

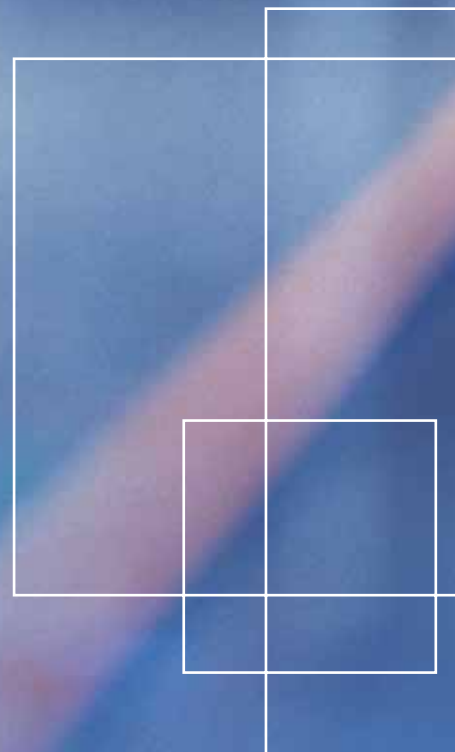


International
Labour
Organization

Working Out of Poverty

A Decent Work approach to reaching
the Millennium Development Goals

Poverty remains deep and widespread across the world. How can the international community tackle this problem which fosters unfair globalization, discrimination and erodes personal dignity and cohesion in the community? In this summary, **ILO Director-General Juan Somavia**, sets out his vision that the sustainable route out of poverty is productive and decent work and explains what can be done to realize this goal.



The Decent Work Dividend

The persistence of poverty is a moral indictment of our times.

For individuals, poverty is a vicious circle of poor health, reduced working capacity, low productivity, and shortened life expectancy. For families, it leads to the trap of inadequate schooling, low skills, insecure income, early parenthood, ill health and an early death.

For societies, poverty hinders growth, fuels instability, and keeps poor countries from advancing on the path to sustainable development. It breeds a growing sense of powerlessness and indignity, of being unable to think, plan or dream beyond the daily struggle to simply survive

But there is another face to poverty. People living in conditions of material deprivation draw from enormous reservoirs of courage, ingenuity, persistence, and mutual support to keep on the treadmill of survival. Simply coping with poverty demonstrates the resilience and creativity of the human spirit.

Imagine where their efforts could take them with the support and possibilities to move up a ladder of opportunity. Our common responsibility is to help put it there.

We must look at this challenge through the eyes of people and respond to their hopes and needs. Women and men want a global system that enables people themselves to work out of poverty in freedom and dignity. They want a global system that ignites the power of people to organize and create livelihoods that meet the needs of all families without compromising the prospects of future generations. They want a global system that regains its balance through solidarity.

Yes, it takes resources. But resources are not just money. It is also the conviction to act, the belief that a better society is possible, the sense of solidarity, the decision not to be morally indifferent to the plight of others. The biggest resource all of us have is within ourselves. It is the values we hold dear.

And so we know people must be the principal driver. People as creators of life and communities. People as caregivers and receivers. People as workers, consumers, and entrepreneurs. People as savers, investors, producers and employers. People as inventors and generators of knowledge. People as citizens and organizers.

The ILO has developed an agenda for the community of work represented by its constituents to mobilise its considerable resources of energy and creativity and put them to the service of the concerted global drive to eradicate poverty.

This strategy is about rights, dignity and a voice. It is about helping women and men join the economic mainstream and build assets and a better life. It is about creating wealth and markets and transforming today's marginalized people into tomorrow's consumers. It is about building an enabling environment for investment and growth.

It is about recognizing that we do not have a person to waste and everyone deserves a decent standard of living and the chance to contribute to the common

good. Ultimately, it is about the economic, social and political empowerment of people.

Wiping out poverty represents the biggest challenge to multilateralism today. As the multilateral system continues to be put to the test on classical security issues, we simply cannot fail on issues of human security. If there is one single way to reaffirm legitimacy of the multilateral system, it is to come together to meet this challenge.

