Social Dialogue and Poverty Reduction Strategies

This book and much of the experiences described in the case studies were undertaken with financial support from the UK Department for International Development (DFID). In drafting this book, the authors have been assisted by a large number of people within the ILO and among the various groups of constituents, especially at the country level.

In this book, the authors analyse the different experiences of the role of social dialogue in planning and implementing the poverty reduction strategy policies. In so doing, an emphasis has been put on the experiences of countries such as Cambodia, Ethiopia, Ghana, Indonesia and Tanzania.

The reader will find this book a useful reference in the debate on poverty reduction in general, and more specifically on the participatory process in poverty strategies.

Graeme J. Buckley is Senior Economist, Policy Integration Department, ILO, Geneva.

Giuseppe Casale is Deputy Director, Social Dialogue, Labour Law and Labour Administration Department, ILO, Geneva.
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POVERTY REDUCTION STRATEGIES
Graeme J. Buckley is Senior Economist, Policy Integration Department, ILO, Geneva.

Giuseppe Casale is Deputy Director, Social Dialogue, Labour Law and Labour Administration Department, ILO, Geneva.
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Buckley, G. J.; Casale, G.

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The authors are Graeme Buckley, seconded by the DFID to work in the Integration Department of the International Labour Office (ILO) and Giuseppe Casale, Deputy Director of the Social Dialogue, Labour Law and Labour Administration Department (DIALOGUE), ILO. In drafting this book, they have been assisted by a very large number of people within the ILO and among the various groups of constituents, especially at the country level.

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Finally, the authors acknowledge the help of Catherine Di Maio, who tragically passed away, and of Perrine Mouchet, who have provided valuable secretarial and editing support. Needless to say, any errors or omissions remain the responsibility of the authors.
The conceptual framework for taking forward the ILO’s work on poverty reduction is grounded in the twin concepts of entitlement and equity. The ILO is fundamentally concerned with social justice. With respect to poverty, this can be expressed as a right to inclusion or participation, protection, access to decent jobs and decent incomes. Poor people suffer a “deficit of entitlements” such that their ability to command, for example, decent work, depends on the entitlement relations that govern possession and use in any given society. Poverty reduction is, therefore, about increasing both the asset endowments of the poor and their exchange entitlements. The fulfilment of these rights involves the development of both economic and social capability. Inclusion, integration and, of course, access to incomes all imply the centrality of employment creation as an economic priority. More generally, the need to build social objectives into macroeconomic policy implies a stress on redistribution, equity and solidarity.

This conceptual framework underlines the point that economic growth is an essential but not sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor (what is often referred to as “pro-poor growth”). It includes changes in institutions, laws, regulations and practices that are part of the process that creates and perpetuates poverty (such as harassment of the poor and restrictions on their livelihood activities), and detailed, targeted interventions that will enable all categories of the poor to more fully integrate into economic processes so that they can take advantage of opportunities to improve their economic and social well being, i.e. asset endowments and exchange entitlements. The ILO has always worked to address poverty, seeing poverty anywhere as a threat to prosperity everywhere and this book attempts to illustrate how, through the vehicle of social dialogue, the ILO has engaged in national poverty reduction strategy processes.

In 1999, the Bretton Woods institutions agreed that nationally-owned participatory poverty reduction strategies should provide the basis for all World Bank and IMF concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This approach, which builds on the previously articulated principles of the Comprehensive Development Framework, is reflected in the Poverty Reduction Strategy Papers (PRSPs) which describe a country’s economic, social and political policies and programmes over a three year or longer horizon. The PRSP is intended to be a comprehensive
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document prepared by governments, with support from development partners, which identifies who the poor are and develops strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be locally generated, owned and developed through wide participatory dialogue. Furthermore, the PRSP should encourage accountability of governments to their own people and domestic constituencies rather than to external funders, enabling the poor to become active participants in development and not just passive recipients. To date, nearly 50 countries have full PRSPs in place and a number of others have similar national planning instruments.

The PRSP is seen as an instrument for achieving the Millennium Development Goals (MDGs), which were endorsed by nearly 150 heads of state or government and 189 member States in total at the UN Millennium Summit in New York in September 2000. Decent work cuts across most MDGs and the ILO has a role to play in contributing to their attainment, including the major goal of halving the incidence of income poverty by 2015, but of particular concern is Target 16 on youth employment and Indicator 11 on the share of women in waged employment in the non-agricultural sector which appears under Goal 3 on gender equality and the empowerment of women. It is argued that the principal difference between PRSP processes and the Structural Adjustment Programmes (SAPs) which preceded them is the notion of national ownership based on an inclusive participatory process. This is consistent with a greater appreciation today of the need to strengthen the rule of law and democratic institutions and processes, taking into account fundamental rights to organize, enjoy freedom of association, be free from child labour and forced labour and to enjoy equal rights without discrimination on the basis of gender or other factors. Consequently, social dialogue becomes a vital process, underpinned by recognition of the role of rights in development.

The overall objective of the ILO’s work on national poverty reduction strategies is to develop and promote coherent cross-sectoral strategies and integrated frameworks for connecting poverty and the Decent Work Agenda at the national level. This embraces all four strategic objectives of decent work (concerned with rights, employment, social protection and social dialogue) and draws on contributions from several technical areas. It centres on three specific objectives:

- Empowering the constituents (ministries of labour, trade unions and employers’ organizations) to influence the drafting and implementation of national poverty reduction strategies through social dialogue;

- Incorporating relevant dimensions of the Decent Work Agenda into poverty reduction strategies; and
Influencing development organizations (including multilaterals, bilaterals and NGOs) and government ministries and departments (especially ministries of finance) involved in designing and implementing poverty reduction strategies to embrace the principles and rights at work, employment policies and social protection and to listen to the voices of the ILO constituents.

This book comprises three distinct sections. Part 1 provides the conceptual framework as outlined above but focuses on issues to do with governance in the labour market, with rights at the place of work and with the role of labour standards and labour administration in poverty reduction. Part 2 of the book contains a series of case studies drawing on the ILO’s experience in the national poverty reduction processes in Cambodia, Ethiopia, Ghana, Indonesia and Tanzania. The studies illustrate in very practical terms the challenges and opportunities facing the ILO and the constituents in seeking to engage in and influence national poverty reduction strategies. Finally, Part 3 contains practical tools to help enable practitioners (principally but not only ILO constituents) to engage in poverty reduction dialogues and to better articulate the role of decent work in poverty reduction.

ILO policy documents increasingly draw attention to poverty reduction as a central theme, and provide an essential background for engagement in poverty reduction strategies. The ILO Director-General’s Report from 2003 on Working Out of Poverty provides an analysis of poverty from the perspective of the lack of opportunities for decent work and social inclusion. Highlighting the barriers, people living and working in poverty face in finding and keeping income generating activities that would allow them to earn a decent living, the report sets out a strategy for ensuring that employment and social dialogue are given high priority in national and international efforts to realise the Millennium Development Goals. More recently, the ILO Director-General’s Report of 2004, A Fair Globalization; the Role of the ILO, offers an overview of how the ILO can develop the central recommendation from the World Commission on the Social Dimension of Globalization, that decent work should become a global goal, not just an ILO goal. In this report, six broad policy themes are examined for detailed reflection: national policies to address globalization, decent work in global production systems, global policy coherence for growth, investment and employment, constructing a socio-economic floor, the global economy and the cross-border movement of people, and strengthening the international labour standards system. Globalization, and its impact, is increasingly important to national poverty reduction efforts, including those articulated in PRSPs.
As this book shows, a number of challenges remain in seeking to add value to poverty reduction strategies from a decent work perspective and it is argued that three stand out, namely, that:

- Poverty reduction strategies need to include a more thorough analysis of employment and other aspects of decent work. This should give rise to a more explicit role for decent work in poverty reduction strategies, including fundamental principles and rights at work and social protection;

- Labour ministries, employers’ associations and workers’ organizations need to be more systematically integrated into the participatory process underpinning the design and implementation of PRSPs. Without social dialogue, the participation and national ownership principles of the PRSPs are seriously undermined and decent work strategies are unlikely to receive adequate consideration;

- More attention should be placed on equity in addition to growth in PRSPs. The policy implications related to redistribution need to be given more prominence, for example, through the development of a fair, efficient and effective fiscal policy and the promotion of the core labour standards.

It is hoped that in raising these and related issues, this book will not only contribute to an ongoing dialogue but will also provide some answers as to how to use social dialogue and related rights-based approaches to address the challenge of reducing poverty and to help to achieve the Millennium Development Goals.
PART 1
CONCEPTUAL FRAMEWORKS
FOR SOCIAL DIALOGUE
AND POVERTY REDUCTION
CHAPTER 1
POVERTY ERADICATION: THE INTERNATIONAL DIMENSION

International commitments to poverty reduction

At the UN World Summit for Social Development (WSSD - the Social Summit) held in Copenhagen in 1995, 117 heads of state or government and the European Community made an historic commitment to eradicate absolute poverty, and adopted concrete plans and initiatives. The measures agreed were not some vague and general commitments, but included concrete and measurable targets in a number of areas that would have an immediate impact on the lives of people living in poverty. Among these, the governments committed themselves to achieving the following goals by 2015 at the latest:

- Basic education for all and ensuring that 80 per cent of children finish primary school;
- Providing blanket vaccination, and reducing infant mortality rates of 1990 by a third and the 1990 malnutrition levels by a half;
- Providing medical care for women during pregnancy and childbirth and increasing life expectancy to over 60 years;
- Providing drinking water and sanitation for all;
- Eliminating the gender gap in literacy, and ensuring equal access to primary school for girls and boys.

The rich countries also made a commitment to designate 0.7 per cent of their Gross National Product (GNP) to aid, and to reduce their military expenditures. In establishing these commitments at the Social Summit and in subsequent processes, the international community adopted crucially important, measurable targets as part of the overall effort to eradicate poverty, acknowledging that:

- Poverty can not be defined solely (and thus resolved) in terms of income;
- The eradication of poverty should be related to greater investment in social sectors;
Common targets need to be established and agreed upon in order to measure progress towards poverty eradication;

The progress in eradicating poverty can be measured using objective and quantifiable criteria other than the one-dimensional aspect of income.

In 1996, the group of industrialized countries that coordinate their aid through the OECD’s Development Assistance Committee (DAC), including the Commission, elaborated and adopted time bound targets. Meanwhile, concerns were growing that in terms of implementation, public aid money was not adequately focused on the fight against poverty. The DAC members recognized the need to redirect their policies towards output- and results-oriented approaches, so that the successes of development aid would be more visible to the public. They also recognized that social development – particularly in primary education, gender equality and basic health care – was a crucial aspect in any strategy focused on the poverty eradication.

In an assessment of whether the identified poverty targets were achievable, the World Bank concluded that the evidence was mixed. If poverty is measured in terms of income, then poverty outcomes are a function of the overall level of economic growth and the extent to which the poor participate in that growth. The Bank concluded that there is an intimate link between poverty goals and social goals. The researchers concentrated their analysis on two goals: halving extreme poverty and reducing by two-thirds the child mortality rate, and concluded that ‘considerably more effort is needed today – in improved economic management, and in increased public and private efforts to improve the social conditions of the population at large’.

The Knowledge Network for Poverty Reduction, a group of economists coordinated by the UNDP, examined the patterns of economic growth and poverty in 38 countries. The study found that high growth is not a guarantee of poverty reduction, and concluded that: ‘These results suggest that policymakers need to be concerned not just about the pace of growth but also its character. […] Countries need to directly empower the poor and create for them an environment conducive to more employment and high incomes’. In its report, Overcoming Human Poverty, the UNDP noted that in order to reach the targets, the following key points must be acknowledged:

‘Old-school’ prescriptions – supplementing rapid growth with social spending and safety nets – have proved inadequate;

Countries must link their poverty reduction programmes not only to their national policies, but also to their international and financial policies; this will include linking international trade policies to poverty;
There must be responsive and accountable institutions of governance;

Capacity building, self-organization and empowerment of people living in poverty are essential;

Resources must be focused on the poor.

**Defining poverty reduction: The ILO basic needs of the 1970s and 80s**

The UN Millennium Summit, held in New York in September 2000, placed poverty in a broader context of social exclusion, reflecting the concerns that poverty is related to the process of social disintegration, and that economic liberalization has undermined social cohesion.

Poverty can also be defined as a denial of human rights, emphasizing that people living in poverty feel powerless and voiceless. Much work is currently under way to define poverty as a denial of rights, capabilities and access to resources. Understood in this way, the exacerbation of poverty can be interpreted as a violation of human rights, and thus poverty eradication is an obligation under the human rights treaties.

The DAC committed itself to reducing by one-half the proportion of people living in (extreme) poverty. Based on the World Bank standard of $370 per capita in annual income, or about US $1 per day, ‘it is estimated that 30 per cent of the population in developing countries – some 1.3 billion people – live in extreme poverty, and that their numbers are increasing’. The DAC stated explicitly that the goal it had identified would not be the end-goal, and that it obviously goes only part of the way toward meeting the global poverty eradication target identified at Copenhagen. But it seeks to give the target a concrete, attainable focus for the medium term. At the UN Millennium Summit, world leaders endorsed the target to halve extreme poverty by 2015.

The Summit confirmed the definition of extreme poverty as ‘people whose income is less than one dollar per day’, and added ‘people who suffer from hunger and [those] who are unable to reach or to afford safe drinking water’. Defining poverty in terms of income alone is problematic because it almost inevitably guides proposals for economic policies formulated in terms of economic growth, as the only parameter of so-called pro-poor policies.

The General definition of ‘poverty’ is a mixture of the above: “Poverty is multidimensional. People are poor when they lack the capability to meet adequate standards of well being, in terms of economic, social and human security levels,
The social dimension of poverty

The past decades saw unprecedented progress in improving the conditions of people living in poverty. Income, education, and health indicators show overall gains in the decline of poverty. Despite these improvements, poverty continues to be pervasive the world over.

In many of the poorest countries in Africa, Asia, and Latin America poverty has fallen slowly or even risen. Between 1960 and 1990, the income gaps between rich and poor widened from 30:1 to 60:1. Developing countries' debts have doubled from a decade ago to US $1.4 trillion. An estimated 1.3 billion people live in extreme poverty, 70 per cent of which are women; 20 per cent of the world's population survives on a daily income of less than $1; 1.75 billion live without safe water; 100 million are homeless; 800 million go hungry every day; and 14 million children die every year before reaching the age of five. Efforts to address the structural causes of poverty struggle with the theoretical and practical complexities of the problems.

The evolution of the poverty reduction thinking

Poverty is as complex as development itself. Equally complex are the frameworks from which poverty reduction is understood and development approaches since the 1960s reflect this complexity. Modernization, basic human needs, structural adjustment, and sustainable development all look at the causes of poverty and identify policies and solutions to rectify the situation. Shifts in understanding what poverty is, and how and by what means it can be addressed and measured are reflected in the progression of these views towards a broadening concept of poverty.

Is poverty primarily an issue of income levels and consumption? Is it about a lack of access to the means and services to meet basic needs? Is it about the capacity and ability to participate in society? What is certain is that there is not one overarching, universal definition of poverty.

Recently, new dimensions broadened the debate. The preparation of the World Development Report 2000/2001 (WDR), set in motion the project “Voices of the Poor” to enhance the understanding of the reality of the life of poor people. The project claimed to do this “directly, through poor people's own voices”, using participatory and qualitative research. The WDR put forward a framework for action based on three ideas: expanding economic opportunities of the poor by...
building up their assets through market and non-market actions; empowering the poor by making state institutions pro-poor and removing social barriers to poverty reduction; and enhancing the security of the poor by helping them to manage risks.

A number of issues characterizing poverty emerge from the debate:

■ **Structural.** Poverty is a phenomenon rooted in the basic relations of institutional and collective power (i.e. political, economic, cultural) that make-up a society at a particular point in time;

■ **Systemic.** Poverty is a process and an outcome of collective (rather than individual) political, ethical, legal, and institutional systems set in place to reproduce a given social formation;

■ **Multi-dimensional.** Poverty goes beyond basic needs, income, and consumption. It encompasses the right and access to services and non-material goods, the right to dignity and to be included in society, the right to security and the opportunity to share the benefits of growth;

■ **Dynamic.** Poverty is a non-homogeneous state that changes with shifts in the social, political, natural, and economic environments, evolving differently for individuals in similar environments;

■ **Comprehensive.** Poverty is a multi-level process affecting people's lives as producers, citizens, and spiritual beings. It expresses itself at the macro-, meso- and micro-levels;

■ **Longer-term.** The effects of poverty reach well beyond single episodes of shock (i.e. natural disasters, war, unemployment). It affects present and future states, decisions and opportunities.

One of the commitments reached at the WSSD expands the understanding of poverty. Commitment number two states that eradicating poverty requires “decisive national actions and international cooperation as an ethical, social, political and economic imperative of humankind”. This explicitly recognizes the “social development” dimension in addressing poverty.

Despite the convergence of goals at the international level, various issues remain points of contention:

■ **Hierarchy of Priorities.** Poverty reduction takes different degrees of importance: an overarching goal; an explicit policy; one among many objectives; a single programme or project focus;
Social Dialogue and Poverty Reduction Strategies

- **Clarity of Definition.** Most agencies are engaged in internal debates about what poverty means; who are “the poor”, and what are the areas of overlap with other priorities?

- **Dimension of Poverty.** While most agencies recognize the complexity of poverty, there is wide diversity in the understanding of the key dimension of poverty;

- **Causes of Poverty.** There is a range of interpretations about why poverty occurs; how to identify the structural causes of poverty, and how to distinguish between causes and symptoms;

- **Identification of the Poor.** Agencies often include “targeting” as a feature of their strategies, but identifying who the poor are and at what level of aggregation to target them remains problematic;

- **Gender and Poverty.** Women are frequently identified as a target. However, there are concerns that gender equality and gender analysis are narrowly subordinated to poverty reduction actions;

- **Measuring Poverty and Progress.** A key area of debate is measurement. There is a lack of tools and indicators to objectively measure poverty (i.e. income/consumption; individual/household; snapshot/cyclical; absolute/relative). There are weak systems, mechanisms and indicators to measure progress towards poverty reduction (i.e. input/output/impact).

The concepts of social development and poverty reduction

Social development is a process of human growth. It does not depend only on getting the “fundamentals of macroeconomic policy” right. It implies creating a supportive environment of integrated social policies and better distribution of the benefits of economic growth based on social equity. Social development is a foundation upon which human development flourishes, political development provides a framework of rights, and economic development becomes sustainable.

Like poverty, social development is understood from different perspectives. For some, it is the welfare state. For others, it is the socialization of cost and benefits and the build-up of institutional and legal frameworks balancing competing interests. Social development is also the development of systems to provide effective entitlements to maintaining the quality of life. Others see it as a series of remedial policies, mechanisms, processes and programmes to protect the poor. Yet, for others, it is a means to reduce poverty. However, none of these views is sufficient by itself.
When “social” is added to the notion of development, it conveys a number of meanings. It may refer to specific social sectors such as education and health; to policies that benefit the welfare of the poor; to the context affecting development outcomes; or to the formal and informal institutional base in a society. However, cutting across these meanings are two common dimensions: a descriptive dimension characterizing social development as the conditions of people and their quality of life, the quality and sustainability of their institutions, and the state of their education, health, and security; and a normative, prescriptive dimension placing social development as a goal to be achieved and a desirable end in itself.\textsuperscript{11}

Under the latter dimension, social development has become part a broader poverty reduction agenda such as the one outlined by the WDR 2000/2001. It addresses inequalities, institutional failures, social barriers and personal vulnerabilities by tackling key social development areas and focusing on social capital formation.\textsuperscript{12}

However, there are risks in conceptualizing social development in this way, because it:

- Transforms the concept into a linear “cover all” notion with a meaning not substantively different from others (i.e. human development, poverty reduction);
- Limits the understanding to compartmental actions and gains within particular policy sectors (i.e. education, health);
- Reduces social development to a desired state particular to specific demographic groups (i.e. the poor, children, women);
- Segments social development, and separates it from economic and political development; and
- Lessens the scope and impact of social development (i.e. limiting it to a tool to reduce poverty).

\textit{Linking social development and poverty reduction frameworks}

Linking social development and poverty reduction in a coherent framework is more easily said than done. Governments, donors and international organizations struggle to find the right combination of priorities and delivery approaches within existing financial, institutional, and political constraints.

Key to linking social development and poverty reduction is the identification of social sectors and social sector policies as a strategic avenue to tackling poverty. Assumptions are that investing in social sectors allows governments to respond to basic human needs (i.e. basic education, health care, social security); target
vulnerable groups (i.e. women, children, the rural poor); develop basic capacities (i.e. infrastructure, private sector, institution building); enhance productivity and economic growth; and complement other development areas (i.e. democracy, human rights, the environment).

Investing in social sectors has an instrumental and an intrinsic value. Instrumentally, social sector investments strengthen “human capital”, with an effect on productivity, economic growth, and poverty reduction. Intrinsically, social sector investments are a means to secure the rights of people in the access to and use of basic social services. However, the challenges are to find the right “strategic entry point” and programming focus; the need to make hard choices among competing priorities with the resources available; and the difficulties in having an impact on the redistributive factors underlying social development and poverty.

Another attempt to link social development and poverty reduction by investing in social sectors is focusing on the policy level rather than on the provision of services. This leads to reforming the systems and frameworks (i.e. the policy environment) upon which depends the provision, access, and quality of services to the poor. Social policy reforms in education, health and social security have been viewed as a means by which to address poverty. In contrast to remedial actions addressing short-term problems or relying on traditional welfare systems, it is assumed that improving the design and performance of social sector policies removes systemic constraints; creates better conditions to reach longer-term poverty reduction objectives, and allows the identification of more comprehensive and sustainable solutions.

Evaluations of the early effects of these reforms and their impact on poverty confirm some of these assumptions, particularly in the education and health sectors. These evaluations also point out, however, that focusing on social sectors as an approach to linking social development and poverty reduction is not enough.

Social sectors have characteristics which make them a difficult avenue by which to reduce poverty. Performance and progress are hard to monitor (i.e. outcomes and impact). Investment decisions are difficult to make due to the traditional focus on sectoral efficiency and accountability, and to expectations that sectoral actions will respond to broad equity imperatives. Social sectors are vulnerable to the political and institutional climate and pressures from interest groups where the voices of the poor are not always represented. And social sectors are vast and inter-related areas requiring coordinated actions and strong management capacities to achieve measurable results.

Linking social development and poverty reduction demands not only clarity and flexibility in the strategic conceptualization of the problems, but also
coherence in the way in which agency policies are designed and relate to each other, and in the programming and delivery approaches. The next section, presents an overview of how some agencies are addressing these issues.

**International financial institutions and poverty reduction strategies**

Until 1995 the International Monetary Fund (IMF) had denied any linkage between its activities and social development or poverty eradication. The World Bank, on the other hand, had been looking at ways to enhance its policies aimed at reducing poverty. In its 1989 annual report, the Bank stated that “The central goal of the World Bank is the reduction of poverty, and that ways to achieve this are ‘at the heart of the Bank’s activities’”. In September 1989, the then President of the World Bank, Lewis Preston, made poverty reduction the Bank’s primary objective.

In its 1990 *World Development Report* and in a 1991 policy paper, *Assistance Strategies to Reduce Poverty*, the World Bank explained its mission to reduce poverty. This strategy had two main elements. The first was concerned with the nature and rate of economic growth, including the macroeconomic framework for market liberalization for private investment and expansion of the private sector. The second was concerned with providing services to the poor, including social safety nets ‘designed to protect the poorest and most vulnerable people from extremes of privatization’. The mounting criticism of this approach, culminating at the time of the 1995 Social Summit, claimed that the strategy contained many contradictions. In particular, the macroeconomic policies that were designed to foster liberalization were creating poverty, and social safety nets were by no means effective in redressing that problem.

The 1995 Social Summit recommended that the multilateral organizations needed to create an international framework that would allow national governments to run their own countries. In addition, the Summit agreed that the policies of the multilateral organizations would also need to be reviewed, in particular the World Bank and the IMF’s structural adjustment policies, trade policies, including within the framework of the World Trade Organization (WTO), and debt relief policies.

In September 1999, the World Bank and the IMF launched the new Poverty Reduction Strategy (PRS).

As part of the strategy, the IMF’s Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF). Through PRSPs, a government would produce its own national policy programmes, with a renewed emphasis on poverty eradication as the focus for its
economic and social policies. One of the practical implications of the PRSP was that access to the PRGF would require a PRSP which has been endorsed by the boards of both the IMF and the World Bank. The PRSP, or an Interim PRSP (I-PRSP), would also be required for candidate countries applying for access to HIPC (Highly Indebted Poor Countries) debt relief facilities or other forms of international assistance. The conceptualization of the PRSPs departed from the Social Summit’s premise that social development is the responsibility of the national government, provided that the government is representative and accountable, and that the administration is enhanced by interactions with civil society.

The IMF and the World Bank have concentrated on the issue of how to enhance national responsibility for social development and poverty eradication. However, they have not re-assessed their own policies, which are part of the ‘enabling’ environment, as structured by the multilateral organizations.

As a consequence, by focusing on national responsibility, they have not reviewed the constituent elements of the structural reform policies that have exacerbated poverty.

**National strategies for poverty reduction: The ILO experience**

As an outcome of the 1995 Social Summit, the agreed programme of action was based on the idea that strategies for poverty eradication were the responsibility of national governments. At the same time, the international community was responsible for creating an economic and political environment that would be conducive to social development.

In committing themselves to the programme of action, the heads of government acknowledged that national ‘ownership’ requires a transparent and accountable government that recognises the rule of law and the independence of the judiciary. They also believed that encouraging partnerships with civil society and its representative organizations would enhance the quality of governance. Hence, the concepts of ownership, good governance and civil society are related and stem from the recognition that the national administration, led by a legitimate and representative government, should be in charge of national policies for development.

In this regard the experience of the ILO in working at the country level is of paramount importance, since the strategy and approach of the ILO has been to pour on the participatory role of the social partners and ministries dealing with employment and labour issues in the preparation and implementation of poverty reduction strategies.
The principles: Empowering social partners and integrating decent work into PRSPs

In 1999, the Bretton Woods institutions agreed that nationally-owned participatory poverty reduction strategies should provide the basis for all World Bank and IMF concessional lending and for debt relief under the enhanced HIPC Initiative. This approach, which builds on the principles of the Comprehensive Development Framework, is reflected in the Poverty Reduction Strategy Paper (PRSP) which describes a country’s economic, social and political policies and programmes over a three year or longer horizon. It is intended to be a comprehensive document prepared by governments, with support from Bank/Fund teams, which identifies who the poor are and develops strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be locally generated and owned and developed through wide participatory dialogue. Furthermore, the PRSP should encourage accountability of governments to their own people and domestic constituencies rather than to external funders, enabling the poor to become active participants in development and not just passive recipients.

In this context, the ILO identified five special focus countries on which to pilot its support to the PRSP process. Cambodia was identified as one of these five countries, together with Honduras, Mali Nepal and Tanzania. In each of these countries, the ILO is working to ensure that employment and other aspects of decent work are addressed as an integral part of the economic and social analyses and policies comprising the initiative. The exercise provides a framework in which the ILO can work together with its constituents to introduce the decent work agenda into the development and poverty reduction process, as well as contributing, through social dialogue, to broader participation and national ownership of these processes. This involves preparing, in close collaboration with the national authorities, an analysis of the role of employment and other elements comprising decent work in poverty reduction, organizing tripartite meetings in the countries to influence the design and implementation of PRSPs and an ongoing process of networking, advocacy and influencing among a variety of stakeholders in addition to the ILO’s social partners, such as bilateral donors, Non Governmental Organizations (NGOs), the multilateral development banks, other UN organizations, think tanks etc.

The PRSP is seen as an instrument for achieving the Millennium Development Goals (MDGs), which were endorsed by nearly 150 heads of state or government and 189 member States in total at the UN Millennium Summit in New York in September 2000. Decent work cuts across most MDGs and the ILO has a role to play in contributing to their attainment, including the major goal of halving the incidence of income poverty by 2015, but of particular concern is Target 16 on
Social Dialogue and Poverty Reduction Strategies

youth employment and Indicator 11 on the share of women in waged employment in the non agricultural sector which appears under Goal 3 on gender equality and the empowerment of women.

Many countries are not in a position to complete a full and comprehensive PRSP. In order to prevent delays for countries seeking debt relief under the HIPC Initiative as well as other concessional financing, an I-PRSP can be formulated. An I-PRSP is meant to provide a road map for the development of a full PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc). With an I-PRSP in place, reports on progress (Joint Staff Assessments) need to be submitted for continued assistance and at yearly intervals once a full PRSP is in place.

Both the International Monetary Fund (IMF) and the World Bank have aligned their respective lending programmes to a country’s PRSP. In the case of the IMF, the Poverty Reduction Growth Facility (PRGF) – which has superceded the old Enhanced Structural Adjustment Facility – and the Financial Programming Framework are expected to derive from the PRSP. In the case of the World Bank’s activities in low-income countries, the Country Assistance Strategy and all loans – including the directly related Poverty Reduction Support Credit (PRSC) - and grants must be based on the PRSP. However, PRSPs have a leveraging role beyond debt relief and concessional credits. They have become the key policy instruments in the relations between low-income countries and the wider donor community. Most OECD members have fully endorsed the PRSP approach and have agreed to base their respective aid programmes in low-income countries on the results of the PRSP process. Many have also agreed to co-finance poverty reduction credits, grants and technical assistance in line with the PRSP. The United Nations Development Assistance Framework (UNDAF) process is also aligned to the PRSP.

The ILO and poverty reduction

The conceptual framework for taking forward the ILO’s work on poverty reduction is grounded in the twin concepts of entitlement and equity. The ILO is fundamentally concerned with social justice and fundamental principles and rights at work. A poor person, then, suffers a “deficit of entitlements and poverty reduction”. The fulfilment of these rights or entitlements involves the development of both economic and social capability. Inclusion, integration and, of course, access to incomes all imply the centrality of employment creation as an economic priority for poverty reduction. More generally, the need to build social objectives into macroeconomic policy implies a stress on redistribution, equity and solidarity.
This conceptual framework underlines the point that economic growth is an essential but not sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor (what is often referred to as “pro-poor growth”). It includes changes in institutions, laws, regulations and practices that are part of the process that creates and perpetuates poverty and detailed, targeted interventions that will enable all categories of the poor to more fully integrate into economic processes so that they can take advantage of opportunities to improve their economic and social well being. This is why the concept of decent work, which brings together the economic and social goals in people’s lives, is so important to poverty reduction.

In principle, the ILO’s comparative advantage in the design and implementation of PRSPs lies in the integrated approach of decent work which embraces rights, employment, social protection and social dialogue. Although it is generally accepted that the well being of any individual does not depend only on income, it is obvious that income from work is the overwhelmingly most important means of survival for poor people. It is, therefore, rather surprising how few PRSPs make explicit reference to, and even less, include an analysis of labour markets and employment issues (the same could also be argued with respect to social security/social protection policies). This may have something to do with the perspective in some quarters that equates employment with waged employment, the latter perhaps not being so relevant for many of the world’s poorest people (in most PRSP countries less than 20 percent of the labour force is in waged employment) as well as the notion that labour markets are best left to the vagaries of the market. In some cases it is also evident that this relative neglect of employment policy probably reflects the relative absence of labour ministries and other social partners from the consultation processes for many Interim and full PRSPs.

Furthermore, given that the PRSP process is usually driven by the World Bank and the Ministry of Finance and/or Ministry of Planning, it has not always been easy for the ILO to engage in the process, especially in those countries where the ILO does not have official representation. It is very difficult to develop a relationship with the aforementioned bodies or with other agencies and donors in a country on the basis of intermittent visits. Some stakeholders appear to question the value added of the ILO in poverty dialogues, especially those who are wary of the trade union movement; those who argue that the demand for labour should be left to the market; that social protection is affordable only for the formally employed; or that labour standards should not figure prominently in poverty reduction strategies.

Nevertheless, in many countries and most particularly in the five special focus countries chosen to pilot the ILO’s support to the PRSP process, attention has
been drawn to active labour market policy as a tool for poverty reduction. This typically includes an attempt to identify the economy's potential leading sectors in line with dynamic comparative advantage, the fiscal strategy and range of policies on interest rates, exchange rates, customs tariffs, wage rates, etc. that would best support such sectors and labour demand in other sectors; the crucial reforms of institutions and regulations that are needed to boost labour demand; policies to improve the quality and adaptability of labour to the benefit of productivity and hence demand for labour; and the special policies and programmes needed for social protection and to integrate the poor and particularly vulnerable groups such as indigenous people in the growth process.

Poverty reduction and the social partners

The ILO's social partners are fundamental stakeholders in PRSPs and should play a pivotal role in their design and implementation. The actual role played by the social partners and the issues which they focus on will vary from country to country but there are some common themes, not least the idea of participation as a process towards legitimising PRSPs. It has repeatedly been argued that without the voice of the social partners it is hard for either governments or the Bretton Woods institutions to claim that PRSPs represent the product of broad-based, national participation and dialogue.

In principle, ministries of labour will benefit from ILO involvement in PRSPs mainly because it will help bring them closer to the centres of policy making. The ministry of labour in a typical low-income country has a wide range of technical powers and duties but they often do not include a role in the determination of policy on employment and rarely in the determination of policy on poverty reduction. Moreover, given that PRSP processes tend to be heavily budget orientated intra-governmental processes, it is often difficult for labour ministries to carry the same weight in PRSP discussions compared to other ministries such as health or education. The objective, then, is to secure a seat at the PRSP table for the ministry of labour thus raising its status and influence and increasing its capacity to analyse the interactions of employment and poverty and to contribute to the development of appropriate policies.

In most countries, the private sector is the principal engine of growth and this is clearly recognized in most PRSPs. Thus, the private sector is usually given a voice in PRSP dialogues and there are a number of common themes espoused by employers' groups usually centred on what can be termed the enabling environment for private enterprise, including the importance of a stable macroeconomic environment; ensuring political stability, good governance and the rule of law; policies which promote open and transparent markets, including sound property rights and transparent fiscal policy; and the development of an
adequate physical and social infrastructure. The PRSP is an important vehicle for taking forward this agenda which invariably has strong support from the Bretton Woods institutions and donors.

Generally, trade unions have not been given the voice that they deserve in PRSP discussions and in several countries they have been effectively excluded from the participatory processes. Sometimes this is a reflection of “political issues” in a given country which contrive to marginalize or exclude trade unions, other times it might be based on the limited capacity of some trade unions to engage in national dialogues on poverty. On other occasions it may transpire that the principal architects or coordinators of a country’s PRSP perceive that trade unions, because they primarily represent the interests of organized labour in urban settings, do not add sufficient value to poverty reduction strategies which focus on the poor in rural areas and in the informal sector. This is probably a common point of view but it is also narrow and misguided and the ILO has sought to refute this viewpoint in its engagement on PRSPs. For example, the ILO has sought to emphasize the dynamic link between the rural and urban sectors (many urban workers come from rural areas and remittances from urban workers constitute a major income source for many rural areas); the importance of trade unions in improving the terms and conditions for public sector workers which is likely to impact significantly on the quality of public service provision (including primary education and basic health services), especially as it affects the poor; and of the role of trade unions as a vehicle for public education and advocacy, such as on HIV/AIDS policy. In some countries, the prevention of HIV/AIDS is essential to the achievement of the MDGs and the mobilization of the social partners and other stakeholders in the world of work forms an essential strategy for mitigating the social and economic impact of the pandemic, especially for the poor, who bear the heaviest burden. It has also been argued that trade unions have a particularly useful role to play in terms of their experience in organizing and giving voice to a significant part of civil society. They are often the leading exponents of the principle of solidarity, a good example of participation in action and an exemplar of democratic organization.

It should be noted that a few workers’ organizations have themselves preferred not to get involved in what some regard as a continuation under a new acronym of previous policies to which they were opposed, and some employers’ and workers’ organizations have decided to concentrate their limited resources on other aspects of public policy. Finally, it is important to note that in some PRSP countries considerable restrictions on the freedom of workers and employers to associate and form or join organizations of their own choosing hamper the development of social dialogue on poverty reduction. Landless rural workers, small tenant farmers, small traders and producers are frequently excluded from
laws providing for the legal establishment of workers’ and employers’ organisations or protecting such organisations and their members from intimidation and acts of violence. Reforms in these areas are essential if the poor are to be in a position to organize themselves and articulate their interests in society and the PRSP process.

Social dialogue and poverty reduction

Social dialogue plays a key role in achieving the ILO's objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity. Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers' organizations), with or without direct government involvement. Consultation can be informal or institutionalized, and often it is a combination of the two. It can take place at the national, regional or enterprise level. It can be inter-professional, sectoral or a combination of all of these.

The enabling conditions for social dialogue are as follows:

- Strong, independent workers' and employers' organizations with the technical capacity and access to the relevant information to participate in social dialogue;
- Political will and commitment to engage in social dialogue on the part of all the parties;
- Respect for the fundamental rights of freedom of association and collective bargaining;
- Appropriate institutional support.

Social dialogue institutions are often defined by their composition. They can be bipartite, tripartite or “tripartite plus”. The key tripartite actors are the representatives of government, employers and workers. At times, and depending on specific national contexts, the tripartite partners may choose to open the dialogue to other relevant actors in society in an effort to gain a wider perspective, to incorporate the diverse views of other social actors and to build a wider consensus.
Social dialogue can take a variety of forms, ranging from the simple act of exchanging information to the more developed forms of consultation. The following is intended as a short list of the most usual forms of social dialogue:

- Information sharing is one of the most basic and indispensable elements for effective social dialogue. In itself, it implies no real discussion or action on the issues but it is nevertheless an essential part of those processes by which dialogue and decisions take place;

- Consultation goes beyond the mere sharing of information and requires an engagement by the parties through an exchange of views which in turn can lead to more in-depth dialogue;

- Tripartite or bipartite bodies can engage in negotiations and the conclusion of agreements. While many of these institutions make use of consultation and information sharing, some are empowered to reach agreements that can be binding. Those social dialogue institutions which do not have such a mandate normally serve in an advisory capacity to ministries, legislators and other policy-makers and decision-makers;

- Collective bargaining is not only an integral form of social dialogue – it is also one of the most widespread. It can be seen as a useful indicator of the capacity within a country to engage in social dialogue. Parties can engage in collective bargaining at the enterprise, sectoral, regional, national and even multinational level.

The main goal of social dialogue itself is to promote consensus building and democratic involvement among the main stakeholders in the world of work. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. Social dialogue is, therefore, both a means and an end in the quest for poverty reduction. It is an essential component of participatory processes inherent to the drafting of inclusive and meaningful PRSPs and a bedrock on which the foundations for an open, transparent and democratic society is laid.
Poverty eradication strategies: Promoting development, fighting poverty

The EU as the developing world's main partner

The European Union (EU) is the developing world's main partner, providing 55 per cent of all international official assistance, and is by far its biggest trader and foreign investor. At a bilateral level, it grants non-reciprocal trade preferences, along with more favourable arrangements for the least developed. It has concluded economic and trade cooperation agreements, which will in time lead to free trade areas, with several countries or regional groupings in the Mediterranean, Latin America, Africa, the Caribbean and the Pacific.

The marginalization of many economies, the increase in poverty in the world, the need to manage better environmental interdependencies, the destabilizing effects of migration, and the consequences of armed conflicts, natural disasters and pandemics are major concerns for everyone, and Europe's citizens understandably expect effective EU action in tackling them. Given the finances at its disposal and its economic and political weight the EU can make an impact.

The EU new challenge and the objective core tasks

The EU firmly believes that it is politically and morally unacceptable that more than one billion people on the planet still have to survive on less than one euro per day. That figure may well rise as the world's population grows. As a result, the fight against poverty is the central thrust of the EU's development policy efforts as it concentrates its attention on a more limited number of policy areas.

Foreign direct investment into developing countries has soared in the past decade, rising from 29 billion euro in 1990 to 185 billion euro in 1998. But it is unevenly spread. Some 55 per cent goes to the top five developing nations, while the 48 least developed, many of them in Africa, receive less than one per cent.

Responding to concerns about the effectiveness of aid programmes in general, the European Commission presented a major reorientation in the summer of 2000 of its development policy. This is designed to bring its internal organization, procedures and methods up to international best practice and provide a new vision of its core objectives. Central to the new strategy are attempts to integrate developing countries into the international economic system, to encourage them in their efforts at regional integration, to use the EU's considerable expertise and financial means to provide a critical mass, as in the transport sector, and to relate more closely to what other donors are doing.

By concentrating on core tasks, the Commission has suggested the EU should limit its activities to those areas where it can offer comparative advantages and
added value. It has selected six: trade for development, regional integration and cooperation, macroeconomic policies linked with poverty reduction strategies, reliable and sustainable transport, food security and sustainable rural development strategies, and institutional capacity building to consolidate good governance and the rule of law.

The new strategy with its emphasis on empowerment, capacity-building, ownership and sustainability, is based on clear political guidelines:

- Ownership of the process must lie with the developing countries themselves and involve maximum participation of civil society representatives;

- The need for more coordination and a better division of labour between the EU’s development programme and those of other donors, especially the union’s member States;

- Contradictions between development policy and other EU activities - trade, agriculture and fisheries - which impact on developing countries must be avoided;

- Administrative procedures must be streamlined to increase the speed and efficiency of programme delivery.

**ACP-EU partnership**

The lynchpin of the EU’s development policy is the Cotonou Agreement which binds it with African, Caribbean and Pacific (ACP) countries and is the most ambitious and comprehensive agreement between developed and developing countries. Its predecessor, the Lomé Convention, was first signed in 1975 in Lomé, the capital of Togo, and was regularly updated. Its importance grew as its provisions were extended to new areas and the number of signatories increased.

However, the basic objective of the comprehensive aid-and-trade agreement remains constant. It is “to promote and expedite the economic, cultural and social development of the ACP States and to consolidate and diversify their relations [with the EU and its member States] in a spirit of solidarity and mutual interest”.

The wide-ranging partnership is based on equality between the signatories, respect for their sovereignty and mutual interest and interdependence.

The Cotonou Agreement was signed in June 2000 in the capital of Benin, which is the origin for the informal name of the agreement. At this occasion, the existing ACP members were joined by six new countries from the Pacific, bringing the total to 77 ACP countries. The outcome underlines how far the partnership has evolved over 25 years as it prepares for the challenges of the next two decades. It sets out an integrated and comprehensive approach to development, poverty eradication, trade and a political dialogue that includes
conflict prevention, human rights and democratization and issues of mutual concern such as migration. The new agreement includes some notable qualitative changes from its predecessors as it moves from market-access based trade relations to a more comprehensive relationship and from government to government partnerships to a more inclusive process involving all elements of civil society. It is both comprehensive and innovative. Civil society is involved in shaping its country's future and the allocation of funds is based not just on an assessment of needs, but also on a country's record on policy implementation.

New procedures have been drawn up for handling any violations of human rights and where these are particularly serious and flagrant, action can be taken immediately. In what is a real innovation in international relations, the two partners have agreed new procedures to deal with serious cases of corruption.

The EU has agreed to implement an immigration and asylum policy founded on the principle of partnership with the originating countries and regions. This includes new initiatives on the rights of third country citizens inside the Union and arrangements for the repatriation of illegal immigrants found on the other's territory.

Regional economic partnership agreements are new arrangements within the Cotonou Agreement designed to promote trade liberalization between the EU and ACP countries and between ACP States themselves. Negotiations on these will start no later than 2002 - allowing regional integration processes to be strengthened in the meantime - and they will come into force by 2008. Until then, the EU and the ACP countries will ask the WTO for a waiver to allow them to retain their existing preferential arrangements.

The Union is committed to helping the ACP countries become more active members in the international economic and trade system. This, it hopes, will encourage other countries and international business to establish closer relations with ACP partners, boosting investment and the transfer of technology and know-how, thus helping their overall competitiveness. This should help the ACP members as the value of the preferences they have with the Union is eroded by the general liberalization process and reduction of tariffs taking place globally.

The Union has agreed special trade concessions for all the least developed countries, of which 39 are signatories of the Cotonou Agreement. By 2005, their exporters will have free access to the EU market for almost all their products. The agreement introduces more refined ways of mitigating the effects of fluctuations in export earnings for the ACP countries than the previous compensation schemes.

On the financial front, the European Development Fund used to finance ACP programmes will have a budget of 13.5 billion euro over the next seven years. To
this, will be added a further 9.5 billion euro unspent from previous funds and 1.7 billion euro in loans from the European Investment Bank.

Africa and the EU

Traditionally, relations between the EU and Africa have had two different focuses: the Mediterranean Basin and Lomé Convention members. But, largely on Portugal’s initiative, the relationship was recently placed on a wider, continental basis, when the first EU-Africa Summit was held in Cairo in April 2000.

The object of the largest ever meeting between heads of state or government from the two continents was to strengthen international awareness of Africa’s important potential, encourage its integration into the world economy and construct a strategic partnership to promote peace, democracy and development. While the meeting concentrated on the interrelationship between political, economic and development issues, it also dwelt on international debt relief, around 80 per cent of whose beneficiaries are African countries.

Future cooperation will be partly determined by the action plan adopted by the summit. This will focus on greater regional integration and ways to provide a solid and corruption-free environment to attract foreign investment. It includes, via better crisis management and peacekeeping capacities, ways to end conflicts between and within countries. These can destroy in a few short weeks countless lives and the efforts invested over years in promoting economic development. Attention is being paid to improving health and welfare conditions, by tackling disease and HIV/AIDS in particular, reducing unemployment and combating social exclusion. Emphasis is placed on the need for sound democratic foundations anchored in the rule of law and respect for human rights. These objectives will be fleshed out by a permanent committee of officials and regular ministerial meetings, and they will be re-examined at a second summit in Greece in 2003.

South Africa and the EU

In early 2000, a wide-ranging trade, development and cooperation agreement which had taken three and a half years to negotiate came into effect between the EU and South Africa. By the end of the ensuing 12 years, the latter will have granted duty-free status to 86 per cent of EU exports, while the Union will do the same for 95 per cent of goods travelling in the other direction. Most EU liberalization, giving South Africa preferential access for items such as chemicals, clothing, food, textiles and vegetables, will be completed by 2002. The accord is accompanied by parallel agreements on science and technology, wines and
fisheries and around 125 million euro of EU financial assistance to South Africa every year.

The Union also played a central role in the country's successful transition to a democratic government - one of the clearest examples of the impact of EU support for human rights and democracy in recent years.

*Human rights and the EU*

The importance which the EU attaches to respect for human rights around the world was underlined by two developments in 1999. For the first time, responsibility for this area was given to one commissioner - Chris Patten, the External Relations Commissioner. The second was the publication of the first annual report on human rights documenting the EU’s policies, priorities and practices in this area.

This commitment to human rights and a legal framework are reflected in the Union's common foreign and security policy provisions and in its development cooperation programme. Every new agreement between the EU and a third country includes a human rights clause allowing for trade benefits and development cooperation to be suspended if abuses are established.

The Union can impose targeted sanctions as it has done against Serbia and Burma. These range from a refusal to give visas to senior members of the regime to freezing assets held in EU countries. The Union has little hesitation in speaking out against what it considers to be human rights abuses such as torture, political arrests or censorship, whether these are in China, Cuba, Turkey or Russia. But its preference is to use positive action rather than penalties.

To help achieve this, the EU has an “initiative for democracy and human rights” with a budget of some 100 million euro as well as several million euros a year for use in external assistance. The funds can be used for projects with the direct aim of strengthening the rule of law and democratization, such as support for electoral reform or training lawyers. More indirect ways like improving the basic infrastructure of water supplies and transport links which help reduce potential tension and threats to human rights are also supported. Sending international observers to monitor elections and the use of humanitarian aid are other tools in the EU’s armoury.

This concern for the respect of human rights worldwide is matched by renewed efforts to prevent any deterioration of standards inside the EU itself. This is partly being achieved through a charter of fundamental rights to provide a comprehensive code of common values with the aim of better protecting people living inside the EU.
The social development structures and poverty reduction

*Diversity of strategies: Mainstreaming poverty reduction*

Multiple efforts among international agencies seek to streamline their poverty reduction work and to coordinate their actions to meet the MDG commitments. Several reports assessing achievements to date show complementarity of goals and strategies in approaching poverty as well as differences among agencies.

Poverty reduction activities and pro-poor policies figure prominently in the agenda of international agencies. Most of them understand poverty reduction as a complex process both conceptually and operationally; multi-dimensional, focusing on the rights of people to dignity, autonomy and social inclusion; dynamic as a process affecting people differently as a result of multiple factors; and most agencies recognize that to have a visible impact poverty reduction requires a broad range of approaches. However, in the majority of cases, the emphasis remains heavily biased towards economic growth and economic well-being, with social development as an added component.

In fact, social development as a strategic focus does not figure explicitly in the poverty reduction approaches of many agencies. Although most pay attention to social sectors (i.e. education and health), actions often lack articulation and do not respond to a comprehensive understanding of social development per se, but to the rhetoric of broad international commitments. Actions are narrowly focussed and sector specific.

*The agencies’ policy statements and strategies*

Shared poverty concerns among agencies translate into a variety of strategies and delivery approaches. These reflect diverse understandings, institutional traditions, views about comparative advantage, geographical concentration, and political preferences. These also lead to important differences in how agencies mainstream poverty and the priority they assign to social development.

An examination of agencies’ policy statements allows one to identify four types of strategic directions. These represent dominant emphases as in most cases agencies use a combination of them at different levels (i.e. macro, meso and micro levels):

- **Growth Based Strategies.** Economic growth is central to the aid policies. It is seen as a “pre-condition” to poverty reduction (i.e. generating resources, creating a demand for labour, and expanding the demand for services and goods). Growth based strategies have shifted from primarily economic to pro-poor concerns. The aim is to increase the poor's share of income and create economic opportunities. Despite this shift, pro-poor growth based
strategies still fall short of addressing distributional issues and the structural causes of poverty.

- **Empowering Strategies.** Many agencies include in their poverty policies a political dimension. Few, however, explicitly acknowledge politics as a guiding consideration. Issues such as “human rights”, “democracy”, “good governance”, “empowerment”, and “participation” form a coded vocabulary to highlight political considerations in poverty reduction; these concerns have sometimes a central stage. There are ideological biases attached to their interpretation. Only in the last few years, have some agencies begun to adopt more “right-based strategies” covering the political, cultural and individual rights of the poor.

- **Remedial Strategies.** For most donors, poverty reduction needs immediate responses to emergencies and short-term crises (i.e. social funds; humanitarian assistance). A common view is that addressing poverty requires, in some form, “sheltering” the poor from deteriorating conditions. Safety nets, social security and social protection schemes, and pro-poor programmes have been some solutions. However, these remedial approaches leave the causes of poverty untouched and often they interfere with government run systems intended to address poverty.

- **Social Sector Strategies.** During the 1990s poverty reduction strategies began to give an increasing emphasis to investing in social sectors as a means to reach the poor. Investments in basic social services (i.e. education and health) are perceived to play a critical role in enhancing the “human capital” of the poor. In most cases these efforts are narrowly defined and not well coordinated with government actions or across sectors. Investing in education and health, for example, becomes a way to explain an agency contribution to “social development”.

Independent of the approach adopted to meet poverty reduction goals, common challenges remain such as how to mainstream poverty reduction to reflect this goal institutionally at all organizational levels and across all programmes? How to ensure that policies, procedures, programmes and the organization culture work in a coordinated manner? How to reflect this coherence in the country in assistance strategies and programmes, and how to nurture a dialogue with country partners and other donors? Available evidence indicates that the ability to create enabling corporate environments with consistent policies and management approaches, appropriate pools of skills, effective flow of information and agency collaboration is critical.
A key challenge to agencies in reaching their poverty reduction goals, is achieving policy and operational consistency with government policies, internally within an agency, and externally with its partners. Donors and governments are increasingly aware of the ineffectiveness and high costs of inconsistent and uncoordinated policies and actions in poverty reduction and in social development.

Donor countries are often criticized for duplicity of purpose between, for example, their domestic and international policies; their social, political and economic stands; and their channels and agendas for delivering aid. Developing countries are also criticized for their lack of coordination, accountability and priority setting mechanisms to deal with poverty reduction investments. Ways to promote consistency in addressing poverty include: ensuring that poverty reduction priorities cut across bilateral programmes and projects; coordinating bilateral policy dialogue with partner governments and civil society agencies; creating partnerships to influence the agendas of multilateral agencies and developing country partners; ensuring consistency across agencies operating under the MDG envelope of funds; and collaborating with civil society institutions and non-governmental organization.

Poverty reduction, social development and integrative approaches

Poverty reduction strategies and social development need on integrative approach to be affective.

Although differing in terminology, integrative approaches have common characteristics. They deal with the effectiveness of MDGs by contributing to the development of a positive policy environment; increasing ownership by stakeholders; ensuring government's ability to respond to cross sectoral priorities; and improving local institutional capacity. They intend to meet six criteria: sector-wide in scope, follow a coherent policy framework, involve local stakeholders in decision-making, reach donors agreement, find common implementation arrangements, and limit long-term technical assistance to a minimum. Their aim is to coordinate all significant funding to a sector within a common policy, management and planning framework, with government leadership.

These approaches claim to operate within defined sector policies and accountable and realistic strategies. However, the literature shows discrepancies between the principles and the practice. There is a danger that the weaknesses of the “project approach” are re-invented; the opportunities for strategic review and/or negotiations are limited; and there is little incentive for regular monitoring review. Others note that these approaches are restricted, often resulting in a collection of sub-sectoral strategies and earmarked projects with little integration.
Eligibility and appropriateness have also attracted attention as the criteria allowing countries to benefit often impose demands that the most needy countries cannot meet.


6 Commission of the European Communities: *Measures taken and to be taken by the Commission to address the poverty reduction objective of EC development policy* (Bruxelles, 2000).


13 Ibid.

14 Ibid.


CHAPTER 2
PARTICIPATORY GOVERNANCE AND POVERTY REDUCTION

Governance of the labour market

Governance can be defined as the way in which people govern or assert authority over themselves through informal traditions and formal institutions. It is a particularly important issue when people cede their power to authoritative bodies to act on their behalf. People need to be assured that these institutions act in their interest. While not a new concept, governance – or authority acting in the common interest – has emerged in the past two decades as one of the most important factors in the realization of democracy and human rights and the promotion of sustainable development. In this way, governance is also important in the labour market. National governments, in the interests of their citizens, play a role in regulating the labour market, promoting job creation and creating an enabling environment for investment and entrepreneurship. International organizations, such as the ILO, assist national governments, on behalf of the people, in creating employment and decent work for all. Trade unions act on behalf of workers to garner better wages and working conditions, and civil society organizations advocate concerns of the people on a wide range labour market interests. While better governance in general is important for development and the realization of human rights, better labour market governance is important in realizing full adoption of the core labour standards and ensuring decent work for all – themselves primary factors in development. The following paper will leverage the enormous amount of literature on governance in general and apply the concept to the labour market. It will define governance of the labour market, discuss the importance of government involvement in the labour market, describe the characteristics of good labour market governance and evaluate how well the world is performing in terms of labour market governance.
What is governance?

Without good governance – without the rule of law, predictable administration, legitimate power, and responsive regulation – no amount of funding, no amount of charity will set us on the path to prosperity.

*Kofi Annan, Secretary General of the United Nations (UN)*

As defined by Daniel Kaufmann, Director of Global Governance at the World Bank Institute, “Governance is defined as the exercise of authority through formal and informal traditions and institutions for the common good, thus encompassing: (i) the process of selecting, monitoring, and replacing governments; (ii) the capacity to formulate and implement sound policies and deliver public services, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.” As defined by the OECD, “In its widest sense, governance establishes the conditions whereby individuals singly and collectively seek to meet their aspirations in society… Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration.” And according to the United Nations Development (UNDP) Oslo Governance Centre, “Governance is the system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector. It is the way a society organizes itself to make and implement decisions – achieving mutual understanding, agreement and action. It comprises the mechanisms and processes for citizens and groups to articulate their interests, mediate their differences and exercise their legal rights and obligations. It is the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms. Governance, including its social, political and economic dimensions, operates at every level of human enterprise, be it the household, village, municipality, nation, region or globe.” Essentially, governance concerns the relationship between institutions and traditions of authority and the governed. Good governance is authority – whether it is a national or local government, an international organization, a private company, a civil society institution or an informal tradition – acting for the good of the people in whose interests it was created.
While governance is a rather nebulous concept and defined in so many different ways, it is measured in lucid and quantifiable terms on which there is widespread agreement. The World Bank uses six components to measure and better define governance: voice and external accountability (i.e., the government’s preparedness to be externally accountable through citizen feedback and democratic institutions, and a competitive press); political stability and lack of violence, crime, and terrorism; government effectiveness (including quality of policymaking, bureaucracy, and public service delivery); lack of regulatory burden; rule of law (protection of property rights, judiciary independence, and so on); and control of corruption. The UNDP Oslo Governance Centre identifies core governance indicators as “parliamentary development; electoral systems and processes, justice and human rights; e-governance and access to information, decentralization, local governance and urban/rural development; public administration reform and anti-corruption.”

However defined or measured, the one major conclusion emerging from the development debate during the post-Washington consensus years is that good governance is essential in the development and the fight against poverty. In their cross-section study of more than 150 countries using indicators corresponding to six basic governance concepts, voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law and graft, Kaufmann, Kraay and Zoido-Lobatón (1999) demonstrated that governance matters for development outcomes. In their study, they found that a one-standard deviation increase in any one of the governance indicators caused between a two-and-a-half-fold (in the case of voice and accountability) and a four-fold increase (in the case of political instability and violence) in per capita incomes. Improved governance also leads to significant increases in adult literacy, with a one-standard deviation increase in governance leading to between a 15 and 25 percentage point improvement in literacy. As stated by the World Economic Forum, “A country that significantly improves key governance dimensions such as the rule of law, corruption, the regulatory regime, and voice and democratic accountability can expect in the long run a dramatic increase on its per capita incomes and in other social dimensions.” The conclusion that governance matters for development is echoed in the Millennium Declaration in Box 1 below and by leaders in nearly every statement concerning social and economic development. As Kofi Annan advocates, “Without good governance – without the rule of law, predictable administration, legitimate power, and responsive regulation – no amount of funding, no amount of charity will set us on the path to prosperity.”

Chapter 2
Participatory Governance and Poverty Reduction

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Box 1: Governance and the millennium declaration

Included prominently in the Millennium Declaration, governance is considered essential in freeing the world of extreme poverty:

“11. We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.

12. We resolve therefore to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty.

13. Success in meeting these objectives depends, inter alia, on good governance within each country. It also depends on good governance at the international level...” (words in bold are author’s emphasis).

The view is seconded in the UN publication, A More Secure World: Our Shared Responsibility, “We believe that the Millennium Development Goals should be placed at the center of national and international poverty-reduction strategies. The dramatic shortfall in resources required to meet the Millennium Development Goals must be redressed, and the commitments to sound policies and good governance must be fulfilled.” (words in bold are author’s emphasis).


How does governance relate to the labour market?

“Efforts to fulfil our collective commitments to fight poverty will fall short unless we focus on creating job opportunities and decent work for all... Getting there requires good governance at every level from the national to the global.”

Juan Somavia, Director-General of the ILO1

Because authoritative bodies intervene in creating an enabling environment for decent work, investment and entrepreneurship on behalf of people’s interests, the concept of governance is also important in the labour market. Justified by the perceived or effective inability of laissez-faire conditions to deliver efficient and equitable outcomes in the labour market, people cede to national and local governments the direct power to intervene in the wage-setting process, in the
regulation of working conditions and in the hiring and firing of workers. Indirectly, the government is also involved in the labour market by creating and enabling an environment for investment and entrepreneurship. Government involvement in fostering a skilled and healthy workforce, maintaining a peace that respects human rights, promoting property rights, establishing a sound macroeconomic environment, encouraging a well-functioning financial system, regulating and taxing firms in a sound way and enabling investment in basic infrastructure, are all components of an effective and sound labour market. Yet, governance of the labour market is not only the responsibility of national and local governments. International organizations, trade unions, corporations and civil society groups have also been created by the people to intervene in the labour market and ensure decent work for all. As stated by the ILO in the Report, *Working Out of Poverty*, “the term ‘governance’ is used to mean the regulating influence of the set of institutions, norms and policies that determine the functioning of an economy and society. It is a wider concept than that of the structure of political authority and government, and includes the role of a variety of public, private and voluntary economic and social institutions.”

Good governance of the labour market is essential for job creation and decent work for all, and therefore of primary importance in the fight against poverty. Decent work is the route out of poverty. In the World Bank’s *Voices of the Poor* study, poor people identified getting a job – whether through self-employment or from wages – as the most promising path out of poverty. This is echoed by Juan Somavia, “We know only too well that it is precisely the world of work that holds the key for solid, progressive and long-lasting eradication of poverty. It is through work that wealth is created, distributed and accumulated. It is through work that people find a dignified way out of poverty.” Decent work and poverty reduction hinge on good governance of the labour market. Also stated by Juan Somavia, “Efforts to fulfil our collective commitments to fight poverty will fall short unless we focus on creating job opportunities and decent work for all... Getting there requires good governance at every level from the national to the global.” (Italics: author’s emphasis).

It should be made clear that governance of the labour market affects not just those currently in the labour market, but those who would like to enter the labour market, those who have left the labour market, those who will soon enter the labour market and those who pay for labour market policies. While it is common to assume that labour market governance affects only workers and their enterprises, this approach would be highly erroneous, ignoring the broader range of interests involved. Workers in the informal economy and the unemployed can have very different interests from those currently employed in the formal economy, for example. Taxpayers for public services also have a stake in the costs
of providing good labour market governance. Children, or the future labour market, also have very different interests than those currently working. Authoritative bodies created in the interests of the people must represent the common interest. Governance of the labour market must take into account the broad interests of society at large.

**What are the characteristics of good labour market governance?**

“Good governance of the labour market promotes opportunities for women and men to obtain productive work in conditions of freedom, equity, security and human dignity.”

*Juan Somavia, Director-General of the ILO*

The overall objective of public institutions in terms of their labour market involvement is to enable job creation and the realization of decent work for all, which in turn depends on an environment that fosters investment and entrepreneurship. As stated by the ILO, “Good governance of the labour market promotes opportunities for women and men to obtain productive work in conditions of freedom, equity, security and human dignity.” The characteristics of good labour market governance include the voice of the people and participation in the formulation of labour market policies, governing bodies’ accountability to the people they represent in their formulation of policies that impact the labour market, institutions’ implementation and deliverance of sound public services for the effective creation of decent work, the respect of people and institutions for the rules and practices that impact job creation and a wider international community committed to using decent work as the path out of poverty. The following section will characterize the most universally accepted characteristics of good labour market governance that ensure an environment of decent work for all.

**Citizens’ voice and participation in the formulation of labour market policies.** Just as with governance in general, the basis for good governance of the labour market is a well-functioning and democratic political system that ensures representative and honest governments responsive to the needs of the people. In this way people are better ensured that the institutions to which they cede their power establish labour market policies in their interest. Participatory and socially just governance of the labour market involves the holding of regular, free and fair elections. It also depends on an inclusive and vibrant civil society, empowered by freedom of association and expression and representing the full diversity of views and interests in society. Strong organization is important so that people can influence
the labour market policies that affect their lives and ensure that policies are
democratic. The poor, especially, must be granted the right to organize and
participate in government decisions. Yet, today, this is sadly not the case. As
declared by Juan Somavia, “The political process, which leads to decisions about
taxation and expenditure as well as the mechanisms for market regulation, is a
determining influence on poverty reduction. However the voice of poor
communities is often not heard in the political process. The freedom of people
living in poverty to organize themselves and voice their concerns and aspirations
is fundamental to a determined effort to shape a more equitable patterns of
development.” Participative democracy leads to representative democracy,
which in turn leads to good governance.

Institutions’ accountability to the people they represent in their formulation of policies that
impact the labour market: Citizens that are able to monitor those in authority and
hold them accountable for their actions are better ensured that labour market
policies are fair, democratic and designed in their interest. Political competition
plays an important role in holding governments responsible for their results and
their actions. Enhancing the transparency of government initiatives and
transactions is important in addressing corruption and the potential for labour
market policies to benefit elite interest groups. A free and independent media
plays a critical role in monitoring governments and informing citizens, helping to
ensure that labour market policies benefit the common interest. Education, also,
is essential in ensuring that people have the capacity for evaluating government
actions and understanding whether or not public policies will benefit their
long-term aspirations.

Institutions’ implementation of sound policies and deliverance of public services for the effective
creation of decent work: Strengthened and shaped by people’s participation and
institutions’ accountability, good labour market governance is manifest in the
implementation of policies that enable decent work creation and an enabling
environment for investment and entrepreneurship, the motors of productive job
formation. While the details of such policies depend on local conditions, there are
a few main activities of institutions created for the common good that universally
ensure the creation of decent work for all and transcend nearly all cultural,
political and geographic boundaries. These universal policies, which should form
the base and starting point for public institutions, should include both direct
interventions that enable to people to gain decent work and indirect interventions
that create an environment in which decent work thrives:
1. Direct interventions that empower people to acquire and sustain decent work:

**Foster a healthy and educated workforce:** Enhancing human capital is essential in improving productivity, incomes and access to decent work opportunities. Government institutions have an important role in this regard by increasing access to primary education and as well as creating an enabling environment for vocational training so that adults are able to acquire competencies that the market demands. Since training is a process of lifelong learning in which skills are continually renewed and adapted, not a once-and-for-all investment before the start of working life, public institutions must work jointly with enterprises – both large and small – to ensure that learning is constant. In addition to supporting education and skills training, public institutions should promote a healthy workforce, by combating preventable diseases, stopping the spread of the HIV/AIDS pandemic and increasing the availability of primary health care, has a direct impact on the capacity of people to gain and maintain decent work.  

**Support the free right of association and collective bargaining:** Freedom of association and institutions for dialogue and bargaining are essential in order to protect the fundamental rights of workers, provide social protection and promote sound industrial relations. Freedom of association and collective bargaining lead to decent work and constitute important instruments for participation and accountability. Public institutions have the responsibility for ensuring that people are able to organize and assert their demands while also establishing means to ensure that the inequality of income and wealth remains within acceptable limits so that social cohesion can be strengthened. An important way that government can achieve equality is to ensure that all types of workers – working in the informal or formal economies, working for large or micro enterprises, working for others or themselves, etc. – have the same rights to organize.
Box 2: Organizing the poor and informal workers

Commonly, governments limit the right of collective bargaining to formal employees. This usually silences the voice of the poor who often operate in the informal economy or are self-employed. Inequitable outcomes are the result, in which government labour market policies benefit the elite and powerful few. Recently, though, there have been important initiatives to extend the free right of association and the right to collective bargaining to all workers. One of the first important initiatives occurred in India, where the Self-Employed Women’s Association (SEWA) fought for and won the rights of groups of self-employed workers to be registered as trade unions even though they had no recognized employees. SEWA’s success has been replicated across the globe. In South Africa, for example, taxi workers have been organized through the South African Transport and Allied Workers’ Union (SATAWU) and have gained a powerful voice. The organization has been instrumental in the national policy process to recapitalize the industry and formalize employment. Also in South Africa, the Southern African Clothing and Textile Workers’ Union (SACTWU) has played a key role in high-level negotiations that recently culminated in the adoption of legal and institutional reforms which allow for organizing and bargaining around informal work. These reforms promise union members a number of advantages and pave the way for bridging the formal-informal divide in terms of incomes and working conditions within the industry. The ILO is fostering policy dialogue at the national level with a wide range of stakeholders with a view to devise regulatory frameworks and institutional environments that ultimately help informal workers and economic units move into the formal economy.


Move children out of work and into school: Decent work for the next generation of workers depends on their current education, and for over 200 million poor children between the ages of 5 and 14, this implies moving them out of work and into school today so that they can find better work tomorrow. Child labour, by depriving children of a quality education, leads to the perpetuation of household poverty across generations and slows economic growth and social development when widespread. Most families do want to give their children a better start in life, but confronted with issues of survival, are forced to value the current returns of their children’s labour over the future value of their education. Public institutions have the responsibility of making it easier for families to choose education over work. They can do this by providing access to school and improving family incomes by enabling more earning opportunities for adults.
Overcome discrimination: Overcoming discrimination is essential in ensuring decent work for all and in defeating social exclusion and poverty. Discrimination denies people jobs, confines them to certain occupations or offers them lower pay simply because of their gender, religion, race or ethnic group, regardless of their capabilities or requirements of the job. Race, religion, ethnic and caste barriers condemn many communities to the margins of society and the economy. Pervasive gender discrimination makes it even more difficult for women to escape poverty than men. Public institutions have the duty to end discrimination by equalizing education opportunities and adopting legislation that ensures all persons – regardless of their gender, religion, race or ethnic group – are granted equal opportunities for decent work.25

Stop forced labour: Abusive control of one human being over another is the direct opposite of decent work. Forced labour robs victims of their freedom and dignity by forcing them to endure brutal living conditions, depriving them of education, ostracizing them from families and communities and inflicting on them physical and mental damage. And since many victims later become perpetrators, the damage is perpetrated across generations. Institutions created for the common good have the responsibility to stop forced labour by enabling the creation of economic opportunities for the world’s poorest and most vulnerable – the primary targets, making communities and potential victims aware of potential traps, generating awareness and respect of people’s legal and human rights and integrating past victims into their society. A long history of impunity should end and public officials’ collusion with perpetrators should be duly punished.26

Devise labour market protections to benefit all workers: Public institutions can help deliver efficient and equitable outcomes in the labour market by intervening in the wage setting process, regulating working conditions and controlling the hiring and firing of workers. Ill-conceived approaches, however, can destroy decent work and exacerbate poverty by contributing to unemployment and swelling the size of the informal and unprotected economy. Government institutions can ensure that labour market interventions benefit all workers by: 1) encouraging wage adaptability and ensuring that workers are properly compensated for their work, 2) ensuring that workplace regulations reflect a good institutional fit and 3) balancing workers’ preference for employment stability with enterprises’ need to adjust the workforce. Labour market regulations that balance the needs of enterprises for flexibility and efficiency with workers’ needs for security and fair treatment are the most effective in creating decent work for all.27
2. Indirect interventions that build an enabling environment for investment, entrepreneurship and thereby, the creation of decent work:

**Maintain a peace that upholds the rights and dignity of citizens:** Nothing undermines decent work so much as the outbreak of armed conflict. Conflict destroys human, physical and social capital and diverts resources from growth-enhancing endeavours – all leading to losses in jobs. The typical civil war in the past 50 years cut 2.2 percent off the projected annual growth rate. On average, at the end of hostilities, GDP was 15 per cent lower in conflict ridden countries than it would have otherwise been. Not only does the country in conflict see job losses and a deteriorating investment climate, but a particularly severe civil war also reduces income per capita in neighbouring states by as much as a third. In the interest of decent work and poverty alleviation, government institutions have the prerogative of establishing and maintaining peace that respects human rights and dignity.28

**Create a stable macroeconomic environment and a well-functioning financial system:** Low inflation, sustainable budget deficits and realistic exchange rates lead to a sound investment climate and well-functioning financial markets, which are essential for the sustainable creation of decent work. Instability in the macroeconomic environment deters investment by making future rewards more uncertain and undermining the value of assets. High inflation and volatile real exchange rates have particularly negative consequences on small and micro investors. While large firms have tools at their disposal to cope with these risks, including access to dollar accounts, financial instruments and credit from abroad, small and micro size firms do not. Since these small and micro-sized firms employ the greater part of people in the world, including the vast majority of the poor, substantial and equitable creation of decent work depends on a stable macroeconomic context.29

**Ensure secure property rights:** Secure property rights, including land and other property, assure that firms and entrepreneurs are able to reap the rewards of their investments. The better property rights are protected, the greater the incentives to open new businesses and invest more in existing ones. And the more investment, the more decent work. Secure land titles also enhance environmental sustainability, which is essential to the creation of decent work in the future. Improving the security of property rights also gives owners more incentives to rent their land because they no longer fear that a tenant may try to assert a claim to the property. Secure property rights also involve low costs and risks of exchanging them. Delays or uncertainties in the enforcement of exchange erode the value of property rights and diminish the opportunities and incentives to invest. In this way, well-functioning courts are essential. Better
courts reduce the risks firms face, and so increase the firms’ willingness to invest more.30

**Regulate and tax enterprises soundly:** The way governments regulate and tax firms and transactions plays an important role in shaping the investment climate, which in turn affects the creation of decent work. Sound regulation addresses market failures, such as negative externalities, information problems and monopolies, that inhibit productive investment and reconciles the interests of firms with those of society, and sound taxation generates the revenues to finance public services that improve the investment climate and meet other social goals. Yet regulation and taxes also inflict costs – not only on the enterprises themselves, but also on society. Excess regulation and taxes limit investment. They can also become the means through which corruption manifests itself: firms or groups seek regulation to protect them from competition, officials use regulation to extract bribes in return for favourable decisions and tax revenues are used for unofficial purposes. When in excess or used inappropriately, the costs of regulation and taxes can exceed the social interest benefits. The challenge for public institutions is to achieve the favourable outcomes of regulation and tax revenues without undermining the opportunities and incentives for firms to invest productively, create jobs and thereby contribute to growth and poverty reduction.31

**Enable the building of basic infrastructure:** Good infrastructure connects enterprises to their customers and suppliers and helps workers become more productive. Firms with access to modern telecommunications services, a reliable electricity supply and efficient transport links are able to invest more and their investments are more productive. This all leads to decent work creation. Government institutions have the responsibility for either creating infrastructure themselves or creating an environment in which private providers invest in projects. Yet, owing to infrastructure’s tendency to constitute a “natural monopoly”, governments also have the responsibility for regulating infrastructure in the interest of the common good. This is a tough balance to attain. Government institutions have often reserved the provision of infrastructure for the public domain, yet without the resources to consistently invest and provide an adequate amount. Private infrastructure projects have been expropriated after they have been built or regulated so much that prices have not been allowed to rise even when costs have. This has all led to less than optimal investment in infrastructure projects. Governments must take care to establish rules and institutions that constrain market power without weakening property rights.32
Respect of people and institutions for the rules and practices that govern and affect the labour market: Respect of people and institutions for the rules and practices that govern and affect the labour market is essential for ensuring fair and predictable labour market outcomes for all. An equitable legal framework, applied consistently and equally to everyone, defends people from abuse of power and empowers people to assert their rights – to property, education, freedom of speech and other springboards into decent work. Sadly, government institutions often become the minions of elite interest groups instead of the servants of all. This can be especially true in the labour market in which public institutions have often used labour market policies and regulations to inhibit competition, build barriers against certain groups in society and evade their responsibilities to the people. In general, corruption, defined as the exploitation of public office for private gain, significantly harms job growth and the investment climate in several ways. When it infects the highest levels of government, it distorts policymaking on a grand scale and leads to a badly functioning labour market. Played out through officials at lower levels of government, corruption is a tax on entrepreneurial activity, it diverts resources from public services, creates a constituency for erecting or maintaining unnecessary red tape and thereby, destroys the creation of decent work.33

Wider international community’s commitment to using decent work as the path out of poverty: While so far most of the recommendations have been targeted to national governments, the international community, too, has an important role in establishing good labour market governance. Global governance also matters for good labour market outcomes. It is central to poverty eradication that the entire international system be organized in a way that enlarges the freedoms and opportunities of people living in poverty and who need to be able to work in conditions of equity, security and human dignity. This is especially true in an interconnected world in which policies in one country affect outcomes in others. Indeed, one of the major conclusions from the report, A Fair Globalization: Creating Opportunities for All, is that globalization must be subjected to better governance at all levels – including the international level – if the benefits of globalization are to be enjoyed by all. To create a better global governance in the goal of decent work for all, international institutions need to establish fair rules in global competition, investment and international migration; implement better international policies to support growth, enterprise development, poverty reduction, full employment, social protection and the creation of decent work for all; and be more accountable to the people, both in terms of setting the global agenda and assessing the results of global policies.34
Social Dialogue and Poverty Reduction Strategies

How does the world perform in terms of labour market governance?

If good labour market governance results in the realization of decent work for all, the continued existence of high unemployment and working poverty on a large scale shows that institutions that govern and affect labour markets are not performing well for large numbers of people in many countries. The ILO’s World Employment Report 2004-05 states there were 185.9 million people in the world who were unemployed in 2003 and even of those who were employed, 1.39 billion were still unable to lift themselves and their families above the $2 a day poverty line. Among them, 550 million cannot even lift themselves and their families above the extreme $1 a day poverty threshold. This means that 49.7 percent of the world’s workers and over 58.7 percent of the developing world’s workers are not earning enough to lift themselves and their families above the $2 a day poverty line, and that 19.7 percent of the employed persons in the world and therefore over 23.3 percent of the developing world’s workers are currently living on less than $1 a day.35

Table 1: Labour market indicators: (Percentage of unemployed/Total labour force and working poor/Total employed in 2003 by region)

<table>
<thead>
<tr>
<th>Region</th>
<th>Unemployment rate</th>
<th>Working but earning $1/day</th>
<th>Working but earning $2/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>6.2</td>
<td>19.7</td>
<td>49.7</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>8.0</td>
<td>13.5</td>
<td>33.1</td>
</tr>
<tr>
<td>East Asia</td>
<td>3.3</td>
<td>17.0</td>
<td>49.2</td>
</tr>
<tr>
<td>South-East Asia</td>
<td>6.3</td>
<td>11.3</td>
<td>58.8</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.8</td>
<td>38.1</td>
<td>87.5</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>12.2</td>
<td>2.9</td>
<td>30.4</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>10.9</td>
<td>55.8</td>
<td>89.0</td>
</tr>
<tr>
<td>Transition economies</td>
<td>9.2</td>
<td>5.2</td>
<td>23.6</td>
</tr>
<tr>
<td>Industrialized economies</td>
<td>6.8</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>


Not only evident in the numbers of unemployed and working poor, the effects of bad labour market governance are also visible in the enormous size of informal labour markets, the large numbers of child workers and the continued marginalization and social exclusion of certain societal groups. Informal workers represent nearly two-thirds of the total non-agricultural labour force in Africa,
half in South Asia, a third in the Middle East, and a quarter in East Asia and Latin America.36 Large informal markets mean that public institutions have not yet found the balance between regulating enterprises to protect workers while at the same time stimulating the creation of decent work. So people, in order to earn an eager living, must work outside the formal rules. Approximately 211 million children between the ages of 5 and 14 work, meaning that public institutions have not yet discovered how to enable the creation of enough decent work for the adults in society so that their children can attend school full-time. The continued marginalization of women, indigenous groups and ethnic minorities in terms of their ability to find decent work means that institutions of power are not working in the interest of all. Good governance of the labour market is far from sight.

Bad labour market outcomes are widespread because the poor are consistently denied a voice in designing labour market policies, institutions of authority are not accountable to the people, labour market policies are not implemented with the common interest in mind, authority is often corrupt and the international community has not been committed to making decent work for all a priority. Most countries, even if they recognize the free right of association and the right to collective bargaining, only grant formal employees the right to organize and form collective unions. This excludes the majority of the poor and informal workers. It is no wonder that outcomes only benefit elite or powerful groups. Governments everywhere are not accountable to the people on whose behalf they exist, designing policies in blatant disregard of the common interest. Regulations and tax systems benefit favoured groups, stifling the creation of decent work for all. Property rights are skewed against the poor. Governments often use infrastructure projects for personal gain or stifle their continued improvement by making them objects of political issue. Short-term behaviour also pervades macroeconomic policy, adversely affecting the future creation of decent work. And labour market policies benefit already powerful and protected groups. Corruption and capture of state officials is a rampant issue, inhibiting the creation of decent work. And the international community, too, is much to blame. The multilateral system responsible for designing and implementing international policies is currently not sufficiently democratic, transparent and accountable. Rules and policies are the outcome of a system of global governance largely shaped by powerful countries and powerful players. Most developing countries still have very limited influence in global negotiations on rules and in determining the policies of key financial and economic institutions. In effect, the poor have little voice and are not accounted for in this governance process.

But there are signs of progress. The first being that governance has become an issue of importance within institutions of authority worldwide and recognized as essential in the path out of poverty. This view is echoed within the multilateral
institutions, national governments and leaders everywhere. As evidenced in this statement by the ILO, “The quality of the institutions that constitute the governance framework for labour markets is central to strategies to promote productivity, growth and sustainable development and ensure that poverty is reduced and eventually eradicated.”

It is voiced by leaders worldwide, as in this statement by Paul Kagame, President of Rwanda, “Not only must we grasp concepts such as these, we must also place them in specific historical contexts, if we are to successfully confront the challenges that lie ahead in our quest for effective governance.”

And civil society leaders too, recognize its primacy, including the 2004 Nobel Peace Prize Laureate, Wangari Muta Maathai, “My fellow Africans, as we embrace this recognition, let us use it to intensify our commitment to our people, to reduce conflicts and poverty and thereby improve their quality of life. Let us embrace democratic governance, protect human rights and protect our environment. I have always believed that solutions to most of our problems must come from us.”

Now, the task at hand is to act.

Good governance of the labour market matters. It is essential in the creation of decent work for all and the path out of poverty depends on it. While widespread good governance is far from achieved, evident in the persistent numbers of unemployed and working poor, there are signs of improvement. The most important sign is that labour market governance is now a concept, widely discussed and debated by the authoritative bodies that have the power to instil good governance practices and therefore ensure decent work for all.
Chapter 2
Participatory Governance and Poverty Reduction

1 Statement made at the International Conference on Governance for Sustainable Growth and Equity, UN, New York, 28-30 July 1997.


3 OECD Governance Outreach Initiative website (1st Dec 2004): http://www.oecd.org/about/0,2337,en_2649_34121_1_1_1_1_1,00.html


8 Ibid.


10 Statement made at the International Conference on Governance for Sustainable Growth and Equity, UN, New York, 28-30 July 1997.


12 Ensuring stability and security, regulating and taxing firms, fostering a skilled and healthy workforce, building effective financial markets and infrastructure are all identified in the World Development Report 2004-05 as essential components of a sound investment climate.


15 ILO: Working Out of Poverty, op. cit., p. 3.


17 ILO: Working Out of Poverty, op. cit., p. 68.


19 This view has been expressed by Juan Somavia, Director-General of the ILO, in numerous speeches.

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21 See ILO: Organizing for Social Justice (Geneva, 2004), for a larger discussion on the freedom of association and the right to collective bargaining.


24 ILO: A Future Without Child Labour, op. cit.


26 ILO: Stopping Forced Labour (Geneva, 2001), for a larger discussion on forced labour.


29 Ibid., for a wider discussion on property rights.

30 Ibid., p. 79.

31 Ibid., for a wider discussion on tax systems.

32 Ibid., for a wider discussion on the importance of basic infrastructure.

33 Ibid., for a wider discussion on corruption and its negative effects on investment and decent work creation.

34 ILO: World Commission on the Social Dimension of Globalization (Geneva, 2003), pp. 75-129 for an in-depth perspective on how to reform global governance so that it is more fair to all.


Poverty reduction and human rights are two mutually reinforcing approaches to the same project. As we will see in Part 2 of this book, in such countries like Cambodia, Tanzania, Vietnam, the ILO has put emphasis on the participation role, especially on the role that major stakeholders, such as workers’ and employers’ organizations, can play when defining poverty reduction strategies. In several countries, PRSPs have introduced the right of individuals to take part in the conduct of public affairs, as well as the recognition of related rights of association, assembly and expression. In order to achieve an integrative approach to poverty reduction and human rights, it is necessary to further expand the ‘capability approach’ which would eventually close the gap between the discourses on poverty and human rights.

Underlying the capability approach: A specific conception of what constitutes human well-being

At a very basic level, well-being can be thought of as the quality or the “well-ness” of a person’s being or living, and living itself can be seen as consisting of a set of interrelated “functionings” of the things that a person can do or be. The level of well-being thus depends on the level of those functionings, i.e. how well a person can do or be the things they have reason to value for example, to what extent can they be free from hunger or take part in the life of a community, and so on. The concept of “capability” refers to a person’s freedom or opportunities to achieve well-being in this sense.

To see the relevance of capability for understanding poverty, we may begin by noting that the defining feature of a poor person is that they have very restricted opportunities to pursue their well-being. Poverty can thus be seen as low levels of capability, or, as Sen puts it, “the failure of basic capabilities to reach certain minimally acceptable levels”.

CHAPTER 3
POVERTY AND HUMAN RIGHTS
Conceptual approaches of poverty

First, not all kinds of capability failure would count as poverty. Since poverty denotes an extreme form of deprivation, only those capability failures would count as poverty that are deemed to be basic in some order of priority. Different communities may of course have different orders of priority and hence a different listing of what would qualify as ‘basic’ capabilities. To that extent, there is some degree of relativity in the concept of poverty. But from empirical observation it is possible to identify certain basic capabilities that would be common to all – for example, being adequately nourished, being adequately clothed and sheltered, avoiding preventable morbidity, taking part in the life of a community, and being able to appear in public with dignity.

Second, once poverty is seen to consist in the failure of a range of basic capabilities, it immediately becomes a multidimensional concept. Poverty can no longer be defined unidimensionally as lack of adequate income, as has traditionally been done. In fact, in this conception inadequate income ceases to be a dimension of poverty at all because income is not a capability and hence not an aspect of well-being in itself, although it may contribute to the achievement of capabilities.

It is nonetheless important to acknowledge that the concept of income more generally, command over economic resources – does play an important role in defining poverty. The way it does so is not by adding a dimension to poverty but by helping to distinguish the phenomenon of poverty from a low level of well-being in general. This distinction is important because while poverty implies a low level of well-being, not every case of a low level of well-being can be regarded as poverty. For example, while the absence of the capability to live a healthy life is certainly a case of a low level of well-being, the specific case of ill-health caused by a genetic disorder (for which no remedy currently exists) will not in itself be recognized as poverty; whereas ill-health caused by lack of access to basic health-care resources will be. In general, for poverty to exist, lack of command over economic resources must play a role in the causal chain leading to a low level of well-being.
Classifications of the concept of poverty

Several clarifications should, however, be made at this point so as to avoid misunderstanding.

First, while the concept of poverty does have an irreducible economic connotation, the relevant concept here is not low income but the broader concept of inadequate command over economic resources, of which inadequate personal income is only one possible source. Other sources include insufficient command over publicly provided goods and services, inadequate access to communally owned and managed resources, inadequate command over resources that are made available through formal and informal networks of mutual support, and so on. If a person’s lack of command over any of these resources plays a role in precipitating basic capability failures, then this person would be counted as poor.

Second, the recognition that poverty has an irreducible economic connotation does not necessarily imply the primacy of economic factors in the causation of poverty. For example, when discrimination based on gender, ethnicity or any other ground denies a person access to health-care resources, the resulting ill-health is clearly a case of capability failure that should count as poverty because the lack of access to resources has played a role here. But causal primacy in this case lies in the sociocultural practices as well as the political-legal frameworks that permit discrimination against particular individuals or groups; lack of command over resources merely plays a mediating role. However, as argued before, the existence of this mediating role is crucial in distinguishing poverty from a low level of well-being in general.

Third, it is important to emphasize that even though the link with economic resources must be maintained, this does not render the capability-based concept of poverty equivalent to a uniformly low level of command over economic resources. The two would be equivalent only if everyone had the same capacity to convert resources into capabilities, but that is not the case. For instance, people with different biological characteristics may require different amounts of food and health care in order to acquire the same degree of freedom to live a healthy life. Similarly, people living in different cultural environments might feel that they need different amounts of clothing in order to have the capability to be clothed at a minimally acceptable level. In other words, the degree of command over resources that may be adequate for one person may not be adequate for another. It would, therefore, be a mistake to define and measure poverty in terms of a uniformly low level of command over economic resources, when the fundamental concern is with a person’s capabilities.
Poverty and importance of human rights

“I am often asked what is the most serious form of human rights violations in the world today, and my reply is consistent: extreme poverty.”

Mary Robinson, Former United Nations High Commissioner for Human Rights

Human rights for the poor have an important relevance and we will highlight the most significant consensuses that have been formed in recent years. Particularly, if human rights are to be enforced, more attention must be focused on the poor. Not only do the poor suffer the vast majority of human rights violations, but also the way poor people are forced to live is often a violation of their basic human rights. Similarly, it has been widely recognized that a greater respect for poor people’s human rights is essential if poverty is to be reduced. Because people are discriminated against, denied education, disempowered, etc., poverty is perpetuated. Promoting basic human rights can go a long way in alleviating poverty and reducing poverty can help in the realization of human rights for all.

The poor are entitled to human rights

As described in the Universal Declaration of Human Rights, human rights refer to rights that are inherent to the person. Solely by virtue of being a person, one is entitled to such rights. Human rights share two main characteristics: indivisibility and universality. Indivisibility means that they are all equally important in ensuring that all people can live a life of freedom and dignity. Universality means that all people have the right to claim such entitlements and all people have equal rights. In contrast to needs, which can be legitimate, but not necessarily associated with an obligation on the part of the government, rights are legally guaranteed by human rights law and entail an obligation on the part of the government to enforce them. By definition, therefore, the poor are entitled to the same human rights as everyone else and the government has an obligation in ensuring that the poor receive such rights.
Box 3: Summary of universal declaration of human rights (December 10, 1948)

- The right to life and liberty (Art. 3)
- The right to a standard of living adequate for health and well-being of the individual and his/her family, including food, water and housing, and the right to continuous improvements in living conditions (Art. 25)
- The right to freedom from discrimination (Art. 7)
- The right to work, to just and favourable conditions of work, to protection against unemployment and the right to rest and leisure (Art. 22, 23, 24)
- The rights to privacy and family life of ones own consent (Art. 12, 16)
- The right to education and access to information (Art. 26)
- The right to participate in a political process, freedom of association, freedoms of religion, opinion, speech and expression and the right to participate in cultural life (Art. 18, 19, 20, 21, 27)
- Freedom from slavery and servitude (Art. 4)
- The right to recognized before the law, the right to be free from arbitrary arrest, detention or exile, the right to a fair trial and the right of protection from persecution (Art. 6, 8, 9, 10, 11, 14)
- Freedom from torture and from cruel, inhuman or degrading treatment or punishment (Art. 5)
- Freedom of movement within the borders of each state and across countries (Art. 13)
- Right to a nationality (Art. 15)
- Right to own property (Art. 17)


The poor are indiscriminately denied human rights

Yet, it is the poor who suffer the most from human rights violations. Indeed, life in poverty can be thought of as living without basic human rights. As argued by the United Nations Economic and Social Council, “Poverty and, in particular, extreme poverty and exclusion from society constitute a violation of human dignity and a denial of human rights and fundamental freedoms.” Being poor means that one is denied a standard of living adequate for the health and well-being of the individual. As described by the poor themselves, poverty means constant food insecurity, lack of adequate and safe water and living in bad housing and shelter. It means living in ill health – both physical and mental. It means living in insecurity. It means being denied the right to own property. It means
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powerlessness and impotence – lack of freedom of choice and action. As expressed by Amartya Sen, poverty is “the failure of basic capabilities to reach certain minimally acceptable levels”.6

Box 4: In their own words: Poverty = absence of basic human rights

|“Poverty is like being in jail, living under bondage, waiting to be free”7 – Jamaica |
|“Poverty is lack of freedom, enslaved by crushing daily burden, by depression and fear of what the future will bring.”8 – Georgia |
|“If you want to do something and have no power to do it, it is talauchi (poverty).”9 |
|“[Poverty is] to come home and see your children go hungry and not have anything to give them.”10 – Brazil |
|“When one is poor, she has no say in public, she feels inferior. She has no food, so there is famine in her house; no clothing, and no progress in her family.”11 – A woman from Uganda |

Also, just by virtue of living in poverty, the poor are denied basic human rights. For no other reason than being poor, people are denied the right to work, the right to education and the right to participate in a political process. Poverty in itself is a reason for discrimination. As observed by the United Nations Committee on Economic, Social and Cultural Rights, “Sometimes poverty arises when people have no access to existing resources because of who they are, what they believe or where they live. Discrimination may cause poverty, just as poverty may cause discrimination.”12 And indirectly, by not having means or power, poor people are denied a basic education, indiscriminately persecuted, denied the right to be recognized before the law, etc. Poor people everywhere are the primary targets of torture and cruel punishment by law enforcement officials. Because of their poverty and powerlessness, the poor are the most likely to fall into bonded labour arrangements and work as children. They do not have access to basic human health services and often have no official documentation of their existence. The poor are denied humanity, and in their own words, treated “as animals”.
Box 5: In their own words: By virtue of being poor, human rights are denied

“If parents do not meet these payments, which are as high as Rs. 40 to 50 per month, the teachers were reported to beat the student or submit a failing grade for her/him”\textsuperscript{13} – Pakistan

“The Sofia street children said now they are attacked by skinheads and beaten up, or forced into prostitution by organized crime thugs.”\textsuperscript{14} – Bulgaria

“It is not right that we are treated like this – we are human beings, after all. We feel as though we were dogs.”\textsuperscript{15} – Bulgaria

“Who will deal with those who dig in the trash and eat right from the waste bins? They are ill with tuberculosis. They are full of insects. They never wash themselves.”\textsuperscript{16} – Magadan, Russia

“One day I was called to work for a company...when they saw that I lived in Bode, they didn’t call me because they thought I was one of those marginais [vagrants or street thugs]...they didn’t trust me.”\textsuperscript{17} – Resident of Bode, Brazil

Similarly, people are poor and poverty has been so intractable because basic human rights are consistently denied. People are denied jobs due to discrimination against their ethnic, religious and caste background. And because they are denied the ability to sustain a livelihood, they feel powerless and become materially destitute. Because people are forced to work in slavery and servitude, denied a basic education and denied the right to own property, poverty is the result. Because people are denied the right to participate in a political process, form an association and express their opinion they have no voice with which to speak out against blatant government abuse and demand respect and dignity. A significant amount of poverty could be reduced if basic human rights were enforced.
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Box 6: In their own words: Denial of basic human rights leads to poverty

“In Nigeria, if you are not educated, you cannot get a job, and no job determines position in the society. Our parents did not go to school, and so we are poor today. Education can change this.” 18 – Participant, a group of youths, Dawaki, Nigeria

“The main problem comes from discrimination. If you’re Gypsy, you can’t find a job. There are skilled workers – tailors, builders, hairdressers – but even they won’t be given a job because they are Gypsy. We need equality. You should be able to travel abroad and look for a job there.” 19 – A discussion group of older men, Sofia, Bulgaria

The poor are also the most ignored by the government in terms of enforcement of their basic human rights. As expressed in the World Bank series *Voices of the Poor*, in community after community poor people report that state institutions – whether in their delivery of services, provision of police protection or justice or making political decisions – either are not accountable to anyone or accountable only to the rich and powerful. Indeed, poor people see governmental institutions, particularly the police, not as a means to having their rights recognized, but as an obstacle or perpetrator. As observed in *Voices of the Poor: Crying Out for Change*, “Perhaps one of the most striking revelations of the study is the extent to which the police and official justice systems side with the rich, persecute poor people and make poor people more insecure, fearful and poorer.” 20 Yet, in the face of dependency and little recourse to justice, poor people are silent even when confronted with gross abuses of power.
Promoting human rights would help alleviate poverty

Clearly there is a strong correlation between poverty and human rights violations as well as the abuse of people's basic human rights and their resulting poverty. Enforcing human rights for the poor would go a long way in alleviating poverty by attacking poverty's root causes, empowering the poor and obligating the government to be accountable to the poor. As expressed by Mark Malloch Brown, Director for the UNDP:
“Sustained poverty reduction requires equitable growth, but it also requires that poor people have political power. And the best way to achieve that in a manner consistent with human development objectives is by building strong and deep forms of democratic governance at all levels of society. This means ensuring that institutions and power are structured and distributed in a way that gives real voice and space to poor people and creates mechanisms through which the powerful – whether political leaders, corporations or other influential actors – can be held accountable for their actions.”

Attacking the root causes of poverty

As discussed above, poverty can be the result of discrimination, low human capital, ill-health, unjust working conditions, lack of political voice, persecution and poverty itself. In a tightly woven web, disrespect for human rights leads to and perpetuates poverty. By enforcing basic human rights, such as the right to freedom from discrimination, the right to education and the right to an adequate standard of living for the well-being of the individual and his/her family, etc. many of poverty’s underlying causes would be rooted out. As argued by the United Nations Economic and Social Council, “The real and effective exercise of human rights by those living in poverty and extreme poverty is crucial to overcoming poverty.”

Empowering the poor

“If we aren’t organized and we don’t unite, we can’t ask for anything”

Florencio Varela, Argentina

As defined by Deepa Narayan, “Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.” Empowerment is essential for poverty reduction because powerlessness is one of the main root causes and effects of poverty itself. Put forward by Amartya Sen and included in the World Bank World Development Report 2000, empowerment is an essential tool for reducing poverty. As expressed in *Voices of the Poor: Crying Out for Change*, “The challenge for development professionals, and for policy and practice is to find ways to weaken the web of powerlessness and to enhance the capabilities of poor women and men so that they can take more control of their lives.”
A human rights approach is important, therefore, because it empowers individuals by granting them entitlements that give rise to legal obligations on the part of the government. As stated by the Economic and Security Council, “While the common theme underlying poor people’s experiences is one of powerlessness, human rights can empower individuals and communities. The challenge is to connect the powerless with the empowering potential of human rights.” 33 Human rights do not simply define the needs of people, but recognize people as claim-holders. In this way human rights place the poor as the principal actors and engaged subjects of development rather than its passive recipients. 34 As highlighted by the UNDP, empowerment leads to people exercising their human rights through the use of tools such as legal and political action to make progress in more conventional development areas. 35

In this regard, empowerment also legitimates people’s right to participate and contribute to their own development. According to the UNDP, “This means that participation is not simply something desirable from the point of view of ownership and sustainability, but rather a right with profound consequences for the design and implementation of development activities.” 36 The right to participate also depends on and strengthens other essential human rights, such as the right of association, right of assembly, freedom of expression, right to information and right to a reasonable standard of living. 37 Participation is important because meaningful and sustainable poverty reduction depends on people’s own initiation and solution. As observed in Voices of the Poor: Crying Out for Change, “The poor want desperately to have their voices heard, to make decisions and not to always receive the law handed down from above.” 38

Obligation on the part of the government

“What makes me trust in one institution is when I knock on its door, it is open to me.” 39

Man from Novo Horizonte, Brazil

On the other side of the coin, a human rights approach confirms that the rights of the poor are binding obligations on the part of the government, not just aspirations. And therefore, enforcement of rights that can directly lead to poverty reduction becomes more than a moral obligation, it becomes a legal obligation. This distinguishes the human rights-based approach to development from a welfare or basic needs approach by bringing in legal tools and institutions – laws and the judiciary – as a means to secure freedoms and human development. 40
As a result, a human rights based approach urges speedier results in poverty reduction and holds policy-makers accountable for their actions. Accountability is so important since poor people in many countries voice the problems of corruption, ‘connections,’ and violation of basic human rights with impunity as a main constraint to development.\textsuperscript{41}

A human rights approach, in which the principle of universality is enshrined, also confirms that the government is accountable to the poor just as any other group. This is of utmost importance because, as voiced over and over again in the \textit{Voices of the Poor} series, poverty is often aggravated and perpetuated by governments’ deaf ears to the poor and its blatant perpetration of the poor more than any other group. The international human rights framework, however, ensures that vulnerable individuals and groups are treated on a non-discriminatory and equal basis. Non-discrimination and equality prohibits discrimination in law or in any practice in any field regulated and protected by public authorities, such as healthcare, education, access to services and immigration.

Lastly, obligating the government to recognize and respect poor people’s rights also depends on and enforces good government. This is important because from the perspective of the poor, there is a crisis in governance: contact with state institutions is disempowering and excluding. Yet good governance – namely transparent, accountable and participatory governments responsive to the needs and aspirations of its people – plays a fundamental role in creating and maintaining a conducive environment for poverty reduction. As highlighted in the UNDP’s Poverty Report 2000, \textit{Overcoming Human Poverty}, transparent and inclusive governance is an important link between the formulation of national anti-poverty policies and actual poverty reduction. As deemed by the poor themselves, transparency and accountability are essential in bringing about institutional change to reduce poverty.
Box 8: Human rights and the millennium development goals

Recognition of human rights are essential in reaching the Millennium Development Goals. The Millennium Declaration itself recognizes the importance of human rights stating, “We will spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms, including the right to development. We resolve therefore:

– To respect fully and uphold the Universal Declaration of Human Rights.
– To strive for the full protection and promotion in all our countries of civil, political, economic, social and cultural rights for all.
– To strengthen the capacity of all our countries to implement the principles and practices of democracy and respect for human rights, including minority rights.
– To combat all forms of violence against women and to implement the Convention on the Elimination of All Forms of Discrimination against Women.
– To take measures to ensure respect for and protection of the human rights of migrants, migrant workers and their families, to eliminate the increasing acts of racism and xenophobia in many societies and to promote greater harmony and tolerance in all societies.
– To work collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries.
– To ensure the freedom of the media to perform their essential role and the right of the public to have access to information.”

Human rights of particular importance to poverty reduction

Despite progressive realization of human rights, and although human rights by definition are indivisible and interdependent, some rights are of particular importance to poverty reduction. As identified by the UNDP and the United Nations Economic Security Council, the following rights - listed in Boxes 9 and 10 respectively - are considered most pertinent:

Box 9: Rights most frequently encountered in UNDP’s development activities

- **Rights of participation**: Rights of people to meet with others, organize assemblies and speak freely. These are essential in securing all other rights in development processes, as well as crucial in building civil society in social, economic, political and legal terms.

- **Rights to food, health, habitat and economic security**: Since these are human rights, as well as government obligations, they empower people.

- **Rights to education**: Covers not only formal schooling, but also access to civic knowledge and training that facilitate people’s awareness and exercise of other rights and their effective participation in development.

- **Rights to work**: Imposes obligations on development planners to promote opportunities for productive employment, reduce risks to people from policies that create unemployment and adopt training programmes that help people become qualified for productive work.

- **Rights of children**: Reaffirm the right to life and protection against violence, abuse and neglect; the right to health and social security, education, and rest and leisure; freedom from trafficking in children and protection against child prostitution; and freedom from torture and cruel, inhuman or degrading treatment.

- **Rights of workers**: Include rights to organize and bargain over terms of employment and rights to adequate remuneration and a safe, non-discriminatory workplace.

- **Rights of minorities and indigenous peoples**: Include rights to maintain languages and cultures and rights of distinct peoples living in distinct regions to self-determined development and control of ancestral lands, which are often the basis of community organization, culture and ways of life.
Rights to land: Protection of the rights of those who depend on their lands for their livelihood.

Rights to equality: Ensures freedom from discrimination against enjoying the above rights and empowerment of women and marginalized groups to organize and demand removal of customs and practices that inhibit equal opportunities to realize the benefits of development.

Rights to environmental protection: Rights to food, health, habitat and livelihood depend on environmental protection and the complementary relationships between promoting and protecting human rights and promoting and protecting environments.

Rights to administrative due process: Include rights of access to officials responsible for designing or administering development activities; of access to information and to a fair hearing for people who claim to be threatened or harmed by development projects; and to redress and impose accountability on development actors who disregard the rights of affected people.

Rights to the rule of law: Include the rules, procedures and institutions (including courts) that enable people to secure enforcement of all their rights.

Source: UNDP (1998)
Respect for dignity: Entails working against social exclusion and supporting the rights of the poor to participate actively in the social, cultural and political life of their communities. It depends on a necessary means to a minimum level of standard of living, including adequate food, clothing and housing, and the right to be respected by public actors.

Right to personal security: Entails strengthening the right of people living in poverty to personal security and protecting them from various forms of insecurity including financial, economic and social insecurity, homelessness, marginalization, discriminatory treatment and violence by state and non-state.

Right to adequate food: Right to be free from hunger.

Right to health: Includes the right to health care and the underlying determinants of health, including access to potable water, adequate and safe food, adequate sanitation and housing, healthy occupational and environmental conditions, and access to health-related information and education.

Right to education: Includes ensuring universal primary education for boys and girls, making free primary education available and compulsory to all children, eradicating illiteracy, ensuring equal access for all to secondary education, eliminating gender disparity in primary and secondary education and improving the quality of education.

Right to work: Ensuring the right to decent and productive work for people living in poverty and extreme poverty, in which rights are protected and which generates an adequate income with adequate social protection. Elimination of bonded labour, child labour, forced prostitution and other forms of exploitation that poor people often fall into as a means of surviving.

