



# Freedom of Association and Development



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# Introduction



## What is freedom of association?

Freedom of association is a cornerstone of the ILO's approach to development through decent work; namely, ensuring that all men and women have the ability to obtain decent and productive work in conditions of freedom, equity, security and human dignity. In the ILO's 2008 Declaration on Social Justice for a Fair Globalisation, freedom of association and effective recognition of the right to collective bargaining were described as important pre-conditions for the attainment of decent work, which is now recognised as part of the Millennium Development Goals (MDG1), the international community's blueprint for development.





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Freedom of association refers to the right of workers and employers to create and join organisations of their choice freely and without fear of reprisal or interference. This includes the right to establish and affiliate to confederations and international organisations. Linked to freedom of association is the right to collective bargaining, which allows workers to negotiate their working conditions freely with their employers. These rights are universal and apply irrespective of race, creed, religion, gender, occupation, nationality or political opinion. They apply to all workers and employers, including those in the informal economy who don't usually have formal contracts of employment.

Freedom of association and the right to collective bargaining are enshrined in the ILO's Convention on Freedom of Association and Protection of the Right to Organise, 1948 (No 87) and Convention on the Right to Organise and Collective Bargaining (No 98). These rights are recognised as fundamental rights in the ILO's 1998 Declaration on the Fundamental Principles and Rights at Work. The right to freedom of association is also recognised as a basic human right in various international instruments, most notably the Universal Declaration of Human Rights.

## Why is freedom of association important for development?

Sustainable development and poverty reduction are complex and challenging processes that require progress on many different fronts at the same time. It is widely accepted that economic growth is essential to the development process. However, inclusive growth and governance are needed to ensure that economic development contributes to the well-being of the greatest number of people, particularly poorer segments of society.

### *Working out of poverty*

Participation and empowerment are increasingly recognized as vital to poverty reduction. Trade unions, employers' organisations and government departments, public agencies and local authorities, as well as community organisations, play a central role in creating an environment in which increasing opportunities for decent work lead to social inclusion and improved livelihoods [...]

A strong commitment by the ILO's tripartite constituents can make an enormous difference for those women and men striving to find opportunities to work out of poverty."

ILO Director-General's report to the 2003 International Labour Conference

There are a number of ways in which strong and independent trade unions and employer organisations can contribute to development. For example:

- ❖ Worker and employer organisations can help to ensure robust debate on economic and social policy issues, facilitate consultation with a broad cross-section of different interest groups and spur employment-rich growth;
- ❖ Where government reaches agreement with employers' and workers' organisations, this can help to ensure broad-based support for policy and legal reforms across a variety of social and economic areas;
- ❖ Trade unions and employers' organisations can help to enable a more equitable distribution of income through collective negotiations; and
- ❖ Workers' ability to join together in organisations and collectively defend their interests helps them to ensure that other labour standards – such as working time, health and safety or wages – are put into practice.

Overall, as membership organisations, trade unions and employer organisations can provide an effective and independent vehicle for voicing and representing the interests of their members, who often represent a broad and diverse cross-section of the community.

Freedom of association is necessary to ensure that trade unions and employer organisations can contribute fully to development processes: the ability of trade unions and employer organisations to participate is only possible where their representatives can speak freely and advocate on behalf of their members. This means that the right conditions must be provided for their operation:

- ❖ Trade unions and employer organisations must be free to conduct their activities without interference or harassment;
- ❖ Workers must be free to sign up with the union of their choice; and
- ❖ Trade unionists must not fear dismissal, intimidation or persecution by virtue of their trade union membership or activities.<sup>1</sup>

In addition to its status as a basic human right, freedom of association should be recognised as an *enabling* right that underpins sustainable development and the decent work strategy. Freedom of association empowers individuals to realise their potential and safeguard a whole series of other rights at work; for example, by enabling collective negotiations to ensure fair wages and working hours.<sup>2</sup> Respect for rights at work and decent working conditions enable individuals and communities to achieve their full human potential and claim their fair share of economic and social development.<sup>3</sup> As such, freedom of association is not just a desired outcome of development, but an integral part of the broader *process* of development and a critical component of all free and open societies. Without it, there can be no genuine or effective dialogue or cooperation between workers, employers and government on development and labour issues.

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<sup>1</sup> FNV Mondiaal, *Trade unions, poverty eradication and development*, 2008, p 13.

<sup>2</sup> ILO, *Freedom of association in practice: lessons learned*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, 2008, p ix.

<sup>3</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000.

## What are the challenges?

Despite the fact that freedom of association represents a fundamental human right and the benefits it can bring for development, this right is not universally recognised or uniformly implemented in all countries. Some of the main challenges to freedom of association are:

- ❖ Certain categories of workers face practical or legal barriers to achieving collective representation. There may be laws that hinder the formation or recognition of unions, for example in the public sector, export processing zones or agriculture. Additionally, many workers, including migrants and those employed in the informal economy, may face practical barriers to collective organisation. Women or young people in developing countries may be disproportionately affected by these constraints, as they often comprise the majority of workers in the above mentioned sectors.
- ❖ The exercise of freedom of association and collective bargaining is dependent on the maintenance of fundamental civil liberties, in particular the right to freedom and security of the person, freedom of opinion and expression and protection of the property of trade unions and employers' organizations. Although the ILO Committee on Freedom of Association has noted a decrease in such complaints, violations of civil liberties, including incidents of violence, arbitrary arrest and detention, continue to take place in all parts of the world.
- ❖ The right to freedom of association is also violated by acts of anti-union discrimination. This may include prejudice or discrimination in relations to hiring, employment and dismissal. In recent years, the ILO supervisory bodies have witnessed a surge in complaints concerning acts of anti-union discrimination.<sup>4</sup>
- ❖ Another major challenge is interference in the internal affairs of trade unions and employer organisations. This can include infringements on the right to freely: draw up constitutions and rules, elect representatives, organize and control internal and financial administration.
- ❖ Monopolies are another denial of the right to organize, where laws effectively prescribe that workers or employers must belong to one particular organisation, leading to the suppression of independent social partner movements.

<sup>4</sup> ILO, Global Report, 2008, p 11.

## What does this guide aim to contribute?

1

This publication aims to highlight the pivotal role of freedom of association in fostering and maintaining sustainable development.<sup>5</sup> As such, it seeks to provide ideas for governments, trade unions and employers' organisations on how to work together to achieve real and tangible results for development.

Specifically, this publication outlines how respect for freedom of association can contribute to development outcomes by looking at the benefits it provides in four key areas:

1. Inclusive economic growth and poverty reduction;
2. A positive business environment;
3. Crisis response; and
4. Democracy and governance.

The case studies gathered together in this publication demonstrate the positive effect on economic growth and development that freedom of association can have when governments, employers' organisations and trade unions work together. Necessarily, the way in which these groups work towards sustainable development depends significantly on local conditions and context, but there are useful lessons that can be applied across varying country contexts. It is hoped that these case studies will provide concrete guidance and ideas for ILO constituents on some of the ways in which governments, workers and employers can work together constructively for greater economic and social development.

The final section of the publication considers how important stakeholders, including governments, trade unions, employers' organisations and international development actors, can promote respect for freedom of association and ensure that it results in fuller economic and social development.

This ILO publication is based on a project funded by the Norwegian Government. A related workshop was held at the ILOITC in Turin in July 2010, where representatives of governments, employers' organisations and trade unions from Brazil, Ghana, Indonesia and Turkey contributed to the development of this publication by sharing valuable insights into what freedom of association means for development.

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<sup>5</sup> Sustainable development encompasses social, environmental and economic dimensions.



# Inclusive economic growth and poverty reduction

2



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*The pattern of growth matters as well as the pace. While economic growth is vital to address poverty, there is no guarantee that growth on its own will benefit everyone. All sections of society must be able to participate in, contribute to and benefit from economic growth in order for it to be inclusive and result in sustainable economic development.<sup>6</sup> Freedom of association means that trade unions and employer organisations can contribute to dialogue on government policies and programmes to ensure that they lead to inclusive economic growth and sustainable poverty reduction.*

<sup>6</sup> See Chapter 4, 'Political Empowerment and the Policy-making process' in OECD, *Promoting Pro-Poor Growth: Key Policy Messages*, 2009.



## Employment and labour market development

2

Employment – and the effective functioning of the labour market – is a central factor linking economic growth to the well-being of individuals and households. Moreover, employment is by definition a common interest of both workers and employers. Where trade unions and employers associations are able to contribute to policy dialogue and development, they can advocate for greater and more equal employment opportunities. Employers' association can advocate for regulation that allows employers to create and maintain productive jobs, while trade unions can provide a check to ensure that such regulation protects basic employment rights.



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## Fairer income distribution

### *Fair minimum wage policies*

Trade union and employer involvement in the design and implementation of national wage policies and minimum wage levels is an important element of ensuring fairer income distribution. The process of dialogue and negotiation between trade unions, employers and government helps to ensure that wage increases match productivity growth and do not negatively affect the competitiveness of the economy. This coordination allows for the more efficient establishment of macro-economic conditions that enable economic growth and job creation, whilst an adequate minimum wage can provide a better foundation for poor workers to rise out of poverty.<sup>7</sup>

### *Collective bargaining on wage levels*

Alongside minimum wage negotiations, high levels of collective bargaining in an economy generally correspond to more equitable income distribution, particularly where bargaining takes place above the enterprise level, i.e. at the sectoral or national level.<sup>8</sup> This is due at least in part to the fact that trade unions, as democratic institutions, tend to base their negotiations on the needs of the majority of their members, which can help to improve the bargaining power of unskilled or lesser skilled workers.<sup>9</sup> Collective bargaining also helps to address power imbalances, insufficient information and shares the costs of these services between many workers.

Whilst collective bargaining can help to ensure fairer wages, it also means that employers have certainty with respect to labour costs and other terms over a specific period and makes the process of wage determination more transparent for all parties involved. These factors help to enhance stability for businesses and workers. Collective bargaining also helps to ensure that procedures for determining wage levels and promotions are set out in written agreement and are therefore fairer and more transparent.

<sup>7</sup> Christoph Ernst and Janine Berg, 'The Role of Employment and Labour Markets in the Fight against Poverty' in OECD, *Promoting Pro-Poor Growth: Employment*, 2009, pp 41-67, p 58.

<sup>8</sup> ILO/IILS, *Income Inequalities in the Age of Financial Globalisation*, World of Work report, 2008, p 83.

<sup>9</sup> *Ibid*, pp 74-75, 77. It also reflects the fact that higher trade union density is likely to be associated with other features that are more conducive to fairer income distribution (p 87).

## Improved access to financial services

Employers and workers' organisations can help to make financial services, such as savings accounts and credit, more accessible to the poor. Often poor people are excluded from basic financial services as a result of high transaction costs, physical distance to services in rural areas, illiteracy or lack of personal capital to secure loans.<sup>10</sup> For example:

- ❖ Trade unions can help to surmount these barriers through, for example, insisting on a more inclusive financial system in national policy debates or supporting the establishment of cooperative banks; and
- ❖ Employers can assist by negotiating with trade unions to provide access to these services through the workplace.<sup>11</sup> Employers associations can also work, either directly or with financial institutions, to improve access to commercial credit for their members.

These types of interventions can make a critical contribution to economic development, as access to these services gives more households the ability to invest, save, insure their property or borrow.<sup>12</sup> At the small business level, these services can also enhance entrepreneurship and increase productivity, potentially creating new jobs for workers.

### Payroll lending in Brazil

Extending credit to low-income earners is an important way to increase social mobility and small business innovation and thereby address income inequality.

Following an agreement between the major Brazilian trade union central and 19 public and private financial institutions, the Brazilian government introduced legislation in 2003 to regulate payroll lending, a form of credit where lenders collect repayments directly from the payrolls of borrowers. These regulations reduced interest rates and made it easier for workers to borrow. Limits on the size of loans reduce the risk of over-borrowing. For active private-sector employees, trade unions must act as an intermediary. Unions normally suggest a lender, but the employee is free to choose any financial institution.

The introduction of this new form of lending has brought down interest rates for small personal loans, diversified credit options and, as such, has been the primary driver behind the growth of consumer lending in Brazil in recent years.

**Source:** Neto and Bercovici, 'Consigned credit', case study for ILO, 2010; Eduardo Urdapilleta and Constantino Stephanou, *Banking in Brazil*, Policy Research Working paper for the World Bank, 2009.

<sup>10</sup> Cédric Ludwig, *Trade Unions and Financial Inclusion: The case of South Africa*, Working Paper No. 51, Employment Sector – Social Finance Programme, ILO, 2008, p 13.

<sup>11</sup> For a discussion of how these goals have been pursued by the South African trade union movement, see Ludwig, *ibid*, p 22.

<sup>12</sup> See, for example, Asly Demirgüç-Kunt, Thorsten Beck, Patrick Honohan, *Finance for all? Policies and pitfalls in expanding access*, report for the World Bank, 2008.

## Addressing inequality and social disadvantage

2

Greater social equality is not only an important end in itself, but also as a means to greater economic growth: it helps to ensure that all workers and employers can participate more fully and effectively in the development process and share more equally in its benefits. Where there is entrenched discrimination, this affects the efficiency of the whole economy, as it constrains individuals from making their fullest possible contribution to economic growth.

