

# A view of labor ministries in other nations

*Differing political and economic climates  
have shaped a variety of agencies  
to deal with labor issues  
in industrial, developing, and Communist countries*

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The U.S. Department of Labor, now marking its 75th anniversary, has counterparts in more than 150 countries. But the scope and nature of these labor ministries differ substantially from those of the U.S. agency that was established in 1913. This article looks at labor agencies in various economic and political settings and compares them with the U.S. Labor Department.

## What labor ministries do

As used here, the term "labor ministry" refers to the agencies of government (only infrequently called "departments") which deal with the bundle of functions related most directly to the interests of workers as producers.

In most industrial countries, as in the United States, one of the earliest manifestations of government involvement has been in the area of *labor statistics*, both because governments see the need to monitor events that are the basis for determining policies and because reformers who act on behalf of the disadvantaged demand factfinding from government.

Another labor issue of prime interest to government is *employment*, including job planning, estimating labor supply and demand, alleviating unemployment and underemployment, assisting employers and workers to adapt to fluctuations in job requirements through appropriate apprenticeship, training, migration, and relocation policies, and helping disadvantaged groups such as minorities and the physically handicapped.

Governments also are drawn into the *labor standards* area, where they formulate and enforce conditions of pay and working hours, regulate child labor, and enforce

standards in such areas as occupational safety and health and workers' compensation. It is in this area that the responsibility most frequently requires inspection and investigation.

Although the extent of *social insurance programs* varies greatly, most governments either enact laws or at least oversee practices governing old age insurance, unemployment benefits, preventive medicine, and health insurance.

Finally, *industrial relations* must come to the attention of governments, at least to the extent of ensuring the degree of industrial peace needed for the smooth operation of the economy. Depending on general political and economic conditions, and on the power of labor and employer groups, governments may reach beyond mediation and conciliation functions. Except for Great Britain and the United States, most countries also regulate the actual outcome of collective bargaining. The scope of legislation in recent years frequently included encouraging and assisting labor-management cooperation programs.<sup>1</sup>

To carry out these functions, most governments go beyond their immediate staffs and consult advisory groups and experts from industry and academia, as well as other technical specialists. And, when controversial questions arise, governments frequently call on tripartite agencies to make the decisions. The decisions are carefully monitored by interest groups, which—when dissatisfied—sometimes seek to return to governments the decisionmaking authority granted to the tripartite agencies.<sup>2</sup>

## Political and economic environment

Labor ministries are instruments of government, and are created in response to pressures on governments. In the United States, a history of effort by social reformers and trade unionists led to the establishment, first of the

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Bureau of Labor Statistics, and then the Department of Labor. From its very beginning, the Labor Department's functions, although quite limited, were protective of working people.

Political, economic, and social conditions differed sharply in other countries which had more limits on voting rights, greater poverty, a more rigid class structure, and lacked an open frontier. The trade unions and their associated labor and Socialist parties were relatively more powerful in Europe and often battled for total political power, rather than simply the creation of a "ministry." In this, they emulated European employers who gained political power as far back as the Elizabethan period and long had used the state to further their interests.<sup>3</sup>

Labor policies cannot be administered in a vacuum. Desirable policies may be impractical, and, conversely, undesirable policies may have to be accepted as necessary. The United States, for example, has found wage policies to be ineffective when prices could not be controlled. And other countries, finding their economic plans to be unrealistic because of worker shortages, became dependent on immigration which, in turn, caused other problems.

In comparing labor ministries, it is most useful to do so in terms of the two major determinants of a country's labor policy and practice—its political system and the stage of its economic development. This defines three major groups of countries: (1) the relatively well-developed market economies of the democratic world in Western Europe, the United States and Canada, Japan, Australia, and New Zealand; (2) the industrially less-developed economies consisting largely of the newly independent former colonies of some Western European countries; and, (3) the nonmarket Communist Party-controlled economies of the Soviet Union, the People's Republic of China, and associated countries.

### **Democratic market economies**

As the birthplace of the Industrial Revolution, Great Britain is a good place to begin a review of how the modern state administers labor matters. Britain's social situation, combined with the class consciousness of both employers and workers, led to only a minimal role for government in developing a full, constructive labor program.