Right to adequate housing: Right to live somewhere in security, peace and dignity.

Right to equal and effective access to justice: Equal and effective access to justice, in civil and criminal matter, and adequate defence against abuses by public officials and private actors. In the case of human rights violations, the poor should have free access to administrative and judicial mechanisms, including free legal defence.

Political rights and freedoms: Ensure participation in public affairs by means of parliamentary, regional and local elections and referenda. Equally important are the rights to freedom of association, freedom of assembly and information.

Human rights and human development are closely interconnected and each depends on the other for its fulfilment. Yet the strategy for achieving human rights is inherently different than that for human development, placing the poor as the principle actors in the realization of their rights instead of passive recipients of development programmes. In this way, human rights play a particular importance in poverty reduction by empowering the poor. And empowerment itself is an important instrument in poverty reduction. This is echoed by Juan Somavia, Director-General of the ILO, “People in poverty need voice to obtain recognition of rights and demand respect. They need representation and participation. They also need good laws that are enforced and work for, not against, their interests. Without rights and empowerment, the poor will not get out of poverty.”

**Freedom: The common denominator**

The capability approach defines poverty as the absence or inadequate realization of certain basic freedoms, such as the freedoms to avoid hunger, disease, illiteracy, and so on. Freedom here is conceived in a broad sense, to encompass both positive and negative freedoms. Thus, a person’s freedom to live a healthy life is contingent both on the requirement that no one obstructs their legitimate pursuit of good health – negative freedom, and also on the society’s success in creating an enabling environment in which they can actually achieve good health – positive freedom.

The reason why the conception of poverty is concerned with basic freedoms is that these are recognized as being fundamentally valuable for minimal human dignity. But the concern for human dignity also motivates the human rights approach, which postulates that people have inalienable rights to these freedoms. If someone has failed to acquire these freedoms, then obviously their rights to these freedoms have not been realized. Therefore, poverty can be defined equivalently as either the failure of basic freedoms – from the perspective of capabilities, or the non-fulfilment of rights to those freedoms from the perspective of human rights.

Using this conceptual equivalence between the perspectives of capabilities and rights, we can now answer the question posed at the beginning: Which cases of non-fulfilment of human rights would count as poverty, when poverty is viewed from the perspective of human rights? Recalling the features of the capability view of poverty discussed earlier, we can now stipulate that non-fulfilment of human rights would count as poverty when it meets the following two conditions:

- The human rights involved must be those that correspond to the capabilities that are considered basic by a given society;
Inadequate command over economic resources must play a role in the causal chain leading to the non-fulfilment of human rights.

The relevance of human rights

The idea that non-fulfilment of only certain kinds of human rights and not others will count as poverty may seem to militate against the principle of indivisibility of rights, which states that all human rights are equally important. However, it does not.

The principle of the indivisibility of human rights does not mean that all social phenomena must be defined by reference to all rights. The principle does not mean that torture, sexual stereotyping, or unfair trials must be defined by reference to all the rights enumerated in the Universal Declaration of Human Rights. On the contrary, a human rights definition of these phenomena would certainly be confined to a limited range of international human rights. However, a strategy to combat torture, sexual stereotyping or unfair trials would have to address a much wider range of rights than those by which these phenomena are defined. Thus, a human rights definition of unfair trials would include article 14 of the International Covenant on Civil and Political Rights (ICCPR), but it may exclude just and favourable conditions of work for judges (article 7 of the International Covenant on Economic, Social and Cultural Rights (ICESCR)). On the other hand, an effective strategy for tackling the problem of unfair trials would not only include issues relating to ICCPR, article 14, such as the presumption of innocence, but also the terms and conditions of judges’ employment (ICESCR, article 7).

The same argument applies to poverty. The principle of the indivisibility of human rights does not demand that poverty be defined by reference to all the rights set out in the International Bill of Rights, but it does demand an inclusive strategy for addressing poverty. The approach adopted in this paper is perfectly consistent with this principle. While poverty may be defined by reference to a limited range of human rights – which will vary from one society to another, although empirical evidence suggests some rights will be common to all – an effective anti-poverty strategy will certainly have to address a much wider range of human rights. This is because human rights can be relevant to poverty in multiple ways.

It is useful to distinguish three different ways in which human rights can be relevant to poverty: constitutive relevance, instrumental relevance and constraint-based relevance. If the non-fulfilment of a certain human right meets the two conditions mentioned above, it can be said to have constitutive relevance to poverty. But even when a right does not have constitutive relevance in this
sense, it may still be relevant to poverty for the other two reasons. Instrumental relevance refers to the ability of certain human rights to promote the cause of poverty reduction. Two different types of instrumental relevance may be distinguished, viz. causative and evaluative.

The causative relevance of some human rights is illustrated by the well-known example provided by Amartya Sen in his pioneering work on famines. His analysis points to the empirical regularity that famines never occur in a functioning democracy with a reasonable degree of civil-political freedom, especially with a relatively free media that is allowed to openly criticize the powers of the day. The reason for this regularity lies in the fact that democratically elected politicians cannot afford to be oblivious to the hue and cry that a free media would raise in the event of a famine, with the result that the Government tends to take appropriate preventive measures before an impending famine has the chance to strike. Civil and political rights thus play an important causative role in preventing the worst manifestation of poverty associated with famines. Obviously, however, the same causative relevance can also exist even in a situation of less extreme but persistent poverty.

The idea of evaluative relevance stems from the observation that the analysis of poverty requires social evaluation of various kinds. Recall, for instance, the point made earlier that the characterization of poverty calls for a prior judgment as to which capabilities are to count as basic. In order to be ethically defensible, this judgment must be arrived at through a process of social consultation in which people from all walks of life are able to participate fully. But such participation is only possible when a wide range of human rights, including civil and political rights, is respected. The fulfillment of these rights is, therefore, an essential precondition for an ethically defensible evaluation of poverty. As such, all these rights have evaluative relevance to poverty, even if they do not form part of the definition of poverty.

The final way in which human rights can be relevant to poverty, even if they are not part of the definition of poverty, is to act as a constraint on the types of action that are permissible in the quest for reducing poverty.

For instance, while it is entirely sensible that a highly populous but resource-poor country would want to adopt measures for population control as part of a strategy for poverty reduction, it would not be permissible to adopt draconian measures such as forced sterilization that violate people’s personal integrity and privacy. The general point is that the human rights whose non-fulfilment is not in itself constitutive of poverty, and whose promotion may not have instrumental value for reducing poverty either, may still have a bearing on the nature and contents of a PRS by ruling out certain types of action as impermissible.
To conclude, although only some human rights may form part of a human rights definition of poverty, a much wider range of rights will be vital in any discourse on poverty and indispensable in the formulation of PRSs.

It is on the basis of this fundamental proposition that the following section delineates the main features of a rights-based approach to poverty reduction.

Social dialogue: The key to participation in poverty reduction strategies

Social dialogue is not only a component of the Decent Work Agenda, it is also a process for achieving decent work. The annual International Labour Conference of the ILO in June 2002 reiterated the critical role of social dialogue for promoting and reinforcing fundamental principles and rights at work, achieving employment goals and improving social protection in all communities. The relevance of social dialogue is increasingly recognised as the international community searches for an appropriate response to the challenges of globalization. In this regard, the action pursued by the ILO was to foster the dialogue, partnerships and participatory approaches, especially in those PRSP countries. This, of course, calls for a broadening of the scope of social dialogue in order to address poverty related issues, including the reform of labour laws, as well as capacity. Building programmes for labour ministries and the social partners are necessary if employers and workers are to participate fully in the making of major economic and social policy decisions.

A human rights approach to poverty also requires the active and informed participation of the poor in the formulation, implementation and monitoring of PRSs. The right to participation is a crucial and complex human right that is inextricably linked to fundamental democratic principles.

The international human rights normative framework includes the right to take part in the conduct of public affairs. Although free and fair elections are a crucial component of the right to participate, they are not enough to ensure that those living in poverty enjoy the right to participate in key decisions affecting their lives. Specific mechanisms and detailed arrangements for the enjoyment of the right to participate will vary greatly from one context to another: one size does not fit all. It must be recognized that some traditional elites are likely to resist the active and informed participation of the poor in decision-making. The active and informed participation of the poor in the formulation of PRSs cannot be hurried inevitably, it will take time.

The ILO Report, *Working Out of Poverty*, highlights the importance to the poor of the right to participate. In this regard principles and rights at work are an
essential foundation for the governance of labour market which requires rules to encourage working arrangements that are both efficient and fair. Reducing poverty in most countries requires both growth and redistribution. Getting the policy mix right to achieve and sustain equitable growth is most likely where development strategies have a high degree of support across social groups. This is necessary not only to avoid destabilization as a result of conflicting claims but also to generate confidence that action by different groups, including governments, will be matched by others. This is particularly true for policies to increase the availability of decent work opportunities. Building trust in the social institutions, both public and private, needed to enable poor people to earn their way out of poverty is a vital instrument. The absence of social cohesion is a severe brake on development and in extreme circumstances can undermine the capacity of States to govern, and hence to achieve poverty reduction. Developing countries, especially those where poverty is widespread, need to extend the participatory process to different social groups with a view to achieving consensus on poverty reduction strategies.

In this context the enjoyment of the right to participate is deeply dependent on the realization of other human rights. For example, if the poor are to participate meaningfully in PRSs, they must be free to organize without restriction (right of association), to meet without impediment (right of assembly), and to say what they want without intimidation (freedom of expression); they must know the relevant facts (right to information) and they must enjoy an elementary level of economic security and well-being (right to a reasonable standard of living and associated rights). Thus, without parallel arrangements to realize these other rights, the poor cannot participate, in an active and informed manner, in the formulation, implementation and monitoring of PRSs.

The main features of a human rights approach to poverty reduction strategies

In the words of the Human Development Report 2000, “Human rights and human development are close enough in motivation and concern to be congruous and compatible, and they are different enough in strategy and design to supplement each other fruitfully”. While there is now a strong consensus on the complementarities between human rights and poverty, the consequences of such recognition are less understood. Does the human rights regime bring something new to our effort to achieve the overarching goal of poverty reduction? And what is the contribution of human rights to the current worldwide endeavour to overcome the scourge of poverty?
The following paragraphs make some remarks about the main features of a human rights approach to poverty reduction. The features are identified separately, however, in practice, they are closely interrelated.

**Empowering the poor**

Fundamentally, a human rights approach to poverty is about the empowerment of the poor. One of the clearest and most persistent themes in the series *Voices of the Poor* is the powerlessness of the poor. For example, the second volume, *Crying Out for Change*, is organized around an examination of the “ten interlocking dimensions of powerlessness and ill-being [that] emerge from poor people’s experiences”. Strikingly, it notes: “The challenge for development professionals, and for policy and practice, is to find ways to weaken the web of powerlessness and to enhance the capabilities of poor women and men so that they can take more control of their lives.”

The third volume, *From Many Lands*, concludes by raising an important question: “How can societies be transformed so poor people feel empowered to create lives of dignity, security, and well-being?” A major contribution of a human rights approach to poverty reduction is the empowerment of poor people, expanding their freedom of choice and action to structure their own lives.

While the common theme underlying poor people’s experiences is one of powerlessness, human rights empower individuals and communities by granting them entitlements that give rise to legal obligations on others. Provided the poor are able to access and enjoy them, human rights can help to equalize the distribution and exercise of power both within and between societies. In short, human rights can mitigate the powerlessness of the poor. To use the language from *Crying Out for Change*, human rights provide one way of weakening “the web of powerlessness” and enhancing “the capabilities of poor women and men so that they can take more control of their lives”.

**Explicit recognition of the national and international human rights normative framework**

A human rights approach to poverty will include an explicit recognition of the national and international human rights normative framework. Special attention will be given to those treaties that a State has ratified for two reasons: treaty ratification represents “country ownership” of the relevant provisions and, second, a ratified treaty is legally binding on all branches of Government. Careful attention will also be given to the commitments entered into during the recent world conferences, so far as they bear upon international human rights, such as the Rome Declaration on World Food Security of 1996 and the Dakar

An explicit reference to the international human rights treaties that a State has ratified serves to remind all parties that, when dealing with any government, they are required, as a minimum, to avoid policies and practices that make it more difficult for that Government to conform to treaty obligations it owes to individuals and groups within its jurisdiction. Moreover, all parties should endeavour to help governments realize their international human rights treaty obligations.

**Non-discrimination and equality**

It is well documented that the poor frequently experience social exclusion, isolation, alienation, discrimination and inequality. This feeling of being looked down upon often arises from a combination of economic deprivation and socio-cultural factors, such as ethnicity, colour, religion, social hierarchy and gender. Poverty not only arises from a lack of resources – it may also arise from a lack of access to resources, information, opportunities, power and mobility. As the United Nations Committee on Economic, Social and Cultural Rights observes: “Sometimes poverty arises when people have no access to existing resources because of who they are, what they believe or where they live. Discrimination may cause poverty, just as poverty may cause discrimination.”

The twin principles of non-discrimination and equality are among the most fundamental elements of international human rights law. They are enumerated and elaborated in numerous international instruments, not least the Universal Declaration of Human Rights, ICESCR, ICCPR, CRC, the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (MWC). Recognizing the fundamental importance of these twin principles, the international community has established two treaty bodies – under ICERD and CEDAW – that are devoted exclusively to the promotion and protection of non-discrimination and equality. The principles, however, are also integral to the work of the other United Nations human rights treaty bodies.

In short, the international human rights normative framework has a particular pre-occupation with individuals and groups who are vulnerable, marginal, disadvantaged or socially excluded. Thus, the integration of human rights into PRSPs helps to ensure that the relevant measures give proper attention to (a) those sectors (e.g. health) and subsectors (e.g. primary health care) that have
particular relevance to pro-poor policies and (b) the particular situation of vulnerable, marginal, disadvantaged and socially excluded individuals and groups.

Because of the special attention it has devoted to these issues over many years, including the systematic consideration of hundreds of reports from States on their relevant law and practice, the international human rights system has considerable experience regarding policy measures that impact on discrimination and inequality. This experience confirms the many forms that discrimination and inequality may take.

They may arise from express legal inequalities in status and entitlements; from policies that are blind to the needs of particular people; or from social values that shape relationships within households and communities. The human rights experience also confirms the importance of looking at effects, not intentions. For example, if the effect of a policy regime is to impoverish disproportionately women, indigenous peoples or any other group that is protected by one of the internationally prohibited grounds of discrimination, it is prima facie discriminatory, even if the policy-makers had no intention of discriminating against the group in question.

In conclusion, the integration of human rights into anti-poverty strategies helps to ensure that vulnerable individuals and groups are treated on a non-discriminatory and equal basis and are not neglected. The human rights experience also provides numerous valuable insights regarding the efficacy of anti-discrimination and equality laws, policies and practices.

Guidelines on the integration of human rights into poverty reduction strategies

With a view to achieving a human rights approach to poverty reduction strategies the office of the United Nations High Commission for Human Rights (OHCHR) developed draft guidelines on the subject. The short-term objective is to provide governments, development agencies and other practitioners involved in the design, implementation and monitoring of poverty reduction strategies with operational guidelines. The long-term objective is to enhance the effectiveness and sustainability of poverty reduction strategies.

The first phase has been characterized by the elaboration of a conceptual framework extensive consultations have been conducted with poverty specialists from the United Nations system, the Bretton Woods institutions, development agencies governments and civil society. A draft of the guidelines was prepared (available at www.ohchr.org). In the second phase the draft guidelines will be revised. The piloting phase will include four components:

1. Awareness-building about the existence of the draft guidelines;
2. Substantive consultations with human rights experts, including treaty bodies, special rapporteurs, field officers and development practitioners;

3. Field testing;

4. Revision of the draft guidelines.

The draft guidelines are divided into three sections. Section I sets out the basic principles of a human rights approach that should inform the process of formulating a poverty reduction strategy (e.g., identification of the poor, participation, empowerment, non-discrimination, national and international human rights framework). Section II sets out the human rights approach to determining the content of a poverty reduction strategy. It identifies, for each right relevant to poverty reduction (food, health, education, housing, work, personal security, privacy, political rights and freedoms), the major elements of a strategy for realizing that right. Here the rights are classified under two broad headings, “national” and “international” depending on the level at which action will have to be taken. Section III explains how the human rights approach can guide the monitoring and accountability aspects of poverty reduction strategies.

Like the principles discussed in section I, accountability is also one of the basic principles of a human rights approach to poverty reduction.
Social Dialogue and Poverty Reduction Strategies


3 Universal Declaration of Human Rights, 1948.


8 Idem.

9 Voices of the Poor website: http://www1.worldbank.org/prem/poverty/voices/

10 Narayan, D., op. cit.

11 Idem.


13 Narayan, D., op. cit.

14 Idem.

15 Idem.

16 Idem.

17 Idem.

18 Idem.

19 Idem.

20 Idem.

21 Idem.

22 Idem.
Chapter 3
Poverty and Human Rights

23 Idem.
24 Idem.
25 Idem.
26 Idem.
27 Idem.
29 Bengoa, J., op. cit., p. 14
30 Narayan, D., op. cit.
32 Idem.
33 Holmstrom, L., op. cit., pp. 6-21.
35 Idem, p.5.
36 Idem, p.8.
37 OHCHR: op. cit., p. 19.
39 Idem.
41 Narayan, D., op. cit.
CHAPTER 4
LABOUR STANDARDS AND POVERTY REDUCTION

Relationship between labour standards and poverty reduction

Poverty persists in large partly because people are denied core human labour rights. Forced labour drives victims into deeper and more intractable poverty, child labour robs children of future opportunities and societies of their hope, discrimination and poverty feed on each other in a vicious cycle and obstacles to the free right of association and collective bargaining silence those who have the most to say about poverty reduction. The following paper will study the linkages between poverty and core labour standards. Specifically, it will study where and to what extent the ILO’s core labour standards continue to be violated, emphasizing the need to focus on the world's poorest countries and its most marginalized peoples. It will discuss the costs to countries' long-term development prospects when core labour rights are denied. In doing so, the paper will also argue that effective and well-thought implementation of core labour standards leads to a decline in poverty.

Forced labour drives victims into deeper and more intractable poverty – stopping forced labour lifts individuals out of poverty traps and builds socially cohesive and peaceful societies.

Of all the ILO standards, the most widely ratified is the elimination of forced labour.1 Yet, sadly, forced labour remains a significant and rising global problem. While traditional slavery and state-sponsored forced labour are on the decline, human trafficking has been increasing significantly in recent decades, kidnapping is widely feared and the use of extreme forms of abuse and bonded labour is a rampant practice in many countries. Yet, because forced labour is widely condemned, it is also quite hidden, thus making it difficult to quantify. Some estimates put the figures at 27 million forced labourers on a global scale.2 And according to the US State Department's 2004 Trafficking in Persons Report, 600,000-800,000 people are trafficked across international borders annually, many of them women and children bound for work in the commercial sex industry.3
Before delving into the links between the elimination of forced labour and a resulting reduction in poverty, it is beneficial to elucidate forced labour’s victims and the main areas in which the phenomenon occurs, including military activities, prostitution, begging, domestic labour, agriculture, and hazardous and harmful industry such as mining and textile production. Within each of the economic areas discussed, the main mechanisms through which labour is secured and retained will be discussed, most prominently force, kidnapping, bondage and ever-increasing phenomenon of trafficking, which entail extreme dependence, vulnerability, force, coercion, exclusion and distance from familiar and helpful social networks. Once the victims’ situations come light, the link between forced labour’s elimination and a resulting decline in poverty becomes obvious – most importantly for the individual caught in such a situation, but also for society in general.

**Forced labour profiles**

**Domestic labour:** Although most domestic work does not involve the use of force, it is an area that can easily degenerate into such a situation because of the workers’ extreme dependence on their employers and the fact that they work within a private setting far from the scrutiny of even neighbours. Additionally, many domestic workers are secured and/or retained through trafficking, debt and social bondage and the withholding of identity papers. Girls, particularly, are susceptible to sexual violence from a young age.4

**Box 11: Forced labour in domestic work through social and debt bondage**

N is a Musalli woman illiterate, married, and working in the haveli of Z. She came here six years ago. Before that, she used to live in a village whose landlord, Chaudhry (landed employer), loaned her Rs 80,000 to marry off her son and daughter. But it was very difficult to repay the loan, so the outstanding Rs. 60,000 was ‘re-financed’. That is, Z paid the amount to his friend the Chaudhry. In effect he bought them by taking on their debt and so they came to work for him. [Her daughter] says that if a flowerpot breaks during cleaning, and if it is worth Rs. 25, then it is added to the loan at a rate of Rs. 500. If an animal dies, its value is also added to the loan... Z often has men friends over who drink, and think nothing of bothering the Musalli girls.

*Source: Collective for Social Science Research in Karachi, A Rapid Assessment of Bonded Labour in Domestic Work and Begging in Pakistan (2004, p. 21)*
Begging: Begging is another area in which forced labour is common. Children are often kidnapped and often maimed for use as beggars, and girls, particularly, may be ‘sold off’ by their families to beg and sell sex.

Box 12: Forced labour in begging through the use of kidnapping

Recently, a First Information Report was registered with Karachi police station regarding a missing child. The local police SHO suspected a beggar of being involved and observed him for a few days. They subsequently raided his house and found two kidnapped children, but not the one reported missing. The beggars had chained and locked the children in a room, sexually abusing them as well. During six days remand, the beggars confessed that they had kidnapped these children from Aslam Manzil...The beggar said that the captured children were to be sold to some mafia groups or else used as beggars after being maimed.

Source: Collective for Social Science Research in Karachi, A Rapid Assessment of Bonded Labour in Domestic Work and Begging in Pakistan (2004, p. 37)

Prostitution: Prostitution is often a forced labour problem in which women and children are abducted, ‘cashed in’ by relatives or misled into sexual exploitation. Increasingly, the trafficking of humans is an important mechanism by which people are induced into this situation.
“I was 17 years old when my family contacted a well-known and reliable mediating agency, which arranged for me a study tour to New York. A certain Member of Parliament was involved in order to enforce the idea that we were dealing with trustworthy people. In America two Georgian representatives of the well-known and official agency, Mr. J. T. and S., picked us up. They sent us indeed to a college. I signed a contract that said that I would work parallel to my studies. Three happy months went by. I had however little money left, not even enough to go out. They did not give me more money and instead told me that there could be no talk about study any longer. In short, they created such conditions that made it difficult for me to refuse their suggestions. They sent people to me who talked me slowly and in a delicate way into prostitution (they used this tactic not to raise any objection from my side). However, I preferred to go back to Georgia instead of agreeing with their suggestions. After this they frightened me by saying that I had to do everything they wanted, and if not, they had people who would oppress my family members, and they would never get a good job. Also they said they would beat up my family members or even gas them, and me too, and that I had no choice here on the other side of the ocean. Probably they were lying, but when you are a 17-year-old child you do not realize many things. I took it at its face value. After one month they persuaded me. I was taken into a beautiful, two-floor house in the countryside woods, which was guarded by many armed people (mainly by Russians and Georgians). In the hotel there were 200 girls, 60 Georgian girls and the rest were from Yugoslavia, the Czech Republic and Russia. They promised US$ 2,500 per month and rich clients such as bank managers and hotel owners. We lived in separate rooms that were equipped by video cameras and bugs to overhear our conversations. The girls did not get friends, but indeed we were afraid of each other and had very formal relations. We were always under the influence of drugs, such as cocaine, cracks and marijuana. They administered these drugs by force and we felt very free and strange. We served clients every five hours (everything that happened during the process was registered by video and then probably sold). Security people accompanied us everywhere. I thought that people made a lot of money in this kind of business, because that hotel was equipped in a modern way and was protected very reliably.”

Source: Excerpt from an article that appeared in the 7-13 May 2001 edition of “Kviris Palitra” as cited in IOM, Hardship Abroad or Hunger at Home: A Study of Irregular Migration from Georgia (2001, p. 35).
Agriculture: Agriculture is also an area in which forced labour exists, usually through debt or social bondage. In times of scarcity, rural workers are easy prey for recruiters, who offer means of subsistence through a debt that has to be paid off by future work. Additionally, agricultural workers can be locked into an interminable cycle of debt bondage by borrowing against future harvests, in which the arrangements are structured in a way that the worker never harvests enough to fully service the debt.

War: Child soldiering is a severe form of forced labour in which children are kidnapped or coerced through threats, bribes and false promises and forced to serve government armies, militias and rebel groups.

Box 14: Child soldier recruited through fear

“One day, rebels attacked the village where I lived. I hid and watched as they killed my relatives and raped my mother and sisters. I thought if I joined their army, I would be safe. In the army I was trained to use a gun and I performed guard duty. I was often beaten and raped by the other soldiers. One day, a commander wanted me to become his wife, so I tried to escape. They caught me, whipped me, and raped me every night for many days. When I was just 14, I had a baby. I don’t even know who his father is. I ran away again but I have nowhere to go and no food for the baby. I am afraid to go home.”

Source: US State Department (2004, p. 6)

Industry: In countless other hazardous or extremely low-wage activities, such as mining, brick kilns, construction, carpet making, camel jockeying, etc., forced labour is a common practice. Many workers induced into these situations accept work for an advance payment, which is structurally impossible to pay back in full. In addition, trafficking and kidnapping have also been used to secure or retain workers in these activities.

Although transcending so many modern-day activities, and recruited or retained through various means – namely force, trafficking, kidnapping or bondage – forced labour’s victims have a common face: they are the world’s most vulnerable and marginalized peoples. They tend to come from the poorest segments of communities, in many cases from groups that are discriminated against – such as the indigenous, low-caste groups and religious and ethnic minorities – and often come from rural areas. They are particularly vulnerable, because they are children, are uneducated, are hungry or perhaps because they have been moved from familiar social networks. Nearly all of them, or their families that may have sold them, are desperate for work and the opportunity to
make a modest living. Forced labour preys on poverty, and once in a forced labour situation the victims’ poverty increases and is perpetuated, often across generations.

Because forced labour almost always places people in a worse situation than they would find themselves in otherwise – by forcing victims to endure brutal living conditions, depriving them of education, ostracizing them from families and communities, inflicting on them physical and mental damage – its elimination would most definitely result in a reduction in poverty for the individual. Society also would gain significantly. As children are educated instead of falling captive to sexual and physical exploitation or kept from school because of the fear of being kidnapped and trafficked, human capital and productive capacity would increase substantially. The ILO has estimated that tens of billions of dollars would be gained as a result. Also, because forced labour depresses wages in many industries, its elimination would lead to higher real incomes in general. And because forced labour promotes social breakdown, fuels more organized crime, undermines public health and subverts government authority the benefits of its elimination far exceed these modest estimates. Because the only segments to profit from forced labour are criminal elements that undermine economic growth, subvert government attention from pursuing pro-poor economic growth policies and perpetuate people’s vulnerability, undermining their success would go a long way in reducing poverty.

The effective reduction of forced labour requires targeting both the victims and its perpetrators. Economic opportunities must be created for the world’s poorest and most vulnerable, communities and potential victims must be made aware of the dangers of trafficking and bonded labour arrangements, people should be made aware of their legal and human rights and programmes must be implemented to reintegrate past victims into their society. On the other side, persons who exploit victims should be identified and prosecuted. In this regard, much progress could be made by combating corruption, since perpetrators’ collusion with police and government officials often propagates the practice.

Child labour robs children of future opportunities and societies of hope – A future without child labour would lead to gains in the trillions through increased human capital. Although nearly all the world’s governments have ratified international human rights conventions that call for the elimination of child labour, the phenomenon continues to exist to a significant extent. As estimated in the ILO 2002 study, Every Child Counts, approximately 211 million children between the ages of 5 and 14 were working in the world in 2000. In the larger age group of between 5-17 years, the total child population was estimated at 352 million in the same year. With nearly one-fifth of the world’s children...
between the ages of 5-14 economically active and two-fifths of children between the ages of 5-17 working, child labour is a significant phenomenon.

Child labour is primarily a developing country phenomenon. The Asia-Pacific region has the largest number of child workers in the 5-14 age bracket, 127.3 million in total, followed by sub-Saharan Africa and Latin America & the Caribbean with 48 million and 17.4 million respectively. Accounting for population size, sub-Saharan Africa has the highest relative proportion of working children: one child in three under the age of 15 is economically active. In the Asia-Pacific region and in Latin America & the Caribbean, the incidence is 19 and 16 percent, respectively. In the Middle East and North Africa, it is 15 percent.

Table 2: Number and percentage of children working by region in 2000

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number of children working (in millions)</th>
<th>Work ratio (% in Child Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-14 Years Old</td>
<td>211.0</td>
<td>17.6</td>
</tr>
<tr>
<td>Developed economies</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Transition economies</td>
<td>2.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Asia &amp; the Pacific</td>
<td>127.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>17.4</td>
<td>16.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>48.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>13.4</td>
<td>15.0</td>
</tr>
<tr>
<td>15-17 Years Old</td>
<td>140.0</td>
<td>42.4</td>
</tr>
<tr>
<td>Developed economies</td>
<td>11.5</td>
<td>31.3</td>
</tr>
<tr>
<td>Transition economies</td>
<td>6.0</td>
<td>29.1</td>
</tr>
<tr>
<td>Asia &amp; the Pacific</td>
<td>86.9</td>
<td>48.4</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>10.3</td>
<td>25.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>18.1</td>
<td>44.8</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>7.5</td>
<td>31.8</td>
</tr>
<tr>
<td>Total</td>
<td>351.0</td>
<td>23.0</td>
</tr>
</tbody>
</table>


Approximately one half of the total number of economically active children and more than two thirds of those in child labour were working in hazardous situations in 2000. In addition to the number of children in hazardous work, it is estimated that there were about 8.4 million children involved in other worst forms
of child labour as defined in ILO Convention No. 182, Art. 3. This includes trafficking (1.2 million); forced and bonded labour (5.7 million); armed conflict (0.3 million); prostitution and pornography (1.8 million); and illicit activities (0.6 million). While the worst forms of child labour are above the intolerable level, as no level is acceptable, it is important to note that the majority of the world’s child workers are not within this category. Making a serious impact in the amount of child labour must focus, therefore, on the children working in more usual situations.

In general, child labourers either work unpaid, in the household or on the family farm/in the family enterprise, or do paid work in the labour market. The vast majority of child workers are involved in agricultural work, typically in family-run farms. In Africa, for example, where the incidence of child labour is highest, rural children are at least twice as likely to be working as urban children. It is also important to note that these children may also be simultaneously enrolled in school. And, as evidenced by Orazem and Gunnarsson, a significant proportion of child labour spells are short-lived, many times in response to unanticipated transitory shocks to household income.

### Table 3: Distribution of children in Africa by category of activity in...  

<table>
<thead>
<tr>
<th>Sector</th>
<th>Work only</th>
<th>Work and School</th>
<th>School, no Work</th>
<th>Only HH Chores</th>
<th>Idle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>9.5</td>
<td>14.7</td>
<td>46.5</td>
<td>12.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Rural</td>
<td>19.8</td>
<td>21.8</td>
<td>24.9</td>
<td>14.6</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>16.9</td>
<td>20.1</td>
<td>30.7</td>
<td>14.1</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Source: UNICEF as cited in Betcherman et al. (2004, p. 12)

It is important to note, in this regard, that working does not necessarily displace school enrolment in developing countries, as is often assumed. For example, increases in enrolment in a sample of girls in Bangladesh were not associated with appreciable decreases in child labour. Yet, while the evidence on the effect of child labour on school enrolment is not very strong – since many children are simultaneously working and enrolled in school – there is evidence of a strong negative effect on school attendance, test scores and grade completion.

Boozer and Suri, studying children aged 7-18 in Ghana in the late 1980s, conclude that an hour of child labour reduced school attendance by approximately 0.38 hours. Orazem and Gunnarsson, using datasets of children in Latin America and Central and Eastern Europe, find that child labour has adverse consequences for test scores and that the effects get larger as work hours increase. They also find that the damage is greater at younger ages and that even modest
amounts of child labour lower cognitive achievement. Similarly, Sanchez et al., using data on 3rd and 4th graders in Latin America, found that in all ten countries tested, performance on mathematics and language tests was lower when the child worked outside the home, and the impact became greater when the child reported working many - rather than a few - hours. Heady, studying Ghana, found that child work had relatively little effect on school attendance, but had a substantial effect on learning achievement in reading and mathematics, most likely attributable to exhaustion or lack of interest in academic performance. Rosati and Rossi, studying grade retardation in Pakistan and Nicaragua, found that increasing the probability of working raises the likelihood that the child has fallen behind the correct grade for age.

In effect, therefore, child labour has significant negative effects on human capital formation. As stated by Betcherman et al., “child labour is widespread and bad for development, both that of the individual child and of the society and economy in which she or he lives”. Large amounts of future income is lost to developing countries because of the negative consequences working has on children’s health and education, and since children are most likely to work and not go to school if their parents worked as children, poverty is carried across generations. Additionally, the hazardous and worst forms of child labour have obvious harmful effects on the lives of children and their possibilities for a hopeful future.

So, if the costs child labour incurs are enormous, why do so many children in poor countries continue to work instead of focusing their efforts in school? Basically, the answer is poverty, although individual decisions are much more nuanced. Children may work when the economic benefits of working are greater than the expected benefits of schooling (due to expensive fees, transportation costs, opportunity costs and low returns to education because of poor quality), when families are constrained from sending their children to school because of poverty or insurmountable short-term economic concerns or when parents are unaware of the economic benefits of education or orphaned children do not have any parents to act on their behalf because of HIV/AIDS or conflict.

The elimination of child labour would have an enormous impact of poverty reduction. It is estimated by the ILO that gross economic benefits from the elimination of child labour over the period 2000 to 2020 would be over five trillion dollars or a net benefit of approximately four trillion dollars after taking into account costs associated with eliminating the practice. The single most important result is the replacement of child labour with universal education, which would yield enormous economic benefits through enhanced productive capacity, in addition to the social and intrinsic benefits.
The elimination of child labour in a developing country context, however, is not as simple as banning the practice. (It must be emphasized, however, that all efforts should be made to remove children from hazardous and other worst forms of child labour.) Most obviously, developing countries lack the legal and political infrastructure for enforcement of a ban. Also, taking a child out of work may immediately plunge families into an even more dire poverty situation when income from the child is necessary for the family’s survival. Additionally, many children that are “rescued” from labour arrangements often, driven by poverty, shift to less visible sectors or into the informal sector where conditions are more exploitative, thereby augmenting and perpetuating poverty. The box below on children “rescued” from working arrangements in Nepal confirms this statement.

Box 15: Eliminating child labour must be supported by education subsidies for families for poverty to be reduced

A study of Nepalese children “rescued” from working in the carpet industry by the RUGMARK Foundation, which is supported by UNICEF and the ILO, underscores the immediate difficulties faced by families when their children are forced out of working, often resulting in an increase in the household poverty level. Since poverty is the main determinant of child labour supply, in that children are sent to work when parents’ earnings are insufficient to guarantee the family’s survival, or are insecure so that children’s income smooths household income fluctuations, many families find themselves immediately poorer when their children are forced out of work and sent back to their families. The study found that unless families were subsidized for education expenses, many children “rescued” from the child labour arrangements often, driven by poverty, shifted to less visible sectors (e.g. from carpets to handicrafts) or across the production chain (e.g. from weaving to spinning) or moved into the informal sector where conditions are more exploitative, thereby perpetuating poverty. Analyses of household data suggests that incomes decline after “rescue” and rehabilitation of child labourers, even if the children improve their access to schooling and health care. To ensure that “rescuing” children from labour arrangements leads to poverty reduction, there must be subsidies for children’s education and health and/or compensation for families who have lost income as children discontinue work.

Source: Sinha & Sharma (July 2003)
In a developing country context, therefore, eliminating child labour must be achieved by attacking the roots of its occurrence. As outlined by the ILO, governments must address the reasons that families choose work over education; reduce poverty or insurmountable short-term economic concerns that force families to send their children to work; and ensure that people are aware of the benefits of education. In terms of addressing the reasons that families choose work over education, making schools accessible, improving their quality and reducing direct schooling costs can all have a large impact in this regard.

Box 16: Mexico’s ‘oportunidades’ programme

Oportunidades, previously named Progresa, is Mexico’s main programme aimed at developing the human capital of poor households. The programme provides poor families with monetary transfers if their children regularly attend school. The benefit levels are intended to offset the opportunity costs of not sending children to school. In recognition that the opportunity cost of children’s time increases as they grow older, the benefit levels increase with grade level. And, to reverse gender discrimination, benefit levels are higher for girls than for boys attending secondary school. Evaluation of the programme indicates that it has significantly increased enrolment levels, especially of girls and particularly at the secondary school level. Overall, the results indicate that children receive an average of 0.7 years of extra schooling because of the programme.

Source: Betcherman et al. (2004, p. 24)

Discrimination and poverty feed on each other in a vicious cycle – Equality at work leads to enormous gains as people’s skills and capabilities are used instead of being needlessly wasted.

Discrimination in employment and occupation exacerbates poverty, while poverty furthers discrimination by limiting educational and employment opportunities for generations beyond. Tightly linked, the two feed on each other in a vicious cycle. Occurring in all countries of the world, discrimination denies people jobs, confines them to certain occupations, or offers them lower pay simply because of their gender, religion, race or ethnic group, regardless of their capabilities or the requirements of the job. By denying certain groups equal education opportunities as well as equivalent entitlements and rights, they and their future generations are indirectly discriminated against in the workplace as their capabilities are never fully realized.
Social Dialogue and Poverty Reduction Strategies

Its victims are disproportionately women, older people, rural inhabitants, indigenous groups, ethnic and religious minorities and the historically disenfranchised. In developing countries, they include the Roma in Bulgaria, the low castes and untouchables in India, “the hated poor” in Bangladesh, indigenous and Afro-American groups in Latin America, and slum dwellers everywhere. All over the world discrimination leads to poverty and marginalization and at the same time the poorest and most marginalized peoples are the primary victims of discrimination.

Box 17: A poor woman in Nurah Pur, Bangladesh

“A woman always gets 50 percent less than a man on the excuse that a woman cannot work as hard as a man.” - A poor woman in Nurah Pur, Bangladesh

“The main problem comes from discrimination. If you’re Gypsy, you can’t find a job. There are skilled workers – tailors, builders, hairdressers-but even they won’t be given a job because they are Gypsy. We need equality. You should be able to travel abroad and look for a job there.” - A discussion group of older men, Sofia, Bulgaria

The reason why discrimination exists is not fully understood. Through the theory of “statistical discrimination” or “employers’ taste,” neoclassical economists explain discrimination based on the premise that firms cannot scrutinize the productivity of individuals. As a consequence, they tend to rely on easily observable characteristics, such as race or gender, as an indicator of likely productivity – often assuming members of certain groups to have lower than average productivity. Similarly, employers may decide not to hire individuals belonging to a certain group because they are wary of prevailing negative attitudes among employees or clients towards members of this group. It follows that discrimination at work should be short-lived because it is costly and inefficient. Employers who discriminate against certain groups should disappear because they cannot compete with employers who do not discriminate. Yet, the fact that certain groups have remained disproportionately discriminated against throughout history reflects the insufficiency of most theories proposed so far.

Regardless of why discrimination in employment and occupation exists and persists, it inflicts many costs, not only on the individual, but also on society. Most importantly, it results in an enormous waste of skills and capabilities. Low incomes among certain groups lead limit the size of internal markets, which can be important for growth and poverty reduction. And because it often leads to inequality, discrimination can foment political instability and therefore reduced economic growth. Inequality in general has been also shown to be bad for growth.
and poverty reduction. Because discrimination can be extremely severe, accounting for up to 50 percent of wage differentials as the table below demonstrates, its costs are estimated to be substantial.

Table 4: Potential amount of discrimination in earnings in selected countries of Latin America

<table>
<thead>
<tr>
<th>Country and Ethnic Group</th>
<th>Minority/Majority Earnings Ratio</th>
<th>Age (years)</th>
<th>Schooling (years)</th>
<th>Rate of Return to Schooling</th>
<th>Upper Bound Discrimination (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Bolivia (1989)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td>.61</td>
<td>38.5</td>
<td>7.4</td>
<td>5.7</td>
<td>28</td>
</tr>
<tr>
<td>Nonindig.</td>
<td></td>
<td>36.0</td>
<td>10.1</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>Rural Bolivia (1966)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td>.66*</td>
<td>1.2</td>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Nonindig.</td>
<td></td>
<td>4.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guatemala (1989)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td>.42</td>
<td>36.2</td>
<td>1.8</td>
<td>9.1</td>
<td>52</td>
</tr>
<tr>
<td>Nonindig.</td>
<td></td>
<td>34.5</td>
<td>4.9</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Mexico (1989)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td>.30</td>
<td>34.5</td>
<td>3.8</td>
<td>8.7</td>
<td>48</td>
</tr>
<tr>
<td>Nonindig.</td>
<td></td>
<td>33.6</td>
<td>7.3</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>Peru (1991)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td>.43</td>
<td>39.3</td>
<td>6.7</td>
<td>2.6</td>
<td>50</td>
</tr>
<tr>
<td>Nonindig.</td>
<td></td>
<td>37.6</td>
<td>10.0</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Paraguay (1990)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaraní</td>
<td>.64</td>
<td>34.7</td>
<td>8.2</td>
<td>8.2</td>
<td>21</td>
</tr>
<tr>
<td>Spanish</td>
<td></td>
<td>36.8</td>
<td>11.2</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Brazil (1988)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>.50</td>
<td>39.8</td>
<td>5.1</td>
<td>10.8</td>
<td>51</td>
</tr>
<tr>
<td>Brown</td>
<td>.55</td>
<td>38.8</td>
<td>5.4</td>
<td>10.1</td>
<td>46</td>
</tr>
<tr>
<td>White</td>
<td></td>
<td>39.9</td>
<td>7.9</td>
<td>13.3</td>
<td></td>
</tr>
</tbody>
</table>

Social Dialogue and Poverty Reduction Strategies

Enormous benefits would be gained by countries that are successful in eliminating discrimination. For example, Zoninsein estimates that the economies of Bolivia, Brazil, Guatemala and Peru would potentially expand at least by 36.7, 12.8, 13.6 and 4.2 percent respectively, as a result of ending the long-term social exclusion of Afro-descendant and indigenous groups. The projected gains would be generated from an increase in aggregate production and income arising from the full use of the existing education, skills and experience of Afro-descendant and indigenous individuals in the jobs that they actually hold in addition to an increase in aggregate production and income due to expanding the education and skills of Afro-descendant and indigenous individuals to levels similar to those of the white population in those countries.

Table 5: Percentage increase in total earnings and GDP as a result of eliminating labour market and education discrimination

<table>
<thead>
<tr>
<th></th>
<th>Labour market discrimination</th>
<th></th>
<th>Education Discrimination</th>
<th></th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Earnings</td>
<td>GDP</td>
<td>Earnings</td>
<td>GDP</td>
<td>Earnings</td>
</tr>
<tr>
<td>Bolivia (1997)</td>
<td>57.8%</td>
<td>17.12%</td>
<td>66.1%</td>
<td>19.56%</td>
<td>123.9%</td>
</tr>
<tr>
<td>Brazil (1997)</td>
<td>36.7%</td>
<td>4.85%</td>
<td>60.3%</td>
<td>7.98%</td>
<td>97.0%</td>
</tr>
<tr>
<td>Guatemala (1998)</td>
<td>32.2%</td>
<td>4.59%</td>
<td>63.5%</td>
<td>9.04%</td>
<td>95.8%</td>
</tr>
<tr>
<td>Peru (1997)</td>
<td>35.9%</td>
<td>1.76%</td>
<td>50.0%</td>
<td>2.45%</td>
<td>85.9%</td>
</tr>
</tbody>
</table>

Source: Zoninsein (2001, p. 8)

The equalization of education, not only in years of schooling, but also in terms of quality, can go a long way in reducing discrimination. Affirmative action has also been useful, particularly in Malaysia, South Africa and the United States. Legislation and its effective enforcement is also an important way to ensure that all persons, regardless of their gender, religion, race or ethnic group are granted their due opportunities.

Denial of freedom of association and right to collective bargaining silences those who have the most to say about poverty reduction – the right to organize for social justice leads to empowerment, placing the poor in the driver’s seat of their own development.

Freedom of association and the right to collective bargaining is far from widespread. While most OECD countries guarantee the freedom of association, restrictions exist in much of the developing world. In many poor countries, stringent registration requirements exist and political interference or acts of anti-union discrimination make it very difficult for workers to form organizations.
and voice their concerns at work. Even it is possible to establish workers’ organizations and union federations, governments commonly limit the right of collective bargaining to formal employees. This silences the voice of the poor majority who often operate in the informal economy or are self-employed. Since informal workers represent nearly two-thirds of the total non-agricultural labour force in Africa, half in South Asia, a third in the Middle East, and a quarter in East Asia and Latin America, this silence is all-pervading. In some countries, such as China, Egypt, Indonesia, Iran, Kuwait, Syria and Tanzania, the freedom of association is practically nonexistent.

Table 6: Labour standards in selected countries, 1970-94

<table>
<thead>
<tr>
<th>Group</th>
<th>Definition</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Freedom of association, on the whole, is guaranteed by law and practice.</td>
<td>All OECD countries, except the Republic of Korea, Mexico and Turkey. In addition, Bahamas, Barbados, Israel, Malta and Suriname.</td>
</tr>
<tr>
<td>2</td>
<td>Some restrictions exist, but it is possible to establish independent workers’ organizations and union federations.</td>
<td>Argentina, Brazil, Chile, Ecuador, Ethiopia, Fiji, Hong Kong, India, Jamaica, Mexico, Niger, Papua New Guinea, Peru, South Africa, Republica Bolivariana de Venezuela and Zambia.</td>
</tr>
<tr>
<td>3</td>
<td>Restrictions on freedom of association are significant, that is, stringent registration requirements exist, and political interference or acts of antiunion discrimination make it very difficult to form independent workers’ organizations or union federations.</td>
<td>Algeria, Bangladesh, Bolivia, Taiwan, Colombia, Ghana, Guatemala, Honduras, Kenya, Mali, Malaysia, Morocco, Nigeria, Pakistan, Philippines, Sri Lanka, Thailand, Tunisia, Turkey and Zimbabwe.</td>
</tr>
<tr>
<td>4</td>
<td>Freedom of association is practically nonexistent</td>
<td>Cameroon, China, Egypt, Indonesia, Iran, Kuwait, Syria and Tanzania.</td>
</tr>
</tbody>
</table>


Much of the reason for the diversity in countries’ enforcement of freedom of association and the right to collective bargaining results from the controversy in its effects on poverty. Yet, most of that controversy stems from the fact that freedom of association and the right to collective bargaining have been historically granted to or practiced by an elite few. When only elite insider groups have the power to voice their concerns, leaving outsiders and the poor excluded from the process, bad societal outcomes - far from the common interest - are the result. This can be devastating in a poor country context if, for example, unions push more people into a large and exploitative informal sector, drive up costs of basic non-competitive goods, such as electricity or gas (which often tend to be the
most unionized sectors in developing countries), lower informal sector wages and further inequalities. These bad societal outcomes are essentially the following monopoly costs, described below:\(^{23}\)

- **Higher prices:** Firms will try to pass on the wage demands to consumers as higher prices. This increases inflation and therefore reduces the real wage of all workers. These effects are comparatively small if firms operate in a highly competitive market environment, but may be significant if the firm has a monopoly and demand for the product is relatively inelastic (e.g. petroleum);

- **Increase in unemployment:** The wage mark-up of unionized workers increases the relative price of labour in the union sector, inducing firms to lay-off unionized workers;

- **Reduction in the non-union wage:** As workers are laid-off, this tends to reduce the non-union wage. Also, an output loss may result because workers are now employed where their marginal productivity is lower than before;

- **Reduction of investment:** As unionized firms share their profits with the union, a hold up problem is created that reduces investments in physical capital and R&D below the socially optimal level. Empirical evidence supports this theory: in the UK and the US, the investment rate (physical capital) tended to be lower in unionized than in non-unionized firms with similar characteristics.\(^{24}\)

It should be emphasized that these are potential costs. Economic theory and empirical evidence show that if collective bargaining is able to incorporate the interests of all citizens, by ensuring that the poor, the unemployed and the informally employed are also granted the right to organize and voice their concerns and participate in any collective bargaining process, workers organization can lead to significant benefits for society as a whole. Responsible collective bargaining can lead to important increases in productivity, human capital accumulation, more equitable outcomes and important advances in poverty reduction benefits. As long as unions are open and incorporate the interests of excluded parties, outcomes in the common interest will result, some of which are outlined below:

- **Reduction in inefficient turnover:** By communicating the preferences of workers directly to management and participating in the establishment of work rules and seniority provisions, workers can express their grievances without having to leave the firm. This reduces turnover, increases the incentive of employers to provide firm-specific training and facilitates long-run working relationships
to the benefit of all parties. Also, by helping establish seniority provisions, rivalry between experienced and inexperienced workers is lessened, thereby increasing the amount of informal, on-the-job training that the former is willing to provide to the latter;

- **Increase in skills**: By enforcing contracts between workers and management, workers are more willing to acquire firm-specific skills because of greater uncertainty about future employment;

- **Increase in productivity**: By providing a channel through which labour can draw management’s attention to changes in working methods or production techniques that may be beneficial to both parties. Empirical evidence, however, is indeterminate in terms of productivity gains.

**Box 18: Free right of association and collective bargaining – The empirical evidence**

The empirical evidence shows that trade unions can play an important role in representing the interests of workers. Yet, as to be expected, their positive/negative impact on outcomes depends on the structure of collective bargaining processes and the economic and social context in which they are played out.

**Wage premiums**: Wage premiums for unionized work tend to be fairly small in developed countries but high in countries or sectors with weak competition in output markets and large rents. For example, wage premiums for unionized workers are as high as 21-28 percent in Ghana, 10-24 percent in South Africa and as low as 2-4 percent in South Korea.

**Job tenure & training**: Union members tend to enjoy longer job tenure and receive more training than their non-unionized counterparts. In Australia, Japan, Malaysia, the United Kingdom and the U.S. voluntary job turnover was found to be lower and job tenure longer in unionized firms.

**Productivity**: The effect of unions on productivity depends significantly on market conditions and industrial relations. In Mexico unions have attempted to protect low-skilled jobs at the expense of higher productivity. In Guatemala, unionization is associated with lower productivity of coffee farmers. In the UK, too, unionization appeared to have a negative impact on productivity levels. In Brazil, however, greater participation of workers in some aspects of company management contributed to higher productivity and profitability. Higher productivity was also the case in Malaysia.
Discrimination: While not consistent across all countries, unions have sometimes contributed to a reduction in the overall gender pay gap. And in Mexico and Canada, unions have been found to reduce the discrimination against indigenous people. 

Source: Aidt and Tzannatos (2002)

Apart from higher wages, longer job tenure, increased productivity and lower discrimination, the most important contribution of collective bargaining and freedom of association is empowerment. Empowerment refers broadly to the expansion of freedom of choice and action and was highlighted as one of the three important tools for promoting economic growth and reducing poverty by the 2000/2001 World Development Report. As defined by Deepa Narayan, “Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.” For poor people, that freedom is usually curtailed by their voicelessness and powerlessness in relation particularly to the state and markets. The right to collective bargaining and freedom of association enhance all four key elements of empowerment, namely access to information, the inclusion/participation in decision making, the accountability of public and private officials, and the ability of people to organize locally to solve problems of common interest, make their voices heard and ensure their demands are met. “For poor people, the capacity to organize and mobilize to solve problems is a critical collective capability that helps them overcome problems of limited resources and marginalization in society.”

The challenge for governments, therefore, is to ensure that freedom of association and the right to collective bargaining is granted to all – including the poor, the informally employed and the self-employed. Additionally, outsider interests should be voiced in any collective bargaining process. Important strides have been made in recent years. In South Africa, for example, the provisions of the basic Conditions of Employment Act and the Unemployment Insurance Fund were extended to domestic workers – a vulnerable and predominantly female section of the workforce. Taxi workers have been organized through the South African Transport and Allied Workers’ Union (SATAWU) and have gained a powerful voice in recapitalizing the industry and formalizing employment. Also in South Africa, the Southern African Clothing and Textile Workers’ Union (SACTWU) has played a key role in high-level negotiations that recently culminated in the adoption of legal and institutional reforms which allow for organizing and bargaining around informal work. In India, after the
Self-Employed Women’s Association (SEWA) fought for and won the rights of groups of self-employed workers to be registered as trade unions, numerous efforts successfully mobilized and organized informal and poor workers across the country. As a result, enormous benefits were granted to the once, voiceless poor. Hawkers in Ahmedabad bargained for the right to conduct economic activity without harassment from municipal staff, domestic workers in Bangalore arranged crPche facilities for themselves, waste-pickers in Pune rehabilitated rag-picker children into more dignified jobs, tribal women in Orissa sought the right to collect forest produce as well as rights to land, several have sought to provide credit and insurance facilities to their members.27

The focus, therefore, for an effective reduction in poverty through the free right of association and collective bargaining should be on how to remove the potential costs of unions and organizations while at the same time retaining their benefits. In a developing country context, the greatest potential benefit of a “voice at work” – whether the voice is that of a domestic worker or a taxi driver – is derived from greater empowerment. This is so because empowerment places the poor as the principle actors and engaged subjects of development rather than its passive recipients. And empowerment most definitely is good for poverty reduction. As stated simply by the poor themselves, “If we aren’t organized and we don’t unite, we can’t ask for anything.” – Florencia Varela, Argentina.

Effective implementation of core labour standards leads to important reductions in poverty. Stopping forced labour lifts individuals out of poverty traps and builds socially cohesive societies, placing children in school instead of at work leads to increased human capital, equality at work results in enormous gains as people’s skills and capabilities are used instead of needlessly wasted and the right to organize for social justice endows the poor with the power to drive their own development outcomes. Yet the path to ensuring widespread compliance involves many challenges, particularly to avoid unintended consequences. If rescued from forced labour arrangements, victims must be ensured opportunities on their reintegration into normal society so that they will not become perpetrators themselves. Efforts to reduce child labour must not drive children into deeper and more exploitative activities. Progress in ensuring equality must be sustainable and not destroy decent work. Good judgment needs to be used so that unions don’t work against the poor, pushing more people into large and exploitative informal sector or furthering inequalities. While these challenges are significant, the enormous poverty reduction benefits are too large to ignore. The world’s poor are counting on institutions to realize this.
Towards an integrative approach to poverty reduction: The role of labour standards

Concepts of poverty have broadened in recent years beyond concerns about income and living standards to reflect a concern with vulnerability and risk, and with powerlessness and lack of voice. Increasingly, major institutions of global governance are moving toward comprehensive, broad-based and inclusive approaches to poverty alleviation that assert that workers have a right to labour standards. At the same time, development organizations are seeking poverty-reducing strategies that recognize the interaction among the various dimensions of poverty. A focus on workers’ rights to labour standards at work reflects this shift in ideas about poverty and vulnerability to a broader understanding of poverty as a lack of access to services, lack of personal security, low social status, and lack of control over labour and working conditions.

The World Bank’s Comprehensive Development Framework, for example, builds on discussion in the OECD in 1995 on partnership, and aims to bring together current trends in development thinking that balance good macroeconomic and financial management with sound social, structural and human policies. And the World Development Report 2000/2001 contrasts the World Bank’s 1990 two-part strategy for poverty reduction – labour-intensive growth and broad provision of social services – with the Bank’s current three-pronged approach – promoting opportunity (expanding economic opportunity for poor people), facilitating empowerment (governance and equity considerations), and enhancing security (reducing vulnerability to illness, economic shocks, natural disasters, and policy-induced dislocations). 28

A concern about the quality of the working environment, and the relationship between working conditions and the broader social environment has, traditionally, been a key concern of the trade union movement. Unions have always held that a consistent defence of their members’ interests over the long term requires them to work for people’s overall well-being. Their vision of society includes elements such as political, social and industrial democracy, civil and democratic rights for all, the elimination of poverty, equality and the rule of law. The guarantee of fundamental principles and rights at work is of particular significance: this guarantee enables workers to claim freely, and on the basis of equality of opportunity, their fair share of the wealth which they have helped to generate and to achieve fully their human potential. Respect for freedom of association and effective recognition of the right to collective bargaining are thus intrinsic parts of a broad based conception of development as a process through which individuals and communities enlarge and realize their capabilities.
The relationship between the realization of the principles of freedom of association and the effective recognition of the right to collective bargaining and development in a globalizing world is complex.

In the United Nations Development Programme’s Human Development Report 2000, Nobel laureate Amartya Sen discusses a key underlying question: how to define “development”. He advances the concept of freedom as development. This view includes as goals both civil and political freedoms, of which freedom of association and the right to organize collectively are part.

The increasing discussion on core labour standards (CLS) takes place in the broader context of a globalizing economy and society, and discussions on reform of financial architecture and global trade regimes. While much rhetoric is spilled recognizing the urgency of integrating social and economic considerations in the new structures of global governance, the voices of those advocating for social objectives are sometimes less audible than those of finance and trade officials. With extensive experience working in power relations in systems of production and distribution in developed and developing countries, the labour movement is an important partner, at both the grassroots and international levels, in negotiating the social agenda.

The international development community is increasingly accepting that while growth is important, sustainable development encompasses many other factors (for example, the Asian financial crisis demonstrated that high levels of GDP growth did little to alleviate the vulnerability of certain individuals and groups). There is growing recognition of the need to consider institutional factors in order to ensure that growth translates into poverty reduction. Among the institutions that matters are the “institutions of voice”: trade unions and other effective social groups. As the ILO explains, principles of freedom of association and effective recognition of the right to collective bargaining are necessary conditions for the development of institutions of voice in the labour market – in both the formal and informal economy.

**Core labour standards, economic efficiency and growth**

A recent literature review by the OECD concludes that there is growing consensus on the relationship between CLS, economic efficiency and growth. The 2000 study, argues that the resulting increased buy-in by workers to the goals of the immediate work group can lead to higher productivity. Furthermore, collective bargaining can enhance the overall efficiency of the economy by facilitating income redistribution that would not occur, or would be more costly to implement, through the tax and welfare systems.
The ILO presents the economic efficiency case for core labour standards as follows:

- Child labour is detrimental to development, since it means that the next generation of workers will be unskilled and less well-educated;
- Collective bargaining and tripartite dialogue are necessary elements for creating an environment that encourages innovation and higher productivity, attracts foreign direct investment and enables the society and economy to adjust to external shocks;
- Discrimination faced by women and minority groups are important obstacles to economic efficiency and social development.

The ILO's development agenda

"Re-thinking development has to be more than compensating losers. We have to design a new policy architecture that makes poverty reduction through the creation of decent jobs a central component of integrated policies for a people-oriented globalization."

Juan Somavia, address to the staff of the World Bank, March 2, 2000.

The ILO is widely acknowledged as the global reference point on employment and labour issues and a centre for normative action in the world of work. It provides a platform for international debate and negotiation on social policy, and offers services for advocacy, information and policy formulation. The ILO is the only international institution that monitors labour rights.

Under its Director-General, Juan Somavia, the ILO has launched a development agenda. The Decent Work initiative is the expression of the organization’s shift in focus. As Mr. Somavia stated in his report, Decent Work, to the International Labour Conference in June 1999, “The guarantee of rights at work enables people to claim freely a fair share of the wealth they have helped to generate, and to seek more and better work. The guarantee of those rights is therefore also a guarantee of a permanent process of translating economic growth into social equity and employment at all stages of the development path.”

A cornerstone of this agenda is the ILO Declaration on Fundamental Principles and Rights at Work and its follow-up, which aims to enable all working women and men to have a say in defining what decent work means for them and how to achieve it. The decent work agenda addresses jobs, enterprise creation and human
resource enhancement, and elimination of the worst forms of child labour. Gender is a cross-cutting theme.

There are four key elements in the decent work agenda:

- Promotion of the Declaration on Fundamental Principles and Rights at Work, and their follow-up;
- Creation of more and better jobs and income (recognizing that all work should be safe work);
- Social protection for all;
- Increasing social dialogue, networking and organization (the ILO recognizes that it needs to work with many people in civil society; the organization’s strength is its tripartite structure, which is presently extending to include NGOs and people’s organizations (POs) within the informal sector).

**Overall experience on PRSPs**

There have been a large number of studies and reviews of the PRSP process and it is impossible to summarise them in this book. However, it is important to highlight that the PRSP process is still in its early stages, that all stakeholders are learning by doing and that the biggest challenge will be in implementation. It is widely accepted that the PRSP approach is extremely challenging for countries and their development partners alike due to the difficulties of its objectives as well as the tensions between them. Among the issues most frequently raised include the following: improving the participatory process; achieving an appropriate balance between speed and quality in the drafting process; improving poverty diagnostics, targets and indicators and monitoring and evaluation; clarifying the priority public actions in PRSPs; improving public expenditure systems; improving the integration of PRSPs with other government decision making processes; improving the alignment of donor assistance to PRSPs; and ensuring the implementation and updating of PRSPs. In a statement to the IMF, the Director-General of the ILO broadly agreed with these findings but reiterated that, “pro-poor growth has, by implication, to be about promoting employment and livelihood opportunities and this needs to be more explicitly addressed in a number of PRSPs”.

There is also little evidence yet available on what impact PRSPs are having on poverty outcomes. It is important to be realistic about what progress can be reasonably expected as it is obviously necessary to strike the right balance between pushing for more rapid achievement of PRSP objectives and ensuring that the approach is realistic in light of country constraints and the need for the process to be participatory and country driven. Applying the PRSP approach requires
flexibility and both Bank and Fund staff appear to accept that this means that both the process and the content of poverty reduction strategies can vary across countries in light of national circumstances. However, in some cases the PRSP process seems to be overly driven by the World Bank to the extent that some critics argue that the process has as much to do with developing a new instrument for poverty reducing strategies, as it has to do with achieving the political and institutional objectives of the World Bank.

From the perspective of the ILO, experience of PRSP processes has varied significantly from country to country depending on a number of factors both internal and external to the organisation but overall, there are three major overarching concerns which have arisen on a recurrent basis, all of which have been alluded to above. Firstly, insufficient attention has been placed on equity in contrast to growth in PRSPs. This has resulted in inadequate coverage of the policy implications related to the redistribution of asset endowments and exchange entitlements through, for example, reform of land rights, development of a fair, efficient and effective fiscal policy, promotion of the core labour standards and so on. Secondly, too often trade unions, employers’ organisations and ministries of labour have had difficulty in participating in the PRSP. Thirdly, few PRSPs contain much analysis of the labour market, of employment issues, the core labour standards (CLS) and other aspects of decent work, so that the latter is too often absent from poverty reduction policy. The World Bank, for example, needs to be regularly reminded of its own toolkit on core labour standards which describes how “an assessment of compliance with CLS helps refine the Bank’s advice to borrowers on poverty reduction strategies”.

The ILO continues to engage with the Bretton Woods institutions and other development organisations on PRSP policy. For example, review meetings were held in Geneva with the World Bank’s Director responsible for the PRSP programme in July 2001 and again in July 2002 and a paper was drafted on decent work and poverty reduction as the ILO’s contribution to the IMF/World Bank Comprehensive Review of PRSPs and presented to a review meeting in Washington in January, 2002. Internally, the ILO organized a poverty workshop in Turin in July, 2002 which was important for sensitising staff to the importance of poverty in the work of the ILO and its role in PRSPs. Regular contact between the field and headquarters has been maintained and ILO country staff involved in PRSP work met in Geneva to take stock of progress and to exchange information and experience in July 2001 and again in June 2002.

In taking forward the ILO’s contribution to national PRSPs, the focus has been on an integrated approach to support national initiatives aimed at reducing decent work deficits. This draws on the numerous ILO initiatives already underway in most countries and seeks to demonstrate how an integrated package of policy
measures around the theme of decent work is likely to have a more significant and sustainable impact on poverty than would a series of independent initiatives. However, it is evident that many of the factors which need to be tackled lie in the global economy and are to do with trade and capital flows so it is important to make these links. Thus, promoting decent work also means changing the way the global economy works so that its benefits reach more people. Decent work, then, is not only a development objective at the national level but also a guiding principle for the global economy. However, this section now focuses on the five special focus countries, to illustrate the type of practical steps taken by the ILO to integrate decent work into poverty reduction strategies and to empower the social partners to influence the design and drafting of PRSPs.

The Declaration on Fundamental Principles and Rights at Work

The 1998 ILO Declaration on Fundamental Principles and Rights at Work (the ILO Declaration) emerged in the context of adjustment to an emerging global economy, and represents a major thrust by the ILO to secure wide ratification of core labour Conventions by member States.

Adjustment to forces of globalization has been marked by a series of crises, from the oil crisis of the 1970s and the debt crises in Africa and Latin America in the 1970s and 1980s, to the transitional crisis in Europe in the 1990s and, more recently, the Asian financial crisis. The Declaration urges all ILO member States “to respect, to promote and to realize in good faith” the rights of workers and employers. It also emphasizes the commitment of member States to the fundamental principles of CLS. All member States, by virtue of their membership in the ILO, have an obligation to promote the principles and standards, even if they have not ratified them. These core labour rights are not under debate; what is under discussion is support for core labour standards; that is, the mechanisms that implement those rights.

The follow-up to the ILO Declaration provides for the ILO to assist member States, upon request, in achieving the Declaration’s objectives. This could be in the form of technical assistance, or realized through activities of multilateral organizations or projects implemented by other parties such as trade unions and NGOs. The ILO has been urging the Bretton Woods institutions and the United Nations system as a whole to speak “with a single voice” on global minimum labour standards, and has urged these institutions to integrate standards into their policies and programmes.

The four “fundamental principles and rights at work” provide a framework for the meaningful application of eight labour standards (see below) and promote the
expression of free choice as a key element in the healthy functioning of market economies. The high degree of international political consensus with respect to these standards, and the primacy of the ILO among international organizations with respect to key aspects of labour standards, is reflected in documents such as the declaration issued by the WTO Singapore Ministerial Conference in December 1996; this highlighted the commitment of the more than 120 participating nations to observe these core labour standards, and affirmed the ILO as the competent body to set and deal with the standards. The fundamental principles and rights in the ILO Declaration draw from the conclusions of the 1995 World Summit on Social Development. The Programme of Action from that Summit commits participants to safeguard and promote “basic workers’ rights” based on the eight ILO Conventions listed below:

Freedom of association and the effective recognition of the right to collective bargaining:

- Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87);
- Right to Organize and Collective Bargaining Convention, 1949 (No. 98).

Elimination of all forms of forced or compulsory labour:

- Forced or Compulsory Labour Convention, 1930 (No. 29);

Effective abolition of child labour:

- Minimum Age Convention, 1973 (No. 138);
- Worst Forms of Child Labour Convention, 1999 (No. 182) – this Convention is now designated as the eighth fundamental Convention, effective upon its entry into force on 19/11/00.

Elimination of discrimination in respect of employment and occupation:

- Equal Remuneration for Men and Women Workers for Work of Equal Value Convention, 1951 (No. 100);
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

Of these, the ILO and most trade unions emphasize that freedom of association and the right to collective bargaining constitute the foundation on which all other rights are built and respected.
Gender equality issues in labour standards

Labour standards are important tools to promote equality concerns. Increasingly, trade unions have become strong advocates on gender equality issues, a response to the rapid rise in female labour force participation rates, growing visibility of gender issues in the workplace, and trade union efforts to organize and support women workers in the informal sector. Labour legislation on minimum wages is particularly important to women because women predominate in lower-paid work where minimum wages are most relevant. Furthermore, women are less likely to be in unionized sectors where wages are set through collective bargaining. Labour standards empower women by outlining women’s rights, and even for those outside the formal sector, the standards provide a declaration of the rights of women workers.

There are, however, labour rights issues of particular concern to women workers that are not explicitly addressed in the core labour standards encompassed in the “fundamental principles and rights at work”. These include issues relating to occupational health and safety, maternity leave, sexual harassment and physical abuse, reproductive rights, minimum wages and maximum hours of work. Workers in the informal sector are often in desperate need of the social protection that standards are designed to offer: the 1996 Convention on Homework, for example, recognizes that homeworkers are entitled to minimum standards laid down by international law, including rights to accessible training to improve skills. These are labour rights issues on which trade unions have often supported women workers (see section below on trade unions).

There is also an urgent need for protection for migrant workers, who, whether legally or illegally employed, frequently are denied basic rights of citizenship in the country where they work. This vulnerability is exacerbated by the lack of jurisdiction of the labour-sending country once the workers cross the borders of their home country.

Child labour elimination

The role of government institutions

National political commitment is the key to the effective abolition of child labour. In the absence of a firm policy commitment by the government, backed up by resources and translated into effective action, the best efforts of other partners in the fight against child labour are likely to result in making little more than a small dent in the problem. Thus, governments carry the obligation to establish, implement and monitor policies and legislation, and to translate international commitments into domestic action.
International cooperation helps to build an environment in which child labour can be abolished in the national context. International organizations provide a forum in which international legal standards are established and refined. They also raise awareness of the problem worldwide, engage national governments and other social actors in a dialogue, and facilitate the availability of resources from wealthier countries to tackle child labour in poor countries.

We will present some of the ways in which national governments and international organizations can contribute to the effective elimination of child labour.

Governments, parliamentarians, ministries and other public agencies are critical actors in the fight against child labour. Cooperation of national governments and their institutions is essential to ensure that the conventions and recommendations passed by international organizations will be effective instruments at the national level.

Firstly, the participation of governments and agencies is necessary to paint a complete picture of the status and extent of child labour in a country. Cooperation from regional and local governments facilitates the necessary research and reporting components of successful policy changes and implementation.

For example, some governments, including those of Colombia, Kenya, Thailand and Turkey, have set up permanent child labour committees, specialized bodies headed by the government whose task it is to oversee all activities and policies regarding child labour in the country and to work together with international organizations. Such child labour agencies can represent different government ministries and agencies that have a role to play in the elimination of child labour. But it also includes representatives of employers’ and workers’ organizations, as well as informed individuals from various NGOs and other knowledgeable agencies, universities, research institutes, etc. to coordinate joint actions.

Secondly, government action is important to conduct internal reviews and initiate legislation, policies, and programmes. If national legislation is adequate, the government or one of its agencies should monitor and examine its enforcement. If the legislation is inadequate or does not conform to international child labour standards, the government should take steps to introduce alternatives or to strengthen laws and regulations.
Thirdly, government participation is crucial for providing adequate enforcement of all laws and international standards that protect children from child labour. Enforcement of legislation is necessary for combating child labour but not always easy to carry out. The government can set up monitoring systems to ensure that employers do not continue to hire children, or that children do not return to the workforce once they have been withdrawn from it. Government and public bodies can also examine means of prevention, i.e. ways of keeping “new” children from joining the workforce, the rehabilitation of children already working, and their reintegration into the school system or their villages and families if the children have been estranged from them.

Finally, governments can explore the children’s needs in order to identify priority target groups and formulate projects; and they can allocate the necessary resources if they are available and set up ways to utilize them. The input for formulating new programmes and for introducing projects can come from various sources. In general, it has been found that a multi-pronged attack on child labour, one that involves different approaches or actors, is likely to be the most effective.
Countries identify different groups of working children as requiring priority attention. Here are examples from several countries of the kinds of child work identified by national governments and child labour experts:

In Benin, children who are:
- apprentices in the informal sector;
- young girls in urban areas (domestic service, servants, sales girls);
- working agriculture.

In India, children who are:
- working in hazardous activities, including making glass or brass objects such as candlesticks and locks, polishing gems, making matches or fireworks, making slate and tiles, weaving carpets and rolling bidis (cigarettes).

In Indonesia, children who are:
- scavenging in dump sites;
- working in dangerous deep sea activities such as sea-fishing, offshore fishing from jermals, or pearl diving;
- working as street hawkers.

In Kenya, children who are:
- working in domestic service;
- working in the service sector;
- working in commercial agriculture;
- working in quarrying and mining;
- working in the tourist sector;
- working in the informal sector.

In the Philippines, children who are:
- victims of trafficking;
- working in mining and quarrying;
- working in home-based industries;
- engaged in prostitution;
- cutting sugar cane or working on vegetable farms;
- making fireworks;
- doing deep-sea diving.
In Romania, children who are:
- trafficked;
- working in agriculture;
- living and working on the street;
- Roma children

In Thailand, children who are:
- under 13 years old;
- working under hazardous conditions;
- working in illegal occupations;
- working in an enslaved condition;
- doing work which is physically and/or sexually abusive.

In Turkey, children who are:
- living and working on the street;
- working in seasonal agriculture;
- working in the informal urban economy;
- domestic workers.

In order to formulate successful programmes, governments can seek technical advice and expertise from international organizations, academics, and various other experts. Once a programme has been designed and implemented, a nationally appointed commission or public agency can be established to oversee its functioning and funding. This agency troubleshoots when necessary and also evaluates the programme's performance.

Governments also have the responsibility of evaluating the educational system in those areas where child labour is found, of exploring ways to improve children’s access to education and of making it more appropriate. They must also concern themselves with the quality of schools. They might decide to introduce other kinds of educational experience, including non-formal or vocational education. National authorities also work with NGOs and community leaders about how best to raise awareness and change the prevailing attitudes about child labour - the attitudes of communities, families, employers, teachers and even the children themselves. This might involve determining the best ways to introduce social protection and other measures to sustain family incomes so that children are not sent out to work.

The scale of the child labour problem and nature of the underlying causes require that child labour concerns are “mainstreamed”, i.e. firmly integrated into
the national development agenda. Many developing countries are formulating national Poverty Reduction Strategy Plans (PRSPs) and other “multi-sectoral” programmes, i.e. programmes that span various economic, political and social areas. PRSPs, which are formulated within the framework of World Bank and IMF assistance to low-income countries, are, in effect, comprehensive development plans covering many economic and social sectors, including education, health, employment and agriculture. They are mostly the result of intensive consultations at national and sub-national levels with the aim of ensuring broad-based participation, national ownership and political commitment to implementation. In many countries, the PRSPs also serve as a basis for the mobilization of development resources, especially from bilateral donors and international financial institutions. As part of the process of preparing national TBPs, increased efforts have recently been made by governments and international organizations to promote the integration of child labour concerns into PRSPs and similar development frameworks.

The role of international organizations

There are a number of ways in which international organizations dialogue and work with national governments to take action against child labour. These include:

- Raising the awareness of government officials and persuading national authorities of the urgent need to act;
- Marshalling the financial support of the governments of wealthier countries for projects and programmes and a host of other child-labour-related activities;
- Sensitizing international public opinion about child labour, including its most reprehensible forms;
- Elaborating research methodologies to help countries examine child labour;
- Promulgating international legal standards which countries can promote and ratify, and encouraging countries to implement and conform to them by offering technical cooperation and assistance;
- Encouraging governments to enter into a broad range of constructive relations and programmes with other countries of the region, with international organizations and with donors and others who share a common interest in improving children’s living and work situations.
International labour standards

International labour standards are elaborated in the ILO’s annual International Labour Conference by delegates representing governments, employers and workers from the ILO member States. As such, they are agreed upon by virtually the entire international community, and are a powerful tool for setting the parameters for action within countries concerning child labour and other labour issues. They provide benchmarks for formulating national objectives, and they establish expectations. International standards can also serve to raise awareness within countries about the importance of the objectives they promote.

Individual countries are encouraged to ratify them and, afterwards, to conform to them in their legislation and action even though there is no international “police force” that can force them to do so.

The most important international labour standards adopted concerning child labour are the Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labour Convention, 1999 (No. 182). States that ratify these Conventions have the obligation to define a range of minimum ages for certain types of employment, ages below which no child should be required to work.

Convention No. 138 is the main international framework for action against child labour, and has received wide ratification. The Convention establishes that the general minimum age for admission to employment should not be less than the age of completing compulsory schooling and in no event less than 15 years of age (or 14 for developing countries for whom it may initially be difficult to enforce a minimum age of 15). Countries that ratify it must “pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age… to a level consistent with the fullest physical and mental development of young persons”. The Minimum Age Recommendation No. 146, which accompanies Convention No. 138, provides guidance on policy and enforcement.

Convention No. 182 concerns the worst forms of child labour, and its aim is to ensure that children in all countries, irrespective of their level of development, are protected from those extreme forms of work described in Chapter 2. Ratifying countries are expected to take immediate and effective measures to prohibit them and work toward the elimination of these forms of child labour.

The ILO’s Declaration on Fundamental Principles and Rights at Work, which was adopted a year earlier than Convention No. 182, highlights the importance of respecting the most fundamental labour rights in the context of globalization. These include the right to freedom of association and to collective bargaining, the abolition of forced labour, non-discrimination in employment and occupation, and the effective abolition of child labour. All of the ILO’s member States are under an obligation to respect, to promote and act upon the child labour
Social Dialogue and Poverty Reduction Strategies

Conventions in good faith - even if they have not yet ratified them - and to make their best efforts to abolish child labour. The Convention on the Rights of the Child (CRC), adopted by the UN in 1989, defines a child as every person under the age of 18. Several key provisions of this Convention are closely related to those of the ILO child labour standards.

Spearheading assistance programmes in combating child labour is the International Programme on the Elimination of Child Labour (IPEC), a technical cooperation programme of the ILO that was set up in 1992 (the ILO itself dates from 1919 and is the oldest agency within the United Nations family). IPEC’s main goal is the progressive elimination of child labour by strengthening national capacities to address the problem and by promoting a worldwide movement to combat it. Within countries, IPEC works with ministries of labour, employers’ and workers’ organizations, NGOs, and with other concerned partners in the public and private spheres. It helps its partners to develop and implement measures aimed at preventing child labour, withdrawing children from hazardous work, providing alternatives and improving working conditions in non-hazardous kinds of work for older children (as a transitional measure towards the elimination of child labour).

IPEC’s experience has shown that because child labour is a complex problem stemming from multiple causes, action to combat it must be holistic and multifaceted so as to result in a positive and sustained impact. It is not sufficient merely to have a programme that withdraws children from work or that rescues them from the worst forms of child labour. These children must be provided with viable developmental opportunities, including education and training, so that they do not return to the same kind of work or enter other, perhaps worse, forms of child labour. Measures against child labour should be linked to combating poverty, unemployment and low wages overall.

Credible and cost-effective systems must also be put in place to ensure that other children do not replace those withdrawn from the workplace. Solutions to these tasks need to come from many groups and share many perspectives, and IPEC-associated programmes need to be set up wherever possible in a comprehensive and integrated approach at the level of the children, their families and communities, the employers and adult workers, the government and society in general.

IPEC has also developed a systematic approach to mainstreaming child labour in the Poverty Reduction Strategy Plans and other national development programmes by supporting the networking of policy research institutions, government agencies and other IPEC partners. Highlights of the approach include the following:
Promotion of the elimination of child labour as an explicit development objective, particularly within poverty reduction strategies. This includes awareness raising on the incidence, nature, causes and consequences of child labour, particularly in the context of the consultative processes used in formulating PRSPs and similar development programmes.

Analytical work on child labour. This includes the development of child labour impact assessments and appropriate indicators to facilitate the integration of child labour concerns into development programmes. Work in this area also includes the widespread dissemination and discussion of the results of child labour research.

The integration of child labour into the monitoring and evaluation systems used in national development programmes, particularly those set up within the PRSP framework. This work includes the selection of core child labour indicators as indicators of poverty and social development, the incorporation of child labour modules in data collection operations and the widespread dissemination of the data collected.

Capacity building for government and non-government agencies concerned with child labour. This work entails the promotion of child labour research at universities and research institutes, networking of IPEC’s partners and research institutions for knowledge-sharing and support, and the adoption of strategies for enhancing national ownership and sustainability of child labour programmes, including the mobilization of local resources.

The pursuit of dialogue with international financial institutions (World Bank, IMF, regional development banks) and other major development agencies to promote collaboration and advocate greater attention to child labour in their operations. Similar strategies are being used in the efforts aimed at mobilizing institutions working on health issues (such as the World Health Organization (WHO)) to act on hazardous child labour.

**Labour standards for informal sector workers**

A challenge for the ILO and national governments is in extending the rights and principles contained in the ILO Declaration beyond workers engaged in a traditional employer-employee relationship to include those in the informal sector, where a majority of the world’s workers, and the poorest workers, are to be found. This sector is also growing as a result of the changing organization of production by multinational corporations – the processes of globalization are pushing workers out of the formal sector, governed by rules and norms, into the
unregulated, unprotected sector. Decentralization and the increasing use of sub-contractors have contributed to the expansion of the informal sector globally. In high-income countries, about 15 percent of the population is engaged in work outside the formal sector; the figure is 40 percent for middle-income countries and 80 percent for low-income countries.

The majority of these workers are women, and many have been displaced from jobs in the formal sector. In response to the recent financial crisis in Asia, many companies moved production outside the factory, offering piecework to women workers to perform in the home. Piece-rate wages are generally considerably lower than daily minimum wages. In addition, home-based workers lose all the social benefits they had as factory workers, and they must take on costs of electricity, water and sometimes tools of the trade (sewing machines, for example). The putting-out system is also an effective way of discouraging worker solidarity and collective bargaining. Occupational health and safety issues and their downstream implications are enormous: former factory workers in the Thai shoe-making industry, for example, have moved dangerous equipment and toxic chemicals into their homes. Safe disposal of toxic materials into local communities is doubtful, a result of ignorance or lack of capacity.

Another study on factory unemployment in Indonesia found that many companies took advantage of flexibility in new labour regulations after the crisis to retrench undesirable workers (activists, older and higher-waged workers, for example), and replace them with younger, single (and lower-waged) women workers.

Discussions on labour standards globalization and informalization, address concerns about “throwing the baby out with the bath water”. How can core labour standards be applied down the supply chain in such a way that the livelihoods of homeworkers are not jeopardized? How can social protection coverage be made universal, at a cost reasonable to workers, employers (where a formal employee-employer relationship exists) and the State, without lowering standards? Homeworkers usually talk of the need to link standards to institutional change, and the need to involve homeworkers in identifying appropriate, intermediate standards. They suggested that priority be given to identifying a reduced social protection scheme to which they could afford to contribute; or certain minimum labour conditions, for example health and safety standards, that could benefit homeworkers rather than put them out of work.

Others emphasize that voluntary grassroots schemes should not be viewed by employers as a cheap substitute for social security and thus an encouragement to informalize more of their activities. Instead, State systems already in place should be extended to all workers.
The ILO’s response is that it takes a “comprehensive” approach to labour standards, recognizing, as Amartya Sen elaborates, that in furthering the interests and demands of one group (such as workers in the organized sector), it is easy to neglect the interests and demands of others. The ILO also recognizes that it must broaden its partnerships to include non-governmental organizations and networks of workers, such as HomeNet and WIEGO (Women in Informal Employment: Globalizing and Organizing), which work with women in the informal sector. An example is the collaboration between the ILO, the World Bank and WIEGO on a study and workshop on social protection for workers in the informal economy carried out in connection with the ILO STEP programme (Strategies and Tools against Social Exclusion and Poverty).

A key consideration is placing the diverse concerns of different groups of workers within a comprehensive assessment, so that, as Sen explains, “the curing of unemployment is not treated as a reason for doing away with reasonable conditions of work for those already employed, nor is the protection of workers already employed used as an excuse to keep the jobless in a state of social exclusion from the labour market”. Even when “trade-offs” have to be made, Sen argues, “they can be more reasonably addressed by taking a broader and inclusive approach”. These considerations are critical to implementing core labour standards in such a way that the livelihoods of the poorest and most vulnerable are not jeopardized.

The major thrusts of ILO initiatives aimed at the informal sector are:

- Revision of the statistical definition of the sector, and measurement in the urban and rural sector;
- Promotion of rights at work (legal literacy, social empowerment, freedom of association, ending discrimination, bonded labour and the worst forms of child labour);
- Access to economic services and business opportunities, vocational and technical training and enterprise development training;
- Extension of social protection.

The trade union movement and the ILO are finding new ways to form alliances with informal workers to support social dialogue, organization and representation. In some cases, a traditional trade union may extend its field of activity to include informal workers. The Textile, Clothing and Footwear Union of Australia, for example, organizes homeworkers in its sector, and UNITE in Canada organizes homeworkers in the garment industry. TESTU, the Transport and Export Service Trade Union in Bangkok, has extended its support to home-based shoe-sewers (women, mostly wives of TESTU members) by setting
up a credit union, helping them lobby for welfare, and raising their concerns (low wages, intermittent work) with suppliers.

The Self-Employed Women’s Association (SEWA) in Ahmadabad, India, is an example of a new trade union created specifically to organize informal sector workers. Formed 25 years ago, SEWA organizes homeworkers, street vendors, paper pickers and refuse collectors. It has created a bank providing micro-credit, a vocational and trade union training programme at different levels, producers’ cooperatives, and service cooperatives, such as health and housing. SEWA played a central role in instigating the ILO Homeworkers Convention. SEWA is also active at the international level in two networks of informal sector workers: StreetNet, the International Alliance of Street Vendors, and HomeNet.

Labour standards, social and economic development:
Responses by multilateral financial agencies

The ILO has been urging the Bretton Woods institutions and the United Nations system as a whole to speak “with a single voice” on global minimum labour standards. While not insisting that these institutions make their programmes and funding conditional on the recipient enforcing core labour standards, the ILO is urging them to integrate standards into their policies and programmes. Today, there is growing convergence between the ILO and the International Financial Institutions (IFIs) on the links between economic and social development and promoting labour standards.

In 1999, the ILO was admitted as an observer to the Development and Interim Committees of the World Bank and IMF, providing a means for high-level engagement between them, and an institutional framework within which management and staff-level cooperation could take place.

Meetings of senior members of the ILO, World Bank and IMF take place annually. At a recent meeting with World Bank staff, for example, ILO Director-General Juan Somavia highlighted the points of synergy between the WB’s comprehensive development framework and the ILO’s concept of Decent Work, in particular the Comprehensive Development Framework (CDF)’s emphasis on fostering partnerships within countries among the “social partners” (employers, workers and governments) with whom the ILO has been engaged since 1919.

The multilateral financial agencies are adopting, to various degrees, similar steps, including:

- Linking up with international efforts to promote and implement CLS;
Sensitizing staff and management on issues involving CLS, including studies into how they could address labour standards in their activities and support the efforts of other organizations such as the ILO;

- Increasing dialogue and consultation with trade unions and non-governmental organizations engaged in workers’ rights issues;

- Taking CLS into consideration when revising relevant sectoral and non-sectoral policy guidelines.

**World Bank (WB)**

The World Bank took its first look at the relationship between core labour standards and macroeconomic stability with the 1995 World Development Report, in which Bank President James Wolfensohn emphasized that “work – safe, productive and environmentally sound – is the key to economic and social progress everywhere”. More recently, the Comprehensive Development Framework and the Bank’s work on social principles represent important responses to the Bank’s recognition of the social dimensions of globalization. The Bank and the ILO have increased their collaboration steadily in recent years, particularly in areas of child labour and vocational training, joint research and data collection and sharing. The WB is increasingly taking on a promotional role with respect to labour standards, despite continuing reservations on links between freedom of association and economic growth.

The Bank has established a Labour Markets Group within its Social Protection Team, which functions as resource to the Bank by informing Bank staff on labour issues, conducting staff training, and coordinating cooperative initiatives with unions and the ILO. It acts as a resource for country directors, who may include labour standards in the Country Assistance Strategies (CASs) of borrowing countries. It identifies key issues for client countries and provides Bank staff with information on labour market interventions. It also maintains strong relationships with the ILO, trade unions and employers’ organizations, and other external partners. Priority areas for the Labour Markets Group include active labour market programmes, vocational education and training, income support for the unemployed, industrial relations, informal labour markets, labour standards and child labour.

The WB is particularly interested in working with unions in poverty reduction initiatives. In October 2000, sixty trade unionists from national trade union centres, the International Trade Secretariats (ITSS), the Trade Union Advisory Committee (TUAC) and the International Confederation of Free Trade Unions (ICFTU), as well as ILO representatives, took part in meetings with the IMF and
the Bank. Many subject areas discussed led to new commitments towards trade unions’ positions by WB and IMF officials. Two important developments were the following:

- Both institutions announced that trade unions would be invited to participate in the poverty reduction process introduced by the IMF/WB one year ago;
- A WB official stated that the Bank is currently reviewing its procurement documents and is considering upgrading labour clauses contained in the Standard Bidding Documents for the Procurement of Works from “recommended” to “mandatory”.

**International Finance Corporation (IFC)**

The IFC is the lending and underwriting affiliate of the World Bank, whose clients are in the private sector, not government. Following broad international consultations, the IFC developed policy on harmful child labour and forced labour; it has also developed occupational health and safety guidelines. Project proposals to the IFC undergo environmental and social assessment, and projects must include mitigation measures where necessary. Companies receiving loans are required to file an annual monitoring report to the IFC, and for sensitive projects, such as resettlement, environmental and privatization projects, the IFC may undertake an annual supervision mission. The IFC is beginning to study how to apply non-discrimination and freedom of association and collective bargaining standards.

**International Monetary Fund (IMF)**

The IMF has indicated that it will encourage the observation of core labour standards in member countries, but does not want core labour standards to become an object of IMF conditionality. In 1998-99, labour issues were included in the development of new programmes with Brazil and Mexico, and were raised in the context of monitoring existing programmes, including those in Indonesia, Korea and Thailand. The Fund has recognized the need to consolidate an integrated approach to economic and social policy, including stronger collaboration with other international organizations like the ILO. The ILO is an observer on the International Monetary and Financial Committee.

**Asian Development Bank (ADB)**

The Asian Development Bank undertook a preliminary study of how it could address labour standards in its activities in 1998. In the wake of the Asian financial
crisis, the Bank moved to design a framework for operations on social protection and social safety nets.

A 1999 ADB study on the social consequences of the financial crisis, however, contains no discussion of labour standards, and only briefly refers to the role trade unions played in Korea and the Philippines in reaching agreements with employers to avoid layoffs and strikes.

The Bank, with the ILO as Executing Agency, is funding a regional technical assistance programme to strengthen the role of labour standards in sustainable economic and social development within the ADB and member countries. The programme is aimed at improving awareness among policy makers on the costs and benefits of labour standards and the economic and social implications associated with their implementation.

ADB supported projects that promote good labour practices which stipulated protection for worker welfare, including construction safety and health, in covenants in the loan documents. These projects also included China, among other countries.

**Inter-American Development Bank (IDB)**

Following the WG model, the IDB has established a working group involving equal representation from the Inter-American Regional Workers Organization (ORIT, the regional organization for the Americas of the ICFTU) and the Bank. At its first meeting in August 2000, the working group discussed what kinds of initiatives the Bank could undertake to strengthen unions in the region, and identify potential areas for joint activity, including a study of the impact of WB programmes on core labour standards. A longer-term goal is to bring in the ILO and OAS into the working group, since both organizations are expected to become more active in the region.

The Inter-American Investment Corporation (IIC), the private-sector lending affiliate of the Inter-American Development Bank Group, has adopted a policy that prohibits the use of harmful child labour and/or forced labour in projects it supports. The policy further stipulates that projects should comply with national labour laws of host countries.

**African Development Bank**

A 1998 Bank position paper found a “direct link between the principles underlying the (core labour) standards, and the Bank’s fundamental development objectives”, noting that standards are “intertwined with the cross-cutting programmes on poverty alleviation, gender, governance and democracy”. On freedom of association, the Bank concluded that effectively functioning employer
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and worker associations play a key role in governance issues and democracy, an important issue for the Bank:

“…These types of organizations create a focus for the coalescing of opinions and values related to democracy and governance. They also serve as a means of articulating and disseminating views and awareness, which can diffuse within the society. When well-structured, assisted and trained, they can help to create positive countervailing power which is crucial to the democratic process, and which helps in diluting dictatorship and promoting accountability and participatory approaches”.34

The Bank has identified the following strategies and arrangements to implement core labour standards:

- Country Strategy Papers (CSPs) are to include discussion on labour standards with the social partners (government, labour and employers’ associations, NGOs) and a section of the CSPs is to be devoted to a review of institutions, policies and programmes, legal framework, implementation progress, problems and future prospects on the theme;

- Industry Sector Policy is to pay close attention to issues contained in labour standards, including mechanisms for implementation;

- Education sector policy is to take into consideration issues relating to education and training in all aspects of core labour standards, since they are relatively new issues in regional member countries, and many stakeholders may have little or no formal education; it also notes that an educational programme covering most or all primary age children will play an important role in undermining child labour;

- The cross-cutting themes of gender, environment and poverty alleviation are to incorporate relevant aspects of labour standards in their policies and guidelines. For example, gender policies should have a section on equal opportunity for employment for women, equal conditions of service and equal chances of upward mobility, and on sexual harassment.

The Bank works with the ILO, particularly in connection with the International Programme for the Elimination of Child Labour (IPEC), the Interdependent Action Programme on Privatization, Restructuring and Economic Democracy, and the Jobs for Africa Initiative.

In a September 2000 progress report, the Bank noted that new Country Strategy Papers contain a section, as a standard component, that focuses on
ratification and implementation of international labour conventions, collective bargaining rights, gender and discrimination issues in work, and child labour. In addition, relevant Bank policies and guidelines developed or approved during 1999/2000 contain sections on CLS.

The role of social partners and social dialogue in promoting labour standards

Trade unions

Trade unions in industrialized countries engage in development activities at national and international levels. Some programmes are conducted through international sectoral trade union organizations (such as ITSSs) and may be supported by public funds when national trade union federations or centres have access to such funds. This is the case in Canada, Japan, the US and most countries in Western Europe. Some national centres, for example, Norway, conduct projects directly through their international departments, while others have specialized agencies, as in Denmark, Sweden and the US. In addition, there are some large national unions that conduct bilateral cooperation programmes, for example, UNISON in the UK.

The ways of working vary, with some engaged in bilateral approaches and others preferring to emphasize multilateral partnerships; some emphasize humanitarian aid and employment creation projects, and others concentrate on institution-building aimed at changing power relationships in societies.

With a few exceptions, the trade union movement as a whole is the most democratic institution in society, and the only democratic international movement worldwide. A healthy trade union movement is both an indicator and supporter of broader democratic structures:

- All trade unions have a clearly defined constituency – the membership, to whom the leadership is accountable;
- All trade unions have a leadership elected at regular intervals by representative governing bodies. This leadership may lose the next election, and is sometimes subject to recall;
- Union accounts are usually public, audited, and available to the scrutiny of the membership and the general public;
- The consequences of union policy are immediately felt by the membership (in the form of good or bad collective bargaining results); monitoring and
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evaluation takes place constantly, at the workplace to start with and more formally in frequent meetings of elected governing bodies.

The following are some of the major international union organizations, together with some and examples of their activities.

**International Confederation of Free Trade Unions (ICFTU)**

Founded in 1949, the ICFTU represents the collective interests of some 124 million members in 213 trade unions from 143 countries and territories around the world. There are three regional organizations that are part of the ICFTU: the African Regional Organization (AFRO), the Asia and Pacific Regional Organization (APRO), and ORIT, which draws in the Americas, Canada, the United States and the Caribbean region. The Canadian Labour Congress is presently president of ORIT.

Based in Brussels, the ICFTU has offices or representatives in Bosnia, Geneva, Hong Kong, New York, Moscow and Washington D.C. The ICFTU has consultative status with the ILO, and is recognized as a representative body within the United Nations, its regional bodies and specialized agencies. Its aims are to:

- Defend and promote universally recognized trade union, labour, and human rights;
- Campaign for the eradication of child labour;
- Assist trade union development and maintenance, particularly in developing nations;
- Improve living and working conditions;
- Advance democracy, full employment, and social security;
- Combat all forms of worker discrimination and exploitation; and
- Advance social and economic development and justice.

The ICFTU holds consultative status with the United Nations, its Economic and Social Committee (ECOSOC) and its specialized agencies. In addition, the ICFTU represents its affiliates in meetings with international institutions such as the IMF, the WB and the WTO.

In recent meetings with the WB and IMF, the ICFTU raised issues relating to poverty reduction, core labour standards and international financial reforms, and pressed the Bank and IMF to meet regularly with employers’ organizations and unions, both nationally and internationally. In the Spring 2000 meetings of the IMF and World Bank, the ICFTU, the International Trade Secretariats (these are
individual union internationals representing different industry sectors) and the Paris-based Trade Union Advisory Committee to the OECD (TUAC) called on the Bank to include the following social components in their dialogue with governments:

- Social protection, and social safety nets including retirement pensions, unemployment benefits, child support, sickness and injury benefits;

- Programmes aimed at maintaining and enhancing school participation, especially for girls, spreading the availability of health care, and eliminating the worst forms of child labour;

- Ensuring that labour market reforms are based on respect for core labour standards and draw on the ILO’s competence in the development of institutional frameworks for collective bargaining and labour law.

More recently, in October, the ICFTU called on the WB and IMF to extend the programmes for the Highly Indebted Poor Countries (HIPC) to a greater number of countries, while including fundamental workers’ rights as a requirement to qualify for the HIPC initiative. The ICFTU also issued a strong call for cooperation to combat HIV/AIDS, urging the Bank to include trade unions in Bank activities regarding HIV/AIDS. The ICFTU also called on both the IMF and WB to establish better participation of all sectors of civil society, including trade unions, in consultation procedures.

The Trade Union Advisory Committee (TUAC)

The TUAC acts as an interface between 55 trade unions from 29 developed nations and the OECD — the CLC is a member of the committee. The TUAC has consultative status with the OECD and various specialized agencies within the OECD structure. TUAC’s primary goals are to effectively represent the interests and views of its affiliates in inter-governmental discussions, such as the G7 Economic Summits and Employment Conferences, and to advance the social agenda in economic policy debates. Areas of TUAC’s recent work include structural adjustment and labour market policies, the impact of globalization on employment, education and training, multinational enterprises, OECD relations with non-member countries, particularly countries in Eastern Europe and Asia, and now, with growing significance, environment, sustainable development, and the globalization of information.
International Trade Secretariats (ITS)

International Trade Secretariats are among the oldest international trade union organizations, and are industry – or sector – based. All the LIDC members, as well as many non-LIDC unions, are affiliated to the ITSs.

There were 33 international organizations at the end of World War I, but, through a process of mergers, which reflect both changes in multilateral ownership, changes in the organization of work, national union mergers and the need to rationalize scarce resources, the number now stands at around ten. The ICFTU and ITSs share similar values and cooperate on that basis. They frequently organize joint campaigns, and work together on complaints to the ILO against the violation of trade union rights.

International Employers’ Organizations (IOE)

Employers’ organizations represent a key asset in any society: its enterprises. Successful enterprises are at the heart of any strategy to create employment and improve living standards. Employers’ organizations help to create the conditions for enterprise success by influencing the environment in which they do business and by providing services that improve their individual performance. As one of the three constituents of the ILO, employers’ organizations have a special relationship with the Organization. The ILO’s Bureau for Employers’ Organizations is responsible for the nurturing and development of that relationship.

The Bureau is available, through national employers’ organizations, as a gateway through which employers can gain access to some of the best information available on human resources development, industrial relations and a host of other employment and labour market-related subjects.

The Bureau also runs a programme of technical cooperation which provides development assistance to employers’ organizations in developing countries and countries in transition to a market economy. This work is mostly done through projects financed by the overseas development assistance funds of donor countries.

Employers and the ILO

As one of the three constituents of the ILO, employers have a special relationship with the Organization. Employers are represented on the ILO Governing Body, form part of the tripartite delegations at the International Labour Conference and participate on equal basis with governments and workers in the numerous technical and sectoral meetings organized by the ILO.
The IOE, which provides the Secretariat to the Employers’ Group in all its various activities, pursues a number of policy priorities within the ILO. In essence its role is to ensure that ILO activities contribute to the growth of successful enterprises which in turn can provide employment and improve living standards. At present it focuses on a number of key areas:

- The development and strengthening of employers’ organizations. This activity is carried out in close cooperation with the ILO’s Bureau for Employers’ Activities;
- The strengthening of the ILO’s activities on employment enterprise creation as well as the development of SMEs;
- Reform of the ILO’s standard setting activities.

Globalization and labour standards

The economy is becoming more and more globalized, and this is mainly due to increased economic integration (involving trade, foreign direct investment, capital flow) and the emergence of a knowledge society characterized by the information and communication technology revolution. According to the report of the World Commission on the Social Dimension of Globalization, there are winners and losers, yet the latter are the majority. For example, some 2.8 billion people today live on less than $2 a day. About 500 million earn $1 a day or less. Therefore, in a global economy rules should relate to the global trends, but this is not forthcoming. In this context, the major stakeholders and players in the global arena are looking for appropriate and integrated legally binding reply to transnational (global) economic decision-making. The local (national) decision makers are peddling in empty air and look forward to countervail the international economic decision-making.

On the one hand, there already exists a global answer to the above-mentioned economic pressures. This is given by the existence of (core) labour standards. All major stakeholders, both national and international, seem to agree that (core) labour standards have to be respected both at international and national levels. The full implementation of (core) labour standards constitutes a sine qua non for economic globalization to be really successful. In this, one could see the beginning of a social countervailing power.
The Conventions of the ILO

The Conventions of the ILO are agreed by the International Labour Conference, and are binding on all member States which ratify them. Since member States are represented by the three sectors (workers, employers and government), theoretically, the sectors should be capable of implementing them. The four “core labour standards” in the ILO Declaration are binding on all ILO members, regardless of whether they have ratified the Conventions to which the Declaration refers. For this reason, the ILO has renewed efforts to offer technical assistance to member States, to assist in their implementation. There are no formal sanctions on countries that fail to implement ILO Conventions, and, since adoption of Conventions is usually voluntary, different governments have committed to different Conventions.

There is, indeed, no doubt that economic globalization can only reap its total rewards and prosper if there are strong social systems, which provide, among others, excellent education, healthy collaboration and social peace.

The ILO rightly observes the negative effects of globalization on certain groups of workers can arise from the absence or inadequate application of labour standards. When standards – national and international – are not applied, workers do not have the basic tools they need to defend themselves, and States do not have adequate tools to ensure the balanced distribution of the benefits of development.

This is often the case for temporary workers, migrant workers and workers in some export processing zones, as well as in the informal economy. Women are particularly affected, as well as they comprise the majority of workers in these categories. An increasing amount of research shows that the failure to apply labour standards is damaging to national development. For example, forced or compulsory labour is a constraint on productivity gains and on economic growth, and questions the very value of labour as the basis for development. Child labour transmits and perpetuates inter-generational poverty; releasing children from work and providing them with adequate educational opportunities goes hand in hand with providing decent work for adults.

No doubt, there is a crucial role for all actors (as well public as private) to promote and ensure that basic rights at work are effectively respected all over the world, without exception.

Over the least decade, important areas of consensus have emerged concerning the social dimension of globalization in the context of the ILO. Since the World Summit for Social Development in Copenhagen (March 1995), international consensus has been achieved on following categories of core labour standards:

- Freedom of association and the right to collective bargaining;
The elimination of child labour;

- The abolition of forced or compulsory labour;

- The elimination of discrimination in occupation and employment.

This led to the adoption by the International Labour Conference in 1998 of the ILO Declaration on Fundamental Principles and Rights at Work and its follow-up. Labour standards are not only at the forefront of the ILO’s objectives and activities. They are also prominent on the agenda of other international bodies like the UN and the OECD. Some multinational corporation have, on their own or together with other organizations, elaborated corporate codes of conduct in which they express their willingness to implement core labour standards have also become globalized as they are standards to be implemented worldwide and constitute a framework for the social policies of the national as well as the international economic actors, especially the MNEs. It goes without saying that labour standards, in the first place, have to be implemented by corporations. They are, as employers, the actors in labour and employment par excellence. Indeed, they have to apply the labour standards on a daily basis.

Enterprises have consequently been addressed, on an ongoing basis, by international organizations, governments and NGO’s, employers’ associations and trade unions included, urging them to follow, wherever they operate, not only national rules but also internationally agreed upon labour standards.

Governments united in international bodies like the UN, the ILO, the OECD have developed codes of conduct for multinational enterprises.

Consequently, legally binding international agreements addressed to multinational enterprises, also regarding labour issues, were not realistic, since the political will to do so was lacking. Governments have to rely on non-legally binding instruments, namely voluntary codes of conduct in order to see to it that labour standards are respected worldwide.

These voluntary instruments carry great weight. They are not only formulated by democratically-elected governments, but also endorsed by the representatives of business themselves and thus guidelines which enterprises believe in. In particular, as these guidelines are endorsed by public opinion at large and by consumers, who pay more and more attention to the way companies behave. When enterprises do not respect fundamental social principles they are often severely sanctioned where it hurts (especially in the marketplace) by consumers not buying their goods or services.