Inequality is therefore not only a matter of social injustice, but generates a range of hidden economic costs that undermine economic, political and social development.<sup>13</sup> For example, where policies or budgetary allocations – such as those that govern access to education, jobs or health services – favour the politically influential, poorer groups end up with a larger pool of unexploited talent, as individuals struggle to access opportunities.<sup>14</sup> This creates inefficiencies, whereby individual talents are neglected and opportunities for innovation and investment are missed.<sup>15</sup> At the same time, high levels of income inequality have been shown to lower the poverty-reducing potential of economic growth and, conversely, bridging the income gap can accelerate poverty reduction.<sup>16</sup>

There are a number of ways in which freedom of association contributes to addressing social disadvantage and inequality:

- ❖ **Extending rights and protections:** Workers' organisations have proven themselves able to make basic rights accessible to a broad spectrum of workers, including marginalised groups at the very bottom of the income ladder and in the informal economy, such as home workers. These may include the right to social security, decent wages, quality public services or universal primary education.
- ❖ **Collective bargaining:** Collective bargaining between free and independent trade unions and employers is an important tool for addressing social issues and worker well-being, as well as wages and working conditions. Collective agreements can address a range

<sup>13</sup> See, for example: World Bank, *World Development Report: Equity and Development*, 2006; Harry Jones, *Equity in development: why it is important and how to achieve it*, Working paper 311 for Overseas Development Institute (ODI), 2009.

<sup>14</sup> World Bank, *ibid*, p 2.

<sup>15</sup> *Ibid*.

<sup>16</sup> Milo Vandermoortele, *The MDG fundamentals: improving equity for development*, Briefing paper 59 for ODI, 2010, p 2.



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of topics relating to conditions in the workplace as well as broader themes, including provisions to help mothers to combine work and childcare, such as improved maternity leave benefits.<sup>17</sup>

- ❖ **Collective campaigns:** Sometimes it is difficult for individual actors to effect systemic change on their own, especially with respect to particularly challenging issues, such as child labour, forced labour or the working conditions of migrant workers. There are many examples of situations where trade unions, employer associations and governments have joined forces to address entrenched social issues.<sup>18</sup>
- ❖ **Improving education and skills levels:** Low levels of basic education and vocational training often mean that it is difficult for the working poor to find better-paid work and for employers to find skilled workers and to expand. Work by

The **Workers' College in Natal, South Africa**, has played an important role in enabling recognition of prior learning. This has made it possible for people with little official education – which may have been impossible to gain during the apartheid era – but a wealth of experience to gain access to university courses.

**Source:** FNV Mondiaal, 2008

<sup>17</sup> FNV Mondiaal, op cit, p 8.

<sup>18</sup> For example, through a partnership with the CNI national employers' association, the Central Única dos Trabalhadores (CUT Brazil) established a network to counter the sexual exploitation of boys and girls in Brazil; the ViraVida Project aims to restore the children's self-esteem and support them to join the labour market.

employers' organisations and trade unions on education and training can help to improve social cohesion by assisting young people to find jobs and align the supply of skilled labour with the demands of industry.<sup>19</sup> In many countries, unions not only play a role in promoting and developing vocational education, but also do their utmost to promote 'Education for All' as a fundamental right.<sup>20</sup>

### Support for SME development in the Philippines

The Employers' Confederation of the Philippines has provided a number of special services tailored to the needs of SMEs, including:

- A survey of SMEs to determine the support services they wanted, which was subsequently presented to the government;
- A programme to develop long-term profitable linkages between large and small enterprises; and
- Training initiatives, including a strategic planning package and family planning advice.

**Source:** ILO, *Employers' organizations and the promotion of small and medium-sized enterprises*, 2004.

❖ **Fairer income distribution.** Trade unions and employers' organisations can help to address wage inequalities, through tripartite dialogue on minimum wages or collective negotiations on wage levels in an enterprise or sector. Measures of income distribution for different countries indicate that higher levels of trade union density, collective bargaining coverage and coordination measures tend to be associated with more equitable income distribution and less inequality.<sup>21</sup>

❖ **Support for SME development.** Small and medium-sized enterprises (SMEs) play an important role in job creation and, as such, are considered to be critical in the achievement of wider economic and socio-economic objectives, including poverty

alleviation.<sup>22</sup> Employers' organisations in particular are uniquely placed to provide support for the development of SMEs, through their existing networks, membership advisory and training services and understanding of enterprise needs.<sup>23</sup>

<sup>19</sup> UNESCO, *Education for all – Global Monitoring Report: reaching the marginalised*, 2010, p 77.

<sup>20</sup> FNV Mondiaal, op cit, p 10.

<sup>21</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 31. See also the statement of the G20 Labour Ministers: "Measures such as minimum wage policies and improved institutions for social dialogue and collective bargaining may need to be strengthened." G20 Labor and Employment Ministers' Recommendations to G20 Leaders, 21 April 2010.

<sup>22</sup> See, for example, Paul Vandenberg, *Poverty reduction through small enterprises: Emerging consensus, unresolved issues and ILO activities*, ILO EMP/SEED Working Paper, 2006.

<sup>23</sup> ILO, *Employers' organizations and the promotion of small and medium-sized enterprises*, 2004, p 2.

## ***Improving access to social protection***

Social protection is defined by the ILO as:

- ❖ The set of public measures that a society provides to protect its members against the economic and social distress that would be caused by the absence of or reduced income from work as a result of various contingencies, including sickness or injury, parenthood, unemployment, invalidity, old age or the death of a breadwinner;
- ❖ The provision of health care; and
- ❖ The provision of benefits for families with children.<sup>24</sup>

Vulnerability to external shocks makes it risky for the poor to invest, train or otherwise take up economic opportunities. This is a particularly pressing issue for the millions of workers in the informal economy. Effective social safety nets are recognised as an important buffer that shields the poor from external shocks and contributes to sustainable economic growth.<sup>25</sup> This has become particularly evident in the wake of the recent financial crisis.

Trade unions seek to ensure that their members benefit from social security protections, and have campaigned for wider coverage of social protection schemes. The involvement of trade unions and employer organisations in social protection scheme management is also a critical component in improving governance. Moreover, there are numerous experiences whereby employers' and workers' organisations have themselves been directly involved in delivery of forms of social protection, not least in health care promotion and cost coverage during natural disasters.

<sup>24</sup> A. Bonilla Garcia and J.V. Guat, *Social Protection: A lifecycle continuum investment for social justice, poverty reduction and sustainable development*, Paper for the ILO, 2003, pp 13-14.

<sup>25</sup> See, for example, OECD, 'The Role of Employment and Social Protection: Making Economic Growth More Pro-Poor', policy statement, OECD DAC High Level Meeting, 27-28 May 2009.

## Listening to labour and business in the informal economy

2

In developing countries, the informal economy often forms a large proportion of the labour market and its workers represent the vast bulk of the vulnerable working poor. These workers tend not to fit neatly with traditional categories of employer and employee, but rather represent a heterogeneous mix of micro-entrepreneurs, vendors, waged workers or small business owners who operate outside the protection of formal legal frameworks. Workers in the informal economy have, on average, lesser conditions and lower wages than their counterparts in the formal economy. Women are more likely to be clustered in these jobs than men, with more insecure employment conditions, fewer benefits and lower wages.<sup>26</sup>

Businesses and traders in the informal sector will often be small and precarious, but will also employ a number of people directly on a regular or casual basis. Although they can be incredibly resilient and adaptive to change, they often lack the networks they need to pool resources and

The Norwegian funded ILO/ACTRAV projects in Tamil Nadu and Madhya Pradesh states of India assist national and independent trade unions in organizing informal economy workers. Further the Unions assist the members in accessing benefits of the social security programmes and schemes run by the state Government. Under these programmes/schemes the state governments have set up tripartite welfare boards through which the union members are provided assistance and benefits for education, maternity, health, accident and death claims etc. These members would not be able to access these benefits individually, but with the Unions aided support; the paid members are able to access these benefits. So far under the projects, the unions have enrolled 163,271 paid members and the members out of which 66,857 members have further been

linked to the welfare boards (41 % of the total enrolled members).

These unions are pivotal to enable informal economy workers to engage in social dialogue with Government representatives on various issues.

The project also assists the informal economy workers in accessing benefits of the public distribution system to obtain subsidized food and other provision items from the fair price shops. 158 PDS fair price shops in the project areas were assessed and surveyed, resulting in improvement of proper governance and delivery of services.

Providing benefits to membership through social security and social protection has assisted in bringing more paid members into the unions resulting in strengthening the trade union movement in the informal economy in general.

<sup>26</sup> For a more detailed discussion of women's work in the informal economy, see: Martha Alter Chen, Joann Vanek, Francie Lund and James Heintz with Renana Jhabvala and Christine Bonner, *Progress of the World's Women 2005: Women, Work and Poverty*, report for UNIFEM, 2005, Chapters 4 and 5.

improve market opportunities and competitiveness. This can be explained by a number of factors, including the range of different working arrangements in the informal economy.<sup>27</sup>

One of the most effective ways for workers and employers in the informal economy to counter the forces that contribute to their poverty is to organise.<sup>28</sup> Realising the right to freedom of association through collective organisation often provides those in the informal economy with access to greater economic opportunities and material resources and can contribute to broader social progress and change, such as women's empowerment, by providing better access to rights, markets and social protection.<sup>29</sup> Collective organisation also helps to improve the visibility of operators in the informal economy amongst decision-makers, enabling them to advance and defend their interests and hold government accountable over the long term.

Because of the diversity of working arrangements in the informal economy, workers and businesses may organise in different ways:

- ❖ Existing trade unions and employers' organisations may extend their coverage to the informal economy; or
- ❖ Informal workers and businesses may form their own unions, cooperatives, producer groups or neighbourhood associations.

Bargaining partners for these organisations can vary and, depending on the interests of a given group, may include employers, municipal authorities and wholesalers.

**Nirmala Niketan** is a cooperative of tribal women from Jharkhand, India, who work as full-time, in-house domestic workers. It organises girls and women to raise awareness of their rights. Amongst its actions, it has lobbied for coverage of domestic workers by the social security legislation for the unorganised sector. In 2006 it started liaising with other organisations working in Jharkhand and Delhi to protect domestic workers, a large number of whom are child workers, mostly tribal girls.

**Source:** Report to ILC on domestic workers, 2010, p 86.

<sup>27</sup> See, for example, Martha Chen, *Informal Employment and the Business Environment: Creating Conditions for Poverty Reduction*, Paper for Committee of Donor Agencies for Small Enterprise Development Conference on "Reforming the Business Environment", 2005, Cairo, p 9.

<sup>28</sup> Chen et al, op cit, p 75.

<sup>29</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 31.



## Cooperatives

Given the importance of smallholder agriculture in many developing economies, rural cooperatives have a significant role in realising the principles of freedom of association in this context. For the ILO, *“cooperatives can be key channels for promoting decent work for all – women and men. As productive enterprises they generate jobs and support income-earning opportunities including through credit and training”*<sup>30</sup>.

Cooperatives are a structure that can be useful to reach workers who are difficult to organise. For example, cooperatives have proved one way of organising domestic workers, in particular migrant domestic workers.<sup>31</sup> Two basic structures can be distinguished: firstly, where domestic workers form a cooperative to offer their domestic work services in order to strengthen the position of the individual, and secondly, where cooperatives serve as a way out of abusive working conditions (inter alia, by providing affordable housing alternatives for domestic workers). In some cases, cooperatives work together with trade unions to provide additional benefits, organise new members or increase their bargaining power.<sup>32</sup>

<sup>30</sup> Message by Juan Somavia, Director-General of the International Labour Office on the occasion of International Day of Cooperatives, 3 July 2010: [www.ilo.org/empent/Whatwedo/Eventsandmeetings/lang—en/docName—WCMS\\_142574/index.htm](http://www.ilo.org/empent/Whatwedo/Eventsandmeetings/lang—en/docName—WCMS_142574/index.htm).

<sup>31</sup> International Labour Conference 2010, Report IV(1). *Decent work for domestic workers*, 2010, p 85.

<sup>32</sup> Ibid.

**CASE STUDY** Organising Informal Traders in Ghana**Context**

It is estimated that around 87% of Ghana's labour force works in the informal economy, which has accounted for most new jobs created over the past 15 years.<sup>33</sup> While a small proportion of workers in the informal economy are employed by others, most are self-employed. It is critical for government to address income and productivity levels in the informal economy in order to alleviate poverty, as workers in the informal economy have the lowest earnings and most insecure working conditions in the labour market.<sup>34</sup>

In the past, as a result of low levels of collective organisation in Ghana's informal economy there was no mechanism for small traders to express collective concerns and opinions regarding the regulatory and policy environment, particularly at the national level. As such, the capacity of informal economy actors to influence government trade and fiscal policies was either weak or absent.

**Process**

In an effort to develop a stronger collective voice for traders, a small group decided to form the Ghana Union of Traders' Associations (GUTA), an organisation that would aim to promote, represent and protect the collective interests of informal traders by lobbying government on trade and fiscal policy decision-making. GUTA was established in 1989 as a federation of 15 national and regional associations of self-employed traders in the informal economy. It became the first non-partisan unionised association representing the informal economy.<sup>35</sup>

**Key points**

- Collective organisation has given informal traders the opportunity to provide high-level policy input on a considerable range of matters, including tax and fiscal policy.
- Informal traders are now recognised as key stakeholders in the policy process.
- Key elements of GUTA's strategy included electing effective leaders and identifying avenues for policy input.
- Benefits provided to members include a more stable business environment for small traders, improved access to training and skills development activities and social protection.

<sup>33</sup> World Bank, *Ghana: Job Creation and Skills Development (Vol I)*, 2009, p iv.

<sup>34</sup> Ibid, pp 29-30.

<sup>35</sup> Although Makola Market Women's Association existed at the time, it represented larger informal traders and was regionally based and used by political parties to achieve political ends.



