor rights. But he believes it is important to educate Congress about the concept of human capital and how it relates to labor standards. Congress is a reactive body, and Moody believes that it is possible to influence congressional thinking with statistics, figures, and studies that show effectiveness.

DISCUSSION WITH AUDIENCE PARTICIPANTS

Audience participants discussed a recent World Bank report on freedom of association and collective bargaining (Aidt and Tzannatos, 2002) and the implications of this report with regard to human capital and policy implications. Betcherman summarized the major findings of the study: “[O]n balance, unions are associated with a more equal distribution of income. There are also some clear relationships with other issues like technology and training.” He noted that the macroeconomic results were consistent with other studies showing relatively neutral effects. Empirical links between unions, collective bargaining, and economic outcomes depend on the circumstances of a particular country. In terms of the policy implications of the report, Betcherman noted that although it will be one of the things the board considers when the World Bank is developing policy on core labor standards, political dynamics will still be at play.

Participants had several questions about the perspectives presented by Betcherman. One question dealt with indicators of compliance and how they relate to the various perspectives. Lisa Lynch, of Tufts University and a member of the Committee on Monitoring International Labor Standards (CMILS), said that the committee is developing indicators of compliance with core labor standards, and the subcommittee on human capital has been struggling with the identification of appropriate human capital indicators. She asked how the list of indicators would vary depending on which perspective was taken.

Betcherman agreed that indicators would change depending on the perspective. He said that the World Bank is dealing with this issue with respect to child labor and is identifying indicators to determine the scale of child labor programs in client countries. Distinctions are drawn, for example, between child labor intrinsic to the family in very poor, agriculturally based communities and child labor in sweatshops and industrial situations. Betcherman also stated that the availability of data around indicators is another important consideration. “[O]nce you identify [the indicators], you almost certainly are never going to get the data to actually operationalize them,” he said. The concern about indicators is not just to identify the information that should be collected but also to identify the information that can actually be obtained.

Wolfgang von Richthofen of the ILO commented on the heterogeneity of views concerning core labor standards and the “indubitable linkage” between the standards. The linkage between freedom of association and the

right to collective bargaining and the elimination of child labor has been overlooked, for example, in the economist perspective. He noted that ILO studies consistently find a very low level of child labor in sectors with high levels of organization, and, conversely, where there is no unionization, a very high level of child labor exists. He stressed the importance of looking at the interrelationships between the core labor standards rather than thinking of some as more important than others.

3

Human Capital Investments Related to Child Labor

This session focused on the mechanisms by which investments in human capital can influence compliance with labor standards. Participants addressed issues related to formal schooling (e.g., laws related to compulsory schooling, enforcement mechanisms for those laws, and the availability and quality of schools), nonformal education (e.g., programs that help transition child laborers from work to formal school, vocational training, etc.), and how these interrelated issues impact child labor.¹ Presenters were asked to consider how to integrate child labor policy into an overall policy framework that encompassed, for example, education and vocational training, poverty reduction, and labor and social protection.

HOW CAN EDUCATION POLICIES REDUCE CHILD LABOR?: RAYMOND TORRES, ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

Raymond Torres analyzed mechanisms to reduce child labor. He looked first at market mechanisms, pro-growth policies, and the complex links

¹“Child labor” is defined in this context as work that interferes with a child’s education and development, consistent with ILO Convention 138. For a complete discussion of definitional issues based on CMILS deliberations, please see the committee’s final report (National Research Council, forthcoming).

between poverty, economic development, and child labor. He noted that although there is an obvious correlation between GDP per capita and child labor—poor countries have more child labor—there is no correlation between growth performance and changes in child labor (Figure 3-1). According to Torres, the pro-growth argument that child labor will be suppressed through development is not necessarily supported by the data. He concluded that economic growth does not automatically lead to lower child labor rates.

Torres analyzed the role of education in reducing child labor. He found that quality of education seems to matter more than quantity of education. He found no relationship between the level of education expenses as a percentage of total government expenditure and the incidence of child labor. In other words, “[I]t’s not the case that countries that make a stronger effort vis-à-vis education expenditures have lower child labor, at least not at the aggregate level” (Figure 3-2). He also looked at change in public education expenditures as a percentage of GDP and the change in labor force participation for children ages 10 to 14 and found no relationship (Figure 3-3). If the student-to-teacher ratio is taken as a “very crude” mea-

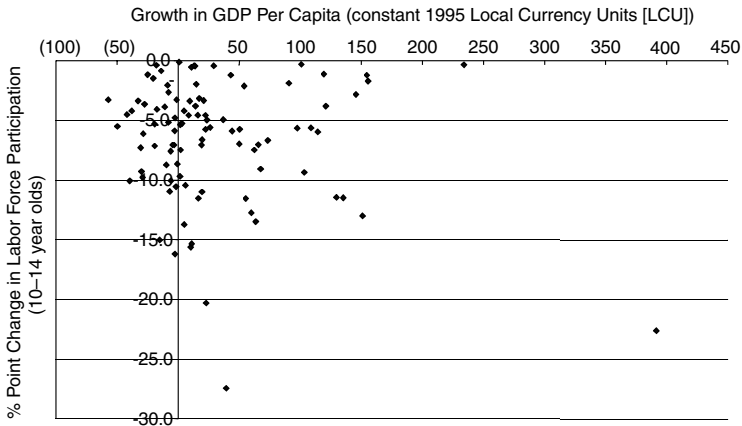


FIGURE 3-1 No correlation between changes in child labor and income growth (1980–2000).^{a,b}

^aThe countries included in the calculation are based upon availability of both variables.

^bThe correlation presented incorporates data from 91 countries.

SOURCE: World Bank (2002).

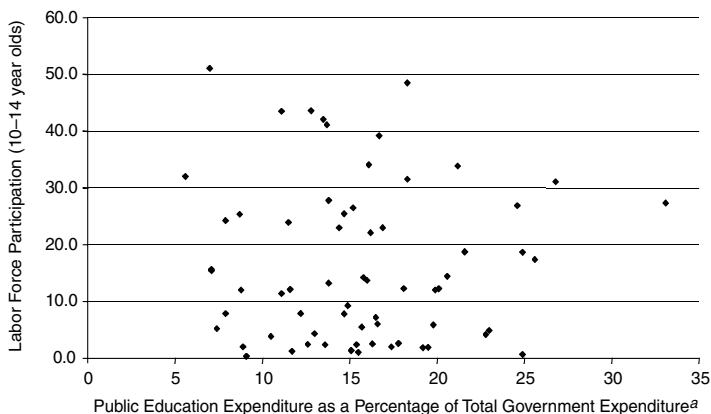


FIGURE 3-2 Child labor and public education expenditures as a percentage of total government expenditures, 1998.^{b,c}

^aPublic education expenditures as a percentage of total government expenditures refer to data from 1995 to 1997—the most recent years available.

^bThe countries included in the calculation are based upon availability of both variables.

^cThe correlation presented incorporates data from 65 countries.

SOURCES: World Bank (2002) and United Nations Development Programme (UNDP) (2002).

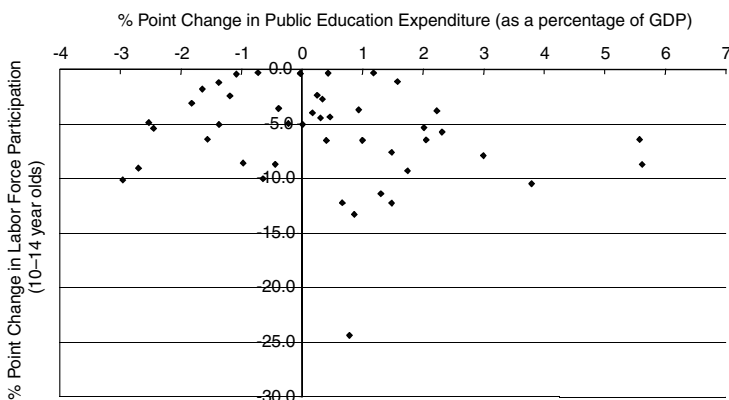


FIGURE 3-3 Changes in public education expenditures and changes in the incidence of child labor, 1998.^{a,b}

^aThe countries included in the calculation are based upon availability of both variables.