In this sense guidelines may even be more important than so-called legally-binding instruments, which are unilaterally imposed and whose effective implementation can often not be guaranteed anyway.
These guidelines are also helping companies doing their business in a positive way. They do indeed provide a passport of good conduct to enterprises, which often are confronted with difficult choices and do find in the guidelines a way of conduct, which if followed, lifts them above criticism, as the enterprises rightly can point out that that they behaved in a way society at large expects from them.

Guidelines, which translate fundamental social rights, do also constitute good human resources policies, which are self-evidently endorsed by the employees and their representatives in the companies involved. Employees like to work for ‘good’ employers, who enjoy public respect.

These voluntary guidelines have a strong appeal. They are a call from society, respond to the need of enterprises and serve the interests of the employees and communities as well.

Moreover, these guidelines constitute not only rules of appropriate behaviour for multinational enterprises, but for all employers, national companies as well as international, and are relevant both for the formal and the informal sector.

Along with the above-mentioned voluntary guidelines, many enterprises have initiated codes of conduct on their own initiative, which also contain labour standards, therewith laying down the rules which will inspire their business and contain guidelines for management, employees and eventually for their sub-contractors. In doing so, companies want to project a positive image to the public at large and especially to the consumer.

**National legislation**

As mentioned above, national labour legislation, usually in the form of a labour code, is the mechanism that translates core labour standards into reality on a day-to-day basis. A major gap in coverage provided by much national labour legislation is the lack of protection for informal sector and some other categories of workers, such as migrant workers.

Effective implementation of labour legislation depends on the existence of a work environment in which the three partners – government, workers and employers – have the obligation and capacity to understand, implement and enforce that legislation. In the absence of sufficient numbers of trained and impartial labour inspectors, for example, it becomes difficult to enforce labour laws that provide protection for workers. Trade unions and workers need to understand both their rights and obligations under the terms of collective agreements. Employers need to understand and respect their rights and obligations to workers and government. The ILO offers technical support to national labour ministries in drafting labour legislation that will be in conformance with ILO Conventions and Recommendations.
Voluntary regulation in the private sector: Codes of conduct

In addition to national labour laws, many enterprises have introduced voluntary workplace codes of conduct which are a form of self-regulation for multinational corporations.

They contain written statements of principles specifying the labour standards that must be complied with either by suppliers or other components of the company. The most common areas that codes of conduct address are labour standards, environmental protection and human rights. Other mechanisms include social labelling programmes, involving the use of a label or logo to indicate the product has been produced on the basis of certain standards.

Codes of conduct for international business activity are not new. In the 1970s, concern led two international organizations to adopt such codes: the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises. These were aimed at protecting the sovereignty of countries by defining the responsibilities, including social responsibilities, of international business.

Codes of conduct may be differentiated by their content, how they are applied, who administers them, and their industrial coverage. “Operational codes” apply directly to the enterprise or their direct partners, and may involve monitoring or reporting systems by subscribers or outside parties.

A recent ILO study identified more than 200 such codes, of which 80 percent were developed by multinationals. “Model codes” are those issued by enterprise associations, trade unions, NGOs or governments for others to use as a basis for developing their own codes. Examples include the Business Charter for Sustainable Development, of the International Chamber of Commerce.

Codes of conduct can be distinguished on the basis on which party initiates, administers and monitors the code: private enterprises or enterprise organizations; workers’ organizations; NGOs; professional consultants, auditors or educational enterprises. Public sector involvement in the development and implementation of codes of conduct can provide a stimulus and broader range of support to the initiative. Examples include the 1996 Apparel Industry Partnership in the US, which set criteria for global sourcing of American multinationals in the clothing and footwear industries, and the 1998 Ethical Trading Initiative (ETI) in the UK. The ETI is a grouping of NGOs, consumer organizations and business representatives that provides a forum for discussion, training and dissemination of best practices. It receives financial support from the UK aid agency, DFID.

Codes can also be categorized according to the production chain of goods and services. “Vertical” codes apply to an entire production chain, for example, in the clothing, footwear and toy industries, which are usually headquartered in developed countries and outsource production to subcontractors in developing
countries. If consumers are included in the chain (as the final destination of the product), consumer-driven initiatives such as social labelling, and investor-driven initiatives such as socially responsible investing, could be considered in this context. Horizontal codes, on the other hand, apply to a specific industrial sector, where leading companies initiate policies in their operations and apply them across the industry. Examples include the chemical or pharmaceutical industries.

The effectiveness of a corporate code of conduct as a mechanism to improve conditions for workers is controversial: How should a code be developed, and by whom? How should codes be implemented, monitored, and by whom? What is the impact of one company’s “good practice” in the broader economy? Are there some sectors, such as high-quality sports shoes, where a code of conduct might have more impact than at facilities producing low-cost, low-skill merchandise?

How can codes be used to empower workers, particularly in countries where trade unions are banned? Trade unions often stress that codes of conduct cannot substitute union organization, and that monitoring is done most effectively by union organizations in the workplace. How can codes of conduct be implemented in a way that does not jeopardize the situation of workers further down in the supply chain? The informal, home-based workers, who are usually women? In an effort to conform with terms of a code, suppliers may eliminate outsourcing to home-based workers, thereby depriving them of work. Strict adherence to the terms of a Western-drafted code of conduct that does not reflect input from the workers affected can be disastrous to the workers themselves – for example, when a retailer switches suppliers because of non-conformance to a code. Some of the better new codes contain clauses requiring companies to take a “continuous improvement” approach and terminate business only where serious breaches of the code persist. They also require transitional economic assistance for children found working.

Labour organizations and many activists also advocate that the workers themselves must be involved in developing a code of conduct, to ensure that the code actually addresses workers’ priority concerns.

Codes of conduct can play a role in capacity building for workers to develop and strengthen associations. In countries where trade unions are not permitted, voluntary participation on health and safety committees established in connection with developing a code can be a forerunner to freely established worker associations. There can be potential for creative and constructive partnerships between corporations genuinely concerned about improving working conditions, NGOs and workers when a code of conduct is created not solely by outside experts, but by the workers themselves.
Framework agreements

Some of the obstacles to negotiated codes can be overcome and some advantages gained by distinguishing between framework agreements and unilaterally-adopted company codes of labour practice. A framework agreement is an agreement negotiated between a multinational company and an international trade union organization such as an International Trade Secretariat (ITS) concerning the international activities of that company. Although an international code of conduct can be part of a framework agreement, the main purpose of a framework agreement is to establish an ongoing relationship between the multinational company and the international trade union organization.

The International Federation of Building and Wood Workers (IFBWW) has signed framework agreements on workers’ rights with transnational companies such as IKEA (furniture), FABER-CASTELL (pencils), and HOCHTIEF (construction). Under the terms of the agreement with IKEA, all suppliers and manufacturing companies owned by IKEA are asked to ensure that their working conditions at least comply with national legislation or national agreements. Suppliers must also respect all ILO Conventions and Recommendations relevant to their operations. This means that child labour is prohibited and that workers have unrestricted rights to join trade unions and to free collective bargaining. The agreement covers almost a million workers in 70 countries.
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1. Definition of forced labour as under the ILO’s Convention No. 29: “All work or service which is exacted from any person under the menace of any penalty, and for which the said person has not offered himself voluntarily” as cited in ILO, Stopping Forced Labour (Geneva, 2001), p. 9.


6. Even in the case in which a person accepts subsistence food for future harvests, the debt bondage arrangement is usually structured so that the person will go hungry again. By the definition of bondage, his poverty is never reduced, only delayed or perpetuated.


8. The US State Department estimates that human trafficking is the third largest criminal enterprise worldwide, generating $9.5 billion dollars in annual revenue. It is closely connected with money laundering, drug trafficking, document forgery and human smuggling. There have also been documented ties to terrorism. US State Department, op. cit., p. 15.


10. Idem.

11. Idem.


13. Idem,

14. Idem,

15. Orazem, P. and Gunnarson, V.: Child Labour, School Attendance and Performance: A Review, Iowa State University, Department of Economics, 11177, 2004


17. Discrimination in this report refers to “any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity and

18 ILO: Time for Equality at Work (2004, p. 21) for a diagram of the vicious cycle.


20 Idem, To cite p. 28.


31 Statement by Mr. Juan Somavia, DG of the ILO, to the International Monetary Fund and Financial Committee, April 29, 2000.

32 Daza, J. L.: Economía informal, trabajo no declarado y administración del trabajo (Ginebra, OIT, doc. n°9, 2005)


CHAPTER 5
THE ROLE OF LABOUR ADMINISTRATION IN POVERTY REDUCTION

The context in which public administrations operate has changed immensely over the last few decades because of technological, economic and political developments, as well as the globalization of trade, forcing public administrations to review their role, organization and operational methods.

Labour administrations have not been exempt from this trend. It has actually often given them new justification for their existence and development, and has helped some of them play a more dynamic role once again. In fact, since labour administrations were created in response to changing expectations, they may actively contribute to national development by tackling the problems that hinder it. To meet the new challenges, all labour administrations have a common conceptual framework at their disposal, one that is based on international standards and respect of diversity.

Towards a single model?

As mentioned in the preceding paper, eradicating poverty calls for the coordination of policies that focus on different dimensions of the life of people working and living in poverty.

The role of the labour administration becomes essential in the fact that, by focusing on how to manage and create the policy and conditions in which people can build sustainable livelihoods for themselves, it encourages policy integration. This is important if the political commitment symbolized by the adoption of the Millennium Declaration is to connect to local communities through practical measures (political, administrative) addressing the barriers that trap people into poverty cycles.

By facilitating dialogue at national level, the labour administration machinery would focus on key policy issues where economic and social policies need to be aligned to the objectives of poverty eradication. Labour administration provides, in this sense, a framework for poverty reduction strategies that recognize the specific needs of each developing country with a view to reforming the whole
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system. In this regard, labour administrations have a major role to play in making sure that the large proportion of a country’s population will benefit from the adequate implementation of those strategies designed for reducing poverty.

However, one has to be cautious in interpreting all this from conceiving any change in a deterministic or a univocal fashion. Indeed, although there are various elements such as new distribution of the workforce, new products and services, the development of computer technology, rising levels of education which are general enough to be followed by several countries, there is no uniformity or the existence of a single model of labour administration to apply everywhere under any circumstances.

New operating conditions for public administration

Labour administration is not only for applying and implementing policies aimed at protecting workers, but it has also a role to play as an agent of economic and social development.

Labour administrations also influence the way in which the State is conceived. As a result, public administrations, including labour administrations, are confronted with new operating conditions leading to extensive changes.

A new framework

The framework of State activity has changed significantly in many countries. Wide disparities undoubtedly exist, precluding sweeping generalizations. Nevertheless, the last 20 years appear to have produced a common orientation towards a State that is closer to its people and is more useful, but is also less generous with public funds (a “leaner, trimmer” State).

As indicated by the World Bank in a 1997 report,1 government officials have thus been forced to take account of new demands when defining their activities, at the same time as democracy was being strengthened.

This development has, however, also taken place in States where democratic institutions are wanting. Economic globalization makes it necessary to adapt political structures to the new world order, despite resistance by leaders. Its scale is nevertheless limited by the persistence or resurgence of regional or internal conflicts that prevent any improvement in the state civil system.

The revamped role of the State

Re-engineering the role of the State, a traditional question of political philosophy from the late nineteenth and early twentieth century, has once again come to the fore, although this time in somewhat different terms.
This long-standing and heated debate over the functions of the State and its place in economic thought reveals differing approaches taken by the State in social matters in Europe and the United States.

There are four conflicting points of view that can be summarily presented as follows:

1. Traditional thinking is built around the concept that the State must be neutral and should serve general interests, as understood by Jean-Jacques Rousseau. This concept of neutrality is extended by neo-classical economists who assert market superiority. The State therefore plays a regulatory role and is limited to maintaining equal legal conditions for all.

2. In contrast to this concept, which they describe as hypocritical, Marxist political philosophers totally refute the concept of the neutrality of the State. In their analysis, the State is a superstructure essentially marked by the domination of one social class over another; as such, it is not neutral and is incapable of being so. The State would therefore have to disappear for individuals to be able to flourish. Until this ideal is attained, however, the structure of the State must be transformed and placed at the service of the new, presumably dominant class, the proletariat. Given the resistance of the forces of the past, dictatorship is an inevitable, but in principle transitory stage, the individual freedoms inherited from the capitalist state superstructure being merely “formal” freedoms. This political theory certainly appears to be largely outdated today, but it has unfortunately affected the living and working conditions of millions of individuals for almost a century. Its effects on the organization of society and individual freedoms are still felt, even though its underlying economic tenets are disappearing.

3. The re-examination of the role of the State as developed by Keynes, widely disseminated and used since the inter-war period, concluded that it was necessary for politicians to know how to use the State’s planning role so as to actively regulate the economy. However, Keynesian theory did not explicitly address the question of the democratic character of the posed by the interventionist economic policies of totalitarian States during this period.

4. Since the end of the 1970s, the questions of the legitimacy and advisability of State intervention in the economy have been the subject of much reflection among democratic and industrially advanced countries. This reaction to State control of the economy led to Western Europe and the United States (although in the latter the State has never played the same protectionist role as in Western Europe) calling into question most functions assumed or taken over by public administration in the economic sphere. This line of thought on the need to
reduce the role of the State in order to restore economic initiative (in a way, a liberal version of the theory of the weakening of the State), initiated by the ultra-liberal economists of Milton Friedman’s “Chicago School”, has been supported especially by major international financial institutions and has given rise to some radical experiments, for example in Latin America. The economic precepts were not accompanied by a political moral standard that would have questioned, in the case of Chile and Peru, the non-democratic nature of their regimes; these radical experiments were thus carried out under military dictatorships or authoritarian regimes. Chile in the late 1970s was a textbook example of the attempt made by these economic theorists to disassociate the economic base, which was intended to be ultra-liberal, from the political superstructure in which democracy was not seen as being indispensable.

Going beyond these extreme cases, in which democracy was not viewed as a necessary condition for balanced development, neo-classical economics challenged the quasi-institutionalized Keynesianism of the majority of industrial economies because of the pernicious effects being felt: simultaneous hyperinflation and unemployment, as well as spiralling state debt. Deregulation in the United States, privatization in the United Kingdom and the experiments carried out in New Zealand, where the dismantling of the public employment service was being envisaged at the end of 1998, or in Australia, illustrate this trend among democratic countries.

The debate continues today, but has evolved considerably and is now clearly directed towards giving a new legitimacy to the role of public administration within a democratic framework, as emphasized by the 1997 World Bank report in which the restoration of conditions that favour “good governance” emerges as a major objective. A constant theme throughout this report is the need for a forceful and effective State to oversee and ensure the success of public economic policies through strengthened and revived public institutions. The report establishes a strong correlation between the effectiveness of public policies in the financial, social and employment fields and the existence of a structured State. Finally, it proposes strategies for improving public services.

Since the beginning of the twentieth century, we have witnessed the rapid increase in responsibilities entrusted to the State with the approval of the people, not only in the legal sphere, where it was established that only a monopoly on the enactment of laws would place everybody on an equal footing (the role of the State as arbiter), but also in social and economic matters. The State has thus taken on a more pervasive role in both developed and less advanced countries.

The importance of the State in countries in which the economic system remains founded on free enterprise has been strongly contested for both theoretical and factual reasons.
Theoretical explanations have been put forward simultaneously, even complementarily, by economists and politicians. They found that the State was taking the place of individual initiative and contractual agreement between the parties in economic and social relations. Moreover, the existence of a social sphere administered by the State alongside the economic sphere, in which it would not intervene, has also been called into question, in that the social assistance provided is seen as anchoring the unemployed more firmly in that situation.

The practical contention regarding the importance and extent of the State’s role in the economy results in particular from the observation that, in the industrialized countries of Western Europe, a growing proportion of GDP is absorbed by public activities. The rate of compulsory deductions has reached a significant level, almost half of the resources produced in industrialized countries, particularly in Western Europe: in individual countries of the European Union and Scandinavia, the State retains (and redistributes) 43 per cent of GDP, compared with only 23 per cent in the United States. Data on developing countries are insufficient, but it appears that during the 1990s the share of GDP taken by the State has declined.

Under the theory of economic liberalism, this rate of redistribution greatly inhibits the initiative of economic agents, leading governments to attempt, with varying degrees of success, to level off the growth curve in the proportion of GDP redistributed by the State. This has a direct effect on public administrations, asked to “slim down”, and consequently on their labour administrations. This reasoning may be justified in the case of highly developed countries, but transposing it to developing countries without prior adaptation does not improve the operation of these States, whose administrations lack sufficient resources to satisfy the needs of their citizens. Models cannot be transposed wholesale, as will be discussed later.

**Budgetary constraints**

In situations where public companies face difficulties, the State as entrepreneur has frequently demonstrated scant efficiency, while private entrepreneurs have shown increasing hostility towards the mobilization of considerable budgetary resources for public companies that are apparently exempt from market constraints.

Certainly, the imbalance in public finances has been considered, since Keynes, as a worthy means of stimulating economic activity. However, what was once a positive, active and energetic economic policy has over the decades become an annual exercise.
The policy of reducing public deficits having become a priority, governments have had to re-examine the different components generating public costs; the issue of higher public debt servicing implies calling into question the habitual financing of the government’s rate of expenditure and, therefore, questioning significant public expenditure items. The financing of public firm deficits, social welfare costs and the cost of state structures have been disputed at the same time as theoretical reflections were being made about the legitimacy of state intervention in areas far removed from its initial tasks. In free-market economy countries the wave of privatization of state companies – justified by the disengagement of the State from unprofitable activities – has also been significant and has had a marked effect on employment in particular.

The shift in priorities from economic activity towards deflation has had serious economic and social consequences. However, independently of the social problems generated by the disappearance of several large public companies in Europe since the early 1980s as a result of the gradual reduction in the financing of public groups, at first glance the effects of this change in priority seemed to be limited to the structure of labour administration. Logically, this decline in financial intervention by the State was followed by the more or less abrupt privatization of the sectors closest to non-subsidized economic activity.

It was later that all activities that by nature cannot be privatized came under scrutiny; everything relating to the State’s social intervention budgets has been re-examined.

At the same time the organization of the State underwent similar changes, but different countries went about it in different ways. This is shown by devolution and especially decentralization measures in various countries: decentralization in France and Argentina, agency management in the United Kingdom, regionalization in Belgium and Spain. This trend is characterized by the desire to give jurisdiction over matters that affect the daily lives of people to the level closest to them so that they are better able to influence the choices made by those actually responsible for implementing policies.

The desire to loosen the grip of the central State has direct consequences on its ability to intervene in the field of labour and employment relations. The State finds such consequences a burden when its operating means do not allow it to respond as legislator or arbiter; it clearly welcomes them when the reforms and transfers lead to the disappearance of the ministry in charge of labour, employment and vocational training; finally, these consequences are perhaps badly evaluated when decentralization procedures result in a notable differentiation of the standards applicable to labour relations within one country, as this regionalization of labour standards clearly creates difficulties for employees.
In this regard, it should be noted that transition countries, which have changed from a regime in which the State left no room for social and economic partners to one where political institutions are in the process of democratization, have perhaps not had the opportunity to take these different considerations fully into account; transition is an active process that is not prepared in advance and over the course of which any external aid is a priori welcome.

In fact, the financial institutions that provide considerable aid have been able, in almost all cases, to firmly guide their wards towards the forms of organization that they believe suitable.

The external reasons given for questioning the role of the State include the measures applied by international financial institutions, which have decided that service-oriented policies are characteristic of good government and have implemented them when implementing Structural Adjustment Programmes (SAPs) in numerous developing countries. The SAPs impose the introduction of major administrative reforms which often affect labour administration as severely as other public administrations through radical cuts in its human and financial resources, but do not consider it to be as high a priority as the financial, health and education administrations.

Nevertheless, it is labour administration that is responsible for finding prompt solutions to the social problems connected with the redeployment of thousands of workers made redundant following the privatization of firms or their transfer abroad, or even ensuring the training and development of personnel for the newly constituted private sector.

Today, however, international financial institutions are recognizing that, despite the theoretical financial advantage of a much lighter structure, underestimating the role of a structured State compounds difficulties. For example, the result in terms of efficacy of decentralizing tax collection in countries as different from each other as Argentina and the Russian Federation turned out to be the reverse of what was expected.

The need to evaluate results

In order to justify the adaptation of government structures to the constraints of global costs, it is necessary to produce evaluation instruments so as to weigh the different priorities of public intervention.

In some States this became possible only when, under pressure from taxpayers, governments changed their attitude with regard to the aims sought by evaluation; there has thus been a gradual change from a political appraisal to an apparently more technical one, but the object of the appraisal is clearly to measure the gap between objectives and results.
The basic difficulty with regard to public service is to define criteria that take account of all contributions, and not only those that fall in line with a strategy for cutting financial costs.

The evaluation of public sector results has therefore followed two not always complementary paths:

- On the one hand, administration performance can be measured only according to criteria that are difficult to standardize and relate to user satisfaction, or to the number of actions carried out within a master programme: this type of evaluation is often based on internal state inspections of the administration, where they exist;

- On the other hand, the taking into consideration of essentially financial ratios has resulted in the search for profit centres in the same manner as in the private sector: this is the concept which lies behind the creation of paragovernmental agencies in some English-speaking countries.

However, the effectiveness of a public service cannot be judged on financial criteria alone; public service originated from the need to carry out tasks that were in the general interest but which the private sector did not find profitable, in exchange for a contribution enabling the State to carry them out.

This is why there was an attempt (and these efforts should continue) to systematically take into consideration the global cost-benefit ratio by evaluating all the effects involved. This means that the evaluation of the costs of implementing a public measure should not be limited to financial elements, but should also include social costs. The theory of social costs has, however, been barely taken into consideration, since it remains difficult to quantify.

Efforts have been made to show that strategic planning produces positive results. The national experiences that will be analysed will provide examples of these efforts.

The shift towards user satisfaction

The user, now significantly referred to as the “client”, in the terminology often used in relation to the modernization of public services, has benefited from the redirecting of public actions over the last 20 years; the main role of the government is to satisfy the users, the electorate, which has become a major criterion in evaluating public policies, previously assessed on their public contribution towards economic objectives.

The concept of the citizen is by nature indivisible. Moreover, its primary significance is political. By contrast, the concept of the user is more “functional” because it makes it possible to define user profiles and services that are adapted to
each such profile. It is therefore possible to better concentrate public activity on targeted categories and to offer improved service that is more precisely defined and therefore more effective.

The use of the word “client” often shocks advocates of the public service who fear that user-fee public services will become more widespread. When applied to the relationship between the user and public service agents, however, it reveals the desire to better satisfy the user’s expectations; in this sense, the term “client” introduces a constraint that weighs on the official, who has an obligation to render a service to that person, whereas the concept of “user” does not appear to include this constraint.

Nevertheless, resorting to the concept of “client” implies that the provider of a public service seeks to better identify (or “target”) the beneficiaries so as to adapt supply to demand.

The risk inherent in this methodology is that it may over-fragment the public and move public services away from the overall vision based on equal access to public services.

**New actors and new needs**

Since becoming structured within a national framework, social relations in Europe’s major industrialized countries have been based on the institutionalization of tripartism; the foundations of the ILO, which was set up after the First World War, reflect this trend at an international level.

However, the developments that have taken place in these countries over the last 30 years or so, together with the social realities in emerging or developing countries, have called this simple and practical typology into question.

Indeed, economic actors are becoming extremely diversified, and this fragmentation has made it increasingly difficult for governments to find suitable and effective solutions to the ensuing social difficulties.

**New categories of workers in new forms of employment**

Economic development in industrialized countries has led to the emergence of new fields of activity for salaried workers; the manufacturing sector has been gradually replaced by the services sector, and consumer demand has switched from the satisfaction of material needs to the consumption of services that were unimaginable only a few decades ago.

New categories of salaried workers have also appeared in less developed countries. As much as the field of activity, however, it is the form of work relations that has changed, creating new forms of employment and career paths, including professional and geographical mobility.
The legal nature of work relations has become extremely diversified; this process can be regarded as a counterbalance to the desire of labour representatives, often aided by the State, to standardize, regulate and homogenize labour relations.

It may be suggested that countries where this legal relationship has remained the most basic had no need to seek different legal formats to cover the widespread precariousness in work relations. On the other hand, in European countries where the prevalent model is that of contractual employment on a monthly basis and of unlimited duration, a myriad of forms of work relations deviating from this principle have appeared, and at the same time entrepreneurship is highly valued once again.

The result today is a basic transformation in the career profiles of individuals. People no longer occupy a salaried position in the same firm until they retire: instead, at the start of their careers that know that their first occupation is probably very different from those that will follow for the duration of their working lives.

Furthermore, although salaried employment remains the most common form of employer/employee relationship, arrangements vary widely and seem to have increased in developed countries over the last couple of decades. The traditional full-time employment contract of unlimited duration has given way to, among others, salaried contracts of a limited duration or on a part-time basis, intermittent contracts of unlimited duration, contracts obtained through temporary work agencies, and subcontracting (in which the relationship between the salaried worker and the employer is replaced by a commercial contract between a “client” and a supplier or service provider). In addition, monthly remuneration is not the most common form of payment: payments can be daily, weekly, or by piecework, thus increasing the precariousness of the worker’s status.

The recent expansion of homework, especially in the developing world should also be noted. This form of employment developed in Europe in the nineteenth century, essentially in the textile industry. Owing to the increase in production structures that required ever-greater investments, it had all but disappeared. Today it is expanding once again: in developed countries (although here it represents a relatively minor proportion of work), where computer networks make it possible for work to be carried out independently; and in developing countries, where the relocation of production has been accompanied by the rediscovery of this method of work organization, which involves a very uncertain economic relationship, the worker buys the material, transforms it and then resells it to the “client” for a non-guaranteed price.
One of the effects of such work organization is that it disassociates workers contributing to the same production process by denying them any opportunity to organize themselves vis-à-vis their employers.

Furthermore, professional and statutory mobility, sometimes coupled with geographical mobility itself prompted by workers having to seek employment well outside the area in which they live, creates sizeable migration flows both towards developed countries lacking sufficient manpower and towards neighbouring countries in which the quality of life was higher before the current economic crisis. These migratory movements, above all economically motivated, are generally kept in check by the immigration laws in destination countries wishing to protect the jobs of their nationals. The free circulation of workers existing within the EU is a long way from being implemented worldwide.

What we are witnessing today is a fragmentation of the active population on a previously unimaginable scale.

**New enterprises**

There have been large-scale transformations on the employer side, too; this group has become considerably more diverse as a result of the development of new forms of entrepreneurial activity. The organization of both private and public companies into extremely large economic entities, inherited from the industrial period, is giving way to the idea that “small is beautiful”: small firms appear to be more “practical” and more efficient than large ones.

Here a parallel can be drawn with the search for “profit centres” on the part of large firms which prefer to split into smaller but homogeneous, legally independent entities. The links and consistency between them are then ensured by a “holding” company which implements the strategy of the whole mechanism. Another facet of enterprise destructuring is the growing outsourcing of activities that are not directly related to the core objective of the firm, for instance finance and personnel matters. This naturally has repercussions on labour relations within the firm. For example, when an individual labour dispute arises, it is difficult for the arbitrator to determine who is the actual employer. When part of the contract is carried out abroad, which labour regulations should apply? These questions have been addressed by regional economic fora, particularly by the member States of the EU, where the freedom of a firm to operate in a different State presupposes its freedom to post its staff abroad. However, the working and compensation conditions of such staff do not have to be brought into line with the national law of the State in which the service is carried out if the latter is less favourable.

Elsewhere, the apparent destructuring of the organization of the economy is evidenced by the fact that entire sectors find themselves a part of the informal economy; this concerns mainly small companies and the self-employed. Many of
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these economic actors come from sectors (generally the public sector) in which privatization has led to workforce reductions that bear no relation to the absorption capacity of the labour market.

Rising levels of education and information

The current rise in the levels of education and information within the population of the most developed countries may have serious consequences for the labour market, with people who have reached a high level of training refusing tasks that would deskill them and which workers who are less well trained or who originate from disadvantaged countries would readily accept.

Although less marked, this trend is growing in less developed countries as well, leading often to the exodus of the elite who are discouraged by unfavourable pay conditions or the lack of civil peace from assuming the responsibilities for which they have been trained.

The changing nature of the social partners

Two contradictory phenomena currently noted are falling union membership throughout the world and the strengthening of democratic organizations involving workers and employers. The recent disappearance of a number of regimes that were highly interventionist in the social sphere partly explains the fall in union membership, since the previously high levels of membership were essentially the result of the obligation to join and the existence of certain benefits for members. While workers’ organizations were being radically reformed, employers’ organizations adapted to the new economic trends have appeared on the scene. Consequently, the data supplied in this regard by the ILO World Labour Report 1997-98 should be examined with care; although the overall rate of union membership is falling, this is primarily because in certain parts of the world, in particular in the transition countries of Eastern Europe (a loss of 36 per cent of workers unionized over the last ten years), compulsory membership granting access to numerous social benefits elsewhere provided by the State has given way to new circumstances. It is not only the rise in unemployment but also the rediscovered freedom that allow people, on the one hand, not to become members, and, on the other, to participate in the creation of a representative organization. The rate of union membership in Belarus in 1995 (95 per cent) compared with that of Estonia (25 per cent) clearly shows the path currently being taken: less unionization, no doubt, but also representation by one or more trade unions independent of the State. In the 1985-95 period, the rate of union membership rose by between 4.8 and ten per cent in South-East Asia, while in the United States it fell by 22 per cent and in France by 37 per cent.
Greater demands on governments by public administration users

Democratically-elected governments better reflect and are more interested in the opinions of their constituents; their electorate has made known its demands for greater efficiency, transparency and the provision of better services by administration services, in particular labour administration.

Users, for their part, are more demanding when it comes to the services provided by the labour administration. As taxpayers, they are increasingly behaving as well-informed consumers and expect a return on the investment of their taxes. With the help of consumer defence groups or trade unions and other employee advice groups, they are making more and more claims and demanding greater transparency regarding the use of public funds by requiring that accounts be made public.

Moreover, the reality of the labour market, characterized by the rise in unemployment during the 1980s in industrialized countries, is exerting an unprecedented pressure on labour administrations to ensure sound management of public affairs within the framework of an economy that creates few jobs (qualified by some as “management of the decline”),10 and to be innovative and competitive in relation to private employment agencies.

The higher demands made by the government on its administrations lead to the reorientation of existing internal inspection authorities. The latter can no longer simply produce occasional reports on the activities of services; instead, they must define and apply evaluation criteria which render their conclusions at the end of the inspection more relevant and less subject to opportunist disputes. Any dysfunction noted during assessments carried out by internal or external evaluation bodies brings on the decision to take the opportunity to improve the situation.

The modernization of labour administration or the improvement of its services in this context is essentially the consequence of the interest in achieving results in terms of the profitability, effectiveness and quality of services. The various components of labour administration place greater importance on the effectiveness of services offered directly to users, notably by introducing productivity targets and developing public agents’ corporate spirit and competitive behaviour. A more systematic examination of the users’ complaints and claims, the analysis of needs and expectations through surveys and opinion polls, and the increasing awareness of the existence of specific problems when settling individual or collective labour disputes are further evidence of the additional demands being made.

There is also the attraction of “new public management”,11 a system which advocates replacing highly centralized and hierarchical organizational structures by a decentralized management environment where decisions on the allocation of
resources and the supply of services are closer to the target groups, thus making it possible to receive feedback from users and other interest groups. These reforms are also aimed at strengthening, at the central level, the strategic abilities needed to guide the development of labour administration and enable it to react to external changes immediately, in a flexible manner and at a lower cost.

More profitable alternatives, in terms of cost performance, to direct public supply and regulation, such as the subcontracting of certain services or benefits to private agencies, are also being explored.

**New officials**

Employment conditions and the profiles of recently recruited officials also reflect the development of the public service, the aims and resources of which have changed radically since the 1960s.

**Changes in public administration since the 1960s**

The operational means and organizational methods of public administration in the strictest sense (services supplied by the State and not public companies) have been seriously called into question by the search for new criteria with which to measure its effectiveness. As shown by an ILO report on the evaluation of human resources in the public sector,¹² both its structure and status are being transformed.

As regards the status of agents in public posts, it has been acknowledged that the statutory system imported into certain countries with a French administrative tradition often leads to inflexibility; in the view of international financial institutions in countries under supervision or of governments mandated by their public opinion in developed countries, the existence of too many officials has led administrations to try to ease statutory constraints in order to improve human resources management and the effectiveness of public activities.

The statutory system of lifelong employment with salary increases irrespective of performance now coexists with an increasingly widespread contract-based system under which qualified agents are hired for a limited duration and for a set task. It was a reform of this type, implemented in Burkina Faso in 1998, that generated problems in the country’s public service. The trend is also affecting Switzerland, which appears to be replacing the recruitment of civil servants by the widespread use of contracts, even for the highest positions, as well as France, where the public service intermittently debates the issue of the growing recruitment of contractual agents who do not enjoy the regular civil servant status.

Structural changes are an ongoing process: on the one hand, changeovers of political power inevitably lead to changes in organizational structures, even if
these are most often purely symbolic; on the other, the drive since the late 1970s to make public services accountable has led to reorganizations centred around the administrative and possibly financial autonomy of sectors previously comprised by state administration.

Finally, the discharge of certain labour administration activities by the social partners has also contributed to the “dismembering” of public administration.

**Rising levels of education**

The higher levels of education of public officials mirror those of the population as a whole, although in most cases qualification requirements have not been revised upward. This has a negative effect in the most developed countries, with recruitment benefitting officials whose qualifications are much higher than those required by the post for which they are applying; this can lead to a certain degree of demotivation. There is no easy solution to this problem, since it is not easy to control access to a competition by barring over-qualified candidates.

The recruitment of officials in developing countries is an involuntary victim of this trend. The relative scarcity of elite groups able to ensure the smooth operation of the state apparatus and the scant consideration accorded to their position (lack of or insufficient remuneration) generally lead senior staff to leave the public service when an opportunity arises.

From this point of view, labour ministry senior officials are highly appreciated by the private sector because of their professional expertise. For example, only a small minority of labour inspectors trained by the ILO or the African Regional Labour Administration Centre (CRADAT) in French-speaking Africa over the last 20 years still occupy a position in the field under their original administration; they are either in central administration, on temporary assignments or on leave of absence, or else they have resigned so as to become human resources managers in public or privatized companies in which their expertise in social matters is highly valued. Given the extremely low number of labour inspectorate employees, this significantly weakens the activities of the labour ministries vis-à-vis their users.

**New challenges for labour administration in the poverty reduction strategies: Seeking higher abilities and level of responsibility**

Labour administration systems in developed countries are characterized by the increasing complexity of labour relations, whether these are based on a developed system of collective agreements in addition to legislation, or else form part of a highly legalized environment. This implies that the tasks carried out by officials require a high level of qualifications, which should make it necessary to adapt job
profiles accordingly. In particular, the overlapping legal structures of the various parties involved – contractors, suppliers and subcontractors overlap – make it difficult to assign responsibilities in individual and collective labour disputes.

Finally, when 90 per cent of a country’s active population is employed in the informal sector, the usual tools and methods of intervention used by labour administrations appear outdated, notably because they are only relevant within the context in which they were developed, i.e. one in which registered employment is the norm. It must therefore be emphasized that in such countries the training of labour and employment ministry officials should take these phenomena fully into account.

The role and activities of labour administrations within a country are influenced by numerous factors. The ILO constituents, notably the worker and employer members, listed a few of these global considerations during the examination of the Overview Study of Labour Administration by the Committee on the Application of Standards of the International Labour Conference of June 1997.

In the opinion of the worker members, it was essential to provide labour administration with the budgetary resources and political support it needed in order to effectively achieve its aims at a time when the economic and social changes resulting from globalization and structural adjustment required it to adapt and modernize:

Labour administrations in many countries still occupied secondary places in the hierarchy of priorities, even if it was generally recognized that the proper functioning of the labour market was a decisive factor in economic success. (…) These conclusions should be borne in mind when the Committee of Experts noted the relatively low level of resources allocated to labour administrations in industrialized countries, or when it observed that this was one of the lowest budgetary priorities in the developing countries, because under-financing had a direct consequence on the services provided, and therefore on living and working conditions.

Furthermore, “while democratic progress supported collective bargaining and tripartite cooperation, their institutional framework was being weakened by economic difficulties”. It was therefore essential to improve the conditions and mechanisms required for social dialogue, especially in countries where employers’ and workers’ organizations were beginning to become organized, by providing them with advice and technical aid likely to help them achieve autonomy and develop their negotiating abilities so as to be able to take an active part in defining
national labour policy and to contribute to economic development and social progress.

For the employer members, “[e]mployment laws and regulations would be worthless if there were no system of labour administration to assess and enforce compliance. (…) The development of an effective system of labour administration was a difficult proposition which varied widely due to the broad diversity of national conditions, including their historical and economic development, culture, government structures, country size and financial resources”. An effective system of coordination was therefore necessary, operating with the collaboration of employers’ and workers’ organizations.

Finally, given the numerous and important changes in the global economic and social context, “[a]lthough there were no simple strategies for labour administration, approaches adopting management techniques and treating users as customers who needed information and advice were yielding better results than the traditional and more expensive adversarial enforcement systems. Other approaches, including mediation and arbitration were providing swifter and more effective labour administration”. States should make more sustained efforts to improve their labour administrations by using more flexible structures and methods of resolving problems, such as direct negotiation between the social partners, conciliation, mediation and arbitration.

Indeed, labour administration can no longer confine itself to its traditional roles, the main one being to act as a safety net. It has an obligation to contribute actively to national economic and social development through dynamic attitude and action, to promote development and tackle problems that might hamper it. Its flexible conceptual framework enables it to respond to all situations, to take initiatives and, above all, to enhance its own image by carefully selecting its priorities for action in collaboration with the social partners.

Being an actor in poverty reduction strategies

The first challenge facing labour administration is to secure the means by which to stimulate progress while fulfilling its role of promoting social justice.

Being an actor in national development, and turn in fighting poverty, means taking an active role in the democratic life, economic growth and social progress of the country. Some of the factors that can influence labour administration are social climate, promoting active methods of intervention in the fields of employment and vocational training, making available the tools and resources necessary for decision-making, and elaborating economic strategies and the participation of actors within the community.

Within the governmental structure, this “interventionist” role is more readily attributed to economic or financial ministries or bodies. As we will see below, a
labour administration that occupies the whole field of its activity can be counted among the actors in national development.

“How can ministries of labour and employers’ and workers’ organizations [the main components of labour administration systems] exert more influence on fundamental policy decisions that influence growth, employment, trade, investment and poverty alleviation?”

To do this, labour administrations must take advantage of the fact that they are active in areas which give them the possibility to acquire a high degree of legitimacy and credibility with citizens, users and national decision-makers when it comes to the elaboration of government policies and orientation and decision-making by individuals and economic actors. Since the world of work allows labour administration to cooperate with partners having different sensitivities and can provide access to original data which are then processed and disseminated for information purposes and possibly used in decision-making by social and economic actors, labour administration can reach a large majority of people by offering products and services, some of which may prove essential.

Here we find the principal characteristics of organizations that respond to the criteria of good governance, which can be defined as “the manner in which power is exercised in the management of a country’s economic and social resources for development”; these include participation and accountability (often associated with the accountability of leaders, because they involve the social partners in the consultation and/or management of activities), justice (because it can adopt equitable rules for both citizens and firms, and can exercise control on their application), and transparency (offering vast quantities of information that is accessible to everybody).

Labour administrations that fulfil their role by profiting fully from these comparative advantages will be able to participate actively in national development and will themselves become actors that cannot be ignored. Their place in the hierarchy of ministries or governmental organizations will therefore depend on the services they are able to offer to users and clients, but also on the government’s political will regarding the emphasis to be placed on social relations. Labour administration should occupy a high-ranking place, but this will be the case only if the government recognizes its importance.

In certain developing countries where labour administrations hit by large budgetary restrictions have lost their influence, or in transition countries where they have found it difficult to assume their role in the new dynamics of the market, it should be possible to refocus activities on the priorities. Adequate
services should be provided to users in the sectors retained and depending on the resources available, as well as instruments (for instance, a system providing labour market information) which support development measures undertaken by the government or the social partners. Labour administration may therefore become a “promoter of development”. Its role is all the more important since it influences the still fragile foundations of these new societies: individual freedoms, freedom of association and enterprise, democracy and market economy.

In developed countries, the traditional role of labour administration as a safety net – which often gives it a negative image, since it mainly takes the form of sanctions or the application of regulations – can be carried out constructively by simply modifying approaches and intervention techniques. However, in these countries labour administration should profit from its comparative advantages to promote new methods of intervention, and in particular to initiate new activities and supply new products and services. These will provide it with the visibility and credibility it needs if it is to obtain more easily the resources required in order to provide a better response to needs.

Labour administration fully plays its role as an actor in development if:

- It contributes to the maintenance of a healthy social climate that promotes development in all fields;
- The services that it offers are effective and correspond to the needs of users in terms of active measures;
- The services and products contribute to the drafting of development strategies or to the development of growth and (political and economic) decision-making;
- The partners participate and can be identified in its policies and practices.

**Social climate**

As a result of the fragile state of our societies when faced with all the aforementioned changes, labour administrations have a major role to play as a societal monitor in the broadest sense: a system for observing the life of a working community (here it is the entire community), developed with the aim of detecting the existence of potential problems or actual industrial disputes and (re)adjusting social policy decisions.

It is worth noting that a constructive social climate can contribute to a country’s development, in particular its economic development. According to UNCTAD, some of the main factors determining the investment choices of transnational firms in a country are its economic, political and social stability.

From this point of view, labour administration can offer its clients – the
government, enterprises and trade unions – and its users a series of measures which help to organize relations and avoid damage to the social climate.

Labour administration contributes to a healthy social climate by carrying out its traditional functions of protecting human rights and promoting social justice by making services and products available to everyone, by implementing policies, laws and regulations and by applying them without discrimination. On the other hand, it has the potential and the tools necessary for analysing social realities and their evolution, thanks to its constant interaction with the social partners and integrated processing of information at its disposal, enabling it to anticipate developments, to react and to propose its own measures for maintaining a favourable social climate; these tools include early-warning mechanisms.

Consequently, when it promotes the introduction of new tools and new methods and approaches for settling disputes by offering the partners advice or support services (conciliation, mediation, arbitration, ombudsperson, a neutral third party), labour administration plays a positive role. This is further enhanced when in the field of professional relations it promotes greater autonomy of the social partners by encouraging collaboration and cooperation, while continuing to guarantee the rights of all. Its role as a key actor in development does not necessarily entail direct involvement in the activities undertaken. Where dispute prevention is concerned, by providing information on new negotiating techniques or relations between the partners, labour administration may also promote their complete autonomy, thereby leaving the responsibility for negotiation up to them.20 The State will lower its costs by reducing the degree of its involvement, but it must make the partners more responsible, while continuing to strive for social peace and “a climate conducive to economic stability and efficiency with equity”.21

In this regard, the participation of labour administrations within regional groupings’ regulatory bodies helps to promote social tranquillity through the observation, comparison and harmonization of the different legislations of the member States. In each country, this role of observer can also be developed and systematized through labour administration through improving the methods used in evaluating policies and analysing relevant social factors.

Active measures

The role as a key actor in poverty reduction is more tangible when it takes the form of active measures offered by labour administration to its users and clients.

In the field of employment, labour administration may be able to improve the operation of the labour market by introducing measures that promote its transparency and fluidity, thereby helping to find the right balance between supply and demand. The response time and the quality of the information provided by
labour administrations are often a decisive factor in the competition between firms to invest, since the availability of human resources that respond to urgent needs is a major asset. On the other hand, the possibility for jobseekers to shorten the period of time spent out of the labour force is useful on many counts.

Labour administration can play a crucial role in economic recovery programmes and conversions of entire sectors of activity when it is able to offer products and services such as labour market analyses and means of adapting, training and placing personnel. It may also be involved in promoting new activities, by helping to set up SMEs and develop self-employment, as well as by offering customized training programmes. In particular, it is often involved in programmes aimed at softening the impact of the restructuring, relocation and closure of enterprises.

In developing countries, especially in countries emerging from armed conflict, reintegration and reconstruction projects are essentially concerned with action linked to labour administration. Ranging from surveys of the size of the working population, the reintegration of former soldiers into active life, guidance and training for displaced people and the creation of SMEs to highly labour-intensive work, all these activities are part of the means used in restructuring a society. In countries grappling with structural adjustment programmes, labour administrations guarantee the balance needed between the economic and social measures that these countries must adopt under pressure from organizations such as the World Bank.

In the field of occupational health and safety, prevention campaigns to improve health and safety and working conditions should contribute not only to improving the quality of life at the workplace, but also the quality of products and services provided by firms, and therefore the latter's productivity as well.

Finally, labour administration can actively contribute to national development by becoming involved in programmes combating poverty and social exclusion.

With regard to the promotion of labour equality, labour administration occupies a privileged position on account of both its legitimacy with the social actors and its strategic situation at the crossroads of public standards, the administrative network and economic and social realities.22

Where child labour is concerned, collaboration with other ministries and the social partners enables labour administration to draw up policies that seek to suppress this form of labour and to protect minors, as well as to ensure that regulations are circulated and applied in the workplace.

Decision-making tools

Trade globalization means that important and often urgent decisions have to be taken regarding the creation, mergers, relocation and even closure of firms.
Countries that offer significant comparative benefits (e.g. availability of suitable resources) have an advantage over their competitors, provided that the decisions they take are based on a sound knowledge of their resources. As stated by the World Bank, the credibility of a State directly influences economic growth and investment. In this regard, labour administrations are at a distinct advantage. They are able to furnish governments with original data on available resources, in particular human resources. This type of information is vital for drawing up a national economic development policy.

An effective system of information on labour market conditions is an asset to economic development, especially for reconstruction projects of industrial sectors. Together with other means, it enables ministries in charge of economic affairs to target their policies and national and foreign firms to make rapid decisions concerning their future.

In transition and developing countries, where inadequate information systems hinder development, labour administrations are at the origin of integrated structures that answer decision-makers’ needs; this is the case, for example, with employment and training monitoring agencies which provide expertise that helps the decision process and is part of a network of partners that are linked by joint action and cooperation facilities.

In countries emerging from a period of armed conflict, labour administrations can participate in development or reconstruction projects that require funds from international institutions or foreign governments. Projects are accepted and implemented more easily and more quickly if they are firmly rooted in a local structure that the conflict will certainly not have completely destroyed and that can furnish some of the data and basic resources needed for the project to get under way and then continue managing it independently.

**Strategy tools**

The decision-makers’ ability to devise strategies, rather than intervening as and when needs arise, offers a definite advantage in terms of development. Individuals and firms need to know how the market is evolving. Governments, in particular ministries of education, need to know the future needs of firms so as to create appropriate educational, training and, where necessary, vocational training courses.

In this regard, the role of labour administration is not limited simply to recording or reporting on the situation of the labour market by means of regular statistical bulletins. It includes forecast studies and providing the tools needed in taking decisions to prepare a response to anticipated needs. Responses to the future needs of firms take shape in current training programmes. In certain countries vocational training depends not on the ministry that covers basic labour
administration activities but on a different one, such as the Ministry of Education. It is up to the former to take the necessary steps to ensure that the needs of its users are taken into account by the body in charge. However, when labour administration itself is responsible for vocational training, it takes on the task of forecasting needs and creating appropriate training procedures.

Comparative data on the development of labour relations also enable partners to prepare negotiations based on reliable figures and to plan investments accordingly.

Generally, labour administration may be an actor, coordinator and support provider to ensure the consistency of the government’s social and economic policies. By including measures relative to training, employment and working conditions, and by bringing in the social partners, labour administration can present integrated strategies on economic orientations, on policies and programmes, or participate in their elaboration. It can also assess the impact of these strategies when it “controls” both ends of the policy chain covering the use of human resources (projections, training, jobs).

Democratic life

One of the main potential strengths of labour administration lies in its ability to grasp the movements, reactions and needs of the creative forces of society, thanks to its large and diversified contact base. By promoting the organization of the social partners and by involving them in the definition of its policies and action programmes through the creation and regular operation of consultation and collaboration bodies in which other recognized actors also participate, labour administration can acquire a high degree of credibility that will provide a solid foundation for any action it may take. By ensuring respect for the right of association, by promoting dialogue and social debate and by providing information, it can promote democracy. In some cases it can help mentalities to evolve, for example in transition countries that have chosen the free-market economy system, by associating the social partners in discussion forums on new issues in society. In this way it can show that it is an agent of change and a promoter of development.

On the other hand, its constant contact with a varied clientele, recognition of different groups of users and presence throughout the national territory by means of public employment services and labour inspectorates, for example, heighten its awareness of changes in society and enable it to take them fully into account.

This position of strength should pave the way to its active participation in important decisions taken by the government to support development and tackle problems that stand in its way.
Tackling obstacles to development

Labour administration has the means needed to meet the challenges posed by the evolution of society. In some developed countries it is the main tool that the government uses to carry out activities in behalf of the active population, and it should take on a similar role in all the countries currently undergoing structural economic crises, from which workers and their families are the first to suffer. In its summary report, the ILO’s Working Party on the Social Dimensions of the Liberalization of International Trade stated that:

… globalization means new business opportunities and therefore better economic prospects, but it can also entail significant adjustment costs. More generally, there is concern about employment stability at a time when firms adjust to the pressures arising from greater international competition. Some are well placed to gain from this process, while others may be worse off in either relative or absolute terms. However, none of the countries under study has considered protectionist measures with respect to trade and foreign direct investment as a solution to these problems. Instead, the challenge lies in selecting the appropriate mix of measures (by governments and social partners) to improve the returns from globalization while reducing the social costs. The country studies show that, in contrast to the view that national governments are powerless in the face of globalization, domestic policies can have a strong bearing on the relationship between globalization and social progress. There is indeed scope for improving the domestic competition environment and, in so doing, taking advantage of the business opportunities arising from globalization. More importantly, the four ‘social pillars’ can provide a meaningful contribution to a successful globalization process:

- equality of access to education and training;
- a well-functioning social safety net;
- labour regulations that combine the need for adaptability with that of protection;
- the observance of core labour standards.²⁵

There is still a long way to go to attain this objective; it is measured in particular by the position of the ministry in charge of labour matters in the government’s organizational chart, and by the size of the budgetary resources allocated to it.

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Combating unemployment

The positioning of labour administrations in the fight against unemployment is a crucial factor; government response generally confirms their pivotal role in this regard. All ILO constituents, including the most liberal ones, have an administration in charge of employment. These services are generally important, even predominant components in labour administration systems, and this has become even more apparent with the rise in unemployment over the last 20 years.

Their method of organization varies little and is based on two major basic principles:

- A network for welcoming users;
- An administrative structure that is independent of the Ministry of Employment.

The means by which employment services intervene vary widely. Their organization and the scope of their jurisdiction vary widely and depend largely on the resources they are given by governments in order to combat unemployment. They traditionally consist in receiving and registering users with a view to providing them with benefits depending on the means available in the country (this is the classical context within which employment services fulfil their role), but may also extend to providing advice to job seekers, for example giving information on the labour market and on job search techniques. When a so-called “active” policy for combating unemployment is put into practice, it is complemented by vocational training programmes or even by programmes promoting job creation in various “target” sectors (the most vulnerable groups, sectors with the greatest needs). An example of this type of action is the Informal Sector Support Fund (FASI) in Burkina Faso and Senegal.

A globally small but variable budgetary effort. Policies for combating unemployment mobilize a large share of state budgets, which is all the greater with benefits having to be paid to workers where employer and worker contributions are insufficient. When this proportion is considered to be too large, governments have no choice but to “activate” expenditure so as to make their intervention more operational.

A more or less institutionalized partnership. Tripartite, or even bipartite (i.e. by the social partners only) management of institutions that contribute directly or indirectly to the fight against unemployment may be more or less widespread:

- In certain cases, governments are tempted to believe that the introduction of government employment policies cannot be delegated or negotiated: the social partners are thus either ignored or relegated to playing a more or less consensual minor role;
Elsewhere, as in many developed countries, governments and the social partners may have got into the habit of maintaining a close dialogue, the governments having realized the advantages of an equal division of responsibility with regard to unpopular measures taken in respect of benefits. In this case, many social institutions will be managed by a tripartite or bipartite administrative council.

**Labour administration and the informal sector**

While industrialized countries are facing an increase in illegal labour, in developing countries this phenomenon has taken on a totally different dimension; there it is habitually referred to as “informal”, though this is just a different way of describing the same reality: employers hire workers who enjoy no social protection at all, and domestic standards are not applied because the State is unable to ensure that they are respected.

The growth of this phenomenon, which affects almost 90 per cent of the active population in many developing countries (in Burkina Faso, for example, 95 per cent of the workforce in rural areas and 50 per cent of the active population in urban areas work in the informal sector),28 challenges the foundations of social relations and the role of the State as a guarantor of balanced relations; moreover, no social welfare system based on the principle of distribution (the contributions of the active population pay the retirement benefits of the previous generation) is able to guarantee deferred benefits to its members if the premium base is not sufficient.

Furthermore, workers’ and employers’ organizations, which are the traditional actors in social relations, represent only a fraction of the active population. As for the State, it does not inspire any confidence in workers placed in this situation.

For countries with an administrative structure that is weak and has little credibility, this is therefore a particularly difficult challenge to overcome. Nevertheless, pragmatic solutions can be implemented, provided the State wishes to play an effective role once again.

Knowledge of the actual context of the business environment, which can easily be improved by cooperating with the ministerial department responsible for tax collection, is vital to the new involvement of labour administration. To achieve this it is pointless to ask labour services to carry out a survey of employers before considering the data collected by the Ministry of Finance in countries undergoing structural adjustment; in the latter, the tax administration had to begin by updating its files on businesses so as to be able to reconstruct the taxation system; it would therefore be pointless for the labour services to carry out this survey a second time.
Next, awareness of the social reality – clandestine or “informal” or “irregular” work is not a deliberate choice but a means of survival for a relatively large proportion of the active population – should help promote the emergence of structures which, like the “labour exchanges” established in Europe in the nineteenth century, manage the social welfare of groups of workers and employers with very limited contribution rates. This process would make it possible to gradually reintegrate these people into a situation providing them with minimum social rights, as it was the case in Burkina Faso and Senegal.

It is only by demonstrating in this manner its ability to offer real services that labour administration can regain a certain amount of the credibility that for various reasons it has often been unable to preserve.

**Involvement in dispute resolution and the role of ILO**

Acting as mediator is one of labour administration’s main *raisons d’être*: it either attempts to prevent conflicts by promoting negotiation between the social partners, or it helps to resolve disputes within a formal or informal arbitration procedure.

It is often beneficial for negotiation between the social partners to be organized or at least promoted by the State; labour administration must be able to create the conditions for effective social dialogue. Its greatest success would be for the social partners to no longer need its mediation services in order to meet and negotiate. This is actually the case in some European countries. However, the social partners may also be convened by the public authorities. The periodic negotiation of collective agreements may provide an opportunity for regular meetings, thus making it possible for the representatives to get to know each other and facilitating future contact should social tension arise.

Should a conflict occur, the competent labour administration representative at the site of the dispute should have the personal ability to promote the search for a negotiated settlement that satisfies both parties. This ability is often required in less-developed countries, as in Africa, for example, where the economic context has led a number of governments to agree to the privatization of state companies.

Mediation has definitely proved its worth: implemented in a more or less institutionalized form, it enables the parties concerned to find a balanced solution and to possibly avert disputes through periodic collective negotiations. There are numerous elaborate examples of such procedures in industrialized countries.

The success of all the activities undertaken by labour administration is greatly enhanced by the support it receives from the social partners; the latter oversee several activities of the labour administration system, either independently or as...
part of a tripartite procedure. However, recent developments show a global weakening of the social partners. And when they have a particularly low representational profile, consultations with them lack proper legitimacy or become downright impossible or meaningless.

It is therefore vital that labour administrations encourage the strengthening of workers’ and employers’ organizations, while respecting their autonomy, so as to involve them effectively in defining labour policy. This requires ensuring that the regulations governing the establishment of such bodies are applied, and helping the organizations to assume their responsibilities by promoting the decentralization of labour administration.

Labour administrations can promote national development and fight poverty by tackling the obstacles that stand in its way. For this purpose, they have at their disposal a globally accepted conceptual framework drawn up by the ILO constituents.

A universally accepted conceptual framework

Labour administration activities, whose purpose was described above and whose operation will be described in the following chapters, fall fully into line with the regulatory policies defined by governments between two extremes – “total state control” and the “laissez-faire approach” – and within the framework of voluntary development policies in which, as we have just seen, labour administrations can play a significant role. This requires taking into account not only the economic and financial aspects but also all the other dimensions of the life of a society, in particular the active and democratic participation of economic and social actors and the establishment of balanced and respected rules.

The importance of the subject explains why it is periodically a major concern for States, why a conceptual framework should be defined and why the choices that promote the consistency of economic, social and democratic development should be enhanced and given added credibility.

However, certain conditions must be met for a beneficial dialogue to take place. These range from the choice of participants to the terms used so as to refer in an identical way to the realities being discussed. At first glance, the differences noted in the organization of ministries responsible for labour administration, in their activities, in their importance and in their relations with the environment in which they operate suggest that comparison is impossible and that the terms used just to describe them will mean different things to different people, thereby preventing real dialogue.

If we add the fact that the social partners themselves play very different roles from one country to another and that decentralization and even federalism make
the situations observed even more diverse, one might be tempted to abandon the idea of discussing labour administration in general or global terms.

This would be all the more regrettable given the current weakness of this public administration in many countries, particularly in the least developed of them, and the need to show, through specific examples, the value and necessity of an effective labour administration in devising lasting development policies.

*The role of the ILO*

The ILO has proved to be the obvious forum for this debate, a place where the confrontation of different interests and opinions can produce agreement not only between governments, but also with employers’ and workers’ organizations.

From its foundation in 1919, the International Labour Organization has been interested in the role of labour administration, notably based on the consideration and drafting of texts relating to labour inspection. It has also been concerned with defining the role of the overall system of labour administration. Debates have regularly taken place since the 1950s, culminating, in 1978, with the drafting of a Convention and a Recommendation adopted unanimously by governments and by workers’ and employers’ representatives; this universal recognition confers a high degree of credibility on the concepts contained in the two instruments.

It should be noted that at the time several standards already defined rules applicable to both labour inspection and employment services. The new instruments were innovative in that they addressed not only the most operational aspects of labour administration but the overall concept as well, providing a much broader view of the subject and no doubt new meaning to each of the components. This approach took into account the existence and the diversity of public structures in numerous countries, already grouping together labour administration’s essential activities.

This framework was re-examined at the end of 1996 by the ILO Committee of Experts on the Application of Conventions and Recommendations and, in 1997, by the 85th session of the International Labour Conference. The validity of Convention No. 150 and Recommendation No. 158 was confirmed and their appropriateness especially acknowledged. The international community considered that the two texts should be publicized and promoted in ILO member States so as to encourage their ratification.

*The content of the common conceptual framework*

One of the fundamental elements of Convention No. 150 is contained in Article 1 which, in addition to defining “labour administration”, has conceptualized the notion of a “national system of labour administration”.

Chapter 5
The Role of Labour Administration in Poverty Reduction
The term “labour administration” refers to public administration activities, in the narrowest sense of the term, in the field of national labour policy. The “system of labour administration”, for its part, is defined as covering all public administration bodies (including parastatal and regional or local agencies or any other form of decentralized administration) and any institutional framework for the coordination of the activities of such bodies and for consultation with and participation by employers and workers and their organizations.

This systematic conception enhances the complementary roles of the different actors. Therefore, there are national systems of labour administration in which the role of the social partners is extremely important, while in others, States or regions play a predominant role. The distribution of responsibilities varies widely from one country to another in all the different sectors covered (vocational training, employment or labour).

Even if it is possible to cite a significant field of activity in which, over the last few years, the responsibility of the State has become more common throughout the world, such as that of labour inspection, the way it is organized varies widely. In the majority of cases, this service comes under the Ministry of Labour, but often with decentralized management in a number of federal countries, or sometimes even under the responsibility of the Parliament or the Prime Minister.

The Convention therefore addresses the problem based on the functions that labour administration should carry out by giving special weight to the result of the operation of the system and not prescribing a rigid structure. The organization of the system can therefore have infinite combinations (excepting certain elements which will be discussed later) linked to the history of each country, to the strength and tradition of negotiation between the social partners, to the historical role of the State and to the political conceptions of the government. The extent of these differences is revealed by an examination of three very different systems of labour administration, each one of which conforms to the requirements of Convention No. 150.

This strong vision, concerned with obtaining concrete results and respectful of differences, is undoubtedly the main reason why these instruments are just as topical today as when they were adopted, over 20 years ago.

This great flexibility is complemented by the affirmation of a few important principles on which the system of labour administration is based.

Convention No. 150 and Recommendation No. 158 (1978) stress the participation of the social partners by means of consultation, cooperation and negotiation with the public authorities, at national, regional and local levels (Art. 5 of the Convention), as well as through the delegation of activities (Art. 2) and, finally, through resolving, by virtue of national legislation or practice, a certain number of issues through direct negotiations (Art. 3). Moreover, in its Article 5 (1)
the Recommendation calls for the active participation of employers’ and workers’ organizations in the preparation, development, adoption, application and re-examination of labour standards. It thus promotes a tripartite concept of the system’s operation.

In addition, the Convention defines the phases for preparing, implementing, coordinating, checking and reviewing national labour policy (Art. 6) and the essential activities that the competent bodies of the system of labour administration should carry out in accordance with employment policies, professional relations and the technical advice to be offered to the social partners.

Finally, the Convention provides that the functions and responsibilities assigned to the system should be properly coordinated (Art. 4). For this purpose, its Article 9 specifies that the Ministry of Labour (or another comparable body) should have the means to ascertain, in particular, whether any parastatal agencies responsible for particular labour administration activities are adhering to the objectives assigned to them, thereby ensuring that the functions and responsibilities have been properly assumed.

To ensure the efficient operation of the whole system, the Convention recalls the need for suitably qualified staff with access to the necessary training, free from undue outside influence and enjoying the status and material and financial resources necessary for the performance of their duties (Art. 10).

Beyond these aspects concerning the make-up of the system, the Convention promotes the extension of the functions of the labour administration system to include categories of workers who are not, in law, employed persons, such as agricultural workers and self-employed workers who do not engage outside help, and so on (Art. 7).

**Beyond labour administration: A concept of public administration**

This brief presentation of the content of Convention No. 150 and Recommendation No. 158 shows that, in addition to the importance attached to labour administration in accordance with the duties that it should carry out, a certain concept of the role and the operation of the State and of public administration has been defined.

It is an administration that is primarily concerned with the duties that it should carry out so as to serve the community and users. For this purpose, it constantly surrounds itself with the opinions of representatives of the social groups concerned and provides them with the information at its disposal so that they can themselves be involved in this dialogue. However, public administration does not claim to be the sole actor in areas where others can just as well (or better) supply the services expected, notably with regard to structures in which the economic or social partners may become involved.
At the same time, public administration should be able to have an overall view and ensure that the division of roles within its jurisdiction is consistent. Competition, compartmentalization and jurisdictional disputes between ministries and government agencies often create parallel operations that are detrimental to the quality and efficiency of services. Over and above the possible conflicts with federal jurisdictions, collaboration between the sectors of education, health, income security and employment is far from optimal. Indeed, it often appears that partnership with employers or workers is easier than that between agencies within the same government. This constitutes a major challenge for labour administration.

Finally, labour administration should have the resources to be able to meet the expectations of governments and citizens, both in quantitative and qualitative terms.

This concept brings us back to the heart of the current debate about the State, mentioned earlier in this chapter, and calls for labour administrations in all countries to be modernized.

This primarily concerns countries that have undergone profound transformations, bringing to an end non-pluralist political and social regimes or economic systems devoid of private enterprise and free markets. This need to modernize, however, also concerns all countries which have let their administrations become ossified by not supplying them with the necessary resources and impetus. As a result, they are unable to respond to the needs of firms and workers in numerous areas, notably as regards the labour market, vocational training and the improvement of working conditions.

Finally, it concerns other countries, that is, those with a competent and dynamic labour administration that operates in compliance with the requirements of Convention No. 150, but which are faced with a changing environment, as described in this chapter. The extent of these developments is such that adapting to the new needs, audiences and policies is an absolute necessity.
Chapter 5
The Role of Labour Administration in Poverty Reduction


6 Ruling by the European Court of Justice, of 27 March 1990, Rush Portuguesa Lda.


9 Ibid.


Social Dialogue and Poverty Reduction Strategies


21 Ibid., p.22.


PART 2
COUNTRY CASE STUDIES
CHAPTER 6
CAMBODIA: ASSESSING DECENT WORK

This section is an abridged version of an ILO working paper edited by Graeme Buckley and published in July 2003.

In 1999, the Bretton Woods institutions agreed that nationally-owned participatory poverty reduction strategies should provide the basis for all World Bank and IMF concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This approach, which builds on the principles of the Comprehensive Development Framework, is reflected in the PRSPs which describe a country's economic, social and political policies and programmes over a three year or longer horizon. It is intended to be a comprehensive document prepared by governments, with support from Bank/Fund teams, which identifies who the poor are and develops strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be locally generated and owned and developed through wide participatory dialogue. Furthermore, the PRSP should encourage accountability of governments to their own people and domestic constituencies rather than to external funders, enabling the poor to become active participants in development and not just passive recipients.

In this context, the ILO identified five special focus countries on which to pilot its support to the PRSP process. Cambodia was identified as one of these five countries, together with Nepal, Tanzania, Mali and Honduras. In each of these countries, the ILO is working to ensure that employment and other aspects of decent work are addressed as an integral part of the economic and social analyses and policies comprising the initiative. The exercise provides a framework in which the ILO can work together with its constituents to introduce the decent work agenda into the development and poverty reduction process, as well as contributing, through social dialogue, to broader participation and national ownership of these processes. This involves preparing, in close collaboration with the national authorities, an analysis of the role of employment and other elements comprising decent work in poverty reduction, organizing tripartite meetings in the countries to influence the design and implementation of PRSPs and an ongoing process of networking, advocacy and influencing among a variety of
stakeholders in addition to the ILO’s social partners, such as bilateral donors, NGOs, the multilateral development banks, other UN organizations, think tanks etc.

The PRSP is seen as an instrument for achieving the Millennium Development Goals (MDGs), which were endorsed by nearly 150 heads of state or government and 189 member States in total at the UN Millennium Summit in New York in September 2000. Decent work cuts across most MDGs and the ILO has a role to play in contributing to their attainment, including the major goal of halving the incidence of income poverty by 2015, but of particular concern is Target 16 on youth employment and Indicator 11 on the share of women in waged employment in the non agricultural sector which appears under Goal 3 on gender equality and the empowerment of women.

Many countries are not in a position to complete a full and comprehensive PRSP. In order to prevent delays for countries seeking debt relief under the HIPC Initiative as well as other concessional financing, an Interim PRSP (I-PRSP) can be formulated. An I-PRSP is meant to provide a road map for the development of a full PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc). With an I-PRSP in place, reports on progress (Joint Staff Assessments) need to be submitted for continued assistance and at yearly intervals once a full PRSP is in place.

Both the IMF and the World Bank have aligned their respective lending programmes to a country’s PRSP. In the case of the IMF, the Poverty Reduction Growth Facility (PRGF) – which has superseded the old Enhanced Structural Adjustment Facility – and the Financial Programming Framework are expected to derive from the PRSP. In the case of the World Bank’s activities in low-income countries, the Country Assistance Strategy and all loans – including the directly related Poverty Reduction Support Credit (PRSC) - and grants must be based on the PRSP. However, PRSPs have a leveraging role beyond debt relief and concessional credits. They have become the key policy instruments in the relations between low-income countries and the wider donor community. Most OECD members have fully endorsed the PRSP approach and have agreed to base their respective aid programmes in low-income countries on the results of the PRSP process. Many have also agreed to co-finance poverty reduction credits, grants and technical assistance in line with the PRSP. The United Nations Development Assistance Framework (UNDAF) process is also aligned to the PRSP.
The ILO and poverty reduction

The conceptual framework for taking forward the ILO’s work on poverty reduction is grounded in the twin concepts of entitlement and equity. The ILO is fundamentally concerned with social justice and rights. Poor people suffer a “deficit of entitlements and poverty reduction then, is about increasing both the asset endowments of the poor and their exchange entitlements. The fulfilment of these rights or entitlements involves the development of both economic and social capability. Inclusion, integration and, of course, access to incomes all imply the centrality of employment creation as an economic priority for poverty reduction. More generally, the need to build social objectives into macro-economic policy implies a stress on redistribution, equity and solidarity.

This conceptual framework underlines the point that economic growth is an essential but not sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor (what is often referred to as “pro-poor growth”). It includes changes in institutions, laws, regulations and practices that are part of the process that creates and perpetuates poverty and detailed, targeted interventions that will enable all categories of the poor to more fully integrate into economic processes so that they can take advantage of opportunities to improve their economic and social well being. This is why the concept of decent work, which brings together the economic and social goals in people’s lives, is so important to poverty reduction.

In principle, the ILO’s comparative advantage in the design and implementation of PRSPs lies in the integrated approach of decent work which embraces rights, employment, social protection and social dialogue. Although it is generally accepted that the well-being of any individual does not depend only on income, it is obvious that income from work is the overwhelmingly most important means of survival for poor people. It is, therefore, rather surprising how few PRSPs make explicit reference to, and even less, include an analysis of, labour markets and employment issues (the same could also be argued with respect to social security/social protection policies). This may have something to do with the perspective in some quarters that equates employment with waged employment, the latter of which might not be so relevant for many of the world’s poorest people (in most PRSP countries less than 20 per cent of the labour force is in waged employment) as well as the notion that labour markets are best left to the vagaries of the market. In some cases it is also evident that this relative neglect of employment policy probably reflects the relative absence of labour ministries and other social partners from the consultation processes for many Interim and full PRSPs.
Furthermore, given that the PRSP process is usually driven by the World Bank and the Ministry of Finance and/or Ministry of Planning, it has not always been easy for the ILO to engage in the process, especially in those countries where the ILO does not have an official representation. It is very difficult to develop a relationship with the aforementioned bodies or with other agencies and donors in a country on the basis of intermittent visits. Some stakeholders appear to question the value added of the ILO in poverty dialogues, especially those who are wary of the trade union movement; those who argue that the demand for labour should be left to the market; that social protection is affordable only for the formally employed; or that labour standards should not figure prominently in poverty reduction strategies.

Nevertheless, in many countries and most particularly in the five special focus countries chosen to pilot the ILO’s support to the PRSP process, attention has been drawn to active labour market policy as a tool for poverty reduction. This typically includes an attempt to identify the economy’s potential leading sectors in line with dynamic comparative advantage; the fiscal strategy and range of policies on interest rates, exchange rates, customs tariffs, wage rates, etc. that would best support such sectors and labour demand in other sectors; the crucial reforms of institutions and regulations that are needed to boost labour demand; policies to improve the quality and adaptability of labour to the benefit of productivity and hence demand for labour; and the special policies and programmes needed for social protection and to integrate the poor and particularly vulnerable groups like indigenous people in the growth process.

Poverty reduction and the social partners

The ILO’s social partners are fundamental stakeholders in PRSPs and should play a pivotal role in their design and implementation. The actual role played by the social partners and the issues which they focus on will vary from country to country but there are some common themes, not least the idea of participation as a process towards legitimising PRSPs. It has repeatedly been argued that without the voice of the social partners it is hard for either governments or the Bretton Woods institutions to claim that PRSPs represent the product of broad-based, national participation and dialogue.

In principle, ministries of labour will benefit from ILO involvement in PRSPs mainly because it will help bring them closer to the centres of policy making. The ministry of labour in a typical low-income country has a wide range of technical powers and duties but they often do not include a role in the determination of policy on employment and rarely in the determination of policy on poverty
reduction. Moreover, given that PRSP processes tend to be heavily budget orientated intra-governmental processes, it is often difficult for labour ministries to carry the same weight in PRSP discussions compared to other ministries such as health or education. The objective, then, is to secure a seat at the PRSP table for the ministry of labour thus raising its status and influence and increasing its capacity to analyse the interactions of employment and poverty and to contribute to the development of appropriate policies.

In most countries, the private sector is the principal engine of growth and this is clearly recognised in most PRSPs. Thus, the private sector is usually given a voice in PRSP dialogues and there are a number of common themes espoused by employers groups usually centred on what can be termed the enabling environment for private enterprise, including the importance of a stable macroeconomic environment; ensuring political stability, good governance and the rule of law; policies which promote open and transparent markets, including sound property rights and transparent fiscal policy; and the development of an adequate physical and social infrastructure. The PRSP is an important vehicle for taking forward this agenda which invariably has strong support from the Bretton Woods institutions and donors.

Generally, trade unions have not been given the voice that they deserve in PRSP discussions and in several countries they have been effectively excluded from the participatory processes. Sometimes this is a reflection of “political issues” in a given country which contrive to marginalize or exclude trade unions, other times it might be based on the limited capacity of some trades unions to engage in national dialogues on poverty. On other occasions it may transpire that the principal architects or coordinators of a country’s PRSP perceive that trade unions, because they primarily represent the interests of organised labour in urban settings, do not add sufficient value to poverty reduction strategies which focus on the poor in rural areas and in the informal sector. This is probably a common point of view but it is also narrow and misguided and the ILO has sought to refute this viewpoint in its engagement on PRSPs. For example, the ILO has sought to emphasize the dynamic link between the rural and urban sectors (many urban workers come from rural areas and remittances from urban workers constitute a major income source for many rural areas); the importance of trade unions in improving the terms and conditions for public sector workers which is likely to impact significantly on the quality of public service provision (including primary education and basic health services), especially as it affects the poor; and of the role of trade unions as a vehicle for public education and advocacy, such as on HIV/AIDS policy. In some countries, the prevention of HIV/AIDS is essential to the achievement of the MDGs and the mobilization of the social partners and other stakeholders in the world of work forms an essential strategy for mitigating
the social and economic impact of the pandemic, especially for the poor, who bear the heaviest burden. It has also been argued that trade unions have a particularly useful role to play in terms of their experience in organising and giving voice to a significant part of civil society. They are often the leading exponents of the principle of solidarity, a good example of participation in action and an exemplar of democratic organization.

Finally, it should be noted that a few workers’ organizations have themselves preferred not to get involved in what some regard as a continuation under a new acronym of previous policies to which they were opposed, and some employers’ and workers’ organizations have decided to concentrate their limited resources on other aspects of public policy. Finally, it is important to note that in some PRSP countries considerable restrictions on the freedom of workers and employers to associate and form or join organizations of their own choosing hamper the development of social dialogue on poverty reduction. Landless rural workers, small tenant farmers, small traders and producers are frequently excluded from laws providing for the legal establishment of workers’ and employers’ organizations or protecting such organizations and their members from intimidation and acts of violence. Reforms in these areas are essential if the poor are to be able to organise themselves and articulate their interests in society and the PRSP process.

Social dialogue and poverty reduction

Social dialogue plays a key role in achieving the ILO’s objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity. Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers' organizations), with or without indirect government involvement. Consultation can be informal or institutionalized, and often it is a combination of the two. It can take place at the national, regional or at enterprise level. It can be inter-professional, sectoral or a combination of all of these. The enabling conditions for social dialogue are as follows:

- Strong, independent workers' and employers' organizations with the technical capacity and access to the relevant information to participate in social dialogue;
Political will and commitment to engage in social dialogue on the part of all the parties;

Respect for the fundamental rights of freedom of association and collective bargaining;

Appropriate institutional support.

Social dialogue institutions are often defined by their composition. They can be bipartite, tripartite or “tripartite plus”. The key tripartite actors are the representatives of government, employers and workers. At times, and depending on specific national contexts, the tripartite partners may choose to open the dialogue to other relevant actors in society in an effort to gain a wider perspective, to incorporate the diverse views of other social actors and to build a wider consensus.

Social dialogue can take a variety of forms, ranging from the simple act of exchanging information to the more developed forms of consultation. The following is intended as a short list of the most usual forms of social dialogue;

Information-sharing is one of the most basic and indispensable elements for effective social dialogue. In itself, it implies no real discussion or action on the issues but it is nevertheless an essential part of those processes by which dialogue and decisions take place;

Consultation goes beyond the mere sharing of information and requires an engagement by the parties through an exchange of views which in turn can lead to more in-depth dialogue;

Tripartite or bipartite bodies can engage in negotiations and the conclusion of agreements. While many of these institutions make use of consultation and information-sharing, some are empowered to reach agreements that can be binding. Those social dialogue institutions which do not have such a mandate normally serve in an advisory capacity to ministries, legislators and other policy-makers and decision-makers;

Collective bargaining is not only an integral – and one of the most widespread – forms of social dialogue, it can be seen as a useful indicator of the capacity within a country to engage in national level tripartism. Parties can engage in collective bargaining at the enterprise, sectoral, regional, national and even multinational level.

The main goal of social dialogue itself is to promote consensus building and democratic involvement among the main stakeholders in the world of work. Successful social dialogue structures and processes have the potential to resolve
important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. Social dialogue is, therefore, both a means and an end in the quest for poverty reduction. It is an essential component of participatory processes inherent to the drafting of inclusive and meaningful PRSPs and the bedrock on which the foundations for an open, transparent and democratic society are laid.

The participatory process: Giving a voice to the social partners

The World Bank/IMF Joint Staff Assessment (2003) notes that the participatory process underpinning the PRSP in Cambodia has grown more open and consultative through time and has provided valuable lessons for the next iteration of the National Poverty Reduction Strategy (NPRS). The participation chapter candidly documents the overall NPRS process, clearly recognizes contributions and efforts of various stakeholders in the preparation of the strategy, and provides a plan for enhancing participation during the implementation phase, especially the poor and vulnerable groups. A number of points are raised in the Joint Staff Assessment. First, the process was enriched by local level consultations, which complemented active interest and important contributions at the national level by NGO networks, in particular the NGO Forum. There was stakeholder involvement from fairly diverse groups, from women’s groups, ethnic minorities, policy research institutes and academics, private sector, trade unions, and representatives from different regions of the country. Second, after a slow start, the process successfully engaged virtually all line agencies in a series of iterations in the development of the strategy. However, parliamentarians’ involvement was limited to workshop participation. Third, the openness of the National Poverty Reduction Strategies (NPRS) team also allowed active contributions and support by a number of key development partners—with collaborative technical work or close involvement of a number of multilateral and bilateral agencies and the NGO community. Generally, the NPRS team, and the final paper, demonstrated significant responsiveness to stakeholders’ concerns within Cambodia’s technical, political, and budgetary limits, and the staffs are confident that with support this responsiveness will increase.

Stakeholders have expressed a number of concerns about the NPRS, reflecting a perceived need to encourage more meaningful participation through the use of local language, set clearer priorities, ensure greater consistency across multiple strategic exercises, and examine more systematically and transparently the poverty and social impact of key policies that affect the poor. The NPRS acknowledges the concerns expressed by stakeholders in these areas. Stakeholders also urged
that performance indicators under the Second Socio-Economic Development Plan (SEDP II), NPRS and sectoral strategies converge, particularly in the context of efforts to localize the MDGs and the Consultative Group (CG) benchmarks. Finally, local NGOs felt that the lack of written materials available in Khmer compromised the ability of the broader population to participate effectively, despite the Government’s explanation that the working language for NPRS documents was English because of the need for external technical advice and support.

There is intent on the part of the Government to continue to consult with key stakeholder working groups to agree on a detailed stakeholder participation action plan for the implementation and monitoring of the NPRS. Civil society participation will be critical to enhancing transparency and accountability. While the Government has a well-articulated strategy for public dissemination in Khmer, there is a need to focus on establishing a more strategic framework for communication. A key challenge will be to work out how the NPRS participatory process, including the continued engagement of various ministries and agencies, in particular the Ministry of Economy and Finance, can be integrated with ongoing processes of the Government for policy and decision making - this is better established in some areas (such as education) than in others.

**The ILO, the social partners and participation in the PRSP in Cambodia**

As part of the participatory process, the ILO held a series of consultations with representatives of workers, employers and the government, plus representatives of civil society like NGOs, academics and intellectuals, plus members of the donor community - prominently the World Bank, UNDP, and the ADB. These consultations took place at the outset of the project, and over its course, individually and in bi-partite and tripartite fora, in Phnom Penh, and in Siem Reap. This social dialogue identified for the ILO priority issues for poverty in Cambodia, as well as establishing directions for policy solutions. The dialogue enriched both the appreciation of poverty, and anchored the policy proposals contained in Chapter 3, firmly in the aspirations of the social partners.

Workers, employers, and government representatives clearly identified that poverty comprised predominantly the working poor. There was general appreciation that the low registered unemployment rate of 2.5 per cent simply confirmed that the poor could not afford to be unemployed. Thus, the poor were poor not because they did not work, but because their conditions of work were bad. The poor lacked decent work.
Social Dialogue and Poverty Reduction Strategies

The working poor were poor because:

- They worked long hours for low returns – especially in the absence of a minimum wage;

- With low productivity, skills, education, even literacy, and bad nutrition and health;

- Women faced discrimination in the labour market and in education, making them poorer than men;

- Their conditions of work were onerous, often without holidays or overtime – especially in the wake of the over stretched capacity of the ministry of labour to monitor and implement existing labour laws;

- They had low security and frequency of work – indicated by the high under employment rate of about 13 per cent – especially given a weak investment climate in the major sectors, manufacturing, and agriculture, and the post-September 11 drop in tourism;

- They had little or no social protection in work – such as occupational safety and health considerations or health insurance, out of work – such as unemployment insurance, at the end of a working life - such as pensions, or for the vulnerable – like orphans, the disabled, and the HIV/AIDS victims;

- They had weak rights and voice at work to change these conditions. Particularly glaring weaknesses in rights were child labour, especially in its most hazardous forms, and the trafficking of women and children.

- Then the only sustainable route out of poverty is through:

  - The generation of work, and improvement in the conditions of work – generation of decent work; and,

  - Enabling workers to do the work by enhancing their capabilities.

  The workers, employers and government representatives further detailed problem areas and directions for policy solutions.

  In the area of generation of decent work the policy challenges were identified as:

  - Expansion of markets;

  - Modernisation of industry, agriculture and tourism sectors;

  - Development of communications and transport, especially in the public sector;

  - Diversification of industries;
Improvement of governance and transparency in institutional structures and policies to improve the investment climate and increase enterprise growth and employment;

Mainstreaming consultation with workers and employers in policy decision-making on socio-economic plans;

In the area of improving conditions of work, and enhancing workers capabilities, the policy challenges were identified as:

Low wage and income levels, and low productivities based on low skills, education and literacy;

Virtual absence of social protection, especially in the areas of occupational safety and health, and health insurance, and for vulnerable groups like orphans, the disabled, and HIV/AIDS victims;

Glaring weaknesses in rights, especially child labour, in its most hazardous forms, and the trafficking of women and children;

Transforming Cambodia’s industrial relations system from a planned to a market economy based one.

The government’s assessment of participation

The RGC’s Poverty Reduction Strategy process was launched in early May 2000, while preparations were being made for the SEDPII. The process for the I-PRSP was coordinated by the Ministry of Economy and Finance, and was completed on schedule, while the SEDPII was prepared under the supervision of the Ministry of Planning. A period of consultation followed, and the SEDPII was approved by the Council of Ministers in December 2001, and by the National Assembly in The process for the full PRSP was launched during a National PRSP Workshop on 25-26 April 2001. At this workshop fundamental questions were raised about the relationships between the different strategic plans and multi-year budget instruments. There was discussion as to what the difference between the PRSP and the SEDPII was; and about how the detailed costing and priorities in the PRSP were to relate to the projects in the Public Investment Plan (PIP). As a result, it was decided that the NPRS would be focused on reducing poverty and promoting growth, setting out priorities consistent with macroeconomic and fiscal constraints as well as implementation capacity, and be put together in an open and participatory process. The SEDPII will be used as the key building
block for the development of the PRSP. Key areas where additional work was needed to build on SEDPII to develop the:

- Improving monitoring and evaluation mechanisms;
- Developing more comprehensive performance indicators and targets;
- Improving the costing of priority public policies and programmes and their linkage to the budget; and
- Integrating the macroeconomic framework and the overall poverty reduction strategy.

It was also suggested that in the first full PRSP, the Government needed to focus on prioritising policy actions and on strengthening the process to ensure better coordination and participation. A structure was therefore strengthened to achieve these aims, based on the Council for Social Development and its Secretariat.

*The government identified the following lessons learnt from SEDPII and I-PRSP*

Prior to the commencement of the full NPRS process a good deal of participation had already taken place to develop the IPRSP and SEDPII. This provided an important basis on which to continue participation with stakeholders for the full NPRS process, such as an NGO Forum workshop on I-PRSP (October 2000), National SEDPII Forum (March 22, 2001), a second National SEDPII Forum (October 15, 2001) and Cambodian Institute Cooperation and Peace 2 Overseas Development Institute (2002). Result Oriented Public Expenditure Management in Cambodia. Volume I –Main Report (Draft) “Roundtable on Governance and Poverty Reduction” (October 21, 2001). At this time a comprehensive participatory poverty assessment was conducted with the support of the ADB (as described in section 2.2.2 below). More recently as part of the SEDPII process, a Cambodian NGO, Centre for Social Development conducted a ‘Public Forum’ in Kampot province to disseminate information on the SEDPII.
Feedback from stakeholders on these participation process included:

- Too much consultation had been in the form of circulating drafts for comment and workshops held in Phnom Penh; and

- That there was inadequate time for meaningful consultation.

There was also some criticism about the SEDPII and INPRS being prepared in English without timely translations into Khmer. It was also clear that it is important to understand the capacity of stakeholders to engage in dialogue. For example, Cambodian NGOs may need assistance in terms of understanding the NPRS process so they can effectively contribute. Unfortunately, neither of these problems was solved in time for the NPRS process, and it was not possible to circulate drafts in Khmer.

Based on this important experience the Council for Social Development (CSD), assisted by a General Secretariat (GSCSD), prepared a “Participation Action Plan” in January 2002. This action plan was used to define all participation activities, which underpinned the preparation of the full NPRS. The participation action plan included measures to conduct participation at the provincial and village level, improving participation processes conducted by key line ministries and to allow stakeholders to prepare comments. The participation process was further discussed and refined at a National Workshop held in April 2002.

The structure for participation: The Council for Social Development, its secretariat and the consultation mechanisms

Responsibility for the full PRSP was transferred to the CSD, an inter-ministerial body chaired by the Minister of Planning. The CSD, assisted by a General Secretariat (GSCSD), established in August 2001, is chaired by an Under Secretary of State of the Ministry of Planning (MOP).

The GSCSD holds monthly meetings attended by the General Secretariat, staff from the Poverty Monitoring and Technical Unit (PMATU) of the Ministry of Planning, and nominations from the Working Groups from the line Ministries, the Working Group nominated by the NGOs, and the donor Social Sector Working Group.

In January 2002, a full-time local Participation Consultant was hired by the GSCSD, so that, in addition to the monthly GSCSD meetings which were to have representation by government and civil society nominees, continuous dissemination and feedback could be provided.
Engaging the stakeholders: The participation process

A series of consultation and participation activities were developed by the GSCSD, as defined in the Participation Action Plan, including national workshops, the Consultative Group Meeting, consultations organised by line ministries, direct consultations with the poor, and provincial consultation meetings.

In April 2002, the first PRSP National Workshop discussed the process of consultation, with strong and lively NGO participation. The NGOs previous input on the I-PRSP and SEDP-II was distributed to the participants of this workshop. NGOs recommended at this workshop that NGOs be invited to attend meetings of the GSCSD, which was accepted (see above). At this stage GSCSD staff also individually contacted different NGO groups, and met with all the donors to elicit views about the NPRS.

At the first GSCSD meeting in early May the ministries were asked to share their matrices. It was decided that a joint National Workshop would be held at the end of May to involve NGOs, government, and long-term technical experts in the different sectors to come together and debate the matrices.

The second National Workshop of 28-29 May 2002, saw most of the line ministries present their draft PRSP matrices. Many of the sessions illustrated clearly the differing views of who the poor really were, and how they could best be reached. The matrices also showed the work still ahead in deciding the priorities.

The first draft of the PRSP was released at the third National Workshop of 26-27 August 2002 attended by over 200 people. The workshop had discussants from different NGOs and this time from the private sector. It appeared that one of the critical issues which will need further discussion is micro-finance – banking and legal issues, land rights, health etc. would come under this umbrella. At this point a focal point for the private sector was also identified.

The second draft of the PRSP was circulated before a fourth and final National Workshop of 12 November 2002. The purpose of this workshop was for government agencies to present the NPRS second draft after incorporating comments provided by various stakeholders, for stakeholders to provide any additional inputs and comments prior to the finalization of the NPRS, and to collectively discuss next steps in implementing the NPRS.

A further opportunity for discussing the PRSP was the Consultative Group meeting in June 2002. The Secretary General of the GSCSD presented some of the difficulties the ministries were facing in trying to prioritise their actions.

The NGO Statement to the Consultative Group Meeting would focus on poverty reduction, and that this statement would be the main source of new input to the NPRS.
An important lesson learned from the IPRSP and SEDPII formulation experience was the importance of active engagement of line ministries and to build on the existing participation processes they already have in place. For example, in September 2002 the Ministry of Education, Youth and Sports held extensive consultations to prepare and review their strategic plan. This was actively participated by NGOs and donors. It was from these consultations and the revised ministry wide strategic plan that the NPRS education inputs are based. Similarly, the Ministry of Health also held extensive consultations with civil society and international donors to develop their recent Health Sector Strategic Plan (August 2002) from which the NPRS inputs are based.

Other ministries in the rural development sector also conducted internal workshops to promote awareness and ownership of the NPRS within their ministries. The ministries’ internal consultations were either informal or organized through specific meetings.

With regards to the crosscutting issue of gender, the Ministry of Women’s Affairs actively participated in the NPRS. A PRSP “Gender Action Plan” was developed by a delegation that attended a World Bank supported “Regional Gender Mainstreaming in Poverty Reduction Strategy” conference in Hanoi, Vietnam in March 2002. Following this, the Ministry hosted a number of discussions between donors and NGO leaders on the PRSP and they developed comments on various drafts.

Using the data from the poverty map developed by the World Food Programme, the GSCSD organized three provincial consultations in Siem Reap, Prey Veng and Kep. The report on these consultations is available from the GSCSD office.3

In an effort to ensure poor women’s active participation, an NGO – ‘Women for Prosperity’, in close collaboration with the Ministry of Women’s and Veteran’s Affairs (MOWVA), conducted consultations with poor women in Pailin, Battambang, Pursat and Phnom Penh in June 2002. This was followed by a “Gender issues in the NPRS Roundtable” held on October 29, 2002. This was a one-day workshop organized by Women for Prosperity, the NGO Forum, and MOWVA where the findings from the grassroots consultations and recommendations were presented to the PRSP teams from four priority ministries.

An in-depth and comprehensive study of 154 villages had been completed just a few months earlier (the ADB Participatory Poverty Assessment) in 2001. The most important qualitative work was to provide constant feedback to the ministries, and focus attention on their own understanding of the problems of delivering services to the poor.
Towards the end of June/early July, German GTZ joined in assisting with a series of consultations for the poor with the Ministry of Health in Kampong Thom province and in Anlong Kngan, the resettlement area from the Tonle Bassac. The primary purpose was for the health officials involved in the NPRS process to extend and expand their personal perceptions of the needs of the poor and how the NPRS process will directly respond to these.

Whilst various consultations have been going on at the national and field levels, in Phnom Penh the Poverty Monitoring and Analysis Technical Unit of the Ministry of Planning, attached to the GSCSD, held a National Poverty Forum in early July to discuss plans for monitoring and analysis and to describe the monitoring tools they planned to operationalize.

Civil society stakeholders

NGOs, the private sector and donor: Participation in the NPRS

The NGO Forum on Cambodia is an organized forum of local and international NGOs that seeks to discuss and advocate the concerns of NGOs regarding Cambodia’s development.

Activities/reports of NGOs include:

- Interviews with NGOs and workshops in Phnom Penh and four provinces to discuss the IPRSP. Efforts were made to meet with other civil society informants, such as indigenous hill tribe leaders, industrial workers, commercial sex workers and urban poor community leaders. This two-month activity culminated in a National NGO Workshop held on 24-25 October 2000 and was attended by 85 NGO representatives, mostly Cambodian;

- The forum’s report “Cambodia's draft Poverty Reduction Strategy Paper - Has NGO Input Been Included?” (September 2002) summarizes much of the relevant NGO input to date.

This includes:

- Results of Initial Discussions among NGOs/Civil Society Organizations (CSOs) on the National Poverty Reduction Strategy of Cambodia (November 2000), a publication of the NGO Forum on Cambodia, produced after two months of sectoral discussions and the holding of a national workshop on the I-PRSP in October 2000 involving 85 NGO representatives;

- Results of NGO Discussions on the Draft Socio-Economic Development Plan (August 2001), produced following a meeting of 32 NGO representatives from a variety of sectors in July;
– The NGO Statement to the 2002 Consultative Group (CG) Meeting in June 2002 (see above);

– NGO Recommendations to Enhance the Success of the RGC’s Governance Action Plan (June 2002), a publication of the NGO Forum on Cambodia;

And finally, a rapid comparison of the NGO Statement to the 2002 CG Meeting and the second draft of the PRSP in Cambodia was completed which was used to revise the final draft of the NPRS.

NGOs were active participants of all the National Workshops (as described above) and GSCSD meetings. The private sector has a focal person liaising with GSCSD who assisted with dissemination meeting with the GSCSD, provided excellent material from their database on topics such as agro industry.

The donor Social Sector Working Group in particular has provided representatives (from UNICEF, World Food Programme, UNESCO and WHO) to attend the monthly GSCSD meetings to provide technical input. From May 2002 GSCSD staff met with different donors. The Canadian Cooperation agreed to fund a consultant who could work as the link between GSCSD and the line ministries to ensure that there was continuous feedback from the GSCSD and indeed from the line ministries. UNFPA provided an assistant for the Secretary General and also agreed to assist with transport and the provision of small office supplies. UNESCO assisted with a consultant to work at the Ministry of Education, and also agreed to fund the education ministry personnel at different levels to attend dissemination workshops in the different provinces.

Between 28 and 29 October 2002, the CIDA project in collaboration with the UNDP and World Bank Institute organized a workshop on role of parliaments and PRSP where senators, parliamentarians, certain NGOs and a number of representatives of the poor from Takeo, Pursat, Kampong Thom, Kratie and Kampong Speu were involved. These poor people represented different sectors important to their livelihoods including access to forestry resources, fisheries, rice farming, the sex trade, the impact of drug addiction, and garment factories. The workshop was briefed about the NPRS process in Cambodia by a Cambodia World Bank officer, the General Secretary of GSCSD and the Deputy Secretary General of MEF who has been involved in the NPRS process. The workshop participants were also discussing briefly the contents and certain substances of interest of the NPRS. The workshop can be considered as part of the effort to involve the parliamentarians in the NPRS process and their capacity building.

Soon after the August 2002 national workshop a number of trade unions formed a ‘Union Committee for PRSP’. The committee became actively involved
in the process; meeting monthly; presenting their views at the final workshop; and preparing comments on second draft of the NPRS. Their contributions focused on labour conditions (especially related to reducing minimum wages), employment issues and corruption.

The media was identified as a stakeholder in the NPRS process. Journalists were invited to attend all the National Workshops and some important events in the NPRS process were reported in the local press. The media will continue to play an important role in monitoring the implementation of the NPRS.

In conclusion, the Government reports in the Cambodia NPRS that relative to the starting point of May 2002 significant progress has been made to promote participation between the Government and the people of Cambodia. During the ongoing PRSP process the GSCSD has achieved significant participation from Government sectoral Ministries, donors, NGOs, communities, the private sector, communities of the poor, and other civil societies. In addition to the World Bank, the Government’s other key donor partners including the UNDP, UNFPA, WHO, UNESCO, UNICEF, DFID, CIDA and GTZ, have actively supported the NPRS process. The process has so far ensured broad country ownership and extensive stakeholder consultation. However, not all of the activities planned in the Participation Action Plan were implemented for a variety of reasons, including limited time and lack of financial resources and capacity constraints. The GSCSD will continue to serve as the principal stakeholder coordination mechanism to ensure that line ministries, NGOs, private sector and donors are aware of opportunities for assistance and progress of grant-supported activities.

A summary of what the ILO and the social partners achieved from participation in the PRSP

Stage 1: Formulation of ILO input for PRSP in Cambodia (January – July 2002)

In early 2002, in close cooperation and consultation with the social partners as well as government agencies, the ILO conducted research on important social and economic policy issues of relevance to the national poverty reduction strategy. The ILO’s technical report, *Generating Decent Work in an Emergency-Poverty Reduction in Cambodia*, rendered workers’ and employers’ organizations as well as government agencies including MOSALVY (Ministry of Social Affairs, Labour and Youth Rehabilitation) better aware and able to assess and analyze social and economic data, and to develop their contribution to the PRSP process.
Stage 2: Capacity building activities for social partners (July 2002)

As the first step for capacity building for effective social dialogue in the PRSP, the ILO organized two separate workshops for workers’ and employers’ organizations. The workshops aimed specifically at strengthening their capacity for effective participation in the PRSP formulation process. The ILO conducted a training workshop for trade union leaders, aiming at enhancing their awareness of the vital importance of their participation in the PRSP and at strengthening their capacity to participate in the PRSP process. Through the workshop trade union leaders gained knowledge on PRSP related issues and developed a checklist for their effective participation in the PRSP. More importantly, at the end of the workshop, trade unions formed a joint trade union committee on PRSP, which was a very encouraging development, as rivalry among trade unions in Cambodia often undermines the scope for working together. At the same time, the ILO gave technical and financial support to a survey undertaken by the Cambodia Federation of Employers and Business Associations (CAMFEBA), the umbrella organizations representing employers in all the sectors of the economy. The sample survey of employers’ views on the PRSP contributed to identification of the employers’ priorities on policy measures.

Stage 3: National and provincial tripartite workshop on PRSP (August 2002)

Based upon the outcomes of Stage 1 and 2, a national tripartite workshop on the PRSP process was held in July 2002. The national workshop was successful in several ways: first, representatives of workers’ and employers’ organizations jointly identified the barriers to poverty reduction in the country and presented their policy priorities for reducing poverty; second, the national tripartite workshop offered the first opportunity where the Ministry of Planning, the lead Ministry on PRSP in the country, established a constructive relationship with trade unions; finally the social partners were able to endorse the ILO policy proposals, which had been developed from the previous consultations. Immediately after the national tripartite workshop, a provincial tripartite workshop was organized, which was instrumental in bringing the voices of rural workers into the PRSP process. Finally, as a result of this whole process of empowering the social partners and increasing their “visibility”, they were included in the national consultation meetings organized by the RGC in August and November 2002.
Stage 4: Technical support for line ministries in finalizing PRS paper

In September 2002, the ILO fielded a mission to undertake a series of meetings with line ministries with a view to incorporating ILO policy proposals - which reflected the views and priorities of the ILO constituents based on the above activities - into the policy matrices of each line ministry. There was a generally positive response from the line ministries and the ILO provided technical assistance to them in finalizing their policy matrices. Ultimately, the overall Government PRSP policy matrix went on to incorporate most – if not all – of the ILO policy proposals.

Impact of the ILO project on the PRSP process

The most visible indicator of the success achieved by the ILO’s intervention through social dialogue on PRSP is the final version of the PRSP policy matrix which embraces many issues relating to decent work. Another important indicator of the success is the strengthened capacity of the trade union movement to coordinate policies between national trade unions centres. This work has also shown how trade unions can actively participate in the formulation of policy on poverty reduction, which is new ground for the trade union movement in Cambodia. But perhaps most importantly, the PRSP experience has enhanced the scope for fostering a constructive partnership between employers’ and workers’ organizations on issues of common interest, as shown in their joint identification of problems on poverty reduction through a bi-partite and tripartite dialogue process.

The technical assessment: Generating decent work for poverty reduction in Cambodia

Cambodia has come far in terms of political reconstruction from the era of conflict. Two national elections and a commune election have been held in the last decade – important steps towards democracy and decentralisation. Economic reconstruction has also been significant, a transition from a centrally-planned economy to a market-based economy. The macro instability of the 1980s was replaced by the concerted reforms in the 1990s. These reforms have yielded growth and development – but not enough. Poverty has remained very high, and growth has proved fragile.

The ILO holds that the only sustainable route out of poverty is by generating productive work, and enabling workers to do that work. Because the poor largely work, poverty reduction implies – even more importantly the improvement in the
conditions of their work – the generation of decent work. Generation of decent work has to be enabled by a number of elements including generation of demand for labour, increasing the productivity of labour and its returns, increasing the security and protection for labour, improving working conditions, enhancing workers’ rights, and strengthening dialogue to underpin these. A critical element of decent work is reduction and elimination of particularly glaring vulnerabilities and glaring deficits, in areas such as children in hazardous work, child labour in general, trafficking of children and women, discrimination against women, and protection for the vulnerable - the disabled, orphans, and HIV/AIDS victims.

A set of policy proposals for reducing poverty in Cambodia are being put forward by the ILO, based on identification of critical problems and directions for policy solutions by the tripartite constituents – representatives of workers, employers and the government, plus representatives of civil society. To this policy end, the ILO brings its cross-country experience in the world of work.

The following section evaluates the growth and poverty dilemma for Cambodia, based on macro data and more importantly on the voice of workers, employers and government representatives identifying their needs and directions for policy solutions. The policy proposals which follow address the problems of poverty in two parts. The first set of policy proposals focus on strategies to generate decent work. These are by their nature more demand-generating strategies – enhancing the demand for decent work. The second set of policy proposals concentrate on strategies to improve the conditions of work and to enable workers to do that work, by equipping them better for it. These are more supply-oriented strategies, enhancing the capabilities of workers for decent work.

Current macro conditions

There has been growth, not high compared to its neighbours, and fragile. Prior to the Asian crisis the economy grew at 5-6 per cent. Compared to this Vietnam grew at 8-9 per cent over the last decade. The crisis lowered Cambodia’s growth to 2 per cent. Recovery to trend growth has been short lived, over 1999 and 2000. The global synchronised recession has again pulled down growth in 2001 to 2-3 per cent. Projections for 2002 feared the persistence of low growth in this 2-3 per cent band range, and projected a weak recovery to 3-4 per cent by 2003. This growth has been narrowly-based sectorally. Industry has lead with growth rates above 10 per cent, while agriculture has lagged badly with growth rates ranging from negative to 5 per cent and services have fared no better. Accordingly, the share for industry increased to almost a quarter of the GDP by 2000. The share for agriculture dropped to 38 per cent of GDP, and the share for services also dropped to 35 per cent. This industry-led growth has been based strongly on exports, which have doubled in the past half-decade to $1.1 billion, contributing a
third of GDP. Garments account for a half of these exports, and timber for another $0.1 billion. Approximately 40 per cent of the garments are destined for the US and the EU. As a result of the export growth, Cambodia’s reserves have risen to $0.5 billion and the exchange rate has stabilised at just under R4000 to the US Dollar. The current account deficit has been stabilised at around 10 per cent of the GDP.

The fiscal performance has also improved in the last three years. Beginning with a very low revenue base of 9 per cent of GDP in 1998, the introduction of a value added tax has helped raise this revenue by 3 per cent. Defence expenditures peaked in 1995 at around $170 million, and have now been brought down to $114 million. The share of social expenditures in GDP has gone up. The fiscal deficit has been contained below 6 per cent of the GDP. Domestic financing of the budget has been avoided since 1999, allowing room for expansion of private credit. Inflation has been brought down to single digits in the last three years. The Royal Government of Cambodia (RGC) has also undertaken administrative reforms to improve governance. These include a civil service reform strategy, restructuring the banking system, tabling a new forestry law, and approving a new Governance Action Plan.

**Poverty, the working poor, and agriculture**

The problem is that despite this reform and growth process over the last decade, poverty remains stubbornly high. Cambodia’s per capita income of $238 in 2000 made it the poorest country in South-East Asia. Demographic pressure does not account for this low per capita income in the usual way because Cambodia – with a population of 12.2 million in 2000 – has the lowest labour to cultivable land ratio in the Association of Southeast Asian Nations (ASEAN).