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There were two major elements of GUTA's strategy to develop a stronger voice for traders:<sup>36</sup>

1. **Developing strong leadership.** GUTA sought to build a strong and unified core of representatives, which would enable stable and consistent representation of informal traders' interests. GUTA was formally registered as a trade organisation and elections were held for national executives with the relevant competences and experience to oversee the functioning of the nascent organisation. This ensured prudent use of financial and technical resources as well as open administration, transparency and accountability.<sup>37</sup>
2. **Identifying avenues for input.** GUTA sought to identify and pursue avenues for engaging in dialogue with government ministries, departments and agencies. For example, GUTA provided a petition and position papers to the Ministry of Trade and Industry requesting the lowering of duties imposed on imported goods in the implementation of the National Budget and Policy Statement.<sup>38</sup>

### *Development benefits*

GUTA's ability to secure concessions for its members has had far-reaching development effects. Its interventions have made a contribution to stabilising and sustaining conditions for traders in the informal sector.<sup>39</sup>

<sup>36</sup> Interview with George Kweku Ofori, President of GUTA, April 2010.

<sup>37</sup> Interview with Joseph Paddy, Public Relation Officer, GUTA, April 2010.

<sup>38</sup> Interview with George Kweku Ofori, President of GUTA, April 2010.

<sup>39</sup> Ibid.



The business environment has become more conducive for smaller business, a factor that may be helping to stabilise incomes and reduce poverty levels. As a result of its successes, GUTA now has a total membership of 1,820,000 owners of micro-, small and medium-sized enterprises in the informal economy.<sup>40</sup>

Some of the benefits that GUTA has brought to the informal traders include:

- ❖ **A stronger voice in policy-making:** Through GUTA's efforts, informal economy traders have gained official recognition as a stakeholder in policy decisions and now have the ability to pursue dialogue and negotiations on matters of interest to the traders and to influence policy decisions. Consultation with GUTA has helped the government to develop trading and taxation policies that are more efficient and responsive to the needs of the informal economy. For example, GUTA has successively influenced the fixing of taxes such as: fees by local government officials (since 1991), Value-Added Tax (VAT) by central government authorities (1995-97) and import duty concessions (2000-2005). When the government sought to re-introduce VAT, GUTA was contracted by the VAT Service to undertake independent price monitoring in the period before and after VAT introduction.<sup>41</sup>

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*“Training and information dissemination activities have improved GUTA members’ skills in negotiation and advocacy, as well as formulating alternative proposals and policy memoranda”*

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- ❖ **Improved access to training:** GUTA runs regular symposia, seminars and training activities to provide information to members on government taxation policies, procedures for clearing imported goods and minimising corruption and the importance of collaborating with central and local government authorities. These activities have also improved members’ skills in negotiation and advocacy, as well as the formulation of alternative proposals and policy memoranda, and organisation of press conferences and releases.
- ❖ **Social protection:** GUTA is currently in the process of developing a pension scheme for its members<sup>42</sup>, while individual unions have already adopted or introduced various welfare support mechanisms by creating solidarity, bereavement, and education funds and programmes.

<sup>40</sup> Ibid.

<sup>41</sup> John Gray and Emma Chapman, *Evaluation of Revenue Projects Synthesis Report: Volume I*, report for the Department for International Development (UK), 2001, p 39.

<sup>42</sup> Consultations and discussions are underway with the New Pension Act Secretariat, a designated GUTA committee, to fine tune the details of the scheme before it is launched.

**CASE STUDY** Organising workers in the informal economy in rural India**Background**

According to national surveys, around 93% of India's workforce depends on the informal economy for employment, with the majority of these workers living in rural areas.<sup>43</sup> This means that the scale of the informal economy in India is too large and pressing a problem

**Key points**

- Internationally-supported project in India with a rural and gender focus.
- Freedom of association has led to improved access to jobs and social protection for workers in the informal economy.
- Trade union facilitation and promotion of workers' rights of access has led to significant improvements in public service delivery.

to be addressed by the government alone. Trade unions have shown that they can play an important role in advocating on behalf of workers in these areas and improving their socio-economic conditions.

It is thought that currently as few as 5% of the workforce in the rural informal economy is organised in unions.<sup>44</sup> Present trends suggest that the growth in trade union membership among unorganised workers has gained momentum as a result of initiatives taken at the government, national and international level, but there is still considerable work to do.<sup>45</sup>

**Action**

The ILO's Norway Workers' Education Project (2004-2006) provided support to national and independent trade unions to organise workers in the informal economy in the Indian states of Tamil Nadu and Madhya Pradesh. While the state of Tamil Nadu has a relatively low incidence of rural poverty, it has a high incidence of child labour and also a very high incidence of indebtedness amongst farming households. Madhya Pradesh has a comparatively higher incidence of poverty and relatively low growth rates of real wages of agricultural and non-agricultural workers.<sup>46</sup>

***“So far, 66,857 workers have been linked to welfare boards. This has enabled more than 13,190 members to access benefits amounting to Rs. 34,225,938 (US\$760,576) under various social protection schemes.”***

<sup>43</sup> T. Haque and Susamma Varghese (eds.), *The Path of Deliverance: Organising and Empowering Rural Informal Economy Workers*, report for ILO / ACTRAV, 2007, p 12, 18.

<sup>44</sup> Ibid, p 32.

<sup>45</sup> Ibid, p 49.

<sup>46</sup> Ibid, p 17.



The project sought to transcend some of the obstacles to collective organisation in the rural informal economy – such as high levels of casual employment or conflicting interests between different categories of workers or farmers – and provide rural workers, especially women, with a collective voice in order to empower them to negotiate improvements in their living and working conditions.<sup>47</sup>

## Benefits

**Improved access to welfare boards:** Several state governments have established tripartite welfare boards through which specific categories of informal economy workers are provided assistance and benefits for education, maternity, health, accident and death claims. In Tamil Nadu, for instance, Welfare Boards have been established for 13 categories of informal economy worker.<sup>48</sup> Workers identify themselves as belonging to a particular category through trade union membership, which then enables access to social security coverage by dint of membership in the state welfare boards. Each worker has to make a monthly contribution to the welfare fund. So far under the project, unions have enrolled 163,271 members, of which 66,857 workers have been linked to welfare boards (41 % of the total number of enrolled members). This has enabled more than 13,190 members to access benefits amounting to Rs. 34,225,938 (US\$760,576) under various social protection schemes.

<sup>47</sup> Ibid, p iii.

<sup>48</sup> These categories are: auto rickshaw and taxi Drivers, watermen, hairdressers, tailors, handicraft workers, palm tree workers, handloom and silk weavers, footwear and leather goods manufacturing and tannery workers, artists, goldsmiths, pottery workers and domestic workers.



**Improved access to other social protection schemes:** The project has also helped members to access other social protection and welfare schemes run by the state and central governments. The unions helped more than 8,111 informal economy workers to access benefits such as the girl child welfare scheme, education, housing and the health facility for 'below poverty line' (BPL) families.

**Income generation.** This part of the programme proved to be very effective in addressing poverty reduction through generation of increased employment opportunities. Through providing micro-loans, earners have now become employers and owners of their own small and micro units. The income generation activities include mainly weaving, livestock rearing, tailoring, fish vending, gem cutting, managing petty shops, grocery shops, vegetable shops, fancy stores, making broomsticks, baskets and potato chips and charcoal and dye units.<sup>49</sup>

**Community development schemes.** Under the project, trade unions also mobilised different community development schemes, meaning that more than 18,398 families benefited from schemes related to ration cards, road, water and electricity facilities.

**Improved delivery of government services:** The project also helps informal economy workers in accessing benefits of the Public Distribution System (PDS), which provides subsidised food and other provision items from 'fair price shops'. Trade unions made regular visits to the 158 PDS fair price shops in the project catchment areas to ensure proper time of sale, quality of items, proper weight and public awareness. This initiative resulted in improved functioning of the shops.

**Post-tsunami rehabilitation projects:** Post-tsunami, the project worked with national trade union centres to undertake restoration and rehabilitation activities for the affected communities. The project focused on skills and vocational training for affected members, in particular women and youth (both boys and girls). A total of 4,640 members were given skills training that they are now using to earn additional income. Women workers were trained in making footwear, handicrafts, incense sticks, copra and envelopes as well as in computer and desktop publishing skills.<sup>50</sup>

<sup>49</sup> Ibid, p 52.

<sup>50</sup> Ibid, p 54.





# A positive business environment

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*It is widely acknowledged that a vibrant private sector helps to generate economic development and growth, which can contribute to improved standards of living and an improved social environment. More than ever, enterprises are competing against each other in global markets, providing ongoing incentives for improving productivity and product quality. Evidence suggests that there are a number of ways in which cooperation between trade unions and employers can support competitiveness and business performance that leads to sustained economic growth.*



## Freedom of association and economic competitiveness

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While there is international consensus that freedom of association is a fundamental human right, there has been debate regarding its impact on economic development. In particular, some developing countries have expressed concern that the full exercise of freedom of association and the right to collective bargaining could have a negative impact on their economic competitiveness.<sup>51</sup> This is premised on the idea that a high level of unionisation and collective bargaining may lead to an excessive rise in labour costs as well as labour market rigidities.<sup>52</sup>

However, a joint study by the ILO and the World Trade Organisation in 2007 noted that there is little concrete evidence to support this view.<sup>53</sup> The study points out that a narrow focus on the economic aspects of these rights overlooks the undeniably positive benefits for development that can flow from facilitating social dialogue between government, workers and employers. These include promoting “broad social support for economic reforms ... as well as a more equitable distribution of the burdens and benefits from trade liberalisation”.<sup>54</sup> Moreover, trade union density and collective bargaining are only one factor amongst many that can influence economic performance, such as macro-economic policy, the broader regulatory framework and skills availability.<sup>55</sup>

### Respect for freedom of association as an incentive for trade

In some sectors, such as the textile industry, the implementation of labour standards can act as a positive incentive for foreign investment. For example, a 2004 World Bank report found that almost 80% of buyers for Cambodian textiles rated labour standards as a top priority in their sourcing decisions. They stated that standards have had positive effects on accident rates, workplace productivity, product quality, turnover and absenteeism.

**Source:** *A Fair Share for Women: Cambodia Gender Assessment*, Phnom Penh, report for UNIFEM, The World Bank, ADB, UNDP and DFID/UK in

<sup>51</sup> Marion Jansen and Eddy Lee, *Trade and Employment: Challenges for Policy Research*, Joint study of the International Labour Office and Secretariat of the World Trade Organisation, 2007, p 65.

<sup>52</sup> Ibid.

<sup>53</sup> Ibid, p 66. See also Aidt and Tzannatos's 2002 review of 1000 studies for the World Bank, which found that there was little systematic evidence on the question of the link between FACB rights and economic performance: Toke Aidt and Zafiris Tzannatos, *Unions and Collective Bargaining: Economic Effects in a Global Environment*, report for the World Bank, 2002.

<sup>54</sup> Ibid, p 20.

<sup>55</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 19.



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In fact, given the right domestic policies and structures, there is evidence to suggest that respect for freedom of association can have a positive effect on economic development. For example, a 2006 study on the effects of freedom of association, the right to collective bargaining and democracy on exports found robust relationships between these rights and higher total manufacturing exports, suggesting that freedom of association can enhance export competitiveness.<sup>56</sup> These studies suggest that freedom of association does not harm developing countries' prospects for growth and may even stimulate it.<sup>57</sup> However, there is no single model of industrial relations that is conducive to economic growth and the careful design of policies, regulations and institutions is important to ensure that freedom of association reinforces economic development and contributes to a positive business environment.

<sup>56</sup> David Kucera and Ritash Sarna, 'Trade Union Rights, Democracy and Exports: a Gravity Model Approach', *Review of International Economics* (2006) 14(4), pp 859-88, p 876.

<sup>57</sup> See also OECD, *Trade, Employment and Labour Standards*, 1996.

## Better dispute resolution and reduced conflict

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Ensuring that there are open and efficient communication channels between employers and workers helps to improve trust and information-sharing between worker representatives and employers, which can minimise any industrial tension and bring down the number of days lost as a result of strikes and absenteeism. Formal mechanisms for dialogue between employers and trade unions at the enterprise, sectoral and national level mean that workers and employers can discuss grievances before they escalate into intractable problems. This means that disruptions to business are minimised, costs are reduced and productivity is enhanced.

Independent trade unions play an important role in this picture, providing a critical link between employers and the workforce as a single conduit for workers' concerns. A recent survey of employers in the United Kingdom's service sector found that reduced conflict was seen to be one of the major benefits of trade union involvement in the workplace.<sup>58</sup>

Collective bargaining can also provide an avenue for establishing grievance mechanisms, as well as addressing contentious issues, such as the use of temporary workers and fixed-term contracts.

### Key points

- It is in the interests of both workers and employers that their business or sector is successful. This sense of common ground can provide an important starting point for a partnership approach.
- Genuine worker participation in decision-making processes can improve the quality of decisions, increase commitment to the decisions and smooth the way for change.
- A company policy that firmly supports to the right of freedom of association in the workplace and prohibits discrimination against trade union members is an important statement of intent.
- Formal channels of communication with workers and their representatives, including grievance mechanisms, make dialogue more straightforward.
- Consulting with workers and their representatives can improve the quality of training activities and outcomes.

<sup>58</sup>

UNISON, *The value of trade union involvement to service delivery*, 2010.

## Productivity improvements

Trade union representatives can provide an important source of shop-floor ‘intelligence’ on new ways to improve productivity and introduce efficiencies, while collective agreements can be used as a tool to support and implement efficiency measures in the workplace, such as performance management systems and productivity incentives for workers. Worker satisfaction and cooperation is also critical to achieving high levels of productivity: workers who are treated fairly and have a voice in the workplace are more productive and less likely to leave.