Cynics may thrive on deriding such efforts as unrealistic. “Poverty will always be with us,” they tell us piously. Yet, we know that in their time, cynics said the same thing about slavery, apartheid, the Berlin Wall, women’s right to vote, and so many other systems of social inequity.

Work and the Life Cycle of Poverty

Poverty remains deep and widespread across the developing world and some transition countries.

There is a trend towards a reduction in material measures of poverty in China and some other parts of Asia but not in the poorest continent Africa.

There is a general recognition that poverty is multi-faceted and includes important but hard to measure features such as discrimination and the loss of a sense of personal or community pride.

On current trends, and despite a growing campaign to achieve the MDGs, poverty is still likely to be extensive in 2015 and higher than targeted by the UN led effort.

For most people, work is the main and often only way to get out and stay out of poverty.

Analysing poverty from the perspective of the lack of decent work, and the difficulty of people living in poverty to find opportunities to earn a decent living, is revealing.

By looking at the life cycle of people living in poverty, we can identify some of the main reasons why people become trapped in a vicious cycle of multiple deprivations. Therefore we need to focus on: -

- ◆ Child labour and school attendance.
- ◆ Youth unemployment.
- ◆ Gender inequality.
- ◆ Rural work and agriculture.
- ◆ Insecure livelihoods in urban informal economies.
- ◆ Poor health and hazards at work.
- ◆ Poverty and the elderly.

From this analysis we can develop the foundations of a decent work approach to strategies for the reduction of poverty.

The three policy challenges are:

- i. Increasing the demand for labour and raising the productivity and incomes of people living and working in poverty;
- ii. Integrating socially excluded communities into the labour market and overcoming discrimination particularly against women and girls;
- iii. Improving the terms on which developing countries trade with richer countries and obtain investment finance.

An integrated effort in these three areas holds the potential of creating a virtuous cycle in which improving the earning power and productivity of the poor removes a restraint on the overall capacity of the economy and ensures that growth is pro jobs and pro poor.

Strong community level action, responsive to local needs, backed up by a supportive framework of laws and public policies is a basic building block for progress.

Community Action for Decent Work and Social Inclusion

The ILO has considerable practical experience of community actions that create more and better jobs for women and men living in poverty and increase the chances of securing a life free from deprivation.

The main policy tools developed by the ILO focus on the interaction between training, investment, enterprise, finance and social inclusion policies as means for addressing the priorities of communities living in poverty.

Breaking cycles of poverty through action to promote decent work opportunities and social inclusion has led the ILO to develop policy instruments in the following areas:

- ◆ Training and Skill Development
- ◆ Investing in Jobs and the Community
- ◆ Micro and Small Businesses
- ◆ Micro-Finance
- ◆ Cooperatives
- ◆ Social Security
- ◆ Hazards at Work
- ◆ Eliminating Child Labour
- ◆ Overcoming Discrimination

Skill development is central to raising the earning power and productivity of working people living in poverty.

Labour intensive investments yield increased incomes for workers and provide public goods vital to increasing income earning prospects for poor communities.

By improving job quality and productivity, increasing economic opportunities for women and other marginalized workers, and promoting association building by employers and workers in the informal economy, ILO programmes unlock the potential for creating more and better jobs in micro and small enterprises.

Support to micro finance institutions fills a gap in the provision of finance for small-scale investments and the credit needs of people with low and irregular incomes.

Co-operatives of various types build mutual support mechanisms that foster opportunities for decent work and social inclusion, which in turn builds up the capacity of poor communities to increase their control over their livelihoods.

Social security is an instrument that can enhance productivity and support sustainable social and economic development and should be extended progressively to the poorest in developing countries through an integrated mix of schemes as the administrative capacities and economic resources of the country grow.

Hazardous working conditions, to which the poorest are particularly exposed, harm workers' health, diminish productivity and damage livelihoods, but can be reduced by low cost investments stimulated by improved application of stronger laws and building the capacity of employers and workers organisations to promote safe working practices.