The level of poverty was estimated at 36 per cent in 1997 by the first Socio-Economic Survey (SES1). Unfortunately SES2 conducted in 1999 gives a higher figure of 51 per cent. There are serious problems of comparability across the two surveys, but poverty has probably not come down since 1997. Cambodia’s growth strategy over the last half decade has a major shortcoming in that it has at the very least left a high level of poverty, with more than a third of the population falling below the poverty line. Furthermore, there is a possibility that poverty may even have increased. Excluding from growth over a third of the population implies a narrowly based growth strategy. The demographic and educational characteristics of the poor, excluded from growth bear this out. Larger households, with a larger number of children tend to have a higher incidence of poverty. Illiterate heads of households and those with the least schooling also tend to have a higher incidence of poverty. Households with a
lower proportion of working members, a lower number of jobs per person, and a lower average wage had a higher incidence of poverty.

However, the poor cannot easily be identified as the formally unemployed in the labour market. The rate of open unemployment in 2000 was 2.5 per cent of a labour force of 5.5 million. The poorest households are not the unemployed but the own account workers and the unpaid family workers. The poor cannot afford not to work – the opportunity cost of unemployment is too high. So the poor are largely the working poor. And the working poor and the poor are largely in agriculture. Seventy per cent of the poor are in households whose head worked in agriculture. Compared to this only 1 to 7 per cent of the poor were in households whose head worked in other sectors like manufacturing, construction, trade or the government. The poor are also largely self-employed. Seventy-five per cent of the poor were in households whose head was self-employed. So most poverty is found in households whose head was a self-employed farmer. Furthermore, poverty in Cambodia has a strong gender dimension. Almost one-fifth of the poor household members were unpaid women workers. Virtually all female-headed households fell into poverty (SES 2).

If the poor are largely the rural self-employed farmers, it is important to establish which parts of rural Cambodia are the poorest. Rural Cambodia is divided into five regions. These regions are rural Phnom Penh in the southeast, the rural plains in the northwest, the rural areas around the Tonle Sap, the rural coast in the southwest, and the mountains in the northeast. The map also shows the population densities. The two main population densities are around Phnom Penh in the southeast, and the Siem Reap-Battambang-Banteaymeanchey in the northwest. The area around the Tonle Sap has the next highest population density. While the coast in the southwest and the mountains in the northeast have the lowest population densities. So the country’s population densities run on a southeast to northwest axis, from Phnom Penh in the southeast, around both sides of the Tonle Sap to Siem Reap and Battambang in the northwest. Three-quarters of the rural poverty lies in the northwest rural plains and around the Tonle Sap rural areas. In contrast, rural Phnom Penh in the southeast has the lowest incidence of poverty. What this implies is that rural poverty is concentrated in the areas distant from Phnom Penh, in the northwest population density of Siem Reap-Battambang, and along the south-east northwest population density axis around the Tonle Sap.

In summary, poverty is concentrated in agriculture, in the northwest population density of Siem Reap-Battambang, and along the southeast to northwest population density axis running around the Tonle Sap. Agricultural poverty is the lowest in the southeast population density of Phnom Penh. So the spatial dimension of poverty is remoteness from the Phnom Penh population...
Social Dialogue and Poverty Reduction Strategies

density in the southeast, travelling along the population density axis around the Tonle Sap to the northwest. If there is one archetype, the face of poverty in Cambodia is the poor working woman in agriculture.

Generation of decent work

Expansion of markets

Policy proposal

Expansion of the domestic market for agriculture and industry by integrating the two fragmented sectors better. Expansion and maintenance of the national road network will link industry concentrated in the South East of the country with agriculture concentrated in the North West. Expansion and maintenance of the local road network will integrate farms and urban markets better. Use of Labour Based Appropriate Technology for construction and maintenance of roads will generate both short term and long-term employment.

If there is one lesson in growth to be drawn from the Asian crisis, it is the need to rely on both external and domestic markets. Cambodia’s current growth strategy faces a number of challenges. It is based on two main sectors, textiles and garments, and tourism. It has neglected the agricultural sector, resulting in the concentration of poverty in the sector. Such a strategy is sectorally narrow, and it faces a number of challenges.

The challenge of competitiveness in textiles and garments

The textile and garment sector has contributed remarkably to the growth of industry and the economy over the past 8 years, growing more than ten-fold to $360 million. This sector now accounts for almost half of industry, and 12 per cent of the GDP. It employs 170,000 workers, nearly 4 per cent of the labour force. Eighty-five per cent of the workers are women. The average wage of $60 per month compares favourably with alternatives. There appears to be a premium fee of half a month’s wage paid by a significant number of workers to secure a job in the garment sector.

However, a problem arises in that Cambodia does not appear to have an underlying comparative advantage in a cheap labour industry like garments. Comparing the hourly wage rates in garments across Asia, Cambodia currently manages to match the low wage rates in labour surplus countries such as Vietnam, India, Indonesia, and Bangladesh. But unit labour costs in Cambodia are much higher than in countries with higher productivity like Vietnam. And the Cambodian wage is depressed because of the stagnating agricultural sector. In fact, the only reason that garment manufacturers have set up factories in
Cambodia is to take advantage of the special concessions it has obtained in world markets. China’s accession to the WTO has already eroded these, and they will be further weakened with the restoration of Vietnam’s normal trade relationship with the US. There has been a clear fall in investment in the sector since 1998, the reduction in the number of factories, and employees.

The challenge of raising exports in a dollarized economy

Export competitiveness is also constrained by the dollarized economy. Cambodia is dollarized in that the US dollar is widely used as a store of wealth, a medium of exchange, and a unit of account, so essentially the dollar serves the function of money in the Cambodian economy. This constrains the use of exchange rate policy to boost exports in the usual manner. If the prices charged by foreign suppliers, the prices of these goods in Cambodian markets, and the prices of Cambodian goods in world markets are all denominated in dollars, this amounts to a nominally fixed exchange rate. Then the exchange rate cannot be varied to affect the price of exports.

The challenge of a fragmented economy

A strong argument is emerging of a fragmentation of the economy. Evidence for this is yet casual, but it is persuasive and warrants serious consideration. The argument is that the two main loci of high population density, seen in Map 1, around Phnom Penh in the southeast, and around Siem Reap-Banteayminchey-Battambang in the northwest are weakly connected by road or water. The road connection between Siem Reap and Phnom Penh of 400 kilometres takes nine to ten hours. The road connection between Battambang and Phnom Penh of 300 kilometres takes eight hours. Water transport on the Tonle Sap is equally onerous. The bad road link appears as much a function of initially weak infrastructure, as much as lack of maintenance of what exists. Much of Cambodia’s industry is located in the population density around Phnom Penh. Much of Cambodia’s more fertile agriculture is located around the upper reaches of the Tonle Sap, in the Siem Reap-Banteayminchey-Battambang area (so what begins as a logistic fragmentation between the main population loci of Phnom Penh and Siem Reap, ends up as an institutional fragmentation of the economy, as a relative disconnect between industry around Phnom Penh and the agriculture around Siem Reap).

The historical subtext to this fragmentation of the economy dates back to the 13th century AD. The Angkor civilization emerged on the upper reaches of the Tonle Sap, around Siem Reap in the 9th century AD. Its location while no doubt based on more complex reasons appears at least to have been a function of two
strong factors, hydrology and conflict. The hydrology factor is the monsoonal swelling of the Tonle Sap, whose recession leaves a fertile flood plain for rice cultivation in the upper reaches. The flooding is so intense that the Mekong actually reverses its flow inland for that part of the year. This natural flooding was added to by the development of a large reservoir, river and canal network by the earliest Angkor kings. The Western Barai reservoir measures eight by three kilometres and is estimated to have irrigated a command area of 8000 ha, of which only 1800 ha have been rehabilitated currently. The Eastern Barai was several times larger, and had not been rehabilitated. This hydrology is estimated to have supported an Angkor population of up to one million, with a population density higher than the current population.

The conflict factor adds to locate the Angkor civilization around Siem Reap, and its relocation in the 13th century to Phnom Penh. The major conflict of the Angkor civilization was with the Chams from current Vietnam, and the Siamese from Thailand. The initial location of the Angkor civilization around Siem Reap was based on vanquishing the Siamese threats, and in fact extending into much of Siam in the 12th and 13th centuries. The name Siem Reap in fact means the defeat of Siem. The location around Siem Reap also implied a distancing of the Angkor civilization from the greater threat of the Chams. The Chams navigated up the Tonle Sap to attack Angkor, hence Angkor’s location at the far end of it. The second half of the 13th century however saw a reversal in the threats to Angkor. This period of Jayavarman VII, the pinnacle of Angkor, with the building of the Bayon temple, the development of 1,700 hospitals, and the endowing of universities, also coincided with the neighbouring unification of Siam. So in the post-Jayavarman VII period the Siamese threat increased, while the Cham threat receded, and the capital of the Angkor civilization relocated down the Tonle Sap to Phnom Penh.

This historical subtext helps explain the location of the two main areas of population density in Cambodia, around Phnom Penh and Siem Reap. The hydrological factor also helps explain the northwest area around Siem Reap as a historical and continuing major producer of agricultural surplus in the country. The logistic disconnect between the Phnom Penh and Siem Reap areas implies a disconnect between the industry in Phnom Penh and a major area for production of agricultural surplus Siem Reap. This disconnect takes the form of the north-west area around Siem Reap-Banteayminchey-Battambang marketing a large part of its agricultural surplus to Thailand, and buying a large part of its consumption and production needs from Thailand. So the agricultural sector of the northwest of Cambodia markets a large part of its output to Thailand, and buys a large part of its inputs from Thailand.
While more systematic evidence of this is needed, the ILO’s market surveys of small district market towns shows border trade as an overwhelming stylised fact. The main border town of Poipet straddles both the Thai and Cambodian sides, 140 kilometres from Siem Reap. The northwest of Cambodia markets a large part of its agricultural surplus through Poipet to Thailand. And the Thai market delivers to the northwest through Poipet, much of its consumer goods, apparel, durables, construction materials and mechanical implements. Surveys of small district towns like Pouk with a population of 112,000 some 20 kilometres from Siem Reap are flooded with Thai consumer goods and durables. The Thai baht is the parallel currency up to 60 kilometres inside Cambodia, and well accepted in Pouk.

Such evidence implies a fragmentation of Cambodia’s economy. Its agricultural sector in the northeast around Siem Reap-Banteyminchey-Battambang markets a large part of its surplus to Thailand, it provides a large part of this area’s industrial needs. So the agricultural sector in the northwest of the country does not market a large part of its surplus to the industrial sector in southeast around Phnom Penh, and nor does this agricultural sector in the northwest buy a large part of its industrial needs from Phnom Penh.

If industry is missing part of its domestic market in the agricultural sector, and agriculture is missing part of its market in the industrial sector, then both the domestic markets are narrowed down. With narrower domestic markets, for industry and agriculture, and relatively greater reliance on external markets, competition increases for both sectors. Cambodian agriculture has to compete with Thai agriculture and so will get a lower price. Cambodian industry also has to compete with Thai industry and so it will also get a lower price. Since 80 per cent of the population are self-employed farmers, they get lower prices and incomes. This is where most of the poverty lies, as noted earlier, in the agricultural sector, in the northwest, as the distance from the southeast area around Phnom Penh increases. Furthermore, Cambodian industry is struggling for competitiveness in external markets, while its quota advantage is looking bright. It cannot then afford to lose out on part of its domestic market.

An emergency strategy to re-integrate the fragmented economy and generate employment

If the economy is fragmented spatially and institutionally (the southeast from the northwest, and industry from agriculture) for logistic reasons, then the policy implication is unequivocal. There must be a major infrastructure programme to create and maintain the national road network. The ILO has decades of experience in the creation and maintenance of rural roads and infrastructure in Cambodia. The impact the roads have had on market expansion for outputs and
inputs, on productivity, on incomes, and on social development like schooling and health care are tremendous. Furthermore, the Labour-Based Appropriate Technology (LBAT), used in the construction and maintenance generates significant employment on an emergency basis, while keeping cost effectiveness.

Transport networks, particularly roads, are inadequate. The total road network in Cambodia (excluding tracks) is 41,000 km, comprising 4,200 km of national roads – (of which less than 12 per cent are paved), 3,600 km of provincial roads, and about 28,500 km of local or tertiary roads. This network provides only about 0.65 km of road for every 10 square km (1,000 hectares) of land. All roads have deteriorated following decades of conflict and political instability. Emergency improvements were carried out on arterial roads from 1991 to 1996, but many sections have deteriorated and are virtually impassable, particularly for heavy vehicles, during the rainy season because of lack of maintenance. Aggravating the situation is the poor condition of bridges on sections that have not been rehabilitated. The secondary network is in a derelict state, virtually blocking access to rural areas. This road category has been almost totally neglected, with all public funds having been spent on primary roads. Although there has been considerable investment in tertiary road improvements, maintenance and coverage are major challenges.

The Ministry for Rural Development estimates that there are over 28,000 km of rural roads. This includes the tertiary and sub-tertiary roads. A desktop survey carried out in 1999, found that approximately 4,000 km of roads would fall into the category of Tertiary Roads (linking district centres to each other). The remaining 24,000 km would be different categories of Sub-Tertiary Roads. The ILO’s micro surveys of the impact of road construction and maintenance on the affected community of users show both financial and economic returns. Financial returns comprise reduction in travel costs. Economic returns comprise increased trips for producers, consumers and traders, for increased transactions, decreased traders’ margins, reduced consumer prices, and increased returns to producers. In addition to income effects there would also be wealth effects, with asset values for land and vehicles increasing, and social development effects of better access to schooling, health, and security including de-mining. A Cambodia Road Economic Appraisal Model (CREAM), with an economic internal rate of return of 12 per cent, shows the feasibility of low cost roads under $15,000 per km for areas with population densities as low as 100 persons per sq. km. For higher priced roads the feasibility requires population densities of 150 persons per sq. km.

The ILO’s use of LBAT lowers the costs of the road, as well as generating greater employment. LBAT, when introduced widely in the mid-70s, reduced the cost per km from the equipment-based road of $4,300 to the LBAT road of $3,500. In addition, the equipment-based road generated barely 10 per cent
employment income, while the LBAT road at a $1 per day wage rate generated 43 per cent of the budget in employment income. At that time, the break-even wage rate between equipment and LBAT was $1.8 per day. By 2000, the equipment-based road costs $8,600, compared to the LBAT road cost of $5,700. The equipment-based road generates 5 per cent of the budget in employment income, while the LBAT road generates 26 per cent in employment income. However, since the cost of equipment has escalated by far more than the LBAT wage rate which is still at $1 per day, LBAT’s feasibility has increased considerably. The break-even wage rate has now risen to $3.8 per day. The ILO’s current gravel roads in Cambodia cost between $5,000 and $13,000 per km and generate between a quarter and a third of the budget in employment income, and 1,600 to 3,700 workdays per km. ILO projects were estimated to have generated some 2.3 million workdays over a 10-year project period. Perhaps the most telling numerical metaphor for the cost of not integrating a fragmented economy is not the cost of not constructing roads, but of not maintaining roads. The World Bank estimates that for $1 not spent on the maintenance of roads, there is a GDP loss of $3.

**Reviving growth, productivity, incomes and employment in agriculture**

**Policy proposal**

Increasing productivity in agriculture by easing the main constraint on dry season cropping—irrigation. Expansion of the canal network demonstrably raises productivity by allowing multi-cropping and permitting higher fertilizer use. Use of LBAT in extension and maintenance of the canal network will generate both short-term emergency employment, as well as long-term employment.

The primary challenge to the current growth strategy being pursued is the persistence of stubbornly high levels of poverty, at over a third of the population, largely accumulated in agriculture. The high growth in manufacturing—textiles and garments, and tourism—has not managed to affect the high levels of poverty in agriculture. Far from it, the poverty level may even have increased in the closing years of the decade. This growth strategy has been very narrowly based because it has allowed the predominant sector to stagnate. Agriculture still comprises 38 per cent of the GDP, roughly constant in the last half decade. Of a population of 12.2 million, and an employed labour force of 5.3 million, 71 per cent were still employed in agriculture. The second largest sector was trade at 8 per cent, followed by manufacturing at 7 per cent. Agriculture, the predominant sector of the country, both in terms of value added, and overwhelmingly in terms of population, is the weakest in South-East Asia. Cambodia’s agriculture is rice based, and its rice yields at 1.5 tons/ha are the lowest in the region, with next lowest country Laos at 2.7 tons/ha. These yields have barely crept up by 0.3 tons/ha. in the last decade, and by some estimates are still below their past level 30 years ago.
There is a clear irrigation constraint on expansion of output and productivity per hectare. Wet season rice is based on cultivation of just less than 2 million hectares. Dry season rice, which requires irrigation, is constrained to one-tenth the cultivated area of wet season rice. The low level of multi-cropping in the year constrains total production and the productivity per hectare. Another input constraint is fertilizer use. Cambodia’s lowest yields in the region are based on its lowest use of fertilizer in the region. Fertilizer input per hectare averaged 2.3 kg for Cambodia, compared to the next lowest user the Philippines averaging 63 kilogrammes. This low fertilizer use is also dependent in large part on irrigation constraints, since the impact of fertilizer on yields is seen to be dependent on controlled irrigation.

The ILO assisted in the construction, rehabilitation, maintenance and operation of the Bovel Irrigation System (BoIS) in Battambang Province and has assisted in the Barai Irrigation System (BIS) in Siem Reap Province since 1992. There were several important outputs from the ILO intervention. The ILO renovated 76.74 km, constructed 7.14 km of secondary canals and maintained 94.83 km of primary and second canals. The ILO also constructed 81 new irrigation structures and repaired 214 structures. Another important output was the substantial number of workdays generated. The total employment effect of the irrigation works for the three ILO projects was 1,738,274 workdays. The BoIS now has a wet season area. The average irrigated area for the BIS is around 8,000 hectares including supplementary wet, reeding and dry season crops.

Interviews with agricultural water users in the BoIS showed an increase in rice production due to reliable irrigation water. New higher yielding rice varieties have been adopted and users have invested in fertilizer due to a secure water supply. Farmers are no longer forced to grow traditional varieties, which are tolerant to poor conditions but produce low yields. The NGO ADRA compared the area under cultivation in 1993 (before the ILO intervention), to 1996 (after the ILO rehabilitation). ADRA recorded a 3,000 ha increase in the annual area of rice cultivation, including increased land area cropped and double cropping. A second ADRA project found that farmers were using improved rice varieties, crop management and water management leading to improved average yields from 1-1.5 tonnes per ha to 3.45 tonnes per ha. ADRA found that there needed to be an “agricultural and water” mix for effective utilisation and benefit from irrigation infrastructure rehabilitation and irrigation operation and maintenance. The Food and Agriculture Organization (FAO) found that agricultural extension building upon improved irrigation further increased yield.

A study by the Center for Advance Study (CAS) found that the land cultivated with improved irrigation had increased significantly (16 per cent) since 1993. In addition, the area used for double cropping had increased by 45 per cent. CAS believes that this increase in double cropping demonstrates the impact of improved irrigation since the ILO intervention. There was a considerable increase in the land used for growing wet and dry season rice. Wet season rice land increased by 11 per cent, while dry season rice land increased by 23 per cent. This result, especially the increase in dry season rice cultivation, was due to improved access to
irrigation. Total production (rice and other crops) increased by 28 per cent from 1993 to 1999. So the impact of irrigation on production and land productivity is considerable. The potential for irrigation in Cambodia is enormous. The existing 27,000 ha under irrigation form only 7 per cent of arable land, much less than Cambodia’s ASEAN neighbours, and less than its potential to irrigate 43 per cent of its arable land. Clearly, surface and ground water irrigation expansion on a significant scale has to form an important part of the macro strategy to raise growth and reduce poverty in agriculture. In addition, surface water expansion using LBAT helps provide emergency employment generation.

Reducing the volatility in tourism

Policy proposal

Tourism in Cambodia is highly import intensive, leaving a low value added and income share for the domestic economy. The import content in tourism must be reduced by better linkages with both domestic manufacturing and agriculture. Tourism must also be diversified, spatially from existing temple sites to others, and into niche markets like mountain and sea resorts, herbal spas, and eco-tourism. Again using LBAT to clear and maintain vast uncovered temple sites, and to develop infrastructure for the diversification of tourism will generate long-term employment.

Tourism is the major sector in services. Cambodia’s unique temples are the main draw. After the setbacks of the conflict and instability, tourist numbers hit 400,000 by 2001. Unfortunately, this sector is also subject to external conditions – in this case global tensions. After September 11, the growth rate in arrivals dropped from 23 per cent in the first eight months of the year to 1 per cent in the last three months. This sector also has a very low value added at the moment. Estimates show that for every tourist dollar, 75 cents are returned to Thailand to import fresh vegetables, fruit, flowers, handicrafts and furniture. To reduce the import intensity in tourism, policy incentives must be provided to increase its links with domestic industry and agriculture. To reduce the volatility in external demand, the Tourist Authority Apsara can consider increasing the share of higher end tourism. Apsara can also consider diversification of the sector. There is great potential for spatial diversification from currently uncovered sites around Angkor to the large number of uncovered sites around the country. There is also potential for diversification of tourism into niche markets like mountain and sea resorts and health spas. Again use of LBAT for uncovering sites and maintaining them generates significant employment as the ILO experience in the Angkor sites show.
Governance and consultation

**Policy proposal**

Improving governance and transparency to attract investment into Cambodia. Enterprise growth has to enable employment growth. Mainstreaming consultation with workers and employers in decision-making on socio-economic planning will also aid improvement in the environment for growth of investment and employment.

Declining investment especially in textiles, and the low level of investment in agriculture and other sectors like services, calls for an improvement in the environment to attract investment, both foreign direct investment, and domestic investment. This calls for the enunciation of a clear vision of the free market in the country. Judicial reforms are called for to provide capital with a secure base. Administrative and public sector reforms are needed to strengthen the investment environment, as well as to improve resource use. For instance, some estimates of smuggling show a significant displacement of domestic production and revenue losses to the government. Security for the individual must also complement security for capital.

The RGC has a Governance Action Plan. Property rights, especially in land, can be made more transparent. Investment incentives must also be based on modification of taxation laws, and administrative easing for entry of investment. Mainstreaming consultations with workers and employers on such issues of growth and employment, can only improve the economic environment. The consultation process for the PRSP for example, with workers, employers and representatives of civil society demonstrates this.

Improvement in the conditions of work, and enhancing workers capabilities

The strategy for poverty reduction examines the macro space for poverty reduction, by expanding the domestic market for both agriculture and industry through reintegration of its fragmented markets, by generating growth and employment in the lagging agriculture sector, by diversifying tourism, and by improving the investment environment. The generation of work however is not a sufficient condition for the reduction of poverty. As noted, the poor in Cambodia work to a large extent, however, despite working they are poor because of their conditions of work – because of indecent work. So poverty reduction requires not only the generation of work, but also improvement in their conditions of work – it requires the generation of decent work. And it requires equipping workers to do that work by enhancing their capabilities.
Low wages, incomes, productivity, gender segmentation and development of human resources

Policy proposal

Low wages and incomes accompany low productivity and weak development of human resources. Gender segmentation in the labour market is reinforced by lower education levels for women. To cut this vicious cycle, increased investment in education and literacy must be complemented by increased investment in vocational training, especially for women, and innovative reforms in its system. For example, linking vocational training to production as in China, allows better restructuring of the labour force, and orients skills towards demand.

Weaknesses in the labour market: The working poor

Four structural aspects of the Cambodian labour market are critical. These are the working poor, as noted earlier, low wage employment, the low levels of education, literacy, skills, and training, and a bias against women in education and skills, reinforcing a bias against them in the labour market.

The working poor: High labour force participation and low unemployment, particularly for the poor

Cambodia’s labour force participation rates, reported by the Labour Force Survey for 2000 are very high at 65 per cent. Participation is higher in rural than in urban areas, and higher for men than for women, particularly in rural areas. For men between the ages of 25 and 50 the participation rate approaches 100 per cent, and for women in the same age group it is well over 80 per cent. Women tend to join the labour force earlier than men. This mainly reflects the difference in school enrolment rates between boys and girls. The participation rate in the 15-19 age group is higher both for males who are in school and for males who are not in school, but is higher overall for females in this age group because fewer of them are in school.

Unemployment, as defined in the Labour Force Survey (not working but available and actively looking for work), is not the most important labour market problem in a country where few can afford to be unemployed and on a full-time job search. The highest unemployment rates are among young men and women, and these rates are higher in urban than in rural areas. In general, women are more likely to be unemployed than men, but with variations between locations and age groups.

In urban areas, the more educated have higher unemployment rates than the less educated, partly because their more prosperous families can finance a job search, and partly because they are unwilling to settle immediately for a job which is below the level that they have been led to expect. Urban males in the 20-24 age group with some tertiary education have the highest rate (31 per cent), followed
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by 15 to 19-year-olds with some secondary schooling (19 per cent for females, 16 per cent for males), and males with primary schooling or less in the 15-24 age group (12 per cent).

Low wage employment: High unpaid family labour, especially for women

The number in employment in 2000 is estimated at 5.3 million, which is 97.5 per cent of the labour force and 63.6 per cent of the working-age population. Fifty-two per cent of those in employment are women, representing 97.2 per cent of the female labour force and 62.6 per cent of the female working-age population. The fact that unpaid family labour is still the largest single category of employment status (particularly among women and in rural areas) is a sign of the relatively early stage of development of the Cambodian labour market – as is the low proportion in wage employment. Wage employment is particularly underdeveloped in rural areas. The incidence of wage employment is higher among men than women, particularly in urban areas, while women are over-represented among unpaid family workers. The sexes are equally represented in own account work (self-employment) in urban areas, but not in rural areas where men are over-represented in this category.

According to the 1999 SES, more than a third of wage employees work for government or state enterprises, 3.5 per cent for NGOs or international organisations and 62 per cent for private employers or joint ventures. Men are over-represented in government/state enterprises, women in private enterprises/joint ventures and international and non-government organizations. A high proportion of workers have more than one job – 32 per cent of women and 38 per cent of men in 1999, and particularly in education, agriculture, health and social work, and public administration and defence. By occupation, the incidence of multiple job-holding is highest among legislators, senior officials and managers (almost two thirds of whom have more than one job) and professionals and members of the armed forces, as well as skilled agricultural/fishery workers.

The economy and labour market are overwhelmingly agricultural. Nearly three quarters of Cambodia's workers of both sexes are engaged primarily in agriculture, hunting, forestry, and fishing. The next sectors in order of importance – wholesale and retail trade, manufacturing, and public administration and defence – only account for small proportions of total employment. Women are over-represented in agriculture, manufacturing and trade, men in fishing, construction, transport, public administration and defence and education. The pattern of employment by occupation reflects that by sector. Skilled agricultural workers predominate, accounting for almost three quarters of the total. Women are again over-represented in agricultural work and in service, sales and craft occupations. They are substantially under-represented in the armed forces, and
among legislators, senior officials and managers, professionals, technicians and associate professionals, and plant and machine operators.

**Women earn less than men**

Data on average monthly earnings of wage earners shows a considerable difference in wages between the sexes. The differential is higher in urban than in rural areas. Men earn higher wages than women in all educational categories except upper secondary, and in all age groups except 15-24; this last exception may reflect over-representation of women in the garment industry (see below). In every sector for which data are available men earn more than women, especially in trade, construction and transport. For both sexes urban wages are much higher than rural, and the premium for post-lower-secondary education is considerable (though women seem to get a negative return from post-secondary education). Average wages only increase slightly for men as they get older, and women reach their earnings peak when they are at their youngest. Sectoral differentials are quite large, with utilities being the highest paying sector for men and manufacturing for women.

Net daily earnings towards the bottom of the labour market are measured in regular surveys of vulnerable workers. Differentials between occupations are large for both sexes – as can be seen, male construction workers earn nearly four times as much as waiters, and the differential between female garment workers and waitresses is almost as large. For both sexes, the relatively high earnings of garment workers shows why these jobs are prized, in spite of problems with conditions of work. For both sexes, also, agricultural wages are higher than the lowest remuneration in urban areas. In the few occupations common to both sexes, men earn slightly more than women in all work except scavenging. Differentials between wage earners and the tip categories of self-employed do not appear to be large.

**Recent trends in the labour market**

Analysis of labour market trends is made difficult by problems of comparability between successive surveys. Each one was carried out for a different purpose, with varying definitions, methodologies, supervisors and international sponsors.

The labour force participation rate increased steadily between 1993/1994 and 1999 as the transition to a market economy gathered speed. The rate dropped again in 2000, but was still considerably higher than it had been seven years earlier, particularly for women. Trends in the proportion of the population that is working are similar: for both men and women, it rose from around 40 per cent in 1993/1994 to around a half in 2000, signifying an important reduction in the
dependency rate. Variations in definition vitiate the unemployment series – but the fact that the rate never rose above 4 per cent over the whole period underlines its relative unimportance as a measure of change in the labour market.

One sign of labour market development is the changes that have occurred in employment status. Between 1996 and 2000, the proportion in wage employment increased considerably, particularly among women. The proportion of wage earners working for private employers has risen even faster, again especially in the case of women. The changes in own account and unpaid family workers are difficult to interpret: these categories have fluctuated widely between surveys, suggesting that enumerators have problems in distinguishing between them.

The sectoral structure of the labour market has changed comparatively little since the early 1990s. The proportion of workers in agriculture and fishing actually increased during the decade. The only other sectors to show increases in their share were manufacturing, construction and, from very low levels, hotels and restaurants, financial services, private households and international organisations. The increase in the proportion of women working in manufacturing, reflecting the rise of the garment industry, apparently at the expense of their involvement in agriculture and trade, is remarkable, as is the fall in the proportion of men in trade, transport and communications, and public administration, defence and security.

Data on changes in wages since 1996 shows that men’s average wage rose by more than 50 per cent and women’s by almost two-thirds between 1996 and 2000. With price inflation around 28 per cent over this period, this was a real increase. For both sexes, wages increased particularly fast for those with some secondary schooling. Differentials between men and women narrowed except for those with some primary schooling.

Education and skills

One very important respect in which Cambodia is an outlier among its neighbours is the low average level of education of its labour force. Only 24 per cent have any schooling above primary and 23 per cent have no schooling at all. Among women the situation is even worse – only 17 per cent have any schooling above primary, and 29 per cent have no schooling.

With average levels of education as low as this, it is not surprising that illiteracy is widespread. A recent survey (Department of Non-Formal Education 2000) in fact suggests that the incidence of illiteracy is even higher than had been assumed on the basis of previous surveys (which had merely asked respondents to say whether they can read or write). Respondents were classified into three categories, based on test scores. Those who scored zero points in the test were classified as completely ‘illiterate’, those who could read and write only a few words and
numbers as ‘semi-literate’, and those who could use their literacy skills in everyday life and income generation as ‘literate’. The staggering implication of the results is that 63 per cent of Cambodians over the age of fourteen, over four million of them, are not functionally literate. The situation for women (for whom the proportion is 71 per cent) is even worse than for men (52 per cent). And, although those aged between 30 and 44 (whose schooling was disrupted in 1970-79) are over-represented among the functionally illiterate, 475,000 men and 732,000 women between the ages of 15 and 29 are also in this category. Illiteracy rates in Cambodia compare poorly with those of its ASEAN neighbours: as can be seen, they are far higher, both for the 15-and-over population as a whole and for the 15-24 age group, than in all the other countries except Laos. The contrast in female illiteracy rates is even greater.

Improvements in education affect future rather than current comparative advantage. The very high rates of return (social and private) on investment in basic education, observed all over Asia, derive from the resulting improvements in productivity and increased receptivity to new ideas in agriculture and in other sectors. Research has established a strong connection between the acquisition of literacy/numeracy and productivity gains in agriculture and in Cambodia illiteracy has been identified as an important barrier for women farmers to access information and the recruitment of female extension workers. A literate, numerate and trainable workforce is needed for international competitiveness based on productive rather than merely cheap labour.

The I-PRSP reports government plans to more than double the recurrent budget for education by the end of 2003 and to reduce direct and indirect costs to parents through a significant increase in performance-based salaries for teachers. Increased school-operating budgets will increasingly be managed at provincial/district and school levels. These strategies, it is hoped, will help secure attendance at school by pupils and teachers and, along with better availability of instructional materials, lead to improvement in quality. These plans address many of the major complaints of focus-group participants. It will be crucial for their success, however, to achieve the planned increase in current spending on education – at less than one per cent of GDP, the lowest in Asia.

The most cost-effective way to reduce illiteracy rates over time may be to improve access to and reduce drop-out from basic education. But in some countries, and Cambodia is certainly one, adult illiteracy is so widespread that an emergency approach to the problem is also warranted. Mass campaigns, involving the majority of illiterate adults, rather than small selective programmes, have been an essential part of every successful effort to eliminate illiteracy. Cambodia had two such campaigns in the 1980s, covering more than a million people, but the short duration of the programmes and the absence of post-programme support
reduced their effectiveness. A mass campaign should not be marginalized but should use a national network of educational facilities, with community participation. The poverty of those involved (which makes a literacy campaign the most effective, self-defining, anti-poverty programme) should be recognized: food will need to be provided to participants who may be missing a day’s work. Literacy teaching should be linked to actual or potential income generation activities, to maximise productivity impact, give an incentive to attendance, and ensure that reading ability is subsequently maintained. For the same reason, community libraries (or in UNESCO terms development resource centres) should be established.

The SEDP II gives priority to the expansion of adult literacy classes, especially for disadvantaged groups and in currently under-served areas. The aim is to increase the functional literacy rate from the 37 per cent measured in 1999 to 56 per cent over the plan period. The plan recognizes that direct user charges do not make sense for a programme of this kind, and that recurrent funding from government and donors will be needed. The idea of incorporating costs of literacy programmes into existing or new micro-credit schemes for the rural poor is also raised. This is an ambitious plan, with the right ideas. If it concentrates on 15 to 29-year-olds (of whom in 1999 some 460,000 men and over 700,000 women were functionally illiterate), its target amounts to the elimination of functional illiteracy in this age group.

Gender segmentation

Women are at a disadvantage in the labour market, a bias reinforced by their much lower average level of education. Women have a higher functional illiteracy rate, are under-represented among wage earners (particularly government employees) and in senior and powerful positions, and over-represented among unpaid family workers, and – except in the case of those with upper secondary education – tend to get lower wages than men with the same schooling.

Women are estimated to hold three-quarters of the jobs created in the garment sector. However with the decline of the sector, and job losses, women in this new export sector in Cambodia, as in much of South-East Asia have found themselves to be ‘the last in and the first out’. In the garment sector too, which is noted to be amongst the better paid, there is evidence that women’s incomes can fall below men’s incomes by up to 40 per cent. This bias against women in the labour market is certainly not captured entirely by the bias in education and skills acquisition. However the removal of these biases against women in education and training must be an important basis for removal of all biases against them. Therefore important components of the education and skills training programmes must favour, if anything, positive discrimination in favour of women to allow them to
overcome their great HRD deficits. This also has major implications for girls in
child labour and the trafficking of women which is examined ahead. Such a
programme would not only have an immediate beneficial impact on the
productivity and incomes of participants; it would also (while the longer term
results in the labour market from educational reforms are awaited) considerably
speed up the shift in the basis of Cambodia’s comparative advantage from cheap
labour to natural resources plus skill.

Skills for income generation

In order to respond to the immediate needs to generate employment or
self-employment in the context of the rehabilitation of Cambodia, the UNDP
approved the implementation of three projects, executed by the ILO under the
Employment Generation Programme (vocational training, assistance to small
to enterprise and labour-based projects). One of the three, the Vocational Training
for Employment Generation (VTEG) project, addressed the urgent need to
provide income-generating skills in an environment of limited employment
opportunities. The project promoted and provided direct demand-driven skills
training for employment to both urban and rural poor, including returnees,
internally-displaced persons, including demobilized soldiers, the disabled and
female heads of households and young girls. It focused on short cycle vocational
training programmes and identified income generating opportunities, largely
through cost-effective training activities. In completing its work, the project laid
the foundation for the present technical and vocational education and training
(TVET) system, establishing training needs assessment, curriculum and
programme development, instructor training, and a gender-in-development unit
(GID). A high proportion of the female population sought gender issues to be
included in all aspects of planning and implementation of training. The second
phase, Vocational Training for Poverty Alleviation (VTAP) project shifted its
focus to building the Government’s capacity to deliver flexible skill training
programmes linked to employment or self-employment opportunities. This
project was transferred to the Ministry of Education, Youth and Sports (MOEYS)
under the ADB Basic Skills Project in October 1998.

There were many lessons learned during the period of operation of the VTEG
and VTAP projects, 1992-1998 – these should be considered when formulating
poverty reduction strategies. The majority of government counterparts trained by
the project are still employed by the MOEYS and a further seven provincial
training centres were constructed, adding to the seven initially established by the
ILO project. However, many of the useful strategies such as mobile training in
villages (hairdressing, repair of bicycles, radios, small engines used for agriculture,
food processing, livestock and agro-business activities and other locally identified
skills, linked to micro or small business training) have been dropped in order to focus on cost recovery training programmes.

Nevertheless, the institutional infrastructure and human resources are still in place and the National Strategy Plan for Technical and Vocational Education and Training developed with assistance from the ILO’s VTEG and VTAP projects and GTZ are still relevant. Several policy proposals can be considered:

- Linking vocational training to production improves its employment impact, and orients training towards the market. The ILO’s Recommendation in China resulted in SOEs transferring surplus labour from their books to small units of a dozen workers, who were then required to initially move into subsistence activities prior to more profit making ones;

- Literacy, education, and some vocational training in the large Cambodian army would equip a significant part of the labour force for employment and income generation after demobilization;

- Technical and vocational education and training systems already exist with the Ministry of Education, Youth and Sport and the National Training Board (NTB). Therefore, linkages should be established with existing institutions;

- The NTB was established vesting the chair and secretariat within the Department of Vocational Education and Training of the MOEYS, against the advice of the ILO projects and Recommendations made under the National Strategy Plan. Furthermore, NTB membership is made up of a large number of high and low level officials from various ministries, government departments and the private sector, making unwieldy. Indeed, as the Chairman is exclusively the Minister of Education, Youth and Sports other ministries do not recognize the authority of the NTB – the full NTB rarely meets and all decisions are made by the MOEYS. To be functional, an NTB should operate at an executive level with both bureaucrats and technicians as its members.

In Cambodia there are a number of ministries that purport to be the lead training providers: MOEYS, MOSALVY and the Ministry of Rural Development (MORD) among others, which often leads to a duplication of valuable resources.
Social protection, disabilities and safety nets

Policy proposal

The relatively small size of the labour force (compared to much of the region) will allow a phased expansion of social protection. The proposed National Social Security Fund (NSSF) must prioritise social health insurance given that much of the labour force's low incomes do not allow for health care. The NSSF should plan to expand its provisions from employment injuries, sickness, and maternity benefits to pensions. And it should plan to expand its coverage beyond the 15 per cent of the labour force in wage employment. Cambodia should reap the benefits of social investment in health.

Social protection

Social protection for workers, families and vulnerable groups is limited in Cambodia. With only 15 per cent of the total labour force in wage employment, the vast majority of workers and their families are without any form of social protection, in particular health care in rural areas. Without any form of social insurance scheme, workers, families and other groups’ solidarity mechanisms are used to cope with major risks such as accidents, diseases, or disability. In many cases households have to sell their assets in order to be able to pay for health care.

Formal social security provisions are contained in the Labour Law (1997) for workers in larger enterprises (more than 20 workers) which however, only cover a limited number of contingencies, namely employment injury, sickness and maternity benefits. All costs are met by the employers. In practice, many enterprises avoid meeting the requirements of the Labour Law with compliance highest among the garment and textile industries due to the monitoring of working conditions as part of the Bilateral Textile Agreement with the United States. Civil servants are entitled to old age, invalidity and survivor benefits financed entirely by the State Budget. There is no national health insurance scheme operating in Cambodia although some pilot schemes are at various stages of implementation, concentrating in rural areas and services to vulnerable groups. Many donors and NGOs are involved in health care projects for the poorest households. The ILO’s concerns are with regard to:

- The health status among workers and their families and the negative impact of ill-health and health care on the poorest groups;
- The difficulties faced by the unemployed and those workers affected by job losses in the civil service and formal sector jobs;
- Limited access to social protection for the majority of workers and their families.
Social protection reform

The Government has undertaken a major step towards broader social protection of workers and their families. A draft law is undergoing further discussions before being passed by the National Assembly. The draft law includes old-age pensions, invalidity pensions, employment injury benefits, and survivors’ allowances for a large proportion of workers including:

- Public sector workers not covered by the Common Statute for Civil Servants;
- Private sector workers;
- Self-employed;
- Students in vocational training schools, persons employed in rehabilitation centres and apprentices; and
- Seasonal and occasional workers.

Health care reforms are proposed in order to increase access to health care services. The establishment of a national social health insurance scheme, or similar (e.g. Thai 30 baht scheme) should be considered to ensure there is containment of the costs of health services and treatments to ensure equality of access and care. The social security scheme for civil servants also requires reform however this has not been given a high priority by government at this stage. Social assistance for vulnerable groups largely relies on external funding and the service provision by NGOs. There is an urgent need to assess the overall effectiveness of current policies and practices and to review the best use of limited state resources to those most in need.

ILO assistance and support

The ILO has provided technical inputs to assist the Department of Social Security of the Ministry of Social Affairs Veterans and Youth Rehabilitation and the Social Affairs Committee of the National Assembly to revise the draft law. However, the concept of social insurance and its financial management have yet to be incorporated by the policy decision-makers. The ILO encourages further detailed discussion and consideration of the law, for example, a policy that includes incentives for enterprises to reduce the incidence of employment injuries, accidents and occupational diseases.

The establishment of the National Social Security Fund (NSSF) proposed by the Government will require technical assistance in several areas including: policy development, legislative drafting, financial and actuarial calculations, human resources development, organizational design, operations (such as registration,
contributions collections, claims and payment of benefits), computerization, public information and training. Workers and employers who clearly understand the benefits of participating in a well-structured social security system will ensure the ongoing financial viability of the fund. It will be necessary to involve the tripartite partners in the management of the NSSF to facilitate the representation of members of the Fund.

The opportunity to introduce social health insurance as part of the establishment of the NSSF should be assessed in light of the development of a Health Master Plan. The ILO has recent relevant experience in the Lao PDR through the introduction of a capitation system of health insurance for private sector workers and their families with selected contracted hospitals. This system is designed to contain costs for members and provide a guaranteed income stream for hospitals and could be particularly relevant for Cambodia.

The public sector scheme is faced with state budget constraints and it does not provide protection for the other social protection needs of civil servants, such as maternity and sickness benefits. There is an opportunity to improve the adequacy of social protection provided to civil servants and their families.

In order to improve national, provincial and local social assistance policy development and sound financial management, it is necessary to develop a targeted national allocation of national and international resources for specific vulnerable groups. Using the ILO’s Social Protection Performance and Expenditure Review model, existing income and expenditure on social protection can be quantified, financial projections can be made based on expected demographic and economic scenarios, and alternative resource distribution can be forecast for different policy reforms by developing performance indicators to measure the impacts of social protection policies for vulnerable groups.

**Expected outcomes**

- Expanded system of social protection that has been designed to meet the differing social security needs of the populations, including formal and informal sector workers and their families, and utilising the most effective and efficient form of service delivery (including private sector, community based, and public administration);

- A healthy and productive workforce, with equitable access to health care;

- Reaping the benefits of social investment in health;

- Adequate and efficient resource allocation to the most vulnerable that provides essential income support and opportunities for self-provision.
A safety net that creates and sustains assets: 'Employing the poor to help the poor'

An economy with a comprehensive road network passable in all seasons, widespread irrigation facilities and functionally literate farmers would be less vulnerable to natural and man-made crises, but a safety net would still be needed. The most efficient (and developmental) type of safety-net system for an economy at Cambodia's stage is one based on the Labour-Based Appropriate Technology (LBAT) recommended in an earlier section for road building, repair and maintenance. Such technology can be used to build, repair and maintain any kind of asset (e.g. schools, health centres, irrigation infrastructure etc.), not only roads. It should be embodied in a national public works/guaranteed-employment scheme, offering work to all who want it (for wages rather than food). Appropriately enough for one of the world’s poorest economies this is a safety net that creates and sustains assets. Such a scheme:

- Creates employment directly during the construction process (this is its safety-net aspect);
- Indirectly through linkages to supplying industries;
- Through the multiplier when workers spend their earnings; and
- Dynamically when the assets that have been built help to raise productivity in the area and when the increase in demand raises the incentive to invest.

The simple slogan for such a scheme could be ‘Employ the poor to help the poor’.

A well-designed guaranteed employment scheme has a counter-cyclical and self-liquidating safety-net role. This means that decisions on wage rates in the scheme should be decentralized and should be low in relation to local market rates for the type of labour concerned. If programme wage rates exceed market wage rates, the numbers wanting to work on public works programmes exceed the numbers that can be hired. This means that employment may have to be ‘rationed’ by local managers, increasing the temptation of corruption and making it more likely that those who work on the project will not consist only of those in the most desperate circumstances. If wage rates are realistically low in relation to market rates, a guaranteed employment is self-targeting (employing only the poorest) and becomes a means of monitoring the labour market situation. The number enrolled will rise or fall as that situation deteriorates or improves.
Poverty and disability

Post conflict Cambodia has a very high incidence of the disabled, victims of mines or the war. Virtually half of the disabled are poor. Furthermore, the average deficit from the food poverty line of households whose heads have been disabled from mines or war is very large at 27 per cent. This group among the poor therefore deserve special attention because their standard of living falls so far below the poverty line, and their capacity for work is limited by their disability. In its effort to promote decent work for people with disabilities, the ILO disability programme has adopted a partnership strategy and is engaged with the following activities:

- To address the needs of rural disabled persons, the ILO just completed a project with funding from the Ministry of Labour in Japan that was informally called the Disability Resource Team. The project promoted the integration of people with disabilities in rural Provincial Training Centres in Pursat, Battambang, and Siem Reap and assisted disabled persons to use their skills to find jobs, or more frequently to establish small businesses. The project was deemed successful on all counts by an outside evaluator. As part of that project, the ILO began to field test a form of village-based, informal peer training dubbed success case replication, which shows promising results;

- As a follow-up to that project activity, the ILO developed the Alleviating Poverty Through Peer Training (APPT) proposal, which the Finnish Ambassador will fund. It is expected to be operational in mid-2002. The project will work in collaboration with the World Rehabilitation Fund project funded by UNDP and the United Nations Mine Action Service (UNMAS) to facilitate the reintegration of landmine survivors (as well as people with disabilities from other causes) and in collaboration with MOSALVY and POSALVY. Its purpose is to identify successful small business operators in villages, evaluate the success of their businesses and the market opportunities for replication of similar business activities. If appropriate and willing the small businessperson will train the disabled individual in business and technical aspects of the operation. Field workers will assist the training matches as well as facilitate business start-up once the training is complete. The project will include, or have access to, resources for small grants and loans;

- To ensure that people with disabilities are able to take advantage of the growing formal employment sector and opportunities in the burgeoning tourist sector, the ILO is actively collaborating with the World Rehabilitation Fund, the executing partner for the UN-funded project already noted. The ILO has provided technical support for the development of a Business Advisory Council of both international and Khmer business representatives who
facilitate the training and employment of disabled workers. The group has been successful in facilitating the employment of more than 100 disabled workers in the past year, has established and on-the-job training fund and improved training approaches and activities at the Wat Than Training Centre in Phnom Penh. It serves as a critical link between organizations training and placing disabled persons in the workplace to ensure that services meet labour market needs. The ILO assisted in the development of a strategic plan and future activities that will include a major employer awareness event, web site and awareness materials, and the addition of job placement specialists who will work with employers in Phnom Penh and Siem Reap;

- To build capacity among government and non-governmental staff, the ILO held more than five workshops in 2001 under the DRT project. As resources allow, it plans to further develop disability focal points that were identified in the process of transitioning the aforementioned project to the government. The ILO hopes to work with the Disability Advisory Council in this regard. Additionally, through the APPT project the ILO will continue to build MOSALVY/POSALVY staff capabilities;

- To assist in developing legislation, policy and related implementation strategies (Cambodia has recently drafted disability rights legislation with the training and employment provisions), the ILO plans to include Cambodia as one of the target countries in the Ireland Aid funded project, executed from headquarters. The project, “Employment of People with Disabilities: The Impact of Legislation,” will include technical consultation meetings and in-country technical assistance.

Glaring weaknesses in rights, child labour and trafficking

Policy proposal

Elimination of the worst forms of child labour, through provision of education, nutritional support, legal support, awareness raising, monitoring of child labour, and provision of alternative livelihoods. Mobilisation against trafficking. Greater emphasis on income generation in the Five-Year Plan on Commercial Sexual Exploitation and Trafficking of Children.

Rights

Cambodia has ratified all the fundamental Conventions of the ILO, except Convention No. 182 on the most worst forms of child labour. This is most creditable. The RGC has also stated to the Committee of Experts on the
Application of Conventions and Recommendations in 2000, its intention to apply all the core international labour standards to the garments sector. A tripartite Labour Advisory Committee was also formed in 1999. However, the observed weak labour market in terms of underemployment and incomes, the extremely low levels of education and skills, especially for women, and the segmentation of women in the labour market, all imply weak rights for workers, for women and children. The large self-employed-cum-informal sector reduces the application of rights to a small formal sector. Even in the formal sector, the low wage rates, and observed premiums on obtaining jobs in the garments sector, both imply a primary struggle for subsistence and survival rather than rights. And the most glaring deficit in rights is observed in the incidence of child labour, and trafficking of women and children.

Child labour

The Labour Force Survey did not cover children below the age of ten. However, some of its findings for young people in the 10-13 age group can be seen. The 1999 socio-economic survey had, in fact, suggested that the proportion of very young children (between 5 and 9) who are working in Cambodia is negligible (less than 3 per cent) but for 2000, the proportion rises as children get older, to about 7 per cent for 10-13-year-olds. The ILO-IPEC project has a higher estimate of child labour in the age group 5 to 17 years. It estimates that 16.5 per cent of the children in this age group work, giving some 672,000 working children. The incidence of child labour is 4.5 per cent in the age group 5 to 9 years, 15 per cent in the age group 10 to 14 years, and 43 per cent in the age group 14 to 17 years.

The incidence of such child labour is higher in rural than in urban areas, and lower for girls in this age group (though beyond the age of twelve the difference in school enrolment rates begins to work in favour of boys). Child labour is not a completely part-time phenomenon: almost 30 hours are worked per week, on average. The conflict with schooling (one of the main problems associated with child labour) is clear. As can be seen, the overwhelming majority of working children are engaged in unpaid family labour, almost all of them in agriculture, helping on the family farm. Unlikely to have been captured by a household-based sample survey of this kind are the worst forms of child labour – prostitution, begging and scavenging (often the main activities of street children) and domestic work outside a child’s own home. The Cambodia Human Development Report quotes rough estimates of 5,000 commercial sex workers under the age of eighteen, 1,000 street children, and 6,500 domestic workers aged 14-17 in Phnom Penh alone.

ILO-IPEC and other active stakeholders are undertaking a wide range of actions in combating child labour, including information collection, situation
analysis, stronger laws, improved law enforcement, rehabilitation of children engaged in the worst forms of child labour, provision of livelihood alternatives to children and their families, raising community awareness of consequences of child labour, provision of education opportunity for working children and out-of-school children and other community child labour networks.

**Legislation**

Cambodia has ratified most of the relevant international Conventions except Convention 182 on the worst forms of child labour; however, the legal framework is not yet specific enough to provide adequate protection to children against exploitative child labour. For example, labour inspectors have no legal right to go into hidden workplaces where the worst forms of child labour are problematic, nor can they go into brothels for inspection as prostitution is not recognised by law. A policy and operational framework has been established and is functioning. There is still a need to:

- Strengthen and enhance the role and responsibilities of the National Sub-Committee on Child Labour (NSC) to effectively oversee the national policy and programmes on child labour;
- Enhance the capacities of the Ministry of Social Affairs and Labour to design, implement, monitor and evaluate policies and programmes on child labour;
- Undertake further research and situation analysis to develop more effective policies and programmes;
- Continue to enhance the capacity of the Ministry of Education in formulating non-formal education curriculum and textbooks for secondary level as well as capacity building for non-formal educators; and
- Establish better collaboration and coordination mechanisms among all the concerned government agencies, international organizations, NGOs, and civil society.

**Trafficking**

Trafficking in children and women and poverty are inter-linked. Throughout the Mekong sub-region the stakeholders of the ILO Mekong sub-regional project to combat trafficking in children and women (TICW-Project) point at poverty, combined with a lack of decent work alternatives, as the main root causes for trafficking. In turn, trafficking in children and women results in high opportunity costs, reduces the sustained economic potential of countries, is a burden on future
health care expenses, and has direct harmful effects on individuals (human rights, physical health (HIV/AIDS), and mental health).

The sustained relatively high fertility rate in Cambodia and the high percentage of the population under 15 years of age means that at least 500,000 children will be searching for jobs over the next three years. This results in a huge pressure on the labour market, and – in combination with poverty – a likely continued push for individual households (in particular in rural areas) to send their children to urban settings for work within or outside Cambodia. With the current low awareness levels on dangers of exploitation, combined with low levels of education in rural areas, there is a serious danger that many of these children will be trafficked and/or end up in exploitative situations and hazardous sectors.

A two-pronged approach is suggested that (i) works towards the creation of an enabling environment for economic development in relatively weak government machinery, (ii) while at the same time allowing for initiatives of those affected in poverty stricken areas, and mobilization of individuals against trafficking. Ownership of the process to develop such a strategy, and participation by different layers of society (at different levels), is crucial in moving towards a meaningful longer-term impact on poverty.

The enabling environment needs to guarantee a more diverse economy that will be able to absorb more labourers. Given the current status of education, a focus on non-formal education, rural skills training, and special education programmes for projected growth sectors seems appropriate. Such initiatives should be combined with infra-structural developments (e.g. dykes, irrigation systems, road infrastructure and electricity), land reform, and a focus on business development (in particular market appraisal) and micro-finance (in particular rural savings schemes, and access to credit).

While efforts to create an enabling environment are underway, individual initiative needs to be stimulated through mobilization efforts. Improved access to services, a supportive environment, and access to good practices and lessons learnt are essential in this process. The individual initiatives and enabling environment need to be linked vertically, and be supported and maintained actively. If these efforts are combined with targeted awareness-raising on the danger of trafficking there is a good chance that trafficking in children and women can be addressed effectively. The following are suggested entry points for ILO inputs to combat trafficking in the poverty stricken context of rural Cambodia:

- The ILO TICW-project experience in creating an enabling environment for focused interventions in poverty stricken areas that are source areas of out-migration and trafficking, and experience in building up a participatory intervention and monitoring mechanism;
Social Dialogue and Poverty Reduction Strategies

- The ILO TICW-project mechanism of stakeholder involvement and ownership at different hierarchical levels with holistic pilot interventions in Battambang, Banteay Meanchay, Prey Veng, and Sihanoukville Province (the forthcoming round of National and Provincial Stakeholder Ownership Exercises could be used to discuss inputs to the PRSP-process);

- Cambodia’s National 5-year plan on commercial sexual exploitation and trafficking of children (1998-2002) needs to have a more holistic approach, and pronounced income generation component in its next phase;

- Non-formal education materials for out-of-school children and working children as produced the Ministry of Education Youth and Sports based on successful pilot tests in six provinces (and supported by ILO-IPEC);

- Revival of vocational training centres that were set up with ILO assistance in the period 1993-1998.

**Strengthening social dialogue**

**Policy proposal**

Transformation of Cambodia’s industrial relations system from a planned economy to a market based one. Strengthening monitoring and enforcement of existing Labour Laws. Removing obstacles to Freedom of Association. Strengthening collective bargaining and tripartism.

The transition of Cambodia’s economy from central planning to market forces has not been accompanied by the development of a corresponding labour relations system. In Cambodia’s emerging market economy, private investment has increased, and so have the number of factories, in particular in the garment sector, and workers that are engaged in regular wage employment. Numerous trade unions at enterprise and national level have been established. As a matter of course, these developments are accompanied by an increase of labour disputes, both individual and collective, over issues like minimum wage, forced overtime, safety and health at the workplace, unjust dismissals, etc. Because of the lack of transparent, fair and expeditious dispute resolution machinery, many of these disputes unnecessarily end in (sometimes violent) strikes, lockouts and factories threatening to leave the country. They lead, in general, to a deterioration of labour relations between employers and workers, thus affecting the climate for investment. Cambodia’s actual labour relations system must catch up with market forces by creating effective and workable arrangements for the prevention of disputes, the resolution of those disputes that do occur, and the enforcement of rights under the Labour Code.
The immediate problem to be addressed is the lack of dispute settlement machinery and the lack of capacity to prevent disputes or resolve them at the earliest possible stage. With this end in view, the ILO’s Labour Dispute Resolution Project contains an array of activities in the areas of dispute prevention, conciliation, arbitration and adjudication. More specifically, the project provides for, amongst others:

- Activities in the field of capacity building of the Ministry of Labour, especially its Labour Inspection Department, and training of labour inspectors on dispute prevention and mediation/conciliation;
- Training of employees and workers on workplace labour relations;
- Establishment of a Council of Arbitration and training of arbitrators;
- Establishment of Labour courts and training of judges.

The project is linked to both poverty reduction (improving labour relations and the climate for investment, resulting in more jobs) and to the issue of “decent work” (increased and improved labour inspections, enforcement of labour code and regulations through a sound dispute resolution system resulting in better working conditions).

Participation and social dialogue: Some critical reflections on the PRSP process in Cambodia

Participation has been recognized as an important process in development. Many agencies acknowledge that the participation of civil society organizations has helped increase public awareness about PRSPs as well as development issues more generally. In many countries, NGOs and some other representatives of civil society have become members of task forces and steering committees and have thus lent some credibility to the ‘ownership’ agenda underpinning PRSPs. Unfortunately, the inclusion of the social partners in these processes has typically lagged behind that of NGOs and as the case of Cambodia shows, there is a need for a concerted effort to promote the role of the social partners as legitimate and important stakeholders in PRSP processes. In countries where relations between the government and the social partners are at an early stage of development and/or where there is some distrust between governments and the social partners, this is an especially difficult task and it is important to remain realistic about what can be achieved in the short term. Notwithstanding this, the experience of empowering the social partners to engage in the PRSP process in
Cambodia has yielded some important lessons which can inform the ILO’s PRSP work more generally.

The ILO does not have a field office in Cambodia and has limited human resources which can be applied to work on the PRSP process and this has made it difficult to engage in the vitally important thematic working groups, Consultative Group meetings and other donor fora which tend to mould the development of the PRSP. Furthermore, the social partners were, initially at least, rather marginalized in PRSP dialogues. Nevertheless, great progress was made in terms of empowering the social partners and influencing the architects of the PRSP in Cambodia. This has come about through a series of capacity building and awareness raising workshops with workers’ and employers’ groups and through discussions with Government officials and donors responsible for facilitating the PRSP process (Chapter 2). Partly as a result of this, workers’ representatives were included for the first time in national consultations on the PRSP in August 2002 (employers’ groups already had a history of involvement). Furthermore, following a series of discussions in Cambodia with a variety of stakeholders and both bipartite and tripartite workshops, the ILO presented to the RGC a comprehensive report, “Generating Decent work for Poverty Reduction in Cambodia: the Voice of Workers, Employers and the Government” (Chapter 3) which served to inform the drafting of the PRSP. To reinforce this approach a short-term consultant was employed to work directly with the architects of the PRSP during the final drafting process in the autumn of 2002. This, in turn, was followed up with further support from the ILO Regional and Sub-regional Office in Bangkok and the drafting of short policy recommendation briefing notes to make it easier for the respective ministries to integrate the ILO’s policy recommendations into their respective PRSP policy matrices. It was important, then, to systematically programme the ILO’s inputs into the process and to make the inputs as “user friendly” as possible so that the architects of the PRSP could easily incorporate the concerns of the ILO and the social partners directly into the drafting framework of the PRSP.

For the ILO, the challenge in Cambodia was a big one. The Interim PRSP contained virtually no reference to decent work/ILO issues and the PRSP was a new concept for the social partners so, at first, it was not clear to them how best they could participate in the process. From the outset, it was clear that empowering the social partners for the purposes of giving them a voice and influence in the PRSP process in Cambodia was inextricably linked to more general capacity building. This was, perhaps, especially true for the trade unions, many of which are new organisations (or new incarnations of old organisations). The challenge is made even greater by the diverse nature and political orientation of the labour movement in Cambodia. Similarly, CAMFEBA, the employers’
federation, has been in existence for only a few years and has very limited human and financial resources. Thus, the issue of, and need for, broad based capacity building for social partners and for different types of capacity building to be integrated around important common themes like influencing national planning processes, is a key lesson to emerge from the ILO’s PRSP work in Cambodia.

In Cambodia, as in many other countries, the conceptual understanding of participation is varied whilst the expectations of participation are high. There is a considerable variance among government, donors, and non-governmental entities on the understanding of the what, the how, and the who of participation. Typically, donors and most governments see participation more as a means, an instrument, to facilitate implementation of projects or conduct poverty assessments, while CSOs including trade unions, tend to opt for a rights-based view, seeing it as an end in itself, and thus calling for long, deep, and broad processes. On the information sharing-consultation-collaboration-empowerment continuum of participation, most governments typically equate PRSPs with consultations and these have not always been as well conceived, inclusive and organised as might have been desired. Initially, the RGC's constricted understanding of participation as information sharing or basic consultation was further worsened by a lack of clarity on what level of engagement they expected from non-governmental stakeholders. Thus, some commentators complained that most consultations were superficial or even, in the most cynical view, merely a ploy to engineer legitimacy. This is, perhaps, too strong. The whole process is new and there is no magic formula for making perfectly open, transparent and participatory societies and, it must be acknowledged that the RGC made great strides to improve the participatory process for the PRSP compared to the process underpinning the Interim PRSP.

Those who see participation as a means to redistribute power by truly empowering the poor to transform their societies are likely to be disappointed by the PRSP process. But this should not provoke the establishment of alternative processes. Even in the face of a lukewarm response from government to the participation of the social partners, it is almost invariably better to engage as best as possible with national processes rather than seek to create parallel channels of consultations. Evidence demonstrates that parallel processes are almost invariably less effective than arrangements where groups engage constructively in joint initiatives. To some extent, some observers in Cambodia seem to be interpreting the mandating of participation by IFIs as a process conditionality, as opposed to a policy conditionality (implying the need to “tick the participation box” in order to satisfy process criteria). Linked to this is the view that the RGC was pre-adjusting to donor mindsets anyway by giving continuity to policy packages that the IFIs are known to favour (hence the questions asked by some during the tripartite
meetings about the legitimacy of the PRSP process). Some go on to allege that there is often little difference between the content of the PRSPs and the Policy Framework Papers - an earlier tool piece of IFI lending - complaining that inputs from those consulted were “filtered” in or out depending on the nature of the inputs and whether they stacked up with the overall framework. This is an ongoing concern and has led to the inclusion of an annex in some PRSPs (but not in the case of Cambodia’s NPRS) illustrating the nature or content of inputs received during the participation process, even if the specific issues have not actually been taken up in the PRSP itself (this ensures that views are at least documented and seen by the World Bank/IMF Boards).

Clearly, ownership is constrained in the face of pronounced power asymmetry between the IFIs and PRSP eligible countries. CSOs’ engagement with the government is theoretically expected to allow the latter to enhance its credibility and bargaining power vis-à-vis the donors, who can then be seen as “brokers of participation”, not overt dictators of policy options. This positive shift in power asymmetry between the donors and the government however might have suffered as donors expand their mandates in a country’s socio-political process. While a closer linkage between governments and CSOs demands greater transparency and accountability of the former, it can also lend credibility to home-specific policies that differ from standard IFI prescriptions. That CSOs have often not been fully engaged in technical debates has however precluded this from happening in almost all countries. Furthermore, national ownership can be made untenable by the “heavy hand of conditionality on economic policy”. It has also been noted that while the nature of the relationship between the IFIs, governments and civic groups is changing with more space given over to citizens’ opinions on public policy, genuine power sharing over decisions remains an aspiration. In this sense, the power imbalance between the IFIs and the governments and between the governments and their poor people creates obstacles to genuine participation and ownership. It has been pointed out that because PRSPs are “endorsed” by the World Bank/IMF boards and not the citizens, or even parliaments, this means an IFI seal of approval is vitally important and this puts an implicit pressure on governments to conform to IFI development frameworks, which may or may not have national support. Linked to this, externally imposed timelines have sometimes distorted the value of the participatory process. Time-bound commitments to complete the exercise have often made participation appear a little ritualistic.

It can be argued that the IFI’s promotion of participation – but refraining from its evaluation – is a little incongruous. Approval of PRSPs is conditional on the adoption of an acceptable participatory process for which a tool kit of methods has been suggested in the World Bank’s PRSP Sourcebook, but what constitutes
an acceptable process has not been specified. An inherent tension is thus observed between the mandating of participation and the decision to not evaluate quality. Others have pointed out that placing the onus of responsibility for participation squarely on governments has created a situation in which the IFIs can show the best of intentions while disclaiming any failure in practice (further credence is given to this argument by virtue of the fact that despite the PRSP process, the World Bank’s country operations are still driven by the Country Assistance Strategy, which is not always fully aligned with the country’s own PRSP).

Participation has had a mixed influence on the content of the Cambodian PRSP. Among the most notable technical contributions the ILO has made to the drafting of the PRSP include analysis on the important link between the urban and rural economies and the role of employment intensive investment using labour-based appropriate technology. CSO presence in thematic committees has added diversity to perspectives, often to inform static technocratic understanding of issues with practitioner accounts from the ground. Probably the most significant impact has been on understanding and diagnosing the multi-dimensional nature, causes and spatial aspects of poverty, with income-focused approaches complemented by issues of voice, access and rights. CSO inputs have also forced undercovered, politically sensitive issues such as corruption and politico-bureaucratic apathy to be incorporated as explicit issues to reckon with. However, the PRSP process has been constrained by the lack of detailed technical knowledge of some stakeholders, their availability of time, their financial resources and staff capacities. While reluctance on the part of the government to open up discussions on technical topics is a hindrance, CSOs’ or the poor’s own “economic illiteracy” is a constraint that often leads to the endorsement of old policies. Thus, it is important that donors invest in institutional capacity building and enhance the skill base of national groups to equip them to engage in meaningful policy discussions. Capacity constraint is not only confined to the area of policy discourse, but also participatory data collection and budgeting.

Social partners generally admit that they often lack the technical and analytical capacity to inform intelligent debates on macroeconomic policies and to propose alternative policy options. It is also a reflection of the wider PRSP process, but it was not surprising that the social partners struggled to prioritize strategic decisions and analyse and cost them so that they amounted to more than a shopping list of policies.

The PRSP process has facilitated the possibility of institutionalization participation. Follow-up has been deemed necessary to ensure that it’s not a one-off, but an iterated exercise not only in the formulation of strategies like the
PRSP, but also influencing other arenas such as budget formulation, public expenditure tracking and evaluation of public sector performance, as well as the multitude of other planning instruments in Cambodia. Participation fatigue and process overload have been noticed which requires pre-planning to ensure the momentum is not lost after the completion of the PRSP design process. The Cambodia NPRS mentions provisions for monitoring by involving stakeholders but as with other segments, this needs further enunciation. The emphasis on creating elaborate systems of monitoring might overshadow the real urgency of getting better data. It also cautions that the notable focus on doing household surveys and poverty assessments to measure impact of policies need to be complemented by quicker, participatory feedback processes when the implementation is ongoing. There is an urgent need to more systematically involve the social partners in the implementation and the monitoring and evaluation process in Cambodia.

There is always scope for improving the flow of information both prior to and after consultations have been made. Web-based information dissemination especially by the World Bank has been laudable, but this has often not been complemented by national information dissemination strategies and this has meant that less technologically developed stakeholders like the trade unions in Cambodia have struggled to grasp information in a timely way. Media coverage and popular debates on poverty issues have increased owing to the participation process but some groups (like the trade unions) remained ill-informed and unaware that they had the right to participate in policy processes until relatively late in the PRSP preparation cycle. The social partners were also sometimes hampered by receiving invitations to participate in events only at the last minute and in haste. There is a broad concurrence that inputs to the PRSP were written mostly by national officials with support from consultants and donors but there were some complaints aired during the discussions with the social partners that they were just invited to react to drafts, not debate alternative strategies and trade-offs right from the outset. Furthermore, language concerns need to be redressed. Even the most basic issue of language was sometimes overlooked, with documents, including information on PRSPs, often prepared only in English. Perhaps this is because documents are prepared with donor audiences in mind but this means that they are written in a foreign language replete with terminologies not easily accessible to most citizens. The sharing of drafts of the I-PRSP was particularly poor but the RGC made great improvements with dissemination (into the public domain) of documents during preparation of the full PRSP.

Intra-government participation was a notable feature of the PRSP process in Cambodia but was not comprehensive. The PRSP process is usually driven by the Ministry of Finance or Economic Planning (or CSD in the case of Cambodia).
Line ministries got a seat in the thematic groups set up to contribute to the content of the Cambodia NPRS but intra-government participation was not as rich as it could have been, with some line ministries much more engaged than others (due, no doubt, to a variety reasons). Thus, while the whole intra-government PRSP experience has been relatively positive, there are areas to be improved upon. For instance, while the working group approach to having disparate agencies team up on common issues was generally a positive experience, the participatory process was not carried through with the same thoroughness to the task of aggregating thematic papers into a common strategy and this is one of the reasons why ILO issues did not have a higher profile in the final PRSP. Also, attempts to create synergy with the various other planning instruments in Cambodia need to be improved. Whether the PRSP process can lead to a shift to a more inclusive and open process in the mechanism or approach to formulating and implementing national policies remains to be seen. Discussion on sectoral priorities and public expenditures needs greater linkage to poverty reduction. While participation has influenced the debate on the dimensions of poverty significantly, efforts to link public spending with tangible poverty reduction outcomes are slow. The Cambodia PRSP largely avoids the difficult question of trade-offs in spending choices. Merely mentioning a wish-list for increased expenditures without confronting the choices that have to be made including distinguishing high from low priorities is unhelpful.

Some positive externalities of the participatory process have emerged. Spill over effects of pursuing a participatory process can be long lasting. The process has broadened the policy community which spells a need for dynamics between the Government and CSOs to be nurtured. Attitudes have changed, and governments are increasingly being more transparent because of scrutiny from civil society organisations, including trade unions and employer’s groups. New networks and alliances for other tasks are being forged both within the trade union movement in Cambodia and between the social partners and other civil society groups. Cambodia has not ratified Convention 144 on tripartism and its ratification would seem inherent to success in participation. There is a tripartite body (the Labour Advisory Committee) but doubts as to how well it functions. In some small measure both the PRSP participatory process in general and specifically the ILO’s support to the social partners to engage in the PRSP may have longer term implications in terms of strengthening the tripartite mechanism and giving impetus to ratification of Convention 144 and this, in turn, has broader implications for improving governance, accountability and transparency in society.

Although there is no direct link between a political regime per se and the quality of a participatory process, correlates of democracy such as press freedom, history
of, and openness to, civic organization, freedom of association etc. are very important. Cambodia is a state in transition from a patronage-based political system to a democratic one but policy processes remain fragmented, there are low levels of accountability and high dependency on aid and foreign investment. Political will, domestic capacity to lead and manage a new and challenging process, and substantial donor assistance have combined to make the PRSP experience in Cambodia a generally encouraging one with major implications for how the country is governed: the social partners have played and will continue to play a role in this new vision of a more open and just society.

Participation - and its goal of engendering national ownership - is probably the most innovative and potentially wide reaching implication of the PRSP process. Without it, the PRSP process is likely to end up as “… little more than structural adjustment by another name” as some critics allege. It is, therefore, very important to get participation right and although the experience in Cambodia (as in many other countries) points in the right direction, the challenge is great and a lot more remains to be done to consolidate the progress so far. Participation, then, marks a fundamental shift in the modus operandi of development cooperation. That the PRSPs have offered trade unions and employers’ groups together with other CSOs a chance to participate for the first time in any government strategy is a welcome initiative. This has widened the content of dialogue, enhanced government credibility, and opened the door for future collaboration. It also allows the ‘poverty agenda’ to be more integrated with macroeconomic policies and public finance, ultimately holding out the prospect that poverty will be truly “mainstreamed” in development planning.
This section is an abridged version of an ILO working paper edited by Graeme Buckley and published in July 2003.

This section is taken from Chapter 2 of the Cambodia NPRS.

Address of GSCSD office.

This section is an edited version of a paper submitted to the Ministry of Planning, Royal Government of Cambodia by the ILO Regional Office for Asia and the Pacific. Although many people contributed to the report, the principal author was Mr. Moazam Mahmood. However, the author of this working paper takes sole responsibility for any errors, omissions or inaccuracies in the process of editing the contribution.

This section, whilst applying the particular experience of the ILO and the social partners in Cambodia, draws on some generic findings contained in a report entitled Participation in Poverty Reduction Strategy Papers: A Retrospective Study by the Participation and Civic Engagement Group of the Social Development Department of the World Bank (Washington D.C., January, 2002).
CHAPTER 7
INDONESIA: LABOUR MARKET GOVERNANCE AND POVERTY REDUCTION

The ILO and the PRSP process

The International Labour Organization seeks to engage in poverty reduction strategy processes through the development and promotion of coherent cross-sectoral strategies and integrated frameworks for bringing together the poverty and Decent Work Agendas at the national level. This centres on three broad objectives:

- Empowering labour ministries, trade unions and employers’ organizations to influence the drafting and implementation of poverty reduction strategies through social dialogue;
- Incorporating aspects of decent work into poverty reduction strategies through technical assessments; and
- Influencing development organizations and governments involved in designing and implementing poverty reduction strategies to embrace the principle of rights at work, employment policies and social protection as poverty reducing strategies and to listen to the voices of the social partners.

Poverty reduction and decent work: A conceptual framework

The conceptual framework for taking forward the ILO’s work on poverty reduction is grounded in the twin concepts of entitlement and equity and the fact that for poor people, work is the main and often only way to get out of, and stay out of, poverty. The ILO is fundamentally concerned with social justice. With respect to poverty, this can be expressed as a right to inclusion or participation, protection, access to decent jobs and decent incomes. Poor people suffer a “deficit of entitlements” because their ability to command, decent work for example, depends on the entitlement relations that govern possession and use in any given society. For a poor person, access to decent work depends on what they
own (not a lot), what exchange possibilities are offered to them (very few), what is
given to them (virtually nothing) and what is taken away from them (a lot).
Poverty reduction, therefore, is essentially about increasing both the asset endowments of the poor and their exchange entitlements.

The fulfilment of these rights depends on certain economic preconditions and
to meet these preconditions it is necessary to build up the capacities of people to
secure improvements to their well being and livelihoods and of the corresponding
systems of governance that define – amongst other things – markets for labour.
Thus, the achievement of rights involves the development of both economic and
social capability. Inclusion, integration and, of course, access to incomes all imply
the centrality of employment creation as an economic priority. More generally, the
need to build social objectives into macro-economic policy implies a stress on
redistribution, equity and solidarity. In terms of the international division of
labour in pursuit of poverty reduction, this is where the comparative advantage or
value added of the ILO rests.

This conceptual framework underlines the point that economic growth is an
essential but not sufficient condition for poverty reduction. Poverty reduction
involves growth with a substantial reorientation in favour of the poor (what is
often referred to as “pro-poor growth”). It includes changes in institutions, laws,
regulations and practices that are part of the process that creates and perpetuates
poverty (such as harassment of the poor and restrictions on their livelihood
activities), and detailed, targeted interventions that will enable all categories of the
poor to more fully integrate into economic processes so that they can take
advantage of opportunities to improve their economic and social well being, i.e.
asset endowments and exchange entitlements. This approach puts renewed
emphasis on policies that promote equity and which challenge global and national
inequalities and injustices.

Among the most important structural changes required to reduce poverty in
low income countries is to move away from a society where work and economic
opportunities are allocated based on ascribed roles and responsibilities to one
firmly grounded in merit and transparency. It is also invariably essential to
introduce a more equitable fiscal system as a means for making societies function
not only more fairly but also more efficiently and more effectively (there is a close
correlation between good fiscal policy and good governance). This approach
implies a role for active labour market policies using demand management, fiscal
and monetary instruments to guide macroeconomic policy. It means that
structural adjustment, socio-economic restructuring and market reforms
(including privatization and other liberalization policies) should be promoted in
light of decent work objectives.
Decent work, then, becomes an essential component of poverty reduction strategies. It is a cross-cutting holistic concept which should have an impact greater than the sum of its four constituent parts (rights; employment; social protection; and social dialogue). It follows, therefore, that decent work cuts across other fields or areas much as gender does, as part of the effort to deliver on health and education outcomes and other goals agreed in the context of the eight MDGs. In particular, decent work has a vital role to play in achieving the headline MDG of eradicating extreme poverty and hunger by 2015, as well as the MDG 3 on promoting gender equality and empowering women and the MDG 8 on youth unemployment.

**ILO’s participatory process around PRSP in Indonesia**

The Government of Indonesia produced an I-PRSP in January 2003, and a draft PRSP later the following year. In the process, the Government set up a National Poverty Committee led by the coordinating minister for peoples welfare under which four taskforces worked on the main themes for the PRSP namely: Creating Opportunity; Capacity Building; Community Empowerment; and Social Protection. Each taskforce had representatives from Government, civil society and academia. Eventually, the final PRS followed a very different format, embracing a rights-based approach and was integrated into the new five year or mid term development plan which was produced early in 2005.

The ILO’s support towards the poverty reduction strategy in Indonesia started with technical comments for Indonesia’s I-PRSP, thereafter it agreed to provide further assistance at the request of the National Poverty Alleviation Committee and subsequently at the request of the planning ministry (BAPPENAS). The ILO’s contribution to the PRSP process in Indonesia involved a two-pronged approach. First, sustained efforts were made to build up and support the capacity of the trade unions and the employers’ organizations to engage with, and participate in, the PRSP process. Second, the ILO provided substantial technical contributions to the PRSP drafting process in the form of a series of Technical Briefing Notes (TBNs) and a comprehensive report containing a set of policy recommendations. These recommendations emphasize the need to place employment at the centre of the poverty reduction strategy, based on the conceptual framework of *Decent Work for All*. 
**Capacity building of ILO constituents:**

Participation of a wide range of actors in the formulation and implementation of a PRSP is essential for its relevance and success. The ILO worked with the Ministry of Manpower and Transmigration, the trade unions and the employers’ organization to support their substantive and credible involvement in the PRSP process. A special effort was made to strengthen the capacity of the trade unions. The ILO provided training in technical issues so that trade union representatives in the PRSP taskforces would be able to participate in the discussions with substantive background and contributions. Major events in the work with trade unions were the National Trade Union Seminar on PRSP with the prime objective of increasing awareness of poverty reduction strategies. This led to the creation of a trade union network on poverty. The network functions as a channel that represents workers’ concerns and opinions in national policy dialogues. Another important dimension was the capacity building workshops for trade unions that took place at provincial level, mirroring the Government’s intention to formulate poverty reduction strategies at the regional level. The ILO also facilitated the employers’ association to hold a National Indonesian Employers Association (APIINDO) seminar on the PRSP which provided the forum for employers to raise their concerns and opinions related to the development of a poverty reduction strategy. These efforts led to the formulation by both the trade unions and the employers of their own PRSP ‘position papers’. Furthermore, all ILO constituents together discussed the PRSP and the importance of employment and decent work in a national forum: “Working Out of Poverty” which was organized to mark the International Day for Eradication of Poverty. A further tripartite seminar on “Policy recommendations on Decent Work and Poverty Reduction Strategy” was held which provided useful technical feedback on policy options and implications which were taken into consideration in preparing the ILO submission on the PRSP.

**Technical contributions to the PRSP**

The ILO’s series of short and focused technical briefing notes (see Table 2 below) served two purposes:

1. As background documents, on issues and policy choices critical to poverty reduction. Examples are: employment dimensions of macro and sectoral policies, youth employment: pathways from school to work, promoting good governance in the labour market, and addressing gender issues in poverty reduction;
2. As building blocks towards producing the comprehensive report.

The ILO constituents were consulted extensively in preparing the ILO technical contributions to the PRSP and have, in fact, guided the drafting process.

Awareness raising

The ILO office in Jakarta has been actively involved in awareness raising and promoting decent work as a component of poverty reduction via an excellent PRSP communications strategy. This has included publishing various brochures, posters and even a PRSP diary, as well as the launch of a commemorative stamp under the banner “ILO Supports Indonesia to Tackle Poverty”, all of which have helped to raise the profile of the ILO’s work towards poverty reduction.

Table 2: Full list of Technical Briefing Notes (TBNs)

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A substantive plank of the ILO input to the PRSP process in Indonesia involved empowering the poor through promoting good governance in the labour market and this section of the report is reproduced below.
Creating opportunities: Growth and employment

Economic growth driven by macroeconomic stability and an improved investment climate is necessary for poverty reduction but it is not sufficient. All Indonesians, willing and able to work, should have the opportunity to engage in durable and productive employment under conditions of freedom, dignity, equity and security. This is the essence of pro-poor growth and of ‘decent work’. It is enshrined in the Indonesian constitution and represents the overarching vision of the ILO.

Why focus on the creation of broad-based employment opportunities as one of the pillars of a poverty reduction strategy? There is ample evidence to support the view that, in Indonesia and elsewhere, the poverty-labour market linkage is robust. In the rapid growth phase of the Suharto period, income poverty fell on a sustained basis as workers moved from agriculture to the more productive non-agricultural activities, the size of the wage employment sector expanded, some degree of skill deepening took place and real wages rose in line with increases in productivity.

Unfortunately, the 1997 financial crisis temporarily reversed this virtuous process. While the crisis did not wipe out all the gains of the pre-crisis period, and while some degree of recovery has been in progress over the last five years, the Indonesian labour market is still characterized by a number of weaknesses. This chapter highlights such weaknesses and delineates the key features of an employment-focused policy framework that can make a significant contribution to the Indonesian Government’s renewed commitment to poverty reduction.

The chapter also suggests how the regional communities of Indonesia can climb the ladder of opportunity through the Government’s commitment to democratic decentralization. One way to pursue this fundamental task is to align the goals of decentralization with the MDGs that were embraced by the international community at a UN summit in September 2000 as part of its collective quest to reduce global poverty.

Crisis, recovery and the Indonesian labour market: The persistence of structural weaknesses

As poverty shot up during the peak of the crisis, there was an involuntary reallocation of labour to the agricultural sector and an enlargement in the size of the urban informal sector, thus creating a phase of ‘de-industrialization’. Real wages also collapsed by about 40 per cent.
Since then, some form of recovery seems to have taken place. Income/consumption poverty has fallen from its peak in 1998/1999 and is now (as measured in 2002) equal to the level recorded in 1996. Preliminary estimates from the Central Board of Statistics suggest that poverty incidence in 2002 was 17.6 per cent, which is the value recorded in 1996. Real wages are growing again and in 2002 were 10 to 30 per cent above their pre-crisis values.

**Modest labour market outcomes in the post-crisis era**

Despite such promising signs of recovery, various labour market indicators show that the recovery is still tenuous. Consider some important statistics. The employment share of the agricultural sector fell to 40.1 per cent in 1997, but by 2001 it still stood at 43.3 per cent. The share of wage employment peaked at 35.5 per cent in 1997, but by 2001 it tapered off to 33.3 per cent. The available evidence suggests that capacity utilization rates in the manufacturing sector has fallen to a low of 66 per cent in 2001 from its peak of 78 per cent in 1996, while the growth of manufacturing employment has fallen from 2.8 per cent in the 1994-1997 period to 0.6 per cent for the 1998-2001 period. In other words, there is no compelling evidence that the adverse changes in the employment structure that one witnessed during 1998 in the wake of the crisis-induced recession have dissipated.

Attention should also be drawn to the fact that the open unemployment rate has gone up quite sharply in recent years. It was recorded in excess of 9 per cent in 2002 vs 4.7 per cent in 1997. Admittedly, open unemployment in Indonesia is concentrated among the relatively well educated, but the fact that it is dominated by very high youth unemployment rates is a source of some concern. The youth unemployment rate in 2001 stood at 24.1 per cent vs 15.5 per cent in 1997 and accounts for more than 60 per cent of the total unemployed. Such visible manifestations of lack of productive employment opportunities for young Indonesians could turn out to be a source of social unrest.

**Gender disparities in the labour market**

Gender disparities persist in the Indonesian labour market. While the male-female wage gap has come down in recent years, a cursory inspection of the relevant data shows that, on almost every significant indicator of the labour market, female workers lag behind male workers. In 2001, for example, the labour force participation rate (in the 15-64 age bracket) for females were 53.3 per cent vis-à-vis 87.3 per cent for males. Female workers are also under-represented in the wage employment sector (29.3 per cent vs. 35.6 per cent), over-represented in part-time employment (56.4 per cent) and the urban informal sector (49.9 per cent)
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...vs. 42.2 per cent), exhibit higher involuntary underemployment (11.5 per cent vs. 7.6 per cent) and have lower educational attainments (15.5 per cent of female workers have secondary education vs. 21.1 per cent of male workers).\(^9\)

Gender disparities in the labour market are also reflected in the multiple constraints faced by women entrepreneurs. They lack adequate access to training in marketing, bookkeeping and management skills. They lack the networks and business information that would equip them to better compete and to meet changes in consumer demand, and technology. They face difficulties obtaining credit, particularly when their requirements exceed what cooperatives and other microcredit sources can offer women.

The implications of a vast and diverse informal economy

Other aspects of the Indonesian labour market deserve scrutiny. To start with, any understanding of the poverty-labour market nexus in Indonesia requires a clear recognition of the vast and diverse nature of the informal economy that straddles both urban and rural activities and accounts for 67 per cent of the Indonesian workforce. Official statistics suggest that the size of the urban informal sector has gone up over the last five years. Work in the informal economy is too often characterized by low levels of skill and productivity, low or irregular incomes, long working hours, small or undefined workplaces, unsafe and unhealthy working conditions, and lack of access to information, markets, finance, training and technology. Workers in the informal economy are not recognized, registered, regulated or protected under labour legislation and social protection, often because their employment status is ambiguous. A large proportion of those who suffer these conditions are women and children.

Salient dimensions of the spatial mobility of labour

A high degree of spatial mobility is a deeply entrenched feature of the Indonesian labour market. Such mobility has increased significantly in recent years, both in terms of scale and diversity. The available statistics show that, over the last three years, there was a 68 per cent increase in the proportion of Indonesian males who had ever lived in a province other than their own, while the corresponding number for women was a staggering 98 per cent. A well-established policy of transmigration reinforced the tendency for ordinary Indonesians to move from the Outer Islands to Java-Bali. This trend appears to have been reversed, at least temporarily. The 2000 census registered an increase in net migration to the Outer Islands. It is plausible to associate this development with the decline in urban job opportunities in Java following the 1997 financial crisis.
There has also been a good deal of rural-urban migration, with the urban population growing at approximately 5 per cent per annum over the last three decades. Much of the migration that takes place in Indonesia is of a circular, non-permanent nature. The typical tendency is for migrating workers to leave their families in the home communities while they work in destinations for periods ranging from one week to two years. It appears that at least 25 per cent of rural households work in urban areas for part of the year.

A significant aspect of labour mobility in Indonesia is the increasing propensity of its citizens to seek work overseas. In 1997-98, for example, overseas workers, mainly female, totalled 232,275, but by 2000 the number was 435,219. The 1997 crisis seems to have induced many to seek work overseas as domestic employment opportunities shrank. Indonesia has now emerged as one of the world’s major suppliers of unskilled contract labour bound mainly for other Asian countries and the Middle East.

Two conspicuous features of the Indonesian labour market are unfortunately giving Indonesia a poor image internationally. One pertains to the odious practice of trafficking in women and children. The other contentious issue relates to the emergence of more than two million ‘internally displaced persons’ (IDPs) – one of the highest, if not the highest, in the world. This is largely a post-1997 phenomenon, with IDPs seeking to escape from a sharp increase in separatist, inter-ethnic and inter-religious conflicts of a highly location-specific nature.

Poverty reduction through the creation of broad-based employment opportunities: Some policy recommendations

The salient dimensions of the Indonesian labour market highlighted in the previous section set the context for enunciating the view that employment creation ought to be a core element of a national poverty reduction strategy. More specifically, there is a need to create enough durable jobs annually (at least two million according to current estimates) to absorb new entrants to the workforce and to clear the backlog of the unemployed and the underemployed.

Embedded within the overarching goal of employment creation are a series of policy recommendations that one can make. These are discussed below.

The need for the return of rapid and sustainable growth

Over the 1999-2002 period, the average growth rate ranged was 3.2 per cent. Contrast this with a 7.0 per cent growth rate for 1994 to 1997.¹⁰ The growth rate in the second quarter of 2003 is expected to be 3.8 per cent.¹¹ The post-crisis growth rate recorded so far is not enough to create jobs to cope with the two million entrants to the work force and to cope with the backlog of the unemployed and
the underemployed. Based on current estimates of employment elasticity, a
growth rate of five to six per cent in the short to medium term appears critical in
underpinning any employment-focused strategy for mitigating the incidence of
poverty in post-crisis Indonesia. 12

Reflecting employment goals in macro policy

It is difficult to be serious about employment-led recovery from the 1997 financial
crisis and its terrible aftermath unless employment concerns are formally
incorporated as part of macroeconomic policy goals and targets. Indonesian
monetary authorities, in common with such authorities in many countries, are
entrusted with the task of reigning in inflation to an agreed target. In the
medium-term, the aim is to maintain the inflation rate below 5 per cent.13 At the
same time, fiscal policy is constrained by the need for ‘fiscal consolidation’ in
order to reign in a crisis-induced explosion of public debt. This has
understandably created a macroeconomic policy framework geared towards
monitoring financial and fiscal variables.

In the 2001-2002 period, Indonesia experienced double digit inflation (in the
11.5 to 11.9 per cent range), while the nominal interest rate, as recorded in
mid-2001 was the highest among Southeast Asian economies. Since then, the
nominal interest rate has fallen by 350 basis points and the implied annualised
inflation rate now (as at October, 2003) stands at a little over 6 per cent.14 At some
point, the monetary authorities need to resolve some fundamental issues. What
are the ex-ante social gains of keeping inflation persistently below five per cent or,
conversely, the social costs of allowing inflation to drift above five per cent in the
medium term?15 Have they taken on board the lessons of international evidence
that a moderate rate of inflation (below 15 per cent) is not harmful to growth nor
is it prejudicial to the poor?16 Unless there are convincing answers to such basic
questions, inflation targeting in a stringent fashion may cause more problems than
they will resolve.

Consider also the implications of running a tight fiscal policy at a time when
economic growth seems to be quite anaemic. In order to achieve such a fiscal goal,
the government has assumed a growth rate of five per cent for 2003, proposed a
substantial increase in tax revenue of 18.7 per cent and has signalled its intention
to cut subsidies on fuel, electricity and other items by 39 per cent. The need to cut
subsidies is motivated by the need to move the budgetary framework in a
pro-poor direction. Despite this laudable objective, some observers have
expressed concern arguing that all the goals, including the projected growth rate,
are overly ambitious.17 With a growth rate of 3.8 per cent in the second quarter of
2003 (as noted above), these reservations seem quite valid. More importantly, one
could argue that, while the composition of the budget is important, its overall size

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in relation to the financing needs of a national poverty reduction strategy cannot be ignored.

It appears that there is a case for balancing the focus on financial and fiscal variables in macroeconomic management with a credible commitment to the provision of productive and durable employment opportunities for all Indonesians. Such a commitment could occur in the form of an annual ‘jobs summit’ that is staged in the context of public deliberations on issues pertaining to employment creation at both the national and local level. It would entail setting explicit job creation targets that would be consistent with absorbing new entrants to the workforce and making a significant dent on the current stock of the unemployed (given assumptions about the structural parameters of an economy). This key target would then set the context for working out the corresponding growth rate, requisite policy initiatives and in specifying a pro-poor budgetary framework. The use of employment creation targets as the locus of macroeconomic management in turn provides scope for exploring ways in which the growth process can be made employment-intensive, thus reducing the burden on the growth rate alone to engender the required number of jobs to meet policy goals.

**Strengthening the labour market information system to complement employment-focused macroeconomic management**

Any attempt to craft an employment-focused policy framework needs to be unbridled by an appropriate statistical framework that can enable the government to monitor the labour market. To start with, it is necessary to regularly update key indicators of the labour market. This can be complemented by drawing on the wide-ranging recommendations of an ILO study for improving the labour market information system (LMIS). These include improvements in the design and collection of labour market data, greater efforts to collect information on the self-employed (who account for 40 per cent of the workforce), early warning systems to monitor the living standards of the working poor by focusing on monthly wage data of vulnerable groups in the labour force, integrating labour market data with poverty indicators, reduction in the time-lags between data generation, processing and dissemination, strengthening the capacity of district-level officials to produce relevant labour market data, and ensuring that the collection and production of labour statistics are fully funded from regular budgetary resources of the government. In addition, pertinent labour market information should be developed for job seekers, students, trainees and employers.

Any credible LMIS for Indonesia should take account of the gender dimensions of the labour market. As noted, despite some progress, significant
gender disparities persist. This aspect of the labour market should be monitored regularly to enhance the awareness of both employers and policy makers and to underpin informed public debate. Without such prerequisites, corrective policy action will be difficult to promulgate.

Creating opportunities for poor Indonesians: Identifying sectors with employment potential

Any credible poverty reduction strategy in Indonesia will have to focus on the agricultural sector. It dominates the national employment scene with 41 million workers, of whom 80 per cent are attached to the informal economy. Furthermore, poverty is very much a rural phenomena, as about 75 per cent of the total poor households reside in the rural areas and depend on the agricultural sector for their main livelihood.

The rural poor are often confronted with disadvantages stemming from remoteness, lack of education and health care, insecure and unproductive jobs, high fertility and discrimination for women or ethnic minorities. Thus, poverty reduction policies and programmes must give strategic focus on rural development and must create more opportunities for women and men to find work in the rural areas. Such policies not only promote economic growth but also help alleviate urban poverty by restraining rural-urban migration to a more sustainable rate.

Given this close connection between the rural economy and poverty, it is not surprising that the Indonesian Government has made a formal commitment to rural development by seeking to implement measures that will stimulate off-farm employment opportunities. In particular, the government’s recent White Paper has focused on the development of small-scale agribusiness activities. This is a welcome initiative, but appropriate policy details need to be delineated. Examples of judicious interventions that the Government could consider include improvements in land tenure security, enabling farmers to diversify into agribusiness through provision of greater information and capacity-building and nourishing linkages between small and large businesses.

Another plank of rural development is investment in rural infrastructure. The White Paper has made some welcome announcements in this sphere, such as the development of village infrastructure, the Kecamatan Development Program, the Urban Poverty Eradication Program and the provision of clean water and sanitation. Issues in investment in rural infrastructure and their employment implications are intertwined with the broader issue of public investment in infrastructure and are discussed more fully at a later stage.

Within the manufacturing sector, certain sub-sectors play an important role in employment creation. For example, the available evidence suggests that garments,
footwear, furniture and electronics are sub-sectors within manufacturing with ‘high’ employment elasticities (above 0.5 for the 1985-1997 period).20

**Creating opportunities for poor Indonesians: The role of enterprise development in employment generation**

Official statistics suggest that nearly all – or more than 99 per cent – of Indonesian workers are employed in small and medium-sized enterprises (SMEs). Hence, it is not surprising that SME development ought to represent a core plank of Indonesia’s poverty reduction strategy.

The government could undertake a variety of initiatives in SME development. These include the need to strengthen the policy coordination framework, harnessing the entrepreneurial talent of young men and women, revisiting the cooperative model, and building capacity for local employment and development.

**Strengthen the policy coordination framework**

In order to take advantage of the opportunities to promote SME development initiatives, it is imperative that there be stronger coordination of policies and programmes among the national players, as well as among local governments and the private sector. Furthermore, it is important that the national government uses its convening powers to ensure local programmes and policies are both economically sound and friendly to SMEs. Such initiatives should systematically draw on international best practices and on the expertise of local businesses and their associations.

**Focus on nurturing youth entrepreneurship**

An important target group for enterprise development should be young women and men. In this way, young people will contribute to the creation of their own jobs and Indonesia will receive the benefit of the creative talents of young people. Such a strategy should involve participation from private sector and community organizations to provide training, mentoring and access to credit for young entrepreneurs. The strategy could also involve the promotion of entrepreneurship in schools and vocational training institutions.

**Build capacity for local economic development**

Most SME programmes in the future will be decentralized, thus highlighting the importance for strengthening the capacity of institutions at all levels of government, to enable them to fully realize the potential benefits decentralization and regional autonomy can yield for the local population and the nation as a
whole. A rigorous capacity-building programme for local governments and other stakeholders in policymaking and programme development is required.

Today many of the registered cooperatives in Indonesia are inactive due to such problems as lack of leadership skills and business acumen and huge amounts of overdue unpaid loans. However, the rich legacy of cooperatives and its value to community-based models of sustainable development should not be discarded. Financially strong and self-reliance are potentially very important for the creation of employment in Indonesia’s large urban informal economy and agricultural sector. Development strategies in Indonesia need to rediscover cooperation as a model for local development. This will not be an easy task as the past practices have largely failed and resulted in the movement being devalued and discredited.

Creating opportunities for poor Indonesians: Employment generation through public investments in infrastructure

A recent study suggests that there are significant weaknesses in the provision of infrastructure facilities in Indonesia.21 Around 50 per cent of Indonesian households do not have access to electricity, while there are only 9.1 telephones per 100 people. These indicators compare rather unfavourably with regional norms.

Consider the following statistics that highlight the nexus between poverty incidence and access to infrastructure facilities. Approximately 50 per cent of Indonesians in the poorest quintile do not have access to an asphalt road as the main road in the place in which they reside. Between six to 11 million Indonesians do not have any reliable connection to any decent road or motorised transport network. These people are likely to reside in some of the least accessible and disadvantaged areas of the country.

Future public spending allocations would need to focus on the provision of rural infrastructure facilities. Connecting the rural poor to markets and services through a rural road network of a reasonable standard will form an important plank of the government’s poverty reduction strategy.

Public investment in infrastructure facilities – both in rural areas and elsewhere – can be readily crafted as an important tool of employment policy. One ILO study has shown that labour-based production methods in infrastructure investment in Indonesia can generate as many as 1.2 million durable jobs over four years without compromising standards of quality that one associates with equipment-intensive production techniques. This means that, if general growth-induced employment creation is of the order of two million annually, it has the potential to rise to 2.3 million annually with the adoption of ‘labour-based’ production methods in public investment policy.22
International evidence confirms these positive findings. Studies show that labour-based infrastructure programmes are between ten and 30 per cent less costly in financial terms than more equipment-intensive techniques, reduce foreign exchange requirements by 50 to 60 per cent and create up to five times as much employment for the same investment. 23

Creating opportunities for poor Indonesians: Reaping the benefits of labour mobility

There is a strong linkage between poverty and migration. Prevailing poverty in their home communities propels ordinary Indonesians to seek better opportunities elsewhere, whether it is within Indonesia or overseas. The available data shows that the bulk of those who participate in international migration are drawn from the poorer strata of Indonesian society. It needs to be noted too that IDPs are disproportionately represented by women and children. They are in turn among the most vulnerable societal groups.

Non-permanent and circular migration in Indonesia is also an important tool of risk diversification in Indonesia. Such transient migration allows poor households to create multiple sources of income thus mitigating the risk of an over-reliance on the earnings of a single breadwinner. At the same time, remittances sent by migrants play an important role in the alleviating of poverty by direct impact on the living standards of the families and relatives of migrants who are beneficiaries of such remittances. The consumption and investment of remittance income has conventional ‘multiplier’ effects. Such spending can stimulate local economies and engender employment in a variety of activities.

As noted, millions of ordinary and poor Indonesians travel to various parts of the country and overseas to seek a better life. Given the intimate nexus between poverty and migration, the following policy options can be explored to exploit that linkage thus enabling the government to create opportunities for poor Indonesians to improve their livelihoods and living standards.

Removing impediments to travel

It is necessary to appreciate the various factors that constrain migration propensities as well as the welfare of migrant workers. One impediment is represented by cumbersome bureaucratic procedures that impede travel, especially for those seeking to go overseas. Poor transport and communications network can also hamper labour mobility within Indonesia. Hence, removing bureaucratic impediments to travel and adequate and sustained public investments in transport and communications are necessary.
Regulating the ‘migration industry’

One can document numerous examples of the predatory practices of intermediaries who form part of the ‘migration industry’, such as labour recruitment agencies and travel service providers. They can use their market power and specialist knowledge to extract excessive payments for the services that they offer to migrants. A well-functioning regulatory framework that can efficiently monitor and set standard for service providers in the migration industry will certainly be a boon to poor Indonesians seeking work opportunities outside their home communities.

Ensuring secure, fast and flexible facilities for remittances

The welfare of migrants and their dependents are also adversely affected if relatively quick, flexible and secure means of transmitting remittances are not readily available. Hence, the government could implement a ‘migration-friendly’ policy framework by ensuring that migrants have access to reasonably secure, fast and flexible means of sending remittances.

Improving the labour market information system for prospective migrants

Improving the labour market information system in terms of credible, comprehensive and timely data on the spatial distribution of job opportunities both within and outside Indonesia is necessary. This will enable prospective migrants to take decisions in a reasonably informed fashion.

Looking after vulnerable migrants

Finally, the issue of vulnerable groups among the diverse community of migrant workers deserves to be highlighted. The government needs to pay particular attention to stamping out the odious practice of trafficking in women and children, in protecting Indonesians working overseas from the risk of exploitation and violence and in ensuring that IDPs are rehabilitated. These are important initiatives that can go some way towards providing opportunities for Indonesians to seek work in different parts of the country and overseas under conditions of freedom, dignity, equity and security.

Creating opportunities to share in the benefits of growth in a decentralized Indonesia: The role of the MDGs

Despite initial fears that regional decentralization in a newly democratic Indonesia will be mismanaged, the agenda of decentralization has so far proceeded without undue disruption to service delivery as well as the overall fiscal integrity of the
government. Nevertheless, it is by no means clear that the core issue of regional disparities – and associated problems of regional, communal and ethnic tensions – in Indonesia have been satisfactorily tackled under the current decentralization framework. The latter seems to be caught in a delicate balancing act between preserving the status quo and rewarding the well-endowed parts of the country. Despite attempts to pacify the discontent of resource-rich provinces through the Equalization Fund, critics fear that it may be a case of ‘too little, too late’. At the same time, the initial concerns that the restructured centre-region fiscal flows may not adequately protect the interests of the poorer parts of the country have not turned out to be a false alarm. A preliminary assessment reveals that the Equalisation Fund as it has so far operated could possibly exacerbate spatial inequality.

How can one create opportunities for the regional communities of Indonesia to share in the fruits of growth? One way is to align the MDGs to the agenda of democratic decentralization. As is well known, the MDGs entail a global consensus that the international community is united in its quest to attain target reductions in both income and non-income dimensions of poverty by 2015 (using 1990 as base). Indonesia, in common with more than 180 countries, has endorsed these goals and targets. An encouraging fact is that, despite the setback of the 1997 financial crisis, Indonesia appears to be on track to attain the core MDGs by 2015. This presupposes a growth rate of around 6 per cent and the assumption that past trends in poverty reduction both along income and non-income dimensions will be maintained. However, attainments at the national level can be deceptive, particularly in such a large and diverse country as Indonesia. Monitoring the 2015 goals and targets with respect to poverty reduction at the national level cannot be isolated from the issue of spatial disparities. The point is that some provinces – and many districts within provinces - will not be able to achieve at least one of the MDGs (or similar targets) by 2015. This can be readily gleaned from Figure 1.
The finding that there is significant regional diversity with respect to the attainment of the 2015 targets derived from the MDGs should inspire policy-makers into taking appropriate action by using them as the basis for a compact on regional decentralization – an idea that was first raised in the 2001 National Human Development Report. In other words, the philosophical premise of decentralization ought to be the notion that all Indonesians, as Indonesians, are entitled to minimum economic and social standards. One way of prescribing the minimum economic and social standards is to relate them to the MDGs. Thus, one could articulate a strategic vision of poverty reduction where the central government, in partnership with its regional counterparts, reformulates the MDGs so that the attainment of the 2015 targets and goals are set at the district-level. Such a reformulation should clarify that the MDGs are minimum standards that the regional communities of Indonesia are entitled to, while recognizing that dynamic and more entrepreneurial regions can, and will, move ahead and above those standards. This will thus set the overarching framework within which the administrative, programmatic and budgetary policies can be promulgated to create opportunities for the regional communities of Indonesia to share in the fruits of growth.