^bThe correlation presented incorporates data from 47 countries.

SOURCES: World Bank (2002) and UNDP (2002).

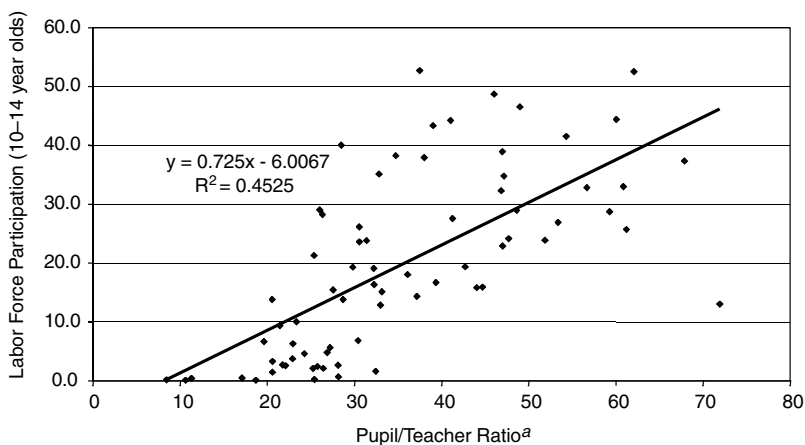


FIGURE 3-4 Child labor and pupil/teacher ratio, 1998.^{b,c}

^aPrimary school pupil/teacher ratio is the number of pupils enrolled in primary schools divided by the number of primary school teachers (regardless of their teaching assignment).

^bThe countries included in the calculation are based upon availability of both variables.

^cThe correlation presented incorporates data from 85 countries.

SOURCE: World Bank (2002).

sure of quality, Torres said, the data do suggest that the quality of education matters (Figure 3-4).

According to Torres, although education matters, not all programs are effective. This means it is important to evaluate what works in education policy to eliminate or reduce child labor. He mentioned three types of programs that have shown some success: food-for-schooling; monetary transfers, e.g., Mexico's *Progresa* and Brazil's *Bolsa Escola*; and targeted programs with educational components to eliminate the worst forms of child labor. He said that education programs that provide financial incentives to families, such as *Progresa*, seem to work, but the crucial issue is determining how much these programs cost and who should pay. Torres said that a quick analysis of *Progresa* indicates an estimated cost of about \$80 per month per family. Extrapolating from these costs, Torres said that addressing all child labor would cost approximately \$200 billion. He suggested this type of cost analysis as an interesting area for future investigation. The particular problem would be identifying who would pay, that is, what balance of external aid and internal sources would be needed to fund national programs and what would be the tradeoffs.

Torres cautioned that for education programs to be effective, counterproductive solutions, such as trade sanctions, should not be adopted at the same time. He explained that trade sanctions would be counterproductive for two reasons: First, a number of child workers are employed in rural, agricultural settings that are not exposed to trade. Second, trade sanctions do not address the root cause of child labor and may aggravate the situation rather than alleviate the problem. He mentioned that there are “mild diversions of the trade sanction” through domestic regulation that may potentially be useful, such as adding more labor inspectors to sanction families that send their children to work and not to school. However, Torres said that if these types of legal interventions do not go hand-in-hand with education programs and income support to families, they will likely fail. He advocated targeted programs with an aid component toward the progressive elimination of child labor and more effective action against the worst forms.

**TARGETED ENROLLMENT SUBSIDIES:
DEBORAH LEVISON, UNIVERSITY OF MINNESOTA**

Deborah Levison provided an overview of subsidy programs targeted to poor families to eliminate child labor and to increase human capital accumulation. She explained that changing patterns in child activities—work, school, and play—have an important role in demographers’ theories of demographic transition. She expected that policy emphasis on education would have important feedback effects on reducing fertility and thus the number of potential child workers. She noted that these patterns are under way in Latin America and are starting in sub-Saharan Africa.

Her presentation focused on conditional cash transfer (CCT) programs, also known as minimum income for school attendance. She explained that CCT programs aim to increase the human capital accumulation of children in poor families with the goal of breaking the cycle of poverty. Other objectives of CCT programs include reducing child labor and increasing the nutritional status of families. The programs target the poorest families and offer them incentives to send their children to school. Programs cover the direct costs of schooling, including fees and materials, and the opportunity costs of children’s time out of work. Levison said, “Direct costs and opportunity costs of schooling are two of the most important factors keeping poor children out of school.”

She described the geographic coverage of CCT programs: Most CCT

programs that have been implemented on a fairly large scale are in Latin America. For example, *Progresa*, which began in 1997, was operating in more than 50,000 rural localities and 31 states by 2000 and had a budget of approximately \$1 billion U.S. dollars. In addition to the programs in Latin America, there is a program in Bangladesh, and plans are under way for a large-scale program in Mozambique. The programs target the poorest households, Levison said:

Some programs use means tested targeting so only households below a particular poverty level are eligible to participate. Others begin by identifying communities with high concentrations of poor households, then target the poorest households within those communities.

Other selection criteria include the number of family members in a household, the number of disabled members, access to running water, and household assets in terms of animals and land.

Levison explained that stipends are almost always paid to mothers because research shows that mothers use a greater proportion of household resources for food, child education, and health than do fathers. Another key component is the monitoring of school attendance. Transfers stop if school attendance drops below a certain level; usually children are required to spend 80 to 85 percent of school days in school.

Levison said that *Programa de Erradicacao do Trabalho Infantil*, the Brazilian program to eliminate child labor, does not have enough funding to enable all eligible children to participate. This has two adverse effects:

Working children who don't participate in the program become more likely to work more hours, because the supply of child workers in the area has contracted so there is greater demand. Also, households in this program aren't required to enroll all of their school-aged children, so it's possible that there is specialization. One child in the family will work, others will go to school.

Levison described *Progresa* in more detail as an example of what can be generalized from CCT programs because it has been thoroughly documented and evaluated. Mothers receive money for each child under the age of 18 who is enrolled in grades three through nine. Grants are higher for girls. As children get older, grants are increased to cover increasing oppor-

tunity costs because older children are more productive (they earn more income). Levison provided cost figures for the program: Cash transfers range from about \$9 per month for a third grader to \$30 to \$35 for students in the third year of secondary school (\$30 for boys, \$35 for girls). The maximum monthly transfer per family is \$80 per month; therefore, Levison said that Torres's estimate of \$200 billion to eliminate child labor may be high because it is based on the maximum monthly allocation, not the average. Levison said that administrative costs are about 10 percent and are not included in the figures quoted. Average benefits for the year 2000 have been estimated at about \$30 per month, equivalent to approximately 22 percent of the monthly income of the families.

Levison provided data on the impact of *Progresa* on school enrollment by age and by gender. There is little effect on enrollment of children ages 8 to 11 and for older boys. There were 10 to 15 percent increases in school enrollment for boys and girls ages 12 to 14, and a bigger effect for older girls (Gómez de León and Parker, 2000). Transitions to secondary school, a point when 45 percent of students typically drop out, have increased under *Progresa* by nearly 20 percent. Paul Schultz (2001) estimated the rate of return to *Progresa*'s educational transfers alone at about 8 percent per year in real terms if these patterns persist. Levison said that this estimate does not include the program's impacts on nutrition and health levels. She mentioned that others have calculated that the educational benefits of *Progresa* exceed costs by 40 to 110 percent (Behrman and Todd, 1999).