At the same time, employer organisations can provide a forum for industry representatives to share experiences on productivity improvements and to disseminate emerging ideas and best practices.

## Skills development and training

Ensuring the right mix of skills in the labour market is critical to supporting private sector growth: in this way, cooperation between trade unions and employers to develop effective industry-led training programmes can lead to considerable benefits for economic development. Dialogue between employer and worker representatives can lead to a better quality of information on skills availability and training needs at an enterprise, sectoral or national level.<sup>59</sup>

Vocational training programmes benefit workers and employers alike: workers benefit by maintaining their employability whilst employers have access to a greater pool of skilled workers. As such, industry programmes may be run by unions or employers individually, but employers’ and workers’ organisations working in tandem can develop highly effective and long-lasting programmes on vocational training. In particular, cooperation on sectoral training programmes can help to overcome hesitation by individual employers to invest in training for fear that skilled workers will be ‘poached’<sup>60</sup>.

<sup>59</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 28.

<sup>60</sup> Ibid.

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## Support for SMEs

Promoting the development of small- and medium-sized enterprises can make an important contribution to the creation of a thriving private sector that contributes to economic growth. However, in many developing countries, the private sector has a dual structure that is characterised by a small handful of large, modern, capital- and import-intensive enterprises at one end of the scale and a majority of micro and small enterprises serving local markets with simple technologies at the other. These small businesses tend to face very different obstacles to larger companies and are often less well-equipped to deal with them. Challenges may include fewer resources, inability to benefit from economies of scale, smaller market size, lack of access to technology and absence of suitable supporting institutions.<sup>61</sup>

Employers' organisations are well-placed to help small business to improve competitiveness by providing advocacy and business development services such as training, advice, information, consulting and networking opportunities.<sup>62</sup> In some countries, trade unions provide similar services and representation in the informal economy, where there is often a thin line between workers and micro-entrepreneurs.<sup>63</sup> Both employers' and workers' organisations can engage with national government on the specific issues that affect small businesses and micro-entrepreneurs.

<sup>61</sup> World Bank, *Building the Capacity of Business Membership Organisations*, 2005, p 12.

<sup>62</sup> Vandenburg, op cit, p 24; World Bank, *ibid*, p 8.

<sup>63</sup> Vandenburg, *ibid*, p 24.

## Change management

Change has become a constant in modern workplace as a result of global pressures and ongoing technological innovations, presenting challenges for both workers and management. Dialogue between employers and trade unions has proven, in a number of cases, to provide an important avenue for introducing and, more importantly, achieving support for change in the workplace.<sup>64</sup> Working with trade unions can help to overcome staff resistance to change in a way that avoids industrial conflict, accommodates worker insight and improves worker buy-in through:

- ❖ Improved and earlier information and consultation;
- ❖ Better shared understanding of pressures and parameters for both employers and workers;
- ❖ Developing a sense of shared responsibility; and
- ❖ Creating a clear and recognised channel for workers to contribute their expertise and experience to inform change.



<sup>64</sup> See, for example, the case study on union support for the introduction of technological and management changes at LG Electronics factory in South Korea: 'Employment relations and HRM in practice: case studies' in Sangheon Lee and François Eyraud (eds.), *Globalisation, flexibilisation and working conditions in Asia and the Pacific*, 2008, pp 175-194.

## Health and safety

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Promoting health and safety is beneficial for workers, employers and overall private sector growth: it means that more workers return home safely after work, whilst saving money for employers through a reduction in days lost through ill health and injury. Trade unions and employer organisations play an important awareness-raising role in highlighting health and safety issues amongst their members, particularly in developing countries where accident rates can be high, or by providing input on legislation and policy design.

Health and safety is widely acknowledged to be 'core business' for trade unions and employers' organisations, and worker and employer representatives are often highly skilled and knowledgeable about workplace risks. They may have a formal role as health and safety representatives or as members of health and safety committees (where provided for under legislation).

Employers' organisations can provide important advice to members on OHS risk prevention and legislative compliance and can conduct in-house OHS audits for them. They play an important role in raising awareness and disseminating information about health and safety amongst their membership and can facilitate collective training schemes for members.

### Promoting a health and safety culture in the Turkish cement industry

Hazards exist in all areas of cement plant operations, requiring a proactive approach to risk control. The Turkish Cement Industry Employers' Association (CEIS) has made considerable efforts to promote a 'health and safety culture' in its member companies through its OHSAS 18001 Project. Launched in 2003, the project has supported CEIS members to take a more formal and proactive approach to occupational health and safety (OHS) management.

Project outcomes include:

- 43 out of 47 of CEIS member factories now have OHSAS 18001 certification (an international OHS management system);
- Nearly 8,000 employees in member enterprises have undertaken 8 hours of OHS training; and
- All CEIS members have signed up to a voluntary code of conduct on OHS.

CEIS also organises twice-yearly meetings to provide members with an opportunity to share good practices on OHS and discuss difficult issues. Representatives of the sectoral trade union, T.Çimse, take part in these meetings.

Since the project was launched in 2003:

- The number of jobs in the sector has risen from 5661 to 9417 in 2009;
- The accident reporting rate has increased dramatically, including for subcontractors, indicating a higher level of awareness and acceptance of reporting mechanisms; and
- The accident severity rate has decreased, particularly for subcontractors.

**Source:** Materials provided by CEIS (2010); [www.ceis.tr](http://www.ceis.tr).

Trade union representatives provide an important independent voice in the workplace: monitoring health and safety conditions, encouraging reporting of accidents and injuries, providing advice to workers and generally helping to establish a proactive 'safety culture'. Overall, a number of studies suggest that there are important links between trade union representation in the workplace and lower injury rates.<sup>65</sup> There is also evidence to suggest that a union presence enhances the participation of other actors, such as regulatory authorities, and that trade unions provide an important source of information for health and safety in the workplace.<sup>66</sup>



<sup>65</sup> See, for example, Barry Reilly, Peirella Paci and Peter Hall, 'Unions, safety committees and workplace injuries', *British Journal of Industrial Relations*, 33(2), 1995. See also David Walters, 'Workplace arrangements for worker participation in OHS' in Elizabeth Bluff, Neil Gunningham and Richard Johnstone, *OHS regulation for a changing world of work*, 2004, p 68.

<sup>66</sup> See, for example, David Walters, Theo Nichols, Judith Connor, Ali C. Tasiran and Surhan Cam, *The role and effectiveness of safety representatives in influencing workplace health and safety*, Report for the Health and Safety Executive of the United Kingdom, 2005, p xiii, 39, pp 39-40.

**CASE STUDY** HERO supermarkets: the benefits of good faith**Background**

The retail sector in Indonesia has experienced rapid growth in recent years, with an average annual growth rate of 20% since 1998.<sup>67</sup> PT HERO Supermarket Group is one of the largest supermarket retail groups in Indonesia, with an annual sales turnover of Rp 6.7 trillion (US\$748 million). Originally established in the 1970s, Hero is the oldest and largest of Indonesia's home-grown supermarket chains<sup>68</sup> and operates 470 stores<sup>69</sup> across Indonesia. Together these stores employ around 12,700 workers.

**Issue**

In the period of social unrest triggered by the Asian financial crisis in 1997-1998, a number of HERO stores were burnt down and 22 others closed. The company and its workers confronted considerable challenges at this time, including an 80% inflation rate and widespread lay-offs.<sup>70</sup> Unfortunately, as a legacy of the limits on freedom of association during the Soeharto years, there was no tradition of social dialogue within the organisation to provide the basis for discussions between workers and management on the company's difficult circumstances. However, the HERO Supermarket Union was created as a result of the transitional government's departure from the single-union model and workers' pressing need to discuss the implications of crisis with management.

**Key points**

- Trust and good faith are critical features of constructive partnership between management and unions. However, trust doesn't grow overnight: it can be a difficult process that takes time and commitment on both sides.
- The intervention of a trusted third party can help the parties to find common ground and move forwards from deadlock.
- Training of both union and management representatives can help to strengthen negotiation skills and improve collective bargaining processes.
- Regular meetings between unions and management about company performance means that union demands are more likely to be informed and reasonable.

<sup>67</sup> UNI Apro, *Social partnership in the making: Trust, reciprocity and social capital at Hero*, 2009, p 2.

<sup>68</sup> Indonesia's top five retail chains are currently Matahari Putra Prima, Carrefour Indonesia, Sumber Alfaria Trijaya, Indomarco and HERO Supermarket.

<sup>69</sup> The Hero group operates 35 Giant hypermarkets, 50 HERO supermarkets, 63 Giant supermarkets, 195 Guardian health and beauty stores and 124 Starmart mini-markets.

<sup>70</sup> UNI Apro, *Social partnership in the making: Trust, reciprocity and social capital at Hero*, 2009, p 3.



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## Process

In HERO Union's early days, industrial tension was high and strikes were common, such that the union became known as one of the most militant in Indonesia.<sup>71</sup> These disputes were time-consuming and costly for the HERO group. The union lacked experience in negotiating techniques and as a result, discussions often developed into arguments, with neither party searching for compromises or alternative solutions.<sup>72</sup>

The relationship stalled until in 2000, the HERO Union sought the assistance of UNI Apro (UNI Global Union's Asia Pacific branch) in relation to a particular collective bargaining dispute. The involvement of UNI Apro helped the parties to break their traditional pattern of deadlock and reach agreement.<sup>73</sup> This successful result represented an important turning point for relations between the management and the union, as it showed the parties that they could successfully negotiate compromises and reach agreement.

The parties' sense of progress was reinforced by a week-long workshop held around the same time, which brought together union and management representatives for the first time in a trust-building exercise. The workshop gave union representatives an insight into business constraints faced by management and improved their

<sup>71</sup> Ibid.

<sup>72</sup> Ibid, p 4.

<sup>73</sup> Ibid.

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understanding of how to make bargaining requests more realistic. At the same time, management were encouraged to break a cycle of automatic resistance to union demands and think of more creative ways to address worker concerns.<sup>74</sup>

Overall, the support of international partners has been an important factor in improving relations, particularly the guidance provided by UNI Apro and senior management in HERO's Hong Kong holding company, Dairy Farm International Holdings (Hong Kong).



### **A culture of communication**

HERO management and the union now enjoy a stable and cooperative relationship. These developments have resulted in a number of benefits for the organisation, with the underlying key to the success being a strong commitment to a common objective: growing and sustaining HERO group. The company has enjoyed particularly strong growth figures over recent years, with sales figures growing 13% from 2008 to 2009.<sup>75</sup>

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*“The union better understands company processes and business constraints, such as the time needed for consulting shareholders or changing company policy.*

*In return, Hero treats the union as a partner and provides the union with up-to-date information on the company's financial situation and strategies”*

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A stronger sense of understanding between the parties has improved the quality of collective bargaining and the stability of industrial relations. Regular meetings now take place between management and the union. Rather than making outright demands, union representatives have learned to justify requests for wage increases with hard evidence, such as company data or industry statistics. The union better understands company processes and business constraints, such as the time needed for consulting shareholders or changing company policy. In return, Hero treats the union as a partner and provides the union with up-to-date information on the company's financial situation and strategies, including confidential commercial information.<sup>76</sup>

Workers have responded positively to the union's expanded role and ability to address members' concerns. As a result, HERO Union now prides itself on near 100% employee representation in the organisation.<sup>77</sup>

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<sup>74</sup> Ibid.

<sup>75</sup> Ibid, p 9.

<sup>76</sup> Ibid, p 5.

<sup>77</sup> Ibid, p 6.

## CASE STUDY

## Partnership for developing human resources: joint MESS-Türk Metal Training Project

## Background

Over time, Turkish trade unions have developed considerable expertise in providing training and education services for members, to the extent that it has become a major function of the trade union movement in Turkey. This is partly a result of a statutory requirement that trade unions in Turkey must spend at least 10% of their revenue on training and education for members. There is no corresponding statutory obligation on employers' associations, but many have chosen to engage in training programmes voluntarily, in recognition of the benefits that these provide for their members.

### Contribution to a positive business environment

The collaboration between MESS and Türk Metal has helped to develop greater harmony in the workplace through:

- Improving communication between managements and workers;
- Strengthening the role of trade unions in factories;
- Developing an awareness on fundamental human and labor rights; and
- *Encouraging the peaceful resolution of grievances and conflicts.*

The joint training project between the Metal Employers' Association of Turkey (MESS) and Metal Workers' Union of Turkey (Türk Metal) is a good example of the type of cooperation that trade unions and employers' associations can undertake to bring benefits to a whole sector.<sup>78</sup> By providing ongoing training and personal development opportunities for workers, the project has made a significant contribution to industrial peace and the ongoing competitiveness of the industry.

Together, Türk Metal and MESS represent a significant tranche of workers and business interests in the metals industry. Türk Metal is the largest union in the sector, representing about 45% of its workers, with a membership of 282,000. MESS represents about 300 employers, which represent about 65% of businesses in the metals and electronics sector.<sup>79</sup> Most of its members are large-scale enterprises, including manufacturers of cars, household appliances, electronics and other metal products.

<sup>78</sup> In the construction sector, the employer organisation (INTES) and the trade union (YOL-ÝP) have also set up a joint vocational training centre in an industrial zone. Mustafa Kemal Öke, *Capacity building for social dialogue at sectoral and company level: Turkey*, Paper for the European Foundation for Living and Working Conditions, 2007: [www.pedz.uni-mannheim.de/daten/edz-ma/esl/07/ef072214en.pdf](http://www.pedz.uni-mannheim.de/daten/edz-ma/esl/07/ef072214en.pdf).