**Empowering the poor: Promoting good governance in the labour market**

Indonesia must accelerate growth to create the necessary conditions for reducing the incidence of poverty and attaining the MDGs. Engendering a strong investment climate is essential for achieving this growth. Notwithstanding
progress to date, the investment climate remains weak. Although financial market conditions have improved considerably, several high-profile legal cases focused observers’ attention on the slow pace of reform in the legal and judicial sphere. The recent establishment of the Anti-Corruption Commission is welcome, but much will depend on its implementation and operation (similarly for the Supervisory Commission for Business Competition). Decentralization, which on the whole has proceeded relatively well, has also raised problems for both existing businesses and prospective investors, in the form of new and conflicting regulations and taxes. Investors have expressed increasing concern about the framework for labour regulations and the trend of increasing minimum wages. Recent terrorist attacks have heightened concerns related to internal security. Policy makers must do all they can to improve the investment climate, enhance Indonesia’s competitiveness and build growth prospects in the period ahead.

Historically, Indonesia’s considerable economic strengths have made it an attractive destination for foreign investment: a large domestic market and labour force, abundant natural resources, a solid infrastructure, and a strategic location among some of the world’s major trade routes. However, foreign direct investment flows into Indonesia remain at less than half its pre-crisis peak. Investment by Indonesians also remains weak, with the result that gross fixed capital formation in 2003 was still running significantly below its pace in 1997 (FDI stocks as a percentage of GDP have been on a downward trend since 2000 having fallen from 40.4 per cent in 2000 to 32.2 per cent in 2002).28 According to the latest United Nations Conference on Trade and Development (UNCTAD) Inward FDI Performance Index,29 Indonesia lies in 138th place (out of 196 economies). In terms of competitiveness, Indonesia has dropped from 25th in 2002 to 28th in 2003 (out of 30 economies with populations greater than 20 million) in the International Management Document (IMD) World Competitiveness league table (China is 12th, South Korea is 15th and the Philippines is 22nd) and in terms of business efficiency (which includes a composite index of labour market variables) Indonesia was ranked the least efficient of all 59 economies surveyed.30

What then is most needed to restore market confidence, promote greater competition and support investment in Indonesia? The emerging consensus is that Indonesia must foster good governance across a broad spectrum – see Box 11 for a discussion of the essential attributes of good governance. Legal and judicial sector reform must be a critical element of any strategy to produce sustained improvement in the investment climate. Ensuring the effective operation of the newly created Anti-Corruption Commission, passage of amendments to the bankruptcy law, and continued efforts to strengthen the commercial court are specific priorities. Continued care will need to be taken to
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ensure that decentralization does not lead to an unduly complex and unstable regulatory framework that discourages investors. Customs and tax administration, which are often reported to have deteriorated in terms of transparency, predictability, and fairness, are also frequently cited as disincentives for investment.

While the above elements of the agenda on good governance are important, more attention needs to be devoted to the issue of good governance in the labour market. A sensible labour market policy that strikes a balance between protecting workers’ rights and preserving a growth-friendly environment in the context of a sound industrial relations policy is critical in light of recent concerns that have been expressed. There are many key areas where the Government will need to make a serious commitment to addressing problems if it is to have a significant impact on the overall investment climate: a sound industrial relations policy is one of these.

Box 11: What is good governance?

Good governance is a critical element of Indonesia’s poverty strategy. Unresolved governance issues stand in the way of ordinary people obtaining opportunities, justice and access to livelihood resources. These barriers create and perpetuate poverty. Better governance is the key to conflict resolution, growth and poverty reduction.

Elements of Good Governance

1. Participation
All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech – implying the need to fully implement ILO Convention 87 - as well as capacities to participate constructively.

2. Rule of law
Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

3. Transparency
Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. This is crucial for success in PRSP processes: information must be made available in a timely manner so that stakeholders can participate and contribute properly.
4. Responsiveness
Institutions and processes try to serve all stakeholders.

5. Consensus orientation
Good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures. This is a key objective of social dialogue and an especially important challenge for the social partners given their heterogeneous membership base.

6. Equity
All men and women have opportunities to improve or maintain their well-being and are given voice through their membership of representative organizations, like trade unions and employers’ organizations.

7. Effectiveness and efficiency
Processes and institutions produce results that meet needs while making the best use of resources.

8. Accountability
Decision-makers in the private sector and civil society organizations – including trade unions and employers’ organisations - are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.

9. Strategic vision
Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

Source: Adapted from ‘Good Governance for the People Involving the People: Partnership for Governance Reform’, Partnership for Governance Reform Secretariat, UNDP Indonesia.

Social dialogue as a vital instrument for promoting good governance in the labour market

Social dialogue plays a key role in achieving the ILO's objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity. Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of government, employers and workers, on issues of common interest relating to economic and
Social policy. It can exist as a tripartite process, with the government acting as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers’ organizations), with or without indirect involvement. Consultation can be informal or institutionalised, and often it is a combination of the two. It can take place at the national, regional or at enterprise level. It can be inter-professional, sectoral or a combination of all of these. In each case, social dialogue is about building trust between parties with different interests who pursue common economic activities in the presence of asymmetric information.

Typically, the principal vehicles for social dialogue are bipartite and tripartite committees. The new Manpower Act 13/2003 states that all companies with more than 50 employees are obliged to establish a bipartite cooperation committee which should function as a forum for communication, consultation and deliberation aimed at solving manpower problems at the enterprise level. In reality, however, most companies do not have these committees and in most of those that do, they do not appear to function very effectively. Similarly, the National Tripartite Council needs to be strengthened and (perhaps more significantly, given the decentralization process) so do the regional tripartite committees.

The enabling conditions for social dialogue are as follows:

- Strong, independent workers’ and employers’ organizations with the technical capacity and access to the relevant information to participate in social dialogue;
- Political will and commitment to engage in social dialogue on the part of all the parties;
- Respect for the fundamental rights of freedom of association and collective bargaining;
- Appropriate institutional support.

Social dialogue institutions are often defined by their composition. They can be bipartite, tripartite or “tripartite plus”. The key tripartite actors are the representatives of government, employers and workers. At times, and depending on specific national contexts, the tripartite partners may choose to open the dialogue to other relevant actors in society in an effort to gain a wider perspective, to incorporate the diverse views of other social actors and to build a wider consensus.

Social dialogue can take a variety of forms, ranging from the simple act of exchanging information to the more developed forms of consultation. The following is intended as a short list of the most usual forms of social dialogue:
Informationsharing is one of the most basic and indispensable elements for effective social dialogue. In itself, it implies no real discussion or action on the issues but it is nevertheless an essential part of those processes by which dialogue and decisions take place;

Consultation goes beyond the mere sharing of information and requires an engagement by the parties through an exchange of views that in turn can lead to more in-depth dialogue;

Tripartite or bipartite bodies can engage in negotiations and the conclusion of agreements. While many of these institutions make use of consultation and information sharing, some are empowered to reach agreements that can be binding. Those social dialogue institutions that do not have such a mandate normally serve in an advisory capacity to ministries, legislators and other policy-makers and decision-makers;

Collective bargaining is not only an integral – and one of the most widespread – forms of social dialogue, it can be seen as a useful indicator of the capacity within a country to engage in national level tripartism. Parties can engage in collective bargaining at the enterprise, sectoral, regional, national and even multinational level.

The main goal of social dialogue itself is to promote consensus building and democratic involvement among the main stakeholders in the world of work. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, promote social and industrial peace and stability and boost economic progress. Social dialogue is, therefore, both a means and an end in the quest for poverty reduction. It is an essential component of participatory processes inherent to the drafting of inclusive and meaningful PRSPs and the bedrock on which the foundations for an open, transparent and democratic society are laid.

The social dialogue challenge in Indonesia: Going beyond current concerns about labour unrest and minimum wages

The effectiveness of the ILO’s tripartite structure is dependent on the strengths and capacities of the constituents: the Ministry of Manpower and Transmigration (NAKERTRANS), the employers’ organization (APINDO) and the various workers’ organizations (trade union federations). The relative strengths and weaknesses of these organizations are well documented. It is widely agreed that they need to broaden and diversify their membership base, perhaps especially to embrace more women workers and employers. However, it is safe to say that both
Social partners face similar organizational and institutional challenges as a result of the democratisation and decentralization processes that have transformed Indonesia over the recent past. It is also safe to conclude that the Manpower Act 13/2003 and the Trade Union/Labour Union Act 21/2000 present great opportunities for strengthening the framework for industrial relations in Indonesia. The latter gives effect to Indonesia’s obligations under Convention 87 and the former provides a legal framework in relation to wages, social security, occupational health and safety, hours of work and holidays. It regulates industrial relations and details procedures for how to deal with collective work agreements and enterprise regulations.

In the pre-crisis era, the industrial relations system centred on bureaucratic edict, a lack of transparency and openness and a tendency towards autocratic and sometimes coercive policies. In recent years there has been great improvement and the fact that Indonesia has ratified all eight ILO core Conventions (the first country in Asia to do so) provides a sound basis for strengthening social dialogue and good governance in the labour market (see Box 11). However, there has been considerable negative publicity in Indonesia, with numerous media reports over recent years suggesting companies are pulling out of the country or threatening to do so because the country is no longer perceived as being a good place to do business.

These media reports have suggested that increased labour costs, problems with disputes and the uncertainty of the industrial relations environment combine to give investors real concern about doing business in Indonesia. However, the reality and what is perceived to be reality is not necessarily the same thing. For example, overall, there is no evidence to substantiate the impression that labour disputes are on the increase. Official data suggests that in the 1998-2002 period, there were fewer strikes than in the 1993-1997 period.
Box 12: ILO core Conventions

<table>
<thead>
<tr>
<th>Convention</th>
<th>Year</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>87</td>
<td>1998</td>
<td>Freedom of Association and Protection of the Right to Organize, 1948</td>
</tr>
<tr>
<td>98</td>
<td>1957</td>
<td>Right to Organize and Collective Bargaining, 1949</td>
</tr>
<tr>
<td>29</td>
<td>1950</td>
<td>Forced Labour, 1930</td>
</tr>
<tr>
<td>105</td>
<td>1999</td>
<td>Abolition of Forced Labour, 1957</td>
</tr>
<tr>
<td>100</td>
<td>1958</td>
<td>Equal Remuneration, 1951</td>
</tr>
<tr>
<td>111</td>
<td>1999</td>
<td>Discrimination (Employment and Occupation), 1958</td>
</tr>
<tr>
<td>138</td>
<td>1999</td>
<td>Minimum Age, 1973</td>
</tr>
<tr>
<td>182</td>
<td>2000</td>
<td>Worst Forms of Child Labour, 1999</td>
</tr>
</tbody>
</table>

*year in brackets indicates year of ratification

It is also not clear that the increases in minimum wages levels are making Indonesia uncompetitive relative to her neighbours. Notwithstanding the fact that minimum wages still remain below those of the Philippines and Thailand and barely higher than those of Vietnam, when compared to GNP per capita – a rough indicator of productivity – Indonesia’s minimum wage does not seem out of line with some of its competitors. It should also be remembered that it is difficult to talk of a single minimum wage in Indonesia because as part of the decentralization process responsibility for fixing the minimum wage has been passed to the provincial and district levels. Rather than “labour market issues”, what is probably of greater concern to most companies and investors is political uncertainty, security concerns and corruption.

Despite the fact that concerns over minimum wages are being exaggerated at the expense of other factors that have a deleterious impact on the perceptions of investors, one should not belittle the views expressed by some analysts about the relationship between minimum wages and employment in an Indonesian context. These analysts point to statistically robust findings suggesting that sharp increases in minimum wages against a background of modest growth could impair employment creation, especially in sectors of the economy dominated by small and medium-sized enterprises. This does not mean that minimum wages policy should be abandoned, but there is a case for a more prudent and creative approach. More importantly, minimum wages policy should be seen as part of a much broader agenda of developing a comprehensive, credible and cordial industrial relations system.
Official statistics suggest that 27.3 million Indonesians are employed in the formal sector (out of a labour force of about 98 million) but it would be wrong to suggest that sound social dialogue benefits only the relatively small number of formally employed because – amongst other reasons - the formally employed are likely to support a large number of dependents, implying significant “multiplier effects” of any policies affecting the formal labour market. The amorphous nature of labour markets in low income countries imply that monetary benefits accruing to organised workers are likely to be passed on to others through, for example, remittances to rural areas, capital for micro enterprise activities, subsidisation of other members of the extended family, investments in social capital etc. When the broader impacts like these are taken into account, it can be argued that a frequent missing component in poverty reduction strategies is the governance of the labour market. Indeed a major factor that distinguishes those countries that are successful in reducing poverty and those that are not is the quality of governance in the labour market. Investing in social dialogue, then, is a key element in promoting a process of institutional change to improve the performance of labour markets and thus bring about pro-poor growth.

The “conventional wisdom” that social dialogue (and, by extension, the Core Labour Standards) tends to raise labour costs above productivity and therefore reduce competitiveness is not borne out by the evidence. With respect to the Core Labour Standards, a recent study concluded that there was no solid evidence in support of what has been referred to as the “conventional wisdom” that foreign investors favour countries with lower labour standards, with all evidence of statistical significance pointing in the opposite direction.37 This finding is reinforced by another study that concludes that the international evidence in favour of the view that deregulated and flexible markets deliver better employment outcomes than more institutionalised labour markets is rather fragile.38 The upholding of Core Labour Standards should be seen as an integral part of corporate social responsibility. Treating workers well and respecting their rights represent enlightened acts by the business community because they promote social solidarity and contribute to industrial harmony.

One can thus argue that the Indonesian PRSP should stress the importance of promoting investment and competition through sound industrial relations. This means strengthening social dialogue and tripartism. In undertaking such an important task, the government will:

- Help promote social and economic stability (foreign investors put a high premium on predictability and stability because it reduces risk);
- Make markets work better by fostering transparency, information flows and institutional checks and balances;
Reduce the waste of skills and capabilities which comes from disruption, high labour turnover and discrimination at the workplace;

Promote human capital formation by eliminating coercive forms of labour (child labour, forced labour, etc.).

Furthermore, if sound industrial relations help eliminate discrimination at the workplace, this may create new opportunities for marginalized groups – including women and indigenous peoples – so raising overall labour market participation rates.

**Policy recommendations**

The Indonesian government has made great strides in passing the necessary legislation to underpin a sound industrial relations policy and has ratified all the Core Labour Standards and Convention 144 on Tripartite Consultation. A strong basis exists to integrate social dialogue into poverty reduction strategies and thereby to foster a sound enabling environment for attracting investment and promoting competition in the economy. However, the proper implementation of the Core Labour Standards will not come about on its own. The Government obviously plays the key role in realizing these rights and it is equally evident that capacity building is needed to enable the Indonesian government to properly and effectively implement labour laws and policies. Clearly, this obligation extends to local governments. They have to assume enlarged responsibilities envisaged under the decentralization law.

One of the most important roles related to the realization of the fundamental rights at work is labour inspection and labour administration to enforce the legislation covering terms and conditions of work and to help employers and workers to comply with the law. Adequately resourced labour inspection is essential to ensure compliance with labour laws and regulations and to provide appropriate technical information and advice to workers and employers. The collection and analysis of data on the incidence of violations of labour law on freedom of association, discrimination (including against women) and forced labour is also a function of labour inspection. Prior to the implementation of the Regional Autonomy Act, the authority of labour inspection rested within the Department of Manpower and Transmigration but as a consequence of district autonomy, the Department of Manpower and Transmigration does not now have direct formal links with all labour inspectors in the field. This situation needs clarification and streamlining. An effective dispute settlement system is also essential for promoting sound and stable industrial relations. The capacity and effectiveness of the government in establishing and implementing a new, modern
system under a proposed law needs to be improved radically. The government should be able to demonstrate that the new system consisting of conciliation, mediation and arbitration and labour judges will be able to dispense justice quickly, inexpensively and fairly when dealing with labour disputes.

The social partners obviously have a vital role to play in terms of implementing international labour standards and promoting sound workplace relations. Indonesian trade unions have been experiencing a rapid multiplication of their membership, although in 2002 union density in Indonesia was only about 10 per cent of the total labour force. Both trade unions and APINDO need to increase their membership (especially of women and hitherto underrepresented sectors and groups) and improve the quality of services they provide to their members. The role of trade unions and employers’ organizations and the potential of collective bargaining to promote gender equality in the terms and conditions of employment such as on equal pay, sexual harassment and maternity protection needs to be strengthened. Trade unions carry an obligatory responsibility to protect and promote the interests of women in the workplace. In spite of their increasing labour force participation, it can be seen that women are still under-represented in trade union membership and leadership positions. Trade unions and employers need to promote female participation and to ensure that women are visible and active in all aspects of the world of work. Trade unions and employers should also develop their capacity to act upon their organizational mandate, their rights and responsibilities, and those of their members, as well as capacity to advise on labour relations law and policy, and to plan, organize and conduct industrial relations training. Most trade unions also need to develop their research, advocacy and networking skills in order to improve the quality of their participation in policy dialogues, including around the PRSP process.

In light of the above discussion, the following policy initiatives are likely to promote good governance in the labour market and in turn empower ordinary Indonesians to participate productively in the workplace.

**Strengthen the National Tripartite Council (NTC)**

Ensure that the NTC is both representative (in line with the formula agreed upon in late 2002 under which representation would be extended to unions other than KSPSI/FSPSI and that there is an appropriate gender balance) and operates on a regular basis with a defined mandate. Tripartite committees also function at the provincial and district levels and in line with Indonesia’s decentralization policy it is very important that sub-national tripartite structures are also strengthened. Given that roughly 90 per cent of industrial labour involved in most disputes is
concentrated in less than 20 districts across the country, it might make sense to focus most on strengthening the tripartite structures in these districts. A technical wages committee could be established to support the National Wages Council.

**Implement recent and proposed labour law reform, but revisit the issue of minimum wages**

The Manpower Act 13/2003 requires the development of many enabling decrees and regulations. More work is needed to develop an infrastructure for mediation, conciliation and arbitration as envisaged in the Industrial Relations Disputes Settlement Bill. Monitoring the application and impact of the new laws will be important in order to assess the extent to which they support the extension of the Core Labour Standards and improve the industrial relations environment.

The evolving agenda of labour law reform provides an opportunity for the government to broaden the approach to adjusting minimum wages. The government could consider revisiting the way it fixes minimum wages by moving away from the current practice of an annual exercise to a bi-annual framework. There is a case for a careful appraisal of the cost-of-living adjustments used to justify minimum wage increases by paying more attention to macroeconomic conditions, especially in terms of the impact on job creation. Minimum wages could be interpreted as indicative benchmarks for collective bargaining purposes rather than as mandatory instruments. More importantly, minimum wages policy should be seen as part of a much broader agenda of developing a comprehensive, credible and cordial industrial relations system that protects labour rights but is also growth-friendly. This is an agenda that will take years to accomplish through a protected process of informed public discourse and institutional experimentation.

**Indicators to measure progress**

The development of PRSP indicators and monitoring systems is essential in order to measure progress. In addition to the set of indicators - disaggregated by gender as well as by district, provincial and national levels – which are broadly outlined in the framework of the MDGs, the ILO urged the use of specific indicators corresponding to the Decent Work Agenda. In this regard, the Key Indicators of the Labour Market (KILM) form a sound basis for selecting appropriate indicators.
Key indicators of the labour market

The 20 indicators are:

- Labour force participation rate;
- Employment-to-population ratio;
- Status in employment;
- Employment by sector;
- Part-time workers;
- Hours of work;
- Informal sector employment;
- Unemployment;
- Youth unemployment;
- Long-term unemployment;
- Unemployment by educational attainment;
- Time-related underemployment;
- Inactivity rate;
- Educational attainment and illiteracy;
- Manufacturing wage trends;
- Occupational wage and earning indices;
- Hourly compensation costs;
- Labour productivity and unit labour costs;
- Labour market flows;
- Poverty and income distribution.
The following indicators were also suggested for guiding the Government in assessing the extent and nature of poverty reduction in the context of decent work (again, disaggregated where appropriate by gender and administrative level):

- The share of wage employment in non-agricultural employment;
- Children in wage employment or self employment;
- Children not in school by employment status;
- Labour inspection (number per employees);
- Public social security expenditure (percentage of GDP);
- Beneficiaries of cash income support;
- Share of economically active population contributing to a pension fund;
- Union density rate;
- Strikes and lock outs (percentage per 1000 employees);
- Informal economy employment;
- Income inequality.
This chapter was written by G. Buckley and is largely derived from a document prepared by the ILO for submission to the Indonesian poverty reduction strategy process in February, 2004.

The Indonesian poverty line represents a combination of a basic bundle of food and non-food components. The poverty line was updated in 1996 and is approximately equivalent to $1.50 cents per day.

Figures kindly supplied to ILO by Mr. B. Sudjana, UNSFIR-UNDP, Jakarta.


The labour market statistics reported here are based on special tabulations by the Central Board of Statistics (CBS) using the format of the ILO’s Key Indicators of the Labour Market (KILM). Mr. P. Itawan bears formal responsibility for managing the KILM project in CBS.

The statistics were kindly supplied by Dr. S. Dhanani, a Jakarta-based consultant. They were prepared as part of a forthcoming book on industry and labour in Indonesia.

Asia Recovery Information Centre database for 2003 (www.aric.adb.org).


The only exception seems to be female workers with tertiary education who are at par with their male counterparts (5.0 per cent).

Asia Recovery Information Centre database for 2003 (www.aric.adb.org).

The latest growth estimates are available at the website of the Central Board of Statistics (www.bps.go.id).


See *Jakarta Post*, August 18, 2002. Ramli, R., is a major critic of the current government’s macroeconomic management and argues that it is entirely based on servicing the government’s debt obligations. See R. Ramli’s commentary in the *Business Times*, August 16, 2002.


Government of Indonesia, Economic policy package in conjunction with the completion of the government’s programme with the IMF, Jakarta, 2003.


ILO: Project document for technical support and training targeting the creation of 1.2 million jobs, in collaboration with AusAID, Geneva, Bangkok and Canberra, 1999b.


This prediction was made in media reports when the decentralization laws were first announced. See *Far Eastern Economic Review*, May 13, 1999 (John McBeth, *Too Little, Too Late: Revenue Law May Not Appease Restive Provinces*).


The acronyms in Figure 1 should be interpreted as follows: Poverty = halving of extreme poverty by 2015; Net enroll = 100 per cent net enrolment in primary school by 2015; Literacy = 100 per cent adult literacy by 2015; IMR = 75 per cent reduction in infant mortality rate by 2015; MMR = 75 per cent reduction in maternal mortality rate by 2015; Safewater = 100 per cent access to safe drinking water by 2015; Housing = 100 per cent access to housing with a concrete floor by 2015. The base year in each case is 1993.


Ibid., ranked for 1999-2001: the ratio of a country’s share in global FDI flows to its share in global DFP.

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31 ILO/USDOL Declaration project research.

32 See, for example, Kelly, P.: Promoting Democracy and Peace through Social Dialogue, InFocus Programme on Strengthening Social Dialogue (ILO, January 2002).


34 Ibid.


39 In 1999, the passed the Act on Regional Autonomy (Act No. 22 of 1999), which decentralize some of central office and function, including some offices which previously under the Department of Manpower and Transmigration.

CHAPTER 8
ETHIOPIA: DECENT WORK, LABOUR LAW AND SOCIAL DIALOGUE

Background

Ethiopia has one of the oldest civilizations in the world and a rich and varied cultural heritage but in terms of development, it is currently ranked among the most destitute countries according to most standard measures of human development. This chapter examines the relevance of decent work in the context of one of the world’s least developed countries.

The modern Ethiopian state was forged in the second part of the 19th century. Its first ruler was Ras Tafari Mekonnen, enthroned as Emperor Haile Selassie I in 1930. He ruled until 1974 (except for the Italian occupation 1936 to 1941). A military junta overthrew him following nationwide strikes and an army rebellion in the aftermath of a massive famine 1972-1974. Already by that time, Ethiopia had been in conflict with both Somalia and Eritrea, which it regarded as part of Ethiopia (Eritrea had come into existence as an Italian colony, following a first, unsuccessful attempt by Italy to conquer the Ethiopian mainland). A military regime known as the Derg came into power following the violent death of the Emperor and it adopted a radical left-wing ideology backed by the Soviet Union. Almost immediately after seizing power the Derg engaged in a protracted civil war with a left-wing guerrilla force that had its base in the northern province of Tigray. The Derg was eventually defeated by the guerrillas and invading Eritrean forces in 1991.

The Tigray-based movement, through the newly-created Ethiopian Revolutionary Democratic Front (EPRDF), gained power in a transitional government from 1991-1995 and held on to it afterwards. The new government enacted wide-ranging reforms (with the assistance of an IMF structural adjustment programme, 1992-1995), including devolution, a move contrary to the strongly centralist approach of the Derg. A new constitution, based on strong federalism and a ceremonial presidency, was accepted in 1994 and the Federal Democratic Republic of Ethiopia was proclaimed in August 1995. The new republic has nine, very autonomous regions along linguistic lines (with English and Amharic being the most important languages in every-day life and business
matters). The new prime minister was Meles Zenawi, who is still in power. In 2001 there was a power struggle within the EPRDF, from which the group supporting the prime minister emerged even stronger.

Simmering tensions with Eritrea erupted again in 1998 and a bloody war lasted from 1998 to 2000. After a peace deal in late 2000, a UN mission (UNMEE) monitored a buffer zone between the two countries, while an independent commission investigated the remaining disputes, particularly whether the town of Badme belonged to Ethiopia or Eritrea. The final ruling assigned Badme to Eritrea, a decision that Ethiopia rejected. However, despite growing tension between the neighbours on this issue, a new war is not thought to be imminent.

In 2002, the Government finalized the Ethiopian PRSP, known as the Sustainable Development and Poverty Reduction Programme or SDPRP. This document has become the single most important policy framework for Ethiopia. It has influenced (and been influenced by) the multilateral and bilateral programmes of a number of donors as well as the lending programmes of the World Bank and the International Monetary Fund. Partly on the basis of the SDPRP, the donor community at the Consultative Group meetings in 2003 pledged $3.6 billion of development assistance for the period 2002-2005. While substantial, Ethiopia's share of development assistance in relation to its population remains below that received by most other countries in Sub-Saharan Africa. It has also served to guide Ethiopia through the HIPC debt relief decision and completion points such that in April 2004, the Boards of the World Bank and IMF approved about $1.3 billion (in net present value) of debt stock reduction, plus about $700 million (again in net present value terms) in additional debt stock reduction granted because of exogenous shocks (such as famine and the fall in the coffee price) that have affected the country in ways deemed fundamental to economic prospects. Clearly, the SDPRP has had an enormous impact on the nature of economic and social development in Ethiopia.

Overview of the economy and government policy

Ethiopia is one of the poorest countries of the world, with a GDP per capita at little more than $100 per annum. It is ranked only 169/175 in the UNDP's HDI (2003). Ethiopia’s current conditions clearly place it even lower than most other members of the group of least developed countries (LDC).²

Taking a long-term perspective (1981-2000), the performance of the Ethiopian economy has been dismal over the last two decades. However, this is largely due to a bad record in the pre-reform period. Economic performance in the post-reform period has been markedly better. During the pre-reform period
(1981-1994), real growth of the economy averaged 2.3 per cent annually, but rose to 4.6 per cent in the post-reform period (1994-2001). Given an average population growth rate of 2.3 per cent throughout both periods, real GDP per capita from 80/81 to 00/01 increased by barely 0.1 per cent per year. Hence, by late 2003, Ethiopia had scarcely made up for the “lost decade” of the 1980s, despite accelerated growth in the 1990s.3

The growth performance of the economy in the post-reform period would have been even better had it not been for the war with Eritrea (1998-2000), which stalled growth in 19984 (although the economy recovered robustly over the following years), and a massive drought (fiscal year 2002-2003). This put great pressure on the Government expenditure account. While 2001 and 2002 both saw healthy growth of around 5 per cent, the economy contracted in the fiscal year 2002/2003 with growth of about 3.8 per cent (an improvement is expected in 2004). In the same year, inflation shot up to double-digit levels (around 12 per cent) for the first time in a decade.5

Ethiopia has a GDP of around $6.5 billion: agriculture accounts for approximately 45 per cent (although the trend is downwards); industry about 11 per cent and services just over 44 per cent of national income.6 In terms of employment, agriculture is the mainstay of the economy, but most of this employment is in subsistence farming, with commercial farming accounting for only about 5 per cent of total agricultural employment.7 The volatility of this sector - due to the dependence on rainfall - also helps explain much of the erratic growth performance from quarter to quarter. The same dependence is also at the root of the wide swings in inflation from one quarter to the next (on average, though, Ethiopian inflation tends to be fairly low).8

The most important agricultural products are coffee (although the share of this commodity in total export earnings has decreased dramatically due to the deterioration in world coffee prices), hides and skins and chat (a mild but addictive drug). On the back of increased government expenditure, the service sector ballooned following the increasing militarization in the run-up to and during the war with Eritrea. However, the contributions to the national economy of other parts of the service sector (such as tourism and restaurants) have also been increasing. The strongest growth in the industry sector was in mining and quarrying, although that sub-sector’s contribution to GDP remains below one per cent. Manufacturing remains concentrated around the major cities of Addis Ababa and Dire Dawa, accounting for less than 4 per cent of GDP. Beverages saw the strongest growth in this sub-sector.
Food security (and food aid) remains a major issue for Ethiopia. It is estimated that even in years of average rainfall, some 5 million people are in need of food assistance. Although a catastrophic death toll during the 2002/03 drought was avoided due to swift government and international assistance, this recent episode only reinforced the Government’s commitment to reduce dependence on foreign assistance. Accordingly, food security has been made one of the axes of the PRSP.

On the expenditure side, the Government has significantly reduced spending on defence (which had been skewed due mainly to the border conflict with Eritrea) and enhanced spending on the social sector (e.g. programmes targeting poverty alleviation). Spending on defence as a percentage of total expenditure (GDP) decreased from 13.1 per cent in 1999/00 to about 4.2 per cent in 2002/03. At the same time, spending on education and health increased from around 4.2 per cent to about 7.1 per cent. Spending on agriculture and food security fluctuated between 2.7 per cent and 3.3 per cent during this period. Compared with other countries in sub-Saharan Africa, spending per capita on social services remains well below average.

Overall, the budget deficit has been reduced, and domestic revenue has risen over recent years, with the deficit reaching a low point in 2000/01 at 5.5 per cent of GDP. However, in the financial year 2002/03, the drought partly reversed those gains. Moreover, Ethiopia remains largely dependent on foreign aid. While those funds accounted for 4.1 per cent of GDP on average from 1998/99 to 2001/02, external grants made up more than double that amount in 2002/03 (and around a fifth of the total budget). Poverty-targeted expenditure as a percentage...
of total expenditure in the financial year 2002/03 was equal to 42 per cent, reflecting the challenges that Ethiopia faces.

**Labour markets**

The labour market in Ethiopia is very underdeveloped, lacking depth and diversity. The labour supply far exceeds demand and while productivity growth increased in the post-reform period, employment creation was actually negative (-0.6 per cent p.a. from 1994 to 1999). The labour force currently stands at around 23 million people, which implies a labour force participation rate of 80.5 per cent (1999). The distribution of employment is as follows: agriculture 80 per cent, industry 5 per cent, and services 15 per cent. Wage and salaried workers (the formal economy) make up about 9 per cent of total employment. Unemployment is said to be at 8 per cent in 1999, with a much higher rate in rural than in urban areas, but it is difficult to judge the reliability of this data. Unemployment is especially prevalent among the young, who made up close to 90 per cent of total unemployment in 1999.

Different sectors of the Ethiopian labour market have seen quite different development over the last decades. In general, the following distinctions can be made:

- Despite recurrent efforts by the Government, the agricultural sector seems to be in long-term decline, with its poor performance explaining most of the overall loss of employment in the post-reform period. Its performance in that period is characterized notably by negative growth in both productivity and employment;

- The manufacturing (industrial) sector is expanding, albeit in a limited and uneven manner, and overall, employment growth in this sector is insufficient to keep up with overall population growth (1.8 per cent for the former against 2.9 per cent for the latter). Growth in manufacturing employment is far from being equally distributed. Certain sectors are expanding strongly (such as food and beverages, chemicals and vehicles), whereas others (notably wood production and textiles) show falling employment. On the positive side, the overall output (value-added) growth in the manufacturing sector is clearly outpacing employment growth in this sector, implying an elasticity of less than unity and hence a “healthy” expansion inasmuch as this implies the potential for future job creation;

- The service sector has seen relatively high productivity growth in the post-reform period.
Incidence of decent work in Ethiopia

The approach to the analysis of decent work in Ethiopia involves looking at its economic and social context together with each of the following six dimensions of decent work: opportunities for work; work in conditions of freedom; productive work; equity at work; dignity at work; and security at work.

**Opportunities for work**: obviously, the number of working poor in Ethiopia is very high due to the widespread poverty and the need to work in order to survive. There is little in the way of “employment choice” in an economy predominated by the agricultural sector (80 per cent of total employment is to be found in this sector). Youth unemployment is pervasive at almost 90 per cent of total unemployment. Wage employment makes up for only about 9 per cent of total employment. Moreover, despite a noticeable increase in growth following economic reforms in the mid-1990s, employment creation was actually negative from 1994-1999. Employment opportunities, therefore, could be described as dire.

Concerning **work in conditions of freedom**, it needs to be noted that Ethiopia ratified the ILO’s Worst Forms of Child Labour Convention, 1999 (No. 182) in 2003 and has thus, ratified all eight fundamental Conventions in the ILO Declaration. However, as with many other countries, there is a vast gulf between rhetoric and reality: although the Conventions have been ratified there is a huge deficit in terms of their implementation (cf. recent cases before the ILO.
Committee on Freedom of Association and the Committee of Experts). Officially, the minimum age of employment is 14 years. However, there is evidence of violations of this threshold in many instances. On the other hand, the stated government aim to increase the gross enrolment ratio for primary education (eight grades) to 65 per cent (from 59 per cent in 1999/00) in the timeframe of the SDPRP, and to achieve the MDG of universal primary education by 2015, means that in principle all children falling below the ILO threshold of 14 years should in due course be in school (and hence not in work). Regarding other forms of unacceptable work, like forced or bonded labour, there is little or no material available.

On productive work, Ethiopia saw a rise in its trend labour productivity rate to 2.3 per cent p.a. in the post-reform period (up from 0.4 per cent annually. 1984-1992). Perhaps most importantly, the manufacturing sub-sector saw annual growth of labour productivity of 9.6 per cent annually, from 1992 to 2000. Given that output growth in this period in the sub-sector was mainly driven by those productivity gains, this implies an output elasticity of less than unity and thus the creation of “productive jobs”. A very positive aspect of the SDPRP is that the Government is committed to increasing opportunities for vocational training, although the potential impact of the proposed measures needs further scrutiny. Under current projections, less than 15 per cent of the workforce would profit from vocational training.

With respect to equity and dignity at work, there is no strong evidence of large-scale gender discrimination in work or other strong occupational segregation according to sex. However, the Human Development Report, 2003, puts Ethiopia in only 139th position out of 144 in terms of the GDI/Gender-related Development Index, compared to 169th out of 175 on the HDI/Human Development Index. On the other hand, there is also little positive evidence, such as opportunities for balancing work and family life. Concerning social dialogue and workplace relations, there are frequent violations of the core Conventions on freedom of association and the right to collective bargaining. It remains a major challenge to ensure that all major workers’ rights are implemented for all parts of the working population. The major points of criticism are that there are limits to the right to organize and that some occupational groups are banned altogether from the scope of the Labour Proclamation. Moreover, collective bargaining is rare in Ethiopia and more prevalent in public than in private companies, and mostly at “enterprise” level. The union density rate is also very low, with estimates ranging between 200,000 and 300,000 members (less than one per cent of the workforce), with little evidence that agreements between unions and employers’ organizations would extend beyond the formal coverage (i.e. the members) or would serve as a role
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model for the rest of the economy. Further information on social dialogue, labour law and industrial relations can be found in subsequent chapters of this report.

On Fair Treatment in Employment, the Government has ratified the ILO Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159) in 1991. The current Labour Proclamation also prohibits discrimination against disabled persons in employment. Finally, a new proclamation in 2002, dealing only with federal civil servants, has for the first time introduced the concept of affirmative action for disabled persons. The national government also formulated a National Programme of Action for Rehabilitation of Persons with disabilities in 1999. A recent evaluation of the legislation on disabled persons in Ethiopia and the Programme of Action concluded that Ethiopia has made considerable progress in formulating appropriate policies. What remains is to extend the reach of existing legislation beyond specific sectors and to enforce policies and laws.

Finally, regarding security at work, there is little data available to judge the performance of the Ethiopian economy in terms of stability and security of work. On Social Protection, the ILO’s InFocus Programme on Socio-Economic Security collected data on people’s security in terms of several criteria (employment protection, skill security and representation security, among others). According to all of those indicators, Ethiopia finds itself near the bottom of the ranking for socio-economic security (macro-level aggregation, ranking both developed and developing countries). At the same time, there is little data available to judge the performance of Ethiopia by the conventional indicators of social protection (pension coverage, cash support etc.) directly.

On the safe work aspect of security at work, there are no official data on fatal occupational injuries. However, the shortage of labour inspectors (48 for all levels of Government combined, with two regions having not a single labour inspector) and the large informal economy both indicate that this aspect of decent work remains underdeveloped in Ethiopia. On the positive side, occupational safety and health (OSH) is going to be a priority in the new three-year strategic plan of the Ministry of Labour and Social Affairs (MOLSA). Accordingly, MOLSA has identified capacity building as one of the priorities for a future employment and industrial relations programme. The country has also ratified Convention No. 155 (1981).

Regarding HIV/AIDS, Ethiopia is one of the hardest-hit countries in Africa in terms of the total number of infected people (around 3 million in 2002, implying a prevalence rate of around seven to eight per cent). The percentage of people infected with the virus is much higher in urban areas (up to one in six adults) than in rural areas. An ILO review of the legal and policy framework found that, among other shortcomings, the existing legislation does not address HIV/AIDS
21 The national policy (Strategic Framework for the National response to HIV/AIDS) likewise suffers from not fully developing a policy on HIV/AIDS as a workplace issue.

In addition, the economic and social context for decent work in Ethiopia is not at all favourable. There is a large informal economy (roughly estimated at 50 per cent). Moreover, Ethiopia is one of the poorest countries in the world, with the highest poverty headcount according to some indicators (notably on the $2 per day measure). Finally, the country ranks only 169 out of 175 in the HDI, significantly below the average score of even the least developed countries (LDC) (0.327 against 0.448). In terms of education, for example, the primary education completion rate is only a little above 20 per cent and illiteracy is widespread, affecting more than half of the adult population.

However, there is also reason for optimism: Ethiopia experienced a significant pick-up in growth during the 1990s and the early years of the new millennium (average annual real growth 1994-01 was close to 5 per cent). This growth stalled in 2003 following a massive drought but is projected to return once the protracted consequences of the natural disaster have been overcome. Also, the Government seems strongly committed to shifting resources towards poverty-reducing policies, keeping up a large increase in expenditure on for example health and roads even in the face of the most adverse conditions imaginable. At the same time, spending on defence is reduced. Due to the Government’s policies and commitment to poverty reduction, it received welcome news in April 2004 when it was announced that Ethiopia had reached completion point on the HIPC initiative and became eligible for $1.3 billion (in net present value terms) of debt stock reduction and $0.7 billion in additional debt stock reduction allocated because of exogenous shocks which have affected the economy in ways deemed fundamental to economic prospects.
Table 3: Subjective summary of the incidence of decent work in Ethiopia

<table>
<thead>
<tr>
<th>The dimensions of decent work</th>
<th>Assessment of decent work situation</th>
<th>Availability of data</th>
<th>Comment on the main source of data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunities for work</strong></td>
<td>Very bad; mainly due to negative employment growth and continued overriding importance of agriculture</td>
<td>Relatively detailed and complete information</td>
<td>KILM (2003): detailed but outdated, Demeke Guta and Ferede (2003): detailed and up to date, SDPRP (2003): no data on major measurement categories</td>
</tr>
<tr>
<td><strong>Work in Conditions of Freedom</strong></td>
<td>Very bad; mostly because of indications of widespread child labour</td>
<td>Not good, mostly speculation</td>
<td>Not well treated in the SDPRP, KILM (2003): no data</td>
</tr>
<tr>
<td><strong>Productive Work</strong></td>
<td>Mixed; Increasing incidence of high-productivity jobs but not enough to keep pace with labour force growth; Increasing scope for vocational training</td>
<td>Good for incidence of high-productivity jobs, speculative on training opportunities</td>
<td>SDPRP: neglects productivity, does not quantify impact of vocational training; Demeke, Guta and Fereda (2003) very detailed on productivity; KILM (2003): no data, only proxies</td>
</tr>
<tr>
<td><strong>Equity at Work</strong></td>
<td>Bad; some incidence of gender discrimination at work, low score on GDI suggest even more hidden discrimination, better record on discrimination of disabled persons; selective applicability of the (mostly sound) labour proclamation</td>
<td>Extremely speculative</td>
<td>KILM (2003): no data, only very general disaggregation of occupation according to sex</td>
</tr>
<tr>
<td><strong>Dignity at Work</strong></td>
<td>Bad; difficult to organize collectively, collective bargaining mostly in public enterprises</td>
<td>Relatively good; could be developed further on union density etc.</td>
<td>KILM (2003): no data, SDPRP (2003): some data for (far-off) proxies, IFP/Dialogue: adequate data on collective bargaining</td>
</tr>
</tbody>
</table>
The dimensions of decent work | Assessment of decent work situation | Availability of data | Comment on the main source of data |
---|---|---|---|
**Security at Work** | Bad; very low score on the social protection index, basic public services still not widely accessible, some positive developments on HIV/AIDS but the epidemic is still not treated as a workplace issue, shortage of labour inspectors | Bad; no data on stability and security, little data on Safe Work, some data on social protection | KILM (2003): no data, SDPRP (2003): some data on (not very good) proxies, IFP/SES: good data on Social Protection aspect |

**Economic and Social Context of decent work** | Very bad; among the lowest in the HDI ranking, large informal economy, very low educational attainment rates, but recent shift in government spending on those areas | Relatively good | KILM (2003): detailed and recent data, SDPRP (2003): adequate information except for informal economy |

The SDPRP: An overview and critical assessment of the poverty analysis

The SDPRP programme is currently the most important policy framework for Ethiopia. The SDPRP was completed in 2002. In 2003, the Government issued a first Annual Progress Report (APR). The overall development objective of the SDPRP is threefold: to develop the economy rapidly, to make Ethiopia independent of food aid and to ensure that the poor are the main beneficiaries of economic growth. The SDPRP comprises four major building blocks:

- Agricultural development-led industrialization (ADLI) and food security;
- Justice system and civil service reform;
- Decentralization, empowerment and governance;
- Capacity building.

Next to these there are cross-cutting issues (such as gender and HIV/AIDS) as well as broad pledges to foster private sector and export growth. There are also
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references (albeit only modest) to financial market liberalization and increasing domestic revenue, which feature, however, much less prominently in the SDPRP than the four building blocks. A notable policy area that is not at all referred to in the SDPRP is the issue of corruption. Generally, policies developed in the SDPRP are grounded in existing strategies and plans. This is, for instance, the case with education policy, road development and health sector development, where in each case the SDPRP covers the second phase of a long-running programme. Most of these programmes are also predicted to extend well beyond the lifetime of the current SDPRP.

The Government is well aware that the most important means to achieve its goal of poverty reduction over the planning horizon of the SDPRP (2002-2005) will be strong growth. Therefore, it targeted an annual GDP growth rate of 7 per cent (this was revised down to 6.7 per cent in the first APR). At the same time, it has also been calculated that such growth would suffice (if projected beyond the time frame of the SDPRP) to meet the first MDG of halving absolute poverty by 2015. While stressing the importance of growth, the Government also explicitly acknowledges that growth is not an end in itself. It pledges to make the development of Ethiopia “pro-poor” through a variety of measures, including an overriding and deliberate focus on agriculture as the pivotal sector of the Ethiopian economy.

The IMF and the World Bank both broadly endorsed the SDPRP. In the first Joint Staff Assessment (JSA) of the PRSP process, the reviewers noted that the document was a good basis for its lending activities. Nonetheless, there are a number of issues raised by the IMF and the World Bank regarding the SDPRP. The following summarizes those criticisms:

- There remains controversy on the issue of land reform. The Government wants to stick to its current policy of national landownership (i.e. basically no private ownership of land). In response to the criticisms levelled by the critics of such a policy, it has decided to issue certificates of land holding that might eventually pave the way for private ownership of land (after a transitional period). However, there are uncertainties as to how the system is actually going to work in practice;
While there is strong national ownership of the SDPRP, broad-based participation is still missing. There are several reasons for this: the centralistic tradition of Ethiopia, the relative haste with which the document was finalized and the continued influence of the State over the media. At the same time, participation by civil society improved during and since the preparation of the 1-PRSP.25

The linkage between devolution of power and other policy measures is poorly defined. Moreover, financial planning for devolution has not been adequate in the last years. More generally, there are difficulties in evaluating the poverty-reducing impact of some policies.

Poverty analysis in the SDPRP

In the course of developing the SDPRP, the Government has undertaken extensive research into the causes of poverty. A major outcome of this is that from 1995 onwards until 2000, hence during a period of pronounced growth, poverty declined slightly in Ethiopia from a head count of 46 per cent to about 44 per cent.26 The SDPRP reports that there was a marked reduction in poverty in rural areas, while poverty was actually on the rise in urban areas (in total, though, poverty remains more widespread in rural areas than in urban areas, except for food poverty).27 Due to the weight of the former in the national poverty head count, gains in rural areas outweighed a deterioration in urban areas. It is expected that the massive drought of fiscal year 2002/2003 and other external factors (i.e. deterioration of the terms of trade of coffee) have at least partially reversed the positive effects witnessed in rural areas. Inequality also seems to be on the rise nationally, albeit only slightly. However, Demeko, Guta and Ferede (2003) are especially critical of the claim that rural poverty has declined. Since output per capita in fact declined in the agricultural sector in the post-reform period, the authors describe the Government’s claim as a “statistical myth”.28

Regarding the determinants of poverty, it was found that the largest factor positively correlated with poverty has been the dependency ratio (both in rural and in urban areas), whereas poverty-reducing factors are primary education and the cultivation of specific, non-traditional, crops, each reducing the chances of being poor by about a third. On growth, the analysis shows that GDP is largely dependent on the performance of the agricultural sector. The movement in this sector also explains large parts of Ethiopia’s erratic growth history. Different methods of growth accounting give somewhat different results, although the overall conclusion is that labour, land and rural capital (approximated by oxen) all
have a predominant role in accounting for the growth of the agricultural sector. Weather conditions also play a significant part.

From the perspective of furthering the Decent Work Agenda, it would seem that the following point could be made regarding poverty measurement and poverty alleviation. While the analysis of poverty and its determinants seem adequate (except for the claims on rural poverty reduction), the linkage between job creation and poverty reduction is inadequate. To be more precise, the document lacks a quantification of the impact of employment creation on poverty reduction. A first step in this respect has, for instance, been made with the paper from Demeke, Guta and Ferede (2003). The authors argue among other things for a stronger focus on developing the manufacturing sector. This sector has shown its ability in the post-reform period to create jobs that exhibit high productivity growth. These jobs, in turn, are more likely to reduce poverty than low productivity ones. However, the number of such jobs created has been inadequate in the face of strong population and labour force growth. A second major criticism of the poverty analysis of the SDPRP is that the Government completely neglects the importance of employment and unemployment. There is not a single statistic on this measure in the whole poverty analysis. Consequently, employment creation is not explicitly embraced as a policy target but rather as an indirect outcome of growth.

Cross-cutting issues: Gender and HIV/AIDS

HIV/AIDS

The Government did not assign HIV/AIDS to one of the building blocks but rather treats it as a cross-cutting issue. The subject long suffered from official neglect in Ethiopia. In spite of a national policy being in place since 1998, the Government did not make the epidemic a priority policy issue. Current estimates put the number of deaths by the end of 2002 at 1.7 million and around three million people are currently infected with HIV/AIDS. The SDPRP seems to have made a major stride forward in the Government’s approach to HIV/AIDS, as the subject is one of the priority areas of government intervention. It features prominently in both the SDPRP and the APR.

The national framework for action on HIV/AIDS is the Strategic Framework for the National Response to HIV/AIDS, 2000-2004. The main target is to reduce the level of HIV transmission to 25 per cent. A corollary is that the prevalence rate is targeted to stay at the current level of 7.5 per cent until the end
of fiscal year 2004/05. The Government does not provide a detailed outline of the Strategic Framework 2000-2004, but does cite a number of priority areas. From this, it seems that it has developed a fairly coherent policy. Its plans include involving all levels of government (federal, regional, woreda, kebele) and to build their capacity. A crucial ingredient in this Framework is the building and strengthening of the newly established HIV/AIDS Prevention and Control Office (HAPCO). Perhaps most importantly, the fact that the Government has identified HIV/AIDS as a cross-cutting issue shows its willingness to mainstream it into all its other policies. The very specific sectoral policies include strengthening the rights of people living with HIV, more voluntary counselling and testing, reaching out into as yet relatively sheltered rural areas and an increased emphasis on making HIV/AIDS education part of the regular school curriculum. The Government has also identified target groups (among them sex workers and transport workers/truck drivers). Finally, the Government has begun to make moves towards making HIV/AIDS a workplace issue at all levels of government.30

On the face of it, the Government’s policy seems laudable and ambitious. It appears that some progress has been made, especially with respect to capacity building and establishing HIV/AIDS committees and councils at lower levels of government in particular.31

Gender

As with its treatment of HIV/AIDS, the Ethiopian Government has identified gender as a cross-cutting issue, and pledges to mainstream it into all other activities. The Government points to past achievements on gender, including the creation of a National Policy on Ethiopian Women and constitutional amendments establishing equal rights for women. At the same time, the Government also admits that reality in terms of women’s living and working conditions has not kept pace with the changes in policy and legislation that concerns them.32 The Government thus enumerates a number of specific policy measures that pertain to gender equality. Whenever those have a bearing on the world of work and/or a dimension of decent work, they have been included in the corresponding sections on the different building blocks of the SDPRP. The SDPRP features an additional point on “reducing women’s workload” that highlights how the interplay of economic, social and political government policies generally are supposed to be conducive to reducing the workload of women. Unfortunately, the Government’s position remains largely indicative and this issue is not developed further.
Summary of the decent work contents in the PRSP of Ethiopia

The various building blocks of the SDPRP are very different in nature. It should come as no surprise that the relevance they assign to specific parts of the decent work agenda differs quite markedly from one to the other, as well as the composition of the decent work elements to which they relate. To be more precise, the first two building blocks of the SDPRP deal with specific sectors of economic activity (agriculture and the civil service). They therefore tend to be holistic in the sense that they potentially cover a wide range of the dimensions of decent work for the sectors they deal with.

On the other hand, the third and the fourth building blocks deal with very specific areas of overall development. Therefore, it is more difficult for them to reflect the entire variety of decent work. Rather, they focus on specific areas, especially capacity building and delivery of basic public services. A priori, those areas of development have less to do with actual opportunities for work and more with the economic and social context of decent work as well as productive work.

Looking at the attention paid to the different elements of decent work in the four building blocks, a three-tier hierarchy evolves. This hierarchy is meant to reflect the importance attached to the different elements of decent work in the SDPRP. At one end of the spectrum, there are those aspects of decent work that are hardly or not at all mentioned in the SDPRP. For each of those aspects it is generally true that, while government policy on them is unlikely to take shape in the near future, at the very least the Government could consider compiling statistics on them and include them in the SDPRP. They are the following:

- Unacceptable work;
- Decent hours;
- Safe work.

A second group comprises those aspects of decent work that are, at best, sporadically mentioned in the SDPRP. They are:

- Stability and security of work;
- Balancing work and family life;
- Social dialogue.

The third group, finally, concerns those aspects of decent work that are to one degree or another mentioned in all four building blocks. These are the following:

- Employment opportunities;
Adequate earnings;
Fair treatment in employment;
Social protection;
Economic and social context of decent work.

Overall, the treatment of decent work as a tool for reducing poverty in the SDPRP is inadequate, primarily due to the lack of data on employment and unemployment and the absence of quantification of the employment impact of certain measures. Moreover, the SDPRP in its current form lacks horizontal and vertical integration of the different policies it contains. It is also at times very imprecise. This has a direct bearing on the decent work content. For instance, in the case of civil service reform, a much more detailed description of the measures envisaged is needed to assess how decent work concerns could be taken into account in building block two.

Labour law and industrial relations in Ethiopia

The road to democracy

In the 2002 SDPRP, the Government of Ethiopia indicated the main objectives of its action in this area. One of the Government's principal goals is to build, strengthen and consolidate a system of democracy in the country. In the Government’s view, policies to alleviate poverty, correct macroeconomic policies and introduce good governance are needed. Indeed, a democratic system, which is based on the realization of people's participation in the development process, and which ensures good governance, is a vital instrument for combating poverty and backwardness (cf. two of the four “building blocks” of the SDPRP).

According to the Government, with the devolution of power to the regional governments, implementation of economic policies and development programmes have, to a large extent, been shifted from the centre to the regions. Consequently, considerable space has been created for effective decentralization and empowerment, which in turn creates room for tackling poverty directly at the grass roots level. Yet, the democratic aspect of decentralization will also depend on strengthening the capacity of communities and civil society groups to work together and take more effective advantage of the opportunities afforded by decentralization to make their voice heard.
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Social dialogue and good governance

Within this approach, the key role of extended participation and social dialogue in poverty alleviation and good governance has progressively been recognized. Increasingly, international organizations providing support to the country focus their attention on this inter-relationship. For example, the UN Capital Development Fund (UNCDF) for Ethiopia started its activities with blue-print capital intensive projects which had a significant equipment component. Despite some evident successes, these projects did not always reach the poor in the sense UNCDF would have liked. As a result, the UNCDF shifted its focus away from blue-print capital intensive projects, although the overall top priority of the UNCDF remains the reduction of poverty. The UNCDF now tries to promote this by supporting area-based participatory development activities with priority to the empowerment of communities and decentralized authorities. This is being done through their active participation in decision-making on local level development investments.

The EU Consultative Group for Ethiopia, meeting in Addis Ababa, 7/8 December 2002, issued a Joint EU Statement on the Government of Ethiopia Poverty Reduction Paper. It noted that:

“The elaborate consultation process for the SDPRP preparations is considered a positive step. The participation of civil society organizations in policy, planning and monitoring should be institutionalized. The EU welcomes the commitment in the CG paper – Partnership for Enhanced Aid Delivery – that non-state actors are expected to participate in the SDPRP monitoring process, including the annual progress review forum, and looks forward to receiving more details of how this participation will work in practice.”

In its statement at the Conference on Education for All organized by the Ethiopian Teachers’ Association (ETA) on 30 July 2003, Education International pledged:

“support to the Ethiopian Teachers’ Association in seeking the development of a proper social dialogue with the Government of the Federal Republic of Ethiopia. Such a dialogue needs to take place at the national level but also in the regions and at the world level. The Dakar Framework outlines the importance of a dialogue taking place between governments and civil society. The Dakar
Framework also recognizes the necessity and desirability of a social dialogue involving teacher representatives. We call upon the Ethiopian Government to start this dialogue as a matter of the utmost priority”.

On 27 June 2003 at a workshop jointly organized by the Ethiopian Employers Federation (EEF) and the ILO, the Vice-Minister of Labour and Social Affairs said that the participation of all development partners in nation building was essential to break the vicious cycle of poverty. It was reaffirmed that the Government, employers, and workers should stand in unison to bring about sustainable democracy, speedy economic development and social progress in the country. In this sense, strengthening social dialogue and good governance has paramount importance in ensuring stability and healthy competition across the nation.

The workshop was part of an ILO project funded by the DFID on capacity building for effective social dialogue in poverty reduction strategies in selected low-income countries, currently under way in Ethiopia. The project is mainly focused on the role that the social partners and the Ministry of Labour and Social Affairs need to play in participating in the PRSP. Yet, effective participation in this area seems difficult to achieve.

Although the Joint Staff Assessment of 27 August, 2002 describes the consultative process in preparing Ethiopia’s PRSP as “deep and wide-ranging”, the involvement of trade unions was apparently a rather limited one. The Ethiopian Economics Association (EEA) helped facilitate participation by other CSOs in the PRSP process mainly through capacity building. The CETU (Confederation of Ethiopian Trade Unions), the umbrella national body representing workers’ interests, participated in the “PRSP Capacity Building and Civil Society Participation Labour Workshop” organized by the EEA but did not work with the Christian Relief and Development Association (CRDA), the umbrella organization coordinating the CSO response to the PRSP.

According to an Addis Ababa-based ILO official, CETU’s non-visibility in the PRSP process is two-fold: i) lack of capacity within the Confederation; and ii) its claim that the consultation process was insufficient. Two ILO fact-finding missions to Ethiopia in December 2002 and February 2003 more or less corroborated these assertions.

Against this background, the ILO project promotes social dialogue through tripartite and bipartite relations and the strengthening of the consultative machinery so as to enable the partners to make their role and influence in the PRSP process stronger and more visible.
Social Dialogue and Poverty Reduction Strategies

Initiatives carried out in Ethiopia within the scope of this project up to December 2003 included:

- Two tripartite national seminars involving participants from several Government departments and workers’ and employers’ organizations. In each seminar, between 35 and 40 participants were trained on how to participate meaningfully in the SDPRP;
- Two workshops for workers and a workshop for employers to prepare a position paper on the SDPRP;
- Research on industrial relations and productivity in Ethiopia’s service, banking and agricultural sectors;
- Testing of a manual for trainers in gender, social dialogue and PRS. The manual is now ready for dissemination in English and local languages;
- A national tripartite workshop on social dialogue and poverty reduction strategies.

The work done helped the social partners in understanding how the PRSP works, the rationale of their participation. It focused their attention on key components of the poverty reduction strategy, such as the importance of employment policy, and the role of the Decent Work Agenda in fostering better living and working conditions for the poor, in the formal and informal economy. Awareness of the importance of participating greatly increased among workers and employers as a result of the project.

**Social dialogue, freedom of association and collective bargaining**

Preconditions for social dialogue are the existence of adequate fora for consultation and participation; the necessary guarantees for freedom of association and the right to strike; and adequate machinery for settling industrial disputes and collective bargaining. In Ethiopia none of these preconditions have yet fully materialized but are increasingly recognized as important targets for Government attention and action.

**The national advisory board**

In developing policies and interventions in the African region, the ILO highlights “the importance of creating and sustaining a range of permanent fora for social dialogue and the need to strengthen the social partners and other democratic civic organizations to play effective and responsible roles in society”.

Institutions of this type are proliferating in Africa and contributing significantly to social dialogue. These include the South African National Economic Development and Labour Council (NEDLAC), the High-level Advisory Council in Egypt, the National Tripartite Committee in Ghana, the National Joint Consultative Council in Kenya and the National Labour Advisory Boards in Nigeria, Malawi and Tanzania.

In Ethiopia the principal source of labour law is the recently adopted Labour Proclamation No. 377/2003, which repeals Labour Proclamation No. 42/1993 (as amended). The new statute represents an important tool for unions and employers to participate in all labour matters. Under the title “Part Eleven - Enforcement of Labour Law”, section 170(2) empowers the Minister to execute the labour administration system by establishing several services, including a permanent advisory board which consists of members from the Government, employers’ associations and trade unions. Section 171 details the functions of the Advisory Board: to study and examine matters concerning employment service, working conditions, the safety and health of workers, the labour laws in general and to give advisory opinions to the Minister. Its duties and responsibilities shall be determined in ministerial directives.

Under the old law, the Labour Advisory Board had become an important factor in the national decision-making process. It met frequently and adopted new regulations that allowed the participation of other groups concerned, be it other ministries or other civil society groups active in a certain area of interest for the parties. The former consultative body also served as a forum to discuss the amendments to Labour Proclamation No. 42 and other reform projects.

New features of Labour Proclamation No. 377 which impact on improvements in social dialogue, discussed in detail below, include:

- Abolishing trade union monopoly (s. 114);
- Recommending that regulations on disposal of trade union property upon dissolution be included in the constitution of workers’ organizations (s.117 (12));
- Clarifying the cancellation of a union’s registration to be effective only after a competent court decision (s. 120);
- Introducing a simpler system of collective bargaining and industrial dispute settlement, with specified time limits to speed up the resolution of conflict (ss. 130 (2), 142 (3), 143 and 151);
- Improving the efficiency of the Labour Relation Boards (ss. 145 (tripartite composition), 147(4) (orders and decisions to have the force of law as civil courts’ decisions), 149(6) (right of trade unions and employers’ associations, or
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- Legal council, to represent parties), 150 (use of ADR), 153 (finality of decisions) and 154 (appeal on points of law to the Federal High Court);

- Restricting to some extent the definition of “essential public services undertakings” (s. 136 (2)).

Freedom of association

Freedom of association is recognized in Article 31 of the Constitution of the Federal Democratic Republic of Ethiopia (Proclamation No. 1/1995) and is enshrined in section 113 of the new Labour Proclamation, in terms echoing Article 2 of ILO Convention No. 87. Section 113 (1) reads: “Workers and employers shall have the right to establish and form trade unions and employers’ associations, respectively, and actively participate therein”. Under section 2 (3) “worker” is defined as a person who has an employment relationship with an employer in accordance with section 4 of the Labour Proclamation (concerning employment relationships); subsection (1) defines “employer” as a person or undertaking who employs one or more persons in accordance with section 4.

Union diversity is ensured in new section 114 (1), (2) and (7). Subsection (1) states: “A trade union may be established in an undertaking where the number of workers is ten or more, but the number of workers in a trade union should not be less than ten.” Conscious of the size of the informal economy, subsection (2) allows workers in small undertakings to form and join a general union, provided that the threshold of ten members is respected. Section 14 (1) (d) prohibits employer interference in a worker’s choice to join or not join a union or to participate in union elections, and defines such interference as an unlawful activity.

The scope of the new Labour Proclamation is limited by a number of situations listed in section 3 (2). Subsection (2) (c), in particular, which excludes Government employees whose employment relationship is covered by special laws, raises an issue for the implementation of decent work for these women and men, since the Federal Civil Service Proclamation No. 262/2002 does not adequately cover the principles of freedom of association to which Ethiopia is a party. In its 2004 Report on Ethiopia’s application of Convention No. 98, the Committee of Experts notes with regret that Proclamation 262/2002 does not refer to the right to negotiate of public servants. Likewise, the exclusion of “managerial employees”, defined broadly under subsection (2) (c) to include those who have hire-and-fire powers as well as “professionals who recommend measures to be taken by employers regarding managerial issues by using his independent judgement in the interest of the employer”, excludes a potentially large group of workers.
The new Labour Proclamation (Part 8, Chapter 1) sets out detailed provisions for the establishment of workers’ and employers’ organizations, and a procedure for their registration and de-registration.

Workers’ and employer’s organizations are obliged to register; otherwise they may not perform activities set forth in the Proclamation (s. 118 (4)) and do not have legal personality. The registration can be refused only on the grounds listed in section 119. Subsection (4) lists a leader’s conviction – within the last 10 years - for a serious (not defined) non-political offence as a ground for refusal to register the organization. The ILO’s supervisory bodies closely examine such restrictions on workers’ choice of leadership on a case-by-case basis, and recommend that limitations be related to crimes of fraud for leaders involved in financial posts.

The new Proclamation allows a trade union or an employers’ association to appeal the Ministry’s decision to refuse registration in the competent court.

Section 120 (1) requires the Ministry to apply to the competent court for permission to cancel a registration:

- Where the certificate of registration is obtained by fraud or mistake or deceit;
- Where any of the objectives or constitution of the organization is found to be illegal; or
- Where the organization is found to have engaged in activities which are prohibited under this Proclamation or to have performed acts which are contrary to its purposes and constitution.

The consequence of cancellation of the registration is laid down in section 123, namely that the organization is dissolved from the date of the court’s decision.

Articles 5 and 6 of Convention No. 87 are addressed in section 114 (3), (4), (5) and (6) permitting the establishment of federations and confederations by registered trade unions and employers’ associations. Subsection 8 allows individual employers to join established employers’ federations.

At national level, CETU represents about 300,000 workers organized in 431 basic unions and 9 Federations (Federation of Food Beverage, Tobacco and Allied Workers; Ethiopian Federation of Metal, Wood, Cement and other Workers; Federation of Commerce, Technical Print, and other Workers; National Federation of Farm, Plantation, Fishery and Agro-Industry; National Federation of Tourism, Hotels and Generic Service Workers; Industrial Federation of Ethiopian Textiles, Garment and Shoe Workers; National Federation of Energy, Chemical, Petroleum Workers; Transport and Communication Workers; Ethiopian Banking and Insurance Industrial Federation).

Apart from these unions under the CETU umbrella, there are various organizations that are not recognized as unions under section 3 (2) of the new...
Labour Proclamation. That provision excludes from coverage workers engaged under the following types of contract:

- Contracts for fostering, treatment, care or rehabilitation;
- Contracts for education or training other than as apprentices;
- Contracts relating to persons holding managerial posts who are directly engaged in major managerial functions of an undertaking;
- Contracts of personal service for non-profit making purposes;
- Contracts relating to persons such as members of the armed forces, members of the police, employees of the state administration, judges in courts of law, prosecutors and others whose employment relationship is governed by special laws; and
- Contracts relating to a person who performs an act in return for payment in his own business or trade, at their own risk or professional responsibility under a contract of service.

This wide-ranging exclusion gives rise to uncertainties and problems. In particular, difficulties arise because of the insufficiently clear definition of some of the categories, such as “persons holding managerial posts”, or because of the rationale for excluding some categories, such as teachers.

The situation of the Ethiopian Teachers’ Association (ETA) has been a cause of deep concern for some time. An important step towards resuming a normal situation has been the release of ETA President, Dr. Woldesemayat, following a decision of the Supreme Court in May 2002 after he had been arrested in 1996 and sentenced in 1999 to a prison term of 15 years. However, in March 2003, the ILO’s Committee on Freedom of Association reiterated its concern about this matter and requested the Government “… to amend its legislation so that teachers, like other workers, have the right to form organizations of their own choosing and to negotiate collectively, and to keep it informed of developments in this respect, including the current status of legislative reform as regards trade union pluralism and the labour rights of civil servants”. Follow-up information supplied by the Government in May 2003 reported that the ILO’s technical assistance was being used to amend the old Labour Proclamation.

In its latest communication for the 2004 report of the Committee of Experts on the Application of Conventions and Recommendations, the Ethiopian Government specified that teachers are free to form associations to promote their occupational interests. Those working in government institutions are governed by the Civil Service Act, while those working in private undertakings are governed by the Labour Act. Clarification of the specific provisions which guarantee to
teachers, both civil servants and non-civil servants, the organizational rights under ILO Convention No. 87, is being requested.

**Collective bargaining**

Within this general framework, unions operate primarily at enterprise level which is where most collective bargaining takes place. There are an estimated 450 collective agreements in Ethiopia.

Sections 128 and 129 of the new Labour Proclamation define the subject matter and the content of a collective agreement, as “matters concerning the employment relationship and conditions of work as well as relations of employers and their organizations with workers’ organizations”. Upon signature of any collective agreement, the parties shall send copies of it to the Ministry for registration (s. 131).

Collective agreements apply to all parties covered (s. 134 (1)) and prevail where their provisions are more favourable to the workers than those provided by law (s. 134 (2)). The collective agreement remains in force even after a trade union, which is party to the agreement, is dissolved. Under section 133 (3), the duration of an agreement is fixed at three years unless expressly stipulated otherwise.

**Industrial disputes: Prevention and settlement**

Under the previous law, the right to strike was expressly recognized but the pre-strike process was long and made legal strike action difficult.

Labour Proclamation No. 377, Chapter Five, covers strikes and lock-outs but expressly excludes “essential public service undertakings”. Legal strike action continues to be hard to achieve in practice. For example, pre-strike procedures include the following: the party initiating the action must give advance notice to the other party – and to the Ministry – with reasons for the strike or lock-out; both parties must make every effort to settle through conciliation; a cooling-off period of 30 days after the notice; a pro-strike vote by a majority of workers concerned in a meeting at which at least two-thirds of the members of the trade union are present; and maintenance of minimum services to comply with safety regulations and accident prevention in the undertaking concerned (s. 158).

The requirement for conciliation means that the dispute is either brought before a conciliator assigned by the Ministry (s. 142 (3)), or before an arbitrator or conciliator agreed upon by the parties (s. 143). If, in the first case, conciliation is not reached within 30 days, either party may submit the matter to the Industrial relations Board which shall give its decision within 30 days. If, in the second case, the conciliation or arbitration fails, either party may move the procedure further by taking the case to the Board or to the appropriate court. The Proclamation
does not provide a time limit for reaching an agreement in these cases. Nor is there a time limit for submitting the matter to the Board, apart from the general provisions under section 162 concerning periods of limitation for lodging claims (one year from the date on which the claim becomes enforceable, three months from the date of dismissal for reinstatement claims, and six months for wages and emoluments claims).

Under section 154 an aggrieved party may appeal the Board’s decision - on a point of law - to the Federal High Court within 30 days of the handing down of the decision. On appeal the Federal High Court has two options. On the one hand, it may uphold the decision of the Board in which event the union may or may not proceed with the strike action depending on the decision. It should be noted that section 160 (2) prohibits strikes or lock-outs from continuing if in conflict with the final order of the Board, unless it is a protest action seeking to force compliance with an order. On the other hand, if the Court is of the opinion that the Board erred on a question of law, it may reverse or modify the decision. In its 2004 Report, the Committee of Experts explained that care should be taken to avoid establishing industrial dispute settlement processes that amount to compulsory arbitration at the instigation of only one party to the dispute. It states that, except in situations concerning essential services in the strict sense of the term and acute national crises, arbitration awards should be binding only where both parties have agreed to the procedure. The Committee also recalled that arbitration procedures should not be excessively long.

Not all workers have the right to seek, initiate and conduct strike action. First there are those who, as seen above, are excluded by section 3(a) of the Proclamation from its scope generally. Secondly, the Proclamation specifically excludes from Chapter Five one class of workers, those engaged in “essential public service undertakings” who consequently do not have the right to strike. These services are defined in section 136 (3) and include:

- Air transport;
- Undertakings supplying electric power;
- Undertakings supplying water and carrying out city cleaning and sanitation services;
- Urban bus services;
- Hospitals, clinics, dispensaries and pharmacies;
- Fire brigade services; and
- Telecommunication services.
This definition marks a great improvement over the longer list that had existed in the old law, but still awaits full scrutiny by the ILO’s supervisory bodies in the framework of the principles of the right to strike. In its 2004 Report, when noting the draft amendments, the Committee of Experts explained that air transport and urban bus services are not essential services in the strict sense of the term and suggested that the Government give consideration to establishing a system of minimum service in these undertakings, rather than impose an outright ban on strikes therein. Numerically, workers engaged in these essential services represent a sizable proportion of trade union membership in the country.

**Labour law and decent work**

As indicated in the ILO’s Strategic Policy Framework for 2002-05, the development of social dialogue and decent work go hand in hand. The application of international labour standards through national legislation is key to improving working conditions that benefit women and men workers and enhance the long-term sustainability of enterprises. Promoting a participatory process that gives a voice to those most directly involved in the world of work is an essential part of the conceptual framework of decent work.

In Ethiopia, important legislative progress was made in 2003 with the ratification of all the core Conventions listed in the ILO’s 1998 Declaration. Furthermore the provisions of the new Labour Proclamation are an attempt to improve basic employment conditions and this will be considered by the supervisory bodies when assessing improvements. Within this context, conditions of work and contracts of employment are key elements in achieving decent work.

**Contract of employment**

Part Two, Chapter One, of the new Labour Proclamation deals with Employment Relations. As a rule, the contract of employment is concluded for an unlimited period (s. 9). However, section 10 allows certain contracts to be concluded for a specified period of time or a specified task or piecework.

There is no specific requirement as to form, but where the contract of employment is not made in writing, the employer shall give the worker a written and signed statement of particulars which, failing objection on the part of the worker, becomes a contract between the two parties after 15 days from date of receipt (s. 7 (1) and (2)).

The duration of a fixed-term contract must be set according to objective criteria such as a specific end date, the completion of a specific task or the occurrence of a specific event; it must be based on specific justifications such as
the temporary replacement of a permanent worker, urgent and abnormal pressure of work or seasonal work. So as to avoid abusive employment relations, section 10 (2) specifies that, if the fixed term contract is undertaken in circumstances linked to temporary replacement of absent employees or temporary filling of a vacancy during a period of restructuring, the contract shall not exceed 45 days and be issued only once.

In the case of probation periods, the parties’ agreement must be set out in writing and shall not exceed 45 consecutive days (s. 11 (3)). During this period, the employee enjoys the same rights and obligations as other employees, but termination is possible without notice at the initiative of the employer if the worker fails to meet the job requirements (s. 11 (5)) or at the initiative of the worker himself (s. 11 (6)).

The rights and obligations arising from a contract of employment may be suspended, so that the employee does not have to work and the employer is not obliged to pay wages, allowances and other benefits (s. 17 (2)) in certain circumstances. Section 18 lists them:

- Leave without pay granted at the request of the worker;
- Leave of absence for the purpose of holding office in trade unions or other social services;
- Detention for a period not exceeding 30 days (provided that the employer is notified);
- National call;
- Force majeure for a period of not less than 10 consecutive days; and
- Financial problems that require the suspension of the employers’ activities for not less than 10 consecutive days.

In the last two cases the Ministry has to be informed in writing of the reasons for the suspension (s. 19). When the Ministry is convinced that there is good cause for suspension, it shall fix the duration of the suspension at a maximum of 90 days, and the workers shall be entitled to compensation (ss. 21 (2), 39 and 44).

Section 24 lists the usual grounds on which a contract of employment is terminated (for example, expiration of the agreed period of employment or completion of the specified task, death or retirement of the worker, by mutual agreement). Section 23 (2) states clearly that transfer of ownership of an undertaking does not terminate the contract.

Reflecting Ethiopia’s ratification of the Termination of Employment Convention, 1982 (No. 158), the new Proclamation prohibits the employer's termination of a contract of employment in the absence of a justified reason.
Section 14 (1) (c) defines such action as an unlawful activity. Section 26 (1) of the Labour Proclamation expressly recognizes the following grounds for dismissal on the part of the employer:

- Misconduct on the part of the employee;
- The employee’s poor work performance and/or incapacity to do the work; or
- The operational or organizational requirements of the undertaking.

Section 26 (2) provides that the following grounds do not constitute legitimate grounds for dismissal:

- Membership of a trade union or participation in its lawful activities;
- Seeking or holding office as a workers’ representative;
- Submission of a grievance or participation in proceedings against the employer and participation in any proceedings;
- The worker’s nationality, sex, religion, political outlook, marital status, race, colour, family responsibilities, pregnancy, lineage line and descendency/social status.

To challenge the validity of the termination, the worker must file an application in a regional lower court (ss. 137 and 138). If the termination is held to be unlawful, the court may order the employer to reinstate the employee from any date not earlier than the date of dismissal (s. 43 (1) and (2)). In the event that the employee does not wish to be reinstated or the circumstances are such that a continued employment would be either intolerable or no longer reasonably practical and would give rise to serious difficulties, the court may award compensation rather than reinstatement, even in cases where the worker wishes to be reinstated (subsection 3).

A worker can terminate the contract of employment - supplying reasons in writing - by giving 30 days’ prior notice (s. 31) or without notice when the employer has inflicted on the worker acts contrary to human dignity, when the employer fails to act in the face of an imminent danger to the worker’s safety or health of which he/she was aware or when the employer repeatedly fails to fulfil his or her basic obligations (s. 32).

Conditions of work

Wages are covered by Part Three of the new Proclamation. It provides for payment in cash, or if the parties agree, in kind as long as the in-kind payments do not exceed 30 per cent of the cash wages (s. 55). A similar percentage protection
exists regarding permissible deductions from wages (s. 59). The employer is required to keep a record of payment (s. 60).

Working time is regulated under Part Four. Normal working hours are eight hours a day or 48 hours a week (s. 61). They should be distributed evenly, but may be averaged over a longer period of time (ss. 63 and 64). Any work exceeding the normal working time of 48 hours a week is considered overtime. Overtime is permissible in limited cases and only for up to two hours a day (s. 67 (2)). The overtime rate ranges from 1.4 (from 6 a.m. to 10 p.m.) to 2.5 on public holidays. Weekly rest is provided for, with provision for compensation (another day off) if the worker is required, for a limited number of exceptional circumstances, to forego that rest day. Section 72 (1) excludes commercial travellers or representatives from these provisions.

Under Part Five, workers are granted annual, uninterrupted leave with pay of 14 working days, plus one working day for every additional year of service (s. 77). Additional leave is granted to employees engaged in particularly hazardous or unhealthy work. It is forbidden to pay wages in lieu of annual leave (s. 76). Sections 85 and to 86 provide for an entitlement to sick leave after completion of the probation period. The entitlement covers a maximum of six months of sick leave within one year of service with full paid sick leave for the first month, 50 per cent for the second and third months and no payment for the third to the sixth month. Sections 81 to 84 provide for special leave for family events, union activities and other special purposes, such as hearings before bodies competent to hear labour disputes, to exercise civil rights and for training purposes according to collective agreements or work rules.

Part Six of the new Proclamation contains special provisions for the working conditions of women and young workers. Work by a pregnant woman is prohibited when it could be hazardous to her or the foetus’s health (s. 87 (2) to (6)). Night work is generally prohibited, and women shall not be assigned to overtime. Moreover she shall not be given an assignment outside her permanent place of work and will be granted time off for medical examinations (s. 88 (1)). Women are entitled to paid maternity leave, which is to start 30 days prior to the due date of birth and end not less than 60 days after the birth of the child (s. 88 (2), (3) and (4)). In the context of equality for both women and men, section 26 (2) (d) prohibits dismissal, inter alia, on grounds of sex, pregnancy and family responsibilities.

The Ethiopian Constitution gives children general protection from exploitative labour practices (Article 36 - Rights of Children). Under section 89 of the new Labour Proclamation, the statutory minimum age for young workers is 14 years. Beyond the age of 14 years, no person may employ a child for work that is
inappropriate or that endangers his or her life or health (s. 89 (2) and (3)). Special measures of protection of young workers (for example, work in transport, night work, work in arduous or hazardous or unhealthy activities like mining) may be taken by the Minister. In 2003 Ethiopia ratified the Worst Forms of Child Labour Convention, 1999 (No. 182).

The Constitution guarantees the right to equality in employment, promotion, pay and the transfer of pension entitlement (Art. 35, para. 8 of the Constitution). The Labour Proclamation in section 14 (Unlawful Activities) penalizes any discrimination against female workers in matters of remuneration, and contains a general provision against discrimination on the basis of sex, religion, political outlook “or any other condition”. This same section covers a worker’s right to refuse to submit to an HIV/AIDS test, which an employer might try to impose on him or her in the course of medical examinations. However, in practice, substantial equality is far from being achieved nor does it appear that this issue is actively pursued through affirmative action or other equal opportunity measures.

Part Seven covers occupational safety and health, requiring employers to adequately safeguard the workers’ health and safety on the job. There is emphasis on preventive actions (s. 92 (7)). Workers are likewise obliged to cooperate in fixing and applying work rules on this topic, and to inform the employer of potentially injurious situations (s. 93). Social dialogue is recognized as a tool for achieving a safe and healthy work environment: section 92 (2) requires the employer to establish an occupational safety and health committee, although it is not specified whether the composition is joint. This part also provides for protection of workers who suffer a disability in the course of their employment. The Minister is empowered to issue directives concerning compensation benefits (s. 102). Section 109 also refers to disability payments under State-run insurance schemes or by employers in the private sector. Other social protection provisions cover, medical and sickness benefits and survivor’s benefit. Section 177 (3) of the new Proclamation empowers the Labour Inspectorate to prepare the list of occupational diseases and schedules of degrees of disability.

Overall enforcement of working conditions is the responsibility of the Labour Inspectorate, established – along with the social dialogue forum called the Advisory Board described above – by virtue of section 170 (2). Labour Inspectors are given certain powers to order employers to take corrective action (s. 179), failing which they may submit cases to the Board (s. 186). Employers may appeal in the courts against inspectors’ orders (s. 180).

Labour law reform

As mentioned above, important progress in the world of work was made in 2003 with Ethiopia’s ratification of all remaining core Conventions referred to in the
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ILO’s 1998 Declaration. However Ethiopia’s application of several ratified instruments continues to be criticized by the Committee on Freedom of Association (see under 3.2) and by the Committee of Experts on the Application of Conventions and Recommendations. The 2004 Report of that body continues to note serious discrepancies between national legislation and Conventions Nos. 87 and 98.

In particular, the Committee of Experts, working on the draft at that time, considered that inconsistencies existed or needed to be cleared up regarding the provisions of Convention No. 87 in the following legislative areas:

- Genuine trade union diversity under s.114 (1);
- Restrictions on teachers’ and civil servants’ right to organize, since other specific texts which purportedly govern their employment rights do not mention freedom of association;
- Dissolution of trade unions under s. 120(c);
- Restrictions on the right to strike, in particular, concerning the list of essential services in section 136 (2).

Concerning Convention No. 98 the Committee recalled that Article 2 requires that protection be granted to employers’ and workers’ organizations against acts of interference, and in particular, acts which are designed to promote the establishment of workers’ organizations under the domination of employers’ organizations, or to support organizations by financial or other means, with the object of placing such organizations under the control of employers or their organizations. In this respect the Committee noted the fresh provisions banning employer interference and the description of coercion as unlawful activities. A second point that continues to raise concern is the denial of civil servants’ right to organize and bargain collectively, given that the specific Proclamation on their conditions of employment is silent in respect of freedom of association. It remains for the ILO’s supervisory bodies to examine whether the law as now adopted contains sufficiently specific provisions, coupled with adequate, effective and dissuasive sanctions, to provide protection against acts of interference under Articles 1 and 2 of that Convention, and what can be done to extend collective bargaining rights to public servants not engaged in the administration of the State under Articles 4 and 6.
Social dialogue, productivity and the SDPRP

The last decade of the 20th century witnessed a significant shift in public policy on labour and social dialogue in Ethiopia. Following the collapse of the Derg junta that ruled the country with an iron fist for over 15 years, the centralized command economic system was officially abandoned. In its place a market-oriented economic system was adopted, accompanied by a number of fundamental public policy reforms. A notable and extensive policy framework for growth and development was introduced under the Social Development and Poverty Reduction Programme (PRSP) in 2002. The thrust of the fundamental policy initiatives was to create a governance system that provides for broad-based participation of the stakeholders in national economic and social development.

The reforms are significant, bearing in mind an economic regime where for a long time the Government was the most important player, and where the voice of other stakeholders, such as employers and workers was effectively silenced. In other words, democratisation and liberal economic policy have brought home the critical role of social dialogue as a viable tool for bringing the views of relevant stakeholders to bear on national socio-economic policy. The essential role of social dialogue is in facilitating inclusiveness, consensus and enhancing good governance.

This chapter outlines the progress made during the past decade in the promotion of good governance in the labour market and broader economic policy making. It examines the role of the tripartite partners in industrial relations and social dialogue, particularly in the on-going national framework for employment creation and poverty reduction. It also examines the continuing challenges facing employers and workers and the consultative institutions on policy formulation, implementation and monitoring in Ethiopia.

Labour policy and social dialogue

Democracy ushered in a new era in which free and independent workers’ and employers’ organizations could exist. Of particular relevance in this chapter is the Labour Proclamation, which provides the legal framework for the national labour policy. Taking a lead from the country’s constitution that supports freedom of association for every citizen, this law recognizes the right of workers and employers to organize themselves into trade unions and employers’ organizations and to engage in collective bargaining. The law also outlines the procedures for peaceful settlement of disputes in the workplace, as well as the framework for bipartite and tripartite consultation on labour market and related issues.

The creation of independent workers’ and employers’ organizations as key players in economic and social development has the potential to fortify
democracy and national development. Unions and employers’ organizations are
important agents for improvement in wages and conditions of employment, and
the promotion of peaceful settlement of industrial disputes contributes to good
industrial relations and a reign of labour peace. In turn peaceful relations lead to
improved productivity followed by higher consumption, and overall growth is
made possible. In other words, by promoting favourable labour policy which
allows workers’ and employers’ organizations to function, public policy can
promote peaceful relations in the workplace and ensure social stability, and
thereby contribute to the country’s economic and social development.

For a long time the way in which public policy contributed to the achievement
of these laudable goals remained a matter of debate. The Labour Proclamation of
the recent past was grossly inadequate, particularly for failing to cover the broad
spectrum of the labour force. While workers’ rights to organize were recognized
in law, a sizable section of the labour force, including teachers, state school
employees and a large group of civil servants were and continue to be denied these
rights. This is curious because the national constitution provides that “factory
and service workers, farmers… and government employees whose duties are not
incompatible and below a certain level of responsibility have the right to form
associations to improve their conditions of employment…” Other rights, such
as the right to strike are denied to a fairly extensive category of so-called essential
service workers. Where these rights are not so denied, innumerable obstacles and
administrative impediments make the exercise of this right practically impossible.

Another issue concerns the role of the labour administration with regard to the
implementation and enforcement of policy. Implementation has been poor and at
best half-hearted, tending to create the impression that the statutory provisions
were not intended to allow an unimpeded and constructive process of social
dialogue between those involved in the labour market. This lack of decisive labour
policy support, coupled with internal weaknesses within the employers’ and
workers’ organizations, have contributed in no small way to the limited use of
social dialogue both in the workplace and at national level. As a result of these
shortcomings, the social partners have found it difficult in practice to articulate
concrete and purposeful points of view on employment and labour market issues,
much less the broader macroeconomic and social policy issues.

These shortcomings have no doubt contributed to the relatively low emphasis
on labour market issues in the poverty reduction programme in Ethiopia, and go
some way to explaining the limited opportunities for unions and the employers’
organization to play a noticeable role in the poverty reduction programme.
Clearly, the situation calls for a change in policy direction and also clear initiatives
from the social partners to articulate well-defined approaches to social dialogue at
every level of policy formulation and implementation.
Workers and employers in the consultative mechanism

Since their founding in the 1960s, the workers’ and employers’ organizations, respectively the Confederation of Ethiopian Labour Unions and the Federation of Ethiopian Employers (FEE), have been important institutions in the socio-economic development of Ethiopia. The first trade union in Ethiopia was known as the Ethio-Djibouti Railways Workers Union. It was established in 1945, apparently in response to what was regarded as the exploitative behaviour of the largely foreign employers.66 However, it was not until the promulgation of the Labour Relations Proclamation in 1963 that unionism was legally recognized. Soon after, the two umbrella organizations came into being.

Today the workers’ central body, CETU, has nine federations and claims a total of about 300,000 members, mostly in public enterprises and the private sector, although a recent study suggests a substantially lower membership figure of 200,000.67 However, accepting the union claim, and on the basis of available evidence, union density (defined as a proportion of the total number of wage employees in the government and private sectors, and also cooperatives), is about 16 per cent.68 The data for this conclusion is admittedly weak, but after allowing for errors, union density in the country is not likely to be significantly higher.69 In Ethiopia wage employment is extremely small, accounting for less than one per cent of the labour force of 27.3 million in 1999.

The token nature of union membership emphasizes the critical need for CETU and its affiliates to step up their recruitment of workers, particularly in medium-sized enterprises. The Confederation also needs to explore forming strategic alliances with civil society organizations and community groups in order to enhance the voice of labour on national economic and social policy issues. Indeed, the weak membership base of the CETU in the formal economy does raise the question of how representative it is of the labour force.

Critical, particularly in the Ethiopian context, is the huge informal economy. With CETU’s total membership of less than one half of one per cent of the labour force, the Confederation faces a critical challenge of how to give voice and representation to the millions working in the informal economy. This calls for a clearly defined strategy to organize them and/or form alliances with organizations that represent them. A key area would be how to empower such workers, for example by helping them to acquire relevant skills, facilitating market access and credit facilities, social security and a host of services which are currently unavailable to them.

Generally, union membership is concentrated in public enterprises, primarily because there was explicit government policy to promote workers’ participation in enterprises since the Derg era where workers appear to enjoy comparatively better rewards from unionization than in the private sector. There has been
relatively low union activity in the private sector, due in part to the unions’ limited organizational activity and in part to the natural inclination of employers in this sector to resist unionisation. Globalization may have stiffened employers’ non-union posture, while the ongoing transfer of ownership of public enterprises to new private investors may have intensified employers’ hostility towards unions.

Box 13: Gender in the labour force

In terms of gender, women account for 21.2 per cent or about a fifth of union membership, and are concentrated in the textiles, leather and garment sector, where they comprise 46.3 per cent of women union members. One indication of the low union membership rate among women is the evidence that in 1999, while the national unemployment rate was 25.7 per cent, for men it was 17.9 per cent and 33.2 per cent for women.60 Also, if one considers the high proportion of women in the labour force, it can be argued that women’s membership of trade unions does not reflect the significant role of women in employment. This calls for measures to promote women’s membership of trade unions and labour market institutions which will assure that the voice of this critical segment of the labour force is heard, particularly in such policy areas as the PRSP.

Outside the CETU membership is the large Ethiopian Teachers’ Association with about 130,000 members. This body is not legally recognized as a trade union, but like other similar groups in the public service, is regarded as a professional association. This view of workers in the public sector is reinforced by the common belief that though trade union rights are not recognized in this service, or in the public sector generally, these groups of workers enjoy comparatively better conditions of service. This kind of reasoning only dodges the issue, which is the denial of workers’ fundamental rights. Indeed, the denial of organizational rights for some groups of workers in the country is particularly incomprehensible because the national constitution recognizes these rights.

The operation and functioning of the trade union movement was interrupted during the military dictatorship. Throughout the period, the union centre ceased to function as a defender of workers’ rights and instead became an arm of the Derg. It operated under a new name given to it by the military, the All Ethiopian Trade Unions, right up to the dawn of democracy in 1991. Even so, soon after democratisation and the restoration of the union’s legal autonomy, the Confederation and the Government engaged in a crippling dispute over issues of
union independence and workers’ rights. It was only in 1997 that the
Confederation effectively achieved respect for its independence.

Thus for most of its early history, CETU’s functioning as an independent
labour centre was severely weakened. Today, while the Confederation appears not
to suffer from a serious manpower shortage, the technical capacity it needs to
articulate its point of view on key economic and labour market issues is visibly
limited. It also has an image problem, stemming from the assault on its
independence by the Derg, and exacerbated by disagreements with the authorities
during much of the 1990s.

In other words, the long spell of virtual inactivity, coupled with the division
within the trade union movement as well as capacity deficits, inhibited the
CETU’s ability of to reorganize itself after the era of socialist dictatorship. It is
arguable therefore that the strain in the relationship between the organization and
the Government may explain its lack of involvement in important national
initiatives such as the PRSP and the privatisation programme. These setbacks
inhibited the voice of labour in tackling the labour problems facing workers,
much less in resisting unfavourable policy.

Turning to the employers’ organization, FEE was founded in 1964 in a
strategic move by employers to counter the workers’ union, founded a year earlier.
The formative period of the 1960s and 1970s for the FEE was essentially devo
ted to organizing employers and making them aware of their role and functions in the
economy. These functions, as seen by its founders, were broadly defined as
providing “due leadership in bringing about a steady growth … in the
contributions of industry and other business to the society”.

The FEE was disbanded by the Derg, which centralized dealings with the business community in
the chambers of commerce. Democracy came in 1991, but for various reasons
including loss of morale, a weak industrial base and the disruption accompanying
the privatisation of the huge public enterprises, a new organization did not emerge
until much later.

It was only in 1997 that the Ethiopian Employers Federation (EEF) was
established. But any suggestion that the present EEF was a re-birth of the earlier
one, as was the case with the workers’ union, would be hard to justify. For one
thing, the dissolution of the FEE during the era of the military inflicted
irreparable damage on the employers’ organization. For another, the FEE of the
1960s was in the formative stage of organizing and encouraging employers to join
its ranks. The campaign had yet to bear concrete results when the Federation was
abolished.

Today the new Federation has about 57 industrial members, and two (out of
the original 11) industrial associations that were affiliated to it in 1997, bringing
the number of employers directly or indirectly affiliated to the EEF to less than
200 enterprises. The combined workforce in these companies is estimated at less than 100,000 workers. However, according to a recent study, only a small fraction of the workers in EEF-affiliated enterprises held union membership, which illustrates the non-union status of many employers, particularly in the private sector. Another critical observation is that membership of the EEF appears to represent only a small proportion of the estimated 192,648 enterprises in the country in 1999.62

The Federation lacks adequate manpower and technical capacity needed to fulfill its mandate effectively. This lack of capacity weakens its voice within the business community, and also in its relations with government and workers’ organizations. Critically, the preference of government from the time of the Derg to work with the chambers of commerce has created an image problem for the EEF, and is undoubtedly responsible for its subordinate status.63 In any event, while the dominance of the chambers of commerce in the national consultative mechanisms is a historical matter, the challenge that faces the EEF today is to strengthen its capacity and competence on labour market issues where it has a mandate and potentially a key role in the business community.

Industrial relations, tripartism and social dialogue

Arguably tripartism started in Ethiopia in the 1960s, with the founding of the CETU and FEE respectively in 1963 and 1964 and the creation of the Labour Advisory Board and the Labour Relations Boards as institutional mechanisms for tripartite consultation.64 The industrial relations process, or the employer-employee relationship preceded this phase, although information on this subject is skeletal. Apart from the provisions of the Labour Proclamation on the processes of collective bargaining and the resolution of labour disputes, the Public Enterprise Proclamation No. 25/1992 which provides for employee representation on the board of directors of public enterprises is undoubtedly one of the most significant examples of public policy on labour-management relations at enterprise level. Article 12(2) of the law provides for the appointment of up to 4 worker representatives on the board of public enterprises.65 However, this provision leaves neither a clearly-defined responsibility for consultation with the workforce, nor does it oblige worker board representatives to brief their members or to report to the union on the activities of the board.66 Available evidence indicates that worker board members were informed of just a few policy issues.

The industrial relations process at enterprise level, particularly with regard to the setting of wages and employment conditions, dispute settlement and labour-management cooperation is weak and produces generally unsatisfactory outcomes. In a number of cases, there are managers who encourage the consultative process and are willing to concede the legitimate rights of workers.
Some managers are known to have gone out of their way to draw the attention of workers to their rights even when the latter did not clearly articulate such rights.67

Such benevolent managers are not uncommon in the workplace, but the lack of clearly defined consultative mechanisms at this level leaves abundant room for unscrupulous managers to deny or frustrate workers’ legitimate demands. This happens particularly where union leaders are unable to effectively present or defend the individual or collective rights or interests of their members. As a commentator has noted, rather than deal with serious organizational and rights issues, especially those granted them under the law, union leaders engage in petty and moribund issues and individual grievances, which bring no benefits to the workers.68

Collective bargaining continues to be practised at enterprise level, mainly in the public enterprises. According to information supplied by the MOLSA, there were 315 collective agreements in force in Ethiopia in 2001.69 Out of this number, 251 or 80 per cent of agreements were negotiated in public enterprises, while 64 (20 percent) were in private enterprises. Clearly, collective bargaining remains mainly a public enterprise practice, a tradition that can be traced to the nationalization policy of the military government.

The failure of collective bargaining to take a firm root in the private sector is in part attributable to the lack of effective union organization at this level, and in part to the lack of experienced local-level leaders. This reality suggests that union federations should consider industry-wide or sectoral level negotiation as a more promising level for collective bargaining. This structural arrangement is feasible under Article 125 of the Labour Proclamation No. 377/2003, and offers experienced labour leaders at federation level an opportunity to play a lead role in collective bargaining and better outcomes for workers.

Although the law allows the negotiating parties the freedom to define the issues for negotiation, the focus of most agreements has been on wages and benefits. The general conditions of service and the grievance machinery are not usually included in the negotiations, and issues of work processes, technology or competitiveness rarely feature. As to general conditions of employment, such as hours of work, holiday and safety and health issues, most employers apply the basic provisions of the law.

On the other hand, it remains doubtful whether employers in the private sector, notably the new investors, have adopted the basic legal requirements. The implementation of the privatization programme illustrates this anomaly. Under the privatization programme, new owners of enterprises are required to follow the provisions of the Labour Proclamation in so far as workers’ employment rights, such as involuntary separation are concerned. Although a study commissioned by CETU showed that there was no evidence of massive
retrenchment (an estimated 32,000 workers were said to have been retrenched by 1999), union federations indicated that the implementation of the privatization policy violated provisions of collective agreements and trade union rights, such as freedom of association and job security rights. Union leaders also claimed to have been victimized by managers. Job losses are generally a painful experience for workers, particularly in an environment characterized by low employment opportunities and often the absence of social protection for most workers. In a situation such as exists in Ethiopia, a relatively small displacement of workers could have adverse effects on the living conditions of many people.

The absence of a clearly defined consultative process implies that the issue of how to implement the privatisation policy or the consequences on workers are left to managerial discretion. The requirement that worker representatives on the board of the listed public enterprises should be informed of management action can hardly be equated with consultation or negotiation, in effect leaving workers’ interests practically unprotected. In an environment where workers are ill-informed of the provisions of the law, and where trade unions are failing to discharge their duties, workers suffer considerably when labour rights are violated or denied in this manner. Furthermore, poor enforcement of the provisions of the law leaves the impression that the labour administration officials had no intention of enforcing the law or the ability to do so. Similarly neither the processes of the Ministry of Labour and Social Affairs (MLSA) on collective dispute settlement, nor the court process for the settlement of individual disputes is efficient enough to bring justice and equity to aggrieved workers.

Employers have turned around and questioned whether workers and their leaders have fully appreciated the fundamental change from a socialist orientation to the requirements of a market economy, and the tendency of workers to continue to espouse the socialist ideas of the previous era. Employers had held the view that union leaders at the federation level are sometimes far removed from the realities of the workplace. They also argue that union leaders often lack actual knowledge of the conditions of work while their actions might create tension in industrial relations in the workplace.

In spite of this, it is important to stress that the labour administration system has an important role to play in advancing good industrial relations and ensuring that public policy provides for effective mechanisms that allow workers and employers to make their voice heard at both enterprise and national level. To-date, performance in this area has been less than satisfactory. It is a popular view that the Ministry of Labour does not have an adequate stock of the critical resources, such as manpower, equipment and materials, as well as the technical capacity it needs to discharge its functions fully and effectively.
Labour inspectors, who play such a crucial role in the enforcement of the Labour Code, do not have the technical capacity to intervene unchallenged in labour-management relations. In order to achieve professionalism and enjoy the respect of the social partners, labour officers and inspectors must be up-to-date in their knowledge of labour policy, have the necessary skills to enforce labour laws and regulations, as well as settle disputes in an impartial manner. They must be able to provide friendly and timely advisory services to enterprise managers and labour on how to improve and strengthen industrial relations processes.

At national level, where MOLSA takes the lead in tripartite consultation and social dialogue, the Ministry has been equally handicapped by resource shortages and organizational inadequacies which meant that the statutory tripartite forum, the Labour Advisory Board (LAB) was until recently unable to meet regularly. When it met, its discussions lacked the substance or perspectives strong enough to influence public policy. The membership of LAB had been exclusive to the Ministry of Labour on the one hand, and the social partners on the other. This arrangement has proved strategically insufficient, even when the agenda focuses directly on the labour market.

Consider, for example, the issue of labour law reform. More often than not, issues such as this have fundamental implications for macroeconomic policy and national competitiveness, and should involve several government departments whose work has a significant bearing on the labour law regime. When the tripartite system fails to make an impact in its core area, the labour market, the question of whether the tripartite body as presently constituted could contribute much to the PRSP or other broader policy issues is somewhat academic. In fact until recently, LAB rarely included the PRSP on its agenda.

In conclusion, various legal, organizational and institutional impediments have for a long time inhibited good industrial relations and effective tripartite cooperation in Ethiopia. Although it should be noted that the participatory process is a new phenomenon in the country, the renewed commitment to tripartism through the legislative and institutional reforms demonstrate the readiness of government and the social partners to deepen this process for policymaking and implementation. Based on this and recent developments, it is fair to say that the prospects that effective industrial relations and tripartism will take firm root in the country are good.

Social dialogue and improved productivity

Improved productivity and poverty reduction are interrelated goals. To a considerable extent they call for an economic environment where labour peace and social stability reign. Labour peace is possible where workers enjoy decent employment and are working in conditions in which their rights and freedoms are
recognized and respected. Thus the pursuit of poverty reduction through employment promotion, rights at work, equality and improved productivity is at the root of overall economic and social development.

The case for a labour-management approach to productivity in Ethiopia is highlighted in a recent survey of 20 enterprises in the agricultural, industrial and services sectors in the country. The study found that annual performance targets were met in only a third of the enterprises, while 67 per cent did not attain their pre-set targets. In the public enterprises, 50 per cent of enterprises had participatory planning, including consultation on target setting, industrial relations and improving productivity. The reasons adduced for non-attainment of targets, such as the lack of markets and stiff competition, wastage, and under-utilization of existing capacities all underscore the potential contribution of social dialogue to good business performance.

Enterprise managers can tap in on the talents of workers through social dialogue and joint problem solving. Managers and workers can together find creative ways for improving quality, reducing wastage, improving customer service and optimal use of resources. But these would be difficult if issues and related decisions pay no regard to the workers who do the work, or when the labour and management relationship lack a real sense of cooperation or mutual trust. In fact, as the aforementioned study reported:

… there is virtually little or no labour-management cooperation to speak of in any of the public enterprises. The respondents noted with consternation that the working atmosphere of enterprises has not yet been liberated from the attitude prevalent in class-based labour-management relations, for the master-servant relationship still dominates interactions between management and labour.

The participatory process in enterprises can help promote shared values, reduce conflict and enhance cooperation and partnership for productivity and competitiveness. These basic requirements are important processes at both the macro and enterprise levels, particularly in an economic environment that is in transition to market-led development. Consultation on key economic issues such as the PRSP and privatization can bring about joint action at either national (tripartite) or enterprise (bipartite) level on the agreed path to follow. At enterprise level, good labour-management relations help to build trust, labour peace, cooperation, shared vision and partnership which are crucial for a joint approach to productivity. This is however possible only when trust and cooperation are genuinely sought and practised by both sides of enterprise. As the same report concludes:
The lack of awareness about the added value of labour-management cooperation and productivity, mistrust of the management on the part of employees, and the shortage of transparent, experienced and committed managers who respect the rights of employees deter the realization of good labour-management relations. Deep-rooted master-servant relations between supervisors and subordinates, the strong dependence on legal recourse of public institutions arbitrating labour disputes, rather than dialogue, and complacency with routine work, instead of focusing on growth, have been found discouraging in that regard, too.76

Productivity is necessary for sustained economic development; and social dialogue is a key strategic instrument for achieving this goal. A clearly defined and effective consultative mechanism for dealing with issues of common interest to management and labour is a contributory instrument for improving productivity. Consultation with workers and their unions enables enterprise managers and workers to formulate creative ideas and strategies that could help reduce the scale of the negative impact of policy on the workforce.