Levison provided data to demonstrate that for participants in *Progresa*, employment of boys and girls declined by about 15 percent (Parker and Skoufias, 2000). She said, "For those children who continue to work, however, *Progresa* has little impact on reducing their hours of work. This applies to boys and girls, and it holds for hours spent in market work, farm work, and chores in total and individually."

Levison raised several points in her concluding remarks. First, programs that pull children's time into educational activities are more successful than those that push children out of work. Second, programs are beneficial in changing parents' and children's perceptions about the value of education. In Bangladesh, Levison said, targeting girls, children from poor families, and school dropouts "introduced the idea that education is a universal right, whereas before it had just been considered a prerogative of those who could afford it." Third, Levison speculated that CCT programs may be beneficial in shifting the kind of work that children do to less hazardous forms because the worst forms of child labor often require long

shifts that are incompatible with school attendance. She offered this speculation as an area for further investigation.

Levison told the audience that parents often like their children to be working when they are not in school because the parents believe “[it] keeps them out of trouble.” She noted that evidence supports the idea that idle children are more likely to engage in risky and antisocial behavior. When most children are spending only three to five hours a day in school, there are many hours left to fill, and CCT programs cannot be expected to remove children from work activities in this context. Last, she noted that targeting education as an objective circumvents difficulties encountered by programs targeting child workers, particularly in urban areas. Urban children move in and out of employment regularly, and it is difficult to identify them.

The next section describes nonformal education programs, which target hard-to-reach urban working children.

NONFORMAL EDUCATION: DAVID STERN, UNIVERSITY OF CALIFORNIA, BERKELEY

David Stern described the role of nonformal education (NFE) in reducing child labor. NFE reaches working children through nontraditional means. In urban areas, it is schooling in the streets. Teachers go to the streets to educate the children who are living and working there. In rural areas, classes are held in a school-like structure outside of formal schooling and working hours.

Stern described four categories of working children: Street kids, the first category, have left their families to come to the city to live on the streets. According to Stern, CCT programs, as described by Levison, would not be effective for this population because there is no family to receive the stipend and ensure that the children attend school.

The second category is children living with their families but working in the streets or in situations independent from their families. The third category is children who live and work alongside their families in enterprises that are not controlled by the family. Category four is rural children who are living with their parents and working in the family’s agricultural enterprise.

Stern presented a conceptual model of the linkages between NFE and child labor to show how providing educational services to working children

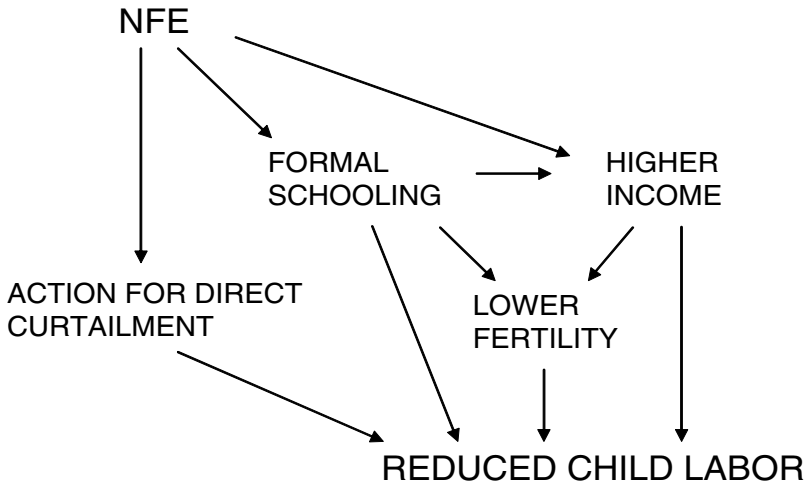


FIGURE 3-5 Possible links between nonformal education (NFE) and reduced child labor.

may reduce child labor (Figure 3-5). He noted that one of the desired outcomes of NFE programs is to help children transition to formal schooling. Therefore, benefits in reducing child labor that would be attributed to formal schooling would actually be an indirect result of NFE. Another outcome of NFE is to teach job skills and basic literacy skills that would presumably improve subsequent earnings.

According to Stern, one feature of NFE that is not found in formal schooling is “action for direct curtailment” of child labor. These programs promote political organizing. “They mobilize kids, and through the kids the communities, to try to combat the child labor, or the worst forms of it, and to promote children’s rights in the workplace and elsewhere.”

Although there have been no formal evaluations to document the outcomes and cost-effectiveness of these programs, Stern presented a theoretical comparison of the costs of nonformal and formal education, based on teachers’ time, students’ time, and facilities, including equipment and materials:

Annual cost of educating one child

= teacher's time + student's time + amortized facilities

= $T/N + S + F/N$

where T = teacher's annual salary

N = number of FTE students per teacher

S = forgone value of child's economic contribution

F = annualized cost of facilities per teacher

= 0 in NFE.

Stern said that in a country that has reached a low child labor equilibrium—where there is little or no child labor—the value of a child's time in primary grades is considered to be zero. In a country where children are supporting themselves or providing substantial support to their families, the forgone value of a child's economic contribution is an important factor. But in NFE, the opportunity cost is zero because children do not have to withdraw from work. In this scenario, NFE is cheaper. Teacher salaries and facilities also cost less. Therefore, Stern speculated that, in most cases, NFE programs would be less expensive.

Stern posed the question: Are these programs more effective than formal schooling given the lower cost? There are no comparative studies of effectiveness, but Stern presented a hypothetical discussion. He suggested two factors that might make NFE more effective than formal education: the curriculum and the educational value of work. The curriculum for NFE is designed to be relevant to the situations of the targeted populations, and consequently it may serve to keep children in school and may help them learn more because the instruction is geared to their daily lives. Second, work has—or can have—educational value. In addition, some programs capitalize on the complementarity between children's work and program instruction. Stern said that many studies demonstrate that work itself may be a way of developing human capital. He concluded by emphasizing the need for more data to explore the cost-effectiveness of NFE programs.

DISCUSSANT: DRUSILLA BROWN, TUFTS UNIVERSITY

Before reflecting on the previous presentations, Drusilla Brown provided historical and empirical evidence related to policy interventions to eliminate child labor. She identified several factors that have been explored in recent research on child labor and why children work.

According to Brown, evidence suggests that credit constraints are an

important factor in parental decision-making about children's education. As a result, policies have been put forward to remedy the access to credit, including micro-credit programs, employer-based education programs, and school-based subsidy programs.

Bargaining in the decision-making process over children's education has also received considerable attention. The research literature covers bargaining between the child and the parent, between parents and businesses, and between parents and communities. Brown noted that lots of theorizing has emerged about the bargaining between parents and employers over the conditions under which children work. In addition, the literature contains numerous discussions of parent–community negotiations to ensure community investment in quality education. One strategy to address community bargaining problems, Brown said, is to create property rights. Communities make optimal investments in educational facilities, the value of which is capitalized into property values. Brown said that, for an economist, it was gratifying to see these “dramatic theoretical innovations” suddenly appear in policy making.

Brown said that quite a lot has been written on the informational externalities² that accompany education and the decision-making process. For example, it is important to know the value parents place on education in the decision-making process. Brown noted that the problems associated with informational externalities, bargaining, and coordination are remedied, at least in part, by compulsory education laws.