Programmes aimed at the withdrawal and rehabilitation of children from the labour market are essential, but need to be part of policies to curb and prevent both the supply of and demand for child labourers within a broader development framework that includes stronger laws to stop the worst forms of child labour.

Discrimination based on race, caste, ethnic origin, skin colour, religion, gender, sexual orientation, health status and disability is an underlying feature of poverty. Gender inequality is pervasive and invariably impacts most severely on women who are poor. The ILO's focus is to ensure that equal access to work productively in decent conditions is a central feature of strategies to overcome social exclusion.

The ILO portfolio of policy advice includes a range of interventions that act directly on the quantity and quality of jobs for the poor and the main expressions of social exclusion. Local trade union, employer and community organisations are essential partners. However, spreading and replicating successful projects on the scale needed to reduce poverty substantially requires a focus on creating an enabling environment for strengthening institutional capacity across the developing world.

Sustainable Pro-Poor Growth and the Governance of the Labour Market

A wide process of institutional change is needed to create the conditions in which businesses, trade unions, co-operatives, communities and public authorities together act to overcome exclusion and discrimination and open opportunities for productive and decent work.

The quality of the institutions that constitute the governance framework for labour markets is central to strategies to promote productivity, growth and sustainable development and ensure that poverty is reduced and eventually eradicated, but is often neglected.

A successful strategy for strengthening the governance of labour markets must recognise that they are different from other markets because they concern people. The basic difference, as asserted in the ILO's Constitution, is that people are not commodities and have a right to be treated with respect.

An important and long-standing pillar of the work of the ILO is the discussion and definition of principles that governments, employers and workers can use to help them design labour market systems that incorporate benchmarks of fairness.

The values expressed in the ILO Declaration on Fundamental Principles and Rights at Work form part of the freedoms that are both a primary end and a principal means of development. By giving people a title over their own labour, they serve as a foundation for employers, workers and governments to build fairer and more efficient governance mechanisms for the labour market. They, thus, enable the development of the legal tools needed for a system of contracts that ensure that the exchange of people's main and often only asset, their labour, for the means to live a decent life is conducted in non-coercive conditions.

Most workers and many small enterprises struggle to escape the uncertainties of life and work in the informal economy to try to earn a decent living. The absence of an appropriate framework for the governance of markets in general and labour markets in particular creates an environment of insecurity which prevents the accumulation of the physical, financial, human and social capital.

Reducing poverty through decent work requires the elimination of the negative aspects of informality while at the same time ensuring that promoting the incorporation of workers and economic units into the mainstream economy does not destroy opportunities for livelihood and entrepreneurship.

Workers and employers in informal activities may wish to join existing trade unions and employers' organizations, or they may want to form their own. Employers' and workers' organizations play a critical role in either strategy: extending membership and services to employers and workers in the informal economy, and encouraging and supporting the creation and development of new member-based, accessible, transparent, accountable and democratically managed representative organizations.

For national action to integrate informal and formal economies to succeed, reforms in the governance systems are also necessary. The 2002 International Labour Conference committed the ILO to develop a programme of work and technical assistance, drawing on the expertise of its tripartite constituency, to support member states efforts to use the range of tools available within the Decent Work approach to poverty reduction and development.

As economies become more complex, rules to cover a wide variety of work situations are needed. The quality of the relationship between the employer and

the individual worker, and employers and workers in general, is a key influence on output, earnings, working conditions and the economic performance of the country.

Governance of the labour market is thus a shared responsibility of governments, and employers' and workers' own freely organised institutions. Investing in social dialogue is a key element in promoting a process of institutional change to improve the performance of labour markets and thus the poverty reducing quality of growth.

Building bridges between various types of community organisations and the established social partners is in their joint interest and can lead to alliances and campaigns for shared objectives.