<sup>79</sup> MEGEP/SVET, *Strengthening the Role of the Social Partners and Social Dialogue in the Vocational Education and Training System in Turkey*, Policy Paper, 2006: <http://svet.meb.gov.tr/svet/general/Labour/SocialPartnerSocialDialoguePolicyPaperOct06.pdf>

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## Process

By pooling their resources, both MESS and Türk Metal were in a particularly strong position to establish this type of scheme.

The joint training programme was officially launched in 2000, with an agreement that the parties would split the costs of the training programme equally between them. In particular, MESS agreed to provide funding for educational and training services, such as funding for instructors through the MESS Training Foundation and affiliated academics, while Türk Metal agreed to make its training venue in the Büyük Ankara Hotel available for the courses.

Worker participation in the training programme has been facilitated by the insertion of clauses into collective agreements between Türk Metal and MESS members that provide workers with an entitlement to paid leave in order to participate in the training program.

## Outcomes

The joint training programme has developed into the biggest project of its kind in Turkey and has now been running successfully for ten years.

Training is provided to workers over three days. Each training event is attended by 75 workers and involves sessions on a range of topics including industrial relations, labour law, economics, global developments, quality management and consumer rights. Other modules include labour-management relations, communication and dispute resolution, while recreational activities, team-building and individual motivation are also encouraged. Separate training programmes have been developed on sustainable development and leadership.

According to the Ministry of Labour, there are presently 671,015 workers in the Turkish metal industry, 9.2% of whom have already been covered by the “lifelong learning” initiative of the MESS-Türk Metal program. The programme aims to eventually reach all Türk Metal members in

### Key points

- Cooperation between sectoral employers' organisations and trade unions can make a significant impact on industry skill levels.
- Together, unions and employer organisations can pool their knowledge on skills gaps in an industry and develop training to target these gaps.
- Training clauses in collective agreements can formalise workers' access to training and provide the foundation for the ongoing commitment of workers and employers.
- Sectoral partnerships between trade unions and employers' organisations can lead to positive benefits such as a reduction in industrial conflict.

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MESS-affiliated establishments: about half of this figure has already been covered by the training.<sup>80</sup> At the same time, Türk Metal has rolled out a separate programme for its members who do not work in MESS-affiliated enterprises: so far this programme has reached 15,000 workers.<sup>81</sup> According to Pervül Kavrak, President of Türk Metal, “The training will continue until all Türk Metal members are covered.” In 2009, the cost of the programme amounted to 8.1 million TL (about USD 5.4 million), to which MESS and Türk Metal have contributed equally.<sup>82</sup>

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## Benefits

The MESS-Türk Metal joint training project is considered one of the most successful collaborations of its kind in Turkey, with positive feedback from both employers and workers. One of the key benefits of the programme is reduced industrial conflict: there have been no strikes in Türk Metal establishments since the programme was launched.<sup>83</sup> According to Ýsmet Sipahi, the Secretary-General of MESS, other benefits include:

“... higher levels of morale and motivation, as well as improved communication between workers, managers and the union. Having face to face interactions with participants during my visits to training sites definitely shows improved communication, conflict management and higher morale.”<sup>84</sup>

Building on the success of the existing programme, MESS and Türk Metal have agreed to launch two more joint training projects that will further boost skills development in the industry. The first is a more technically-oriented training programme, offering courses that result in “official occupational certificates” which will be recognised in both Turkey and the EU. The second is a vocational training project that aims to provide practical, on-the-job training in MESS-affiliated workplaces. MESS will be responsible for providing technical instructors and the necessary equipment.<sup>85</sup>

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***“One of the key benefits of the programme is reduced industrial conflict: there have been no strikes in Türk Metal establishments since the programme was launched in 2000.”***

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<sup>80</sup> Interview with Ýsmet Sipahi, Secretary-General, MESS, 22 February 2010 and 29 March 2010.

<sup>81</sup> Ibid.

<sup>82</sup> Interview, Ýsmet Sipahi, Secretary General, MESS, 22 February 2010 and 29 March 2010.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

## CASE STUDY

## Unionisation and Growth in Tarkwa Gold Mine: Ghana Mine Workers' Union and Goldfields Ltd

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## Background

Gold has long been one of Ghana's major commodity exports and an important source of foreign exchange.<sup>86</sup> In the early 1990s, the Ghanaian government sought to attract foreign direct investment and privatise its network of state-owned mines in a bid to revive the then flagging mining industry. State investment in the mines had stalled due to several years of poor financial and operational management and new capital was needed to boost production and drive job creation.

As part of the privatisation process, in 1991, Gold Fields Limited (GFL), a South African company, bought majority shares in two state-owned gold mining firms in Ghana, Tarkwa and Damang. GFL is one of the world's largest gold producers, with an annual international output of around 3.6 million ounces of gold.<sup>87</sup> It operates nine mines in South Africa, Ghana, Australia and Peru and employs some 49,000 employees across the entirety of its international operations.<sup>88</sup>

## Issue

When the privatisation of the mines was announced, there was widespread speculation that workers would lose their jobs, welfare benefits and collective bargaining rights. These concerns were particularly acute given that workers had already suffered deteriorating pay and working conditions as a result of poor management at the mines. Consequently, the Ghana Mine Workers Union (GMWU) and its members vehemently opposed the sale of majority ownership to the GFL and its takeover of the management of the two mines.

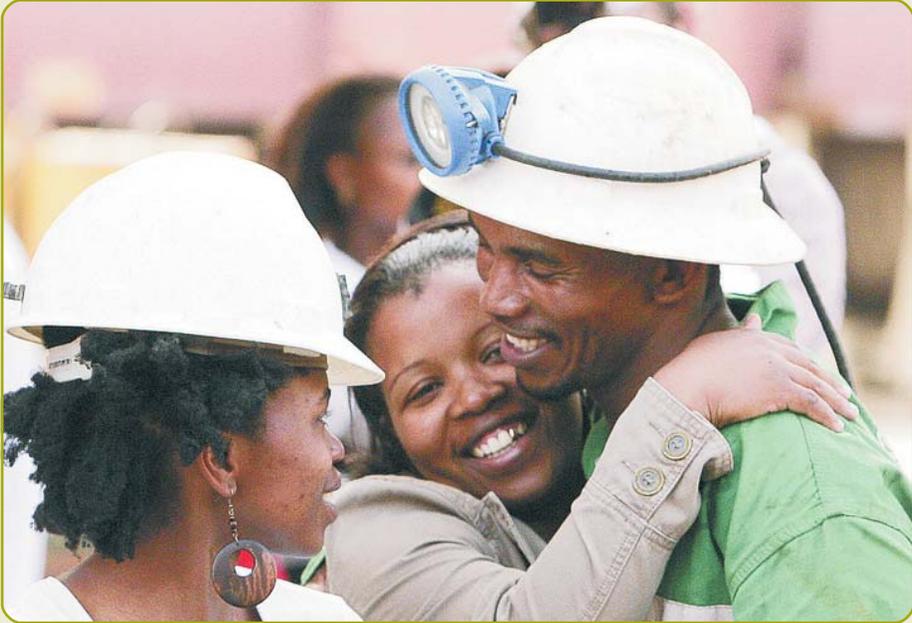
## Key points

- Initial union hostility to privatisation was overcome by dialogue.
- The involvement of national trade union and employers' organisations assisted in the mediation process.
- As a result of improved relations between the new mine owner and the trade union there has been improved job security, increased union membership and higher productivity.
- The mine owners and unions have worked together to improve health and safety and introduce effective policies on HIV/AIDS.

<sup>86</sup> Ghana Statistical Service, *Ghana in Figures*, 2008, p 8.

<sup>87</sup> This is based on 2009 final quarter figures: Goldfields Ltd, *Annual report – 2009*, p 1.

<sup>88</sup> Goldfields Ltd, *Annual report – 2009*, p 64.



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Trade union opposition to the sale subsequently created hostility between GFL and the GMWU. As a result, as soon as GFL took over management of the mines, it declined to recognise the local affiliate of the GMWU and chose not to negotiate directly with the union on the restructuring process, including on redundancy and retention policies. Instead, GFL dealt directly with individual workers.

In response, workers mobilised general public opposition to the GFL takeover by holding protests, petitions and press conferences. This opposition movement grew, supported by the GMWU, traditional authorities and communities in Tarkwa and sections of the national media.

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*“The company has also achieved particularly high performance at the Tarkwa mine with respect to occupational health and safety, where a partnership approach has helped to reduce serious injuries and fatalities”*

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## Process and outcomes

Despite their differences of opinion, both GMWU and GFL were keen to avoid a protracted industrial conflict that would be costly to both parties and adversely affect their common interest in the successful operation of the mine. Formal negotiations between GFL and GMWU finally took place as a result of the intervention of the Ghana Trade

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Union Congress (TUC), the Ghanaian government and the Chamber of Mines, as well as continued pressure from the mine workers.

As a result of the mediation, the GFL agreed to respect the workers' right to freedom of association and recognise the local affiliate of the GMWU for collective bargaining purposes. For its part, the GMWU agreed to acknowledge the GFL as the new majority shareholder and manager of the mines.



## Benefits and development effects

A number of benefits have resulted from the enhanced sense of partnership between GLF and GMWU.

- ❖ **A more stable business environment.** The resulting cooperative relationship between GLF and GMWU played an important role in enabling GLF to boost production and profits at the Tarkwa and Damang mines. GFL has increased production at the Tarkwa mine by more than 15 times over the past 15 years,<sup>89</sup> an achievement that has been undoubtedly facilitated by industrial peace and stable workplace relations.
- ❖ **Regular collective bargaining and freedom of association policy.** Collective bargaining is now an established part of the mine's operations, with collective agreements negotiated every three years, while the right to freedom of association is embedded within the company's human rights policy.<sup>90</sup>
- ❖ **Improved job security and opportunities:** For workers, the cooperation between MWU and mine management has provided concrete benefits in the form of improved job security and employment opportunities. By 2009, there were 1,805 permanent employees, 44 temporary employees and 2,846 contractors at the Tarkwa mine and 407 employees and 1,101 contractors at the Damang mine.<sup>91</sup> The GMWU has succeeded in extending union membership from the lower levels of the workforce to the senior management levels.
- ❖ **Improved health and safety.** The company has also achieved particularly high performance at the Tarkwa mine with respect to occupational health and safety, where a partnership approach has helped to reduce serious injuries and fatalities. For example, the company's *Safe Production Rules Programme* was launched at Tarkwa in May 2009 by management, union representatives and

<sup>89</sup> Goldfields Ltd, *Analyst Visit to Tarkwa Mine – 18 May 2010* (PowerPoint presentation), p 8: [www.goldfields.co.za/presentations/2010/tarkwa\\_visit\\_18052010.pdf](http://www.goldfields.co.za/presentations/2010/tarkwa_visit_18052010.pdf)

<sup>90</sup> See: [www.goldfields.co.za/pdf/human\\_rights\\_policy.pdf](http://www.goldfields.co.za/pdf/human_rights_policy.pdf)

<sup>91</sup> Goldfields Ltd, *Annual report – 2009*, p 31.

safety officials in May 2009, allowing for higher visibility of the programme across the mine. Similarly, management and union representatives have joined together to implement enterprise-level policies on HIV/AIDS, which has resulted in *inter alia* improving attitudes and increasing access to treatment and support in the workplace and community.<sup>92</sup>

- ❖ **Benefits for shareholders.** Finally, the profitability of GFL's operations has translated into increased, prompt and regular payment of dividends, royalties and taxes to shareholders, including government and local chiefs.

<sup>92</sup> *HIV/AIDS and Work Place Programmes and Policies in Industrial Mining Companies - Strategies and Experiences from the ILO Workplace Education Programme in Ghana.* [www.yaounde2009.net/documents/presentations\\_and\\_reports/yaounde\\_conference\\_ofori\\_asamadu2\\_en.pdf](http://www.yaounde2009.net/documents/presentations_and_reports/yaounde_conference_ofori_asamadu2_en.pdf)





# Cooperation in times of crisis

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*Dialogue between governments, employers and trade unions in times of crisis can help to strengthen and consolidate joint responses to crisis. In the context of the recent global financial crisis, the ILO's Global Jobs Pact emphasises the importance of respect for freedom of association as an enabling mechanism to allow for productive social dialogue to:*

- ❖ *Address increased social tension*
- ❖ *Assist in the design of national crisis policies, and*
- ❖ *Build commitment to joint action needed to overcome crisis.*



The global financial crisis triggered in 2008 has had a devastating impact on many businesses and workers across the world, leading to severe pressure on industry and the loss of millions of jobs.<sup>93</sup> The effects of the crisis continue to reverberate in the form of higher unemployment, underemployment and more vulnerable work.<sup>94</sup>

However, for many workers and enterprises, this is not the only or most difficult crisis that they have faced: economic crisis or other shocks of varying causes, nature and magnitude can affect workers and businesses at different times at a national, regional, sectoral or enterprise level.

The independent representation of workers' and employers' interests is critical in times of crisis, when the prospect of business closures, retrenchments and difficult economic times cause anxiety and distress, which can lead to destructive and unhelpful tensions. Consultation and information-sharing between government, trade unions and employer groups can help to alleviate these tensions, so that the parties can focus their energies on working together and identifying workable and balanced solutions.