Brown highlighted two aspects of the theorizing that have not been translated into development policies. The first is the problem of spot markets for labor and land issues. Both have important implications for the amount of time children spend working. For example, empirical evidence shows that families with land holdings and family enterprises tend to turn to internal labor markets during labor-intensive harvest seasons, hiring family members (including children) rather than relying on outside labor. This finding holds true even for families with a fairly high standard of living. Brown concluded that this type of child labor is therefore very difficult to eliminate.

Brown highlighted another issue that receives little attention, the tech-

²An informational externality with regard to education exists when families are underinformed about the value of an education. Their lack of information can lead them to choose an inefficiently low level of schooling for their children (Personal communication, Drusilla Brown, August 2003).

nological change that accompanies industrialization. In the early stages of industrialization, technological change is characterized by unskilled labor. “Skilled artisans lose their jobs to people who run simple machines,” Brown said. At the same time, adult wages decrease, children’s wages increase, and the return to education declines, all of which lead to an increase in child labor. She suggested that the kinds of jobs children do can be eliminated with a slight increase in the amount of technology that is transferred. This dynamic of moving from the early stages of industrialization to technological change that eliminates both the demand and the supply of child labor is an important, yet heretofore neglected, aspect of the problem.

In response to the previous presentations, Brown cautioned that although evidence shows that CCT programs are effective, there are still populations of working children who are hard to reach, especially those children engaged in family agricultural enterprises. This finding—that CCT programs do not reach all the working children—shows up in the empirical evidence, Brown said, and also plays an important role in understanding how these targeted interventions actually work.

Brown raised another point about educational attainment and the relevance of the curriculum to worker skills. During the British industrial revolution, she said, a change in curriculum—from subjects such as philosophy to skills that were job-related—was one of the reasons children left factories and entered school in “full force.” This change helped shift parental attitudes; parents could perceive that education was relevant to what children would need when they entered the workforce.

Parents’ education is also extremely important, Brown said. The educational attainment of parents has long-term consequences for their children and strongly affects the decisions they make about their children’s education. Brown suggested that one reason for this was that parents who attend school learn the value of education.

In conclusion, Brown said that over the last two centuries, the portion of resources allocated to children in general has “skyrocketed.” This trend cannot be fully explained by investment theory. Some other phenomenon is at play that has altered the bargaining relationship, and theorizing continues about those determinants.

DISCUSSION WITH AUDIENCE PARTICIPANTS

Discussion centered on four topics: the economic advantages to employers of using child labor, the negative impacts of CCT programs, trade

sanctions, and indicators of compliance to measure a country's efforts to eliminate child labor.

How does child labor benefit employers? To begin the discussion, Viondette Lopez of the U.S. Department of Labor identified an area that has received little attention—the economic advantage of using child labor. She presented the argument that unless there are incentives to encourage—or rules to force—employers to pay adult wages to all workers, the economic incentive to hire children illegally will continue to exist. Drusilla Brown cited three reasons that are often given for using child labor: First, children are more compliant, usually out of fear of violent forms of discipline. Second, the “nimble fingers” argument is given—children can do more tedious work because of their smaller stature. Brown said that empirical evidence does not substantiate this argument. Third, employers hire adults and their children to capitalize on improved productivity. When parents earn low wages, putting families close to the margin of survival, there may be suboptimal nutritional intake. In response, the employer provides food or extra wages to bring workers' nutritional intake above this suboptimal level in order to improve the productivity of those workers. But as Brown explained, when parents give the extra food to their children, this investment in worker productivity has been wasted. However, if the entire family works, including the children, the employer captures all of the investment. Subcontracting arrangements with the family then arise to internalize these effects.

The discussion focused on CCTs and on *Progresá* in particular. Laurence Wolff of the Inter-American Development Bank suggested that there are educators who believe that CCT programs like *Progresá* have a number of problems that may limit their success. Citing work done by Carlos Herrán in Argentina, Wolff explained that students who go back to school often come with inadequate academic preparation for the classroom, and this can become disruptive. He said that other educators question whether resources allocated to CCTs would be better spent improving the quality of education and making primary school more attractive to children. According to Wolff, another problem is that, in some cases, schools must take on the administrative responsibilities of distributing the money. This burden takes time away from educational responsibilities. For these reasons, he stated, CCT programs are not universally applauded and should be examined more closely.

Ted Moran, of Georgetown University and chair of the CMILS, asked speakers to identify indicators that could be used to measure whether a

country was taking seriously the commitment to eliminate child labor. This request for expert advice was made on behalf of the committee as it develops its indicators of compliance.

Deborah Levison suggested several indicators related to the successful prosecution of employers who use child labor: the number of labor inspectors per population, the number of attempts to prosecute violators, and the number of successful prosecutions of violations of child labor laws. She also suggested measures of school quality: education levels of teachers, hours per day of schooling, teachers' attendance, subjects taught, and methods of pedagogy (e.g., whether teaching by rote is commonplace). David Stern suggested the participation of students in various forms of schooling as an indicator of how time is spent. Drusilla Brown noted that an examination of minimum-age-for-work laws and education laws would not provide a complete measure of compliance. She suggested looking at countries that do not conform to the expected patterns of economic growth and decreasing rates of child labor. In Turkey, for example, the number of children working is higher than would be expected given the per capita GNP and other economic variables. Examining these outliers might indicate determinants of success.

4

Impacts of Education and Training on Core Labor Standards Compliance

This panel focused on education and training provided to stakeholder groups to promote and measure compliance with core labor standards. Representation included workers, business, government, and technical assistance providers. Panelists were asked to describe examples of education and training programs that impact compliance with international labor standards, and to discuss in particular those issues related to governance, access, and cost. Panelists were asked to envision the flow of education and training within the system involving tripartite stakeholders—workers, business, and government—and to identify the factors that facilitate or inhibit this flow.

WORKERS

Roland Schneider (Trade Union Advisory Committee, OECD) described trade union education as contributing to the formation of human and social capital in what he argues is a much-needed broader concept of human capital:

In my view, we need a concept [for human capital] that goes beyond the role of skills for productivity and earnings—a concept that does not simply measure human capital by focusing on the length or duration of education and training.

According to Schneider, a broader view should include the concept of social capital, which he defined as formal and informal networks that “enable people to mobilize resources and achieve common goods.” In this sense, education and training provided by trade unions exemplify this broader view.

Schneider described a trade union course related to textiles and garments. The course covers globalization in the context of the textile and garment sectors, changes within the industry, the impact of multinational enterprises, the roles of management and trade unions, and strategies for negotiating and implementing core labor standards. One joint union–employer session focuses on perspectives of globalization, trade, and core labor standards. The course offers participants the opportunity to discuss the building of alliances between trade unions and their allies, including partnerships between different unions.

In a discussion of access to training and determinants of cost, Schneider described state support for education and training in Germany. About half of all workers in Germany have the right to go on educational and training leave while employers continue to maintain their salaries. (The workers cover the cost of training, but unions do not generally charge members to attend courses.) The legal basis for this right is a federal matter, however, and not all states have adopted these provisions. Legal provisions also exist to protect the education and training of work council members in Germany.¹ These laws entitle workers to elect representatives to work councils. Additionally, employers must provide the means to enable these representatives to conduct meaningful negotiations with their employers, including covering all costs related to training work council members. Schneider noted that this legal provision enables trade unions to provide training to worker representatives rather than to a large number of individual participants. These provisions are therefore important determinants of access and cost.

¹Work councils in Germany serve the purpose of representing employee interests in the workplace. Employees elect representatives to serve on the council. Work councils communicate employee concerns to management and monitor compliance with labor laws, safety regulations, and collective bargaining agreements. The councils also have influence in personnel management decisions, the working environment, and vocational training.