During periods of severe economic distress or during emergencies, British governments did address labor problems more actively, but were only partially successful in solving them. In the industrial relations field, alternate victories by Labor and Conservative Governments have not achieved consensus or compromise; they have more often simply substituted one extreme policy for another. In such other fields as training, apprenticeship, and

scientific development in the post-Sputnik era, better results were achieved, but the accomplishments did not match those of most other industrial countries.

Sweden has developed innovative programs which go beyond mere reaction to emergencies. The most far-reaching gives the Swedish National Labor Market Board the responsibility for achieving a balance between worker supply and demand. This Board initiates training, vocational guidance, and rehabilitation programs; payments to workers threatened with layoff; financial support for public works undertaken by their national or local government; and wage subsidies for companies creating new employment, especially in areas where the government has decided that social or defense policy requires new employment.

The Board's decisions are accepted by all concerned because of the general stability of Swedish society and because the Board consists of eleven members, six representing labor and one each representing management, women, and farmers, plus a director and deputy director.

It is this participation in the Board's decisionmaking process that leads to the general acceptance of its other major activity: monitoring wage and price changes. The Board's extensive (and expensive) labor market policies could have serious inflationary effects without price and wage controls. A centralized collective bargaining system, in combination with effective discipline within the trade union and employer groups ensures that the bargaining results will fall within the board's established guidelines.

The administration of labor functions in Austria has reached a stage similar in many respects to that in Sweden. In Austria, however, policy consensus was forced on the country during the four-power military occupation that followed World War II.<sup>4</sup> Strong trade union and employer organizations disciplined their constituents into accepting a wage-price policy which ensured noninflationary growth. Under a tripartite agreement, labor acceded to moderate wage demands, industry agreed to curtail price increases, and the government promised to reduce tariffs and control monopolies.

If we think of Great Britain as being at one extreme in a continuum of degrees of State intervention in labor-management relations—that is, with employers and unions having the greatest freedom to determine both the procedure and content of collective bargaining—then Australia and New Zealand are at the other extreme. For it is in those two countries that novel systems of supplementing collective bargaining with compulsory arbitration were instituted at the turn of the century.

But these systems, under which independent commissions arbitrate among government, employer, and trade union proposals, has resulted in considerable dissatisfaction: Governments claim that commission decisions generally feed inflation; trade unions charge that they

unfairly limit the unions' economic power; and employers complain that they raise employment costs without reducing strikes. Yet, none of the parties wish to do away with the system because it is "the Devil they know."<sup>5</sup>

In Japan, under General Douglas MacArthur's proconsulship, the U.S. occupation after World War II sought to fashion labor policies in the image of those in the United States. At the same time that the U.S. National Labor Relations Act was under critical scrutiny, with the objective of limiting some of the rights given workers under its terms, the American forces in Japan took an opposite course in that country.<sup>6</sup>

Japan's new labor ministry became practically a carbon copy of the U.S. Department of Labor. It soon became apparent, however, that indigenous factors argued for making changes in Japan's complex system of laws and administration. The changes began as early as 1947, with the perceived need to limit strikes in the public sector. The inability of the Japanese social and economic structure to adapt to some of the elements of the U.S. industrial relations system, together with the Japanese Government's desire to fashion its labor practices so as to ensure a successful economic program, has resulted in a structure of labor administration which may seem strange by U.S. standards but fits Japan's current needs. Thus, Japan has retained ministerial functions in such fields as wages and hours, safety and health standards, welfare, protection for women and youth, and statistics. But Japan has also instituted an active labor market policy which contributes to its success in international trade competition.

### **Developing countries**

The United Kingdom has had a profound and lasting influence on the structure, legal system, and methods of operation of the labor ministries of its former colonies and dependencies.<sup>7</sup> In the smaller colonies, British officers themselves handled labor inspections, labor exchanges, regulation of unions and industrial relations procedures, labor standards, and disputes settlement. In India, because of its size and its relatively large Western-educated elite, Great Britain concentrated on establishing the Indian civil service, including a number of indigenous labor specialists who were to become the staff of labor and other ministries after independence.