Although crisis can test the relationship between government, employer associations and trade unions, it can also strengthen it, by highlighting shared interests in the long-term stability and prosperity of national economies, industries and businesses. At the same time, building relationships of trust during prosperous times can ensure better cooperation and dialogue during crisis, placing the parties in a stronger position to build consensus and create mutually agreeable situations.<sup>95</sup>

#### Success factors in dialogue on crisis management

- Well-established channels of social dialogue
- Promptness in engaging in consultation and dialogue
- Information sharing for problem solving
- Political will and capacity to implement agreements
- Clearly defined implementation strategy for agreed measures

**Source:** ILO, *Employment and social protection policies from crisis to recovery and beyond: A review of experience*, 2010, p 57

<sup>93</sup> It is estimated that the crisis increased the number of global unemployed by 30 million. ILO/IMF, *The Challenges of Growth, Employment and Social Cohesion*, 2010, p 4.

<sup>94</sup> ILO, *Recovery and growth with decent work*, Director General's report to International Labour Conference, 2010, p 9.

<sup>95</sup> Y. Ghellab, *Recovering from the crisis through social dialogue*, Dialogue In Brief for the Industrial and Employment Relations Department, ILO, 2009, p 8.

## National crisis measures

The exceptional difficulties posed by international or national crisis usually require wide-ranging solutions and interventions by government. As outlined by the ILO's Global Jobs Pact, these may include, for example, a combination of:

- ❖ National economic stimulus measures;
- ❖ Labour market policies;
- ❖ Enhanced social protection; and
- ❖ Support for business sustainability and skills development programmes.

Dialogue with independent employer and worker representatives can help to improve the legitimacy, sustainability and effectiveness of government policies and improve the chances of successful implementation by:

- ❖ Sharing information so that the concerns and practical expertise of employers and workers are taken into account in the design of anti-crisis strategies;
- ❖ Building public understanding and support where difficult sacrifices or emergency measures are required;



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- ❖ Developing compromises, trade-offs and win-win agreements based on consensus;
- ❖ Better targeting government programmes, including those related to social protection, skills development, tax relief and industry assistance; and
- ❖ Maintaining job creation and retention as a focal point.<sup>96</sup>

In this context, strong pre-existing institutions or mechanisms for social dialogue can provide national economies with a competitive advantage in mitigating the negative effects of crisis.<sup>97</sup> The current crisis has resulted in many governments appealing to trade unions and employer associations to participate in joint consultations.<sup>98</sup>

#### **Tripartite protocols on crisis measures in Barbados**

In the 1990s, Barbados faced a period of severe economic crisis. Social dialogue in Barbados enabled the social partners and government to reach a series of protocols to:

- Focus on competitiveness and productivity;
- Accept wage freezes until productivity gains were achieved; and
- Retain jobs.

**Source:** Rychly, 2009, p 10.

<sup>96</sup> Ludek Rychly, *Social dialogue in times of crisis: finding better solutions*, Working Paper for the Industrial and Employment Relations Department, ILO, 2009, p 25; ACTEMP, *Employers' Organisations responding to the impact of the crisis*, Working Paper No 2, 2010.

<sup>97</sup> Ernst and Berg, op cit, p 58.

<sup>98</sup> Rychly, op cit, p 19.

## Collective negotiations

Collective organisation of workers enables quicker and more effective joint responses to crisis. It enables better and quicker communication between employers and workers in order to counteract the tensions that can arise when workers sense that their job security and wages may be at stake. If left unaddressed, these tensions can lead to costly and time-consuming industrial action.

❖ More efficient communication between management and workers also makes it easier to find creative solutions to avoid job losses, either through discussions in dialogue committees or introducing provisions in collective agreements. Collective negotiations allow workers and employers to agree on trade-offs and temporary crisis measures to help ensure enterprise sustainability and provide ongoing job security, such as:

- Commitments to productivity measures;
- Freeze on new hiring;
- Reduced use of agency staff;
- Temporary wage freezes or work stoppages;
- Voluntary redundancies or early retirement packages;
- Greater flexibility in increasing or reducing working hours; and
- Internal transfers and redeployment.

Independent worker representatives can help to share the knowledge of managers and workers who are well-placed to identify practical measures to address the crisis, such as ideas for new productivity gains.



## Responsible restructuring

4 Although employers' organisations and trade unions may cooperate to protect jobs, this may not be sufficient to protect all jobs when economic circumstances deteriorate. In such times, the retrenchment of workers may be considered by companies as a 'last resort'. It is important that such restructuring is handled sensitively; not only for reasons of basic fairness, but also because it can have negative effects on the productivity and morale of remaining employees and managers, which in turn can have significant impacts on profitability.<sup>99</sup>

Restructuring goes more smoothly if it is based on a joint agreement between employers and workers and, in some cases, the government.<sup>100</sup> Early consultation between management and independent worker representatives can help to reduce uncertainty, ensure transparency and avoid unnecessary conflict.

### Services provided by employer associations during the crisis

**Cambodia:** To help its members to manage the challenges of the crisis in a socially responsible way, the Cambodian Federation of Employers' and Business Association has developed a guidebook for employers on *Socially Responsible Transition Management in Cambodia*, as well as training to accompany the publication.

**Mauritius:** In June 2009, the Mauritius Employers' Federation (MEF) completed a survey of 141 enterprises to gauge the economic health of local businesses and gather examples of innovative actions to contain the impact of the crisis. The survey covered businesses that collectively employ 37,000 workers. MEF has used this information to successfully guide their policy development and negotiations with government and trade unions.

**Nigeria:** The Nigerian Employers' Consultative Association (NECA) has organised quarterly meetings to share information on how their members are addressing the crisis. NECA has also arranged for seminars on the management of redundancies and best practice, as well as workshops on productivity and quality management to address the needs of micro and small entrepreneurs during the crisis.

**Source:** ACTEMP, *Employers' Organisations responding to the impact of the crisis*, 2010.

<sup>99</sup> N. Rogovsky, P. Ozoux, D. Esser, T. Marpe and A. Broughton, *Restructuring for corporate success: A socially sensitive approach*, ILO, 2005, pp 8, 19. See also: Better Work Programme, *Handbook on Managing Transition*, ILO / IFC, 2005; ILO, *Restructuring enterprises through social dialogue and labour-management agreements: Social responsibility practices in times of crisis*, briefing note, 2010.

<sup>100</sup> Rogovsky et al, *ibid*, p 9.



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Minimum levels of consultation may be required by legislation, but a responsible approach means that:

- ❖ Independent worker representatives are actively involved at all stages of the process;
- ❖ Alternatives to retrenchment are genuinely explored;
- ❖ Workers' views, questions and concerns are heard, understood and addressed;
- ❖ Procedures for selecting workers for retrenchment are recognised as equitable;
- ❖ Active measures to help affected workers are discussed; and
- ❖ Workers who are selected for redundancy receive fair treatment, including adequate severance packages.<sup>101</sup>

<sup>101</sup> Ibid, p 39.

## Services to members

Trade unions and employer organisations can provide important services to their members to navigate crises. For example:

- ❖ Trade unions and employer organisations may carry out research or survey their members to pinpoint problems and feed into collective negotiations or policy dialogue;
- ❖ Employer organisations may provide advice and tools on how to avoid retrenchments or, where this is necessary, how to carry out socially responsible restructuring;
- ❖ Trade unions may provide support services for retrenched workers, such as counselling, advice on managing their finances, accessing vocational training advice to improve employability and putting members in touch with public employment services.

### Migrant workers' cooperatives and crisis response

Migrant workers are particularly vulnerable in times of economic crisis, as they often do not enjoy the same rights and protection as nationals. Cooperatives are one way to help migrant workers to cope with the difficulties of losing their jobs in an uncertain economic climate.

A cooperative for former migrant workers in Indonesia, KoperasiTKI Purna Citra Bumi Mandiri, has expanded the outreach of financial products and services it provides to former migrant workers in the wake of the financial crisis, as more and more migrants return home. Established in 2005, the cooperative now holds total assets of Rp 130 million (USD 13,000) and has a total of 29 members, covering 100 migrant families. Its membership continues to grow as members benefit from the productive use of remittances, credit for health and education as well as income generating activities.

**Source:** ILO, 2010 [www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Feature\\_stories/lang—en/WCMS\\_110094/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Feature_stories/lang—en/WCMS_110094/index.htm)

**CASE STUDY** Singapore: crisis recovery through tripartite cooperation

## Background

The global financial crisis had a severe impact on Singapore, with GDP contracting by 9.5% in the first quarter and 3.3% in the second quarter of 2009.<sup>102</sup> The unemployment rate increased from 1.9% in March 2008 to 3.2% in March 2009, including the loss of nearly 20,000 jobs in the manufacturing sector.<sup>103</sup> Quick measures were needed to help Singapore both reduce the impact of the downturn and prepare for opportunities that would arise during the economic recovery.



Q3 2008	3,180
Q1 2009	12,760
Q2 2009	5,980
Q3 2009	2,200

## Process

Singapore considers tripartism to be a strong competitive advantage, including in times of economic downturn.<sup>105</sup> Consequently, tripartite dialogue formed a key part of the national crisis response, with the Ministry of Manpower (MOM), the National Trade Unions Congress (NTUC) and the Singapore National Employers Federation (SNEF) coming together in November 2008 to explore options for action.<sup>106</sup> All sides recognized the importance of formulating balanced proposals that addressed the concerns of both employers and workers.

## Outcomes

Together the tripartite partners cooperated to roll out a number of crisis response initiatives over a short period. In addition, a **Tripartite Taskforce** was formed to gather feedback and updates on labour-related issues during the crisis.

<sup>102</sup> ASEAN Secretariat, *Country report of the ASEAN assessment on the social impact of the Global Financial Crisis: Singapore, 2009*: [www.aseansec.org/publications/ARCR/Singapore.pdf](http://www.aseansec.org/publications/ARCR/Singapore.pdf).

<sup>103</sup> Gyorgy Sziraczki, Phu Huynh and Steven Kapsos, *The global economic crisis: Labour market impacts and policies for recovery in Asia*, ILO Asia-Pacific Working Paper Series, June 2009, p 6.

<sup>104</sup> NORMES / DIALOGUE, *ILO Study Mission on Singapore's Tripartism Framework: Prospects for Ratification of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)*, 2010, p 17.

<sup>105</sup> See, for example, Singapore Ministry of Manpower, 'Tripartism in Singapore': [www.mom.gov.sg/employment-practices/tripartism-in-singapore/Pages/default.aspx](http://www.mom.gov.sg/employment-practices/tripartism-in-singapore/Pages/default.aspx).

<sup>106</sup> ILO, *Employment and social protection policies from crisis to recovery and beyond: A review of experience*, Report to the G20 Labour and Employment Ministers' Meeting, April 2010, p 60.



<b>November 2008</b>	<p>The <b>Tripartite Guidelines on Managing Excess Manpower (MEM)</b><sup>107</sup> were developed by the tripartite partners and published to provide guidance to employers on managing excess workforce capacity so that retrenchment would only be used as a last resort.</p> <p>The guidelines set out a number of options, including the introduction of a shorter working week, temporary lay-offs, redeployment, further training, wage reductions or non-wage cost-cutting measures. Unions worked hard to get workers to accept these measures, while employers undertook cost-cutting measures to save jobs.<sup>108</sup></p> <p>As a result, the number of workers on a shorter working week or temporary lay-off increased from 550 before the crisis to 26,500 in the first quarter of 2009.<sup>109</sup> These workers might otherwise have been retrenched.</p>
<b>December 2008</b>	<p>The <b>Skills Programme for Upgrading and Resilience (SPUR)</b>, a \$650 million two-year skills development and training subsidy programme, was introduced.</p> <p>SPUR, run by the trade unions and employers' organisations, was designed to encourage and support companies to send their workers for training as a means of managing excess labour and preparing for the economic recovery.</p> <p>As of 31 November 2009, about 264,000 workers had participated in SPUR courses.<sup>110</sup></p>
<b>January 2009</b>	<p>The tripartite partners revised the <b>National Wages Council guidelines</b> in January 2009 to tackle wage issues.</p> <p>The revised guidelines include recommendations on wage freezes or reductions in consultation with unions and highlighted the importance of helping more vulnerable workers, including older workers, women and those on low wages and temporary contracts.</p> <p>The Government responds to a request by the National Wages Council to reduce business costs by reducing corporate tax and providing other tax relief in the 2009 budget, which was moved forward by one month to January 2009 and included a \$20 billion resilience package to assist the economy.<sup>111</sup></p>
<b>March 2009</b>	<p>The first payments are made under the <b>Jobs Credit Scheme</b>, under which the government helps employers with their wage bills by giving a 12% cash grant on the first \$2,500 of each employee's monthly wage for a period of one year.</p>
<b>April 2009</b>	<p><b>Tripartite Upturn Strategy Teams</b> are established to raise business awareness of the MEM guidelines and advise on their implementation.</p>

<sup>107</sup> *Tripartite Guidelines on Managing Excess Manpower* (revised), 2009: [www.mom.gov.sg/Documents/employment-practices/Guidelines/MEM%20Guidelines%20\\_revised\\_%20final.pdf](http://www.mom.gov.sg/Documents/employment-practices/Guidelines/MEM%20Guidelines%20_revised_%20final.pdf). See also *Employers' Guide to Saving Jobs in the Business Downturn, 2009*: [www.mom.gov.sg/Documents/employment-practices/Guidelines/Employers%20Guide%20to%20Saving%20Jobs\\_Final.pdf](http://www.mom.gov.sg/Documents/employment-practices/Guidelines/Employers%20Guide%20to%20Saving%20Jobs_Final.pdf)

<sup>108</sup> NORMES / DIALOGUE, op cit, p 29.

<sup>109</sup> ILO, Report to the G20 Labour and Employment Ministers' Meeting, 2010, op cit, p 60.

<sup>110</sup> NORMES / DIALOGUE, op cit, p 21.

<sup>111</sup> ILO, Report to the G20 Labour and Employment Ministers' Meeting, 2010, op cit, p 60.