BUSINESS

Elliot Schrage (Council on Foreign Relations) framed his discussion with four questions: What are the causes of noncompliance? Who needs training? How has the business community responded? Where can we look for lessons learned?

He cited four overlapping causes of noncompliance with core international labor standards in the context of emerging markets: malevolence, ignorance, incompetence, and helplessness. According to Schrage, malevolence—the idea that factory owners and managers are evil—receives a considerable amount of attention although it is not a primary cause of noncompliance. Ignorance of labor standards and laws exists, particularly in terms of supply-chain conditions. For example, in soccer ball production in Pakistan—part of Nike’s supply chain—subcontractors used child labor to produce soccer balls, but child workers were not employed at the Nike factory. “So Nike had no awareness of the existence and the depth of child labor in its supply chain, and [it was] by no means alone. The entire industry was ignorant of that,” Schrage said. The argument that Nike should have known suggests incompetence. Schrage said that noncompliance results in part from incompetence—poor management systems and poor education of managers. Managers may be aware of their responsibilities related to compliance with labor standards but do not have the tools to implement programs. This overlaps with the last category, helplessness. Factory managers lack the tools to enforce or apply labor standards in part because of the failures of other stakeholders. Schrage provided two examples: the failure of government to provide a reliable system of identification to determine the age of workers and the failure of global customers to understand the impacts of “eccentric or idiosyncratic production schedules.” In the latter case, changes to production schedules with no advance notice prompt suppliers to take dramatic steps to meet those demands, and these steps may include violations of labor standards.

Training is therefore required for workers, managers, government officials, and global customers. As Schrage explained, training workers to know their rights would be an effective way of addressing employers’ malevolence or ignorance. Management training to clarify responsibilities and duties would address ignorance and incompetence. Government officials should have knowledge of the laws and how those laws intersect with management practices so that they can assist managers in developing appropriate systems. And global customers should understand the role of the retailer in

promoting compliance from the standpoint of production management, rather than policing.

Low-wage industries, such as toys, apparel, and agriculture, driven by bad publicity and lawsuits, have responded by focusing on legal issues rather than viewing compliance through economic and development perspectives. Private-sector responses have been driven by supply-chain practices. Schrage explained that from the microeconomic perspective, training makes the most sense in tight supply chains because multinationals can capture more of the benefit, but policing makes more sense in loose supply chains.

As models of success, Schrage referred to compliance regimes such as the Fair Labor Association, the Ethical Trading Initiative, and Worldwide Responsible Apparel Production (WRAP). Although these programs emphasize compliance, they do require an investment in education and training. Schrage argued that far too few resources have been devoted to the education and training components compared to what has gone to support policing. He also noted that Global Alliance for Workers and Communities serves as an interesting model, with human capital investment programs in Indonesia, India, Vietnam, and Thailand. These programs use the factory base as a delivery system of services and education on a range of issues beyond labor standards compliance.

Last, Schrage suggested two questions for future research: How can global supply chains be leveraged to promote education, training, and compliance? And does compliance with labor standards improve productivity in low-wage countries?

GOVERNMENT

Michaela Meehan of the U.S. Agency for International Development (USAID) described USAID's approach to worker education. USAID endorses trade unions to promote democracy throughout the world. Meehan said that USAID considers unions as "incubators for democracy," and USAID's Office of Democracy and Governance devotes the bulk of its program to education and training of workers, usually through free trade unions. Meehan explained that USAID fosters trade union movements because of their representation, sustainability, and replicability. Trade unions represent tens of thousands of workers and tend to represent the nonelite members of society who often do not have other avenues for expressing a public voice. Also of critical importance, according to Meehan, is that trade unions are "one of the vehicles that can cross ethnic, religious, and gender

divides.” Trade unions have sustainability; they have assets that can be invested to sustain programs when government funding is no longer available. Trade unions have replicability; they “mimic political governance systems,” Meehan said. The structure of free trade unions has an important function, as local affiliates reach out to the regional and national levels, which in turn are tied into an international framework. Meehan also mentioned several of USAID’s implementing partners, including the American Center for International Labor Solidarity, the International Labor Rights Fund, and the Academy for Educational Development.

She provided several examples to illustrate USAID’s approach to education and training related to labor standards more broadly. In an economic literacy program under way in Brazil, the rationale for the training is to provide workers with a basic understanding of economic theory in practical application—the consequences of having a strike, losing contracts, negotiating higher wages, lobbying the government, and so on. This program is now being used in other countries as well. Meehan described in detail a program in Bangladesh aimed at women workers in the garment industry. USAID has established women’s education centers that are easily accessible to women outside of working hours. The centers provide legal assistance with respect to the workers’ rights covered under national law and international conventions. Workers also receive occupational health and safety training, an area in which the Bangladesh manufacturers and exporters association has an interest. Meehan noted that USAID lacks the objective empirical evidence to determine whether these programs increase compliance but is currently developing a research program on the subject.

Meehan added that it is important to be aware of the possible negative consequences of promoting trade unions and labor standards compliance. For example, there are countries where trade union members are targeted for assassination. This raises serious issues about when to intervene and with what types of programs. It is important to consider the political climate and whether appropriate infrastructure exists, such as a legal framework.

TECHNICAL ASSISTANCE PROVIDERS

Representatives from the ILO were invited to describe technical assistance programs related to management training and labor inspection. Michael Urminsky described management training programs through the Work Improvements in Small Enterprise (WISE) and the Global Compact.

WISE focuses on helping small business owners with practical issues related to health and safety, such as labeling chemicals, storing materials, and so on. The program links these workplace improvements with productivity improvements.

In 2001 the ILO began work on the Global Compact, an initiative to develop management training activities related to the core international labor standards. Urminsky described the various modules of the program, including making the case to adopt the standards, clarifying the meaning of the principles, and translating them to practice. The “Why should you care?” module makes the moral and business case to motivate enterprises to implement the standards. A second module clarifies the meaning of the standards. A needs assessment by the ILO identified a lack of knowledge among managers about the meaning of the rights in practical application. Urminsky used discrimination as an example. Many managers had a narrow conception of discrimination and considered it only in terms of gender and not in terms of ethnic or political discrimination. Urminsky explained that the “principles to practice” module presents case studies to help managers use action planning tools to design solutions for real problems. The problems might include building good faith with a trade union in a bargaining situation or dealing with child labor in different industries.

Often one of the first steps in the training is to help participants understand the differences between national law and international standards. As Urminsky noted, it is difficult to get training participants to overcome a traditional focus on national law, which does not necessarily reflect the international standard completely, and to get them to see the bigger picture.

Urminsky explained the ILO’s strategy for working with national employer groups or industry associations to build their capacity to offer training. The ILO does this for two reasons: First, it is not cost-effective for the ILO to train individual companies. Second, the employer organizations are often more trusted in a country. The ILO trains the organization to use the materials, teach the courses, and market them on a cost basis. Urminsky noted promising signs that these organizations will be able to provide on-going services on a for-fee basis to enterprises but it is too early to see any course offerings on a sustainable basis yet. Another lesson learned about sustainability is that it takes time to develop capacity, usually a year or two. In addition to organizations, the ILO has worked with managers and western multinationals in the development of the courses. Urminsky noted the importance of including union and, if possible, civil society representation

to build trust and to establish better relations within the union and NGO movements for the program. This collaboration enables stakeholders to learn about rights from the same starting point.