Similarly, the United States had significant influence on the labor policies of the Philippines. Yet, that country opted for a system of compulsory arbitration rather than a collective bargaining system, as the United States would have preferred. Compulsory arbitration conformed to the legal procedures inculcated in Philippine society during 3½ centuries of earlier Spanish rule. In most other respects, however, the Philippines labor administration is much more like that of the United States.<sup>8</sup>

The United States also helped shape labor policies and institutions in Europe and Japan through its post-World War II military occupations, in Greece and Turkey under the Truman Doctrine, and later in most of Western Europe under the Marshall Plan. The United States provided assistance in terms of both funds and personnel; staff of the U.S. Government, as well as that of the trade union movement participated. But the U.S. effort to aid "early stage" developing countries during the last few decades has been much less successful.

The labor aspects of industrial development became the responsibility of the labor ministries in the newly independent States and had to be dealt with rapidly because of the political impatience and dire economic needs of the population. But this task was more massive and difficult than that of European reconstruction; it involved not simply rebuilding a destroyed industrial complex, but the more difficult mission of creating, in former colonies, a political infrastructure capable of recruiting and training the needed labor force.

Labor ministries have great difficulty administering labor standards policies because political leaders of a newly independent country are under pressure to show practical results. Within the International Labor Organization (ILO), pride impels these countries to support adoption of labor standards instruments which may be unrealistic in terms of their domestic situations, and cannot realistically be enforced.

When such anomalies are called to the attention of labor ministry officials, they offer a reasonable explanation: The existence in law of an unenforced standard provides a goal for striving to attain and constitutes a weapon to be used by the minister within the cabinet and by the permanent civil servants in their bureaucratic battles for turf and budget.

Nevertheless, the need for investment is so great in these "early stage" developing countries, that it is not unusual for labor ministry officials to encourage investment from abroad with implicit offers not to enforce labor standards.

There is another factor to consider with respect to labor standards: In industrially developed countries, standards regarding safety and health, workers' compensation, and minimum wages often are cost-effective in the long run. In the "early stage" developing countries, this cannot be seen, largely because of the state of the economy and the health of the people; it is too tempting to the normal employer to accept the short-term advantage of having lots of unemployed workers available to replace active workers who become sick or are injured.

In one respect, labor standards practices are more generous in "early stage" developing societies than elsewhere. In the face of barely subsistence wages, employers generally award bonuses in accordance with local custom or legislation. The bonuses amount to as much as a month's wages, and are paid during a major holiday period to

provide workers with money for buying gifts. Also, significantly large provident funds are sometimes awarded to employees upon retirement, permitting them to live comfortably without working, or to buy a home, or to open a small business.

Perhaps the greatest dilemma confronting the "early stage" developing country in the labor field concerns industrial relations. In many cases, the movement which had gained freedom from colonial domination was led by trade unionists, so there is a political debt to be paid. In fact, some of the earliest post-independence national leaders had trade union credentials (Gandhi in India, Sekou Toure in Guinea, Nkrumah in Ghana, and Lee Kwan Yew in Singapore, are a few that come to mind), so there is an understandable desire for these countries to maintain a firm political base in the trade union movement by supporting demands for higher wages. On the other hand, the newly independent entity must have effective authority to encourage foreign aid and investment, as well as to maintain firm political control. Thus begins the effort to achieve noninflationary growth while minimizing interference with trade union rights and effective collective bargaining.

The results have not been promising, and there have been more cases in which the state's development program has taken precedence over free trade unionism than the reverse. A limited number of experiments with workers' participation programs have shown signs of progress, but only where the employers have genuinely been willing to share the costs of contributing to overall development plans.

The least controversial area of labor ministry operations in developing economies clearly has been in labor statistics, where the desire for information is universal, and the only limitations on progress have been caused by lack of funds or the absence of qualified staff. This is another instance in which the ILO's assistance program has been useful, especially because the ILO needs comparative statistical data for its own programs.

### **Communist-controlled countries**

The major difference between the administration of labor policies in the Communist-controlled countries and that in other countries is that the theoretical base for organizing and administering the labor market is so rigid in Communist countries that any adjustment threatens the power structure.<sup>9</sup> The changes occasionally introduced or experimented with, both with respect to a freer labor market and improved labor conditions have not corrected the basic flaws in the system of labor administration; the flaws have simply been covered with words. Hungary is an example of relatively effective introduction of market economy steps, but the government there has maintained a rigid control over labor. And, when tenta-

tive steps have been permitted in the direction of labor freedom, as in Poland, a crackdown is soon deemed necessary.