There are positive developments in the awareness of the social partners on the positive effect of good labour-management relations on productivity. Illustrative is the following assertion made by the President of the EEF, Mr. Tadese Talahun at a recent workshop in Addis Ababa:

It is encouraging to note that a new approach is taking place in the working environment in Ethiopia to address labour management and productivity. The Ethiopian Employers Federation strongly believes that in order to boost productivity and improve labour management social dialogue among key stakeholders is the most indispensable instrument.77

Indeed, employers have a lot at stake in promoting social dialogue, labour management cooperation and good industrial relations because this enhances productivity and makes a positive contribution to business performance.78

Social dialogue and poverty reduction

The framework for the formulation of the Ethiopian PRSP clearly recognizes the value of social dialogue as an important element in “the effort and progress made in restoring peace and stability followed by the democratisation process in a decentralized framework”.79 Thus various stakeholders were identified in what was obviously an unprecedented and extensive process of consultation in the country’s policy formulation process. These stakeholders included civil society
organizations, free press, political parties, trade unions, private institutions, academics, professional associations and local NGOs. Employers or the private sector were also recognized as partners in the formulation of the PRSP policy.

The clear acknowledgement of the role of workers and employers underscores the importance of the social partners’ contribution to policy formulation and implementation, whether on issues directly related to the labour market, or the broader issues of national development. Although several labour market issues, notably rights at work were not considered as a priority in the PRSP, the latter nevertheless included such issues as urban employment and self-employment, social protection, particularly food security and vocational training. The broader issues of development in which trade unions have a role include microfinance, food for work, and the rehabilitation of disadvantaged groups.

Despite the apparently ‘deep and wide ranging’ scope of the consultation on the PRSP, the workers’ and employers’ organizations were only marginally involved in the process. According to an ILO fact finding mission, notwithstanding the elaborate framework for consultation in the preparation of the document, workers’ and employers’ organizations played no significant part in the process, as neither the CETU nor the EEF were given the opportunity to participate and contribute in their respective roles as representatives of important stakeholders. This lack of real participation was attributed to the capacity deficit in the organizations. Also, as argued earlier, the long spell of damage inflicted on the image and credibility of the social partners must be seen as contributory to their marginal involvement in the PRSP.

Given labour’s capacity deficit and the image problem, a logical approach would be to forge alliances or networks with other civil society organizations in order to put across workers’ views on the poverty reduction programme. In fact, as the evidence indicates, much of the involvement of trade unions in the PRSP was under the auspices of civil society organizations, notably CRDA, which coordinates more than 100 NGOs in Ethiopia and the Ethiopian Economic Association. Labour’s contribution to the CRDA-led input into the PRSP was however not a deliberate strategy to strengthen the voice of labour, but more to fill a gap created by the apparent disregard of the trade unions for a tangible role in the policy formulation process. Nevertheless, a meaningful contribution can hardly be made without a carefully formulated alliance that aims at presenting a unified point of view into the policy formulation process.

Labour’s collaboration with the EEA through seminars and advocacy was a highly useful exercise designed to enhance the knowledge base of the workers on the substantive issues in the PRSP, and in turn equip labour with the information it needed to advance the workers’ position on what it considered should be the thrust of the PRSP in the country. Therefore, it is in the longer-term interest of
the CETU to maintain a strategic alliance with organizations such as the CRDA and the EEA in order to strengthen the voice of labour.

The EEF, likewise, was not consulted directly, although it maintained a collaborative relationship with the influential chambers of commerce which represent the broad spectrum of the business community. The available evidence indicates that the chambers have been actively involved in the formulation of the PRSP. However, while the EEF has collaborated with the chambers, relations between the two have been tense and sometimes acrimonious, ostensibly because of a conflict of views on the respective roles of the two private sector organizations. Failing to see the complementarity of their roles may undermine the value of employers’ input into important policy issues such as the PRSP, and might rob the EEF of the opportunity to advance a labour market policy agenda in the policy making process.

As a member of the federal technical committee of the PRSP, MOLSA was naturally involved in the PRSP. However, the evidence suggests that the Ministry’s involvement centred mainly on the ‘social affairs’ segment of its mandate, while it has played a negligible role on labour market issues. In fact, judging by the relatively low priority given to labour market issues in the policy document, MOLSA’s participation was evidently marginal. Thus the lack of priority on labour market issues in the PRSP is clearly direct evidence of the weakness of the tripartite system, and the relative ineffectiveness of the statutory Labour Advisory Board which could have served as the forum for articulating a tripartite approach to the labour market issues in the poverty reduction programme.

Considering the foregoing account of the limited involvement of the key social partners in the PRSP, it was worrisome to read that the federal level consultation came up with the following position on industrial relations in the PRSP document:

> Improve and introduce the necessary amendments in the present employers and labour law to make it attractive to both local and foreign investors and enable employees to get benefits proportional to the growth of the entity for which they are working. Assist the establishment and growth of employers’ and workers’ organizations.81

This point of view reflects the traditional business position on labour market governance, but it is hardly a position that would normally emerge from a truly consensual deliberation at either the forum of the LAB or from other tripartite
mechanism. As the evidence indicates, the position cited above was the outcome of consultations that were organized by the chambers of commerce.

**Box 14: Reform of the labour advisory board**

Happily the structure of the Labour Advisory Board (LAB) was reviewed recently, following ILO technical assistance and capacity building for the tripartite partners. For example, in seeking to strengthen the confidence and participation of the social partners in the PRSP process in the country, the ILO technical assistance elaborated a clearly defined and achievable short and medium-term capacity building programme. The objective of the programme was to facilitate the active role of the tripartite partners in the PRSP and sustained tripartite consultation on policy formulation, implementation and monitoring of the PRSP in the country. One important positive outcome of the initiative was the meeting of the LAB in April 2003 at which certain fundamental decisions were taken by the tripartite partners to bring the Labour Proclamation in line with the relevant international labour standards. A new law has since been passed by Parliament.

**The challenge for effective social dialogue**

The surest approach to reflect fully the decent work issues of employment creation, rights at work and social protection in the PRSP is through an institutionalized participatory mechanism involving the social partners. The poverty reduction programme in Ethiopia clearly presents a rare opportunity for achieving this goal, because it is the defining framework for development and governance in the country. So far the role of the social partners in the formulation and implementation of the PRSP has been insignificant. However, this represents a challenge to the social partners to seek a prominent role in policy, more so with the recent creation of a fairly favourable legal and institutional framework for their involvement in policy analysis, implementation, monitoring and evaluation. In order for the social partners to play their role effectively, they need to improve their image and internal mechanisms to enable them to advocate a decent work perspective in the PRSP and the development dialogue in the country.

There are at least three critical areas for such internal reform and strategic focus. The first is competence building, to enable the social partners to address the substantive issues of the labour market and overall social policy focus in the PRSP. The second is for the respective workers’ and employers’ organization to engage in aggressive organizing of members in order to improve their
representativeness and voice. The third – which is basically to reinforce the latter - is the need to establish alliances and networks with others involved, particularly in the large informal economy. These include strategic alliances with other social organizations at national, sectoral and community level.

Towards cohesive workers and employers’ organizations

The capacity needs of the social partners in order to participate meaningfully in the PRSP and indeed overall development is not limited to the acquisition of technical skills alone. In Ethiopia, as in many economies, the social partners lack the type of personnel needed to acquire this technical knowledge. This is particularly true of the trade unions. Also, partly because of the low membership base, trade unions lack the financial and other resources to enable them to take proactive measures, such as the initiation and conduct of policy research that would enable them to elaborate alternative policy proposals on which to engage other stakeholders in dialogue.

Clearly it is a challenge to workers in finding a solution to this important issue. Considering the low membership base of the trade union movement, particularly in relation to the labour force, a recruitment campaign is highly desirable, especially in the growing private sector and the informal economy. In this campaign for membership, a clear and realizable objective would be to promote gender balance in union membership, and to further ensure that women members and leaders are actively encouraged to participate in consultative mechanisms, at enterprise, sectoral and national level. These are clearly medium and long-term strategic policy areas. In the immediate term, CETU needs to form strategic alliances with organizations such as the CDRA and local community organizations. This kind of relationship is needed in order to strengthen the voice of workers in national policy making.

In the case of the EEF, the failure of the Government to consult with the EEF and instead confine consultation to the chambers of commerce has the potential to create tension and competition within the business community. This can seriously undermine the ability of business to present a strong and valuable point of view in policy formulation. Rather than engaging in potentially destructive competition for government attention, the employers’ bodies need to see the PRSP as presenting opportunities and challenges. The EEF needs to organize more members, particularly among small and medium enterprises, and also demonstrate its capacity to participate meaningfully in processes such as the PRSP, most importantly by focusing on the labour market component.

Also, the Federation needs to initiate policy studies that equip it with information to advance its point of view on public policy. To achieve this goal, the Federation can network with the chambers of commerce and other business
associations, so as to fortify the position of the private sector on issues broader economic importance, such as the industrial policy and the PRSP. In other words, the long-term objective of the Federation would be served by organizing its expertise in the domains of labour market and social policy within the business community. Recent evidence points to a growing sensitivity and readiness of employers - and workers - to participate in these broader issues economic and social policy. For example, speaking at an ILO seminar designed to strengthen employers’ involvement in the PRSP, Mr. Tadesse Talahun noted with satisfaction:

I can confirm that the Ethiopian employers’ representatives present at the workshop are now aligned on what the PRSP is all about and committed to take up an effective role in the fight against poverty, which is the root cause of all our problems.82

CETU General Secretary, Mr. Gabre Michael Girmay, echoed this view recently when he emphasized the critical role of social dialogue. He notes,

The poverty reduction strategic programme that has been drawn up in our country can be successful provided special attention and encouragement are given to the full participation of the workers in this area.83

Under the newly adopted Labour Proclamation, important structural reforms have been included so as to broaden the consultative process by involving several government departments whose policy area impacts on issues of the labour market. The evolving structure will broaden government involvement through five key departments in the work of the LAB and give the work of the Board the broader perspective that is needed and likely to gain attention in national policy making. Other reforms include legislative support for bipartite relations, such as collective bargaining and dispute resolution through the Industrial relations Board system. These changes represent a clear indication of the value of social dialogue, which provides the stakeholders a voice in the deliberation on policy issues, to consider the implications of such policy on the workforce and how likely problems might be addressed.

The role of ILO in strengthening the social partners

The aim of the ILO in strengthening the social partners and the labour administration system is generally to emphasize the role of social dialogue as a means for direct participation of workers and employers in economic and social
policy decision making and implementation. This is particularly essential for the PRSP process to fully reflect the aspiration of all the major stakeholders in the labour force. In this regard, the ILO has been working with the tripartite partners since 2003 to elaborate and implement annual action plans, which are designed to raise employers’ and workers’ understanding and knowledge of the implications of the PRSP and how the respective parties can influence decisions on issues that affect their members and constituencies.

**Box 15: Plan of action to strengthen Tripartite Social Dialogue in PRSP**

The plan of action included specific interventions that were designed to strengthen gender awareness, and to provide gender sensitive inputs into the poverty reduction programme, as well as the mainstreaming of gender in the internal processes of the respective tripartite partners and the strategically important tripartite consultative mechanisms. It included capacity building actions designed to provide critical information on thematic issues in the PRSP process, examples of best practice in social dialogue at enterprise and national level, productivity improvement strategies and an enabling environment characterized by constructive collective bargaining processes at enterprise and sectoral level, peaceful settlement of industrial disputes and labour-management cooperation.

The plans of action coupled with the necessary improvements in the internal and external mechanisms of the social partners have the potential to empower and strengthening the knowledge base of the social partners and labour administration about the PRSP, increase their capacity and confidence to engage government authorities, the international financial institutions and other stakeholders effectively and meaningfully on substantive policy and implementation issues. The ILO’s technical assistance to MOLSA included the strengthening of the institutional and human capacity of the labour administration system at national and regional level to enable labour officials to interpret and implement the Labour Code effectively.
Social Dialogue and Poverty Reduction Strategies

1 This is an abridged version of an ILO working paper edited by Graeme Buckley, Giuseppe Casale and Tayo Fashoyin and published in June 2004.


4 GDP shrank by about one and a half per cent in this year; SDPRP (2002): 3.

5 EIU (2004): 29. It should be noted, though, that growth figures are very difficult to come by. For instance, growth estimates for the last year (e.g., FY 2002/2003) vary from about 5 per cent (WB) to 3 per cent (CIA World Fact Book) to -3.8 per cent (FY 2002/2003, Government of Ethiopia APR and EIU).

6 SDPRP (2002): numbers are for FY 2000/01; different sources give somewhat different numbers, but the trend of a decline in agriculture is generally confirmed; according to the EIU (2004), for instance, services outweighed agriculture for the first time in the same year; following this source, sectoral distribution was as follows in 2002/03: Agriculture 39 per cent, Industry 12 per cent, Services 49 per cent.

7 Demise, Guta and Ferede, op. cit. p. 5.


9 Ibid.

10 Different sources give somewhat different numbers for both deficit and increases in tax revenue, but the overall trends are consistent. According to the Government (APR 2003), the budget deficit in 2002/03 was equal to 9.8 per cent; the EIU puts the same indicator at 8.5 per cent. Domestic revenue in 2002/03 was equal to 19.5 per cent of GDP. The breakdown of Domestic Revenue is as follows: tax revenue 74 per cent, non-tax revenue 26 per cent. Tax revenue has been calculated to have risen from 11.5 per cent in 99/00 to 15.3 per cent of GDP in 2001/02 according to the Government. Within tax revenue, direct taxes make up for 36.5 per cent, domestic indirect taxes account for 20.2 per cent and foreign trade taxes, the remaining 43.3 per cent. Domestic indirect taxes are growing strongly following the introduction of VAT. It is unfortunately not possible to determine what direction direct taxes are heading. They dipped in FY 2002/03 during the drought.

11 Demekė, Guta and Ferede, op. cit., p. 18.

12 The relatively high participation rate in spite of a labour force that accounts for less than half of the population can be explained by the large proportion of the youth population.

13 Unemployment was around 8-10 per cent in 1999 according to the KILM, 2003.

14 Demekė, Guta and Ferede, op. cit., estimate the annual employment growth rate at -0.6 per cent over this period. While they caution against over-interpreting this finding (due
to uncertainties regarding statistical validity), it can be inferred that the employment creation record in the immediate aftermath of structural adjustment has, at best, been mixed.

15 For instance, the World Bank estimates that 41 per cent of all children aged between ten and fourteen actually work. CAS (2002): 5.

16 SDPRP (2002): 13. The KILM (2003) finds that GPER for 2000 was equal to 64.4 per cent. See also Annex 5, statistical resources, point 3 (poverty situation).

17 Demeke, Guta and Ferede, op. cit. p. 34. At the same time, one should not be over-optimistic. First, employment creation in manufacturing is clearly not enough to keep pace with the growth of the labour force. Second, the agricultural sector, which still accounts for around 80 per cent of total employment, was actually the only sector (besides electricity & water) with negative productivity growth in the post-reform period). Third, despite the above-mentioned productivity gains, the manufacturing wage index in 1997 still stood at only 87.2 per cent of its 1990 level (KILM 2003).

18 Assuming a labour force of 23 million and 3.5 million people in adult and non-formal education.


20 In the analysis of the SDPRP below, alternative proxies are used for estimating social protection, notably spending on basic public services.

21 ILO, HIV/AIDS and the World of Work: consequences for labour and socio-economic development in Selected African countries (project document), Geneva, 2003. ILO/AIDS is currently beginning the second phase of a project on HIV/AIDS in Ethiopia. Based on a review of national policy and legislation and the workplace impact of HIV/AIDS, this second phase will try to bring the constituents together to develop a single national policy for workers, employers and the Government. The third and final phase of the project will implement this single national policy, focusing on two target groups, cooperatives and transport workers.


23 The Government makes occasional reference to the MDGs, as in the case of MDG 1 on poverty reduction and projected growth needed to accomplish this goal. Also, some of the Governments’ other policies, for instance concerning primary education, are consistent with the MDGs. Moreover, the MDGs feature in one of the Government’s policy matrices. However, it is not clear how far this approach is consistent or whether the MDGs are only taken into account on specific issues, in part because there remain uncertainties about which indicators and targets the Government uses (see also further down the critique of the SDPRP).


The Government uses a monetary indicator of consumption poverty. The official poverty line is 1075 Birr (95/96). Assuming an exchange of 8.8 Birr per 1 US$ (January 2004), this yields a poverty line of 122 US$ p.a. The basket that this poverty line can buy provides for 2200 kcal per day and some non-food components (about a third of the poverty line). However, using the 1 US$ a day measure, the percentage of Ethiopians living below the poverty line increased to 81.9 per cent (KILM 2003: 728).


Demeke, Guta and Ferede, op. cit., p. 38.

SDPRP (2002): 133. This is the Government’s own estimate. It falls within the range of estimations given by different sources.


APR (2003): 92. The Government states that 22 million people are currently covered with respect to the EMSAP project. This is possible through the inclusion of 205 woredas in the project, about a third more than initially anticipated.


A word of caution: the following does not attempt to quantify the impact of the different measures proposed with respect to decent work in the SDPRP. Rather, it should serve as an indication of which aspects of decent work receive more attention and which receive less.


http://www.telecom.net.et/~uncefeth/UNCDFEthiopiamainpage.htm#home

http://www.ei-ie.org/ressource/speeches/20030730_EFA_e.pdf


Published in the Federal Negarit Gazeta No. 12, at pages 2453ff., on 26 February 2004, the date when the text entered into force.

The ILO’s supervisory bodies had noted inconsistencies between the former law and ratified Conventions on freedom of association, and most recently was able to examine

43 Ibid.

44 Case No. 1888 lodged by Educational International and the Ethiopia Teachers’ Association and examined in the Committee’s 330th Report: http://webfusion.ilo.org/public/db/standards/normes/libsynd/LSGetParasByCase.cfm?hdroff=1&FILE=1888&PARA=1615

45 Examined in the Committee’s 332nd Report (November 2003): http://webfusion.ilo.org/public/db/standards/normes/libsynd/LSGetParasByCase

46 Ibid.

47 Ibid.

48 Ibid.


51 One of the policy areas is the privatization of public enterprises. As will be shown later, the privatization policy has had a significant effect on industrial relations and social dialogue in Ethiopia.

52 Labour Proclamation No. 42/1993 was replaced by Labour Proclamation No. 377/2003 which entered into force on 26 February 2004 (see Chapter 2).

53 Article 42 of the Constitution provides for ‘rights of labour’ which includes «the right to form trade unions and other associations to bargain collectively with employers».

54 See Article 3.2. of the Labour Proclamation No. 377/2003.


57 Bekele Desta, loc. cit.

58 However, the situation is less favourable if expressed as a proportion of the labour force. The latter puts union density at about 8 per cent. Based on data supplied in Profile of Employment and Poverty in Africa (Addis Ababa, ILO (mimeo) September 2002), Tables 7 and 9, pp. 77-83.

59 Given the low union density, union leaders are understandably apprehensive about the effect of the ongoing privatization on union membership. Although available evidence, imperfect as it is, does not show a serious effect of privatization on union membership, most probably because the residue of the ‘socialist’ culture in the
enterprises has moderated the retrenchment of workers somewhat. Nonetheless, the low union membership base is reason enough for union leaders to worry about the effect of privatization on union membership.

60 See Profile of employment and poverty in Africa, op. cit., Table 7, p. 77.


62 *Profile of Employment and Poverty in Africa*, op. cit., Table 9, p. 83. It is not known, however, how many of these employers (or businesses) fall into the category of large, medium, small or micro businesses.

63 The irony is that when the Government expressed its readiness to enforce a labour law regime that conforms to international labour standards, it was the Chambers of Commerce that took the initiative to re-establish the EEF. See Jembere, p. 13.

64 The legal basis for industrial relations was first introduced in Ethiopia under the imperial Labour Relations Proclamation No. 210/1963. Labour Law Profile (Monica Sommer), Addis Ababa, ILO Sub-Regional Office, May 2003.

65 In practice, one or two worker representatives are usually appointed to the management board. Information from officials of public enterprises. See also Bekele Desta, loc. cit.


67 Bekele Desta, op. cit.

68 Bersoufakad, op. cit.


70 Ibid., p. 30.

71 Ibid.


73 Most probably, MOLSA’s main focus in the poverty reduction programme appears to be the «social policy» of its mandate.

74 Bezabeh Bekele Desta, Labour-management cooperation and productivity of selected public and private enterprises in Ethiopia, Addis Ababa, ILO Sub-Regional Office, August 2003.

75 Ibid., p. 44.

76 Ibid., pp. 43-44
Chapter 8
Ethiopia: Decent Work, Labour Law and Social Dialogue

77 Statement at the ILO tripartite seminar on labour management relations and productivity, Addis Ababa, 21 April 2004.


81 SDPRP, p. 65.

82 Statement of Mr. Talahun at the ILO Seminar on social dialogue on poverty reduction strategies for gender equality in Ethiopia, Nazareth, Ethiopia, 17-18 July 2003.

Introduction

The purpose of this document is to provide background information and suggest issues for discussion at a tripartite conference organised to examine the scope for including within Tanzania’s programmes for poverty reduction a strategy for the promotion of decent work for all. It is designed to be read along with the PRSP and the PRSP Progress Report 2000/1. The Tanzanian PRSP is one of the most advanced country strategies within a new comprehensive framework for development supported by the international development community as the main means of translating the MDGs set by the 2000 UN General Assembly into action.

An important feature of the new approach underlying the PRSP is the emphasis on ownership and participation. PRSPs are envisioned as being prepared and implemented by national governments themselves with the support of international partners, whereas previous development programming methods often gave a leading role to foreign experts. In addition, governments preparing PRSPs are encouraged to engage in a widespread effort to inform, consult and engage the participation of citizens and their organizations in all stages of the PRSP from conception through implementation to evaluation.

The ILO is fully supporting the global drive to reduce poverty and aims to integrate its own agenda on Decent Work for All into the PRSP process. A key means of action in strengthening ownership and participation in the PRSP is social dialogue between the government, trade unions and employers’ organizations. The Dar es Salaam Conference on “Towards a Decent Work Strategy for Poverty Reduction in Tanzania” (10-12 December 2001) was a first step in examining how, in practical terms, the unique tripartite structure of the ILO and its focus on the world of work can contribute to the goals of poverty reduction through national programmes such as the Tanzania PRSP.
The ILO’s decent work agenda

The phrase “Decent Work for All” was proposed as encapsulating the ILO’s mission in the 21st century by Director-General Juan Somavia in his first report to the ILO’s annual conference in 1999. Two years on, the concept is being developed and refined as a method for organizing what the ILO does and connecting it to the debate about the governance of globalization.

The Director-General is not modest about what he thinks the ILO should be doing. “We need to make decent work a reality in our countries and embed this goal in the global economy.” His definition of decent work is equally ambitious. “The goals of the ILO should be the promotion of opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.”

Translating the concept into the work programme of the ILO has entailed a reorganization into four strategic objectives. The first “pillar” relates to the development and implementation of standards for labour and social policy. Built around the 1998 Declaration of Principles and Rights at Work, it has been the core of the institution’s mandate since it was created with the objective of promoting social justice and dignity at work. The standards system based on the adoption and ratification of Conventions and a sophisticated supervisory and complaints mechanism has an important influence on national law and practice all over the world and thus the development of the legal framework for the realisation of the goal of decent work for all.

The second is the creation of more and better jobs. Along with fundamental human rights, access to employment is probably the most widely shared aspiration of people everywhere. Employment is the first step in escaping poverty and social exclusion. The employers’ and workers’ organizations, which along with governments, make up the unique tripartite structure of the ILO, are the frontline actors in the creation of a favourable climate for investment, the establishment and growth of enterprises and the generation of employment.

The third strategic objective is social protection. Traditional systems of social protection apply to a limited number of citizens in the developed world – and a few in the developing world. But most people, particularly those working in the informal economy, have few, if any, means of providing for themselves if unable to work. A major challenge for the ILO is to find ways to extend reasonable social protection to those sectors where it does not exist, at the same time as reforming established systems. The goal is to insure people against the major risks to their earning power and prevent accidents and work-related illnesses.

The fourth area is tripartism and social dialogue. Focused on the mechanisms of information exchange, consultation, and negotiation by which conditions of
work and life are improved, it aims to improve the processes by which differences of interest are reconciled and common aims identified and pursued. Capacity building of employers' and workers' organizations, labour ministries and labour administrations is key in this area.

Completing the reconfiguration of the ILO’s agenda are the topics of development and gender-equality for women. These constitute cross-cutting issues in all four strategic objectives.

An important part of the thinking behind the decent work concept is that it connects to what people aspire to as being important in their lives: employment and security for themselves and their families, the ability to provide their children with education and opportunities in life, health and other care when needed, a voice in their community and their working environment, and the dignity that comes from respect of their rights at work. The choice of the word “decent” is deliberate and is used to capture both the notion of sufficiency and of desirability. A decent job is thus one that meets individual’s expectations and those of the community, but is not exaggerated - it falls within the reasonable aspirations of reasonable people. And the word “work” is used because it is wider than employment or a job, including not only wage employment, but also self-employment and homework. It embraces the wide range of activities in the informal economy and the importance of participation in the economy and the community.

Decent work therefore has a floor, but no ceiling. What is seen as decent embodies universal rights and principles, but reflects the values and possibilities of each society. In that sense it provides a moving target, a goal that evolves as the possibilities of societies also evolve, so the threshold advances with economic and social progress.

One of the key building blocks of the Decent Work agenda is the ILO’s 1998 Declaration of Principles and Fundamental Rights at Work and its Follow-up. The Declaration is based on eight highly ratified Conventions on freedom of association and the rights to organize and bargain collectively, forced labour, child labour and discrimination in employment. It is designed as a universal instrument for the promotion in all member countries of respect for rights which enable all working women and men “to claim freely and on the basis of equality of opportunity their fair share of the wealth which they have helped to generate, and to achieve fully their human potential”.

Increasingly the ILO’s activities are geared towards helping its tripartite constituents to develop their own decent work strategies as a part of an integrated approach to economic and social policy, and in particular the reduction of poverty. It is also placing a strong emphasis on partnerships with other international agencies to strengthen the social dimension of globalisation, and has
placed a particular emphasis on integrating the decent work agenda into Poverty Reduction Strategies. The Decent Work agenda is positioning the ILO to play a major role in designing the policies needed to spread the potential benefits of international economic integration and share its costs more evenly within and amongst nations.

**Tripartism and economic and social policy integration**

Economic and social objectives are so interrelated that the development of one cannot be conceived without the other. Productivity, which is essential for economic growth and poverty reduction, is heavily dependent on the degree of stability in a society. Stability in a society requires, in turn, that the population enjoy decent living and working conditions as well as a reasonable level of social protection.

Trying to find an appropriate balance between the economic and social aspects of development is a permanent problem for policy makers. The dilemma is basically that of determining the sacrifices required from the various groups composing the population in favour of the long-term economic and social development of the nation. The design and implementation of such policies should not be left to the public authorities alone but should be carried out in consultation with representatives of the different sectors of society. Highly organized and monopolized power has the tendency to give undue preference to the interests of certain groups to the detriment of society as a whole.

Therefore, the establishment of formal machinery or of informal channels allowing the representatives of the different sectors of society to be adequately involved in the design and implementation of national economic and social policies is indispensable. Representatives of workers and employers should be fully involved in the exercise of policy formulation and execution. The association of all parties concerned in the design and implementation of national economic and social policies will not only afford the best opportunities of working out compromises striking a fair balance between the demands of economic development and of social protection, but will also provide the best possible chances for the effective implementation of the policies concerned, thereby ensuring the highest possible level of social peace.

At the national level, tripartism may take various forms. During policy formulation, tripartite dealings may entail consultations, a commitment — in principle by means of an accord to cooperate — ("concentration") or even negotiations. In implementing policies, tripartism may mean the participation of employers’ and workers’ organizations along with governmental authorities in the
administration of bodies established to regulate fields such as unemployment insurance or health benefits. In the broader sense of the term, tripartite dealings include bipartite relationships, such as separate consultations by employers’ associations and trade unions with the government, or formally bipartite collective bargaining at the national level (but where the government is, in effect, a silent partner setting parameters for the parties).

**Basic conditions for carrying out genuine tripartism and social dialogue**

Certain fundamental conditions must be met for tripartism and social dialogue to be effective. In the first place, the State, the employers and workers must be independent of each other and there may be no overlap of their respective functions. This entails, of course, the full recognition of the principle of freedom of association. More fundamentally, political democracy, market economy and tripartism cannot be dissociated from each other. In actual fact, tripartism is nothing other than the transfer to social relations of the principles that underlie political democracy and a market economy, especially the principles of freedom, pluralism and participation by the persons concerned in decisions that affect them. Experience shows that political democracy, a market economy and tripartism are inseparable and that none of these objectives can be fully realised without the other two.

The smooth working of tripartism implies not only three separate parties, but also that each party should be capable of carrying out its own functions properly. Essentially, this latter condition should be met by each of the parties to maintain a reasonable balance of power between them. Governments - and especially Ministries of Labour - should be able to take on different roles as the need arises, whether regulating, encouraging, moderating, conciliating or, where necessary, arbitrating in accordance with established procedures. The two other parties - employers and unions - should be structured in such a way so as to be able to act effectively, have sufficient representation and legitimacy to speak with authority on behalf of employers and workers, be in a position to obtain the resources needed for their activities, and have the necessary technical knowledge to carry out their duties competently, especially in rapidly changing political and economic environments.

In order to ensure the smooth functioning of tripartism, it is not enough to construct “machinery” characterised by the existence of three different parties sufficiently well equipped to exercise their respective functions. The parties must also have a certain attitude. They must be aware of the fact that apart from the
numerous points on which their interests diverge, and which it would be absurd to deny, in the long-term they are fundamentally engaged in a common task. This implies consensus between all the parties on the very basic characteristics of the political, economic and social organisation of society and the determination to contribute, often at the cost of certain sacrifices, to developing and maintaining the type of society thus chosen. In actual fact, tripartism consists essentially of a constructive approach on the part of all parties concerned towards the solution of economic and social problems. Its basic purpose is to create a general climate of mutual respect, trust and understanding more than bringing about an agreement on all issues. As such, tripartism can make an important contribution to the consolidation of democracy and the preservation of social stability.

The ILO standards and tripartite co-operation

The ILO is the only organization with a tripartite structure at the worldwide level. It is therefore not surprising that it should always have made significant efforts to promote various forms of tripartite cooperation at the national level and that it used all its means of action for this purpose including standard-setting, research, collection and dissemination of information, organization of meetings, advisory services and technical cooperation. For reasons of space limitation, the present section will only provide a brief overview of the Organization’s standard-setting activities in this area. The instruments adopted by the International Labour Conference on tripartite cooperation include the Consultation (Industrial and National Levels) Recommendation 1960 (No. 113), the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) and the Tripartite Consultation (Activities of the International Labour Organization) Recommendation, 1976 (No. 152). Recommendation No. 113 is very important because of its wide scope. It provides that “measures… should be taken to promote effective consultation and co-operation at the industrial and national levels between public authorities and employers’ and workers’ organizations” and that such consultation and cooperation “should aim, in particular…at joint examination…of matters of mutual concern with a view to arriving, to the fullest extent possible, at agreed solutions”. Convention No. 144 and Recommendation No. 152 are more limited in scope since they are exclusively concerned with national tripartite consultations on ILO activities and more particularly with the ratification and application of international labour standards.
National tripartite cooperation: Some examples

In recognition of the basic principles of tripartism, trade unions and employers’ organizations are major social forces in many countries. Public authorities therefore consult with them on major economic and social issues and encourage them to mobilize their respective members around the objectives of national economic and social policies. Depending on the countries concerned, national tripartite consultations are based on legislation or on collective agreement or on mere custom and practice. The consultations concerned may take place within permanent institutions or on an ad hoc basis. Among the permanent institutions, some are competent to deal with all general economic and social issues and function under names such as “Economic and Social Council” or “National Labour Advisory Board”. Other permanent institutions have limited competence and deal, for example, with such issues as wages, productivity, training or safety and health.

Many countries in Western Europe have tripartite consultation at the national level on economic and social policy issues for decades and have thus acquired considerable experience in this area. Among many examples may be cited the consultations which take place within the French and Dutch Economic and Social Councils, the Belgian National Labour Council and Central Economic Council, as well as within the Economic and Social Councils set up more recently in Spain and Portugal. Mention can also be made of the tripartite agreements on broad economic and social issues, which have been concluded, on a number of occasions - and sometimes on a fairly regular basis - in countries such as Belgium, Ireland, Italy, Norway, Portugal and Spain.

There are also tripartite dealings at the national level in certain highly industrialized countries outside Europe. One may cite the various national agreements on wages and incomes policies concluded in Australia during the 1980’s as well as the consultations which take place periodically in Japan on major economic issues between the highest-level representatives of the three parties at the Industry and Labour Round-Table Conference (Sanrokon). Similar examples can also be found in countries in other regions of the world such as Africa, Asia and Latin America. For example, in Africa one could think of the South African experience, where tripartism developed quickly in the mid-1990s, after the end of the apartheid era. The tripartite constituents established a tripartite body called the National Economic Development and Labour Council (NEDLAC). In this council, in addition to the government, workers’ and employers’ representatives, there are also representatives of other interest groups. NEDLAC has quickly become the main forum for cooperation at the national level. Most social and economic issues, including labour law reforms and employment policies, are
Social Dialogue and Poverty Reduction Strategies

considered by this body. This institution works relatively efficiently thanks to the constructive approach taken by the three main social partners. Today, NEDLAC represents an indispensable mechanism for achieving consensus on major economic and social issues. Recently, the social actors adopted a joint declaration for further cooperation on core socio-economic issues such as investment, poverty reduction, quality of employment, development issues, health and safety, and social security.

Of course, tripartism and social dialogue do not always work properly. As we have mentioned above, it is indispensable that certain basic conditions be met if social dialogue is to work in an efficient manner. Nevertheless, it should be noted that there is not a valid alternative mechanism or process, which could contribute to a better association of the various interest groups when working out socio-economic decisions which are going to affect the lives of people in society. It is in this context that workers and employers have an invaluable role to play when boosting social dialogue at the various levels of the economy.

Issues for discussion

- Are the Tanzanian social partners ready to develop a social dialogue component to the participation mechanisms of the PRSP?
- What value will social dialogue bring to the goals of poverty reduction?
- Are Tanzania’s international partners prepared to support an integration of the Decent Work agenda into the PRSP?
- Do the conditions for the development of genuine tripartism exist in Tanzania?

Investing in poverty reducing employment

Status of employment in Tanzania

The current status of employment raises much concern. According to the Labour Force Survey (1991), 80 per cent of the labour force was engaged in agriculture. Only seven per cent of the labour force was engaged in formal wage employment. Considering the structure of the Tanzania economy and the structure of employment and sources of income in Tanzania, it is clear that the employment and poverty problems gravitate around problems of low productivity and low incomes. A massive majority (more than 90 per cent) of the population who do not have formal sector jobs are women but are not “unemployed”. They work in
agriculture and in the rural and urban informal sectors, sometimes as self-employed on the family ‘shamba’, in the production or in selling services, and sometimes these women are earning some wage payments unrecorded in surveys. The problem for most of these workers is that they do not have opportunities to derive a satisfactory income from their economic activities. The main challenge for employment policy is to create opportunities for this majority of the self-employed to earn a decent income by facilitating a rise in productivity in their various economic activities. Such a rise in productivity has a relationship with investment.

_Contribution of investing in poverty reducing employment_

**Conceptual aspects**

The demand for labour is a derived demand. A producer’s desire to increase output is the most important source of employment growth. A necessary condition for increasing output is an increase in the quantity and/or productivity of inputs (broadly defined). In the short-run, investment may not be the key to a producer’s output growth. Many informal sector operators begin with very little capital and use labour-intensive technologies. A farmer may require improved seed varieties or increased fertiliser to increase production. A lack of skilled labour or slow export growth may be the constraint to a firm’s growth.

In the long-run, however, investment in new capital and increases in productivity (which require investment in new technology, in Research & Development (R&D), and in training) are the main sources of output and employment growth. This is true conceptually and empirically. In most growth regressions including those that focus on investment, this is the largest and most robust determinant of economic growth – an important cause of sub-Saharan Africa’s slow economic growth is the low level of investment. Investment is the most important source of long-term output and employment growth. Empirical evidence supports the link between investment and output growth. The level of investment, the capital-labour ratio, the efficiency of investment, income distribution, and the sectoral and regional composition of growth determine the influence of investment on employment and poverty reduction.

**Empirical findings**

Empirical studies have estimated the average impact of economic growth on poverty and inequality in a range of countries. Recent empirical work using a data set by Deininger and Squire (1996) shows that across a range of countries, on average a one per cent increase in aggregate incomes implies a one per cent fall in
income-poverty. Of more importance here is the fact that different patterns of investment and different patterns of growth in different countries, have had different effects on employment and poverty. Many studies’ findings indicate that employment and distributional outcomes differ between countries according to different patterns of investment and growth. Patterns of investment influence the resulting patterns of growth and employment.

Findings relating to Tanzania

Findings from the Investing in Poverty Reducing Employment (IPRE) studies have thrown further light on these relationships by establishing that:

- Historical links exist between investment, growth, employment and poverty in Tanzania;
- In the pre-reform period, output stagnated, but investment and employment continued to grow. The result was low investment productivity, declining labour productivity and falling real wages. Employment growth could not be sustained;
- The pre-reform rural economy was depressed by marketing and price controls, an overvalued exchange rate and poor infrastructure.

The post-reform period has been characterized by:

- Reduced public sector employment;
- Shift to informal employment and self employment;
- Recovery of real wages;
- Stagnation or slow growth of investment;
- Increased Foreign Direct Investment (FDI);
- Increased productivity of investments.

The sectors in which investment has a high potential for creating poverty reducing employment include agriculture, tourism, public works and micro and small enterprises in various sectors. The role of policy is to influence investment levels and allocations which in turn influence the pattern of employment creation towards poverty reduction:

- Education and investment in training are important for poverty reduction;
- Policies for poverty reducing employment are not gender-neutral; they affect men and women differently;
Good governance (including participation) is important for investment promotion and employment growth;

Globalization comes with more intense competition that implies threats (e.g. loss of jobs for firms which fail to compete) and opportunities (e.g. Creation of new jobs for firms which penetrate new markets and expand). Globalization presents an opportunity for capital inflow whereby new jobs can be created with new capital and with technologies and management techniques which can enhance the capacity to compete and gain market shares in the competitive domestic or export markets;

Privatization can result in retrenchment of the formerly over-staffed parastatals or can expand operations to the extent of creating additional jobs. Efficient operation can also enhance the chances of survival in a competitive environment. The post-privatization phase has an important impact on enterprise prospects.

Poverty reduction strategy: Coverage, gaps and progress

Three key considerations

The poverty reduction strategy is based on three considerations. First, the strategy is viewed as an instrument for channelling national efforts towards broadly agreed objectives and specific inputs and outputs. The elaboration and implementation of the strategy is an ongoing process. Second, the poverty reduction strategy is to a large extent, an integral part of ongoing macroeconomic and structural reforms that are being supported by Tanzania’s multilateral and bilateral partners. Third, in keeping with the concerns of the stakeholders, and guided by the overarching orientation of the national development strategy (Vision 2025) and the National Poverty Eradication Strategy (NPES), the focus of the poverty reduction strategy concentrates on efforts aimed at:

- Reducing income poverty;
- Improving human capabilities, survival and social well-being; and
- Containing extreme vulnerability among the poor.

Action needed in four areas

It is recognized that economic growth is a powerful means of reducing income poverty. Because of this, a key objective of the poverty reduction strategy will be
to promote accelerated and equitable growth. PRSPs are meant to provide a link between growth and poverty reduction. In this context, poverty reduction would result from a high level of growth and a growth that is also pro-poor and widely shared in society.

It is envisaged that to reduce poverty requires action in four strategic areas. First, the government will continue to maintain sound macroeconomic policies and intensify the implementation of reforms aimed at bolstering market efficiency, notably in agriculture, and raising factor productivity. Second, while budgetary expenditure will continue to be restrained because of macroeconomic considerations, special efforts will be made to channel the limited government resources toward support of key programmes and social services under the poverty reduction strategy. Third, the government will put increased emphasis on reforms aimed at promoting export oriented expansion and diversification of the “pro-poor” sectors, with a view to enabling the poor to share increasingly in the benefits of globalisation. Fourth, efforts will be made to steadily raise investment from 15 per cent to approximately 17 per cent of GDP, including through initiatives in focusing on bolstering private investment in the cultivation of traditional and new crops, small and medium size enterprises, and in informal sector activities.

**Employment concerns marginalized**

The PRSP focused on initiatives to strengthen growth prospects in pro-poor sectors, strengthen prioritization, increase resource allocation to priority sectors, develop an effective framework for monitoring poverty and elaborating strategies for intervention in key sectors. In the PRSP document of October 2000, employment concerns were not addressed specifically except in terms of attention given to economic growth and promotion of private investment.

**Some key sectors: no developed strategies**

At the time of producing the first PRSP in October 2000, not all sectors had elaborated sector development strategies. It was understood that in the course of implementation, further work would be needed to prepare outstanding sector strategies. It is in this context that during 2000/2001 the Government prepared sector development strategies for basic education, agriculture and rural development and reviewed the strategies of the other priority sectors with a view to identifying action plans for pursuing the PRSP objectives.
Progress made in addressing some gaps

The PRSP progress report of August 2001 noted several improvements. These included:

- Continued consolidation of the macroeconomic situation through prudent monetary and fiscal policies, in the context of substantially enhanced budgetary support for education, health, and other priority areas, and guided by the Medium-Term Expenditure Framework (MTEF) and the Public Expenditure Review (PER) yearly exercises;

- Carrying out a new Household Budget Survey (HBS) and an Integrated Labour Force Survey (ILFS) as part of a broader ongoing effort to improve understanding of the status of poverty in Tanzania;

- Elaboration of development strategies for the education and agricultural sectors; amplification of strategies for other sectors and crosscutting areas (HIV/AIDS, governance, environment, gender and employment); and costing of interventions, notably those for the financial year 2001/02;

- Tracking the income and social indicators of poverty and adoption of measures, including in the context of the Tanzania Social Action Fund (TASAF), to alleviate rural income poverty and provide relief to vulnerable groups.

Responses were called for by stakeholders for supplementary programmes to be developed jointly by the government and international and other stakeholders to address the urgent problems of:

- Rural income poverty;
- Unemployment among youth and women;
- Poor rural roads, impeding access to farms and markets; and
- Child labour and out-of-school children aged eleven.

The Government has indicated its intention to develop the supplementary programme over the coming months, to respond to these pressing problems. In this context, this is a good opportunity to make a contribution on employment and integrate concerns of decent work into the PRSP.

The Government has addressed agriculture and rural development which are the largest employers of the majority of the poor. The government has prepared an Agriculture Sector Development Strategy (ASDS) as an instrument for stimulating growth and reducing poverty. The strategy document is the product of a participatory consultative process at the national and grassroots levels,
encompassing farmer’s organizations, agribusiness representatives and
development partners. The ASDS has been designed with the objectives of
increasing the profitability and productivity of agriculture and livestock as a
means of reducing rural poverty through improvement of farmers’ incomes and
promotion of food security. Together with the formulation of the ASDS, the
Government has embarked on the preparation of a Rural Development Strategy
(RDS) that is aimed at providing a coherent framework for addressing issues
(such as rural unemployment, environmental degradation, HIV/AIDS, gender,
youth, infrastructural development, governance, and capacity building) that
impact heavily on rural poverty.

The Government recognizes that stronger performance of the agricultural
sector will be key in realizing the intended acceleration in real GDP growth and
the needed reduction in poverty. In order to achieve the needed growth, public
and private investment will have to complement each other.

The ongoing work to monitor the implementation of the poverty reduction
programme has, as noted earlier, highlighted the gravity of under-employment
and unemployment, especially among youth and women in urban as well as rural
areas. The government believes that a durable solution to this problem requires
sustained efforts to strengthen the performance of the agricultural and private
sectors. Accordingly, the government is resolved to proceed forcefully with the
reforms aimed at supporting these key sectors. In addition to such reforms, the
government has also implemented specific measures to improve employment
prospects:

- The National Employment Promotion Services Act has been enacted, paving
  the way for establishment of a pilot labour exchange office in Dar es Salaam.
  Similar offices will be opened in other urban areas in 2001/02;

- The Government (through the Vocational Education Training Authority) has
  taken steps to strengthen skills training by introducing competence-based
  education and training, which stresses trainees’ experience as well as academic
  qualifications. To reinforce the ongoing efforts in this area, the Government
  intends to embark on a review of the role of Folk Development and
  Community Development Colleges;

- In collaboration with international partners under the National Aids Control
  Programme, HIV/AIDS seminars on guidance and counselling were given to
  young people in various workplaces and locations in the country;

- A time-bound programme for eliminating child labour has been prepared and
  will be adopted soon;
A National Youth Council has been established as an autonomous statutory body to advise government on matters relating to youth development;

The Government has embarked on various initiatives aimed at increasing financial support for small employment-creating businesses. These include an ongoing review (scheduled to be completed before the end of 2001) of micro-credit schemes for youth, women and other groups with a view to rationalizing them and increasing their effectiveness;

The Government, in collaboration with the ILO, has prepared a Country Action Programme for Employment Promotion. This programme is based on IPRE studies and will be implemented in collaboration with the private sector;

In order to increase employment opportunities for the poor and enhance their productivity and competitiveness in rural and urban areas, the Government intends to develop programmes for the promotion of small-scale industry in the formal and informal sectors as well as other types of micro enterprises. To this end, it has designed a demand-driven district-based skills training programme for employment promotion. The programme will be implemented in various sectors under the coordination of the Ministry of Labour, Youth Development and Sports, and in collaboration with other ministries as well as public and private training institutions across the country. The budget allocation for this programme is Tshs. 100 million in financial year 2001/02, and will be reviewed in the context of sector MTEF for the subsequent years.

Together with the initiatives directed at strengthening employment prospects, the Government intends to conduct a comprehensive study on poverty reduction in urban areas. This study, similar to the Rural Development Study, will be key to developing a coherent and effective response to the serious problem of urban poverty. Among the issues that will be examined in the study are:

- Basic infrastructure and services in low-income urban areas;
- Financial and other problems of the informal sector; and
- Land and housing problems of low-income households.

The main objectives of employment are identified as enhancing productivity and competitiveness, eliminating child labour, and increasing the availability of credit facilities for micro-enterprises.

Areas identified for progress in 2001 in terms of action on employment are the Micro-Finance Policy which was developed and launched in February 2001, and the Government is reviewing the 1997 National Employment Policy. Planned actions for the next three years include:
Social Dialogue and Poverty Reduction Strategies

- Job training programmes, including expanded education opportunities, and steps towards eliminating child labour;
- Strengthening the performance of saving and credit schemes.

Further avenues for integrating employment concerns into PRSP

Reforms have helped but more needs to be done

Economic reform may have been accompanied by better allocation of resources, greater economic efficiency and higher growth but it has failed to deliver fully on the goals of raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand.

A focus on decent work implies a major emphasis on enterprise development and the importance of creating an enabling environment for productive investment. Training and skill development and support for emerging SMEs are critical.

A major concern is equality of access to employment and labour markets, especially gender equality. When the ILO inquired into the principal social problems in various countries, the response was most instructive. In most countries, the principal social problems are poverty and social exclusion and the simple answer to these problems is jobs. From self-employment, micro-initiatives and sustainable livelihoods to a relatively secure source of income, employment is perceived as the best option to step out of poverty and as the most significant step in building social cohesion. The challenge of employment needs to be addressed seriously and appropriate investments need to be made to create poverty reducing employment.

Towards a comprehensive and integrated approach

The poverty reduction strategy papers represent a higher stage of the policy process that started in the mid 1980s. The reforms in Tanzania during the 1980s and 1990s were, like in many African countries, based on the World Bank/IMF initiated SAPs as a precondition for receiving loans. The World Bank and the IMF, argued that SAPs were necessary to bring a developing country from crisis to economic recovery and growth. The SAP policy reforms reflected the liberalization of policies towards a particular type of policy package. SAPs were mainly focused on macroeconomic stabilization, public sector reform and liberalization of markets and trade. When Tanzania embarked on its SAP, there were no strategies for taking care of the social dimensions of adjustment. It was
widely believed that stabilizing the economy and the resulting growth would ultimately lead to poverty reduction.

Critics pointed to the fact that Structural Adjustment Programmes (SAPs) were not addressing the social dimensions of adjustment and that they were not making any notable dent on poverty. In response, SAPs started to include some social dimensions. The Economic and Social Action Programme (1989-92) was partly an attempt to take on board the social aspects of adjustment. The social dimension, however, was introduced as an “add on” rather than being integrated in the policy making process. The fact that poverty is multidimensional and cross-cutting was not fully appreciated at that time. It is in this context, that the concept of the PRSP has introduced a new dimension. PRSP attempts to integrate the poverty concern into the policy making process of indebted countries.

The underlying principles of the PRSP (it is a “paper” within a process) are the first steps in making development strategies truly responsive to the needs of the poor. The principles include:

- Country driven with governments leading the process;
- Broad-based participation between governments, other actors in civil society, the private sector and the donor community in the adoption and monitoring of the resulting strategy;
- Results oriented in identifying and prioritising desired outcomes and planning the way towards them. PRSPs are meant to provide a link between growth and poverty reduction. In this context, poverty reduction would result from high growth and a growth that is also pro-poor and widely shared. It is a comprehensive view of poverty taking into account its multi-dimensional nature covering incomes, human capabilities (e.g. education and health) and empowerment in terms of command over resources and authority to make decisions and governance (fighting corruption, ensuring responsiveness to the needs of the poor and promoting accountability). According to Sen, poverty has five dimensions covering economic, social, political, transparency and protective security. Poverty reduction is thus a process through which the capabilities and functioning of people in these five dimensions is improved. This broad concept of poverty has been adopted in major recent development reports by the World Bank (2000) and UNDP (2000);
- The successful design of PRSPs was linked to support from the donor community that was expected to take the form of debt relief; poverty reduction support credits and direct transfer of resources to communities and local government.
Reducing inequality, improving socio-economic security, strengthening basic rights and democratic governance and developing sound institutions are necessary for the efficient functioning of markets. They can all be made mutually supportive. In terms of policy outcomes, the whole would be greater than the sum of its parts because an integrated approach would allow for greater policy coherence.

It is important that everything is connected. The traditional dichotomy between economic and social policies has often led to poor policy choices and explains the general failure to assess the likely social impact of economic policies. One consequence has been an under-investment in social capital. The core concepts of efficiency and productivity have been applied almost exclusively to the economic sphere without appreciating that capturing the economic benefits of social policies would contribute to redressing the under allocation of resources for social development. Investment is therefore needed in the productive sectors as well as in the social sectors.

The single overriding goal of the ILO in the next decade and beyond is to promote opportunities for people to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. The Decent Work Agenda is an attempt to move towards an integrated development strategy, which links work and social dialogue with employment policies and social protection. The concept of decent work can contribute to an integrated approach to policy, covering a strategic part of the overall development agenda.

It can serve as a useful companion to the Comprehensive Development Framework (CDF) that is the basis of the PRS process. The CDF underlines the centrality of a shift towards a more participatory, country driven approach to poverty reduction and is a process that entails learning by doing. The World Bank and the ILO, with different mandates, perspectives and skills, can make contributions by working on how to integrate the agendas of poverty reduction and decent work. Both are founded on:

- Ownership;
- Participation and the significance of good governance;
- The recognition that institutions matter;
- Empowerment;
- Need to promote sound economic policies;
- Security and how to help people overcome economic and social risks;
- Opportunity and the centrality of productive employment in reducing poverty.
The World Bank, which is championing PRSPs, and the ILO, which is advocating Decent Work, can collaborate in several areas:

- Improving policy analysis within a more coherent framework and extending joint-knowledge base on development;
- Bringing together the decent work and poverty reduction agendas in specific countries;
- Improving capacity to measure policy outcomes and impacts on women, men and children through an in-depth inquiry into what is happening to families and communities.

**Building bridges for small and medium-sized enterprises: Towards attaining competitiveness and gaining influence**

The development of SMEs has been recognized in the PRSP and IPRE as an important source of employment. More needs to be done to realize their employment potential in the context of a competitive economy and the growing knowledge economy. The knowledge economy and the informal economy are both growing, but bridges need to be built between them. This will entail finding ways of effectively promoting the growth and transformation of SMEs with SME organisations able to offer mutual self-help, shared services (e.g. training) and greater voice with public authorities. Ownership means voice, voice means organization and organisation means influence. Links in production chains between the organization of SMEs and those of the large enterprise can be helpful.

**Issues for discussion**

- How could Tanzania’s PRSP be developed to focus on the goal of increasing the productivity of poor people’s work and the returns they receive for it? Will it help women to work their way out of poverty?
- What are the main barriers to raising the incomes of agricultural workers and small farmers? Does the PRSP address the problems of generating rural development adequately?
- Will the PRSP help micro and small enterprises to gain some security and grow? Will such enterprises create decent jobs?
- What hope does the PRSP offer to the urban unemployed, especially youth?
Poverty reduction and fundamental principles and rights at work

Good governance and poverty reduction

Without realizing and understanding the causes of poor governance, no effective remedies under the PRSP can be designed, implemented or enforced. Consequently, good governance has a prominent place in Tanzania’s Poverty Reduction Strategy Paper with a number of key areas singled out for emphasis:

- Public sector reform, especially local government reform;
- Improvement of public financial management;
- The fight against corruption; and
- Legal sector reform.

The overarching importance of good governance for national poverty reduction efforts is predicated on the consideration that good laws applied efficiently and equitably and backed up by sound and honest public administration are essential for the implementation of policies and programmes that can accelerate broad-based and equitable economic growth needed for poverty reduction. An ineffective public service and local government system will be unable to design and efficiently deliver poverty reduction programmes. Similarly, poor management of financial resources will adversely impact on poverty reduction programmes in particular and accelerated economic growth in general, as scarce financial and budgetary resources would not be put to proper use.

Good governance of the labour market and relations between workers and employers and their representative organisations are a vital element in such a strategy. For the ILO, the foundations of effective laws in this field are the basic human rights at work set out in the ILO Declaration on Fundamental Principles and Rights at Work. The ILO is working with the government of Tanzania and the social partners on a programme of reform inspired by the principles and rights contained in the Declaration. This work connects to the agenda for legal sector reform contained in the PRSP which relates to speeding up the delivery of justice and reducing the backlog of cases pending at various levels of the judicial system. Attention is also given to capacity building for judicial personnel.

Concerning public sector reform the following process is underway:

- Public sector reform involves restructuring local government via reforming its functions and responsibilities in terms of resource allocation, policy delivery and the adoption of a national plan against corruption including detailed plans for individual ministries and public agencies.
This is complemented by efforts to ensure financial and budgetary responsibility through:

- Improvement of public financial management. This is facilitated through the enactment of the Public Finance Act and the Public Procurement Act. Under the provisions of the former, authorization is granted to the Office of the Controller and Auditor General (CAG) to appoint, manage control and enforce staff discipline. Both acts are meant to facilitate responsible financial management, containing abuse and misuse of procurement deals and contracts.

Furthermore, some of the major achievements of legal sector reform are:

- The establishment of the Human Rights and Good Governance Commission;
- The launching of the Alternative Dispute Resolution System, resulting in a significant reduction in the backlog of pending cases in the high court and resident magistrate courts;
- Improvements in the adjudication of commercial disputes, with the establishment of commercial courts;
- Speeding up the delivery of justice, by reducing the backlog of cases pending at various levels of the judicial system. Attention is also given to capacity building for judicial personnel.

On the other hand, important elements in the fight against corruption have been:

- The establishment of the Prevention of Corruption Bureau and the development of the National Anti-Corruption Strategy and Action Plan (NACSAP);
- Promotion of public awareness raising campaigns, the Government-sponsored establishment of an Ethics Secretariat and the extension of operations of the Prevention of Corruption Bureau through establishment of offices in all regions and districts of mainland Tanzania;
- These efforts have been supplemented by the Department of Justice’s disciplinary actions against employees implicated in corruption. Through the establishment of an Ethics Committee with enforcement functions, this effort is sustained at the national and zonal levels.

__ILO Declaration on Fundamental Principles and Rights at Work__

In order to appreciate more fully the relationship between the ILO Declaration on Fundamental Principles and Rights at Work, to these governance concerns, we
must turn to a closer examination of the ILO Declaration itself. The Declaration was adopted by the ILO's International Labour Conference in June, 1998 as a response to the call made by the heads of State and government at the World Social Summit (Copenhagen, March 1995), that member States should respect core international labour standards which fall into the following four main categories:

- Freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation.

These call for a greater respect for, and application of these standards, and was part of the strategies for social development endorsed by the Copenhagen Summit. Promotion of the Declaration of Principles and Rights at Work is also seen as contributing to the strengthening of democracy. In Tanzania, a process of reform and revision of its labour laws, which have been generally accepted as outdated and not suited to the current realities and challenges of the 21st Century, provides an opportunity to ensure that national law and practice reflect the principles contained in ILO Conventions that have already been ratified.

Tanzania has ratified all of the eight core Conventions. Conventions Nos. 100 and 111 on Equality of Treatment in Occupation and non-discrimination, previously under consideration, were ratified at the end of 2001.

**Human rights at work and poverty reduction**

Modernizing Tanzania’s labour laws on the basis of the implementation and application of the ILO Declaration will reinforce the development of a sound industrial relations system which in turn will ensure that social peace, productivity growth and a stable environment for investment exists and can be sustained. Leading in that direction, compatible measures will contribute towards the promotion of human rights at work and the achievement of poverty reduction goals under the PRSP in the following ways:

- Respect for Freedom of Association (Conventions No. 87 and No. 98) should strengthen respect for human rights, thus contributing to the goals of the Commission on Human Rights and Good Governance recognized in the PRSP. One of the major factors in a sustained drive for poverty reduction is the empowerment of the poor and citizens generally, which in turn requires recognition of freely chosen associations of workers and employers as a
legitimate and valued voice in the development dialogue. Furthermore, freedom of association will contribute to better labour relations, industrial and social peace, productivity growth and a more stable environment for domestic and foreign investment needed for accelerated economic growth and poverty reduction;

- Abolition of the worst forms of child labour arising from the application of Conventions No. 138 and No. 182 will liberate children from the drudgery and damage of hazardous work which deprives them of education, and adversely affect them mentally and physically. With the Tanzanian Government’s current free primary education policy, children can be sent to school. The benefits of a more educated work force for accelerated economic growth are incontestable. The provision of education is one of the priorities in the PRSP;

- The abolition of forced and compulsory labour required by Conventions No. 29 and No. 105 similarly should contribute to good governance and respect for human rights which are goals and objectives of the PRSP. If workers are free to choose where they work rather than be forced into some occupations, they are more likely to be more productive and earn higher wages which will contribute more effectively to poverty reduction;

- Finally, adherence to Conventions No. 100 and No. 111 promotes equality of treatment and non-discrimination and is particularly relevant to the gender and HIV/AIDS goals of the PRSP. Gender and HIV/AIDS are often the basis of discrimination on pay and other issues. Again, these Conventions can contribute to increasing productivity and poverty reduction.

**ILO’s work in Tanzania**

The ILO’s work in Tanzania has been contributing to meeting that global challenge of reducing decent work deficits by promoting the adoption and application of the ILO Declaration through campaigns for the ratification and implementation of ILO core Conventions. Past ILO work in this field in Tanzania has been given additional stimulus by two major technical cooperation projects being implemented by the ILO in Tanzania in support of the ILO Declaration. These projects are the Strengthening Labour Relations in East Africa (SLAREA) Project and the International Programme for the Elimination of Child Labour (IPEC) Time Bound Project.

The ILO/SLAREA project through workshops, seminars, and Round Tables for the social partners, as well as public information campaigns, is helping with the dissemination and application of the Declaration’s principles. By contributing to the capacity building efforts of the Ministry of Labour and the Industrial Court, it
is contributing to the Public Sector Reform Programme being espoused in the PRSP. Furthermore, the ILO/SLAREA Project is facilitating the current labour law reform process as part of the legal sector reform recognized in the PRSP.

The ILO-IPEC programme has been operating in Tanzania since 1995 with the aim of strengthening national capacity to tackle the problem and to reduce the incidence of the worst forms of child labour. Since the beginning, IPEC has recognized the relationship between poverty and child labour. Hence, IPEC-supported programmes use as a key strategy the economic empowerment of the families of child labourers to address the root causes that force families to enter the labour market prematurely.

Tanzania is strongly committed to the elimination of child labour. In June 2001, President Mkapa launched a multi-sectoral programme at the International Labour Conference, called the “Time Bound Programme” (TBP) to eliminate the worst forms of child labour. The programme, supported by ILO-IPEC, places emphasis on eliminating the worst forms of child labour within a time period of five to ten years. Interventions are enhanced by linking up with other critical national development initiatives, particularly the Tanzanian poverty reduction strategy. Targets in the TBP for the elimination of the worst forms of child labour have therefore been set in line with the poverty, health and education targets set in the PRSP. At the same time, child labour has been recognized as a proxy indicator of poverty in the national poverty monitoring master plan. As a result, the incidence of child labour in Tanzania will now be monitored for the next 12 years in all national surveys, starting with the census.

From the foregoing, it can be seen that the ILO’s work in support of the Declaration, as a key component of the ILO’s Decent Work agenda, is making a significant and direct contribution to poverty reduction in Tanzania, as articulated in the PRSP. These contributions need to be recognized with a view to giving a greater profile and visibility to the social partners in Tanzania – the Government, the employers and the workers - who are really responsible for these achievements.

Questions for discussion

- What more needs to be done to promote respect for freedom of association in Tanzania especially for workers and employers in the informal economy?

- What is the scale and magnitude of forced labour in Tanzania? How can it be effectively abolished?

- How can the programme for the elimination of the worst forms of child labour best contribute to poverty reduction in Tanzania?
What are the priorities for action to reduce and counteract discrimination at work, which in its many forms remains pervasive in Tanzania as in many other countries?

Building a social protection system for Tanzania

The status of the social protection system in Tanzania

Developments from independence to crisis

Tanzania has, since its independence, recognized that development of the people is a key to socio-economic development and has put in place social policies and a social services delivery system aimed at attaining this goal. Policies on various aspects of socio-economic development such as employment, food and nutrition, health, population, education and training have all addressed different dimensions of human welfare and development. As a result of such policies, the first two decades after independence were characterized by a steady improvement in social indicators as manifested through, among others, increasing literacy rates and declining mortality rates. The Government developed a system of social service delivery that greatly increased access to basic education and health care. The delivery of these social services was financed from Government revenues supplemented by foreign aid. Over time, however, the growing demands for these basic social services outpaced the rate at which the productive sectors of the economy were growing. The slow growth of the capacity of the economy to support the delivery of free social services was for some time compensated by foreign aid. However, by the 1980s it was clear that there were limits to attaining foreign aid and the financing of social service delivery could not be sustained so it went into crisis. The economic crisis, which became explicit in the early 1980s, also resulted in the crisis in financing the social sectors that exhibited various forms of under-provision of facilities in these sectors (e.g. shortage of teaching facilities, shortage of medicines and other medical supplies).

Economic reforms

Economic reforms were introduced in Tanzania in the mid-1980s with a view to reviving economic growth and re-orienting the country from a public sector-led economy towards a liberalized economy with increased private sector participation. These reforms have involved restructuring measures at the macro-level to ensure macroeconomic stability. Liberalization measures have promoted private sector participation in all sectors of the economy including
Social services such as health and education. Civil service reforms aimed at controlling Government spending have also been introduced. These reforms have had a significant bearing on the well-being of the majority of the population, with anecdotal evidence suggesting that the poor and vulnerable have had to carry the burden of reforms.

**Formal social protection schemes**

Formal social protection schemes in Tanzania existed long before independence. Various policy statements on social security issues have been made and Acts passed in regard to the protection of some sections of the population against contingencies such as injury and old age. Separate pension and provident schemes are provided for and may operate on a voluntary basis. These may be negotiated with the National Insurance Corporation or other pension provision institutions. There is also legislation providing for the establishment of private pension funds that may be operated on a voluntary basis. Furthermore, there are provisions for gratuities for contract employees. Although there appears to be many social protection schemes these cover only a very small proportion of the population in total. Less than ten per cent of the population is covered by all these schemes. It is clear that most of the social security schemes in Tanzania are provident funds, which cover only a limited number of people, in particular those working in the urban formal sector.

**Traditional and informal social protection schemes**

Apart from the formal social protection schemes, there are also traditional and non-traditional informal social protection schemes. Tanzania, like many other countries in the developing world, has had strong informal/traditional safety nets built on family and/or community support and informal income transfers. These traditional social security systems are often based on customary rights, or on spiritual and religious grounds. They are often organized around family groups, kinship groups or neighbourhood and community groups. It is recognized that over time traditional social systems have tended to decay and change form in response to the forces of urbanization and industrialization. However, there is evidence that in many developing countries, family and community social support systems have remained the main safety nets, particularly among the rural poor and other vulnerable groups. In times of crisis, individuals depend on family and clan members and/or members of the community for assistance in the form of cash or in kind.

Informal social protection systems have operated alongside the formal and traditional systems. However, they have become more apparent in recent years.
due to economic hardship, which has forced people to look for alternative means to supplement their meagre income. They involve development of informal networks, whereby individuals come together as a group and contribute resources whether in cash or in kind to help one another in the event of specified contingencies. Informal arrangements among colleagues, neighbourhood groups, friends etc. are also some of the survival strategies or coping mechanisms adopted by individuals as a result of increasing hardships.

**Contribution of Government**

The government of Tanzania, as already pointed out, has made a significant contribution to the provision of basic services. This has been done through direct funding of services such as health, education and water, which are basic necessities to the population, and through provision of subsidies on basic goods such as food. The Government has also provided direct cash transfers direct to, for example, income generation schemes. All these are efforts to provide social protection to the population.

**The challenges**

**Narrow coverage and the threat from reform**

The existing social security schemes have shortcomings that make the system inadequate in terms of benefits provision and population covered. This, coupled with the fact that the schemes are unable to cope with the increasing need for social protection as a result of the distributional effects of reforms and their implications on welfare of the poor, necessitates serious consideration for new policy initiatives on social security. Certain social security systems have been eroded in the reform process. For instance, access to social services has been reduced for some groups with the introduction of cost-sharing schemes especially because arrangements for exempting the very poor have not been adequate so far. In addition, market reforms have eroded some of the useful social security schemes which marketing cooperatives used for finance, especially in education. On the part of workers in the formal sector, the employment problem (e.g. retrenchment) may have reduced the power of the trade unions to achieve protective conditions. These developments pose new challenges to social policy and to social security policy in particular.

**Disintegration of traditional social protection schemes**

Social and economic developments that have taken place in Tanzania have resulted in a slow but steady disintegration of the kinship or family-based
traditional social support systems on which the majority of Tanzanians have
depended for protection against contingencies. Economic hardships have made it
difficult for individuals, family and/or kin members to provide assistance to each
other in times of crisis and need. The high rate of urbanization has also taken its
toll on traditional protection systems.

**Reforms and implications for employment**

Public sector reforms have involved, among other things, retrenchment of
workers, a freeze on employment in the public sector and privatisation of
parastatal organizations. This has led to increased unemployment, particularly
because the private sector, though expanding, is not fully developed. It has been
unable to absorb those who have lost jobs in the formal public sector as well as
school leavers who can no longer find work in the public sector. Also,
re-orientation of the country from a state-led economy led to a restructuring of
the labour market so that some of the current skills that people have acquired are
in demand while the demand for new skills has not been met. Because of lack of
employment opportunities in the formal sector, more people have resorted to
employment in the urban informal sector where earnings are inadequate and/or
uncertain.

**Implications of cost-sharing on social protection**

Reforms in the social sectors involving, among others, the introduction of
cost-sharing in the provision of social services has increased social exclusion.
Preliminary evidence suggests that the poor are unable to afford user charges and
are therefore often excluded from basic social services such as health care and
education.

**Withdrawal of subsidies and implications for the poor**

Higher prices for basic commodities as a result of the removal of Government
subsidies on some of the basic commodities have created hardships for those who
had access to subsidized goods. This is particularly significant because the
majority of the population earn income that is below the minimum required living
wage.
Poverty reduction strategy paper: Content and gaps

PRSP on social protection issues

Subject to these caveats, the strategy on the non-income side of the poverty reduction strategy should reflect a number of important considerations. First, the Government is aware that a large proportion of existing service delivery facilities are in poor condition and that services being provided are of poor quality. Primary emphasis will, therefore, be placed on rehabilitating existing structures and raising the quality of the services being offered. Decisions to construct new facilities will, however, be left mainly to local authorities. Second, although the Government will seek to bring externally funded operations within the purview of the budget, a large volume of activities will probably continue to be donor driven and remain outside the budget. Because of this, the Government will involve its development partners in reviewing the sectoral strategies, with a view to enlisting strong and coherent support for the poverty reduction strategy, thereby ensuring greater consistency of donor programmes with Government priorities. Third, while the Government, guided by the 2000/01 MTEF and PER exercises, is resolved to bolster budgetary support for key social services, it is almost certain that an effective programme of poverty reduction will call for “additionality” of resources.

As regards social well-being, the Government has promoted, in the past three years, participatory approaches to the determination of developing programmes and has opened up the public expenditure review process to the public. Simultaneously, the Government has adopted a programme of devolving responsibilities for key services to the local authorities. Given the progress in political liberalization, the fast growing role of the public media and the increasing dynamism of civil society, the poor are participating more effectively in shaping development policies. The ongoing local Government reforms should lend momentum to this encouraging development.

The well being of the poor is also dependent on personal security afforded by the State. In this regard, the most important factors are personal safety, access to justice, and overall efficiency, fairness and transparency of the administrative system. Accordingly, the Government intends to take the following steps:

- Speed up settlement of cases in primary courts by, among other things, reducing the estimated shortage of magistrates (approximately 700) by one half;
- Promote community-based security arrangements;
- Rehabilitate building and other facilities of the primary courts.
As regards vulnerability, the Government will give specific attention to vulnerable groups through its own programmes and by enlisting the involvement of its development partners. Local communities will be expected to play a major role in identifying the needs of vulnerable groups. Specific interventions in this area will include food-for-work programmes and other initiatives that are implemented under the World Bank supported by the Tanzania Social Action Fund (TASAF). The Government will also examine other interventions that would be targeted at the most vulnerable groups (orphans and people with disabilities).

The Government already has in place an early warning system to predict weather-related variations in crop yields. However, in order to increase food security, the government will seek to reduce dependence on rain-irrigated agriculture by supporting irrigation schemes in the arid areas and improving access to food supplies in surplus regions. Related initiatives will also include the development of drought resistant crops and sustained efforts in re-afforestation.

Towards filling some gaps

In the progress report on PRSP some progress was reported as follows:

- Tracking of the income and social indicators of poverty, and adoption of measures, including in the context of the Tanzania Social Action Fund (TASAF), to alleviate rural income poverty and provide relief to vulnerable groups;
- Establishment of the Education Fund to support children from very poor families;
- Abolition of primary school fees and other enrolment related contributions;
- Establishment of Tanzania Commission on AIDS (TACAIDS).

In 2000/01, the Government’s environmental concerns continued to focus on six major problem areas relating to vulnerability and social protection:

- Land degradation;
- Lack of accessible, good quality water for urban and rural inhabitants;
- Environmental pollution;
- Loss of wildlife habitats and biodiversity;
- Deterioration of aquatic systems;
- Deforestation.
For the most part, the interventions aimed at addressing these problems were incorporated in the work programmes for the respective line ministries. Additionally, the Government continued to support community based efforts to improve the environment through the sharing of revenue from forestry, game reserves and other natural resources. Moreover, the Government cooperated closely with the private sector in carrying out tree-planting programmes, control of industrial effluents as well as awareness campaigns.

HIV/AIDS is a major threat to the world of work. Specifically it:

- Is a threat to workers’ rights associated with stigmatisation, discrimination and hostility in the community and at work;
- Is a threat to development through its negative impacts on the economy, workforce, the business and individual workers and their families;
- Is a threat to enterprise performance through increased costs of health care, absenteeism, burial fees, recruitment, training and retraining;
- Is a threat to gender equality as women are highly vulnerable for biological and cultural reasons;
- Increases child labour;
- In the absence of public support systems, affected families have to bear the full cost associated with the disease, pushing them deeper into poverty.

During the financial year 2000/01, Tanzania’s struggle against HIV/AIDS was focused mainly on “awareness” campaigns by political, religious and civic leaders at all levels. The public media included coverage of HIV/AIDS issues; and theatrical presentations encompassed skits on AIDS. The Government, assisted by domestic and international partners, encouraged and supported (financially) the general use of condoms. Special efforts were also made to discourage traditional perceptions on HIV/AIDS.

On the institutional side, the Government established TACAIDS as a quasi-autonomous agency to coordinate all interventions related to AIDS, including the mobilization of resources from domestic and external sources. More specifically, the responsibilities of TACAIDS will also cover policy formulation, strategic planning, advocacy, monitoring and evaluation, and the public dissemination of information on HIV/AIDS.

The objectives of addressing vulnerable groups were stated as follows:

- Improve the welfare of vulnerable groups through upgrading their residential areas, provision of financial and technical services, and enhancement of their property rights and adoption of safety nets.
Social Dialogue and Poverty Reduction Strategies

Progress on vulnerability was reported as follows:

- The Government has established the Tanzania Social Action Fund (TASAF) to support demand driven projects at community level;

- Some NGOs provide savings and micro-credit services to small business, especially those owned by women.

Planned actions on vulnerability were reported as follows:

- Promotion of safety net programmes;

- Improve infrastructure network (water, electricity, roads and telecommunication services) in rural and suburbs of urban areas;

- Regularization of tenure in informal settlements.

Towards integrating concerns of decent work in building social protection in Tanzania: Challenges and considerations for policy

Complementarity and mutuality

There is a need to look for new and innovative ways of promoting socio-economic security as a basic of social justice and economic dynamism.

The benefits are that:

- Employers can secure more cooperation and efficiency;

- Workers can secure human dignity;

- Governments can achieve a better balance between competing policy objectives.

The ILO’s work on social protection, including social security and safety at work, plays a vital role in developing:

- Appropriate institutions for security (e.g. unemployment insurance) which can reduce the impact of the crises on the poor and vulnerable;

- Social protection which can bolster stability, minimize social unrest and help countries adjust more easily to economic, social and political change;

- People’s security which can make an important contribution to the stability of the economy.

Social protection is a development issue, thus a question of inclusive development. Innovative ways must be found to provide effective income
security to the majority of people who are currently excluded from formal systems of social protection.

**Towards a comprehensive social protection scheme**

There is a need for a policy on social security that will spell out the structure and functions of a social security system consisting of one universal and comprehensive social insurance scheme supplemented by other smaller and more targeted schemes. The policy should also clearly stipulate the type of direct Government support to groups that need some form of assistance either on a temporary or permanent basis. As such, the policy should define social security in its broadest sense. An appropriate social security policy should be able to guarantee a sustained satisfaction of basic needs, protect society from worsening living conditions, ensure protection against unforeseen contingencies, redress inequalities and facilitate social integration/inclusion.

To ensure protection against future contingencies, all citizens should be covered by social insurance regardless of whether they currently have adequate levels of incomes or not. The scheme should have broad coverage not only in terms of the benefits to beneficiaries, but also in terms of the number of people covered.

A national social insurance scheme does not preclude the existence of other social security and insurance schemes. A social security policy should therefore encourage such schemes to operate alongside the compulsory universal social insurance scheme, so that they provide supplementary benefits to beneficiaries. These should include schemes that may be operated by individual employers, private insurance schemes, or even those organized on an informal basis.

**Targeted social protection**

A policy on social security should distinguish between those who may be permanently in need of some form of assistance such as people with disabilities, the chronically ill and the elderly who are no longer able to work, and those who experience a temporary shortfall of income below the minimum acceptable levels as a result of some contingencies, but have the ability to overcome such contingencies. Mechanisms should be put in place to identify and extend special support (e.g. cushioning from cost-sharing) to the very poor and other vulnerable groups in society.

**Link social insurance to savings and investment activities**

To ensure that efficiency is maintained, at least to some extent, the policy should provide for some in-built mechanisms in the social insurance scheme that will
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promote savings and provide further incentives to exert work effort and increase productivity. Pension funds are becoming a major source of investment capital in many countries.

**Areas for further study**

Further research needs to be undertaken to inform a strategy for the extension of social security coverage. Key issues which should be addressed include:

- Identification of the nature, characteristics and needs of the groups that are currently excluded;
- Identification of priorities and ranking of the needs of the excluded groups with a view to improving social protection through social security schemes;
- Estimation of resource requirements and identification of sources of finance for the extended social security systems;
- The search for innovative ways of combining traditional (family or community-based) schemes with modern social protection schemes;
- Decentralization and local Government reforms need to complement national concerns with social protection.

**Issues for discussion**

- Given that the construction of a comprehensive social protection system will take many years, is there sufficient consensus on where to start? How can small-scale voluntary schemes be secured and encouraged within a framework leading towards a comprehensive system?
- Do existing social insurance schemes need reform? If so, what are the priorities?
  
  What more needs to be done to control the spread of HIV/AIDS and rebuild the families it has devastated?
- Should the PRSP cover safety and health at work and the conservation of the environment? How could policies on these issues be framed to focus on the needs of the poorest?
Mechanisms for extending participation and ownership of workers’ and employers’ organizations in the Tanzanian PRSP

Participation in the PRSP

One of the key ideas behind the PRSP approach is that widespread participation in the formulation, implementation and evaluation of a national strategy helps to generate a broad base of support for the development effort. While led by Government, the concept of participation is envisaged as a way of ensuring national ownership of, and thus commitment to, a challenging agenda for action. Translating this concept into the particular circumstances of a country requires nevertheless a national strategy for participation. That implies that a range of stakeholders would be able to influence and, perhaps share control, over priority agenda setting, policy-making, resource allocation and access to public goods and services. A consequence of such a strategy would be to make the PRSP policy-making process more transparent and accountable to the general public (see annex on how participatory processes can help in the policy stages of the PRSP).

Participation in the consultative process: Analytical and diagnostic work for PRSP policy formulation

Through its consultations with stakeholders, the Tanzanian Government has sought to gain an improved understanding of what the causes of income and non-income poverty are. Zonal workshops in May 2000 were organised by an inter-ministerial technical committee. (See the Tanzanian Government’s PRSP (2000) or Progress Report 2000/01 for details). At this stage, employers’ and trade unions’ views could have been incorporated through participation in the workshops, but a systematic effort to involve the social partners was not made at this stage. However each district was represented by four villagers (selected randomly), one district councillor, one town councillor, and one district executive director whilst for each Zonal workshop, five NGOs were present with one representative each.

Participants, reporting back to the inter-Ministerial Technical Committee, not only identified education as a priority area for poverty reduction, but also expressed concerns over existing constraints on poverty reduction such as poor governance, cultural factors, illiteracy, poor infrastructure and weak marketing-distribution systems for agricultural produce and lack of implements, inputs and extension services. Members of Parliament (June-July 2000) and Regional administrative secretaries (August, 2000) were consulted on the findings before the final PRSP draft was approved by Cabinet (September, 2000).
**Implementation and evaluation of the PRSP**

Participation of stakeholders at this stage remained limited and the Government primarily envisaged through its reform of local Government, that local authorities would gain a shared responsibility for the implementation of the PRSP, while financial resource allocation would remain centrally controlled. As such, the Government empowered the Vice President’s Office and the more technically orientated National Poverty Steering Committee with the overall responsibility for monitoring the implementation of the PRSP and conducting a PRSP impact assessment through the application, use and evaluation of qualitative (surveys and census) and quantitative indicators (impact and outcome indicators).

In its Progress Report 2000/01 (released in August 2001), the Government however stressed that in future PRSP progress reviews, decisions on the use of indicators and the responsibility for collecting, using, storing and disseminating disaggregated poverty data would be taken in consultation with many other non-State stakeholders such as research and higher education institutions, civil society groups and the donor community. This should give an opportunity to the Association of Tanzanian Employers (ATE) and the Tanzanian Trade Unions (TUCTA) to become fully engaged in monitoring and evaluating the PRSP.16

**Constraints affecting the PRSP participatory process**

The Government’s aim of trying to make the PRSP process a participatory one has not yet been fully translated into reality. According to findings from separate workshops17 organised by the ILO for TUCTA and ATE in October 2001, it emerged that both organizations were confronted with institutional as well as information-sharing deficiencies which inhibited their full involvement in shaping the PRSP. Both TUCTA and ATE stressed, in the first instance, that they could not participate in the consultative process because they were not officially invited thus depriving their organizations of the opportunity to be fully engaged at the PRSP agenda formulation stage.18 They also contended that only through the ILO-sponsored workshops, was their awareness about the PRSP increased or even developed. Moreover, both organizations agreed, because of the primarily consultative (and irregular) nature of the National Labour Advisory Board and the National Employment Council’s tripartite meetings, that developing meaningful outcome-oriented social dialogue over PRSP policy priorities could not be established in either body. On the other hand, the social partners recognized in a critical self-appraisal, that their parallel involvement in PRSP depended on enhancing their own research and analytical capacity to assess socio-economic policy issues pertaining to the national PRSP. The ILO is assisting the social
partners in this process and will continue to provide the technical support for this effort.

**Social Dialogue institutions and the PRSP**

Operationalizing the Decent Work Agenda’s four main objectives within the PRSP process puts on the table the issue of the responsiveness to the social partners concerns of Tanzania’s national institutions and the question of reforming the tripartite machinery. Firstly, it may be possible to think of ways of giving the employer’s and workers’ organizations a more prominent role through the traditional tripartite social dialogue institutions. The apex tripartite institution for workplace and labour market issues in Tanzania is the Labour Advisory Board. It advises the Minister of Labour on labour matters in general. Since the Minister of Labour and the Permanent Secretary are members of the technical committees – the cabinet and inter-Ministerial Technical Committee respectively – which consider all key aspects of the PRSP, the social partners working through the Labour Advisory Board could influence its formulation, implementation and evaluation. However, the Labour Advisory Board has not met frequently in the past, and its decisions when they meet have not been forcefully implemented. It may well be that ad hoc tripartite meetings could be instigated by any of the social partners to discuss important economic and social policies such as the PRSP. Thereafter it may be advisable for representatives of the social partners to arrange direct consultations with the Minister of Finance, and leaders of the legislature, to advance their views and recommendations. Since there are also opportunities for direct participation in the consultative committees and meetings arranged by the PRSP process, the social partners could also participate directly in such meetings along with other appropriate civil society organizations.

Secondly, the National Employment Council’s role could also be reconsidered, in order to allow for effective tripartite consultations on how to manage the PRSP related macroeconomic and structural reforms and review of the implications of the underlying Poverty Reduction and Growth Facility (PRGF) and the Programmatic Structural Adjustment Credit (PSAC-I) components of the PRSP. In light of the increasing importance of foreign direct investment in Tanzania and its contribution to the PRSP, there is also a need to discuss the issue of corporate social responsibility and employment creation with the ILO tripartite constituents in Tanzania.

Such a renewal of tripartism and social dialogue would enable unions and employers to participate in the poverty reduction strategy process. Such an initiative could also help to widen the range of discussions to include issues such as the lessening of dependence on aid, reducing informal sector employment via the expansion of employment creation in the formal sector and supporting
self-employment initiatives within the informal sector. Additionally, given agriculture’s importance for employment generation in Tanzania, the possibility of setting up a tri- or multipartite committee within the National Employment Council, which deals with this sector specifically, should be considered in order to propose ways on how to adjust the PRSP. The possible inclusion of relevant NGOs into such a policy network/committee could also be examined.

The results of consultations between the Tanzanian government and international development partners within the Tanzania Assistance Strategy (TAS) have a bearing on the PRSP and could usefully be discussed in both social dialogue bodies by the tripartite constituents in order to ensure that trade unions and employers’ organizations are fully aware of the potential implications these consultations may have on their own actions and proposed policy realignments within the PRSP process.

Recent debt relief arrangements by the World Bank and IMF and the potential for institutional reforms in Tanzania

The recently granted $3 billion by the IMF and World Bank in debt relief over a 20-year period will cut Tanzania’s debt burden in half. This provides a good opportunity for the Government not only to devote more funding to cross-cutting issues like gender mainstreaming of PRSP poverty targets and containing the impact of the HIV/AIDS pandemic on employment and national development, but also can be used for promoting a re-appraisal of the PRSP’s public expenditure review and for allocating on a regular basis financial resources to the institutions of tripartite social dialogue in Tanzania. In this way social dialogue can be fully operationalized and institutionalized, while the PRSP process itself can be more effectively realigned to correspond to the needs of the ILO’s tripartite constituents.

ILO Activities on promoting social dialogue

Through its technical co-operation projects and seminars with constituents, the ILO aims to strengthen the institutions of social dialogue and the capacity of the social partners in various countries. Within the context of Tanzania, the ILO’s activities have been varied. For example, the SLAREA is promoting the 1998 ILO Declaration on Fundamental Principles and Rights at Work, in particular freedom of association and the right to collective bargaining. The goal is the development of a sound legal framework through labour law reform that is consistent with Conventions No. 87 and No. 98 and the strengthening of the ILO’s tripartite constituents capacity to engage in collective bargaining and tripartite co-operation. This project commenced in January 2001. A report on an
ILO/SLAREA Sub-regional Workshop on Conventions No. 87 and No. 98 (Kampala, May 2001) was distributed to ILO tripartite constituents in Tanzania containing detailed recommendations on amendments needed to bring Tanzania’s labour laws into conformity with Conventions No. 87 (on Freedom of Association) and No. 98 (on the Right to Organize and Bargain Collectively).

As a way of reinforcing the capacity of ILO constituents, office equipment was supplied to social partners and the Government. In addition, a training programme on information technology for social partners was launched and followed by a national workshop on Dispute Prevention and Resolution through Inspection (August, 2001) for labour and factory inspectors. Furthermore, in order to strengthen trade unions collective bargaining expertise, a national workshop for TUCTA members in was organized in September 2001. Finally, a series of studies are underway to examine constraints to trade union membership and the modernization of curriculum training in trade union colleges in Tanzania.

This was followed by additional training workshops in the area of Dispute Prevention and Settlement, and on Mediation Conciliation and Arbitration at the sub-regional level (Kampala, December, 2001). In line with these technical activities under its Tanzania Country Action programme, the ILO is also sponsoring the enhancement of the Ministry of Labour, Youth Development and Sports’s capacity to collect and disseminate effectively labour market information (LMI) and is promoting forthcoming workshops for workers and employers organizations involvement in that process leading towards the production of a draft LMI system.

**Issues for discussion**

- What added value could a renewal of tripartite institutions in Tanzania bring to the PRSP?
- Do the Tanzanian social partners wish to have a Decent Work strategy for poverty reduction?
- How would the concept of social dialogue relate to the other mechanisms of participation in the PRSP?
- What capacity or other constraints do employers and unions face in seeking to play a fuller role in the PRSP?
Conclusions and recommendations of the tripartite conference “Towards a Decent Work Strategy and Poverty Reduction in Tanzania”

At the Tripartite Conference on Social Dialogue and Poverty Reduction held in Dar es Salaam from 10-12 December 2001, the tripartite constituents agreed that reducing poverty and promoting decent work is the most important challenge facing Tanzania. All parties accepted that the current level of poverty is unacceptable and they are committed to working together in partnership to address this challenge and to identify potential solutions.

Poverty reduction, tripartism and social dialogue

The tripartite constituents recognized the key role of social dialogue in the formulation, implementation and monitoring of an integrated decent work and poverty reduction strategy in Tanzania. The participants identified the need to enhance the involvement of employers’ and workers’ organizations at all stages of the process. It was recognized that government has a key role to play in facilitating and enabling the full and effective participation of the social partners.

The participants agreed that social dialogue was the most effective means of action:

- To integrate the key objectives of poverty reduction and decent work;
- To strengthen ownership and participation;
- To ensure a balanced approach to economic and social development;
- To incorporate the value-added of the experience, expertise and involvement of the key economic and social actors.

To ensure that social dialogue is effective and improves the scope and vigour of the policy and decision-making processes around poverty reduction, it must take place on a regular and reliable basis. Social dialogue cannot function properly if it is perceived to be at the whim of one of the social partners. While it is clear that Government must govern and Parliament must adopt legislation, the social partners are ready to participate in and contribute to the policies and decisions around poverty reduction and decent work.

Many of the people living in poverty in Tanzania are in the rural areas and in the informal economy. These people currently in the informal economy have the potential to become workers and employers, but at present have no means to make their voices heard. Trade unions and employers’ organizations can and, in some cases do, reach out and represent both agricultural workers and small
farmers, and also self-employed people working in the informal urban economy. Social dialogue should be developed as a means of enabling these people to organize and represent their interests and the social partners will continue to work with organizations and groups who share their goals of poverty reduction and decent work.

The participants reiterated the importance of employment as a cross-cutting issue in the PRSP and believe that there is potential for much greater involvement by the social partners in developing and implementing employment strategy and programmes.

Women, particularly in the rural areas, experience many obstacles to improving their economic position and gaining access to micro-finance and to more and better jobs. Gender is identified as a cross-cutting issue in the PRSP and the social partners are committed to identifying and supporting practical programmes and measures which will translate this commitment into reality including improved representation of women in all social dialogue structures and institutions.

**Investing in poverty reducing employment**

In his keynote address to the conference, the Minister for Finance, the Hon. Basil P. Mramba (MP) stated as follows:

Coupled with our much improved domestic revenue performance and bilateral support for the budget, the debt relief renders Tanzania better placed than it has ever been before to attack poverty and unemployment in the country.

The participants believe that this is the right moment, as identified by the Minister, to institute a progressive and creative employment promotion strategy. Other resources may also be available from international and bi-lateral donors, but proposals must have a strong employment generation component:

- The poverty reduction strategy needs to focus on the rural areas and on agriculture. There is a need to increase productivity in agriculture and also to address the very low prices paid to the producers for their produce. Given the importance of the agricultural sector, it is necessary to ensure the involvement of the Ministries of Agriculture and of Cooperatives and Marketing in the social dialogue;

- Investment in key areas of infrastructure is required, which would lead to direct employment creation and indirectly boost employment in other sectors. Roads, energy and telecommunications infrastructure were highlighted as priority areas for investment;
The following sectors were identified as the sectors with the greatest potential for growth:

- tourism;
- horticulture;
- mining;
- small and micro-enterprises.

It is important to develop a strategy to support small and micro-enterprises, which face many legal and financial obstacles. In particular, the tax system needs to be simplified and better structured and the disincentives to job creation should be removed. Tax incentives should be considered to encourage the business community to participate in poverty reduction and prevention initiatives in their communities, with women’s groups and other socially excluded groups;

All of the parties identified the creation of employment opportunities for youth as an integral part of a comprehensive employment strategy. Reflecting the view expressed by the Minister of Finance that “the labour crisis in Tanzania is essentially urban and potentially explosive,” the participants believe that the proposed National Youth Council should be much more focused on the question of youth unemployment and linked more directly into the employment strategy;

The participants support the four major categories of programmes put forward in the Country Action Programme (CAP) for Tanzania, which was developed through the ILO’s Jobs for Africa programme, and request that the necessary finance for implementation of these programmes be made available as a matter of priority.

**Poverty reduction and fundamental principles and rights at work**

The participants agreed, that realizing the ILO Declaration of Fundamental Principles and Rights at Work was inherently linked to human freedoms and rights and dependent on adherence to good governance which is essential for poverty eradication. There was a willingness by the tripartite constituents to promote the implementation and enforcement of all the ILO core Conventions enshrined in the ILO Declaration on the Fundamental Principles and Rights at Work. All the social partners accepted that their stake and expectations in the process of implementation of these fundamental rights was best served by utilising social dialogue for consensus building on these matters.
The social partners identified some lack of conformity of current national labour law with the ILO’s core Conventions as still being a major impediment towards improving employers’ compliance and workers’ conditions with fundamental rights in both the formal and informal economy;

Both employers’ and workers’ organizations welcome the decision by Tanzania to ratify ILO Convention No. 100 (Equal Remuneration) and Convention No. 111 (Elimination of All Forms of Discrimination). The social partners emphasized that indirect discrimination on the basis of gender and race still occurs at workplaces and there was an acute need to develop legislation, which conformed with Conventions No. 100 and No. 111. Governmental guidelines on non-discriminatory practices at the workplace, prepared in consultation with the social partners, would also be very useful for the social partners;

The employers’ organization stressed the need to promote equal opportunities at the level of the workplace by improving access to vocational training, better enforcement of hours of work legislation, and recognition of family responsibilities without income loss. This would ensure better business performance and human resource development;

In relation to the right of freedom of association and collective bargaining, employers’ and workers’ organisations considered that the labour laws are incompatible and outdated and require revision and modernization, so as to protect and enforce this right. A pro-active approach needs to be adopted and developed, in order to support highly mobile and difficult to organize informal economy workers and employers, and to protect their rights. Participants welcomed the important role being played by the ILO’s SLAREA project in building and reinforcing a sound industrial relations system in Tanzania;

While the ILO’s efforts at eliminating the worst forms of child labour under the Child Labour Time Bound Programme were appreciated as being appropriate long term measures, nevertheless there was a demand for ensuring appropriate measures to support families confronted with the loss of the additional income earned by their children. This should not only be done through financial compensation by the Government, but should also be complemented by progressive measures on education, training and health care provision for children. The Government reaffirmed its commitment to the time-bound programme on the elimination of the worst forms of child labour. Monitoring and evaluation would be linked to the PRSP.
Building a social protection system in Tanzania

Participants agreed that an important element in Tanzania’s medium-term drive to reduce and eliminate poverty was a comprehensive national social security system. This should be based on the following three-tiered concept:

- Social assistance for all in need;
- A mandatory national insurance system covering the major contingencies identified in ILO Convention No. 102; and
- Appropriately regulated supplementary voluntary insurance arrangements.

Participants also endorsed the conclusions of the 2001 International Labour Conference on the future of social security. Moving towards this goal requires rationalization and consolidation of existing formal social security schemes both to improve mobility in the labour market through the portability of benefits and to increase the attractiveness of the national scheme(s) to workers in the informal economy.

Additional factors to be taken into account in the proposed new social security policy were how to apply investment funds to support the goals of the PRSP and an improvement in the administration and tripartite governance of national schemes. Participants welcomed the commitment of Government to consult the employers’ and workers’ organizations on proposals for a new policy.

With regard to extending social security, and more broadly defined social protection measures, to informal economy workers and enterprises who constitute the vast majority of the population, participants proposed that stronger support be given to community micro-insurance initiatives. The goal should be to secure the viability of such initiatives and their expansion.

Participants also recognized the enormous challenge posed by HIV/AIDS, malaria and other diseases. Social protection policies thus needed to encompass a broader pro-active approach to the reduction of risk and vulnerability. In addition to action on health, agricultural policies could, for instance, encourage the use of drought resistant crops as a means of reducing drastic fluctuations in the livelihoods of small farmers. Similarly environmental policies should focus on reducing the dangers posed by floods and droughts through such measures as reforestation, soil conservation and early warning of severe meteorological events.
Extending participation and ownership of workers’ and employers’ organisations in the Tanzanian PRSP

The participants identified the importance of having an effective tripartite forum to ensure the meaningful involvement of the social partners in the economic and social policies being developed and implemented as part of Tanzania’s Poverty Reduction Strategy. The role of the existing tripartite bodies was discussed including the Labour Advisory Board and the proposed National Employment Advisory Committee envisaged under the National Employment Promotion Service Act, 1999.

It was agreed that the Labour Advisory Board was an important mechanism particularly for dealing with issues around labour law reform. However, the legal and institutional framework in which it operates, needs revisiting as part of the labour law reform process, with a view to promoting social dialogue and consensus building. It is currently under-resourced and meets infrequently and the social partners were concerned, that it would not be able to take on the additional functions in relation to the PRSP. Also, it does not include representatives from other key economic and social ministries such as agriculture, social security and finance.

The partners requested the Government to give urgent consideration to the activation of the Employment Advisory Committee and that, as well as including representatives from the employers’ (ATE) and workers’ organizations (TUCTA), senior representatives from all of the departments involved in the PRSP process should also be involved in the work of the Committee.

The participants suggested that the tripartite constituents give consideration to possible mechanisms for the Employment Committee to consult with other representative organizations engaged in the PRSP process and Tanzania’s international partners.

Amongst the priorities for the agenda of the Employment Advisory Committee are the following:

- Review of the implementation of the 2001 PRSP Progress Report, especially action on the priority issue of employment;
- Prepare the tripartite constituents input to the 2002 PRSP Progress Report;
- Consideration of a strategy to tackle unemployment especially amongst young persons;
- Development of an employment intensive investment and productivity enhancement strategy; and
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- Discuss a consolidated report on the ongoing national programmes and projects supported by the ILO towards a Tanzanian Decent Work Strategy for Poverty Reduction;

- Participants proposed that the Employment Committee’s recommendations should be presented to the Minister of Labour for submission to the Cabinet Committee on the PRSP so that they can be fully considered;

- Participants also urged that arrangements be made for regular meetings of the Committee.

  The Committee’s agenda for future work should be determined by consensus amongst its tripartite membership.

ILO follow-up action

The ILO will publish a report of this conference including the background paper and the conclusions and recommendations of the participants.

The ILO recognizes that the employers’ and workers’ organizations and the Ministry of Labour need an ongoing capacity building to enable them to effectively participate in the PRSP process. Through its workers’ activities (ACTRAV) and its employers’ activities (ACT/EMP) and other technical units, and through its Area Office, the ILO will continue to work with its constituents to assist them to develop their expertise and services.

If a suitable tripartite mechanism is developed to facilitate the participation of the social partners in the PRSP process in Tanzania, the ILO will examine as a matter of priority how it can provide technical advice and assistance through its technical cooperation programme to support this mechanism.
Chapter 9
Tanzania: Strengthening Participatory Processes

1 This chapter is an abridged version of an ILO working paper edited by Giuseppe Casale and Stephen Pursey, published in February, 2002.

2 DG’s address to the 89th International Labour Conference, 2001.

3 Director-General’s Report to the 87th International Labour Conference, 1999.


10 Bank: PRSP Source Book, op. cit., Section on ‘Organizing participatory processes in the PRSP’.

11 Sustaining macroeconomic stability, promoting rural sector development and export growth, promotion of private sector development. Targeting Income poverty: Reducing the % of the population below the poverty line from 48% in 2000 to 42% in 2003, reducing the proportion of the rural population below basic poverty from 57% to 29% in 2010 aligned, reducing proportion of food poor from 27% to 14% in 2010 Tanzania PRSP 2000.

12 Via the promotion of education, health, social well-being, reduced vulnerability, environment.

13 See the Tanzanian Government’s PRSP (2000) or Progress Report 1000/01 for details.

14 Names of NGOs are not indicated in the PRSP or in the Progress Report 2000/01.

Development and the Bank of Tanzania. The technical committee prepared the interim and final PRSP.


18 The Government, via the Ministry of Finance, contends that it advertised the PRSP developments in advance in the national/local newspapers.

What is productivity?

At its simplest, productivity is the index of an output over the index of an input. It is about tangible inputs and outputs (in manufacturing processes, for example) but can also be expressed as a relationship between results and the time it takes to accomplish them (in service industries, for example). Productivity is a measure of how efficiently and effectively resources like labour, capital, land and knowledge are used to produce goods and services. Higher productivity means achieving more in terms of outputs with the same or fewer inputs (usually without compromising “quality”). Thus, improving productivity is about improving the use of resources which has both an efficiency element (“doing things right”) and an effectiveness element (“doing the right things”). It is about working harder and more intelligently.

Productivity is a multidimensional concept and only partial conclusions can be drawn on single factor measures of productivity such as labour productivity. Productivity analysis is best undertaken in light of other variables besides labour, such as the use of capital/equipment, cost of energy and raw materials in producing an output or revenue. Other qualitative factors can also be taken into account in assessing productivity such as the quality of working life and at the broader societal level; the impact of increased productivity such as on the environment also needs to be taken into consideration. However, productivity should not be confused with production as output may increase without a corresponding increase in productivity if, for instance, input costs rose at a faster rate than output. Thus, a current output increase compared to a previous year should take into consideration price increases and inflation. Similarly, profitability and productivity are at times confused. High profit may be obtained through price recovery, yet productivity may have gone down and high productivity may not go with high profit, as goods produced efficiently may not necessarily be in demand. However, productivity is usually one of the main determinants of profitability.
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Finally, it is important to note that cost-cutting can either improve or worsen productivity depending on the nature of the cost-cutting and the timeframe in question.

**Multifactor versus labour productivity**

Labour productivity is the most widely used measure of productivity. It can grow as a result of increases in the quantities of capital services and intermediate inputs used in production and as a result of other factors. In order to provide an alternative picture of productivity change focusing on these other factors — such as economies of scale, changes in organizational efficiency, improvement in labour and management skill, changes in capacity utilization, and change in technology — there is the need to develop multifactor productivity series. A faster growth in labour productivity will reflect increases in the contributions of capital and intermediate purchases. The usual method for calculating multifactor productivity is to add together labour and capital inputs, and relating the combined inputs to the output, i.e. dividing output by the sum of labour and capital used. Labour productivity, on the other hand, is output per unit of labour and it is typically expressed in person-hours, person-days, or person years.

One benefit of multifactor productivity analysis is that it provides information about the impact on labour productivity of changes in the use of capital and intermediate purchases. In general, multifactor productivity can be defined as output per hour minus the effects of changes in capital and intermediate purchases per hour. These effects are measured as the changes in the ratio of non-labour to labour inputs, where the non-labour input is weighted by its share in the total cost of output. The capital effect, for example, is the changes in capital-labour ratio weighted by capital's share in the total cost of output. Whenever the combination of capital effect and the intermediate purchases effect is positive, the multifactor growth is less than labour productivity growth.

**Productivity and competitiveness**

Productivity improvement is an essential component of a firm’s competitiveness strategy. For a firm to remain competitive – especially in an increasingly globalised world economy – it needs to be competitive and, among other things, this implies the need to develop core competencies. Core competencies serve as the glue that bonds business units together into a coherent portfolio. Core competencies will
arise from the integration of multiple technologies and the coordination of diverse production skills. A core competence should:

- Provide access to a wide variety of markets; and
- Contribute significantly to the end-product benefits; and
- Be difficult for competitors to imitate.

And might involve forms in:

- Outspending rivals on research and development;
- Sharing costs among business units within the firm;
- Integrating vertically.

Core products can be used to launch a variety of end products. Once a firm has successful core products, it can expand the number of uses in order to gain a cost advantage via economies of scale and economies of scope.

Another dimension to coping with competition, and for that matter to improve productivity, is to have a competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. In Porter's terms, these are positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation.

A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Diagram 1 combines the resource-based and positioning views to illustrate the concept of competitive advantage.
According to the resource-based view, in order to develop a competitive advantage, the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage would quickly disappear. According to Porter, the firm’s resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage. The firm creates value by performing a series of activities that Porter identifies as the value chain. In addition to the firm’s own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. Furthermore, for any firm to achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation). Porter identifies five generic primary value chain activities as illustrated in Diagram 2 below:

- Inbound logistics include the receiving, warehousing, and inventory control of input materials;
- Operations are the value-creating activities that transform the inputs into the final product;
Outbound logistics are the activities required to get the finished product to the customer, including warehousing and order fulfilment;

Marketing & Sales are those activities associated with getting buyers to purchase the product, including advertising and pricing;

Service activities are those that maintain and enhance the product's value including customer support and repair services.

The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit margin. Any or all of these primary activities may be vital in developing a competitive advantage. For example, logistics activities are critical for a provider of distribution services and service activities may be the key focus for a firm offering on-site maintenance contracts for equipment.

The primary value chain activities described above are facilitated by support activities. Porter identifies four generic categories of support activities, the details of which are industry-specific:

- **Procurement** - the function of purchasing the raw materials and other inputs used in the value-creating activities;
- **Technology development** - includes research and development, process automation, and other technology development used to support the value-chain activities;
- **Human resources management** - the activities associated with recruiting, development, and compensation of employees;
- **Firm infrastructure** - includes activities such as finance, legal, quality management.

In order to better understand the activities leading to a competitive advantage, one can begin with the generic value chain and then identify the relevant firm-specific activities. Process flows can be mapped, and these flows used to isolate the individual value-creating activities. Once the discrete activities are defined, linkages between activities should be identified. A linkage exists if the performance or cost of one activity affects that of another. Optimising and coordinating linked activities may yield competitive advantage. The value chain is also useful in outsourcing decisions. Understanding the linkages between activities can lead to more optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage.