Wolfgang von Richthofen of the ILO described the importance of labor inspection in terms of a “large-scale convergence of interests” that promotes social dialogue. Von Richthofen said that workers have a fundamental interest in maintaining and enhancing employability, which is affected by compliance with standards. Managers have an interest in improving competitiveness, and von Richthofen believes that compliance with labor standards contributes to competitiveness by leading to higher productivity, better worker motivation, fewer accidents, and so on. Governments have an interest in seeing their labor laws enforced. Because of this convergence of interests, labor inspection is conducive to social dialogue, whereas the issue of labor standards as a starting point for social dialogue can be more difficult. Former Soviet Union countries, for example, which have little history of social dialogue, tend to get bogged down in issues like privatization when the subject of labor standards is introduced.

Von Richthofen described three types of labor inspection systems. High-performance systems have a great deal of resources devoted to building capacity to monitor compliance and enforce labor legislation. These systems have training and human resource development units and recognize the importance of training as a strategic tool to drive organizations. Developing countries, on the other hand, have systems that are under-resourced, with staff who are poorly qualified and undermotivated. These systems operate devoid of training and resources. The transition economies of Central and Eastern Europe represent an intermediary level. Here, the terms of reference under the former economic systems required restructuring. The previous labor inspection systems were split among industries, with each one having its own control apparatuses. The ILO program, aimed at structural reform, provided training to labor inspectors on communication, conflict resolution, and social skills that had not been required in the old system. In this kind of system, an educated labor inspectorate had to be retrained for new work skills.

With any of these systems, the ILO first conducts a needs assessment before establishing a training program. An inspection system’s audit process provides the means for a systems analysis. The findings are then reported to the country’s government, with the recommendation that the findings be discussed at a national high-level policy meeting in the tripartite context. At the policy meeting, labor inspection policy is formulated to set priori-

ties, optimize resource use, and identify qualifications needed for inspection specialists to implement the new policy. Von Richthofen noted, “The advantage of starting with a policy is that you then know what you want to train against.” The training content focuses on labor inspection systems development in addition to core international labor standards. In this holistic approach, the ILO identifies structural deficits and imparts training to improve the organization as a whole.

Von Richthofen used the African Regional Labour Administration Centre (ARLAC) as an example of how the ILO builds local capacity to provide labor inspection training. Located in Harare, Zimbabwe, ARLAC is an independent intergovernmental agency that provides training for government inspectors from the region. Von Richthofen described it as “one of the rare institutions in Africa that is effectively funded from contributions by the African member states.” The ILO also provides significant funding contributions. In terms of cost, a typical 25-person, two-week training course for mid-level and senior labor inspectors at ARLAC is \$40,000 to \$45,000 U.S. dollars. This training occurs in the context of systems with extremely tight resources.

Von Richthofen commented on the results of labor inspection training. He cited success stories from South Africa, Vietnam, Kenya, Bulgaria, and Mongolia. Concrete results show that training, capacity building, and social infrastructure development focused on labor inspection systems significantly increase the rate of compliance.

Barriers to the flow of training exist, and they can inhibit capacity building. Von Richthofen said that the lack of political will is a serious problem. He stressed the monumental problems facing inspection systems, including lack of consistency and resources, the bad image and high turnover, and the lack of social dialogue.

On the positive side, however, there are countries expressing political will through the ratification of the core conventions and the ILO’s labor inspection instruments, including Conventions 81 and 129 and the protocol to Convention 81. Funding agencies have a better understanding and interest in building on existing institutions for greater sustainability. Improved methodologies and concepts have coincided with a more programmatic approach to strengthening labor inspection and recognizing its importance in achieving compliance with international labor standards.

AUDIENCE DISCUSSION

Responding to comments about the lack of political will and resources, Mo Rajan, formerly of Levi Strauss and a member of the CMILS, asked why there isn't greater collaboration among stakeholder groups to run more cost-effective programs and to engage in a dialogue about a common agenda. Michael Urminsky responded that the way international institutions are structured creates competition for donor funding but collaboration does exist. His own work includes exploring collaborations with different institutions, including the World Bank, the OECD, and academic institutions such as business schools. Von Richthofen stated that since the reorganization of the ILO into four major sectors—social protection, social rights, social dialogue, and employment—interprogram cooperation has improved significantly.

Audience members further engaged speakers in a discussion of how political climates in countries impact noncompliance. Charlotte Roe of the U.S. State Department noted that Elliot Schrage's four categories of noncompliance omitted system problems. For example, in Chile under Pinochet's regime, she said, the political situation made compliance impossible although worker movements helped bring about change. Schrage offered Reebok's experience in China as a counterexample; Reebok has had some success in encouraging elections in facilities where it is a dominant customer. Schrage encouraged the CMILS to look at case studies where labor standards compliance promoted competitive advantage.

According to Schrage, the private sector in emerging markets is very suspicious of worker organizations: "[W]hat we have found is that when worker organizations and factory managers actually end up sitting down and talking, it is surprising how much common ground they find." He said that ignorance about the impacts of compliance on productivity and profit suggests the need for further research into competitive advantage. Alberto Paloni of the University of Glasgow noted that, on the other hand, noncompliance might give a competitive advantage to countries that compete in a globalized economy on the basis of low wages. This advantage is another reason for noncompliance that has not been emphasized enough but remains an important factor to consider.

In a follow-up comment, von Richthofen mentioned that the ILO is considering developing studies of how much noncompliance costs employers.

We have many reasons to believe that the permanent graft that employers have to pay to get away with [noncompliance], the low productivity, the poor quality, and many, many other factors ... add up to a higher common cost against the very reasonably compliant.

In his closing comments, Schrage said that one of the biggest lessons learned from initiatives such as those discussed in this workshop is that very careful consideration should be given to the consequences of implemented programs. The initiative to eliminate child labor from soccer ball production in Pakistan, for example, was successful in achieving certain objectives (reducing child labor) but there were unintended negative consequences associated with the program as well. Michaela Meehan said that some of the children removed from soccer ball production went into brick production, where working conditions are worse. In light of these experiences with mixed success, Schrage reiterated that considerable attention should be given to thinking through consequences in the implementation of programs.

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Appendix A

The Committee on Monitoring International Labor Standards (2002-2003) and National Research Council Staff

THEODORE H. MORAN (*Chair*), Marcus Wallenberg Chair, School of Foreign Service, Georgetown University, Washington, DC

JARL BENGTTSSON, Counsellor and Head, Centre for Educational Research and Innovation, Organisation for Economic Co-operation and Development, Paris, France

THOMAS DONALDSON, Mark O. Winkelman Professor, Professor of Legal Studies, The Wharton School of Business, University of Pennsylvania*

MARIA S. EITEL, Vice President and Senior Advisor for Corporate Responsibility, Nike; President, Nike Foundation, Beaverton, OR

KIMBERLY ANN ELLIOTT, Research Fellow, Institute for International Economics, Washington, DC

GARY FIELDS, Chairman, Department of International and Comparative Labor, School of Industrial and Labor Relations, Cornell University

THEA LEE, Assistant Director for International Economics, Public Policy Department, AFL-CIO, Washington, DC

LISA M. LYNCH, Academic Dean and Professor of International Economic Affairs, The Fletcher School of Law and Diplomacy, Tufts University

*Thomas Donaldson resigned from the committee in October 2002.