The body of labor legislation and practice in the Soviet Union (and with minor differences in other Soviet Bloc countries) is as large as it is in other countries. Laws exist covering hiring, dismissal, wages and hours, labor disputes, collective agreements, safety and health, workers' compensation, social insurance, training, and so forth. The enforcement of any of these laws may be extensive, but is subject to the institutionalized oversight of the Communist Party. That is, beyond the normal situation in any other type of society—where laws may be subject to selective enforcement on the basis of individual maneuver, personal influence, favoritism, bribery, and so forth—in the Soviet system, official Party policy ultimately decides all, and no challenge to that authority is permitted.<sup>10</sup>

None of the recent changes in China's political posture has indicated a shift in its similarity to the Soviet Union's system of controlling labor administration. The substantive regulations covering the operation of the labor market is changing in some respects, but the importance of the Party remains a constant factor.

### **Providing and receiving assistance**

In the 1930's, the United States was on the receiving end of international assistance, with many foreign experts helping to establish the U.S. Social Security system. Since World War II, with the internationalization of the world's economy and the increased scope of America's interests abroad, the Department of Labor itself has been engaged in a variety of assistance efforts.

Beginning with the military occupation programs in Europe and the Far East and continuing later with the economic assistance programs in all parts of the world, there frequently were situations in which labor problems inhibited the progress of entire programs, or in which the prospects for the success of such programs could be enhanced if more attention was given to labor considerations. In these circumstances, the Department of Labor was often called upon to provide help.

The type of international assistance given by the Labor Department has been as varied as the scope of its domestic activities. Mainly, assistance has involved the training of personnel in the development and administration of labor policies and practices in all aspects of industrial relations, in labor standards regulation and enforcement, in worker training and allocation, or in labor statistics.

The assistance has also varied depending on the need and the availability of expertise. Staff members have been assigned abroad for short periods or have been seconded for longer assignments to other U.S. Government agencies (or to such international agencies as the ILO);

individual foreign leaders have been invited to meet with counterparts in the United States; and groups have been brought to the United States for training. One of the longest ongoing assistance programs has been that offered in the field of labor statistics where, each year, foreign statisticians are offered the opportunity for detailed training in the Bureau of Labor Statistics.

Currently, the Department continues to share its experience with foreign groups brought here under the auspices of

the Agency for International Development (AID), as well as with individual leaders sponsored by the U.S. Information Agency (USIA); occasionally, it is able to meet requests for staff members to engage in AID or USIA programs overseas. It also participates in the variety of multilateral labor programs of the ILO and the Organization for Economic Cooperation and Development. On a bilateral basis, the Department sponsors ministry-to-ministry consultations with a number of its counterparts abroad. □

—FOOTNOTES—

<sup>1</sup>The International Labor Organization has issued a series of publications providing details of the origin and functioning of labor ministries. See International Labor Conference, 36th Sess., *Record of Proceedings, 23rd Sitting* (ILO, Geneva, 1953), pp. 284–87, 419–22; Michel Wallin, *Labour Administration: Origins and Development* (Geneva, International Labor Organization, 1976); International Labor Conference, 61st Sess., *Report V(1), Labour Administration* (Geneva, International Labor Organization, 1976); and J.I. Husband, *Labour Administration* (Geneva, International Labor Organization, 1980).

<sup>2</sup>For a discussion of the function of labor representation in government, see Jack Barbash, *Trade Unions and National Economic Policy* (Baltimore, Johns Hopkins Press, 1972), pp. 190–93.

<sup>3</sup>W. Stanley Jevons, *The State in Relation to Labour*, 2d. ed. (London, Macmillan and Co., 1887). Other observations by Jevons are of interest today. After searching back to Elizabethan times, he concluded:

. . . the great lesson which we learn, and it is an impressive one, is that legislation with regard to labour has almost always been class-legislation. It is the effort of some dominant body to keep down a lower class, which had begun to show inconvenient aspirations. (p. 166)

. . . [under the Elizabethan Statute of Labourers] hours of labour were prescribed, not, as in our Factory Acts, by way of limitation, but by impression . . . Thus [from mid-March to mid-September] the legal day's work was to be twelve hours at the least. (pp. 33–34)

Jevons studied other forms of such “interference,” including factory inspection, trade union regulation, the concept of industrial conspiracy, cooperation and industrial partnership, and arbitration and conciliation. He points to the seemingly contradictory nature of his own views as he has presented them—condemning the “slavery” of the apprenticeship system, for instance, yet supporting the State’s protective legislation as exercised in the Factory Acts—and explains such seeming paradoxes as being only superficial:

The subject is one in which we need above all things—discrimination. Restrictions on industry are not good nor bad *per se*, but according as they are imposed wisely and with good intentions, or foolishly, and with sinister intentions.