The development of a competitive advantage depends not only on the firm-specific value chain, but also on the value system of which the firm is a part.
This has been supported by several authors who note that new competitiveness requirements are brought about by globalization of competition, better informed and more discerning customers, increasing number of competitors, rapid advances in both soft and hard technology and advances in new scientific fields. Thus, in increasingly globalized economies, competitiveness means the ability to constantly take the most advantageous position or niche in the rapidly changing market environment. The major determinants of the ability to sell products and services are no longer mainly relative costs advantage alone but more and more, competitiveness is based on quality, speed, technical superiority, service, and product differentiation even in relatively underdeveloped product and service markets like those in Ghana.

**Productivity measures (methodological issues)**

There is no right or best productivity measure as the measure to use depends to a large extent on what the data is to be used for. Often, a set of different productivity measures are needed to reflect the various factors and influences on productivity. There are three widely used productivity measures: partial, multifactor, and total factor productivity (TFP). When productivity is expressed as output per type of input, such as output per labour or output per capital, the measure is referred to as a partial productivity measure. The most discussed partial productivity measure is labour productivity, which is output per labour. Labour productivity is expressed in person-hours, person-days, or person-years. It must be noted, however, that even though labour productivity is defined as output per labour input, it does not measure the specific contribution of labour alone, but expresses the joint effect of a number of influences on the utilization of labour in the production or distribution process. Such influences include changes in technology, substitution of one factor of production for another, utilization of capital and lay out, as well as other factors that influence the application of labour. Another important partial productivity measure is output per capital. Capital includes buildings, machines, furniture and equipment. Capital input or the capital used in a period to produce output is referred to as the capital flow. Capital flow is usually measured in deflated currency values so is not the same as the total book value of capital assets. There are other partial productivity measures such as output per material input, output per energy input and so on. These other inputs include material, energy, light, water legal, accounting and protective services bought from others outside the establishment and are called ‘intermediate’ inputs. Materials are measured in units of weights, energy in kilowatt-hours, etc.

Multifactor productivity, on the other hand, is calculated by adding together labour and capital inputs, and relating the combined inputs to the output, that is dividing output by the sum of labour and capital used. Theoretically, one can
argue that multifactor productivity measures could also include other inputs in the denominator besides labour and capital. In practice, however, multifactor productivity measures tend to include only labour and capital as inputs because of measurement and conceptual difficulties associated with other inputs. A typical way to calculate multifactor productivity is to use constant currency values and sum up the labour and capital flow inputs in constant currency values. Multifactor productivity measures, however, are not readily available as labour productivity indicators, and involve more measurement difficulties and uncertainties. As a result, they are less precise than labour productivity measures.

The third measure, TFP includes total output and all inputs of the units measured. Total factor productivity relates gross output to all inputs, including labour, capital, materials and components as well as all other intermediate inputs. TFP obviously involves a great deal of estimation, weighting and other methodological assumptions. TFP, as with other measures of productivity, can be measured in quantity or monetary value per unit(s). Sometimes, the outputs of productivity measures are measured in terms of the value added. This is usually measured in money terms and equals the net sales plus or minus inventory changes minus outside purchased materials and services. Therefore, it is the addition by labour and capital to materials and services bought from outside the company. In effect, if the value added per input of a company increases, then productivity of the company has improved.

Modelling productivity

There are many models for estimating productivity. The following measures the component parts of factor inputs that go into production and it also indicates the percentage contribution of each of the factor inputs to productivity. It can be used to measure all factor productivity, but does not measure profitability.

First, to calculate labour productivity. This is expressed as the relationship between output and the hours expended in producing that output, which is the index of output per hour.

It is denoted as:

\[
\frac{Q_t}{Q_o} \times \frac{L_t}{L_o}
\]

where:

\[
\frac{Q_t}{Q_o} = \text{the index of output in the current year},
\]

\[
\frac{L_t}{L_o} = \text{the index of input in the current year}.
\]
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\[ \frac{L_t}{Lo} = \text{the index of labour input in the current year,} \]
\[ t = \text{the current year, and} \]
\[ o = \text{the base year.} \]

For an enterprise producing a single uniform product or service, the output index is simply the ratio of the number of units produced in the current year divided by the number of units produced in the base year. Similarly, the employee hour index equals hours expended in the current year divided by hours expended in the base year. Generally, enterprises produce a number of products or perform a number of services. For such enterprises, output is calculated as follows:

\[ \frac{Qt}{Qt-1} = \exp \left[ \sum_{i=1}^{n} wi,t (\ln \frac{qi,t}{qt-1}) \right] \]

where:

\[ \frac{Qt}{Qt-1} = \text{ratio of output in the current year (t) to previous year (t-1)} \]
\[ n = \text{number of products} \]
\[ \ln \frac{qi,t}{qt-1} = \text{the natural log of the ratio of the quantity of product in the current year to the quantity in the previous year, and} \]
\[ wi,t = \text{the average value share weight for product } i. \]

The average value share weight of product \( j \) is computed as: \( w_{j,t} = (s_{j,t} + s_{j,t-1}) + 2 \), where:

\[ s_{j,t} = p_{j,t} q_{j,t} \div \left( \sum p_{i,t} q_{i,t} \right) \]

and \( p_{i,t} \) = price of product \( i \) at time \( t \). The formula yields the ratio of output in a given year to that in the previous year. The ratios arrived at in this manner then must be chained together to form a series. If \( t = 3 \) and the base year is denoted by \( o \), then:

\[ \frac{Q_3}{Q_o} = \frac{Q_2}{Q_o} \left( \frac{Q_3}{Q_2} \right) \left( \frac{Q_2}{Q_1} \right) \left( \frac{Q_1}{Q_0} \right) \]
The resulting chained output index:
\[
\frac{Q_t}{Q_0}
\]
is used in the productivity formula. The employee hour index for an enterprise with multiple products is calculated in the same manner as in the single-output case.

The measures of output per hour relate output to one input-labour time. They do not measure the specific contribution of labour, capital, or any other factor of production. The measures reflect the joint effect of a number of interrelated influences such as changes in technology, capital investment per worker, capacity utilization, intermediate inputs per worker, layout and flow of material, skill and effort of the workforce, managerial skill and labour management relations. This leads us to a Total Factor Productivity Measure.

The TFP index calculates productivity growth by measuring changes in the relationship between the quantity of an enterprise’s output and the quantity of inputs consumed in producing that output, where measured inputs include capital and intermediate purchases (including raw materials, purchased services, and purchased energy) as well as labour input.

This relationship is expressed as:

\[
\ln\left(\frac{A_t}{A_{t-1}}\right) = \ln\left(\frac{Q_t}{Q_{t-1}}\right) - \left[w_k\ln\left(\frac{K_t}{K_{t-1}}\right) + w_l\ln\left(\frac{L_t}{L_{t-1}}\right) + w_{ip}\ln\left(\frac{IP_t}{IP_{t-1}}\right)\right]
\]

Where:
\(\ln\) = the natural logarithm of the variable,
\(A\) = Total Factor Productivity,
\(Q\) = Output,
\(K\) = Capital Input,
\(L\) = Labour Input,
\(IP\) = Intermediate Purchases Input,
\(w_k, w_l, w_{ip}\) = cost share weights.

The weights are the means of the cost shares in two adjoining time periods.
Where:
\[
w_i = \frac{\left(s_{i,t} + s_{i,t-1}\right)}{2}
\]
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\[ s_{i,t} = \frac{p_{i,t} x_{i,t}}{\sum p_{i,t} x_{i,t}} \]

\( p_{i,t} \) = price of input \( x_j \) in period \( t \).

The formula yields growth rates, which are differences in logarithms. The antilogarithms of these rates are chained to form the index.

A short and selective survey of the literature on productivity and development

Productivity factors

Labour productivity can be linked to output increases resulting from increases in the quality of labour and other inputs. In particular, quality of education, training and experience are readily recognized in conventional economic analysis as influencing the quality of labour. Apart from the above, several other factors have been observed to influence a change in labour productivity. Amongst them are investments in physical capital and improvement in technology. In the United States, productivity growth has been primarily driven by high-tech manufacturing and service industries with low skill content. In Europe and Japan, the drivers of aggregate manufacturing productivity growth were industries with low or medium level technologies, while productivity growth in the service industry was largely driven by relatively high-skills industries. Given the close link between productivity improvement and technological progress, cross-country differentials are partly related to different patterns of innovative activity adoption. Moreover, capital deepening in the face of labour market conditions adverse to the creation of low skilled jobs may partly explain the difference sources of service productivity growth in Europe and the United States.

A study, using estimates of stock of Information and Communication Technology (ICT) capital hardware, software, and telecommunication equipment, to estimate the direct contributions of ICT to growth, shows that the impact of ICT on labour productivity in Asia is mainly through capital deepening. They assert that the effect of ICT has occurred in three (often interrelated) main stages. First, technological change raises productivity growth in the innovating sector; second, falling prices encourage capital deepening; and third, there can be significant reorganization of production around the capital goods that embody the new technology. They, therefore, posit that the bulk of the benefit from ICT in Asia (and the world) is to accrue in the future. However, they found out that TFP growth is relatively small in most Asian countries.
It is usual to classify labour productivity factors into employee and enterprise characteristics. Some of the individual employee characteristics that are observed to influence productivity include education and training, employee’s experience on the job, labour union activity, health and nutrition, gender, mode of contract and sometimes ethnicity. Firm characteristics such as firm size, ownership structure, location, sector and mode of operation or marketing strategy are more often found to have some degree of influence on labour productivity. The debate as to whether wage influences labour productivity or the other way round remains unresolved.

**Education and training**

Most studies on productivity have identified education and training or human capital investment as a very crucial determinant of labour productivity. In macro-level studies education is usually significantly and positively related to productivity: a more skilled and well-educated labour force is more productive than a less educated one. A more educated workforce is likely to increase worker productivity, show innovative behaviour and facilitate the adoption and use of new technologies. The World Bank (1997) has observed that formal training improves firm-level productivity and that productivity effects of training are larger when new technologies acquired are complemented with training. This observation is reinforced by other studies who contend that highly educated workers have a comparative advantage with respect to the adjustment and implementation of new technologies making the productivity of highly educated workforce greater relative to less educated workforce. As observed by the World Bank (1998), Mexican workers, in addition to having relatively lower educational levels, suffer from inadequate post school investment in human capital, which results in poor human capital accumulation on-the-job as compared to elsewhere in North America.

Evidence from Ghana confirms the assertion that education and training are, without doubt, very important determinants of labour productivity. It has been observed that education enhances firm level productivity in Ghana to the extent that its influence on productivity is more pronounced than wages at all levels of education except primary education. In terms of training, Verner contends that formal training obtained within the firm is not significantly more productive than the training that workers obtain from colleagues in an informal way. However, according to him, it seems more likely that the impact is not instantaneously revealed in wages and productivity. Quite surprisingly, in Ghana, the productivity effects of skilled worker training were observed to be not significantly different from zero, which contrasts sharply with the results from other studies of some low-income countries where statistically significant impact was found. In
Malaysia, for example, the provision of training for skilled workers is associated with a 38 per cent average increase in productivity (World Bank 1997).

The assessment of the determinants of labour productivity in Ghana confirms the positive impact of training on productivity in Ghana. Their findings suggest that productivity correlates positively with level of training, experience and qualification and thus calls for the need for increasing both on-the-job and general training in order to provide workers with the necessary skills and qualifications to improve their performance. The study observes that the capital-labour ratio, wages of production workers, and capacity utilization are the major factors with statistically significant impacts on value-added per worker. They therefore call for the need to update firms’ technology to include relatively more capital-intensive technologies through a pragmatic policy to ease credit availability. In Zimbabwe, the positive impact of education on productivity is emphasized though it seems to fall below that of wage. He reports that workers who completed secondary education are 13 per cent more productive than their counterparts with no secondary schooling or who have only completed primary education. While training obtained outside an enterprise is observed to impact positively on labour productivity, in-house training was found not to be productive which is similar to the Ghanaian situation. Zimbabwe like Ghana was also found to under invest in training. The provision of no or too little training may be due to imperfect capital markets, limited access to information, and other market failures.

A study on Mexican manufacturing firms confirmed the significantly positive impact of education and training on productivity. The study reveals that additional schooling has a particularly strong impact on productivity for workers in micro and small firms in Mexico. Contrary to the revelation in Ghana and Zimbabwe, Lopez-Acevedo observed that in-house training and training obtained outside the firm increase productivity in Mexico. One underlining implication of the positive correlation between external training and productivity is that policies that encourage increased training will lead to larger productivity gains for the economy. The study however reveals that the joint effect of training with technology adoption seems to decrease productivity. A plausible explanation offered by Lopez-Acevedo for this is that, training only has a positive effect in certain types of technology adoption.

The World Bank (1997) reiterates the importance of worker training in labour productivity. The study notes that worker training has large productivity benefits among small and medium-size firms in Malaysia. In terms of firm level productivity, the study observes that training has a positive and statistically significant impact on firm-level productivity. The estimated training coefficient suggests that firms giving training are on average, about 32.5 per cent more productive than firms that do not train holding all other factors that also influence
productivity in firms constant. The outcome of productivity impact of sources of training (in-house and external source) in Malaysia has been examined against the background of the ownership structure of the firms. The World Bank (1997) finds that 10 per cent increase in the proportion of workers getting external training will lead to a 0.5 per cent increase in productivity for local firms while for foreign firms, the same 10 per cent increase in training is associated with a productivity improvement of about 0.8 per cent.

In general, it can be argued that alleged declining standards of education across Africa have affected productivity. Firstly, the average skill level of workers entering the labour force has declined. Secondly, due to the overall decline in economic activity, new labour force entrants have fewer opportunities for learning by doing. Thirdly, the decline in average level of skills has undermined the quality of management as fewer new entrants to the workforce have the capacity to work their way into the positions of responsibility.

**Network and lobbying**

In addition to technology and learning being the drivers of firm productivity, some authors find that proximity to influential individuals who can grant favours or provide information advantage on business or trade practices also has significant productivity impacts. In the analysis of Mexican firms, it was observed that while technology adoption and experience of workers on the job do not emerge as being important; informal networks in the form of lobbying influential government officials and professional organizations have significant productivity benefits. In addition, formal meetings with Chambers’ of Commerce and informal business lunches with buyers, suppliers, competitors, government officials and other professionals have positive and significant effects on labour productivity. According to the study, this means that access to regulators and agents of backward and forward linkages are important in settings where information on business practices regulations are not publicly disclosed and the firm’s location choice is driven by access to these informal contacts.

**Health and nutrition**

In addition, better nutrition and better health as possible determinants of quality of labour and hence labour productivity is not easy to quantify. Moreover, the interrelation between nutrition, education, motivation and disease is complex. For instance, malnutrition in childhood can affect intelligence, school performance, subsequent earnings in adult life and the education and nutrition of the next generation. Intuitively, better nutrition should have a positive impact on labour productivity and is probably a reason why some private companies find it
necessary to provide subsidised meals to their workforce. Most empirical work on
the impact of good health on productivity at the micro-level has analysed
absenteeism vis-à-vis productivity in one occupation. At the macro-level, when
using time series regressions for Sri Lanka, 1948-1958 of per capita national
income investment-national income ratio, and on health expenditure per capita, it
has been observed that the degree of responsiveness of per capita national income
to health expenditure was greater than to physical investment. In general, the
mortality rate could explain 28 per cent of the productivity increase in Indian
states between 1958-1959 and 1964-1965. This is confirmed by the fact that
output in labour intensive crops rose more in previously high malaria areas, over
the same period, when malaria was being controlled. Also, productivity in rice
production rose by 15 per cent for Burma and Pakistan in the year following the
institution of malaria control.

In Africa, the spread of HIV/AIDS is having a particularly big effect on
productivity. The disease reduces the quality of labour in a number of ways.
Workers who are HIV positive, facing the probability of a premature death, may
well shift the focus of their activities from productive work to survival. The need
to obtain treatment will also undermine their capacity to work. Employers are
confronted with the task and cost of finding and training new entrants to replace
those workers who are no longer able to work or have died. As is well known,
these are particularly challenging situations for certain countries in Eastern and
Southern Africa.

Employees’ experience on the job

More experienced workers tend to have higher levels of labour productivity and
the productivity curve is usually steeper at the early stage of a worker’s life.
According to recent surveys, workers’ experience measured by the age of an
employee was found to be an important ingredient in productivity in Ghana,
which is in line with his findings on Zimbabwe. He observes that the productivity
profile in the Ghanaian manufacturing sector increases at a decreasing rate over
the life cycle. In Zimbabwe, productivity follows the hypothesis that experience
of employees positively influences productivity. Similarly, potential experience
has a positive effect on wages and productivity in all sizes of manufacturing firms
in Mexico. However, the hypothesis test indicates that workers benefit from
potential experience more than firms.

Employment contract

If one examines the productivity and wage effect of permanent and temporary
contracts on Mexican manufacturing firms, the main differences between the
workers in these contracts are their employment benefits, the duration of these benefits and their skills, the findings could be mixed. While permanent workers earned an average of 9 per cent lower wages and were 9 per cent less productive than temporarily employed workers in 1993, the reverse was the case in 1999 when permanent workers were found to earn 3 per cent higher wages and were 7 per cent more productive than temporary workers. The findings indicate absence of wage discrimination between temporary and permanent employees in Mexican manufacturing enterprises. Temporary workers in Zimbabwean manufacturing enterprises are more productive than permanent workers, indicating that the former may work hard in an attempt to obtain a permanent contract.

Enterprise location

Intuitively, firms located in the cities have a bigger and better pool of skilled workers from which to recruit. In Ghana, employees of firms located in Accra, the capital, are far more productive than employees elsewhere due to technology and information exposure. Similarly, in Zimbabwe, he observes that employees working in enterprises located in the big cities of Harare and Bulawayo are by far more productive than colleagues elsewhere.

Research and Development (R&D)

New methods of production normally come from R&D. The level of technology improvement is low in most developing countries because investment in R&D is generally low. One could observe a consistent technological retrogression in Ghanaian manufacturing industry and propose a purposeful research and development programme in the industrial sector to address this. However, it could be said that while R&D increased both wages and productivity in Mexico, the trend was however different in 1999 since R&D and productivity were found to be negatively correlated. However, foreign R&D was found to have a positive effect on both wages and productivity by 19 and 90 per cent respectively.

Firm size and ownership structure

In Zimbabwe, the impact of firm size on productivity is both statistically significant and positive. Larger firms are found to be more productive than smaller ones in Zimbabwe on the grounds that they are capable of organizing training, conducting research and development and paying their workers well to attract more skilled employees. In Mexico, productivity in small, medium and large firms was higher than micro firms. This contrasts sharply with Thailand where the smaller firm sizes indicate lower productivity than larger firms. In
addition to capital intensity, labour productivity for Indian firms show a sharp rise in the size above 100 workers. A positive correlation between firm size and labour productivity is also reported in South Korea as well. In South Korean manufacturing firms’ labour productivity rises monotonically with firm size. A number of studies have indicated that foreign owned firms generally demonstrate higher productivity than locally owned firms, perhaps due to better technology and organization.

Wages
The direction of influence – whether higher wages promote higher productivity or vice versa – remains is a central and unresolved productivity debate. The argument that productivity is influenced by wages is sometimes based on the efficiency wage theory. The theory stipulates that since wages received by workers affect their efficiency, firms find it profitable to pay wages in excess of market clearing wages. If a firm offers a higher wage relative to its counterpart in the industry, it will effectively be increasing the opportunity cost of the worker of losing his job at the higher paying firm. Hence, workers will be motivated to avoid anything that will have an adverse effect on their performance and their chances of losing their job. Employers may tend to pay higher wages as a means of improving labour efficiency and reducing labour turnover especially when the cost of hiring and cost of specific training of workers are high. Alternatively it can be argued that firms pay wages out of production and that employers can pay higher wages only if output per worker (i.e. productivity) increases.

In the analysis of labour market discrimination, analysts argue that there is no discrimination between two groups of workers if wage differentials are attributed to differences in productivity. One could find gender discrimination in Zimbabwe since female employees are paid less than their male counterpart and the negative wage premium they receive does not reflect a negative corresponding productivity premium. Similar evidence exists in Ghana. However, some authors concede that wages are not always a good measure of productivity for public expenditure decisions.

Most econometric studies on the wage-productivity nexus use Two Stage Least Square (2SLS) analyses to avoid a possible simultaneity bias. Wage rates have a positive and significant effect on value-added per worker, suggesting that the higher the wage rate, the higher the value-added per worker. The study further argues that since firms are likely to pay workers with better skills higher wages than those with lower skills, their findings are indicative of the positive effects of human capital accumulation on firm productivity. The study also found that while the food, tobacco, and beverage industry is the least capital-intensive of their sampled industries, it is also the one with the highest paid workers. This suggests
that the wage rate, as a surrogate for human capital, is a better predictor of productivity than capital intensity.

**Structural factors**

Another dimension to the factors that influence productivity growth has come from public policies and regulations. Countries that are laggards in both technology adoption and reform are likely to reap the largest productivity gains from state retrenchment and liberalization of markets that are potentially competitive. The study also finds evidence that entry liberalization involves productivity gains in all countries, regardless of their position with respect to the technology frontier. Secondly, the study also finds evidence to suggest that privatisation involves additional direct productivity gains which is consistent with the theory pointing to the increased competitive pressures and entrepreneurial incentives stemming from changes in ownership.

Other authors investigate productivity trends in India’s Registered Manufacturing sectors during the 1980s and 1990s. The study reveals that:

- Labour and TFP growth in total manufacturing and many of the component sectors since 1980 were markedly higher than that in the preceding two decades, although the extent of the acceleration in TFP growth depends critically on the underlying assumptions about factor elasticities and the assumed structure of the production function;

- Productivity growth for total manufacturing as well as for many sub-sectors picked up further after the 1991 reforms; and

- Classification of the best performing sectors and the weaker performing sectors, based on comparative TFP, remains robust to changes in underlying assumptions.

These achievements, according to the study, stemmed from the implementation of a series of reforms embarked upon by the Indian authorities aimed at exposing the economy to greater competition and liberalizing key aspects of economic activities.

One could also use the potential impact of structural reforms on productivity performance, using a panel study of 20 OECD countries during 1965 to 1998. In this regard, structural reforms, particularly trade and product market reforms, could explain improvements in trend productivity growth, even though the impact of structural reforms on productivity may be weak or negative in the short run, due to adjustment costs and the need for firms to learn how to operate in a less regulated and more competitive environment. In the long run, however,
Social Dialogue and Poverty Reduction Strategies

structural reforms are found to have significantly positive effects on productivity growth.

In a study of Export Orientation and Productivity in Sub-Saharan Africa using firm-level panel data for three countries (Ethiopia, Ghana and Kenya), it was found that the productivity premium of exporters ranges from about 11 per cent for Ghana to about 28 per cent for Kenya. The average premium for the three countries is about 16 per cent. It was also found that among exporters, direct exporters are over four times more productive than indirect exporters. Moreover, those exporting to destinations outside of Africa are significantly more productive than those exporting within the region. Their findings, therefore, suggest that higher premiums for direct exporters and exporters to places outside Africa are consistent with learning-by-exporting effects. They are, however, quick to point out that the effect of learning-by-exporting on productivity is difficult to isolate from that of other international technology diffusion mechanisms such as foreign direct investment, and foreign licensing.

The Ghana labour market: Wages and employment

The extent and depth of poverty in Ghana has much to do with the structure of its economy with its heavy dependence on agriculture (accounting for about 40 per cent of GDP and 50 per cent of employment) and the export of primary commodities (like cocoa, gold and bauxite). This has left Ghana quite dependent on its geographical characteristics and resource endowment for production. Despite this, Ghana is currently seen as one of the most stable countries in West Africa and a leader in the democratisation of the sub-region. Ghana was also one of the first countries to complete a Poverty Reduction Strategy Paper (the Ghana Poverty Reduction Strategy, GPRS). In its Ghana Poverty Reduction Strategy, the Government is committed to achieving faster poverty reduction through accelerated growth. However, accelerated growth was an important objective of Ghana’s Vision 2020 Plans, developed by previous governments, and drawing on discussions with development partners, especially the World Bank but these growth rates were not achieved. This raises the repeatedly asked question of whether Ghana can buck trends to achieve the type of structural changes that will be necessary to accelerate growth in line with GPRS projections.

Indeed, after nearly two decades of reforms and sustained positive — if not always impressive — growth rates, it is now acknowledged that both higher growth rates and direct attempts at tackling poverty are required in order to achieve a more significant impact on poverty reduction especially given that the results of recent Ghana Living Standards Survey (GLSS) household surveys show that there
is still a large proportion of the population living below the poverty line. The GPRS follows very much the policies laid out within the earlier reform programmes (structural adjustment) but attaches greater importance to direct interventions and expansion in the provision of social services and social safety nets given that one of the consequences of previous structural adjustment programmes was the reduction in public sector employment as illustrated in Table 4 which shows the share of employment by sub-sector according to the principal source of household income. The GPRS calls for US$5,283 million in total investment to achieve its policy goals. Of this, US$2,515 million will be required for the medium term (2003-2005). It focuses on five priority areas for the three-year period 2003-2005, namely Infrastructure, Modernized Agriculture based on Rural Development, Enhanced Social Services, Good Governance, and Private Sector Development. The issue of productivity improvement is germane to all of these priority areas.

Table 4: Share of employment in sub-sectors (in %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector employment</td>
<td>13.5</td>
<td>10.7</td>
</tr>
<tr>
<td>Private formal employment</td>
<td>3.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Private informal employment</td>
<td>3.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Export farmers</td>
<td>6.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Food crop farmers</td>
<td>43.6</td>
<td>38.6</td>
</tr>
<tr>
<td>Non-farm self employment</td>
<td>27.6</td>
<td>33.8</td>
</tr>
<tr>
<td>Non-working</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: GLSS3 AND GLSS4

Structure of the labour market

The labour force is defined as all persons over age 16 that are working for pay or are actively seeking paid employment. The breakdown of the labour force by sex and age group gives a profile of the distribution of the economically active population within a country in a stated period. The labour force participation rate is a measure of the extent of an economy's working-age population that is economically active; it provides an indication of the relative size of the supply of labour available for the production of goods and services in a stated period. The labour force participation rate is calculated by expressing the number of persons
in the labour force as a percentage of the working-age population. The 2000 Population and Housing Census in Ghana indicated that 11,105,236 of the population were 15 years plus. Of this number 8,292,114 are economically active, giving a participation rate of 74.7%. The participation rate is slightly higher among males (see Table 5). Among the economically active population, the unemployment rate was estimated at 10.7%.

Table 5: Distribution of labour force

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>%</th>
<th>Male</th>
<th>%</th>
<th>Female</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (15yrs +)</td>
<td>11,105,236</td>
<td></td>
<td>5,435,829</td>
<td></td>
<td>5,669,407</td>
<td></td>
</tr>
<tr>
<td>Economically Active</td>
<td>8,292,114</td>
<td>100.0</td>
<td>4,170,609</td>
<td>100.0</td>
<td>4,121,505</td>
<td>100.0</td>
</tr>
<tr>
<td>Worked</td>
<td>6,863,828</td>
<td>82.8</td>
<td>3,479,015</td>
<td>83.4</td>
<td>3,384,813</td>
<td>82.1</td>
</tr>
<tr>
<td>Had job but did not work</td>
<td>569,031</td>
<td>6.9</td>
<td>272,245</td>
<td>6.5</td>
<td>296,786</td>
<td>7.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>859,255</td>
<td>10.4</td>
<td>419,349</td>
<td>10.1</td>
<td>439,906</td>
<td>10.7</td>
</tr>
<tr>
<td>Not Economically Active</td>
<td>2,813,122</td>
<td>10.4</td>
<td>1,265,220</td>
<td>10.1</td>
<td>1,547,902</td>
<td>10.7</td>
</tr>
<tr>
<td>Labour Force Participation Rate</td>
<td>74.7</td>
<td></td>
<td>76.7</td>
<td></td>
<td>72.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2000 Population and Housing Census

Of the total number of economically active population (15yrs+), 67.6% are self-employed with no employees. An additional 11.2% were unpaid family workers, apprentices and domestic assistants. Approximately 15.3% were employees and 5.2% self-employed with employees. The data shows that there were more males than females who worked as employees. Approximately 21% of the male population was employed compared to only 9.6% of females in the economically active population but in the area of self-employment, females dominated. About 73.1% of females who were economically active work as self employed without any employees. The corresponding share of males who worked in this category was 62.2% (see Table 6 for details).
Table 6: Employment status of economically active population (15 years and older) by sex

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Employees</td>
<td>1,270,575</td>
<td>5.3</td>
<td>874,990</td>
<td>21.0</td>
</tr>
<tr>
<td>Self Employed, with no employees</td>
<td>5,606,659</td>
<td>67.6</td>
<td>2,592,075</td>
<td>62.2</td>
</tr>
<tr>
<td>Self Employed, with employees</td>
<td>432,298</td>
<td>5.2</td>
<td>226,678</td>
<td>5.4</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>545,975</td>
<td>6.6</td>
<td>230,767</td>
<td>5.5</td>
</tr>
<tr>
<td>Apprentices</td>
<td>307,163</td>
<td>3.7</td>
<td>175,017</td>
<td>4.2</td>
</tr>
<tr>
<td>Domestic employee</td>
<td>75,782</td>
<td>0.9</td>
<td>38,911</td>
<td>0.9</td>
</tr>
<tr>
<td>Others</td>
<td>53,662</td>
<td>0.6</td>
<td>32,171</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,292,114</td>
<td>99.9</td>
<td>4,170,609</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Calculated from 2000 Population and Housing Census

Unlike the situation in the Ghanaian Labour Market exhibited in the above data, the Key Indicators of Labour Market (KILM) data show that in most economies in the world, paid employment is predominant. This is true both for men and women. However, it is probable that the participation of men and women in the specific type of paid employment will differ. Indeed, paid employment is a very heterogeneous status, comprising diverse sets of employment situations that may be different from those of “core” regular employees. Important examples of “non-core” situations are home workers, casual employees, “work-gang” members, and so on.

Employment sector

The distribution of employment status translates directly into the distribution of the economically active population by employment sector. Out of the economically active population aged 15 years and above, 80.3% worked in the private informal sector while only 8.0% worked in the private formal sector. Thus, the private sector engaged 88.3% of all the economically active population in the country. The public sector employed 6.2% of the economically active population while semi public or parastatal organisations employed 2.9% of the economically active population 15 years+. Non-profit institutions serving households (also known as NGOs) and other international or supra national organisations employed 0.7% of the population. As reflected in the distribution of employment
Social Dialogue and Poverty Reduction Strategies

status more males than females were found in public service. It was estimated that 8.0% of the economically active male population was in public service as against 4.4% of females. Similarly the private formal sector absorbed 10.2% of males compared to 5.8% of females. Conversely, 85.5% of females as against 75.1% of males in the economically active population (15 years+) were found in the informal sector (See Table 7). The informal economy (which in Ghana is more usually referred to as the informal sector) absorbs about 80 per cent of the labour force.

Table 7: Employment sector of economically active population (15 years and older) by sex

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th></th>
<th>Males</th>
<th></th>
<th>Females</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>Public</td>
<td>516,157</td>
<td>6.2</td>
<td>334,142</td>
<td>8.0</td>
<td>182,015</td>
<td>4.4</td>
</tr>
<tr>
<td>Private formal</td>
<td>666,433</td>
<td>8.0</td>
<td>425,369</td>
<td>10.2</td>
<td>241,064</td>
<td>5.8</td>
</tr>
<tr>
<td>Private informal</td>
<td>2,682,872</td>
<td>32.4</td>
<td>1,109,182</td>
<td>26.6</td>
<td>1,573,690</td>
<td>38.2</td>
</tr>
<tr>
<td>Agricultural Activities</td>
<td>3,972,407</td>
<td>47.9</td>
<td>2,022,032</td>
<td>48.5</td>
<td>1,950,375</td>
<td>47.3</td>
</tr>
<tr>
<td>Semi public or parastatal</td>
<td>236,704</td>
<td>2.9</td>
<td>156,497</td>
<td>3.8</td>
<td>80,207</td>
<td>1.9</td>
</tr>
<tr>
<td>NGO’s or International Organisations</td>
<td>57,251</td>
<td>0.7</td>
<td>36,954</td>
<td>0.9</td>
<td>20,297</td>
<td>0.5</td>
</tr>
<tr>
<td>Other</td>
<td>160,290</td>
<td>1.9</td>
<td>86,433</td>
<td>2.1</td>
<td>73,857</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>8,292,114</td>
<td>100.0</td>
<td>4,170,609</td>
<td>100.1</td>
<td>4,121,505</td>
<td>99.9</td>
</tr>
<tr>
<td>Total</td>
<td>516,157</td>
<td>6.2</td>
<td>334,142</td>
<td>8.0</td>
<td>182,015</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: Calculated from 2000 Population and Housing Census

The legal framework

The main legal framework governing the labour market in Ghana is the Labour Act, Act 651 of 2003, which builds and improves on the Labour Decree, NLCD 157 (1967). The 1967 law made provision for the establishment of public employment centres with extensive functions aimed at regulating the labour market. Some of the functions detailed in the law include:

- Assisting unemployed and employed persons to find suitable employment and assisting employers to find suitable workers;

- Facilitating occupational and geographical mobility thereby matching jobs and skills and also matching available opportunities to job seekers and thereby
smoothing temporary distortions in supply and demand for labour in local labour markets across the country;

- Collecting and analyzing, in co-operation with management, trade unions and other authorities available information on the employment market, its growth in the country as a whole and in the different industries, occupations and areas and make such information available without delay to employers’ and workers’ organizations and the public;

- Assisting in social and economic planning towards the generation of employment;

- Providing the framework for dealing with youth unemployment;

- Providing vocational guidance for the youth;

- Providing a framework for dealing with unemployment among disabled persons;

- Providing a framework for dealing with employment and unemployment among the skilled professionals in the country.

The effectiveness (and value) of employment law was seriously tested with the deterioration of the economy in the seventies and the accompanying rise in unemployment. The pressure on the labour centres was such that they could not function properly. Thus, employment and recruitment became individual affairs for job seekers and employers and the labour market became de facto if not de jure, deregulated. Also, there was a breakdown of the data collection, analysis and planning functions of the Labour Department, thus leading to the absence of labour statistics from the Ghana Statistical Service.

**Wage negotiations**

Under the Industrial Relations Act, Act 299 (1965) and now Labour Act, Act 651 (2003) the trade unions and other workers’ organizations are empowered to obtain a negotiating certificate for the purpose of conducting negotiations with their respective employers on wages and conditions of work on behalf of members of the union or organization. The representation of the union may not always be on the basis of the direct employee/employer relationship but could be on the basis of occupation of employees. Thus, it is possible for a union to obtain more than one certificate to negotiate with the same employer on behalf of different occupational groups. For the purposes of engaging in active negotiations, the Law requires the trade union and the employer to nominate authorized representatives to negotiate on their behalf. These representatives may
be constituted into a standing negotiating committee that may be requested to negotiate matters under the Act referred to them including employment or non-employment, and the terms and conditions of employment. It is the responsibility of either party represented in the standing committee to give notice to the other party requiring the other party to enter into negotiations on any matter to be dealt with by the committee. The Acts enjoins the parties to make every reasonable effort to come to an agreement on the matters to which the notice relates. The Collective Bargaining Agreements (CBAs) remain the main tool for formal sector wage negotiation and the labour department (the Ministry of Manpower Development and Employment) remains an active participant in the process.

The Labour Act, Act 651 of 2003, stipulates that any two or more workers employed in the same undertaking may form a trade union (in practice, though, it is not always so easy for workers to organize themselves). Obviously, the extent of unionization in Ghana is influenced by the level of activity in formal organisations rather than activities in the informal economy. As result, the membership of the Trades Union Congress (TUC) of Ghana remains less than 600,000. In fact membership of the trade unions declined between the 1980s and 1990s due mainly to the redeployment/retrenchment associated with structural adjustment. Currently, the TUC has 17 national unions organized along industrial lines. The Unions and their declared membership are shown in Table 8.
Table 8: Trade union membership

<table>
<thead>
<tr>
<th>Trade Union Membership</th>
<th>1985</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Communication Workers Union (CWU)</td>
<td>7,000</td>
<td>6,026</td>
</tr>
<tr>
<td>2) Construction, Building &amp; Material Workers Union (CBMWU)</td>
<td>39,553</td>
<td>36,750</td>
</tr>
<tr>
<td>3) Ghana Mine Workers Union (GMWU)</td>
<td>27,018</td>
<td>24,834</td>
</tr>
<tr>
<td>4) Ghana Private Road Transport Union (GPRTU)</td>
<td>56,138</td>
<td>37,400</td>
</tr>
<tr>
<td>5) General Agricultural Workers Union (GAWU)</td>
<td>100,000</td>
<td>86,690</td>
</tr>
<tr>
<td>6) General Transport, Petroleum &amp; Chemical Workers Union (GTPCWU)</td>
<td>29,185</td>
<td>15,683</td>
</tr>
<tr>
<td>7) Health Services Workers Union (HSWU)</td>
<td>30,000</td>
<td>32,745</td>
</tr>
<tr>
<td>8) Industrial and Commercial Workers Union (ICU)</td>
<td>120,000</td>
<td>106,483</td>
</tr>
<tr>
<td>9) Local Government Workers Union (LGWU)</td>
<td>35,000</td>
<td>33,126</td>
</tr>
<tr>
<td>10) Maritime and Dockworkers Union (MDU)</td>
<td>31,085</td>
<td>29,012</td>
</tr>
<tr>
<td>11) National Union of Seamen (NUS)</td>
<td>5,011</td>
<td>1,871</td>
</tr>
<tr>
<td>12) Public Services Workers Union (PSWU)</td>
<td>63,000</td>
<td>89,324</td>
</tr>
<tr>
<td>13) Public Utility Workers Union (PUWU)</td>
<td>20,000</td>
<td>10,081</td>
</tr>
<tr>
<td>14) Railway Enginemen’s Union (REU)</td>
<td>898</td>
<td>884</td>
</tr>
<tr>
<td>15) Railway Workers Union (RWU)</td>
<td>8,955</td>
<td>5,907</td>
</tr>
<tr>
<td>16) Teachers and Educational Workers Union (TEWU)</td>
<td>40,000</td>
<td>31,448</td>
</tr>
<tr>
<td>17) Timber and Woodworkers Union (TWU)</td>
<td>18,000</td>
<td>24,334</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>630,843</td>
<td>572,598</td>
</tr>
</tbody>
</table>


In 1993, the Textile, Garment and Leather Employees' Union (TGLEU), which was part of the Industrial and Commercial Workers Union (ICU) of the TUC, was registered by the Registrar of Trade Unions under the Trade Unions Ordinance of 1941. It obtained a collective bargaining certificate in October 1993, forming the eighteenth trade union operating under the Industrial Relations Act of 1965. This union is however, not affiliated to the TUC. In addition, other newly formed unions which draw membership from the informal sector like the Ghana Hairdressers and Beauticians Association have been affiliated to the ICU. They constitute one of the most organized informal sector groups within the unions. The Self-Employed Women's Union (SEWU) is also affiliated to the ICU. This is an association of about 300 women engaged in micro and small-scale...
manufacturing and craft industries. It is important to observe that there are also a
number of associations representing the interest of public sector employees
which are not certified to operate under the Industrial Relations Act of 1965.
These are the Civil Servants Association of Ghana, the Ghana National
Association of Teachers, the Ghana Registered Nurses Association, and the
Judicial Service Staff Association of Ghana.

By February 1993, the Public Service (Negotiating Committee) Law, PNDCL
309 of 1992 was promulgated to negotiate the conditions of service of officers in
the public service. The Law made provision for the setting up of negotiating
committees with the principal function of: negotiating salaries, wages and all other
matters connected with employment, non-employment and other conditions of
service in the public service in respect of which a particular committee is
appointed. The Public Service Law (PNDCL 309) refers to any civil organisation
of Government whose emoluments are paid directly from the Consolidated Fund
or out of moneys provided by Government and services with public corporations.
This law excludes any public service institution which immediately before the
coming into force of the law had in existence machinery for the negotiation of
salaries and conditions of service of its employees. Thus, by the enactment of
Act 651 the PNDCL 309 has been repealed.

Minimum wage

The daily minimum wage is that rate below which no employer is allowed to pay
any employees in Ghana. The daily minimum wage is multiplied by 27 to obtain
the monthly minimum wage for each individual. This wage excludes other
allowances and benefits that may accrue to the employee covered by the CBA of
the respective institution or organization.

Proponents of the minimum wage argue that it is needed to ensure that
workers receive a “living wage”, i.e. a wage that provides a full-time worker with
an income sufficient to provide the basic necessities of life. Another argument in
favour of the minimum wage is that it helps prevent monopsonistic employers
from exploiting their workers. It has also been argued that the minimum wage
requirement will induce employers to be more efficient thereby bringing about
productivity gains. This last argument suggests that increases in productivity may
offset the predicted rise in unemployment perceived to be associated with the
minimum wage under microeconomic theory. Indeed, at the empirical level,
several studies in the 1990s showed that the minimum wage had little, if any,
disemployment effect (Saget 2001). However, one could suggest that Ghana’s
minimum wage policies during the 1970s and 1980s led to a reduction of formal
sector jobs and an increase in informal sector jobs. Studies of the manufacturing
sector have shown that many firms operated below capacity during this period.
because they were unable to obtain foreign exchange or they operated with equipment that was obsolete. It is also significant to observe that evidence from across Africa seems to suggest that the value of the minimum wage is continuously being eroded, suggesting that the minimum wage may not be a significant factor in the decision to employ.

Minimum wage setting in Ghana is now more or less a mechanical process in trying to adjust existing minimum wages to take care of the difference between the actual and projected inflation figures for the previous year as a restoration factor, and the projected inflation for the current year for a further adjustment. The computation is based on the point-to-point inflation figures as reflected in the Consumer Price Index (CPI). For example the base scenario employed by the national tripartite committee to determine the Daily Minimum Wage for 2003 is presented in Box 16, below. However, there is no direct relationship between the minimum wage and average wages or wages in any particular sector. Neither are there any regional dimensions in the computation of minimum wages even though consumer price indexes suggest that there are significant variations in the cost of living in the regions.

### Box 16: Setting of the national daily minimum wage for the year 2003

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Daily Minimum Wage for 2002</td>
<td>$7,150</td>
</tr>
<tr>
<td>Restoration</td>
<td></td>
</tr>
<tr>
<td>i.e. Actual Inflation (2002)</td>
<td>15.2%</td>
</tr>
<tr>
<td>Less Projected Inflation (2002)</td>
<td>13.0%</td>
</tr>
<tr>
<td>Restoration</td>
<td>2.2%</td>
</tr>
<tr>
<td>Restoration Factor</td>
<td>1.022</td>
</tr>
<tr>
<td>Expected Minimum Wage inclusive of restoration factor</td>
<td>$7,307.30</td>
</tr>
<tr>
<td>Provisional targeted inflation for 2003</td>
<td>10%</td>
</tr>
<tr>
<td>Estimated Minimum Wage inclusive of restoration factor and provisional targeted inflation for 2003</td>
<td>$8,038.03</td>
</tr>
</tbody>
</table>

The reduction of the process of minimum wage determination to a mechanical process based on the consumer price index may be due to the fact that the outcome affects very few people. A survey by the Labour Department in 1999 captures the scene with respect to the effectiveness of the minimum wage in
Social Dialogue and Poverty Reduction Strategies

Ghana. The survey results reported in Table 9 suggests that most establishments pay above the minimum wage.

While the survey results may be true for those operating in the formal sector, the minimum wages factor does not operate in the informal economy. In Ghana, as in most other African countries, most employers have no legal obligation to pay apprentices and casual workers the minimum wage rate. Furthermore, it is a common practice for part-time workers, domestics servants and the self-employed to be excluded from coverage of the minimum wage. It is observed that, these groups of workers are usually found among the lowest paid in the workforce.

Table 9: Distribution of industries paying the national daily minimum wage, 1999

<table>
<thead>
<tr>
<th>Industry</th>
<th>Paying Minimum Wage</th>
<th>Paying Below Minimum Wage</th>
<th>Paying Above Minimum Wage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, Hunting, Forestry and Fishing</td>
<td>2</td>
<td>2</td>
<td>47</td>
<td>51</td>
</tr>
<tr>
<td>2. Mining and Quarrying</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>8</td>
<td>5</td>
<td>148</td>
<td>161</td>
</tr>
<tr>
<td>4. Electricity, Gas, and Water</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5. Construction</td>
<td>5</td>
<td>1</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>6. Wholesale and Retail Trade, Restaurants and Hotels</td>
<td>51</td>
<td>6</td>
<td>250</td>
<td>307</td>
</tr>
<tr>
<td>7. Transport, Storage and Communication</td>
<td>6</td>
<td>1</td>
<td>40</td>
<td>47</td>
</tr>
<tr>
<td>8. Finance, Insurance, Real Estate and Business Services</td>
<td>3</td>
<td>2</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>9. Community, Social and Personal Services</td>
<td>11</td>
<td>1</td>
<td>33</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86</strong></td>
<td><strong>18</strong></td>
<td><strong>592</strong></td>
<td><strong>696</strong></td>
</tr>
</tbody>
</table>

*Source: Amankrah (2003) Ghana: Decent Work Statistical Indicators: Fact Finding Study, Table 3*
Figure 1 which compares the minimum monthly wage to monthly wages obtained from the Social Security and National Insurance Trust database confirms the fact that most businesses pay well above the minimum wage, making the concept of minimum wage less relevant.

Figure 1: Average Monthly Wages and Minimum Monthly Wage in 2002

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean Monthly Wage in 0.000 Cedis</th>
<th>Monthly Minimum Wage in 0.000 Cedis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Assistants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light Manufacturing Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Earnings and employment

The liberalization and market reforms throughout much of the 1980s and 1990s resulted in a significant reduction in public sector employment. Not only did public sector employment decline but wages in the sector were also suppressed leading to declining real wages. As a result, employees in the public sector resorted to moonlighting, with obvious implications for public sector productivity. Labour turnover rates also increased tremendously among remaining public sector workers. In the private sector, there is evidence that there was consolidation of allowances into basic pay, which led to significantly higher wages in the highly formal segment of the private sector compared to what pertained in the other sectors of the economy. However, probably the most significant effect of the liberalisation process was the expansion in informal sector activity.

This section has considered the productivity question from the point of view of the labour market. However, for businesses, the productivity question is far broader and the next section will analyse productivity from a broader perspective based on a survey of enterprises in Ghana.
Enterprise level productivity analysis

Worker compensation, motivation, and work attitude

On issues of compensation, motivation and work attitude, it is illuminating to discover how workers are paid, whether there are other forms of incentives for them, whether they are unionised and how they relate to work at hand.

Staff compensation

In order to determine the compensation structure of the enterprises, it was found that the majority of the enterprises do pay salary and cash allowances but there is a category of firms who pay consolidated salary with no cash allowances. The data also indicated that management staff tend to enjoy ‘salary plus additional cash allowances’ more than other staff (in the same) enterprise. Table 10 shows the distribution of the responses by the enterprises on the mode of compensation.

Table 10: Structure of compensation

<table>
<thead>
<tr>
<th>Staff Category</th>
<th>Consolidated Salary with no cash allowances (%)</th>
<th>Salary plus additional cash allowances (%)</th>
<th>Non-cash Benefits (e.g. transport, housing, canteen etc) (%)</th>
<th>Flat Daily wage (%)</th>
<th>Piece-Rate (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>28.6</td>
<td>59.2</td>
<td>4.1</td>
<td>5.1</td>
<td>3.1</td>
<td>100</td>
</tr>
<tr>
<td>Senior</td>
<td>31.4</td>
<td>51.0</td>
<td>5.9</td>
<td>3.9</td>
<td>7.8</td>
<td>100</td>
</tr>
<tr>
<td>Junior (clerical)</td>
<td>39.8</td>
<td>43.2</td>
<td>3.4</td>
<td>6.8</td>
<td>6.8</td>
<td>100</td>
</tr>
<tr>
<td>Junior (non-clerical)</td>
<td>31.1</td>
<td>28.2</td>
<td>13.6</td>
<td>10.7</td>
<td>16.5</td>
<td>100</td>
</tr>
</tbody>
</table>

When asked how frequent staff was paid, it was found that most of the staff were paid on a monthly basis (62.2 per cent). Most (54.6 per cent) were paid through the banking system on a monthly basis. Tabular representation of the distribution of frequency and mode of payment is shown in Table 11.
Table 11: Frequency and mode of salary payment

<table>
<thead>
<tr>
<th>Staff category</th>
<th>Frequency of payment</th>
<th>Mode</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Daily (%)</td>
<td>Weekly (%)</td>
<td>Fortnightly (%)</td>
<td>Monthly (%)</td>
<td>Total (%)</td>
<td>Paid cash-in-hand</td>
<td>Paid into bank account</td>
</tr>
<tr>
<td>Management</td>
<td>4.2</td>
<td>4.2</td>
<td>12.6</td>
<td>79.0</td>
<td>100</td>
<td>30.6</td>
<td>69.4</td>
</tr>
<tr>
<td>Senior</td>
<td>4.3</td>
<td>4.3</td>
<td>13.8</td>
<td>77.6</td>
<td>100</td>
<td>33.8</td>
<td>66.2</td>
</tr>
<tr>
<td>Junior (Clerical)</td>
<td>6.7</td>
<td>6.7</td>
<td>14.6</td>
<td>72.0</td>
<td>100</td>
<td>32.1</td>
<td>67.9</td>
</tr>
<tr>
<td>Junior (non-clerical)</td>
<td>13.3</td>
<td>8.2</td>
<td>16.3</td>
<td>62.2</td>
<td>100</td>
<td>45.4</td>
<td>54.6</td>
</tr>
</tbody>
</table>

The analysis also covered incentive pay schemes (bonus scheme) for staff of the enterprises. When asked about the bonus scheme, 67 per cent of the enterprises said that they have been providing the scheme to staff, whilst 33 per cent have not been using this scheme as a form of incentive to the staff. The enterprises responses are shown in Figure 2 below.

Figure 2: Incentive Scheme for Staff
The following were the various incentives schemes provided by the relevant enterprises:

- Performance bonuses at the end of the year based on performance appraisal;
- Target achievement bonuses;
- Percentage of monthly or annual basic salary, if profit is declared;
- Monthly accommodation re-imbursement;
- Monthly transportation fare re-imbursement;
- Providing flexible working hours to allow workers do their private jobs;
- Donation of enterprise’s products to workers;
- Minimum wage and salaries/wages computation.

The survey sought find out whether the enterprises used the minimum wage as a factor in computing salaries and wages for employees. The result showed that only 33% of the enterprises have been using the minimum wage as a gauge for determining salaries and wages of the employees. Figure 3 depicts the responses from the enterprises. The enterprise that responded ‘YES’ to the application of the minimum wage provided the following information on the determination of their wage compensation:

- TUC negotiations and through collective bargaining agreements;
- Minimum wage by 27 working days;
- Minimum wage as a threshold/benchmark.

But those enterprises, which use other means other than the minimum wage, indicated the following as the basis for their computation of the salary/wage:

- Salary survey based on industry earnings;
- Based on the organization’s resources;
- Based on employee experience and work speed;
- Discretion of management;
- Not well established to afford payment of the minimum wage.
Table 12 and Table 13 represent the sub-sectoral and firm size analysis of the minimum wage issue respectively.

Table 12: Use of minimum wage by firm size

<table>
<thead>
<tr>
<th>Size of Enterprise</th>
<th>Use of minimum wage</th>
<th>Total(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>2.7</td>
<td>28.6</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>11.6</td>
<td>17.0</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>20.5</td>
<td>19.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34.8</td>
<td>65.2</td>
</tr>
</tbody>
</table>

Table 13: Use of minimum wage by sub-sector

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Use of minimum wage</th>
<th>Total(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>8.2</td>
<td>18.3</td>
</tr>
<tr>
<td>Banking</td>
<td>15.8</td>
<td>16.0</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>9.0</td>
<td>32.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33.0</td>
<td>67.0</td>
</tr>
</tbody>
</table>
Social Dialogue and Poverty Reduction Strategies

On the question of whether individual salary increases and incentive pay scheme are linked to performance, 72 per cent of the respondents said ‘YES’, whilst 28 per cent said ‘NO’. At the enterprise level, Agro Processing had 14.6 per cent for ‘YES’ and 10.2 per cent for ‘NO’, Banking had 24.8 per cent for ‘YES’ and 8.5 per cent for ‘NO’, whilst Garment & Textiles had 32.6 per cent for ‘YES’ and 9.3 per cent for ‘NO’. Tables 14 and 15 indicate the distribution of the responses by sub-sector and by firm size respectively.

Table 14: Linkage of salary increases/incentive to performance by sub-sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Linkage of salary/incentive to performance</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>14.6</td>
<td>10.2</td>
</tr>
<tr>
<td>Banking</td>
<td>24.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>32.6</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72.0</td>
<td>28.0</td>
</tr>
</tbody>
</table>

Table 15: Linkage of salary increases/incentive to performance by firm size

<table>
<thead>
<tr>
<th>Size of enterprise</th>
<th>Linkage of salary/incentive to performance</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>21.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>22.9</td>
<td>5.5</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>26.6</td>
<td>13.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>70.6</td>
<td>29.4</td>
</tr>
</tbody>
</table>

Workers’ perception about salary and bonus

When asked whether employees perceive salary and bonus to be reward in recognition of their efforts, 82 per cent responded ‘YES’, whilst only 18 per cent responded ‘NO’. This is shown in Figure 4.
At the enterprise level, 16 per cent of Agro-Processing employees perceived compensation to be tied to effort, whilst 7.8 per cent had a contrary perception. Of the 33.3 per cent respondents from Banking, 29.4 per cent perceived compensation to be tied to employee’s effort but 4.0 per cent thought otherwise. With Garment and Textiles, 36.5 per cent perceived compensation to be influenced by work effort but 6.3 per cent thought otherwise. Table 16 gives a vivid representation of the responses.

Table 16: Employees perception of compensation as recognition of effort by sub-sector

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Employee perception of compensation as recognition of efforts</th>
<th>Total(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>16.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Banking</td>
<td>29.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>36.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Total</td>
<td>82.0</td>
<td>18.0</td>
</tr>
</tbody>
</table>
Social Dialogue and Poverty Reduction Strategies

It was reported that 45.7 per cent of junior staff were unionized compared to 24.8 per cent of senior staff; only 24.8 per cent were unionised with 75.2 per cent not belonging to any trade union or association. Table 17 below depicts the distribution of the responses.

Table 17: Unionization status of employees

<table>
<thead>
<tr>
<th>Staff Category</th>
<th>Yes(%)</th>
<th>No(%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior Staff</td>
<td>45.7</td>
<td>54.3</td>
<td>100</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>24.8</td>
<td>75.2</td>
<td>100</td>
</tr>
</tbody>
</table>

The salaries of 30.9 per cent of the non-unionized staff were linked directly to the outcome of the CBA. The salaries of the other 69.1 per cent were not linked to CBA. This clearly shows that most of the surveyed employers use arbitrary methods or means in determining worker salary. The responses to the question at sub-sector level are shown in Table 18 below.

Table 18: Salary revision and CBA

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Salary revision and CBA</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>3.1</td>
<td>18.6</td>
</tr>
<tr>
<td>Banking</td>
<td>21.6</td>
<td>15.5</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>6.2</td>
<td>35.1</td>
</tr>
<tr>
<td>Total</td>
<td>30.9</td>
<td>69.1</td>
</tr>
</tbody>
</table>
Staff promotion & clarity of career path

In an attempt to find out whether avenues for promotion or career progression are clear to employees, 69.1 per cent responded ‘YES’ whilst 30.9 per cent said ‘NO’. Table 19 shows the distribution of the responses by the various sub-sectors.

Table 19: Promotion and career progression clear to staff?

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Promotion and career progression clear to staff?</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>12.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Banking</td>
<td>28.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>28.5</td>
<td>11.4</td>
</tr>
<tr>
<td>Total</td>
<td>69.1</td>
<td>30.9</td>
</tr>
</tbody>
</table>

Table 20, below, sets out the reasons for the ‘YES’ and ‘NO’ responses:

Table 20

<table>
<thead>
<tr>
<th>Reason for ‘Yes’ Response</th>
<th>Reason for ‘No’ Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The HR Policy Manual is available to all with clearly stated avenues for promotion</td>
<td>• Cannot tell</td>
</tr>
<tr>
<td>• Well spelt out in recruitment policy document</td>
<td>• No formulated policy in place</td>
</tr>
<tr>
<td>• By seniority</td>
<td>• No clear cut organizational structure to enable this</td>
</tr>
<tr>
<td>• Known to staff that promotion based on performance</td>
<td>• Lack of organizational chart or documented system of career progression</td>
</tr>
<tr>
<td>• Regular communication with staff</td>
<td></td>
</tr>
</tbody>
</table>
Insurance and social security for staff

When asked whether insurance cover was available for staff, 47 per cent of the respondent said ‘YES’ whilst 53 per cent said ‘NO’. Some 53 per cent of respondents claimed that they offered pensions to their employees (through making social security contributions on their behalf). At the sub-sector level, only the banking sector appeared to be fully complying with social security provisions and contributing to their employees’ social security scheme compared to less than 10 per cent of respondents from the garment and textiles sector were and about 13 per cent in the case of the agro-processing sector.

Staff morale and attitude to work

With regard to the obviously subjective issue of staff morale, 42.4 per cent of the respondents said that the morale of the employees is high, 50.8 per cent indicated that their morale is just adequate, whilst 6.8 per cent indicated that their morale is low. Table 21 depicts the tabular representation of the responses at the sub-sector level.

Table 21: Morale of the employees

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Assessment of morale of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High(%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>6.1</td>
</tr>
<tr>
<td>Baking</td>
<td>15.2</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>21.2</td>
</tr>
<tr>
<td>Total</td>
<td>42.4</td>
</tr>
</tbody>
</table>

When asked why such scores were given, the respondents provided the following reasons for high and just adequate scores:

- Regular staff survey that helps to address staff needs;
- Work performance is always on the increase;
- Staff is always punctual, committed and willing to undertake all jobs;
- High commitment to work;
- Warm relationship between management and staff and the culture of sharing ideas together;
- Creativity encouraged in the interests of enterprise performance.
For the ‘low’ score the following reasons were given:

- There were some grievances yet to be resolved;
- Employees were not adequately motivated;
- Inadequate remuneration;
- Low wages and lack of proper motivation.

Moving beyond morale to the related issue of factors affecting productivity, worker absenteeism was (40 per cent) and staff turnover (36 per cent) were perceived to be the main factors inhibiting the productivity of workers followed by poor communication within the organization (11 per cent) and (workers not prepared to work) overtime at 8 per cent, whilst poor staff-management relations was raised by only 4 per cent of respondents. At the sub-sector level, the result showed that 50 per cent of respondents in the banking sub-sector considered productivity impaired by staff turnover, whilst absenteeism was the main factor for the other two sub sectors. Table 22 illustrates the results in a tabular form.

### Table 22: Factors adversely affecting enterprise productivity

<table>
<thead>
<tr>
<th>Factors</th>
<th>Agro-processing (%)</th>
<th>Banking (%)</th>
<th>Garment &amp; Textiles (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absenteeism</td>
<td>39.4</td>
<td>13.2</td>
<td>57.1</td>
</tr>
<tr>
<td>Staff turnover</td>
<td>27.4</td>
<td>50.0</td>
<td>30.4</td>
</tr>
<tr>
<td>Overtime</td>
<td>3.0</td>
<td>10.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Poor Communication</td>
<td>18.2</td>
<td>21.0</td>
<td>0</td>
</tr>
<tr>
<td>Poor Labour-Management Relations</td>
<td>12.0</td>
<td>5.3</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
In determining the labour factors, which influence the output of enterprises most, 36.9 per cent of the respondents said salary levels/motivation, 16.3 per cent said continuous practical training, 28.1 per cent said supervision and direction and 18.8 per cent said specialization. Clearly, if attention is given to salary levels and motivation of staff, as well as giving good supervision and direction it will go a long way to boost output at enterprise level as well as at the national level. Table 23 illustrates the responses at the sub-sector level.

### Table 23: Labour factors affecting enterprise output

<table>
<thead>
<tr>
<th>Factors</th>
<th>Agro-processing %</th>
<th>Banking %</th>
<th>Garment &amp; Textiles %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Levels/Motivation</td>
<td>34.2</td>
<td>55.6</td>
<td>28.1</td>
</tr>
<tr>
<td>Continuous Practical Training</td>
<td>15.8</td>
<td>16.7</td>
<td>19.3</td>
</tr>
<tr>
<td>Supervision &amp; Direction</td>
<td>28.9</td>
<td>25.9</td>
<td>35.1</td>
</tr>
<tr>
<td>Specialization</td>
<td>21.1</td>
<td>1.8</td>
<td>17.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Staff quality, training and job process**

The questionnaires contained a series of questions relating to staff quality, training and training needs, the induction of the staff and an assessment of job performance. Table 24 sets out the educational background of the management and the various categories of staff.

### Table 24: Minimum qualification required for staff categories.

<table>
<thead>
<tr>
<th>Staff Category</th>
<th>No Basic Education</th>
<th>BECE / JSS</th>
<th>SSS Vocational</th>
<th>Ordinary Level</th>
<th>Advanced Level</th>
<th>Diploma</th>
<th>University Degree</th>
<th>Other Professional Qualification</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>7.2</td>
<td>2.7</td>
<td>3.6</td>
<td>5.4</td>
<td>14.4</td>
<td>7.2</td>
<td>20.7</td>
<td>30.7</td>
<td>100</td>
</tr>
<tr>
<td>Senior</td>
<td>10.8</td>
<td>10.9</td>
<td>5.0</td>
<td>5.9</td>
<td>16.8</td>
<td>8.9</td>
<td>23.8</td>
<td>12.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Junior (Clerical)</td>
<td>7.1</td>
<td>4.7</td>
<td>20.0</td>
<td>11.6</td>
<td>36.6</td>
<td>20.0</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Junior (non-clerical)</td>
<td>21.7</td>
<td>34.8</td>
<td>25.4</td>
<td>12.2</td>
<td>3.5</td>
<td>2.4</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>
Staff calibre and quality

Regarding the responses to the question on staff calibre and quality as an essential factor to enhancing enterprise performance, 63 per cent of the enterprises said that staff calibre and quality is very critical for the enterprises’ performance. On the other hand, 27 per cent were of the view that staff calibre and quality is only “contributory” (meaning of variable overall value in determining performance), whilst 10 per cent said it is not essential to enhancing enterprise performance. Figure 5 illustrates the distribution of the responses.

Figure 5: How Essential is Staff Calibre & Quality for Performance

At the sub-sectoral level, the data showed that 11.5 per cent of agro-processing respondents said that staff calibre and quality is very critical to enhancing enterprise performance, 26.9 per cent in the case of banking and 24.6 per cent in the case of garment & textiles (25).
Table 25: How essential is the calibre and quality of staff

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>How essential is the calibre of staff</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very essential / critical (%)</td>
<td>Contributory (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>11.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Banking</td>
<td>26.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>24.6</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63.0</strong></td>
<td><strong>27.0</strong></td>
</tr>
</tbody>
</table>

The following were the underlying reasons for giving preference to ‘Very Essential/Critical’:

- Contribution of people’s talents are required for optimum production levels;
- Service delivery requires staff and trustworthy people of good character;
- Efficient customer service requires staff with the necessary skills, competencies and understanding of the direction of business;
- The nature of the work requires good calibre /quality staff;
- High skilled labour increase productivity.

**Staffing requirement and staff complement**

Around 57 per cent of respondents believed that they had determined their optimal staffing requirement but slightly less had actually achieved it (Table 26).

Table 26: Enterprise compliment of staff

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Required compliment of staff</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Understaffed (%)</td>
<td>At optimum level (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>9.6</td>
<td>11.2</td>
</tr>
<tr>
<td>Banking</td>
<td>11.2</td>
<td>21.6</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>26.4</td>
<td>17.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47.2</strong></td>
<td><strong>50.4</strong></td>
</tr>
</tbody>
</table>
Staff job description & understanding

In determining whether the surveyed enterprises make use of job descriptions, 65.9 per cent responded ‘YES’, whilst 34.1 per cent responded ‘NO’. For the sub-sectors, 15.5 per cent of Agro-processing responded ‘YES’, 10.1 per cent ‘NO’; Banking 31.0 per cent ‘YES’ and 2.3 per cent ‘NO’; Garment and Textiles 19.4 per cent ‘YES’ and 21.7 per cent ‘NO’ (Table 27).

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Are there job description for all jobs</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Agro processing</td>
<td>15.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Banking</td>
<td>31.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>19.4</td>
<td>21.7</td>
</tr>
<tr>
<td>Total</td>
<td>65.9</td>
<td>34.1</td>
</tr>
</tbody>
</table>

Of the enterprises that responded ‘YES’ to the above question, 76.8 per cent explained that they recruit staff in accordance with the specifications of a vacant position, whilst 23.2 per cent said they did not. At the enterprise level, 16.8 per cent of Agro-processing responded ‘YES’ and 9.5 per cent said ‘NO’; 38.9 per cent of Banking said ‘YES’ and 3.2 per cent said ‘NO’; 21.1 per cent of Garment & Textiles said ‘YES’ and 10.5 per cent said ‘NO’.

Training, training appraisal & staff appraisal

Of the enterprises surveyed, virtually all claimed that they briefed newly recruited staff about their duties and work expectation and that employees understood this briefing. Over two thirds had programmed training for employees and half claimed that this training was determined on the basis of the results of staff performance appraisals, 17.7 per cent at the discretion of the employee’s superior, 3.1 per cent at the discretion of the HR Manager/Department, 20.8 per cent no identifiable method, and 6.9 per cent used other means, which they failed to disclosed. The sub-sectoral distribution is shown in Table 28 below.
Table 28: How training needs of staff are determined

<table>
<thead>
<tr>
<th>Sector</th>
<th>Staff performance appraisal (%)</th>
<th>Discretion of the employee’s superior (%)</th>
<th>Discretion of the HR Manager/Dept (%)</th>
<th>No identifiable method (%)</th>
<th>Other (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro processing</td>
<td>12.3</td>
<td>3.1</td>
<td>.8</td>
<td>8.5</td>
<td>2.3</td>
<td>26.9</td>
</tr>
<tr>
<td>Banking</td>
<td>24.6</td>
<td>4.6</td>
<td>-</td>
<td>0.8</td>
<td>3.1</td>
<td>33.1</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>14.6</td>
<td>10.0</td>
<td>2.3</td>
<td>11.5</td>
<td>1.5</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51.5</strong></td>
<td><strong>17.7</strong></td>
<td><strong>3.1</strong></td>
<td><strong>20.8</strong></td>
<td><strong>6.9</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Of the respondents, 65 per cent identified on-the-job training as the most effective method of training. In-house formal tailored training had 16.4 per cent of the responses and 17.5 per cent for externally organized training.

With regards to how the enterprises assess the impact of training on the employee’s performance, 34.7 per cent said they normally conduct post-training evaluation, 47.2 per cent have been using the results of the staff performance appraisals, 14.6 per cent have not been assessing the impact of training and 3.5 per cent said they use other methods.

With regard to responses to the impact of training on employees’ output, 20.5 per cent said the impact is satisfactory, 28.3 per cent said is good and 37.8 per cent said is very good.

The study showed that 15.6 per cent of the enterprises appraise staff on quarterly basis, 13.3 per cent on half yearly basis, 37.5 per cent on annual basis, 11.7 per cent have not been assessing staff performance, and 21.9 per cent have been doing so on other basis, such as daily and weekly. At the sub-sector level, it was noted that banking enterprises assess most usually on an annual basis, whilst garment & textiles tend to assess staff on a short time horizon (Table 29).
Table 29: Appraisal of staff performance

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Quarterly (%)</th>
<th>Semi-annually (%)</th>
<th>Annually (%)</th>
<th>Does not assess staff performance (%)</th>
<th>Other (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro processing</td>
<td>1.6</td>
<td>4.7</td>
<td>7.0</td>
<td>7.0</td>
<td>5.5</td>
<td>25.8</td>
</tr>
<tr>
<td>Banking</td>
<td>5.5</td>
<td>2.3</td>
<td>25.0</td>
<td></td>
<td>.8</td>
<td>33.6</td>
</tr>
<tr>
<td>Garment &amp; Textiles</td>
<td>8.6</td>
<td>6.3</td>
<td>5.5</td>
<td>4.7</td>
<td>15.6</td>
<td>40.6</td>
</tr>
<tr>
<td>Total</td>
<td>15.6</td>
<td>13.3</td>
<td>37.5</td>
<td>11.7</td>
<td>21.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

To know how staff perceived the performance appraisal system, 92.6 per cent said that staff perceived it to be transparent, whilst 7.4 per cent perceived it to be subjective.

On the question of how the enterprises are rated on management commitment, punctuality, work process, down-time management, supervision and provision of required working tools, the following percentage ratings were given as shown in Table 30 below.

Table 30: Rating of enterprises productivity improvement factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Low (%)</th>
<th>Fair (%)</th>
<th>Satisfactory (%)</th>
<th>Good (%)</th>
<th>Very Good (%)</th>
<th>Excellent (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment from Management</td>
<td>1.6</td>
<td>3.9</td>
<td>8.7</td>
<td>22.0</td>
<td>29.1</td>
<td>34.7</td>
<td>100</td>
</tr>
<tr>
<td>Time consciousness / punctuality</td>
<td>5.6</td>
<td>7.9</td>
<td>18.3</td>
<td>26.2</td>
<td>29.4</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Efficiency of work processes</td>
<td>1.6</td>
<td>4.1</td>
<td>23.0</td>
<td>28.7</td>
<td>31.1</td>
<td>11.5</td>
<td>100</td>
</tr>
<tr>
<td>Down-time management</td>
<td>7.0</td>
<td>12.3</td>
<td>26.3</td>
<td>25.4</td>
<td>19.4</td>
<td>9.6</td>
<td>100</td>
</tr>
<tr>
<td>Supervision</td>
<td>2.4</td>
<td>5.7</td>
<td>8.9</td>
<td>26.1</td>
<td>36.6</td>
<td>20.3</td>
<td>100</td>
</tr>
<tr>
<td>Provision of required work tools &amp; resources</td>
<td>5.8</td>
<td>15.7</td>
<td>28.9</td>
<td>24.0</td>
<td>19.0</td>
<td>6.6</td>
<td>100</td>
</tr>
</tbody>
</table>
Effects of labour unrest

In assessing the impact of labour unrest on the productivity of the enterprises, it was found that this was not a serious issue as shown in Figure 6.

Figure 6: Effect of Labor Unrest on Productivity

Competitiveness of the enterprises

It was found that enterprises tended to consider “competitiveness” factors rather than productivity factors as being crucial to enterprise success. When asked how the products of the enterprises are marketed, 35.9 per cent said by word of mouth, 19.9 per cent said by TV and radio advertisements, 10.4 per cent said through the print media, 21.9 per cent said through sign post and billboards, and 12.0 per cent said by other means, such as trade fairs and none of the advertising methods. The responses at the sub-sector level are shown in Table 31 below.

Table 31: How products are marketed

<table>
<thead>
<tr>
<th>Medium</th>
<th>Agro-processing (%)</th>
<th>Banking (%)</th>
<th>Garment &amp; Textiles (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word of Mouth</td>
<td>41.7</td>
<td>31.4</td>
<td>37.6</td>
</tr>
<tr>
<td>TV/Radio</td>
<td>14.6</td>
<td>24.5</td>
<td>17.8</td>
</tr>
<tr>
<td>Print</td>
<td>8.3</td>
<td>13.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Signpost/Boards</td>
<td>18.7</td>
<td>28.4</td>
<td>16.9</td>
</tr>
<tr>
<td>Others</td>
<td>16.7</td>
<td>2.0</td>
<td>19.8</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
When asked whether marketing has helped the enterprises in any way, 81.3 per cent said ‘YES’; an insignificant 1.6 per cent said ‘NO’; whilst 17.1 per cent were indifferent.

Factors affecting enterprise performance & expansion plan

When asked to rate the performance of the enterprises in relation to certain factors indicated in Table 32, the scores for ‘Good’ and ‘Very Good’ dominated. This indicated that the enterprises’ performance in relation to these factors is improving; except for external supervision, which had, 28.8 per cent of the respondents giving a low score. Actually, the low score for external supervision came from the garment & textiles sub-sector. In fact, at the sub-sector levels, the respondents scored 60 per cent at least for “Good” and above. Table 29 has provided the responses of the enterprises in relation to the factors. A very high percentage of respondents had expansion plans in mind.

Table 32: Rating of factors at enterprises performance level

<table>
<thead>
<tr>
<th>Factors</th>
<th>Low (%)</th>
<th>Fair (%)</th>
<th>Satisfactory (%)</th>
<th>Good (%)</th>
<th>V. Good (%)</th>
<th>Excellent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximization of internal resources</td>
<td>4.9</td>
<td>4.9</td>
<td>17.2</td>
<td>25.4</td>
<td>30.4</td>
<td>17.2</td>
</tr>
<tr>
<td>Adherence to working ethics</td>
<td>2.4</td>
<td>6.5</td>
<td>14.5</td>
<td>29.0</td>
<td>32.3</td>
<td>15.3</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>8.6</td>
<td>9.1</td>
<td>14.5</td>
<td>27.3</td>
<td>30.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Efficiency of Production Processes</td>
<td>3.5</td>
<td>3.5</td>
<td>21.1</td>
<td>33.3</td>
<td>21.1</td>
<td>17.5</td>
</tr>
<tr>
<td>Variety and competitiveness</td>
<td>5.2</td>
<td>6.9</td>
<td>24.1</td>
<td>18.1</td>
<td>35.4</td>
<td>10.3</td>
</tr>
<tr>
<td>Market Knowledge &amp; Marketing</td>
<td>10.8</td>
<td>6.7</td>
<td>20.0</td>
<td>26.7</td>
<td>25.8</td>
<td>10.0</td>
</tr>
<tr>
<td>External Supervision</td>
<td>28.8</td>
<td>5.1</td>
<td>10.2</td>
<td>20.3</td>
<td>22.0</td>
<td>13.6</td>
</tr>
</tbody>
</table>
Enterprise perception of productivity measurement and factors

Perceptions of enterprise productivity were examined, including the how enterprises assessed output performance in terms of units produced or services rendered, output of the production worker, output of clerical staff, and output of management staff. The enterprises measure units produced or services provided as follows:

- Year by year profitability;
- Turnover;
- Feedback from customers;
- Year on year output change;
- Quality of products.

Output of the production worker was measured as:

- Profit or cost per employee;
- By setting clear & detailed targets and standards of performance with specific outcomes/ results, which output is measured against;
- Year on year output change;
- Output quality;
- Output per staff.

Services of a clerical staff were assessed as follows:

- Customer comments;
- Attainment of targets;
- Quality of service;
- Relationship with customers;
- Output per staff.

Services of the management staff were assessed in terms of:

- Change in profit and /or shareholders fund;
- Attainment of targets;
- Output per staff;
- Output per management staff.
In relation how enterprises measure the performance of staff, the following responses were provided as indicated in Table 33. The ‘Others’ category included: attainment of targets set; feedback from customers; profit declared; and staff attendance.

Table 33: Responses to staff performance measurement.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Products produced</td>
<td>47.8</td>
</tr>
<tr>
<td>Number of Units Produced Weekly</td>
<td>35.0</td>
</tr>
<tr>
<td>Speed of Production</td>
<td>20.9</td>
</tr>
<tr>
<td>Number of Defective Products per each Batch</td>
<td>6.0</td>
</tr>
<tr>
<td>We have never thought of measuring our performance</td>
<td>9.0</td>
</tr>
<tr>
<td>Others</td>
<td>27.6</td>
</tr>
</tbody>
</table>

At the sub-sector level, a multiple response showed that firms use a combination of factors in determining performance of their staff. For instance, for the garment & textiles sub-sector, 59.4 per cent determine staff performance through the quality of products produced, 51.1 per cent through units produced weekly and 57.1 per cent through speed of production. Table 34 indicates the determination of staff performance by the various sub-sectors.

Table 34: Staff performance measurement by sub-sectors

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Agro Processing (%)</th>
<th>Banking (%)</th>
<th>Garments &amp; Textiles (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Products produced</td>
<td>25.0</td>
<td>15.6</td>
<td>59.4</td>
</tr>
<tr>
<td>Number of Units Produced Weekly</td>
<td>36.2</td>
<td>12.8</td>
<td>51.0</td>
</tr>
<tr>
<td>Speed of Production</td>
<td>14.3</td>
<td>28.6</td>
<td>57.1</td>
</tr>
<tr>
<td>Number of Defective Products per each Batch</td>
<td>25.0</td>
<td>-</td>
<td>75.0</td>
</tr>
<tr>
<td>We have never thought of measuring our performance</td>
<td>50.0</td>
<td>16.7</td>
<td>33.3</td>
</tr>
<tr>
<td>Others</td>
<td>16.2</td>
<td>62.2</td>
<td>21.6</td>
</tr>
</tbody>
</table>
Conclusions: The productivity/policy nexus

The domestic orientation of many firms in Ghana means that they have only limited exposure to competition. This in turn means that there is little incentive to invest and increase levels of productivity – through technology or innovation for example. Firms in Mauritius for example are on average 4 times more efficient than even large firms in Ghana despite much lower wage rates in Ghana.

In any analysis of productivity and competitiveness the key question is how to improve current trends. Clearly, much depends on the particular sector in which an enterprise operates its size and its location among other factors but the figure below illustrates the basic policy options. For example, in case 4, if labour productivity is declining whilst capital productivity is increasing and that this implies overall an increasing capital/labour ratio, then a logical policy option would be to seek to increase labour productivity by, for example, retraining programmes. Similarly, in case 8, if both labour productivity and capital productivity are declining as well as the capital labour ratio, then there is clearly poor overall productivity performance and a need to first increase labour productivity and then capital productivity.
### Figure 7: Capital/Labour Relationship

<table>
<thead>
<tr>
<th>Case</th>
<th>IF</th>
<th>THEN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labour Productivity</td>
<td>Capital Productivity</td>
</tr>
<tr>
<td>1</td>
<td>Good productivity performance</td>
<td>Maintain or increase productivity further</td>
</tr>
<tr>
<td>2</td>
<td>Good productivity performance</td>
<td>Maintain or increase productivity further</td>
</tr>
<tr>
<td>3</td>
<td>Unfavourable productivity performance</td>
<td>Increase capital productivity</td>
</tr>
<tr>
<td>4</td>
<td>Satisfactory productivity performance</td>
<td>Increase labour productivity by: (a) Developing/identifying other jobs for displaced labour (b) Retaining displaced labour for other jobs</td>
</tr>
<tr>
<td>5</td>
<td>Poor productivity performance</td>
<td>First, increase capital productivity, and then increase labour productivity.</td>
</tr>
<tr>
<td>6</td>
<td>Unfavourable productivity performance</td>
<td>Increase capital productivity</td>
</tr>
<tr>
<td>7</td>
<td>Unfavourable productivity performance</td>
<td>Increase labour productivity</td>
</tr>
<tr>
<td>8</td>
<td>Poor productivity performance</td>
<td>First, increase labour productivity, and then increase capital productivity</td>
</tr>
</tbody>
</table>

However, the key to this type of analysis, whether at the national, sectoral or enterprise level, is to first carry out the diagnostic assessment which will allow one to delineate between the capital and labour productivity, and as this paper has shown, this is not always easy.
Social Dialogue and Poverty Reduction Strategies

At the end of the enterprise level productivity survey, the respondents were asked to rank the effect of a variety of factors affecting productivity, ranging from zero to five in order of importance. Table 35 provides the ranking of the factors and the percentage responses for each factor. It also indicates the mode score for each factor. Interestingly, basic pay and worker bonuses were not considered to have a particular strong influence on productivity which seems counter intuitive given that one would normally link higher wages with higher productivity because higher wages promote job stability, low turnover rates, efficient skill acquisition, positive employee morale, and worker loyalty, all of which lead to greater labour productivity. This might be explained by the respondents’ perception that workers were rather homogenous in terms of their skill sets and that the level of labour supply relative to demand implied that productivity was not, therefore, closely correlated to worker compensation. However, the fact that (consumer) demand, accessing loans and inflation were judged to have the highest impact on productivity might indicate some confusion on the part of respondents, as these responses might imply that they were thinking about the effect on enterprise output (or even profitability) rather than productivity per se. The modal score indicates the most occurring rating of each of the factors that affect enterprise productivity and (consumer) demand, new product development and capital adequacy figured highly in this regard, which again appears to illustrate an effect on output rather than productivity.

Table 35: Rating of factors affecting productivity

<table>
<thead>
<tr>
<th>Variables/Factors</th>
<th>0(%)</th>
<th>1(%)</th>
<th>2(%)</th>
<th>3(%)</th>
<th>4(%)</th>
<th>5(%)</th>
<th>Mode Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From Low to High</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td>7.8</td>
<td>13.0</td>
<td>25.2</td>
<td>20.9</td>
<td>11.3</td>
<td>21.7</td>
<td>2</td>
</tr>
<tr>
<td>Demand</td>
<td>3.6</td>
<td>10.0</td>
<td>15.5</td>
<td>23.6</td>
<td>30.0</td>
<td>17.3</td>
<td>4</td>
</tr>
<tr>
<td>Supply</td>
<td>8.5</td>
<td>11.3</td>
<td>23.6</td>
<td>24.5</td>
<td>21.7</td>
<td>10.4</td>
<td>3</td>
</tr>
<tr>
<td>Bank interest Rate</td>
<td>24.5</td>
<td>10.8</td>
<td>18.6</td>
<td>15.7</td>
<td>10.8</td>
<td>19.6</td>
<td>0</td>
</tr>
<tr>
<td>Physical Capital</td>
<td>6.5</td>
<td>13.9</td>
<td>25.0</td>
<td>23.1</td>
<td>19.4</td>
<td>12.0</td>
<td>2</td>
</tr>
<tr>
<td>(other Assets apart from cash)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation &amp; Levies</td>
<td>8.3</td>
<td>17.4</td>
<td>33.0</td>
<td>18.3</td>
<td>8.3</td>
<td>14.2</td>
<td>2</td>
</tr>
</tbody>
</table>
## Variables/Factors

<table>
<thead>
<tr>
<th>Variables/Factors</th>
<th>0(%)</th>
<th>1(%)</th>
<th>2(%)</th>
<th>3(%)</th>
<th>4(%)</th>
<th>5(%)</th>
<th>Mode Score</th>
<th>Score</th>
<th>From Low to High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Unrest</td>
<td>70.2</td>
<td>11.5</td>
<td>7.7</td>
<td>2.9</td>
<td>4.8</td>
<td>2.9</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers Reliability</td>
<td>15.4</td>
<td>1.3</td>
<td>26.0</td>
<td>21.2</td>
<td>13.5</td>
<td>7.7</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers’ Qualification</td>
<td>27.7</td>
<td>15.2</td>
<td>19.6</td>
<td>22.3</td>
<td>9.8</td>
<td>5.4</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers’ Experience</td>
<td>11.5</td>
<td>16.8</td>
<td>23.0</td>
<td>23.0</td>
<td>18.6</td>
<td>7.1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill Set and Quality of workers</td>
<td>7.3</td>
<td>15.5</td>
<td>31.8</td>
<td>20.0</td>
<td>18.2</td>
<td>7.3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees knowing their rights &amp; Responsibilities</td>
<td>4.5</td>
<td>17.9</td>
<td>25.9</td>
<td>24.1</td>
<td>18.8</td>
<td>0.8</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Product Development</td>
<td>21.5</td>
<td>11.8</td>
<td>21.8</td>
<td>22.7</td>
<td>13.6</td>
<td>8.2</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geographical Spread</td>
<td>13.1</td>
<td>16.2</td>
<td>30.3</td>
<td>22.2</td>
<td>14.1</td>
<td>4.0</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans Application Procedure</td>
<td>26.8</td>
<td>8.0</td>
<td>21.4</td>
<td>13.4</td>
<td>10.7</td>
<td>19.6</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Capital (Capital Adequacy)</td>
<td>11.3</td>
<td>7.8</td>
<td>22.6</td>
<td>26.1</td>
<td>20.9</td>
<td>11.3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Pay</td>
<td>24.8</td>
<td>17.8</td>
<td>32.7</td>
<td>11.9</td>
<td>8.9</td>
<td>4.0</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Bonus</td>
<td>29.5</td>
<td>20.0</td>
<td>24.8</td>
<td>15.2</td>
<td>5.7</td>
<td>4.8</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Medicals</td>
<td>37.8</td>
<td>18.4</td>
<td>16.3</td>
<td>16.3</td>
<td>7.1</td>
<td>4.1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Transportation means</td>
<td>50.5</td>
<td>15.8</td>
<td>15.8</td>
<td>8.4</td>
<td>7.4</td>
<td>2.1</td>
<td>0</td>
<td></td>
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</tr>
<tr>
<td>Leave Bonus</td>
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<td>13.7</td>
<td>11.6</td>
<td>4.2</td>
<td>2.1</td>
<td>4.2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit Base</td>
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<td>14.3</td>
<td>16.7</td>
<td>10.7</td>
<td>10.7</td>
<td>16.7</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Operating Hours</td>
<td>10.5</td>
<td>12.4</td>
<td>32.4</td>
<td>25.7</td>
<td>15.2</td>
<td>3.8</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>28.7</td>
<td>21.3</td>
<td>21.3</td>
<td>17.6</td>
<td>4.6</td>
<td>6.5</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>11.5</td>
<td>17.7</td>
<td>28.3</td>
<td>18.6</td>
<td>15.0</td>
<td>8.8</td>
<td>2</td>
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</tr>
</tbody>
</table>

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The foregoing data appears to indicate that enterprises in both the formal and informal sectors do not generally operate within strategically established parameters thus resulting in relatively high production and operational costs and relatively weak financial performance in real terms. Consequently, these problems constrain the growth and employment generation ability of the enterprises. Also, as illustrated earlier, wages and salaries of workers are being determined by factors that are exogenous to productivity such as reviews in prices of fuel and utility tariffs as part of government fiscal policy management. It has also been shown that over 97 per cent of enterprises pay at or above minimum wage levels (see Figure 1) and that the level of minimum wages against average wages has deteriorated significantly.

In sum, although there appear to be a variety of factors affecting enterprise productivity and, not surprisingly, the importance of these actors will vary according to the sector of the economy, the location of the enterprise, the size of the enterprise and its legal status etc., wage rates and worker compensation does not appear to be a major driver of productivity improvement. This implies that the attention given to productivity improvement in documents like the GPRS and in labour relations policy and practice should not be guiding by discussions on wage rates which are likely to be fairly benign factors in the pursuit of improved productivity, greater competitiveness and ultimately the enhanced levels of economic growth which are necessary to further reduce poverty in Ghana. Rather, the focus should be on other factors such as improved macroeconomic management of the economy and by reform of the structural factors impeding growth.
This chapter was written by Graeme Buckley in November 2004 and is largely based on two separate consultants’ reports: one on productivity prepared by A-BAS (a Ghanaian consultancy company) for the Ghana Employers’ Association and the other on wages and incomes policy, prepared by ISSER of the University of Ghana for the Ghana Trades Union Congress. Reference is made to Porter’s value creation. See M. E. Porter, *Competitive Advantage. Creating and Sustaining Superior Performance* (New York, Free Press, 1985).

The following analysis is based on an ILO funded survey undertaken by A-BAS (a Ghanaian consultancy company) for the Ghana Employers’ Association in late 2003. They surveyed 150 enterprises (virtually all of which were formally registered) covering the agro-processing (26 percent of respondents), banking (32 percent of respondents) and garment and textiles (42 percent of respondents) sectors in four regions of the country (Greater Accra, Ashanti, Eastern and Central). The survey instrument (a questionnaire) was administered in situ by a fieldworker. In most cases, the respondent was the owner of the business. Some 30 percent of respondents were women owned enterprises and over half had completed secondary education (over a third had completed tertiary education). About 31 percent were small enterprises (1-5 employees); 28 percent medium (6-29 employees), and 41 percent were large (30 or more employees). For more details see A-BAS (2004).

Remembering that the respondent was, in most cases, the owner of the enterprise, there may be some inbuilt biases in the responses to these types of questions.

PART 3
TOOLS FOR PRACTITIONERS
The ILO places great emphasis on developing practical tools for helping its staff, constituents and others involved in decent work, to engage in policy dialogues. The following two guidebooks have proved a valuable resource in many contexts: in awareness raising and training, in helping to design and evaluate the PRSP participatory process, in advocacy work around worker, employer and gender issues, and in discussion and debate between all those with an interest in the development of poverty reduction strategies. Both guidebooks have been edited from their original published versions for the purposes of inclusion in this book.

The first guidebook - *Social Dialogue and Poverty Reduction Strategies: A Guide to the Integration of Gender Equality* - is designed to help raise the issue of gender inequality in poverty reduction strategies, and particularly in the process of consultation and participation of ministries of labour and social partners when countries are developing a Poverty Reduction Strategy Paper (PRSP). Poverty is experienced differently by men and women. Measures to alleviate poverty need to address gender issues. Inequalities between men and women have an enormous bearing on attempts at poverty alleviation, not only for women themselves but also for their children and other dependants. In the labour market, gender based discrimination enhances the risk of becoming poor, and reduces the chances of escaping from poverty.

Gender inequality is aggravated by formal laws, written and unwritten norms, and societal beliefs. In many cultures, women at all levels of society are not allowed to own property or to have access to resources such as land, technology or credit. Women are also often excluded from participation in decision-making. As a consequence, women’s interests and aspirations, knowledge and contributions are very often not taken into account, and women find themselves denied their fundamental human rights. This fact makes gender inequality one of the most pervasive forms of social disadvantage. Gender inequality reinforces other forms of inequality, exacerbates the effects of poverty on women, and sustains existing social and economic discrimination. The development of a Poverty Reduction Strategy Paper offers considerable opportunities to advance gender equality, within the broader context of support for the Decent Work agenda promoted by the ILO, as a precondition for sustained social and economic development truly centred on people and based on their aspirations.

This guide is specifically aimed at developing expertise to integrate gender equality into countries’ poverty reduction strategies. It is the result of an initiative by the ILO InFocus Programme on Social Dialogue, Labour Law and Labour Administration (IFP/DIALOGUE). The guide illustrates the positive implications of integrating a gender perspective in formulating and developing a PRSP through social dialogue. The guide shows how an approach based on
gender analysis can assist labour ministries and social partners in investigating the causes and consequences of gender inequality in the world of work, facilitating the development of recommendations to guarantee decent work for men and women as an effective way of alleviating poverty.

The guide consists of five modules. For countries which are at the beginning of the process of producing a PRSP, users are encouraged to use all five modules in sequence. Where countries have already embarked on the PRSP process, users may prefer to undertake modules separately, as appropriate for their particular circumstances. The first module acts by way of an introduction, explaining the background to PRSPs and outlining the process whereby a PRSP is prepared by the country concerned. It points out why a high level of participation by ministries of labour, social partners, civil society organizations and other groups during the preparation of the PRSP helps to strengthen the document produced, and why it is important to ensure that women are adequately represented in the consultations. The module explains how to integrate the Decent Work agenda into this process and also why it is appropriate and indeed essential, to ensure that gender issues are incorporated into PRSP consultation and debates. The remaining modules follow the same format: themes are introduced by a set of questions and answers, and are followed by a series of checklists. The checklists, which are designed to assist users to look closely at the current situation in their own countries relating to gender issues and Decent Work, can be adapted to fit the social and cultural needs of participants. Both men and women are encouraged to undertake the checklist exercises. Several of the modules also include ideas for follow-up activities, which can reinforce the steps being taken to address the issues. Monitoring and evaluating the progress being made towards gender equality is also a key task, and several modules include suggestions here. Finally, some modules include additional useful background material.

The guide is the product of an ILO project financed by the Dutch and the UK Governments (DFID). The Guide was designed and developed by Margarita Zambrano, a Gender Expert and Consultant with IFP/DIALOGUE. Contributions were made by Alana Albee, Graeme Buckley, Giuseppe Casale, Amelia King-Djardin, Shauna Olney, Elena Pisani, Marleen Rueda-Catry and Linda Wirth. Additional editorial work was undertaken by Andrew Bibby.

The second guidebook - *Positive Action: Reducing Poverty Through Social Dialogue* (A Guidebook for Trade Unions and Employers’ Organizations) - is aimed at helping trade unions and employers’ organizations to take an active role in the PRSP process through social dialogue. Through their participation, workers and employers can make a worthy contribution to poverty reduction, economic development and social justice. The International Labour Office (ILO) has been working not only with the international community, but also helping tripartite
constituents in member States develop an effective strategy for reducing poverty and contributing to the goal of decent work for all. This guidebook has been prepared based upon the ILO’s experiences of assisting tripartite partners, primarily in Cambodia and Viet Nam, but also other Asian countries. However, it can be used in any PRSP country, and contains practical and universal lessons on how representatives of labour organizations can participate in the PRSP process. The guidebook targets leaders and officials of social partner organizations who want to contribute to and influence the national decision-making process on poverty reduction.

The guidebook was written by a consultant, Rosalind Harvey and edited by Chang-Hee Lee. It drew on inputs from many others including Yukiko Arai, Graeme Buckley, Seng Bunly, Giuseppe Casale, Guillemette Jaffrin, Moazam Mahmood and Nuon Rithy. The guide and the work it describes is the product of an ILO project financed by DFID.

1 See 1

2 See
   -03.pdf
CHAPTER 11
SOCIAL DIALOGUE AND POVERTY REDUCTION STRATEGIES: A GUIDE TO THE INTEGRATION OF GENDER EQUALITY

Integration of gender equality in the PRSP process through social dialogue

Building Blocks of Participation in the PRSP Process

I Advocacy for Gender Equality
Engaging social partners and seeking their commitment to promote and ensure gender sensitive participation

II Gender Analysis of Poverty and World of Work
Undertaking gender analysis of the world of work

III Policy Responses for Decent Work
Managing gender responsive policies for decent work

IV Monitoring and Evaluation of Gender Equality Targets
Strengthening practices to foster gender equality in the monitoring and evaluation stages of the poverty reduction strategies
Module I: Poverty reduction strategies, social dialogue and gender equality

Objectives:

To better understand the content, process and objectives of participation in the development of a Poverty Reduction Strategy Paper, and to reach a common understanding of gender equality as a guiding principle.

What is a Poverty Reduction Strategy Paper?

Poverty Reduction Strategy Papers (PRSP) are a key tool in the Comprehensive Development Framework developed by the World Bank since 1999. PRSPs are designed to take into account the human as well as the economic aspects of development.¹

A PRSP describes, for each country, both the economic framework and the social policies and programmes which are needed to promote growth and to reduce poverty. The document is prepared by the country’s government, through a participatory process which should involve the social partners (employers’ and workers’ organizations) and other civil society organizations, and in collaboration with the World Bank, the International Monetary Fund (IMF), United Nations agencies and other development partners. Once completed, the PRSP constitutes the basis on which external financial assistance is offered.

What are the principles of the PRSP process?

According to the World Bank, PRSPs are designed to be “country-driven, comprehensive in scope, partnership-orientated, and participatory”.

The core principles to be used in the development and implementation of a country’s PRSP can be summarized as follows:

- As a sense of ownership by the country. There should be broad-based participation in the creation and implementation of the PRSP, so that it produces actions appropriate to the local context;
- A results-orientated approach. The PRSP should be focused on outcomes to benefit the poor;
- The establishment of priorities, which recognize the multidimensional nature of poverty;
A partnership approach. The PRSP process requires coordination with a wide range of internal and external partners;

A progressive approach. The PRSP should aim to adopt a long-term approach to poverty reduction, based on a process of societal transformation.

**What are the contents of a PRSP?**

Each country’s PRSP will generally include:

- An account of the participatory process undertaken in the development of the PRSP;
- A poverty diagnosis. This includes a description of the nature and determinants of poverty, including its geographical distribution; an understanding of poverty in terms of both its income and non-income aspects (this in turn includes an understanding that men and women can experience poverty in different ways); the public actions already taken to reduce poverty;
- Cross-sectoral strategies, governance issues, public expenditure management issues;
- Policy measures and anticipated risks;
- Targets, indicators and monitoring systems for the evaluation of progress in the implementation of the PRSP.

**What are the steps required for the development and completion of a PRSP?**

The first stage in the process of developing a PRSP is the preparation by the government of an Interim-PRSP (I-PRSP). This is designed to be a summary of the current knowledge and analysis of a country’s poverty situation, a description of proposed public actions under the first phase of the poverty reduction strategy and of ways to monitor and evaluate these actions, and information on how the fully developed PRSP is to be prepared, including details of the participatory process;

the Interim PRSP and – once completed – the final PRSP are submitted to the World Bank;

the World Bank’s assessment of the PRSP takes the form of a Joint Staff Assessment (JSA) which includes recommendations and suggestions;
once the PRSP is approved and assistance is provided, countries are responsible for its implementation;

thereafter, annual progress reports are submitted to the World Bank and IMF; revisions of the PRSP are undertaken every three years.

*Why is participation crucial in the PRSP process?*

The poor are very often excluded from exerting any influence over the structure and decisions of institutions which directly affect their lives. This lack of participation and lack of voice helps to perpetuate poverty. It holds back the development of human capabilities.

The process of developing an effective poverty reduction strategy should be an empowering one. The requirement that each PRSP should be formulated, implemented and monitored by people in the country concerned stresses the participatory nature of the PRSP development process and the need to involve groups and individuals who are often excluded.

Participation of civil society organizations, including the participation of poor women and poor men and of their representatives, at all stages in the development of the PRSP increases transparency in decision-making, creates a sense of collective ownership for the PRSP strategy, and helps ensure that the strategy adopted will be sustainable.

An assessment carried out on a regular basis into who is participating, how they are involved, and the impact of their contributions helps strengthen this process. This assessment can usefully look at the constraints and opportunities for specific groups to participate, and can therefore alter resource allocations as appropriate to improve the participatory process.

*How is poverty to be defined?*

Poverty is a multidimensional concept, and there are many different elements of deprivation. These can include the economic (levels of income, access to decent work), the human (such things as health and education), the political (empowerment, and the right to vote and to community participation), the social and cultural (status and dignity) and the protective (security and levels of protection from risk and vulnerability). Deprivation in each of these areas hamper the realization of human capabilities.

In adopting strategies to tackle poverty, it is not enough therefore to measure income levels alone. PRSPs need to incorporate both “income” and “non-income” factors.
What is ‘Decent Work’ and how does it relate to the PRSP process?

The ILO has committed itself to work to secure decent work for men and women everywhere. Decent Work is, as the ILO Director-General has said, “the most widespread need, shared by people, families and communities in every society, and at all levels of development”. 2

The Decent Work initiative aims to set a threshold for work and employment which embodies universal rights, within the context of each society’s values and goals. Decent Work is the synthesis of four strategic objectives:

- greater employment and income opportunities for women and men;
- safeguarding and extension of systems of social protection;
- realization of fundamental principles and rights at work;
- promotion of social dialogue.

These objectives are closely interwoven. Respect for fundamental principles and rights is a precondition for the construction of a socially legitimate labour market, employment creation is the means for raising living standards and widening access to incomes, while social protection provides the means to achieve income security and a secure working environment. Social dialogue is the means by which workers, employers and their representatives engage in debate and exchange ideas on appropriate ways forward.

Decent Work is designed to be a dynamic concept, evolving with social, cultural and economic changes. It applies to both paid and unpaid work, in both the formal and informal economy.

One way to test the relevance of a PRSP is to measure the interest it demonstrates for developing an agenda for Decent Work, as a contribution to poverty reduction.

What are the objectives achieved by social dialogue in the PRSP process?

The concept of social dialogue is a key element of the ILO’s Decent Work initiative. The aim is for employers’ and workers’ organizations, as social partners, to discuss and negotiate, within a free and democratic environment, their concerns relating to the promotion and protection of their interests. Social dialogue has as its foundation the bank of international labour standards, as formally agreed at the tripartite International Labour Conferences. (Tripartite in this context means that governments, employers’ and workers’ representatives are all represented). Social dialogue, when operating effectively, can help the application of international labour standards (both through changes in law and in
practical changes), fostering the protection of freedom of association and the right to organize and bargain collectively.

The consultative nature of the PRSP process offers important opportunities to employers’ and workers’ organizations and labour ministries within individual countries to engage in meaningful social dialogue to consider steps to relieve poverty, as well as more generally to analyse issues which relate to the world of work in their country.

In PRSPs prepared up to now, however, the social partners have sometimes expressed frustration that their views and potential support appear to have been undervalued. This underscores two elements that can hamper the development of social dialogue on poverty reduction:

- restrictions on the freedom of workers and employers to associate and form or join organizations of their own choosing in PRSP countries;
- insufficient consideration given to their views beyond the initial preparatory effort.

This is not inevitable, however. In countries such as Cambodia, Honduras and the United Republic of Tanzania, social dialogue during the process of preparing the PRSP has seen trade unions, employers and labour ministries together contributing their views and visions for the development of effective poverty reduction strategies.

Strengthening the voice, organization and democratic participation of the poor is central to the fight against poverty. Decent Work, a concept that brings together the economic and ethical goals of expanding people’s opportunities and human capabilities, is a mission that governments and the social partners can together take on together.

**Why does gender equality need to be addressed in the PRSP process?**

Gender equality in this Guide means both equality of treatment under the law and equality of opportunity for men and women. It also refers to a clear-cut commitment to take into account the differences in characteristics and circumstances of women and men to prevent unfair gender-related results.

As mentioned above, there are differences between the ways in which women and men experience poverty and its outcomes. For example women can experience more vulnerability and greater exclusion from political engagement compared to men. An understanding of the gender dimensions of poverty can significantly change the priorities established under a PRSP for tackling poverty.

The aim is to ensure that all groups of the poor share the benefits of a poverty reduction strategy. However, differences between men and women’s needs are
often not fully recognized during the process of consultation and participation prior to agreeing on the PRSP the World Bank itself has drawn attention to address issues of gender equality and inequality in the production of a PRSP.

**Why is women’s participation in the PRSP process critical?**

Participation and representation of women in workers’ and employers’ organizations and in government agencies is vital in developing gender sensitive analysis and interventions in the participatory process of preparing a PRSP. Women’s ability to act as fully engaged participants depends as much on access to the participative process, particularly to decision-making, as on the legitimacy of their contributions as equal members of the workforce and of society. Democratic consultation of women will make PRSPs more effective for all.

**How can gender-related poverty be diagnosed?**

As mentioned above, poverty is multidimensional in nature and it is not adequate simply to measure income levels alone. The work of producing a PRSP will need to look at other non income factors, for example access (or lack of access) to and distribution of resources, control (or lack of control) over productive resources and assets, degrees of vulnerability experienced, and the extent of participation in political and economic institutions. In many of these areas it may well be that women will experience greater levels of deprivation than men.

The measurement and analysis of poverty has several purposes: cognitive (to know the situation); analytical (to understand the causal or correlated factors), policy-making (to design interventions), and monitoring and evaluation purposes (to assess whether current policies are effective, and whether the situation is changing).

Poverty analysis which aims to identify the gender dimensions of poverty should – as a minimum – highlight the following: any gender bias in macro-economic and structural policies, the role of gender inequality in the creation and perpetuation of poverty; the experiences of poverty for women and men; the effects of policy and resource allocations on women and men.

Poverty profiles are generally obtained from household surveys, and from national indicators of human development. Participatory poverty assessments, by contrast, are opportunities to learn directly about the views of women and men – for example, by exploring any gender differences in the time allocated to perform tasks and activities in the course of everyday life. It is valuable, when undertaking a participatory poverty assessment, to identify social categories such as age, gender, ethnicity/religion, culture, location, occupational status and type of household. It is also valuable to identify the gender dimensions of vulnerable and
socially excluded groups (such as indigenous people, refugees and displaced persons, minority groups, street children, the disabled, and persons living with HIV/AIDS).

How can gender issues be integrated in social dialogue and the PRSP process?

Members of the organizations engaged in social dialogue, men and women alike, have a unique opportunity in the work of preparing a PRSP to raise gender concerns and interests.

It is valuable if social partners analyse critically how poverty is associated with gender inequality. An understanding of the gender element in poverty stimulates participants to discover the underlying causes, so that remedial measures can be included in the poverty reduction strategy adopted.

What is the contribution of the ILO to the PRSP process?

The ILO began a partnership with the World Bank and the International Monetary Fund in mid-2000 to bring the Decent Work agenda into the arena of poverty strategies, and to demonstrate the value of consultation between governments, employers’ and workers’ organizations in ensuring that there was a sense of ownership in each country’s PRSP.