- DARA O'ROURKE**, Assistant Professor of Environmental Policy,
Department of Urban Studies and Planning, Massachusetts Institute
of Technology
- HOWARD PACK**, Professor of Business and Public Policy, The Wharton
School of Business, University of Pennsylvania
- EDWARD POTTER**, International Labor Counsel, U.S. Council for
International Business; Attorney-at-Law, McGuiness, Norris &
Williams, LLP, Washington, DC
- S.M. (MO) RAJAN**, Former Director, Labor and Human Rights,
Worldwide Government Affairs and Public Policy Department, Levi
Strauss & Company, San Francisco
- GARE A. SMITH**, Counsel, Foley & Hoag, Attorneys at Law,
Washington, DC
- T.N. SRINIVASAN**, Samuel C. Park, Jr. Professor of Economics,
Department of Economics, Yale University**
- AURET VAN HEERDEN**, Executive Director, Fair Labor Association,
Washington, DC
- HEATHER WHITE**, Founder and Executive Director, Verité, San
Francisco***
- FAHRETTIN YAGCI**, Lead Economist, Africa Region, The World
Bank, Washington, DC

Center for Education, DBASSE

Nevzer Stacey, *Study Director*
Linda DePugh
Margaret Hilton
Crispin Rigby
John Shephard
Monica Ulewicz

Division on Policy and Global Affairs

Peter Henderson, *Deputy Study Director*
Elizabeth Briggs
Stacey Kozlowski
George Reinhart
John Sislin

**T.N. Srinivasan resigned from the committee in May 2003.

***Heather White resigned from the committee in November 2002.

Appendix B

Workshop Agenda

Workshop on Human Capital Investment and International Labor Standards Compliance

February 27, 2003
National Academy of Sciences
2101 Constitution Avenue, NW
Washington, DC

8:30 a.m. – 8:50 a.m. Welcome—*Ted Moran*, Georgetown University
Michael Feuer, The National Academies
Introductory remarks—*Jarl Bengtsson*,
Advisor to OECD

Conceptualizing the Link Between International Labor Standards and Human Capital

8:50 a.m. – 9:10 a.m. Session Chair: *Jarl Bengtsson*
Ray Marshall, University of Texas and former
Secretary of Labor (by speaker phone)

9:10 a.m. – 9:30 a.m. *Gordon Betcherman*, The World Bank

9:30 a.m. – 9:45 a.m. A View from Capitol Hill—
Steve Moody, Office of Representative
George Miller

9:45 a.m. – 10:30 a.m. Discussion/Question & Answer

10:30 a.m. – 10:45 a.m. Break

Human Capital Investments Related to Child Labor

- Session Chair: *Mo Rajan*,
Independent Consultant
- 10:45 a.m. – 11:05 a.m. Universal Primary Education—
Raymond Torres, OECD
- 11:05 a.m. – 11:25 a.m. Targeted Enrollment Subsidies—
Deborah Levison, University of Minnesota
- 11:25 a.m. – 11:45 a.m. Nonformal Education—*David Stern*,
University of California, Berkeley
- 11:45 a.m. – 12:00 p.m. Discussant: *Drusilla Brown*, Tufts University
- 12:00 p.m. – 12:30 p.m. Discussion/Question & Answer
- 12:30 p.m. – 1:30 p.m. Lunch

Impacts of Education and Training on Core Labor Standards Compliance

- Session Chair: *Kimberly Elliott*, Institute for
International Economics
- 1:30 p.m. – 2:15 p.m. Panel Discussion
Workers *Roland Schneider*, Trade Union Advisory
Committee of the OECD
Business *Elliot Schrage*, Council on Foreign Relations
Government *Michaela Meehan*, U.S. Agency for
International Development
- 2:15 p.m. – 2:30 p.m. Break

Technical Assistance

- 2:30 p.m. – 2:45 p.m. *Michael Urminsky*, International Labour
Organization
- 2:45 p.m. – 3:00 p.m. *Wolfgang von Richthofen*, International Labour
Organization
- 3:00 p.m. – 4:00 p.m. Discussion/Question & Answer

Appendix C

Workshop Attendees

AUDIENCE PARTICIPANTS

Barsoti-Kaplan, Adriana
USAID

Freeman, Anthony
ILO

Bednarzik, Robert
U.S. Department of Labor

Giles, Anthony
NAFTA Commission for Labor
Cooperation

Busse, Matthias
Hamburg Institute of International
Economics

Kopelow, Lena
ILO

Charner, Ivan
Academy for Educational
Development

Lopez, Viondette
U.S. Department of Labor

Covington, Mary
ILO

Luinstra, Amy
The World Bank

Cranmer, Ziba
The World Bank

McClusky, Robert
USAID

Murtagh, E.J.
U.S. Department of Labor

Schoepfle, Gregory
U.S. Department of Labor

Orlando, Maria Beatriz
Center for Global Development

Shepard, Robert
U.S. Department of Labor

Paloni, Alberto
University of Glasgow

Swinerton, Kenneth
U.S. Department of Labor

Perlmutter, James
U.S. Department of Labor

To, Duc-Le
U.S. Department of Education

Rasa, Tanya
U.S. Department of Labor

Wolff, Lawrence
Inter-American Development Bank

Rigg, Gabriella
U.S. Department of Labor

Zollner, Anne
U.S. Department of Labor

Roe, Charlotte
U.S. Department of State

**COMMITTEE ON MONITORING
INTERNATIONAL LABOR STANDARDS**

Bengtsson, Jarl
Advisor to OECD

Lynch, Lisa
Tufts University

Elliott, Kimberly
Institute for International
Economics

Moran, Ted
Georgetown University

Rajan, Mo
Independent Consultant

Invited Speakers

Betcherman, Gordon The World Bank	Schneider, Roland Trade Union Advisory Committee, OECD
Brown, Drusilla Tufts University	Schrage, Elliot Council on Foreign Relations
Levison, Deborah University of Minnesota	Stern, David University of California, Berkeley
Marshall, Ray University of Texas (by phone)	Torres, Raymond OECD
Meehan, Michaela USAID	Urminsky, Michael ILO
Moody, Steve Office of Representative George Miller	von Richthofen, Wolfgang ILO

NRC Staff

Bissell, Richard National Academies	Hilton, Margaret National Academies
Briggs, Elizabeth National Academies	Reinhart, George National Academies
DePugh, Linda National Academies	Stacey, Nevzer National Academies
Feuer, Michael National Academies	Ulewicz, Monica National Academies
Henderson, Peter National Academies	

Appendix D

Invited Speakers' Biographical Information

Gordon Betcherman, a Canadian national, is a World Bank expert on labor standards and social protection. He joined the World Bank in August 1998 and is currently responsible for leading research, policy, and operational support activities in a variety of areas including industrial relations, core labor standards, labor law, active labor market policies, and support for unemployed workers. Prior to joining the World Bank, he was one of the leading researchers and policy analysts on employment issues in Canada where he held senior positions in think tanks and the private sector. He has published widely in the fields of labor economics and industrial relations and has been a frequent speaker and media commentator. Dr. Betcherman is a visiting fellow at the School of Policy Studies, Queen's University; director of the Canadian Policy Research Networks; and a member of the Statistics Canada Advisory Committee on Labour Statistics and the editorial board of the Canadian Business Economics Journal. He obtained his Ph.D. from the University of California, Los Angeles.

Drusilla Brown is an associate professor of economics at Tufts University. She has published extensively on international economic issues, including international trade and labor standards. Dr. Brown's recent research includes studies on the effects of multinational production on wages and working conditions in developing countries, the linkage of trade to labor standards, child labor and human capital, and multilateral and regional trading arrangements. Her research activities have been supported by the Japan Foundation, the Ford Foundation, the National Science Foundation,

and the U.S. Agency for International Development (USAID). She holds a doctorate in economics from the University of Michigan.

Deborah Levison is an economist and demographer; much of her research focuses on the work and schooling of Third World children in the context of the household. Recent projects include analyses of microdata from surveys in urban Brazil and Egypt. She has also worked on projects examining child work in India from an industry perspective. Other research areas include child care and women's employment. She earned a doctorate in economics from the University of Michigan, where she also trained at the Population Studies Center. She spent two years as a postdoctoral fellow at Yale University's Economic Growth Center before joining the University of Minnesota in 1992. She is an associate professor at the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs.