## Benefits

As a result of these proactive interventions, Singapore was able to avoid the high retrenchment figures that it had experienced during the 1998 Asian financial crisis.<sup>112</sup> By the third quarter of 2009, Singapore's GDP was showing strong recovery at a seasonally adjusted 14.9% quarter-on-quarter.<sup>113</sup> The number of retrenchments has now reduced and there is positive employment growth and an improved climate for recruitment. Because the crisis was identified by the tripartite partners as an opportunity to up-skill the workforce, Singapore is in an even stronger position to capitalise on economic opportunities in more prosperous times.

In addition, trust between the tripartite partners has increased. As the country began its path to economic recovery, the tripartite partners released an advisory in November 2009 to help companies sustain their competitiveness.<sup>114</sup> Amongst other things, the advisory recommended that business in recovery should recognise employees' support and sacrifice during the crisis by granting moderate wage adjustments and/or providing a one-off bonus payment.<sup>115</sup>

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### Lessons learned from Singapore's crisis experience: the tripartite partners

**“The speed of trust enabled the tripartite partners to come up with measures to cut costs and save jobs at the very first signs of the downturn.** As employers were not only able to hold on to their workers but also upgraded them with better skills, they could quickly ride on the wave of the upturn when the economy rebounded.” SNEF President, Stephen Lee.

“Many economies cut jobs to save cost and ended up with high unemployment and slower recovery. [But] we preserved our capacity and upgraded our capabilities during the downturn. As a result, unemployment is low and economic rebound is strong during the upturn. **The unity and trust of the tripartite partners has ensured that**

**Singapore's tripartism is strong not only in good times, but also in bad times.”** NTUC Secretary-General, Lim Swee Say.

“The strong tradition of tripartism has brought about industrial harmony and synergistic partnership among businesses, workers and the government. **This partnership has enabled us to address the many economic and manpower challenges over the years, including the recent economic downturn.**” Manpower Minister, Gan Kim Yong.

**Source:** Joint press release, 11 June 2010 – [www.news.gov.sg/public/sgpc/en/media\\_releases/agencies/mom/press\\_release/P-20100610-2/AttachmentPar/0/file/Joint%20Media%20Release%20on%20ILC.pdf](http://www.news.gov.sg/public/sgpc/en/media_releases/agencies/mom/press_release/P-20100610-2/AttachmentPar/0/file/Joint%20Media%20Release%20on%20ILC.pdf)

<sup>112</sup> ILO, *ibid.*

<sup>113</sup> NORMES / DIALOGUE, *op cit*, p 20.

<sup>114</sup> *Tripartite Advisory on Managing Manpower Challenges for Enhanced Competitiveness and Sustainability*, 2009:

[www.mom.gov.sg/Documents/employment-practices/Guidelines/Tripartite%20Advisory%20on%20Managing%20Manpower%20Challenges%20\\_final\\_.pdf](http://www.mom.gov.sg/Documents/employment-practices/Guidelines/Tripartite%20Advisory%20on%20Managing%20Manpower%20Challenges%20_final_.pdf)

<sup>115</sup> NORMES / DIALOGUE, *op cit*, p 20.

**CASE STUDY** Crisis response in Chile

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In response to the global economic crisis, the Chilean Government, the Confederation of Production and Trade, the Confederation of Small and Medium-Sized Enterprises and the Confederation of Workers (CUT) concluded a national tripartite agreement for employment, training and labour in May 2009.<sup>116</sup>

The agreement set out six measures, valid for a period of 12 months, which were designed to:

- ❖ Facilitate the retention of workers within enterprises;
- ❖ Improve workers' skills;
- ❖ Protect unemployed persons and helping them to find new jobs in the labour market;
- ❖ Boost public spending on infrastructure; and
- ❖ Support enterprises – especially SMEs – through tax relief and access to credits and guarantees.

The agreement also provided for a programme of grants for women.

The speed with which all of these measures have been adopted and started to be implemented has been attributed to the rapid consensus between the Chilean Government, workers and employers on how to combat the effects of the global economic crisis.

**Participation of workers and enterprises in the different schemes under the Tripartite Pact<sup>117</sup>**

	Participating workers	Enterprises
Training permissions	944	31
Retention of workers	2,659	210
Pre-contract training	8,440	325
Scholarships for women heads of households	19,001 plans approved	N/A
Subsidised youth employment	160,267	4,506

<sup>116</sup> Ghellab, op cit, p 6.

<sup>117</sup> ILO, *Employment and social protection policies from crisis to recovery and beyond: A review of experience*, Report to the G20 Labour and Employment Ministers' Meeting, April 2010, p 58.

The Chilean Government and representatives of workers and employers also worked together as part of a newly constituted Technical Commission on the Minimum Wage which produced a 66-page report analysing the impact of the minimum wage on the Chilean labour market, including recommendations to improve the ability of young workers and others to participate in the labour market.<sup>118</sup> The establishment of the Commission is an important step in the analysis of the role of the minimum wage and the creation of new employment in Chile, representing the first time there has been independent input – including employers' organisations and trade unions – into the revision and implementation of such matters.

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<sup>118</sup> La Comisión Técnica del Salario Mínimo, Final Report, June 2010: [www.mintrab.gob.cl/legislacion/documentos/informe-salario-minimo.pdf](http://www.mintrab.gob.cl/legislacion/documentos/informe-salario-minimo.pdf)





# Strengthening democracy and governance

5



*Freedom of association is a defining feature of democracy: the freedom of different interest groups to collectively organise and represent their interests is one of the mechanisms by which healthy democracies strike a balance between competing interests. As such, the levels of respect for freedom of association in a society can be seen as a good indicator of the strength and openness of a democracy. Where there are serious constraints on freedom of association and other basic civil rights, economic and social development is threatened.*



Good governance and democracy count for development.<sup>119</sup> A 1997 study provided evidence across a number of countries to suggest that democracies enjoy more predictable long-term economic growth rates, experience more stable economic performance and handle adverse shocks better than authoritarian regimes.<sup>120</sup> Recent research also suggests that respect for democratic rights – which include freedom of association – encourages micro-economic reforms and is likely to lead to enhanced efficiency and growth.<sup>121</sup> Conversely, poor governance structures have been found to be instrumental in persistent poverty and lagging development.<sup>122</sup>

But the strongest argument in favour of democracy is perhaps its contribution to human, rather than economic, development. Respect for democratic principles and basic human rights, such as freedom of association, allows people to live in dignity and gives them the capacity to influence decisions that affect them, both individually and collectively.

Strong, transparent and accountable institutions and participatory processes are an important part of good governance and democracy. This includes tripartite structures for social dialogue, that can help provide the stability and social cohesion that is needed for economic and social development. Freedom of association is critical to ensuring that worker and employer provide a representative, independent voice in these processes.

### Tripartism in Brazil

There are tripartite State Employment Committees in all of Brazil's 26 States and the Federal District and 3,110 municipalities had also registered local employment councils. These organisations enable the social partners to participate in the management and execution of the Public Employment, Work and Income System (SPETR). These committees serve to:

- Generate knowledge of the local labour market;
- Guide and control local execution of policies; and
- Promote institutional ties.
- Other instances of tripartite consultation and participation in Brazil include:
  - The Economic and Social Development Council;
  - The National Commission for the Eradication of Slave Labour (CONATRAE);
  - The National Commission for the Eradication of Child Labour (CONAETI); and
  - The Tripartite Commission for Equal Opportunity and Treatment of Gender and Race at the Workplace (CTIO).

**Source:** ILO, *Decent Work Country Profile: Brazil*, 2009.

<sup>119</sup> See, for example, UNDP, *Human Development Report: Deepening democracy in a fragmented world*, 2002.

<sup>120</sup> D. Rodrik, *Democracy and economic performance*, 1997, pp. 2–3.

<sup>121</sup> Mohammed Amin and Simeon Djankov, *Democracy and Reforms*, Policy Research Working Paper, World Bank, 2009.

<sup>122</sup> UNDP, *Human Development Report: Deepening democracy in a fragmented world*, 2002, p 51.

## Strengthening public participation in policy processes

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Public participation is one of the core principles of democracy, as it helps to ensure that government policy and programmes are fair, inclusive and meet the needs of intended beneficiaries.

### Social dialogue and democratisation in South Africa

Dialogue with trade unions, employer organisations and civil society played an important role in South Africa's democratisation following the end of the apartheid regime. Institutions such as the National Economic Development and Labour Advisory Council (NEDLAC) have brought together major stakeholders and important economic and social reforms have been adopted through a consensus building process.

The ANC's Reconstruction and Development Programme (1994) stated that:

*'Democracy is not confined to periodic elections, but is an active process enabling everyone to contribute to reconstruction and development ... the Government's central goal is to democratise the economy and empower the historically oppressed, particularly the workers and their organisations, by encouraging broader participation in decisions about the economy in both the private and public sector.'*

**Sources:** Ishikawa, 2003, p 27; Gérard Kester and Akua O Britwum,

The collective organisation of employers and workers – key participants in the economic process – makes it easier for their representatives to have a say in the design and implementation of government policy. This is not only important with respect to labour market policy, but applies equally to broader economic and social policy. Respect for freedom of association provides the right conditions for effective social dialogue that is *'not only an end for democratic governance of the labour market, but also for society in general, as it improves the participation of various groups of society in decision-making'*.<sup>123</sup> Employer organisations and trade unions can also play an important watchdog role, monitoring the implementation of policies and programmes and keeping government accountable with respect to their effectiveness and expenditure.

By articulating the views of their membership, independent trade unions and employers' organisations provide a critical link between decision-makers and different sections of the community. This is particularly important to ensure successful policy reforms and adjustment. Stronger channels of communication between government and worker and employer organisations mean that:

- ◆ Policy formulation is strengthened by the knowledge and practical experience of workers and employers;

<sup>123</sup> Ernst and Berg, op cit, p 57.



- ❖ Government decision-making is more transparent;
- ❖ There is a mechanism to address possible trade-offs between economic and social objectives, allowing for mediation between different groups and reduced political and social conflict;
- ❖ There is an avenue for building consensus on policy reforms, which can contribute to public buy-in and help to secure the success of policies;
- ❖ Misunderstandings between the different groups are minimised and tensions are easier to manage; and
- ❖ Workers and employers – as well as other key stakeholders – are kept informed and feel more empowered with respect to the political process.

## Participation in national development programming

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National development plans and poverty reduction strategies help to set priorities for economic and social development and create policies to achieve those goals, including strategies and programmes to meet the Millennium Development Goals (MDGs). It is now a well-established principle that there should be a wide participation of stakeholders, including employers and workers' organisations, in the development planning process to ensure a broader sense of national ownership of MDG commitments and support for poverty reduction strategies.

Consultation and dialogue with trade unions and employers' organisations helps to ensure that national development priorities and resource allocation reflect the concerns of the broader community and include employment promotion as a central concern. In particular, collective organisation in the informal economy can be a crucial mechanism for empowering the working poor to participate in discussions about poverty reduction and gives visibility to their needs amongst policy-makers.<sup>124</sup> This enhances the accountability and effectiveness of policy-makers, paving the way for the more equitable and efficient allocation of resources, and ultimately more equitable patterns of development.<sup>125</sup>



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<sup>124</sup> World Bank, *World Development Report: Equity and Development*, 2006, p 189.

<sup>125</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 31.

## Contributing to democratic transition

Trade unions have been a force for progressive political and social change in many countries, including Brazil, Ghana, Poland, South Korea and South Africa.<sup>126</sup> Where representative political parties cannot develop, trade unions may become alternative vehicles for expressing public discontent and become catalysts for peaceful democratic change.<sup>127</sup> One of the reasons that they are able to do this is that their objectives are often based on inclusive concepts of social justice and cut across ethnic, religious and political divides. However, trade unions must be seen to be free, independent and representative in order to represent the interests of the general public legitimately and to campaign for democracy effectively.

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*“Genuine democratisation is not possible without accompanying measures for guaranteeing freedom of association; and inversely, realizing this right inevitably leads to more democratic systems of governance.”*

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**Source:** ILO, *Your Voice at Work*, 2000, p 50

Many Central and Eastern European countries managed their transition from socialist to market economies through social dialogue, establishing tripartite national bodies at the beginning of the transition period.<sup>128</sup> At the time, the objective was to establish a mechanism for dialogue that would help to cope with the economic adjustments associated with the move to a market economy.<sup>129</sup>

<sup>126</sup> World Bank, *World Development Report: Equity and Development*, 2006, p 189.

<sup>127</sup> Karen Curtis, ‘Democracy, freedom of association and the ILO’, in Jean-Claude Javillier et Bernard Gernigon, *Les normes internationales du travail: un patrimoine pour l’avenir – Mélanges en l’honneur de Nicolas Valticos*, ILO, 2004, pp 89-106, p 91.

<sup>128</sup> These include: Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Slovak Republic and Slovenia. Junko Ishikawa, *Key features of social dialogue: A social dialogue resource book*, ILO, 2003, p 29.

<sup>129</sup> *Ibid*, p 29.



## Building support for democracy at every level

The democratic value of independent trade unions and employer organisations lies not only in their ability to catalyse and influence high-level political change, but also in their efforts to promote support and understanding for democracy through the principles on which their own internal structures are based. The legitimacy of trade unions and employers' organisations is strongly linked to the sense of ownership that their members have over the policy direction of the organisation.

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*“By becoming advocates for stronger workers’ rights and representation at every level – from the workplace to the local, regional and national level – I believe that we can achieve much more than improvements in efficiency. Labour unions and other genuine forms of popular self-organisation are key to democratic development.”*

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**Source:** Joseph Stiglitz, ‘Democratic Development as the Fruits of Labour’, keynote address to the Industrial Relations Research Association, Boston, January 2000.