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We must neither maximise the functions of government at the beck of quasi-military officials, nor minimise them according to the theories of the very best philosophers. We must learn to judge each case upon its merits, interpreting with painful care all experience which can be brought to bear upon the matter. (pp. 165–66)

<sup>4</sup>A number of events helped shape labor developments in Europe: (1) the harsh Nazi occupation and internment practices which served to build a unified underground movement in a number of countries, where diverse religious, social, and class groups were brought together in common misery and for a joint purpose; (2) U.S. Marshall Plan assistance, with its requirement that recipient governments follow certain standards of progressive labor policies; and (3) the insistence of Communist-controlled unions following the Soviet Union’s policies of opposing Marshall Plan aid and, thus, helping overcome Socialist, Catholic, and other doctrinal differences among non-Communist unions.

<sup>5</sup>W.R. Dymond, Nils Kellgren, and Morris Weisz, *Manpower Policy in Australia* (Paris, Organization for Economic Cooperation and Development, 1975), pp. 54–58.

<sup>6</sup>See *Labour Administration in Japan* (Tokyo, Ministry of Labour, 1980), p. 5:

The essence of the Allied Powers General Headquarters’ policy for Japan was promotion of complete democratization of the country. As one facet of this policy, a concentrated program of fostering and protecting the growth of trade unionism was pushed.

The right of the workers to organize, to bargain and act collectively is guaranteed under the new Constitution. Further, with the establishment of the Trade Union Law (1946), and the Labour Relations Adjustment Law (1946), new labour-management rules were formulated and union activity developed rapidly thereafter.

<sup>7</sup>Interesting details of the types of assistance and control exercised by the home government, sometimes indirectly through the British Trades Union Congress, appear in three publications: Colonial Office, *Labour Supervision in the Colonial Empire, 1937–1943*, Colonial No. 185 (London, His Majesty’s Stationery Office, 1943); Colonial Office, *Labour Administration in the Colonial Territories, 1944–1950*, Colonial No. 275 (London, His Majesty’s Stationery Office, 1951); and Central Office of Information, *Labour in the United Kingdom Dependencies*, R.F.P. No. 3317 (London, His Majesty’s Stationery Office, 1956).

<sup>8</sup>Johannes Schregle, *Negotiating Development: Labour Relations in Southern Asia* (Geneva, International Labour Organization, 1982), p. 39.

<sup>9</sup>See *Rules of the Trade Unions of the U.S.S.R.* (Moscow, Trade Union Publishing House, Profizdat, 1959). Some excerpts illustrate the nature of Party-trade union relationships:

The Soviet trade unions conduct all their activities under the guidance of the Communist Party of the Soviet Union, the organizing and directing force of Soviet society. The trade unions of the U.S.S.R. rally the masses of workers and other employees around the Party and mobilize them for the struggle to build a communist society. (p. 7)

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The central task of the trade unions is to mobilize the masses for the work of greatly advancing all the branches of national economy, further strengthening the economic might and defensive power of the Soviet Union, fulfilling and overfulfilling the national-economic plans . . . (p. 8)

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The trade unions are built up on the principles of democratic centralism, which means that (a) all trade-union bodies from the bottom up are elected by the membership and are accountable to them; . . . (d) lower trade-union bodies are subordinate to the higher ones. (p. 22)

<sup>10</sup>See Michel Wallin, *Labour Administration*, pp. 13–14: “On 3 June 1933 the Central Executive Committee of the USSR issued an order for the amalgamation of the Commissariat [Ministry] of Labour of the USSR and all its local organs, including the social insurance authorities, with the Central Council of Trade Unions and its local organs, and the transfer to the Council of the functions of the Commissariat. The unions were already responsible for enforcing legislation and implementing labour policy.”