In many developing countries, pay and conditions in the public service have deteriorated badly weakening confidence in the function of government. More and better education and health services are a high priority for poverty reduction strategies. It is vital that problems such as poor working conditions and often persistent delays in the payment of due wages are addressed if policies are to be effective. Training of staff is frequently the key to reforms aimed at raising the quality of public services.

Social dialogue is a valuable vehicle for constructing a broad measure of agreement over the modernisation of labour laws and the policies needed to improve the performance of the public sector and formal private enterprises.

Collective bargaining, by resolving disputes that if allowed to broaden and escalate can undermine national stability, underpins progress in building democracy. For low paid workers it often represents the most effective and readily available method of improving working conditions.

Institutional strength, by supporting the innovative potential of markets at the same time as assuring a reasonable degree of social security to people, is increasingly recognised as a determining factor for growth and the capacity to rebound from unexpected shocks. Countries that have benefited most from integration in to the world economy are those that have complementary institutions in place, able to bring about the social bargains required to maintain or restore macroeconomic stability. Improving the governance of labour markets is central to increasing social cohesion and sustainable growth, and thus the reduction of poverty.

The values that inspire the work of the ILO, expressed in its Constitution and the Declaration of Fundamental Principles and Rights at Work, are a strong foundation for countries to build institutional frameworks for the governance of labour markets that meet the twin imperatives of fairness and efficiency.

The community of work, brought together internationally in the ILO is the apex of a pyramid of organisations built around the need to cooperate together to make full use of societies' human resources productively and thus improve conditions of work and life.

Decent Work, Poverty Eradication and Policy Coherence

The theme of this concluding chapter of the report is linking local empowerment, to comprehensive pro-poor and pro-jobs national strategies and global action for sustainable development.

Today's working life offers opportunities to some, but low paid work, unemployment and poverty to a great many.

- ◆ The world's labour force is increasing by about 50 million people each year, as a result of the number of new entrants exceeding those who stop working. 97 per cent of this increase is in developing countries.
- ◆ About half of the over one billion people living on a dollar a day or less in developing and transition countries are of working age (15-64). Despite often long and hard days of toil, they do not earn enough for themselves or their families to live above bare subsistence.
- ◆ Nearly 190 million people are unemployed worldwide, almost half of them are young people under 24.

The United Nations Millennium Summit, which resolved to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work”. Assuring decent work for the current and future generations of young people has to be part of making full employment an overarching goal for global economic and social strategies and for national policies.

To put the world on track for halving extreme poverty by 2015 the productivity and earnings of working people living in poverty must also rise significantly. Improving productivity, especially in countries with a high incidence of poverty, creates conditions for faster sustainable growth in output and the quality and quantity of jobs.

Purely national strategies for sustainable pro-poor and pro-jobs growth are unlikely to succeed in a world in which economies are becoming increasingly integrated. This is why the ILO's constituents of governments, employer and workers' organisations have developed a Global Employment Agenda as a key component of the Organisation's Decent Work strategy.

Side-by-side with international measures to stabilise financial flows and open markets, governments and the social partners need to promote domestic growth by increasing the productivity of labour. This entails managing change in such a way that the outcome is more and better jobs especially for the unemployed and working people living in poverty. A central feature of employment policies should be building broad popular support for change by involving the social partners.

A large proportion of people experiencing extreme poverty live in countries that are themselves economically and socially excluded. Overcoming this international poverty trap therefore requires action in the following fields:

- ◆ A combination of increased aid, a further drastic reduction in debt servicing, increased access to private sources of international finance and a pick up in domestic savings.

- ◆ Investment in the communications infrastructure and education and training to ensure that exports help the poorest countries raise their level of productivity and growth.
- ◆ Opening of industrial country agriculture markets, a reduction in high tariffs on processed commodities and the stabilisation of commodity prices at more remunerative levels is essential to harnessing trade growth to poverty reduction.
- ◆ Employment policies that ensure that increased investment and trade contributes to an overall expansion of decent work opportunities and poverty reduction.
- ◆ An environment in which respect for fundamental principles and rights at work forms the basis for foreign firms, governments, unions and employer organizations to work together to improve working conditions, product quality and labour productivity.
- ◆ A further enhancement of international arrangements to reduce and write off debt would release resources for investments in the physical and social infrastructure needed for growth.
- ◆ Improvements in the speed, predictability and administrative efficiency of aid delivery as well as an increase in its volume. The aid relationship continues to be unbalanced compromising the central objective of ensuring that poverty reduction strategies are nationally owned.