At the same time, the democratic processes that employer and worker representatives promote at the enterprise level – such as elected health and safety representatives or joint decision-making committees – create a form of participatory democracy that nurtures and sustains support for democracy at higher levels. This encourages a concrete understanding and awareness of the value of democratic concepts such as accountability, responsibility, participation and responsiveness.

**CASE STUDY** Democratic transition in Poland

5



In August 1980, a combination of economic difficulties and workers' anger at their lack of independent and meaningful representation led to a series of strikes in the Gdansk shipyards. The political momentum created by this strike gave rise to the establishment of Solidarity, an independent workers' organisation, which turned into a vehicle for political opposition.<sup>130</sup> In 1981, Solidarity adopted a programme of action that demanded broad-ranging public reforms on self-management, democracy and the freedom to put forward different social, political and cultural views at all levels of society and in every level of decision-making.<sup>131</sup>

The mood of dissent spread across the country and quickly moved from workplace issues to a more sweeping demand for freedom and the type of institutions that underpin democratic societies. Solidarity effectively compelled the ruling party to hold democratic elections that resulted in victory for the opposition and subsequently contributed to a collapse of the communist regime in Poland.



<sup>130</sup> Agnieszka Paczynska, *State, labour and the transition to a market economy: Egypt, Poland, Mexico and the Czech Republic*, 2009, p 49.

<sup>131</sup> Curtis, *op cit*, p 92.

**CASE STUDY** Ghana Trade Union Congress: Contributing to national policy debates

Since Ghana's return to constitutional democracy in 1992, the Ghana Trade Union Congress (TUC) has sought a greater role in national policy debates and has steadily emerged as a key stakeholder in participatory processes for national economic and social development policies. The TUC now consistently engages in policy debates and makes public statements regarding policy measures that may impact negatively on workers and society, including proposals for alternative approaches.<sup>132</sup> An important part of the TUC's strategy has been to ensure that the process of policy formulation and implementation is as inclusive as possible, in the hope that this will raise the quality of policies and improve the prospects of efficient and fair implementation.<sup>133</sup>

**Key points**

- The role of the trade unions in Ghana in national policy debates has consolidated democracy and strengthened democratic institutions.
- Trade unions have, through open public dialogue, been able to advocate on behalf of workers and the broader community in relation to national policy and also the policies of international organisations and financial institutions.

The TUC gained greater traction in national policy debates in the late 1990s, when it was particularly vocal about the impacts of the structural adjustment lending policies and programs of the 1980s and early 1990s. At this time, the TUC led a civil society coalition (CivisoC) in a review of these policies that involved the government, the World Bank, and Civil Society Organizations.<sup>134</sup> Since then, the TUC has played a tangible role in preparing national development frameworks<sup>135</sup> and the establishment of the Ghana National Health Insurance Scheme (NHIS). The TUC has also made submissions to the government on the

National Budget since 2005<sup>136</sup> and is now periodically consulted by the visiting missions of the World Bank and the IMF.<sup>137</sup>

<sup>132</sup> Kwasi Anyemedu, *Trade union responses to globalisation: Case study on Ghana*, ILO discussion paper, 2000, p 6.

<sup>133</sup> Ibid, p 7.

<sup>134</sup> This project, known as SAPRI, ran from 1997 to 2001. Interview with Joseph Wilson, Researcher, Ghana Employers' Association, April 2010.

<sup>135</sup> See the Ghana Poverty Reduction Strategy I (2001-2002, 2003-2005), the Growth and Poverty Reduction Strategy II (GPRS II, 2006-2009), Ghana Shared Growth and Development Agenda 2010-2013. For example, the Ghana Shared Growth and Development Agenda 2010-2013 recognises the TUC's role in the preparation of the national development framework through its participation in Cross-Sectoral Planning Groups.

<sup>136</sup> For the TUC's submission on the 2010 budget, see: GhanaWeb, 'GTUC submits proposals on 2010 Budget to Government, October 2009: [www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=169729](http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=169729).

<sup>137</sup> Interview with Kingsley Aboagye, Acting Head of Administration Department, Ghana TUC, April 2010.





The TUC actively canvasses for productive strategies that would create jobs and lead to more equitable wealth distribution as an essential component of poverty reduction strategies.<sup>138</sup> On several occasions, the TUC has publicly disagreed with the national government on economic policies aimed at privatisation processes, the removal of subsidies or upward revision of fees on public utilities, such as water and electricity.<sup>139</sup> In opposing these policies, the TUC put forward alternative policy ideas that it considered more likely to secure jobs and prevent mass redundancies,<sup>140</sup> which could aggravate unemployment and poverty levels. In a number of cases, the TUC's policy stance has contributed to a slowing down of government economic decision or forced consideration of alternatives or the introduction of worker-friendly and poverty-reducing elements.<sup>141</sup>

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*“In a number of cases, the TUC’s policy stance has contributed to a slowing down of government economic decision or forced consideration of alternatives or the introduction of worker-friendly and poverty-reducing elements.”*

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<sup>138</sup> Interview with Emmanuel Baisie, National Project Officer for Local Economic Department, ILO country office, Ghana.

<sup>139</sup> Interview with Prince Asofu-Adjaye, National Labour and Policy Institute, Ghana TUC, April 2010.

<sup>140</sup> Interview with Rose Quaye, Desk Officer, Informal Economy Department, Ghana TUC, April 2010.

<sup>141</sup> Interview with Foster Ben Kotey, Head of Administration, Communication Workers Union, April 2010.

# Challenges and opportunities: the role of governments, trade unions and employers



6



This publication shows that, faced with the challenges of economic development, the spirit of partnership and cooperation fostered through respect for freedom of association can be extremely valuable. However, freedom of association doesn't just happen: it needs to be protected and maintained. Governments, trade unions and employer associations all have a role in ensuring respect for freedom of association and making the most of opportunities to work together to promote economic and social development. In turn, the ILO can provide important practical advice and assistance to support these efforts.



6

One of the main challenges for all groups is to build strong and productive working relationships with each other. Cooperation is not always easy: it involves trying to reconcile the interests of government, employers and trade unions, despite their differences, in order to obtain advantages for themselves and society as a whole. But a number of the case studies in this publication show that it is possible and that even strongly adversarial relationships can be transformed into more positive relationships of trust, which can then provide a platform for working together to create positive change. However, the key is that all parties need to show good will, commitment and pragmatism – and be prepared to work hard.



## Governments

Governments have a critical role to play in helping to ensure respect for freedom of association and the right climate for trade unions and employers' association to operate freely and productively and contribute to development processes.<sup>142</sup>

Some of the things that governments can do to cement respect for freedom of association include:

- ❖ **Legislation.** The right legislative framework is crucial to provide the protections and guarantees that allow trade unions and employer organisations to operate freely without fear of retribution. It can also help to strengthen the role of tripartite institutions. Legislation may play a role in extending protection and organising rights to those working in the informal economy.<sup>143</sup>
- ❖ **Implementation.** Enforcing basic laws on freedom of association and collective bargaining guarantees the independence of trade unions and employer organisations. A strong and efficient labour inspectorate is crucial for ensuring that freedom of association and the right to collective bargaining are respected and that trade union members and officials are protected from discrimination in the workplace.

<sup>142</sup> Ernst and Berg, op cit, p 57.

<sup>143</sup> Ibid, p 57.

- ❖ **Establishing strong tripartite institutions and mechanisms.** Governments must help to create and sustain labour market institutions, such as national bodies for policy consultation and fair and effective systems of dispute resolution. Strong national institutions for tripartite dialogue reinforce freedom of association and encourage governments, employers and trade unions to work together, manage conflict and find solutions to difficult issues. These solutions can range from agreeing on the appropriate level for a minimum wage to finding ways to promote or support the collective representation of workers in the informal economy.
- ❖ **Support social dialogue and participatory democracy.** Tripartite dialogue mechanisms can provide support not only for creating labour market policies, such as vocational training, but can also provide input on broader economic and social policy issues. However, government needs to be prepared to promote the involvement of workers and employers' organisations in policy-making (including representatives from the informal economy) and take their views into account. Government recognition of the importance and legitimacy of social dialogue can play an important role in promoting bipartite dialogue between trade unions and individual employers as well as employer associations.<sup>144</sup>
- ❖ **Non-interference.** Governments must ensure they guarantee the independence of workers' and employers' organisations by refraining from interfering in their internal affairs or in collective negotiations.

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<sup>144</sup> Ishikawa, op cit, pp 37-8.

## Workers' and employers' organisations

Strong, effective and independent workers' and employers' organisations are a critical factor in creating an environment that is conducive for freedom of association and encourages economic and social development. Their ability to contribute to social dialogue and development outcomes is significantly reduced where organisations are weak or under-representative of the workforce or business community.<sup>145</sup>

Some of the things that workers' and employers' organisations can do to strengthen their organisations and cement respect for freedom of association include:

- ❖ **Internal organisation.** Workers' and employers' organisations need to work to maintain their legitimacy, credibility and accountability by keeping decision-making democratic, fair and transparent and making sure that policies and actions respond to the needs of their members. Workers' and employers' organisations consolidate their influence and bargaining power in development processes where they are cohesive and avoid fragmentation.
- ❖ **Addressing representation gaps.** In order to maintain relevance and enhance their role in national development, employers' and workers' groups need to strive to ensure that their membership is as broad and representative as possible. Special attention needs to be paid to the rights of those who have often found themselves marginalised by membership organisations, including women, ethnic and religious minorities, migrants, indigenous groups and



<sup>145</sup> ILO, *Organisation, bargaining and dialogue for development in a globalising world*, report for the Governing Body, GB.279/WP/SDG/2, November 2000, p 30.

those in the informal economy (particularly in rural areas). These gaps should be addressed in both workers' and employers' organisations; for example, trade unions can look at ways to better represent the needs of women workers, while employers' organisations can consider how to meet the needs of small businesses. This is not just a question of expanding membership and services, but including these groups in decision-making positions within organisations so that their interests are represented in policy positions. Both trade unions and employer organisations can play an important role in strengthening the voice of marginalised groups, but need to look outside their traditional constituencies and use innovative strategies.

- ❖ **Act as 'drivers for change'.** Workers' and employers' organisations have important contributions to make to policy discussions, which involves learning to generate constructive policy options that will contribute to more equitable development processes both for their members and society more generally. Employers' and workers' organisations need to keep up to date with developments that can impact on business practices, the workplace, the labour market and the national economy, including the effects of trade shifts, new technologies, new forms of working arrangements, outsourcing and supply chains.
- ❖ **Building knowledge.** Information and analysis of these developments by workers' and employers' organisations can improve the quality of collective bargaining and policy dialogue with government. Workers' and employers' organisations are increasingly recognising the need to build their technical expertise on development issues; this may include, for example, developing partnerships with international counterparts to discuss these issues or developing coalitions with other like-minded organisations.
- ❖ **Creating constructive and positive relationships of trust.** Workers' and employers' organisations have an ongoing role in engaging with each other and government and fostering relationships of trust. This includes taking a constructive, good faith approach to collective bargaining. Real and effective dialogue to facilitate economic and social development can only take place where workers' and employers' organisations regard one another as partners rather than adversaries.
- ❖ **Corporate social responsibility (CSR).** CSR initiatives, including codes of conduct, can help to promote respect for freedom of association, provided that they are developed by employers in conjunction with independent worker representatives and there are mechanisms for ensuring adherence to the code. Codes of conduct can help to establish company commitments to freedom of association, collective bargaining and fair dispute resolution mechanisms.

## International development actors

International development actors, including donors, development agencies and development finance institutions, can make an important contribution to respect for freedom of association in the countries in which they operate through, for example:

- ❖ **Programme design:** Ensuring that donor-funded activities promote respect for freedom of association (for instance, through labour law reforms in private sector development programmes) and harness its potential to promote development (for example, through promoting collective organisation in projects on the informal economy);
- ❖ **Consultation:** Consulting with trade unions and employers' organisations on programmes and projects that form part of their core expertise on decent work, such as job creation or vocational training, or have particular social or labour market consequences;
- ❖ **Support for participation in development processes:** Supporting the involvement of trade unions and employers' organisations in meaningful discussions and consultation on national development planning and donor action plans;
- ❖ **Dialogue:** Establishing regular contact with trade unions and employers' organisations (for example, through joint meetings with other agencies);
- ❖ **Capacity building:** Supporting trade unions' and employer organisations' efforts to build their capacity to contribute to economic and social development; and
- ❖ **Support for the ILO's activities on freedom of association.** International organisations can either directly, or indirectly, provide support and resources to the ILO's work in promoting freedom of association.



## About the ILO

Full respect for freedom of association can take time to achieve and progress is incremental. In a number of countries, technical assistance is necessary to support governments, trade unions and employer associations to fulfil their roles in ensuring respect for freedom of association and to reach their full potential to contribute to processes of economic and social development. The ILO has had considerable success in helping countries to achieve respect for freedom of association and ensuring that respect for these rights forms an integral part of progress on economic and social development.

The ILO provides support to the tripartite constituents in the form of advocacy, awareness raising, training, advisory services and technical cooperation for development of institutions and capacity building. Some of the types of assistance that the ILO has provided in relation to freedom of association include:

- ❖ Advising ministries and parliaments on labour law reform;
- ❖ Building the capacity of labour administrations to enforce laws on freedom of association and collective bargaining;
- ❖ Strengthening the capacity of employers' and workers' organisations;
- ❖ Supporting the establishment of tripartite institutions; and
- ❖ Supporting the development of effective dispute prevention and resolution mechanisms.