Ray Marshall currently holds the Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs at the University of Texas, Austin, and is president of Ray Marshall, Inc., a research and consulting firm. He served as U.S. Secretary of Labor under President Jimmy Carter. He has a Ph.D. in economics from the University of California, Berkeley, and honorary degrees from Rutgers University, the University of Maryland, Millsaps College, St. Edward's University, Bates College, Tulane University, Cleveland State University, and Utah State University. He has also held positions on the U.S. State Department Advisory Council on Labor Diplomacy and the Council on Foreign Relations. Board memberships include National Center on Education and the Economy (chair), Industrial Relations Research Association (national president, 1976–1977), National Alliance of Business, and American Economic Association and Labor Advisory Board of the American Income Life Insurance Company. Dr. Marshall has served on a number of task forces and commissions concerned with labor and economic policy. Some of the most recent include chair of the Austin Equity Commission; co-chair of the Commission on the Skills of the American Workforce; member of the Clinton Administration's Commission on the Future of Worker–Management Relations (chair of the International Working Group); the Council on Foreign Relations' Task Force on International Financial Architecture; and chair, Carnegie Corporation of New York's Action Council on Minority Education.

Michaela Meehan is the senior labor advisor for USAID attached to the Office of Democracy and Governance. In this capacity, she is responsible for advising on all labor-related policies and the implementation of

labor programs throughout the developing world. Immediately prior to joining USAID, Ms. Meehan was the deputy director of technical cooperation at the U.S. Department of Labor's Bureau of International Labor Affairs. During her tenure at the Department of Labor, Ms. Meehan's portfolio at times included corporate social responsibility, national skill standards, and core labor standards. She has a B.A. in international relations from Brown University and an M.A. in management from Brandeis University.

Steve Moody is a legislative assistant for Congressman George Miller, Ranking Member of the Education and Workforce Committee. Mr. Moody covers international relations, national security, health, and other issues for the congressman. Last spring, he visited Ecuador on the congressman's behalf to investigate claims of labor rights abuses in the Ecuadorian banana industry. In August 2002, he accompanied Congressman Miller to Johannesburg for the World Summit on Sustainable Development. Mr. Moody has an undergraduate degree in international relations from the College of William and Mary and an advanced degree in American history from George Mason University.

Roland Schneider is currently senior policy advisor at the Trade Union Advisory Committee (TUAC) to the Organisation for Economic Co-operation and Development (OECD) in Paris. TUAC is the interface for labor unions with the OECD. It is an international trade union organization with members in all OECD countries. TUAC has consultative status with the OECD and its various committees. Following an apprenticeship as a toolmaker, Mr. Schneider completed studies in mechanical engineering as well as in political science. From 1981 to December 1985, he conducted research projects at the Economic and Social Research Institute of the German federation of trade unions (DGB), located in Duesseldorf. In 1986 he joined the DGB as head of the department of new technology and humanization of work. At TUAC, which he joined in 1998, he works on employment, labor market, and social policy issues as well as education and training issues.

Elliot Schrage is a lawyer and business strategist with extensive experience working on private corporate matters and public policy issues. He currently serves as adjunct senior fellow in Business and Foreign Policy at the Council on Foreign Relations, where his work focuses on the growing role of U.S. courts in holding multinational companies accountable for human rights abuses arising from globalization. Prior to his appointment, Mr. Schrage served as senior vice president of global affairs for Gap Inc., with responsibility for government affairs, corporate communications, and

corporate social responsibility. Before joining Gap, he served for 10 years as managing director of the New York office of Clark & Weinstock Inc., a public policy and management consulting firm. Mr. Schrage has represented a wide variety of U.S. and foreign corporations in international transactions and served as consultant to several multinational corporations and trade associations, helping them draft corporate human rights “codes of conduct” and design programs to enforce them. As adjunct professor at Columbia University Business School and Columbia Law School, he teaches a seminar that explores the social consequences of economic globalization. He has written and spoken widely on this and related topics before corporations, foundations, and trade associations. A member of the Council on Foreign Relations, Mr. Schrage has served on the American Association for the Advancement of Science’s Committee on Scientific Freedom and Human Rights and on an advisory committee of the U.S. Department of Treasury. His board experience includes the Harvard Law School Association of New York (trustee), the International League for Human Rights (director), and the Medicare Beneficiaries Defense Fund (director).

David Stern is professor of education at the University of California, Berkeley. From 1995 to 1999, he served as director of the National Center for Research in Vocational Education, based at Berkeley’s Graduate School of Education. From 1993 to 1995, he was principal administrator in the Center for Educational Research and Innovation at the OECD in Paris. Since 1976, he has been on the faculty at Berkeley, teaching and conducting research on the relationship between education and work and on resource allocation in schools. Dr. Stern is the lead author of several books. The most recent include *School to Work: Research on Programs in the United States* (with N. Finkelstein, J. Stone III, J. Latting, and C. Dornsife, 1995); *School-Based Enterprise: Productive Learning in American High Schools* (with J. Stone III, C. Hopkins, M. McMillion, and R. Crain, 1994); and *Career Academies: Partnerships for Reconstructing American High Schools* (with M. Raby and C. Dayton, 1992). He is also lead editor of *International Perspectives on the School-to-Work Transition* (with D. Wagner, 1999); *Active Learning for Students and Teachers* (with G. Huber, 1997); *Market Failure in Training* (with J.M.M. Ritzen, 1991); and *Adolescence and Work: Influences of Social Structure, Labor Markets and Culture* (with D. Eichorn, 1989).

Raymond Torres is head of the Employment Analysis and Policy Division in the Directorate for Employment, Labour and Social Affairs of the OECD. Before joining the OECD, he was assistant professor of microeconomics at University of Paris I. He has worked as an economist in

the Economics Department of OECD, notably as co-author of the annual economic review of Spain. In 1997–1999, he joined the International Labour Organization (ILO) as head of the Task Force on the Social Dimensions of Globalisation. He has produced several studies and articles on a variety of economic and social issues, notably trade and labor standards and employment policies and economic growth.

Michael Urminsky is an official with the ILO's Multinational Enterprises Programme. During his six years with the ILO, he has specialized in the employment and labor dimensions of multinational enterprises and conducted research in areas such as international labor standards and corporate policy, accreditation and certification of labor standards, corporate social disclosure, and various other topics in the field of corporate social responsibility. He has also overseen the development of management training materials on the Fundamental Principles and Rights at Work for managers, and he oversees the testing and implementation of these materials. Prior to joining the ILO, he worked with human rights organizations such as Amnesty International Canada and conducted field research on human rights and development in Vietnam. He holds a postgraduate degree from the University of Essex's Human Rights Center where he specialized in economic relations and human rights.

Wolfgang Freiherr von Richthofen studied law, economics, political science, and Indonesian anthropology at Berlin, Bonn, and Heidelberg universities in Germany, and became a Barrister-at-Law at the High Court of Berlin in 1973. His professional career over the past 20 years has included the post of deputy director, Center for Socio-Economic Development, German Foundation for International Development, Berlin, and, in the ILO, senior labour administration specialist, former Labour Administration Branch, and coordinator, Development of Inspection Systems, SafeWork–ILO InFocus Programme on Safety and Health at Work and the Environment. Over the years, he has been the author and editor of, and contributor to, numerous publications on labor inspection. He is a Member of the Jury of the StGB Work, Safety and Health Award in Germany. He is principal lecturer on labor inspection at the African Regional Labour Administration Centre, Harare, Zimbabwe, and also acts as visiting lecturer on comparative labor protection at Hanover University, Germany, and on labor administration at the Department for Extramural Studies (Ruskin College), Oxford University, United Kingdom.