Low income developing country governments, aiming to extend the triangle of income, health and education security, need in turn the security of a regular predictable flow of development assistance to their budgets for social expenditure on which to build these vital solidarity mechanisms.

Over 25 million workers are infected with HIV. Skills shortages, sickness and absenteeism, reduced productivity and economic competitiveness, resulting in a lower tax base, less foreign investment, and fewer jobs are weakening the economic performance of many low income countries and causing an escalation of poverty. The HIV/AIDS epidemic impacts severely on workers in the informal economy, especially women, because of the precarious nature of informal employment, the lack of social protection and limited access to health services.

The ILO has developed a major programme of activities to assist governments, employers and unions develop new or improved policy frameworks to combat HIV/AIDS. The centrepiece of the programme is a Code of Practice on HIV/AIDS and the World of Work.

Given that the causes of poverty are many and interconnected, one of the most encouraging aspects of the new approach to poverty reduction and eradication is the emphasis on policy coherence based on a comprehensive development framework. However, coherence should not be imposed but constructed by people organised in networks of public and private social institutions, respecting each others fundamental human rights, and thus able to agree to act together for a common goal.

Although the new approach encourages governments to consult widely with business and trade unions, parliaments, local authorities and civil society in developing Poverty Reduction Strategy Papers (PRSPs), progress is slow both in ensuring adequate international financial support and in shifting the aid relationship away from excessive conditionality to donors towards increased accountability to citizens in poorer countries.

The four overarching concerns for the ILO as the PRSP process moves from design to implementation are:

- i. PRSPs need to include a more thorough analysis of employment and other aspects of decent work.
- ii. Employers' organizations, workers' organizations and labour ministries need to be more systematically integrated into the participatory process underpinning the design and implementation of PRSPs.
- iii. More attention is needed in PRSPs on policies that maximize the impact of sustainable growth on poverty.
- iv. Donor countries must include in their funding priorities issues related to employment and enterprise creation, social protection, rights, representation and dialogue, promotion of tripartism and other poverty reduction policies on which the ILO has expertise.

There is an increasing need to build the capacity of the social partners to become actively involved in monitoring the implementation of PRSPs and make the most of the opportunity to engage in PRSP dialogues.

The renewed international commitment to the reduction of extreme poverty provides an extraordinary opportunity to demonstrate the validity of a decent work approach to development.

The ILO intends to intensify its work with constituents in member States wishing to use the Decent Work agenda as a basis for targeting policies and programmes on the creation of more and better jobs and social inclusion.

The ILO is able to facilitate joint analysis and connecting the "community of work" to national development policy debates and international initiatives with the aim of fostering a common understanding of the contribution the decent work approach can make to overcome the poverty challenge.

A flexible agenda for national discussions between the social partners might include employment and enterprise development, social protection, rights and labour law reform, social dialogue, gender and partnerships.

The goal of decent work is a basic aspiration of individuals, families, communities and nations that unifies and pulls people with widely varying histories and cultures together in collaborative endeavour to build confidence and trust in our capacity to organise work to make full use of the capabilities of people.

Together, the ILO's tripartite constituency can mobilise its considerable resources of energy and creativity and put them to the service of the concerted global drive to reduce and eradicate poverty.

For more information on this issue, please read: *Working out of Poverty*, Report of the Director-General, International Labour Conference, 91st session, International Labour Office, Geneva, 2003. ISBN 92-2-112870-9.
<http://www.ilo.org/public/english/standards/relm/ilc/ilc91/pdf/rep-i-a.pdf>