Since then, the ILO has been working in various countries to create opportunities for employers’ and workers’ organizations to participate in the PRSP process and to help strengthen the role of labour ministries in the various areas falling within their responsibility. The consultative process has brought to light some failures to reach tripartite agreement in the development of PRSPs.

For the ILO one test of the relevance of PRSPs is the degree of interest expressed by governments, employers’ and workers’ organizations in developing and prioritizing areas of the Decent Work agenda as a way out of poverty.
### Table 36: Relations between the PRSP process, tripartite consultation, social dialogue and gender equality

<table>
<thead>
<tr>
<th>PRSP process</th>
<th>Tripartite consultation and social dialogue</th>
<th>Gender equality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation</td>
<td>Representation and interaction of the social partners and the government, as stakeholders in the PRSP process</td>
<td>Representation, voice and legitimacy of gender issues</td>
</tr>
<tr>
<td>Diagnosis and results orientation</td>
<td>Information, constructive debate and priority setting</td>
<td>Gender analysis, selection of key gender-related policy actions, selection of targets and indicators for gender equality</td>
</tr>
<tr>
<td>Implementation, monitoring and evaluation</td>
<td>Ad hoc or formally institutionalised meetings and procedures to take part in annual reviews, preparation of briefs and position papers, monitoring of progress, influence of next policy actions</td>
<td>Advocacy for sustaining and advocating gender sensitive policy actions</td>
</tr>
</tbody>
</table>
### Social Dialogue and Poverty Reduction Strategies

#### Checklist 1: What is the status of participation, social dialogue and gender equality in the country?

<table>
<thead>
<tr>
<th>Public Consultation and the PRSP</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Are you/your organization informed about the PRSP process and its role in poverty reduction?</td>
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<tr>
<td>2. Do you know about the nature and objectives of the participatory process and who are the actors involved in the participation?</td>
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<td>3. Are you aware of groups or structures that have not been contacted?</td>
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<td>4. Does the tripartite structure in the country (government, employers’ and workers’ organizations) deal with issues of poverty reduction and the PRSP process?</td>
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<tr>
<td>5. Have the social partners and government been informed about the role that institutions can play to promote gender equality in the PRSP?</td>
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<td>6. Have you or your organization had an active role throughout the consultation process (submission of position papers, annual reviews, coordination, etc.)?</td>
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<td>7. Have women’s groups been consulted in the development of poverty reduction strategies and PRSP?</td>
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<td>8. Do these groups have access to decision-making, possibly together with other stakeholders?</td>
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<td>9. Are there mechanisms within the government for broader consultation – both vertical and horizontal? (PRSP committees, inter-ministerial committees, PRSP coordinating units, etc.)?</td>
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<td>10. Has the proportion of women who are members of these mechanisms been ascertained?</td>
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<td>11. Are women from civil society represented in the consultative or participatory process of the PRSP?</td>
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<td>12. Is there a position paper from groups of civil society and/or the women’s movement addressing gender equality concerns considered by the PRSP?</td>
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<tr>
<td>13. Have budgetary resources been allocated to secure meaningful and effective participation of women in the PRSP process?</td>
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<tr>
<td>Policy Environment for Gender Equality</td>
<td>Yes</td>
<td>No</td>
<td>Do not know</td>
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<tr>
<td>----------------------------------------</td>
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<td>------------</td>
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<tr>
<td>1. Are there focal points for gender equality issues in workers’ organizations?</td>
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<td>2. Are there focal points for gender equality issues in employers’ groups?</td>
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<tr>
<td>3. Are there focal points for gender equality issues in ministries?</td>
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<td>4. Are the members of the PRSP Secretariat aware of gender equality issues?</td>
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<td>5. Have those responsible for organizing and coordinating the consultation process received training on gender?</td>
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<td>6. Does the country have an up-to-date National Policy on Women?</td>
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<td>7. If so, did women participate in its formulation and design?</td>
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<td>8. Has this policy been discussed during the consultation process?</td>
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<tr>
<td>9. Have budgetary resources been allocated in the PRSP for the implementation of activities addressing gender issues of concern in the world of work?</td>
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<tr>
<td>10. Has the country ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)?</td>
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<tr>
<td>11. Do the social partners provide inputs to the CEDAW follow-up report?</td>
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<tr>
<td>12. Has the country ratified ILO Conventions on gender specific protection to ensure equality of women in the workforce (e.g. the Maternity Protection Convention, 2000 (No. 183))?</td>
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<td>13. Has the country ratified ILO fundamental Conventions (i.e. Equal Remuneration Convention, 1951 (No. 100) and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), and the Workers with Family Responsibilities Convention, 1981 (No. 156))?</td>
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<tr>
<td>14. Are there any national sub-regional policies on gender equality?</td>
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</table>
## Social Dialogue and Poverty Reduction Strategies

<table>
<thead>
<tr>
<th>Policy Environment for Social Dialogue</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is there a tripartite structure in the country?</td>
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<tr>
<td>2. Are there mechanisms for consultation and communication between the social partners (employers’ and workers’ organizations) and the government?</td>
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<tr>
<td>3. Do the social partners coordinate activities with civil society groups, grass roots or community organizations?</td>
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<td>4. Is the proportion of members of these mechanisms gender balanced?</td>
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<tr>
<td>5. Are the members of the institutions of social dialogue aware of gender equality deficits in their own structures?</td>
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<tr>
<td>6. Do institutions or mechanisms promoting harmonious labour relations in the country participate in the PRSP process?</td>
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<td>7. Have these groups undertaken consultations on poverty and gender equality?</td>
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<td>8. Are organized branches of women from unions, workers’ and employers’ associations, informal grass roots associations etc., currently engaged in social dialogue?</td>
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<tr>
<td>9. Has the country ratified the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)?</td>
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<tr>
<td>10. Is there an active policy of examining any other forms of discrimination (e.g. ethnicity, age, geographical origin, sexual orientation, religion) in the world of work?</td>
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<tr>
<td>11. Have any gender equality issues been prioritized or negotiated by the social partners?</td>
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<tr>
<td>12. Is there any restriction based on gender on the freedom of workers to form or join organizations of their own choosing?</td>
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<tr>
<td>13. Is research or reporting undertaken on the factors conducive to the meaningful participation of women and men in social dialogue?</td>
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### Comments and/or additional observations

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Module II: Advocacy for gender equality

Objective:
To obtain the commitment of government officials and employers’ and workers’ organizations to engage in identifying gender equality deficits; and to ensure gender balance in participation and representation in the development of Poverty Reduction Strategies.

What do we mean by ‘gender’?
Gender is a concept that refers to the social construction of differences and commonalities, equalities and inequalities, and power relationships between women and men.

It can also refer to factors which encourage women and men to develop and conform to expectations about their roles and responsibilities.

In the world of work, gender has been an influential concept in understanding the role that societies play in shaping the division of labour between men and women and in regulating, valuing and assigning the work undertaken by them. Analysis over time and across societies and cultures tends to show that women are more likely than men to be negatively affected by this gender division.

Gender inequality is likely to be linked to other forms of inequality, both between different groups in a society (such as those based on race, class and ethnicity) as well as those internal to households (such as age, marital status, sexual orientation and physical ability).

Why is gender equality crucial for poverty reduction?
Women have entered the labour market in great numbers in recent years and today comprise 41 per cent of the paid labour force worldwide. Regionally, their contribution (using data for the age range 20-54 years) is also significant: 58% in Africa, 64% in Asia, 46% in Latin America and the Caribbean, 69% in Europe, and 73% in North America.

However this increase has not been accompanied by improvements in their employment status and working conditions.

According to a recent ILO report more women than men occupy low-paid and the least secure jobs. Their access and control over productive resources is more restricted. Women have fewer opportunities to obtain training, to advance their career and to be promoted. Unemployment rates have almost always been higher for women than men.
In many cases, women are working not in regular full-time wage employment but as contract labour, in home-based working, part-time working or self-employment, forms of working which are associated with a rise of the informal economy. A higher percentage of women than men work in the informal economy and the link between the informal economy and being poor is more prevalent among women than among men. Women are also concentrated in the lower-income segments of the informal economy – in survival activities or as casual wage workers or homeworkers.

In most parts of the world, women have more difficulty in finding employment. The number of women in decision-making positions is extremely low. Women hold one to three per cent of top executive jobs in the private sector and trade unions. Also, women’s efforts to gain independence and run their own businesses encounter obstacles when compared to the efforts of their male counterparts.

At the level of the household and the community, women have the primary responsibility for caring and domestic work. Women’s unpaid agricultural work and housework, which accounts for about one-third of the world’s economic production, continues to be devalued, under-rewarded and unprotected.

Discrimination based on gender is pervasive and has not yet been eliminated. If women who comprise half of the world’s population experience inequality and deprivation, a significant percentage of the labour force cannot contribute fully to their country’s development. The elimination of gender-based discrimination regardless of the place of work is indispensable to any viable strategy for poverty reduction and sustainable economic development.

**Why is gender equality central to social dialogue?**

There is a risk of bias against women being integrated into the design and implementation of development policies and programmes, and this risk applies to the PRSP process.

The risk of the PRSP reinforcing entrenched inequality needs to be addressed in the participatory process from the outset, bearing in mind that gender inequality is routinely reflected in the groups being consulted. The social partners and governments have a crucial role to play in tackling this issue. This process is one where social partners, first, endorse an ethical and operational commitment to recognize gender-based inequality, secondly undertake to research its causes and factors, and thirdly commit themselves to proactively challenge everyday practices, norms and symbols that may reinforce inequality.

The integration of gender equality in social dialogue has a number of aspects:
Analyzing the structure of the social partner organizations themselves, the roles that women and men perform within them, the responsibilities assigned, and the value given to individuals’ contributions;

Undertaking a comparative analysis of the situation of women and men in the world of work and the labour market, including an analysis of the structure and mechanisms of participation and representation of the labour institutions (this is considered in more detail in the next module);

Selecting priority actions, gender sensitive indicators, and monitoring and evaluation procedures in the four strategic objectives of Decent Work which can contribute to gender equity in the world of work (this is explored in later modules in this report);

Strengthening social dialogue to sustain fair and meaningful participation in the implementation, monitoring and evaluation of the PRSP;

Allocating budgetary resources to support participation of women as leaders, experts and advocates of gender equality in the world of work.

Checklist 2: What capacity and advocacy skills are available to the social partners and government officials to enable them to contribute on issues of gender equality?

<table>
<thead>
<tr>
<th>Capacity and Expertise</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are there structures for the advancement of women in workers’ and employers’ organizations?</td>
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<tr>
<td>2. Are human and financial resources earmarked for gender-equality issues in the above organizations?</td>
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<tr>
<td>3. Is there a strategy or programme aimed at improving the capacity of the social partners on gender issues?</td>
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<tr>
<td>4. Have the needs for skills development being identified by the social partners and the Ministry of Labour?</td>
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<tr>
<td>5. Are gender-related data from national statistics being analysed by ministries, workers’ and employers’ organizations, NGOs, women’s groups or others during the PRSP process?</td>
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<tr>
<td>6. Are the social partners or the Ministry of Labour aware of gender inequality issues in their own structures?</td>
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</table>
### Social Dialogue and Poverty Reduction Strategies

<table>
<thead>
<tr>
<th>Mobilization for Gender Equality in the Social Dialogue Institutions</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Have gender experts/specialist groups been contacted to support the PRSP process?</td>
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<tr>
<td>2. Is there a policy of affirmative action or equality of opportunity within the social dialogue institutions?</td>
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<td>3. Is there real participation by women in workers’ and employers’ organizations at all levels?</td>
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<td>4. Are social partners working together with national women’s networks?</td>
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<tr>
<td>5. Do the social partners consult and/or exchange information with civil society groups on gender issues?</td>
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<tr>
<td>6. Can alliances to strengthen gender equality approaches to the contents of the PRSP be established?</td>
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<tr>
<td>7. Have educational or awareness-raising activities been organized to improve the integration of key gender issues in the PRSP?</td>
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<tr>
<td>8. Has the PRSP Secretariat taken initiatives to promote gender-balanced participation?</td>
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<tr>
<td>9. Is there a budgetary allocation within the institutions to promote gender equality?</td>
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#### Comments and/or additional observations

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Follow up tasks and activities

Select from the list below tasks or activities to improve capacity concerning gender equality, promoting gender balance in participation, and/or proportional representation in promoting gender equality as stakeholders.

Capacity and Expertise

- Identify promoters of women workers’ rights and gender equality in the country;
- Create a task force to raise gender issues in the PRSP process;
- Ensure the PRSP lead committee has access to expert advice on gender issues;
- Discuss ways in which you could contribute knowledge and analysis to the PRSP process;
- Identify research available relating to women’s concerns, constraints and aspirations;
- Assess the availability and quality of data broken down by gender;
- List specific policies, plans or targets for improving the position of women in workers’ and employers’ organizations;
- Set up events to evaluate the training, advocacy, financial, or organizational needs of the social partners, to improve their role in raising issues of gender equality; select relevant analysis from position papers, briefing notes, newsletters etc. and make it available to social dialogue meetings and consultations.

Advocacy for Gender Equality

- Develop working plans with other organizations and groups working for gender equality and empowerment of women;
- Hold meetings to discuss actions of workers’ and employers’ organizations to reach out to non-organized workers and small producers;
- Encourage participants to set up events to discuss actions to promote equality of women (e.g. measures to protect women from sexual harassment in the workplace, workshops to discuss commitments under the Beijing national plan of action – see below);
- Set up innovative and non-traditional means of soliciting participation of community members, especially women and girls; (for example, hold sessions
in places where women traditionally gather, or provide services to women to enable them to leave their daily tasks);

- Set up events (e.g. using local media, or through community festivities) to raise awareness about the presence and strength of women as organized constituencies for gender equality;

- Organize events where women hold roles and positions of leadership at all levels (for example, women panel members, facilitators or speakers);

- Regularly publicize figures on participation by gender in PRSP participatory events;

- Establish working relations between offices or units of the ILO, national units, and un bodies working for the advancement of women;

- Raise gender equality concerns at consultative meetings, in annual reviews or in other ways to influence the contents of the PRSP and the decisions of the PRSP Secretariat;

- Review materials, guidelines, brochures or any promotional material to look for images where women and men are represented in stereotyped manners; examine the use of language for inadvertent gender stereotyping.

**Monitoring progress: Indicators of gender equality in participation**

Monitor both the PRSP participatory process and the analysis used in the PRSP with relation to labour and employment to see to what extent gender equality issues are being adequately taken into account.

Monitoring can make use of the following indicators, using evidence where appropriate both from formal data and from observable facts:

- Figures reflecting the proportion of women and men participating in PRSP events;

- Proportion of women and men in leadership positions of social partners and other organizations engaged in the PRSP participation process;

- Proportion of financial and human resources allocated to analyse gender equality deficits;

- Timetable for achievement of targets;
Policies, resolutions or actions plans for addressing the rights and interests of poor women;

Specialist units on gender within ministries;

Goals and targets for increasing women’s representation and voice at different levels in employers’ and workers’ organizations and government bodies;

Research or analysis undertaken on priority areas;

Use of budgetary resources to establish and operate a unit on gender or women’s issues in workers’ and employers’ organizations.
The Beijing Platform for Action

In 1995 an international conference in Beijing brought women and men from around the world together to address inequalities in women’s access to economic resources such as land and natural resources, credit, technology and training, and to introduce measures to end the discrimination women face in labour markets.

Three important issues in the Beijing Platform for Action on which governments commit themselves to take action are: equal access to land and property, employment rights and the recognition of women’s unpaid work.

Commitments to Women’s Equal Access to Land and Other Property:
- to introduce legislative and administrative reforms to give women equal rights with men to economic resources, including access to ownership and control over land and other forms of property;
- to “remove all obstacles... to their ability to buy, hold and sell property and land equally with men”.

Commitments to Women’s Employment Rights:
- to enact and enforce laws and measures to eliminate discrimination against women employees on the grounds of sex, age, marital and family status, in relation to access to and conditions of employment, training, promotion, maternity leave and social security, as well as legal protection against employers requiring proof of contraceptive use; sexual and racial harassment; or dismissal due to pregnancy;
- to extend labour standards and social protection and to create social security systems for part-time, temporary, seasonal and home-based workers, without destroying the ability of the informal economy to generate employment;
- to change policies that reinforce the gender division of labour to promote equal sharing of family responsibility for unpaid domestic work.

Commitments to Measuring and Valuing Unpaid Work:
- to devise statistical means to “recognise and make visible” women’s unpaid work;
- to develop methods to reflect the value of such work in quantitative terms for “possible reflection” in core national accounts;
- to examine the “relationship of women’s unremunerated work to the incidence of and their vulnerability to poverty”.

Social Dialogue and Poverty Reduction Strategies

Background material

Box 17
Module III: Undertaking gender analysis in the PRSP process

**Objective:**
To build the capacity of the social partners and government officials to analyse gender inequality in the areas of Decent Work and its relation to poverty.

What is the contribution of gender analysis to the PRSP?
The basic characteristics and determinants of poverty have been comprehensively analysed in numerous studies. There has, by contrast, been much less work undertaken to analyse the influence of gender-based discrimination and unequal gender relations on the creation and perpetuation of poverty.

The PRSP process offers an opportunity to help redress this, by undertaking gender analysis. This is a method available to the social partners to disentangle sources of inequality and bias detrimental to women or men (and also to reveal sources of co-operation and exchange between the sexes).

What are the steps required to carry out gender analysis?
Gender analysis has been developed to examine qualitative and quantitative factors which account for gender imbalance, and to analyse the role of social and economic institutions in redressing disparities.

The steps involved in carrying out gender analysis of poverty, and more broadly of access to Decent Work, are as following:

**Step one: Preparatory phase**
- Seek the commitment of the social partners and ministries of labour for holding a series of meetings to initiate social dialogue (tripartite or any other as appropriate);
- Coordinate and link these meetings with key PRSP meetings;
- Secure a balanced participation of women and men from each group;
- Prepare and organize relevant statistical data broken down by sex (collected from national bureaux of statistics), any qualitative information and any appropriate research studies;
Obtain data through participatory activities (e.g. focus groups, interviews with key stakeholders, involvement of marginalized groups in appraisals and observations).

**Step two: Participatory diagnosis**

- Implement a participatory assessment that includes the presentation of statistical and qualitative data, and encourage participants to make comparisons between economic and social indicators, and between the perceptions and views of women and men, on specific topics;
- Ask participants to identify roles, tasks and responsibilities performed by men and women, and to describe the division of labour in a specific sector (how work is organized, timed and valued);
- Analyze differences and similarities;
- Obtain consensus about what this analysis says about equality;
- Identify and reach agreements about the strategic and practical gender interests for both women and men in the selected areas of Decent Work.

**Step three: Analysis of gender differences**

- Encourage participants to consider possible reasons for gender differences in social and economic indicators (quantitative data) related to employment;
- Discuss whether or not there is equality of access to rights, resources and opportunities in the four areas that comprise Decent Work (employment, social protection, social dialogue principles and rights at work);
- Discuss the effects that policy and budgetary allocations may have on women and men;
- Introduce current information from research or from gender experts to assist groups in the selection of priorities and targets for change.

**Step four: Selection of priorities**

- Foster discussion about the relationships between women and men in institutions where discrimination based on gender is perceived;
- Solicit views and opinions on results of previous actions to tackle gender inequality;
Reach a common understanding of priority changes required and identify who is responsible for bringing these changes about.

Step five: Reaching agreement

- Facilitate a tripartite agreement in selected areas to advance gender equality;
- Anticipate obstacles and constraints and prepare activities accordingly;
- Assist in the definition of follow-up actions for analysis, including a plan and timetable to sustain social dialogue.

How can gender analysis workshops help?

Gender analysis workshops can be conducted to consider the structure of the economy and the labour market. For example, if the country has a large agricultural sector, a specific workshop (or series of workshops) could be organized for this sector. Tripartite representation is encouraged. Inviting members of civil society to participate as well helps to expand the impact of social dialogue. Gender expertise is required.

Checklist 3: Gender analysis

<table>
<thead>
<tr>
<th>Gender Analysis of Decent Work in Social Dialogue</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Do position papers or reports from social dialogue events analyse workforce statistics for different economic sectors broken down by gender?</td>
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<tr>
<td>2. Does the PRSP highlight the results of discussions on the comparative analysis of the situation of women and men in the labour market?</td>
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<td>3. Has there been discussion on the analysis of small enterprises run by women and by men during consultations?</td>
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<td>4. Have the wage levels of women and men doing the same tasks been analysed during social dialogue consultations?</td>
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<tr>
<td>5. Is there information in the PRSP on the wage levels of women and men in different sectors?</td>
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<tr>
<td>6. Is there information in the PRSP underpinning issues about the working conditions of women and men in different economic sectors?</td>
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### Social Dialogue and Poverty Reduction Strategies

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<thead>
<tr>
<th>Gender Analysis of Decent Work in Social Dialogue</th>
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<th>No</th>
<th>Do not know</th>
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<tbody>
<tr>
<td>7. Have there been data or qualitative information available to social dialogue consultations on access to social benefits or social protection by women and men in vulnerable conditions?</td>
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<tr>
<td>8. Have factors explaining differences in access to resources to support the work of men and women been analyzed and considered during the PRSP process?</td>
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<td>9. Have the social partners reported separately any restrictions imposed on women or on men on association or the right to form or join organizations of their own choosing?</td>
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<tr>
<td>10. Have the social partners performed a separate assessment of the perceptions of women and men concerning the extent to which workers’ and employers’ organizations represent their interests?</td>
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<tr>
<td>11. Have efforts been made to reach out to non-organized or unprotected workers with a focus on advancing gender equality?</td>
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### Comments and/or additional observations

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Monitoring progress: Indicators of gender analysis

Several sources of information can be used to measure progress in integrating gender analysis in the labour and employment components of the PRSP:

- National and labour statistics broken down by sex, including any analysis undertaken by the social partners;
- Proportion of annual training events held by social partners to improve capacity on gender, as a proportion of total annual training events;
- Proportion of financial resources allocated by government and social partners to identify and discuss concerns on gender equality;
- Position papers, analytical documents or news briefs highlighting results of social dialogue debate;
- Policies or resolutions relating to the collection of gender-sensitive data;
- Procedures and guidelines to record gender analysis of employment and labour related issues;
- Specialist gender units within labour ministries, workers’ and employers’ organizations;
- Communication strategies and campaigns on substantive gender issues;
- Number of social dialogue events held with the participation of women’s networks to analyse gender issues in relation to particular areas of decent work;
- Use of gender sensitive language.
Background material

Box 18

Changing attitudes

The analysis of gender inequality requires an additional effort to bring to light attitudes and social and cultural bias. Unquestioned assumptions and beliefs concerning the roles and relationships of women and men could result in the failure of the social partners and governments to fulfil gender equality goals, and a deepening of existing inequalities. Facilitators, stakeholders and participants are encouraged to discuss attitudes and behaviour and provide awareness-raising or focused training on priorities identified. Issues to discuss are:

- notions of gender and the influence of culture and traditions (customary law) that ascribe rights and responsibilities, access and control over resources, and authority;
- economic and social policy reforms that reconfigure social and economic roles and rights of women and men;
- institutional rules, symbols and values that create, distribute, reproduce or maintain unequal gender relations;
- the effects of democratisation processes in governance, and the voice and representation of women and men in public affairs;
- the meaning of “work” and the “care” economy, which exerts a strong influence on poverty and gender equality, and how it is strained by the lack of social protection and social services, and the incidence of the HIV/AIDS epidemic;
- the implications of high levels of HIV/AIDS on employment, poverty and gender equality, and the relevance of this issue to PRSP for the work of unions, employers and governments to ensure social protection, rights over assets and access to wage employment;
- the gender impact of demographic change, conflict and war, natural disasters, migration or economic and social policies influencing the access of poor women and men to paid employment, social protection, participation in social dialogue and the exercise of rights at work.
性别统计

1985年，第三次世界妇女大会在内罗毕召开，呼吁在国家账户、经济统计数据和国民生产总值中承认和衡量女性的无偿经济贡献。解决家庭中性别权力份额不平等的问题以及支持男女能够平衡工作与家庭责任的政策需要国家努力来衡量和评估无偿工作，主要由妇女完成。以下是已经在全国调查中收集到的统计数据:

- 有偿就业;
- 有关非正式经济活动的数据;
- 家庭企业中的无偿工作;
- 无偿家务;
- 正式经济中的经济活动数据;
- 女性和男性对国家和区域经济整体贡献的数据;
- 每日活动的分配时间包括无偿照护劳动。

性别统计

1985年，第三次世界妇女大会在内罗毕召开，呼吁在国家账户、经济统计数据和国民生产总值中承认和衡量女性的无偿经济贡献。解决家庭中性别权力份额不平等的问题以及支持男女能够平衡工作与家庭责任的政策需要国家努力来衡量和评估无偿工作，主要由妇女完成。以下是已经在全国调查中收集到的统计数据:

- 有偿就业;
- 有关非正式经济活动的数据;
- 家庭企业中的无偿工作;
- 无偿家务;
- 正式经济中的经济活动数据;
- 女性和男性对国家和区域经济整体贡献的数据;
- 每日活动的分配时间包括无偿照护劳动。
Module IV: Policy responses for decent work

**Objective:**

To enhance the ability of the social partners and government officials to design and implement gender sensitive policies and actions to advance gender equality, in the context of Decent Work.

*What is a gender-responsive policy for decent work?*

As mentioned in Module I, the ILO’s Decent Work initiative brings together four strategic objectives:

- Greater employment and income opportunities for women and men;
- Safeguarding and extension of systems of social protection;
- Realization of fundamental principles and rights at work;
- Promotion of Social Dialogue.

A gender-responsive policy for Decent Work is one which seeks to redress gender disparities in these four strategic areas. In other words, it involves making operational commitments to address equality of opportunity and of treatment, to work towards the enhancement of women’s social protection, to secure the protection and promotion of women’s rights in the workplace, and to work for equality in representation and participation in social dialogue.

Unquestioned assumptions and beliefs regarding the roles and relationships of women and men can result in the failure of the social partners and governments to fulfil gender equality goals, and can deepen existing inequalities. Gender-responsive policies therefore need to challenge value systems that create and perpetuate inequality. Further work is often required to reveal personal and cultural standpoints before engaging in gender analysis, and resources need to be allocated for this task.

*What can ministries of labour do to advance gender equality?*

Because the PRSP process can tend to emphasize financial or planning aspects, labour ministries may find themselves removed from economic and social policy-making on poverty reduction. This problem needs to be addressed.

There is a second issue, in relation to government engagement with women’s interests in the world of work. Many government officials hold the view that the
concerns of unorganized workers or of small employers (both groups where women may be over-represented) do not fall within the domain of the formal structures of institutional decision-making. Sometimes women’s units or other specialist government agencies concerned with gender issues are not aware of the work of the ILO in poverty reduction; the units themselves may not be considered relevant to issues relating to work.

Ministries of labour advance gender equality if they:

- Build capacity on gender issues, and help to ensure that gender issues are given adequate attention during decision-making processes, including during all stages of the PRSP process;
- Integrate the concerns and demands of the large numbers of poor working women who remain at the margins of the labour market. These may be self-employed women, non-wage agricultural workers, women in casual and informal work, women in small business schemes, and women in hidden or unpaid care work;
- Enhance the government’s role and obligations in the promotion and protection of core labour standards.

**How can trade unions promote gender equality?**

The PRSP process provides workers’ organizations with opportunities to advance gender equality issues. These organizations are legitimate representatives of individual and collective demands for basic workers’ and human rights.

Because equality is a core human right, workers’ organizations need to integrate gender equality as a living principle in their own policies and structures. Gender equality may take various forms: balanced membership and leadership positions for women; evidence of a commitment to advance the gender interests of their members; joint actions with civil society organizations and other bodies advocating gender equality; data broken down by sex; campaigns to recruit women and to enhance their leadership capacity; negotiation of policies to eliminate discrimination on the basis of gender. Bipartite, tripartite or other appropriate forms of negotiation can all be used as ways of incorporating gender concerns.

Unions advance gender equality if they:

- Enhance the value of women’s participation as social partners;
- Improve the capacity and competence of union members in relation to the role of gender inequality in poverty;
Social Dialogue and Poverty Reduction Strategies

- Promote the right of women to organize and influence decision-making in negotiations;
- Create gender sensitive structures and formalized procedures to integrate gender equality targets in their own organizations.

**How can employers’ organizations promote gender equality?**

In many low-income countries, employers’ organizations are in a position to exert a strong influence in the PRSP process. They can therefore be key players in the advancement of gender equality and Decent Work.

However, many small producers, and particularly poor women in micro and small-scale enterprises, are not always members of employers’ organizations. They have neither the means nor the expertise to create their own associations, express their voice or have access to various decision-making forums. Employers’ associations can help by widening their role here. Providing access to enable the participation of small producers, including women, in social dialogue can often improve the analysis of the changes required to improve the quality and quantity of jobs within small-scale enterprises.

Employers’ organizations, small producers and civil society groups engaged in the promotion of entrepreneurship can advance gender equality if they:

- Increase the membership and leadership of women producers and small entrepreneurs in employers’ representative associations;
- Integrate these groups in the formalized procedures of social dialogue;
- Create conditions for the development of small and medium-sized enterprises led by women in service and processing industries;
- Improve capacity and expertise concerning the particular characteristics of small businesses and of gender issues;
- Formalize procedures and reporting mechanisms to include gender equality targets;
- Strengthen the efficiency and productivity of small businesses run by women, to help them make a significant contribution to poverty reduction.
Checklist 4: What solutions do the social partners and government officials propose to improve gender equality in the PRSP process in the four strategic areas of Decent Work?

<table>
<thead>
<tr>
<th>Rights at Work</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Does the PRSP promote the ratification and/or implementation of ILO Conventions on equality?</td>
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<tr>
<td>2. Is there a commitment in the PRSP to carry out legislative reforms and to strengthen enforcement measures, in order to promote non-discrimination and to ensure compliance with international labour standards?</td>
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<tr>
<td>3. Are there initiatives to improve human rights education for workers in the informal economy?</td>
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<tr>
<td>4. Does the PRSP set out budget lines for implementing policies to achieve gender equality targets under ILO Fundamental Conventions?</td>
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<tr>
<td>5. Is there a mechanism for budget management linked to the gender equality targets?</td>
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<td>6. Other.</td>
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<table>
<thead>
<tr>
<th>Employment, Working Conditions and Income</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Does the PRSP make reference to provisions specific to gender and/or provisions for both women and men (e.g. minimum wages, conditions of recruitment and/or dismissal, temporary contracts, part-time employment)?</td>
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<tr>
<td>2. Do policies included in the PRSP target the quality and quantity of jobs where the large majority of poor women work (e.g. in export processing zones, in the garment sector, in agriculture)?</td>
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<tr>
<td>3. Do policies in the PRSP deal with the disproportionate effects of macro-economic restructuring on women and men (e.g. retrenchment, job insecurity, labour migration skills downgrading)?</td>
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<tr>
<td>4. Are there policies to redress gender differences in access to social protection for workers in the informal economy (e.g. frequency of labour inspections, social insurance)?</td>
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<tr>
<td>5. Does the PRSP address separately the concerns of women and men in the informal economy (e.g. support for proper working conditions, subsidies for mutual aid associations)?</td>
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</table>
### Employment, Working Conditions and Income

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<th></th>
<th>Yes</th>
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<tr>
<td>6.</td>
<td>Have public or private bodies allocated investment funds to provide infrastructure (e.g. transportation) and social services (e.g. skills training in non-traditional areas, child care services, reproductive health services) to increase women’s incomes and to enhance their well-being?</td>
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<td>7.</td>
<td>Is consideration given in the PRSP to the unpaid work of women and men (or are data available)?</td>
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<td>8.</td>
<td>Have policies been proposed at the workplace, sectoral or national level to facilitate women’s access to technology or to labour intensive jobs?</td>
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<td>9.</td>
<td>Are mechanisms proposed in the strategies to address gender-related grievances at work?</td>
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<td>10.</td>
<td>Will women performing agricultural work be protected and their contribution enhanced?</td>
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<td>11.</td>
<td>Does the PRSP set out budget lines for implementing policies to achieve gender equality targets in this strategic objective?</td>
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<td>12.</td>
<td>Is there a mechanism for budget management linked to the gender equality targets?</td>
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<td>13.</td>
<td>Other.</td>
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### Social Protection

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<th></th>
<th>Yes</th>
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<tbody>
<tr>
<td>1.</td>
<td>Do social security schemes target the needs of women and men throughout their lives?</td>
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<td>2.</td>
<td>Does the PRSP provide social security schemes for women and men in greater need of protection (e.g. the elderly, people with disabilities, people with HIV/AIDS, vulnerable and excluded groups such as indigenous populations, domestic workers and those in the informal economy)?</td>
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<td>3.</td>
<td>Does the PRSP anticipate access of women and men in the informal economy to measures which will improve their productive potential (e.g. skills training, access to technology, access to credit, social support to care work)?</td>
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<td>4.</td>
<td>Does the PRSP include initiatives to extend social protection to women in the informal economy based on their gender specific needs (e.g. pregnancy, childbirth, socially ascribed roles and responsibilities, marital status)?</td>
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<td>5.</td>
<td>Is there a mechanism for budget management linked to the gender equality targets?</td>
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### Social Dialogue

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<tr>
<th>Social Dialogue</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1. Does the PRSP include measures to improve the collection and exchange of gender-related information and data by the social partners?</td>
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<td>2. Have the mechanisms and procedures of social dialogue been formalized and recognized by the PRSP?</td>
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<td>3. Does the PRSP introduce measures to improve the access and capacity of women to undertake collective bargaining?</td>
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<td>4. Does the PRSP spell out gender equality issues to be negotiated through collective bargaining?</td>
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<td>5. Other.</td>
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**Comments and/or additional observations**

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**Follow up tasks and activities**

The integration of gender equality goals and priorities for Decent Work in the PRSP process can be facilitated by additional activities.

**Capacity and expertise**

- Engage resource persons with experience and expertise in gender mainstreaming;
- Check that the rights and interests of female and male members represented in institutions and throughout social dialogue have been identified;
- Ascertain if gender specific policies are included as recommended actions;
- Include items critical to women and men such as time to fulfil family responsibilities, parental leave, right to organize and to bargain collectively, protection against precarious conditions;
- Assess whether or not equality of opportunity, treatment and results is an explicit objective shared by workers’ and employers’ organizations and governments in their poverty reduction strategies;
- Assess whether follow up activities to the strategies for decent work to sustain gender equality are needed;
- Provide guidelines on ways to include budgets for gender equality activities within the annual budget framework.

**Advocacy**

- Hold tripartite events to share the results of gender analysis, to develop priorities, and to outline programmes and strategies;
- Disseminate information on the agreed tripartite framework for action on selected priorities;
- Review commitments, responsibilities and obligations to advance gender equality and Decent Work through tripartite agreement, and identify areas where this will support gender equality targets in the PRSP process.

Use the following matrix:
Table 37: Operational linkages between policies for Decent Work and the contribution of the social partners, government or other relevant stakeholders to promoting gender equality

<table>
<thead>
<tr>
<th>Strategic inequality issue in the PRSP</th>
<th>Identification of factors related to gender inequality</th>
<th>Strategic task, activity or proposed solutions</th>
<th>Challenges</th>
<th>Selection of gender sensitive targets</th>
<th>Roles and responsibilities of stakeholders</th>
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<td>I. Rights at work</td>
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<td>III. Social Protection &amp; working conditions</td>
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<td>IV. Social Dialogue</td>
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**Monitoring progress: Gender equality indicators**

Several sources of information can be used to monitor the incorporation and implementation of gender equality policies in the framework of social dialogue:

- Improved statistical data broken down by sex on employment trends, social protection, dynamics of the labour market, and on the principles and rights at work;
- Indications that workers’ organizations are increasing the proportion of women in higher decision-making positions;
- Proportion of resources allocated to enhance women’s capabilities in innovative productive sectors;
- National policy related to the redistribution of assets and resources;
- Research on the magnitude and productivity of the unpaid work of women;
- Programmes implemented in rural areas to enhance women’s decision-making in the agricultural sector;
- Guidelines, manuals and other tools to support actions on gender equality;
- Projects or measures specific to women which are designed to eliminate larger gender gaps;
- Provision of training on gender mainstreaming for all relevant ministries;
- Proportion of resources allocated to develop the capacity and expertise of ministry staff to advocate for gender equality;
- Formalized procedures for reporting and disseminating information on selected gender equality targets.
Background material

Box 20

Equal Opportunity Policy

An equal opportunity policy is a commitment to design employment practices and procedures which do not discriminate and which provide equality between individuals of both sexes.

The design of a policy can include:
- re-evaluation of women’s work;
- working times and patterns adapted to take account of family responsibilities;
- enforcement of legislation to eliminate discrimination;
- positive action;
- vocational counselling;
- information campaign; and,
- support measures to integrate and maintain women in non-traditional sectors.

From: “As one employer to another… what’s all this about Equality?”, Bureau for Employers’ Activities, International Labour Organization, Geneva

Box 21

Gender mainstreaming

Focus: gender equality and gender-sensitive social protection

Gender equality issues are present in virtually all aspects of social protection. Most systems of social protection were initially developed based on the male breadwinner model, and as a result have perpetuated the unequal treatment of women. At the same time, although women have transformed labour markets worldwide, they continue to be a disadvantaged group with large numbers being denied decent work.

The structural transformation of economies, demographic change, informalization, and new notions of working time have particularly made women more vulnerable in the world of work. As a result, the ILO has adopted gender mainstreaming to ensure that a gender perspective is integrated in all its activities. In the area of social protection, gender mainstreaming will help advance more equitable systems of social protection and help eliminate the gender-blind policies that have been put in place. Clearly, social protection systems should promote equal treatment and opportunity, and strive to eliminate all forms of discrimination. Considering that the larger Decent Work Deficits (ILC 89, Report 1 (A)) have an important gender component, its explicit consideration is not only effective and efficient but also crucial in the reduction of such deficits.

Module V: Monitoring and evaluation of gender equality in the PRSP

Objective:
To strengthen practices and develop mechanisms to enhance participation in the implementation, monitoring and evaluation of the gender equality targets in the PRSP.

What can the social partners and government officials do to assess the progress of the PRSP in achieving gender equality targets?

Once the PRSP has been prepared, it is important to put in place adequate monitoring procedures to assess how successfully gender equality aims are being realised. A budget for this purpose is therefore of the utmost importance.

Social dialogue between the social partners and the government can help develop action plans and agreements for this monitoring and evaluation role. Elements of a good action plan or an agreement would be:

- Commitment to hold periodic reviews, jointly or separately, as well as community and stakeholder consultations, on the perceptions of the fairness and gender sensitivity of the social dialogue institutions;
- Commitment to assess the degree of equality in access to strategies and policies to eliminate gender inequality;
- Commitment to review or institute mechanisms for sustained social dialogue with gender-balanced participation and representation;
- Commitment to seek informed opinions and data to gain knowledge about the role of public institutions in the implementation of the PRSP;
- Commitment to build up gender sensitive indicators (both quantitative and qualitative) in each of the four strategic areas covered by decent work, these also to be able to measure changes over time;
- Commitment to enhance the capacities of their members to integrate the gender dimension in policies and programmes;
- Adjustment of the format of annual reports and assessments to record the process;
- Development of record keeping and reporting practices on data broken down by sex;
- Indication that the PRSP has integrated data which documents any areas where there is differential access to services by women and men;
- Indication of targets in reference to poverty assessments set at local level in relation to national targets.

**How are partnerships and good governance integrated at this stage?**

The more participation there is in the process of monitoring the PRSP, the more the whole PRSP process is considered a success.

Participation is to be welcomed from a wide range of organizations and bodies: governmental departments, organizations of civil society, informal and grass-roots associations, labour unions, business corporations, non-governmental organizations as well as multilateral agencies and international financial institutions. This breadth of involvement reflects the conviction that no single agent can eliminate poverty or attain gender equality on its own.

The monitoring and evaluation of the PRSP thus presents opportunities for the social partners to set up partnerships and alliances to ensure that the primary elements in the reduction of poverty are not overlooked, that fundamental rights and principles of social dialogue such as organization and democratic participation are at the centre of the participatory process, and that the bargaining power of women and of those actively seeking gender equality is strengthened.
**Social Dialogue and Poverty Reduction Strategies**

**Checklist 5: How effective are the social partners and the government in monitoring gender issues during the monitoring and evaluation stage of the PRSP process?**

<table>
<thead>
<tr>
<th>Capacity and Expertise</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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</thead>
<tbody>
<tr>
<td>1. Are the targets and gender sensitive indicators in the monitoring and evaluation section of the PRSP relevant to the objectives of the PRSP?</td>
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<tr>
<td>2. Did the PRSP set up an information system to detect separately the impact on selected indicators in the areas of Decent Work?</td>
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<td>3. Did the PRSP introduce indices broken down by sex related to unionization and/or the exercise of the right to participate in the monitoring effort?</td>
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<td>4. Have gender experts been recruited to support the monitoring effort in the PRSP?</td>
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<td>5. Is there consensus among male and female members of the workers' and employers' organizations on the challenges that contribute to or hinder the success of the strategies?</td>
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<tr>
<td>6. Have the social partners allocated financial and human resources to undertake the monitoring effort with a gender perspective?</td>
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<tr>
<td>7. Is there a mechanism for budget management linked to gender equality targets in the PRSP?</td>
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</table>
## Advocacy

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
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<tbody>
<tr>
<td>1. Is there gender balance in the participation of the social partners in the monitoring stage of the PRSP?</td>
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<tr>
<td>2. Have actions been taken to remove obstacles to women’s participation in the monitoring &amp; evaluation exercises?</td>
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<td>3. Do representatives or gender equality advocates participate in monitoring and/or evaluation decisions?</td>
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<tr>
<td>4. Are women and men involved proportionally in collecting and analysing gender indicators?</td>
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<td>5. Have proposals drafted separately by women and men been considered by the PRSP Committee to improve the impact of the strategies?</td>
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<td>6. Have the social partners agreed on scheduled times and events to monitor implementation and evaluation of progress?</td>
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<td>7. Have sessions been designed by the social partners to review accountability for the implementation and monitoring activities of the PRSP?</td>
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<td>8. Have the social partners made plans to document and reflect upon progress made?</td>
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<td>9. Other.</td>
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Social Dialogue and Poverty Reduction Strategies

Follow up tasks and activities

Social dialogue and participation in the implementation and monitoring stages is crucial to secure accountability in the process of working towards gender equality. To initiate or continue the task once the PRSP is drafted and submitted to the World Bank by the government, the following additional elements for action are valuable.

Capacity and expertise

- Estimate resources to advance gender equality outcomes;
- Review the prepared PRSP to ascertain whether or not the views and proposals of the social partners have been taken into account;
- Collect, share and disseminate good practices on PRSP participatory processes;
- Hold participatory assessments such as self-evaluation or focus groups and distinguish responses by sex;
- Communicate with non-organized poor women and poor men through leaders of local communities and assess their views on the impact of the PRSP.

Advocacy

- Identify World Bank officials, the ministries involved in the PRSP committee and other interministerial committees, and share monitoring and evaluation plans about gender equality with them;
- Organize events with other interested groups to review the implementation of policies and programmes of the PRSP;
- Use culturally sensitive means to examine progress towards gender equality in areas of Decent Work (e.g. role playing, music, posters, dramatization);
- Obtain and disseminate information on PRSP meetings, seminars, workshops or other planned events (local, national or international);
- Discuss initiatives to raise public awareness on progress in implementing policies for gender equality in the PRSP;
- Identify NGOs or potential partners who can contribute to the monitoring effort;
- Share interests, strategies, action plans or any other initiative with advocates for gender equality, and create alliances and lobby for participation.
Monitoring progress: Gender equality indicators

Several sources of information can be used to review the accountability of the social partners and governments for monitoring and evaluation of strategies proposed in the PRSP to advance gender equality:

- Periodic reviews including a timetable for the involvement of an agreed proportion of women;
- Proportion of resources allocated to improve capacity and expertise on monitoring and evaluation of gender equality;
- Statistical trends in the number of women who join workers’ and employers’ organizations in a specific period of time;
- Integration of gender equality targets into national programmes for the elimination of poverty and for job creation;
- Cooperation between the social partners and other stakeholders concerned to develop gender sensitive indicators;
- Any reduction in gender differences in selected indicators (e.g. unemployment rates, labour grievances) in a selected locality compared to the national average over a five year period;
- Participation by women from different sectors in committees engaged in monitoring and evaluation;
- Frequency of news, public debates and information on actions taken by the social partners and government to redress gender inequality;
- Existence of campaigns to disseminate information to government bodies and workers’ and employers’ organizations on successes or setbacks in the advancement of gender equality;
- Existence of resource centres to raise awareness and expertise on gender equality.
Background material

Box 22

Examples of targets proposed at the Strategy Implementation in Hai Phong, October 2000

- Targets related to majority of women: 40% of new jobs are filled by women;
- Targets feasible at hand: land use rights certificate in wife and husband’s name;
- Targets time-bound: the proportion of female representatives in the People’s Council;
- Targets eliminating big gender gap: women make up 50% of the total borrowers from government’s credit.

Women Union and National Committee for the Advancement of Women in Viet Nam, Ho Chi Min City, 7-8 July 2003
Chapter 11
Social Dialogue and Poverty Reduction Strategies: A Guide to the Integration of Gender Equality


5 ILO: Decent Work and the Informal Economy, ibid.
CHAPTER 12
POSITIVE ACTION: REDUCING POVERTY THROUGH SOCIAL DIALOGUE
(A Guidebook for Trade Unions and Employers’ Organizations)

Introduction

Reducing poverty

There is no more important issue than widespread poverty and inequality. This booklet is about how to get involved in reducing poverty in your country. It is aimed at trade union and employer organizations in developing countries that are involved in a Poverty Reduction Strategy Paper (PRSP) process.

Poverty robs millions of people around the world of human dignity and the right to fulfil their potential. It is experienced in every country differently, but its human effects are universal.

“Poverty is a complex, deep-seated, pervasive reality. Virtually half the world lives on less than US$2 a day. More than 1 billion people struggle on $1 a day or less. An even greater challenge lies beyond what the statistics can measure - poverty breeds a growing sense of powerlessness and indignity, of being unable to think, plan or dream beyond the daily struggle to survive.”

Juan Somavia, ILO Director-General

Poverty reduction strategies are designed to combat financial hardship. Most people are aware of the national debates, policies and programmes in their respective countries. Most of these have been ongoing for many years.

Involvement in the formulation of a poverty reduction strategy is key to being part of major policy-making. Many of the policies and programmes approved as part of a PRSP directly impact on employer and union organizations, and their members.
Self-interest is one reason to get involved, but labour organizations also have something to offer. They possess specialist expertise and knowledge on the world of work and business, and how labour and enterprises affect poverty. They are important partners in reducing poverty.

In addition, both types of organizations can benefit from wider networks and cooperation with other parts of society. This booklet outlines how the process works, how it links with the major institutions and issues of our era, and how to make an impact on its direction.

The booklet has two main approaches. Section 1 is an introduction to the PRSP process and why employer and union organizations should be involved. Section 2 sets out the ILO’s Decent Work Agenda and how this relates to the PRSP process.

The second half of the guidebook is more practically focused. Section 3 sets out the PRSP process and the three phases of formulation, implementation, and monitoring and evaluation. Section 4 looks at practical ideas on how to make an impact within a PRSP process. Section 5 focuses on the PRSP process from a union perspective, while Section 6 looks at the same issue from an employer organization’s point of view. Sections 5 and 6 consider the value of being involved, the challenges and suggestions on how to meet them.

Gender issues are considered throughout the guidebook, but there are also discrete sections on key concerns, including Section 7. Section 8 provides a list of useful resources for further information.

What is a poverty reduction strategy paper?

A PRSP is a national plan for fighting poverty. In Cambodia, the PRSP is referred to as 'The National Poverty Reduction Strategy', while in Viet Nam it is called 'The Comprehensive Poverty Reduction and Growth Strategy'. PRSPs are built on the belief that, while creating the resources for doing so, economic growth will not automatically reduce poverty. If the extra resources are not shared, or leave the country, poverty will prevail. To reduce poverty and allow for further growth, policies need to be pro-poor.

The PRSP process was introduced for very poor countries by the World Bank and the International Monetary Fund (IMF). The World Bank and IMF encourage national governments to use the PRSP process to ensure their policies and programmes work in harmony to reduce poverty. Consultation with civil groups, including employer and union organizations, is a key part of the PRSP process. This guidebook explains the PRSP process, and how unions and employers can be involved.
A PRSP should cover all government policies and programmes affecting development, and poverty reduction. For example, it is likely to cover economic policies, taxation, employment, public sector reform, gender equality, social inclusion, industry and enterprise development, education, health, social insurance and rural development. This makes a PRSP comprehensive, but also complex.

Because the PRSP process is a relatively new one, countries are learning as they go. Each PRSP will be reviewed and changed due to new developments. In the past, reviews were conducted every three years. Now, the timing of reviews can vary, depending on local circumstances. The PRSP will also develop as part of the implementation, monitoring and evaluation process. This means there will always be opportunities for employer organizations and unions to get involved. It is best for social partners to take part as early as possible. If you are involved from the beginning, you have a better chance of influencing the PRSP process. However, you can still have an impact if you have not been involved from the outset. It is always worth getting involved, no matter what stage the process is in.

**Box 23**

What should be in a PRSP?
- Where are we now? (analysis of poverty);
- Where do we want to go? (goals for reducing poverty);
- How are we going to get there? (the strategy);
- How do we know we are getting there? (monitoring, evaluation).

**How are PRSPs used?**

PRSPs have the potential to be used in many different ways. PRSPs were established to pass on World Bank and IMF assistance to the poorest countries. But they are now used much more broadly, and this is what makes PRSPs so important. For example, many bi-lateral aid donors have vowed to support the PRSP process by bringing their programmes in line. Below is a checklist of some potential uses for PRSPs.
**Box 24**

*Possible uses of Poverty Reduction Strategy Papers*

- By the national government as a planning and budgetary framework;
- For World Bank and International Monetary Fund financial assistance;
- For United National Development Assistance Framework (UNDAF) funding for a country;
- By multi-lateral, bi-lateral donors and non-government agencies as framework for their own aid activities;
- As a monitoring and evaluation tool;
- As a framework for public consultation and discussion on priorities for poverty reduction.

**Participation in a PRSP process**

A PRSP should be locally developed and owned, and should be created through wide participation. The PRSP process should encourage governments to answer to their own people, rather than to external donors. It is designed to provide a way for poor people to be actively involved, rather than passive recipients.

The World Bank Sourcebook on PRSPs sets out the process and how it should involve different stakeholders. A stakeholder is any organization or group with an interest in the PRSP process. Stakeholders may include government ministries, civil groups (including non-government organizations), religious bodies and donors.

Employer and union organizations are also recognized stakeholders who have a right to be involved. However, the running of the participatory process differs from country to country. Section 3 of this guidebook covers the participatory process and how to get involved.

**Why should social partners be involved?**

'Social partners' is a term used by the International Labour Organization that includes union and employer organizations. They are partners with the government in the social and economic development of their nation. In many countries, there is more than one union or employer organization at the national level. For example, there may be more than one national federation. Also, there are often different types of organizations for employers. There may be an employer federation, a chamber of commerce, foreign investor associations and sector-based organizations, like a chamber of tourism. It is important there is
co-ordination and co-operation between the different organizations to maximize effectiveness and resources.

**Box 25**

PRSPs will directly affect the social partners: A PRSP for your country is the key to many policy and programme decisions. It will set the framework for decision making for years to come on economic policies, and other government policy, programme and spending priorities. It will cover things like sectoral-trade and private-sector development, as well as social-justice initiatives. These decisions will directly affect employers and workers.

The social partners can help: creating decent work is central to reducing poverty. Employer and union organizations have knowledge and experience in this field, which they can use to help develop the best strategies.

Building broad partnerships: A PRSP process involves many different organizations and individuals working toward combating the problem of poverty. Through their involvement, union and employer organizations are able to extend their networks to other groups and individuals who share common concerns. Any organization would gain from a broader pool of people with whom it can work.

The bigger picture: Governments often consult employer and union organizations on industrial relations, and labour matters, but not on the broader issues. Being part of a PRSP process is a way to uncover the bigger picture and have your say.

Helps organizational planning and development: Employer and union organizations need to plan for their own future and growth, and it helps to know what the policy and programme environment is likely to be. This makes it easier to predict potential opportunities and threats.

Learn new skills: Being involved in a PRSP will give new and better skills for union and employer organizations in areas like advocacy, planning, consultation, policy development, programming, monitoring and evaluation. These are all important skills for social partners.

When a country is very poor, it usually has a high level of foreign debt. This is money it owes to other countries, and international and/or regional financial institutions. National debt - which includes both domestic and foreign debt - is usually measured as a percentage of what a country earns. This is called the 'debt to Gross Domestic Product (GDP) ratio'. For example, if a country owes US$2 billion, and produces $4 billion of goods and services each year, then its debt to GDP ratio is 0.50, or 50%.
National debt and international finance

When a country has a high debt level it is harder to borrow money, and lenders demand a higher level of interest. When this sort of debt builds up, repayments can take a high proportion of the government's budget. This takes money away from services the government could be providing to the public, especially poor people.

Table 38

<table>
<thead>
<tr>
<th>Country</th>
<th>Debt (billion US$)</th>
<th>GDP (billion $)</th>
<th>Debt to GDP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh*</td>
<td>15.7</td>
<td>47.1</td>
<td>0.33</td>
</tr>
<tr>
<td>Bhutan</td>
<td>0.203</td>
<td>0.487</td>
<td>0.42</td>
</tr>
<tr>
<td>Cambodia*</td>
<td>2.6</td>
<td>3.4</td>
<td>0.76</td>
</tr>
<tr>
<td>China</td>
<td>146</td>
<td>1,100</td>
<td>0.13</td>
</tr>
<tr>
<td>India</td>
<td>99</td>
<td>457</td>
<td>0.22</td>
</tr>
<tr>
<td>Indonesia*</td>
<td>144</td>
<td>152</td>
<td>0.95</td>
</tr>
<tr>
<td>Korea, Republic</td>
<td>128</td>
<td>461</td>
<td>0.28</td>
</tr>
<tr>
<td>Lao PDR*</td>
<td>2.5</td>
<td>1.7</td>
<td>1.47</td>
</tr>
<tr>
<td>Malaysia</td>
<td>42</td>
<td>90</td>
<td>0.47</td>
</tr>
<tr>
<td>Mongolia*</td>
<td>0.896</td>
<td>0.970</td>
<td>0.92</td>
</tr>
<tr>
<td>Myanmar*</td>
<td>5.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nepal*</td>
<td>2.8</td>
<td>5.5</td>
<td>0.51</td>
</tr>
<tr>
<td>Pakistan*</td>
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</tr>
<tr>
<td>Philippines</td>
<td>50</td>
<td>75</td>
<td>0.66</td>
</tr>
<tr>
<td>Sri Lanka*</td>
<td>9</td>
<td>16.3</td>
<td>0.55</td>
</tr>
<tr>
<td>Thailand</td>
<td>80</td>
<td>121</td>
<td>0.66</td>
</tr>
<tr>
<td>Viet Nam*</td>
<td>12.8</td>
<td>31.2</td>
<td>0.41</td>
</tr>
</tbody>
</table>

*PRSP countries
International financial institutions

International financial institutions (IFIs) provide money to poor countries. This is usually in the form of loans, or debt relief for very poor countries. Loans are extended to help a country develop its economy. For example, the World Bank provided $19.5 billion in loans at discounted rates in 2002. When a country receives a loan, it must pay it back. In the same year, the World Bank used $331 million, or 1.7% of its funds, for debt relief.\(^2\)

IFIs have used their debt-relief and lending activities to influence the policies of developing countries. They do this by requiring a country to implement certain policies in return for its assistance. These are called 'conditionalities'.

In the 1990s, the IFIs required a country to have in place a structural adjustment programme (SAP) to qualify for financial assistance. A SAP committed the country's government to a range of economic policies. For example, SAPs usually required a country to control its budget deficits, deregulate its economy, privatize public services and introduce user fees.

These policies were designed to re-start economic growth and to reduce debt levels. However, they often resulted in hardships for poor people.

This led to a lot of criticism on the grounds SAPs:

- Were not democratic, because they were imposed by IFIs;
- Were not transparent, because they were not open to public consultation;
- Hurt poor people.

Box 26

<table>
<thead>
<tr>
<th><strong>International Monetary Fund (IMF)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim:</strong> to promote global financial stability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>World Bank</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim:</strong> to reduce poverty</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Asia Development Bank (ADB)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Regional arm of World Bank)</strong></td>
</tr>
<tr>
<td><strong>Aim:</strong> to reduce poverty in Asia</td>
</tr>
</tbody>
</table>

In response to the 1997 Asian financial crisis, the World Bank and IMF required Indonesia to introduce higher prices for cooking oil. This lead to riots and demonstrations as poor people could no longer afford oil to cook their food.
The IFIs responded to this criticism, and in 1999 introduced a new framework for their concessional lending and debt-relief programmes, for countries covered by the Heavily Indebted Poor Countries Initiative (HIPC).

The World Bank and IMF jointly declared that to receive low-interest loans and debt relief under HIPC, countries would be required to write a Poverty Reduction Strategy Paper. So far, 70 eligible countries have been identified, about 50 of which have produced Interim PRSPs (I-PRSPs), and with nearly 30 having full PRSPs in place.1 There are 10 HIPC countries in Asia that are yet to write their PRSPs.

Box 27

Heavily Indebted Poor Countries Initiative

To qualify for debt relief under HIPC, a country must:

(i) be eligible for highly concessional loans from the World Bank and IMF;
(ii) face an unsustainable debt situation, even after the full application of traditional debt-relief mechanisms; and
(iii) have a proven record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth.

The ILO and the World Bank have agreed they should co-operate on the Decent Work Agenda and the PRSP process. Initially, there were pilot activities in Cambodia, Nepal, Tanzania, Mali and Honduras.

In each of these countries, ILO is working to ensure that employment and other aspects of decent work are addressed as an integral part of the economic and social analysis, and policies comprising the initiatives. This approach has now been extended to other PRSP countries.

The ILO’s Decent Work Agenda and PRSPs

About the ILO

The International Labour Organization was founded in 1919, and is part of the United Nations. The ILO promotes social justice and internationally recognized human and labour rights. It sets international labour standards (called 'Conventions' and 'Recommendations') across all work-related issues.

The ILO also provides technical assistance, including help in vocational training, employment policy, labour administration, labour law and industrial relations, working conditions, management development, co-operatives, social security, labour statistics, and occupational safety and health. It promotes and supports independent employer and worker organizations.
The ILO has a unique tri-partite structure. Worker and employer representatives are equal partners with national governments in its decision-making bodies. As of August 2003, 177 states were ILO members.

The ILO sees employment as a fundamental part of any country's social and economic development strategy, including poverty reduction. It strongly urges the government, and workers' and employers' organizations to work together to create jobs, and help reduce poverty. This is why the ILO is so interested, and stands ready to help in the PRSP process.

“We know that work is the best route out of poverty. But one cannot legislate employment in and poverty out. It is a long and complex process that requires all elements of society to work together…Government, employers and workers each have a unique and crucial role to play in defining a positive consensus.”

Juan Somavia, ILO Director-General

What is the ILO’s Decent Work Agenda?

The ILO’s Decent Work Agenda was unveiled in 1999. It is a re-focusing of the ILO that aims to secure decent work for men and women everywhere. The Decent Work Agenda recognizes that growing insecurity in the world of work is a major problem of our time.

The Decent Work Agenda reaffirms social justice should be pursued for all workers, regardless of whether they are in the formal or informal economy, and whether they are employed or not. This is important, because while almost everyone works, not everyone is employed. Many workers are outside the formal labour market. They are part of the informal economy, including unregulated wage workers, the self-employed and home workers.

With the Decent Work Agenda, the ILO now focuses on four strategic objectives. These are:

- Fundamental principles and rights at work;
- Employment;
- Social protection; and
- Social dialogue.

Under the Decent Work Agenda, the primary goal of the ILO is to promote opportunities for men and women to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.
Social Dialogue and Poverty Reduction Strategies

Box 28

The participation of people in the informal economy has reached almost 60 per cent of total employment in Latin America. In Africa, the informal economy accounted for over 90 per cent of new urban jobs during the 1990s. In Asia, the informal economy is around 60-70% of non-agricultural employment in poorer countries, and 40-50% in middle-income countries.

The wider context

Over recent decades, government and international institutions focused on opening international and domestic markets to increased competition. Globalization, as it has become known, changed the policy landscape, and the distribution of power and gains.5

We are now in a long period of adjustment to a new global economy. The major issues are:

- How best to adapt national economies and institutions to global change; and
- How to make global change fit human needs.

The problems and solutions vary from region to region, but no country or region has remained untouched.

Globalization has both negative and positive effects. While for some, globalization has generated wealth and welfare, many see it as a source of persistent inequality and social exclusion.6 It is changing the pattern of development by shifting long-term growth paths and skewing income distribution. If these trends continue unchecked, the greatest threat is instability arising from growing inequality. The challenge is to make globalization better for everyone concerned.

“…the dominant policy message has been: grow first and distribute later. Many countries gave this strategy the benefit of the doubt and followed the recipe. It has not really worked.

Distribution has been slow in coming - threatening social cohesion and making people lose faith in government, institutions and those with the power to change things.”

Juan Somavia, ILO Director-General
Conventional policies

The standard policy response was developed in the 1980s, at the time of an international debt crisis, and was applied in the transition economies. It was based on the basis that markets were central to growth, social stability and political democracy.

The main policies were:
- Privatization of public services;
- The liberalization of capital and labour markets; and
- Financial stability.

Economic policy was used mainly to control inflation, rather than to stimulate growth. Labour markets were de-regulated so that they would become “more flexible” in adjusting to changes in demand. International organizations responsible for financial stability, trade liberalization and economic development (such as the World Bank, IMF and the World Trade Organization) subscribed to these policies.

These policies were influential because they were simple and universal. They brought discipline, and a new spirit of competition and creativity to the economy. They opened the way for new technologies and management practices. They emphasized the importance of good governance and transparent policy-making.

However, they confused technical means - such as privatization and deregulation - with the social and economic ends of development. They became “inflexible”, and did not take enough account of the social and political context of markets. Their impact on people was sometimes devastating.

Increasing doubts about these policies came to a head with the 1997 crisis in the emerging economies, which marked a turning point in public opinion. The result is both greater uncertainty and more openness to a wider range of opinions, including the views of developing countries and of society.

Because these policies do not have a strong record of employment-friendly economic growth, the ILO is in a unique position to fill the gap between the social and economic constraints of policy development.

The ILO believes a global economy without sound social pillars will lack stability and political credibility. The Decent Work Agenda aims to correct this problem. Each of the four strategic objectives of the ILO contributes to the goal of decent work. These objectives are equal in importance, and are inter-related.

Governments, employers and workers now have to accommodate their different interests creatively, to respond to the demands for decent work from individuals, families and communities everywhere.
Box 29

The Four Pillars of the ILO Decent Work Agenda
The strategic objectives (pillars) are:
– Fundamental principles and rights at work;
– Employment;
– Social protection;
– Social dialogue.

Fundamental principles and rights at work

All those who work, have rights at work. The ILO Constitution calls for improved conditions of labour, whether organized or not, and wherever work might occur, whether in the formal or the informal economy, whether at home, in the community, or in the voluntary sector. Promoting rights at work includes the so-called 'core labour standards', which all ILO members countries are obliged to respect as an absolute minimum.

Beyond these minimum standards, most countries have endorsed the many Conventions and Recommendations of the ILO that lead to better functioning labour markets.

Box 30

ILO Core Labour Standards
– The right to freedom of association and collective bargaining;
– The elimination of forced labour;
– The abolition of child labour;
– The right to freedom from discrimination in employment and occupation.

Employment

The ILO seeks to enlarge the world of work, as well as set standards for it. Its role includes promoting more opportunities for people to find productive work and earn a decent living. The ILO, therefore, is as much concerned with the unemployed, and with policies to overcome unemployment and underemployment, as it is with the promotion of rights at work. Creating a good environment for enterprise development lies at the heart of this objective.
Furthermore, the goal is not simply the creation of jobs, but the creation of good jobs.

All societies have an idea of decent work, but quality of employment can mean many things. It relates to different forms and conditions of work, as well as feelings of value and satisfaction. The ILO wants to see social and economic systems that ensure security and employment growth, which can also adapt to rapid change in a highly competitive global market.

“Employment is at the core of the ILO mandate. Without productive employment, the goals of decent living standards, social and economic development, and personal fulfilment remain illusory. Enterprises are the key to growth and employment in open economies.”

Juan Somavia, ILO Director-General

Social protection

This involves protecting people against the effects of changes that relate to their work. As it is concerned with the human condition of work, the ILO has the responsibility to address the situations that take people out of work, whether these arise from unemployment, loss of livelihood, sickness or old age.

The aim of the ILO in this objective is to improve the coverage and effectiveness of social protection. Access to an adequate level of social protection is a basic right of all individuals. However, in many countries, most workers and their families have no protection.

Issues covered by social protection include better working conditions, and safety and health at work. Protection for migrant workers and their families, and workers with HIV/AIDS is also part of this pillar, along with retirement income and sickness benefits.

Social dialogue

Social dialogue covers negotiation, consultation and exchange of information between governments, and employer and worker organizations, on issues of common interest, at all levels of the national economy.

Social dialogue is both a means and an end. It is a means of resolving conflict, improving social equity and effective policy implementation. It is a means by which rights are defended, employment promoted and work secured. It can apply to all levels, from enterprises to society at large. It requires participation and freedom of association, and is therefore an end in itself for democratic societies.
It can be a tri-partite process, with the government as an official party, or it can be bi-partite relations only, between labour and management (or trade unions and employer organizations), with or without indirect government involvement. Social dialogue institutions can be bi-partite, tri-partite or 'tri-partite plus'. The key tri-partite partners are representatives of the government, employers and workers.

**Box 31**

Effective social dialogue needs:
- Strong, independent worker and employer organizations with good technical capacity and access to information;
- Commitment to engage in social dialogue by all parties;
- Respect for the fundamental rights of freedom of association and collective bargaining;
- Appropriate institutional support.

These partners may choose to open the dialogue to other parts of society to gain a wider perspective and consensus.

Social dialogue at the national level can address a wide range of issues from labour relations, to wider social and economic challenges. Social dialogue at the national level ensures that voices of workers and employers are reflected in policymaking. Therefore, the participation of social partners in the process of PRSP formulation, implementation and monitoring can be seen as one of most effective ways of social dialogue on national economic and social policy issues.

Social dialogue takes into account each country's cultural, historical, economic and political context. In some countries, tripartite partners have developed very sophisticated institutions of social dialogue, to address a wide range of social and economic policy issues, as well as labour relations. In others, social dialogue occurs only on a narrow range of labour-relations issues.

Therefore, social partners should examine existing channels of social dialogue in their country before they decide how to participate in the PRSP process. In countries where well-established institutions exist for social dialogue on social and economic policies, social partners may want to influence the PRSP through the existing channels. In other countries, where social-dialogue institutions tend to address only labour-relations issues, social partners may try either to expand the scope of the social dialogue agenda to cover PRSP-related policy issues, or to create new channels for participation in the process.
The Decent Work Agenda and gender equality

The links between a vicious cycle of poverty and gender discrimination start at the earliest stages of life, within families. Gender discrimination means more women are poor, and their poverty contributes to an on-going cycle of poverty for their families.7

More and more women are entering the workforce. About two thirds of women in paid work (outside agriculture) are in informal jobs. Most are own-account workers, involved in home-based work or street vending, which are generally the most insecure and lowly paid forms of informal work. Women entrepreneurs have fewer assets than their male counterparts and face even greater problems in obtaining credit, or the title to their property. For those in waged employment, there is a large gap between the earnings of men and women, despite equal pay legislation.

Box 32

Women - inequality at work

Generally women:
- Have lower levels of education;
- Suffer higher rates of unemployment, particularly when they are young;
- Are paid less than men, even when they are doing similar work;
- Are paid at lower rates because their jobs are seen to carry less worth than those of men;
- Suffer discrimination and harassment at work;
- Have less choice about where they work, as they are concentrated in a narrow range of jobs that are low-paid and low-skilled;
- Are more likely to work in part-time and informal jobs;
- Have less job security;
- Have trouble balancing the double burden of work and family responsibilities;
- Do the bulk of unpaid work, including housework and caring for family members;
- Are absent from the workforce for temporary periods, reducing their social security cover and job prospects;
- When running businesses, tend to be in smaller-scale operations with less growth potential than those managed by men.
There has been a huge rise in the number of two-income families and single-parent households, but women still do most of the housekeeping, childcare and unpaid work. This means women in paid employment are simply working extra long hours. To balance work and family responsibilities, women move in and out of paid work several times during their lives. As a result, they have less social security coverage and career opportunities, reinforcing poverty and vulnerability in the labour market.

For many rural households headed by women, remittances from the wages of urban-based family members are often an important but unreliable source of income. Rural families are generally large, increasing the number of people dependant on low and unreliable wages.

In addition, women are often subject to other forms of discrimination. For example, they may also be discriminated against on the grounds of race, HIV/AIDS status, religion or national extraction. It is important to be aware of this when designing poverty reduction strategies.

The Decent Work Agenda relates to everyone. At its core is a rejection of any form of discrimination. For freedom from discrimination in employment to be a reality, everything we do in the framework of the Decent Work Agenda must take into account the interests of both women and men, and promote gender equality. This is what we mean by 'gender mainstreaming'.

Sometimes, there will be a need for special policies and programmes for women. Often, it is a matter of looking at how mainstream policies and programmes can be changed to have a fairer impact on women. The ILO and other organizations have produced resource materials on gender mainstreaming. See Section 5 of this guidebook for where to find them.

Box 33

What is Gender Mainstreaming?

The ultimate goal of gender mainstreaming is to achieve equality. It makes the concerns of women, as well as those of men, part of the design, implementation, monitoring and evaluation of all actions and programmes, so that men and women benefit equally, and inequality is not perpetuated.

Gender mainstreaming is a method of assessing the implications for both men and women of any planned action. All actions are included - projects, strategies, legislation, policies and programmes - in all areas and at all levels.
How does the Decent Work Agenda relate to the PRSP process?

The Decent Work Agenda is about improving the quality and quantity of work, in both developed and developing countries. In poor countries, therefore, the Decent Work Agenda is key to poverty reduction. It is also a framework enabling employers’ and workers’ organizations, along with other stakeholders, to put forward a national agenda for reducing poverty.

Box 34

It ensures that the poor benefit: The target of the Decent Work Agenda is everyone who works, or wants to work, not just those in formal employment. It reaches those in precarious situations, such as those in the informal economy, the unemployed and those who lack the benefits and protection of a modern social system. Those who are poor and vulnerable benefit most.

It helps empower the social actors: ILO works toward empowering workers and entrepreneurs, through its fundamental principles of freedoms of association and rights to collective bargaining. This gives the poor a voice and the chance of a better future.

It focuses job creation: Job creation is the only sustainable way of ensuring poverty reduction. Under the ILO’s Decent Work Agenda, job creation is a central strategy for poverty reduction.

It extends social protection: Social protection is one of the four pillars of the Decent Work Agenda. Without adequate social protection for those who are unemployed, retrenched, sick, injured, confined or elderly, poverty will remain.

It supports social dialogue and work with social partners: The ILO promotes and supports the ideal of using social dialogue as a participatory process in policy-making. ILO’s Decent Work Agenda will help social partners participate in the policy-making process, including PRSPs.

It is agreed globally: The development of the Decent Work Agenda was approved by the ILO Governing Body. This means it has been endorsed on a global basis by most member states and their social partners. Therefore, it carries the weight of full international recognition and authority.

It is known by the IFIs: The ILO has discussed the Decent Work Agenda with international financial institutions, including the World Bank and IMF. While these bodies believe the Decent Work Agenda is best pursued directly by the ILO, they have specifically endorsed elements of it, such as the World Bank’s commitment to its core labour standards. The WTO has shown support by stating the core standards do not constitute trade barriers.

It is a framework for input to the PSRP: The Decent Work Agenda is a framework on which submissions to the national PRSP from unions and employer organizations should be based. It is an opportunity to push for national implementation of the pillars of the Agenda to help alleviate poverty. Proposals must be relevant to the country concerned, but the Agenda is particularly useful as a framework and a source of guidance.
Social Dialogue and Poverty Reduction Strategies

Taking part in a PRSP consultative process

How the process works

National governments are committed to writing the PRSP with participation from civil groups - including employer and union organizations. The World Bank and IMF have no exact requirements on who should be consulted or how this should be done, but the World Bank Sourcebook on PRSPs presents ideas on how to run the participatory process. Both union and employer organizations are listed as key groups that should be consulted. In many countries, World Bank and IMF support for employer and union involvement has helped convince governments to take this seriously.

The World Bank Sourcebook outlines what union and employer organizations have the right to expect in consultation during the PRSP process.

Box 35 below includes tips for an effective consultation. It is a good checklist of what you should expect. If you are not happy with the consultative process, this should be discussed with the government and other stakeholders.

Box 35

What consultation in the PRSP process should achieve:
- Encourage a positive spirit of government-society partnership;
- Plan to ensure there are adequate time and resources available;
- Make sure the ground rules are clear and acceptable and stakeholders’ expectations are not inflated, so their views may be considered seriously;
- Ensure an appropriate diversity of stakeholder groups;
- Use a variety of sources for information and knowledge;
- Ensure adequate information is available in advance, in the relevant languages and styles;
- Use respected and experienced facilitators and organizers;
- Provide feedback on participatory input in a timely manner;
- Follow up after the process has concluded, especially if it is possible to offer further opportunities for collaboration; and
- Maximize transparency, making available as much documentation as possible.
In most ILO member countries, tripartite social-dialogue mechanisms are already in place. For example, the Labour Advisory Council functions in Cambodia as a tripartite social-dialogue forum to discuss labour relations-related policy issues, including legislation and minimum wage. But due to its narrow focus, social partners have to participate in the PRSP process through a newly created mechanism, instead of the existing body.

In Mongolia, however, tripartite partners have established the National Tripartite Committee on Social and Labour Consensus, which addresses a broad range of social and economic policy issues. In this case, the tripartite partners may be able to use the Committee as a forum to produce a policy framework for a PRSP. Even in this case, participation in the PRSP process may require additional effort and forums to influence other stakeholders and multi-lateral/bi-lateral donors.

Often the consultative process allows for Civil Society Organizations (CSOs) to become involved. CSOs are groups representative of different parts of society, other than government bodies. They include employer and union organizations, as well as groups like NGOs, academics and religious groups that are not otherwise involved in the traditional process of tripartite social dialogue.

In general, it is important to note that if the social partners want to have meaningful impact on the PRSP, they should establish contact and build relationships beyond traditional tripartite actors. The Ministry of Labour is usually the most important partner for social partners when dealing with labour relations issues. But when the PRSP is at issue, the social partners should also develop relationships with other economic ministries, which have more prominent roles in the process. In addition, social partners should actively pursue partnerships with other CSOs, as this will enhance their influence.

Furthermore, preparing ‘position papers’ would strengthen the ‘positioning’ of social partners, bringing their issues and concerns into the PRSP discussion and its analytical framework. This topic is discussed again in section 4.1 on “influencing others”.
Box 36

Elements of a PRSP consultative structure in your country might be:

- A lead government ministry with responsibility for coordinating the PRSP process (there may be sector groups within this, e.g. agricultural development, health, education, etc.);
- A national co-ordination group involving representatives of government ministries;
- A consultative forum for donors and civil society organizations (there may be sector groups within this, e.g. agricultural development, health, education, etc.);
- A gender-equality working group;
- Workshops and seminars on key issues at national, regional, provincial or district level;
- Consultation at regional and district levels to obtain feedback from the poor.

Most countries had poverty reduction policies and programmes in place before the PRSP process began. In some cases, they also had detailed plans, policies, programmes, budgets and government processes that coordinated them. For example, in Viet Nam, there is a well-established five-year planning process.

The PRSP process does not replace established processes, but will need to be adapted to conditions in each country, so it supports and improves them. This may not always go smoothly, as there may be conflict between those involved in the old processes, and those working on the PRSP. It is worth being aware of this, as it may explain why some conflicts occur.

On the next page, there are organizational charts of the participatory framework for the PRSP process and government structure in Viet Nam. ¹⁰

In Viet Nam, the PRSP is called the comprehensive Poverty Reduction and Growth Strategy (CPRGS). Both employer and union organizations participated in the consultative processes and structures.
Box 37

Features:
- The PRSP is in Vietnamese and went through several re-drafts;
- Four drafts were translated into English for international comment;
- The National Committee for the Advancement of Women was actively involved in ensuring gender issues were mainstreamed into the CPRGS;
- Poor communities were directly consulted in a follow-up to a 1999 PPA. The World Bank, selected government ministries and five international NGOs were partners in community-level consultations.

Getting involved

A PRSP is an evolving document. Initially, there is often an Interim-PRSP (or I-PRSP). The I-PRSP is a document prepared by the government to provide the basis for consultation with stakeholders in formulating the full PRSP. Subsequently, there is a full PRSP that must be regularly reviewed. How often it is reviewed, depends on local conditions. The PRSP must be implemented, monitored and evaluated.

At each stage in the PRSP cycle, there should be opportunities for stakeholders, including employer and union bodies, to provide input.

It is important to see the PRSP as a long-term, ongoing process. Often the whole process lasts 3-5 years. Objectives will not be reached overnight. Wherever your country is in the cycle, you can still be usefully involved. The importance of the PRSP is not the paper it produces, but public and community action to reduce poverty.

There will be many cycles of the PRSP process. This means that even if you did not get your issues picked up in the first cycle, you can still push for this in a later cycle. For example, when a PRSP is being reviewed, there will be a consultative process. At this stage, you can lobby for your priorities to be picked up.

Formulating a PRSP

Employer and union organizations can be involved in the formulating of a PRSP, either at the beginning of the process, or as part of the review cycle.

- A PRSP should be developed and managed by the relevant country. This means PRSPs should vary between countries. However, the World Bank and IMF boards need to agree to the proposed PRSP. They have made it clear, acceptance will based upon current international understanding of practical methods to reduce poverty. The following five elements should be included:
Social Dialogue and Poverty Reduction Strategies

- Assessment: how many and what groups of people are affected by poverty? And what causes it? This should also include how men and women experience poverty differently;
- Targets: setting goals for poverty reduction;
- Priority public actions: what should be done first? And with what resources?
- Monitoring and evaluation: establishing systematic monitoring of poverty trends, and evaluating the impact of government programmes and policies;
- Participation: explaining the key parts of the participatory process.

The analysis and establishment of priorities should also take into account the needs of men and women. Promoting gender equality is vital to effective poverty alleviation, as well as being important in its own right.

The World Bank Sourcebook identifies four priority areas for public action in a PRSP. These are set out in Box 38 below:

Box 38

<table>
<thead>
<tr>
<th>World Bank priority areas for public action in a PRSP:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Macro-economic and structural policies to support sustainable growth in which the poor participate;</td>
</tr>
<tr>
<td>2. Improvements in governance, including public-sector financial management;</td>
</tr>
<tr>
<td>3. Appropriate sectoral policies and programmes;</td>
</tr>
<tr>
<td>4. Realistic costing and appropriate level of funding for the major programmes.</td>
</tr>
</tbody>
</table>

Full PRSPs are expected to summarize the priority public actions over a three-year horizon, and include a policy matrix.

A PRSP usually comprises two sections. The first part deals with the analysis of the problems and sets out overall strategies. The second part is a policy matrix, which is usually contained as an appendix.

The matrix sets out main policy actions and institutional reforms, and target dates for their implementation. An extract from the Cambodian policy matrix is set out in appendix 2. This will give you an idea of what to expect.

It is important that you have input into BOTH sections, either in the formation of the document, or when it is being reviewed. The policy matrix is the action part of the PRSP and should not be overlooked.
Implementing a PRSP

A PRSP will need an implementation strategy that is drawn from the policy matrix. As PRSPs are new, there is little experience with implementation, but in principle, the issues involved should be no different to those that relate to any new policy or programme.

Employer and union organizations can be involved at different levels in implementation, so will need to decide what level of involvement they want to have.

Examples of involvement in implementation include:

- In consultative forums on the implementation of policies and programmes;
- As participants in trial processes (in which an idea is tested in a limited way, assessed and then considered for broader implementation);
- Suggesting programmes under which they would receive funds;
- Putting forward priorities for implementation when funding is limited; and
- Implementing policies and programmes in their own right.

A PRSP is a very complex and long document. Sometimes a country’s PRSP can be too ambitious. When this happens, there is often not enough funding, and decisions have to be made on what is to be implemented. If the social partners are involved in the implementation process, they can influence which priorities are selected for implementation. Also, the availability of external funding may determine what is implemented. The social partners may need to discuss this issue with international agencies, as well as the government.

The implementation phase should be designed to promote gender equality. Policies and programmes should be designed to take into account the effects on men and women. This includes making sure budget allocations equally benefit both genders.

Often, implementation will be phased in. For example, the government may decide to implement pilot initiatives in targeted districts or provinces.

Monitoring and evaluating a PRSP

Monitoring and evaluation are used to gauge whether the goals of the PRSP are being met. Again, because the PRSP process is new, monitoring and evaluation mechanisms will often not be well developed.

There are two parts to monitoring and evaluation of a PRSP. These are:
Social Dialogue and Poverty Reduction Strategies

- A poverty monitoring system, to ascertain whether key indicators change over time as a result of the strategy; and
- Selective evaluation, to gauge the impact on poverty of policies and programmes essential to the strategy.

**Box 39**

Definitions from the PRSP Sourcebook:

Goals are objectives that a country or society wants to achieve. They are often expressed in non-technical, qualitative terms, such as ‘eradicate hunger’ or ‘reduce poverty’.

Indicators are variables used to measure progress toward the goals. For example, progress toward eradicating hunger could be measured by looking at the number of families who say they are unable to have three meals a day for 12 months of the year.

Targets are quantified levels of the indicators that a country or society wants to achieve at a given point in time - for example, a target of all families being able to eat three meals a day for 12 months of the year by 2015.

Different people use different words when they talk about monitoring and evaluation. As a first step, it is important to be clear about what the words mean. Box 39 above sets out the definitions that the World Bank uses in its PRSP Sourcebook.

The United Nations Millennium Development Goals (MDG) is an example of a document with goals, indicators and targets. The MDGs are set out in appendix 1 and are linked to the PRSP process. The PRSP should map out how a country will work toward achieving the MDG goals.

A PRSP needs to have a strategy to monitor and evaluate progress. Because not every part of a strategy can be constantly monitored and evaluated, decisions need to be made on what are the most important. Monitoring and evaluation does matter. The information and lessons learned are used when discussing how a strategy might need to be changed. Chapter 3 of the World Bank Sourcebook has detailed information on monitoring and evaluation of a PRSP.

It is important that evaluation and monitoring processes include:

- Goals, targets and indicators for gender equality; and
- A gender component for all other aspects of the country's PRSP.
Civil organizations, including social partners, have an important role to play in monitoring and evaluation. This is recognized by the World Bank Sourcebook. The role is outlined in the check Box 40 below:

Box 40

<table>
<thead>
<tr>
<th>Role of social partners in monitoring and evaluation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Build consensus on what to monitor and evaluate;</td>
</tr>
<tr>
<td>– Contribute knowledge and expertise;</td>
</tr>
<tr>
<td>– Carry out monitoring and evaluation activities directly (e.g. taking advantage of easy access to membership to monitor and evaluate views);</td>
</tr>
<tr>
<td>– Monitor and evaluate their own activities, to implement the PRSP as a contribution to the overall evaluation;</td>
</tr>
<tr>
<td>– Ensure that gender is taken into account;</td>
</tr>
<tr>
<td>– Use the results to keep governments honest;</td>
</tr>
<tr>
<td>– Participate in discussions on how to improve poverty reduction strategies.</td>
</tr>
</tbody>
</table>

Being engaged in monitoring and evaluation can be a good way to build support for your priorities. For example, you could monitor performance on priority issues and highlight any inadequacies. The results can be sent to other stakeholders and published. This is a way of building support for your issues and seeking changes in any revision of the PRSP to reflect your priorities.

**Making an impact**

**Having something to say**

The objective of being involved in a PRSP process is to make an impact. You want to get your priorities and ideas included in the content of the PRSP, how it is put into practice, and how it is monitored and evaluated. This is not always easy.

There are two main steps - having something to say, and influencing others. In other words, you need to develop a set of priorities you want to be a part of the PRSP, and you need to influence others so they consider your priorities important enough to be included.

You must take into account both steps if you want to have an impact in a PRSP process. There is no point demanding to be consulted if you have nothing to say.

Likewise, there is no point having the most complete and expertly produced documents if you cannot influence others to accept the ideas contained within. The documents will just sit on a shelf gathering dust.
Box 41

Putting forward the priorities of social partners:
In Viet Nam, the ILO supported social partners to identify their priorities in the PRSP process. This included:

- Initial awareness-raising workshops on the PRSP and the ILO Decent Work Agenda;
- Commissioning of policy review papers for each of the social partners. These identified each social partner's priorities in the PRSP;
- A separate brainstorming workshop was held for the employer and union organizations, to refine their priorities and identify proposed solutions. This was followed by a tri-partite workshop;
- At the tri-partite workshop, the social partners agreed on four priority areas for future collaboration in their country's PRSP. The priority areas are:
  1. Vocational education and training;
  2. Job creation;
  3. Small and medium enterprise development;
  4. Social dialogue at enterprise level, in foreign and private enterprises, and as part of CPRGS.

They identified key issues in these areas, and proposed detailed solutions. These can now be refined and pursued in the implementation, monitoring and review of the PRSP.

The importance of priorities
Any PRSP is comprehensive and complete. The key to having something to say within this is focusing on your priorities. Within these priorities you can identify issues, propose solutions, be involved in implementation, and take part in monitoring and evaluation. The priorities become your agenda for engagement in the process.

Without a priority focus, your organization could easily be overwhelmed and give up on the process. In the rest of this section, the guidebook will focus on how to work out your priorities in a simple five-step process.

The Decent Work Agenda is a good framework to begin identifying priorities, objectives and strategies. Employer and worker organizations do not have to limit themselves to the Decent Work Agenda, however. So when beginning to discuss the sort of input you might want to have into the PRSP, you could use headings from the Decent Work Agenda, plus other issues, as set out in Box 42 below.

You can discuss issues informally, at a formal meeting, or better, during a workshop held for this purpose. Make sure the people involved in the discussion
are from different backgrounds, include as many women as men, and have ideas to which they can contribute.

In the rest of this section, we suggest a step-by-step process you can work through to help develop your input into your country's PRSP. You may find this useful, or you may prefer to use your own methods.

Box 42

Five headings for identifying priorities:
1. Issues of principles and rights at work
2. Issues of employment
3. Issues of social protection
4. Issues of social dialogue
5. Other issues

A five-step process for setting priorities

Step 1: Identify issues

Under the five suggested headings, ask why poverty exists in your country, and why it is difficult to do tackle. Write down the issues or problems as they are mentioned. If you are at a workshop, then you should write down the issues without comment on a flip chart or whiteboard as they are identified.

It is important to understand the point is to identify issues at this stage, not to discuss them, and not to propose solutions. If they are discussed at this stage, then fewer may be identified and some people may be discouraged from speaking openly.

After this brainstorming session you might have a list of issues or problems that is something like the example on the next page (NB. Some of the examples may relate more strongly to workers' and employers' organizations than others. There is a mix of ideas from different perspectives).
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Box 43: Example: Why poverty exists

Principles and rights at work
- Freedom of association does not exist in practice;
- Child labour is still a problem and many children do not go to school;
- Few women are employed in good jobs;
- No effective mechanism exists for resolving industrial disputes;
- Wildcat strikes.

Unemployment
- Any new jobs are low skill and low pay;
- Few big employers;
- Public sector is inefficient and overstaffed;
- Lack of skilled workers;
- Vocational training system is inadequate and poor quality;
- Labour code is too inflexible;
- Agricultural workers are exploited;
- The government does not give help to new businesses;
- Government does not support the self-employed;
- Hard for small businesses to obtain loans;
- Hard to find premises for small businesses.

Social protection
- Employers do not pay sickness benefits;
- No income available for those who cannot work;
- No social insurance for maternity protection, which pushes costs onto individual employers;
- The elderly must rely on their families;
- Hard to return to work after injury.

Social dialogue
- Employer and worker organizations are not fully independent of the government;
- No institutions to support tripartite decisions;
- Government sees social dialogue as low priority;
- Employer and worker organizations do not fully represent society;
- Employer and/or union organizations are fragmented, and there is not a sole national body.
General policy issues

- Worker productivity and wage levels are very low;
- Most workers have only primary education;
- Poor facilities to market products;
- Cumbersome regulatory framework for businesses (e.g. registration, customs, taxes, etc.);
- Poor health facilities;
- Corruption is widespread;
- Lack of transparency in government tendering processes;
- Many households do not have clean water, sanitation or electricity;
- Few Internet cafes.

Step 2: Put in priority order

Now that you have your list of issues or problems that contribute to poverty, you need to consider which of these are priority issues - for your organization and for the country as a whole. Remember that a priority is something that is both urgent and important. Priorities should be determined not by your wishes, but by concrete needs. Also, you need to remember that you cannot address all priorities as you have limited resources. Therefore, at this stage, it is important to gauge the relative priority of one item against another.

At a workshop, you can do this by voting. This is how it works: Give each participant 10 points. They then allocate their points to the items they believe are highest priority in any way they wish. If a participant thinks that one of the issues is of extreme priority, then they will allocate all 10 of their points to that item. If someone thinks that three issues stand out, then they will allocate 4 points to one, and 3 points each to two others. If someone thinks that 10 issues stand out, then they might allocate one point to each of them. It does not matter how the 10 points are split, but each participant must use their total allocation.
Social Dialogue and Poverty Reduction Strategies

Make sure you also allocate yourself 10 points. Then total the points for each issue and order them from highest to lowest. At the end of this stage, your list should look something like this:

Table 39

<table>
<thead>
<tr>
<th>Priority Points</th>
<th>Issue</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Many households do not have clean water, sanitation or electricity;</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Corruption is widespread;</td>
<td>61</td>
</tr>
<tr>
<td>3</td>
<td>Lack of skilled workers;</td>
<td>55</td>
</tr>
<tr>
<td>4</td>
<td>Child labour is still a problem and many children do not go to school;</td>
<td>49</td>
</tr>
<tr>
<td>5</td>
<td>Cumbersome regulatory framework for businesses;</td>
<td>48</td>
</tr>
<tr>
<td>6</td>
<td>Hard for small businesses to obtain loans;</td>
<td>43</td>
</tr>
<tr>
<td>7</td>
<td>Few women are employed in good jobs;</td>
<td>40</td>
</tr>
<tr>
<td>8</td>
<td>Low productivity and low wages;</td>
<td>39</td>
</tr>
<tr>
<td>9</td>
<td>Employer and worker organizations are not fully independent of the government;</td>
<td>23</td>
</tr>
</tbody>
</table>

(and so on)…

In this example, the top eight priorities should be concentrated upon, because of the difference in points between Priority 8 (39 points) and Priority 9 (23 points). Also, Priorities 3, 4 and 8 are different aspects of the same issue and could be grouped together. The list would then look like this:

Table 40

<table>
<thead>
<tr>
<th>Priority Points</th>
<th>Issue</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low skills and productivity levels (including child labour) leading to low wages;</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Many households do not have clean water, sanitation or electricity;</td>
<td>61</td>
</tr>
<tr>
<td>3</td>
<td>Corruption is widespread;</td>
<td>55</td>
</tr>
<tr>
<td>4</td>
<td>Cumbersome regulatory framework for businesses;</td>
<td>49</td>
</tr>
<tr>
<td>5</td>
<td>Hard for small businesses to obtain loans;</td>
<td>48</td>
</tr>
<tr>
<td>6</td>
<td>Few women are employed in good jobs;</td>
<td>43</td>
</tr>
</tbody>
</table>
Step 3: Change issues into objectives

Identifying the key objectives for your organization in the PSRP then becomes clear. The objectives can be identified by inversion. Just re-state the issue as a positive objective. For example, Priority 3, corruption is widespread, as an objective would become reduce corruption, or eliminate corruption. Your objectives then become:

<table>
<thead>
<tr>
<th>Priority Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Points</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
</tbody>
</table>

Table 41

<table>
<thead>
<tr>
<th>Examples of objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
</tbody>
</table>

Step 4: Develop strategies

When taking part in the PRSP process, it is desirable to have ideas on how to achieve the objectives. These are basic strategies. At a workshop, you can allocate different objectives to small groups and ask them for ideas on how to achieve each objective. At meetings and informal discussions, ideas always arise, but make sure this question is asked: How can our country achieve each objective? Ideas for strategies should be specific, practical and cost-effective. It is important to review the strategies selected to ensure men and women benefit equally. Ask yourself how each of the strategies could be adapted to promote gender equality and make
Social Dialogue and Poverty Reduction Strategies

changes, if necessary. Select the best ideas to include in your summary. Your list for input into the PRSP process would then look something like this:

Table 42

<table>
<thead>
<tr>
<th>Examples of objectives and strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

(And so on)...

Step 5: Get your plan endorsed

At this point, you have a draft list of objectives and strategies that your organization would like to input into the PRSP process. Before you network and consult on the list, get it endorsed by your organization’s representative body. A trade union centre would put it before a meeting of delegates for endorsement. An employer organization would go to its board of directors. Modify the list according to any substantial changes the representative body wants made before it
proceeds through the PRSP process, so it truly represents the views of your organization.

*Using your priorities in the three phases of the PRSP process*

The cycle for a PRSP has three phases, as discussed in section 3.

- Formulating a PRSP;
- Implementation;
- Monitoring and Evaluation.

Once you have set your priorities and have a plan, this becomes your guide for involvement in the PRSP. By focusing on your priorities, you can concentrate your involvement in the areas that are the most important to your organization and its members. On the next page, there are some ideas on how to use the priorities to guide your work in each stage of the process.

**Table 43**

<table>
<thead>
<tr>
<th>Phase</th>
<th>You can use your priorities:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formulation</strong></td>
<td>• As demands of what you want included in the PRSP;</td>
</tr>
<tr>
<td></td>
<td>• As your lobbying agenda with others;</td>
</tr>
<tr>
<td></td>
<td>• To consult with members.</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td>• To argue for priority if funding is limited;</td>
</tr>
<tr>
<td></td>
<td>• To identify gaps in the implementation of a PRSP;</td>
</tr>
<tr>
<td></td>
<td>• To propose how others should implement a particular objective that overlaps with your priorities;</td>
</tr>
<tr>
<td></td>
<td>• To identify which aspects of the PRSP implementation plan relate to your priorities, who is responsible for implementation, and the nature of the activities;</td>
</tr>
<tr>
<td></td>
<td>• To determine if you want to be involved with another organization, such as a ministry or donor, in implementation activities;</td>
</tr>
<tr>
<td></td>
<td>• To determine any activities you want to undertake as a contribution to implementation of your country’s PRSP.</td>
</tr>
<tr>
<td><strong>Monitoring and Evaluation</strong></td>
<td>• Identify aspects of the PRSP’s monitoring and evaluation in which you may want to be involved;</td>
</tr>
<tr>
<td></td>
<td>• Undertake your own monitoring of PRSP performance in your priority areas;</td>
</tr>
<tr>
<td></td>
<td>• To monitor any activities your organization has undertaken to implement the PRSP as a contribution to the overall evaluation.</td>
</tr>
</tbody>
</table>

A simple checklist based on your priorities and proposed strategies can be used to track what is happening. An example is provided on the next page. The
checklist covers actions by other organizations (e.g. government, donors, NGOs) and your own, in each priority area.

**Influencing others**

Being able to influence others is a skill. How you go about it depends on the context in which you are working, and on conditions in your own country. Think about how you will get your message across and the best way to convince others. Below are some ideas to help you consider how you might best influence others.

**Find out what is going on**

Before you can influence any process, you will need to find out what progress has already been made.

Below are some questions you will need to answer:

- Has a PRSP been completed? Does it have a different name in your country?
- If a PRSP has not been completed, what stage is the process at? (e.g. first draft completed, commencement of community consultations, final draft submitted to the World Bank and the IMF)?
- Where can you obtain copies of documents?
- If the PRSP is completed, how is it being implemented?
- What are the structures and forums that guide the PRSP process?
- Is there a pre-existing poverty reduction strategy, and how does this relate to the PRSP?
- Who are the important others you want to influence, within and outside the government?
- Who is responsible for monitoring and evaluation, and how will it be carried out?
- Which ministry has responsibility for coordinating the PRSP?
- What are the mechanisms for community consultation?
- Is there a women’s network or structure to contribute toward gender equality?
- Can your organization be included on the mailing list and invited to meetings?
Box 44

**Sources of information about the PRSP in your country:**
- Websites - start with your government and World Bank websites;
- Talk with other civil organizations, like NGOs or religious groups, and academics;
- Contact UN agencies, like the ILO or UNDP;
- Contact bi-lateral government aid agencies;
- Contact the ministries responsible for finance and planning.

There are lots of sources of information. See Box 44 above for some ideas. Section 5 has a detailed list of resources.

You may want to check websites first as this will give you some basic information. Then, talk with any organizations or groups with which you already have relationships. They may be able to fill you in on the background. Bi-lateral aid agencies are often another source of information. These are aid agencies from other countries that give development assistance to your country (e.g. the Department for International Development in the United Kingdom).

Once you have enough background information, you should seek formal meetings with the official organizations, like the government, ministries and international financial institutions, on how to get involved in the process.

When you are clear on what is happening, you can think about how to influence the process. For example, if the PRSP has just been completed and the focus is on implementation, there is no point in producing proposals to amend the PRSP. However, if a review is about to take place, this may be appropriate. You will need to think about how your priority issues fit into the relevant stage of the PRSP process.

*Publicize your views*

Publicizing your views is an important part of influencing the process. There are many ways this can be done. For example, you can produce leaflets and media releases, address meetings, or give interviews on community radio. Producing a simple brochure or poster can be very effective.
Social Dialogue and Poverty Reduction Strategies

Box 45

Tips on Publicity material:
- Keep the message short, clear and simple;
- Use plain language;
- Focus on the priorities;
- Clearly state your desired outcome (e.g. explain any amendments you want included at meetings);
- Think about who you are trying to influence and which arguments will be most effective for them;
- Use publicity materials in different ways (e.g. to lobby, distribute at meetings and as a basis for talks);
- Make sure your publicity material is inclusive (e.g. of women and ethnic groups);
- Make sure any facts quoted are correct;
- Include your organization’s contact details.

In some countries, employers and workers’ organizations prepared their 'position papers', and discussed their issues and concerns through tripartite dialogue. For example, in Indonesia, the workers’ organization prepared its position papers according to the four pillars of the PRSP identified by the Government. The table below summarizes the key decent work-related issues that were raised by employers and workers organizations in Pakistan.
## Table 44

<table>
<thead>
<tr>
<th>Key issues for the workers</th>
<th>Key issues for the employers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Poverty Reduction, Labour and Employment”</strong> by All Pakistan Federation of Labour (APFOL)</td>
<td><strong>“Connecting to Growth: Pakistan’s Poverty Reduction Strategy”</strong> by the Employers Federation of Pakistan (EFP)</td>
</tr>
<tr>
<td>• Improvement of social services, extending micro credit programmes for disadvantaged groups</td>
<td>• Deterioration in the employment and labour market</td>
</tr>
<tr>
<td>• Concern over unemployment and violations of human and labour rights</td>
<td>• Economic growth and creation of new job opportunities, especially for the youth</td>
</tr>
<tr>
<td>• Redistribution of national income</td>
<td>• Private sector’s role in economic growth and poverty reduction</td>
</tr>
<tr>
<td>• Tax system</td>
<td>• Privatization and impact of employment</td>
</tr>
<tr>
<td>• Concern over real wages</td>
<td>• Participatory PRSP process monitoring:</td>
</tr>
<tr>
<td>• Structural reform and adverse effect on workers</td>
<td>• Role of ‘decent’ work in sustainable job creation</td>
</tr>
<tr>
<td>• Privatisation, and impact on quality and quantity of jobs</td>
<td>• Support for the UN Global Compact</td>
</tr>
<tr>
<td>• Investment</td>
<td>• Flexibility in the labour market and its balance with workers’ rights, including FOA</td>
</tr>
<tr>
<td>• Resolution of labour issues through social dialogue</td>
<td>• Request for the PRSP to consider EFP or labour law amendments</td>
</tr>
<tr>
<td>• Unemployment·</td>
<td>• Investment climate</td>
</tr>
<tr>
<td>• Working condition issues (wage, OSH, social protection, FOA) and their link to productivity</td>
<td>• Lack of proper infrastructure</td>
</tr>
<tr>
<td>• Child labour·</td>
<td>• Competitiveness of the garment sector and its social responsibility</td>
</tr>
<tr>
<td>• Bonded labour</td>
<td>• Growing informal economy</td>
</tr>
<tr>
<td>• Lack of proper infrastructure·</td>
<td>• Applicability of labour laws to sub-contractors</td>
</tr>
<tr>
<td>• Growing informal economy·</td>
<td>• EFP’s willingness to support youth in starting businesses</td>
</tr>
<tr>
<td>• EFP’s willingness to support youth in starting businesses·</td>
<td>• Development of tourism sector for employment generation and poverty reduction</td>
</tr>
</tbody>
</table>
Meet with key players

Make sure those who have the most influence understand your point of view. Often, this can be more effectively achieved in a face-to-face meeting. In a big seminar or workshop, you will be competing with others for attention. So make an appointment to meet some of the key players to discuss your concerns.

In addition to ‘networking’ with other key players, representatives of social partners in some countries, including Indonesia, participated in the PRSP formulation process by becoming members of Task Forces that were set up by the relevant authorities. Obtaining seats as Task Force members ensured constant involvement in PRSP discussions and provided opportunities for their views to be heard.

Box 46

Tips for getting the most out of meetings:
- Identify which organizations and individuals are important in influencing the PRSP agenda;
- Think about the best timing of a meeting (such as before a major consultative forum);
- Make an appointment;
- Take with you anyone from your organization who already has an established relationship with the relevant organization or individual;
- Have equal numbers of men and women in your delegation;
- Write an agenda for the meeting and focus on priorities;
- For each agenda item, agree on any action, who is responsible and a timeframe, as appropriate;
- After the meeting, send a letter that confirms the outcomes;
- Do what you have pledged to do;
- Keep in regular contact (through meetings, passing on new material, or phone calls).

Attend workshops and seminars

Normally the PRSP consultative process will include a number of seminars and workshops. It is important to attend these whenever you can.
Box 47

Tips for getting the most out of workshops and seminars:
- Prepare - read the documents beforehand;
- Think about the priority issues you want to raise - you will only get limited speaking time;
- Give equal speaking time to issues affecting women;
- Decide as a group who will speak, and make sure as many women as men speak on behalf of your group;
- If you speak, make the action you want taken very clear (such as an amendment, or when a follow-up meeting should be held);
- Take your publicity material and distribute it;
- Listen to others. Identify those who share similar views and introduce yourself during breaks. There might be ways you can work together;
- Follow up any commitments that were made by others to you, or vice-versa.

Make it easy for those you want to influence

Often, the people you are trying to influence may support your position. But all too often this does not translate into the action that you want. Maybe this is because they are very busy and stressed, so make it easy for them to build in your ideas.

Box 48

Tips to make it easy for those you want to influence:
- Be very clear about the outcome you want;
- If you want changes to a document, draft them as amendments so it is easy to see how they fit in;
- Offer to help if your proposals result in additional work;
- Think about your proposals clearly. Identify possible opposition and support. If you take this into account in your proposals, you may be able to get more support and less opposition. This helps those who are trying to co-ordinate and reach a consensus;
- Be calm, professional and reasonable.
Social Dialogue and Poverty Reduction Strategies

Working with others

You are more likely to get what you want if you have others supporting you. This is a two-way process, as others may also want your support. It is often not easy working with other organizations that have different ways of working and different priorities, but it is worth the effort. You may be able to build alliances within the PRSP process and also on other important issues.

Box 49

Tips for working with other organizations:
- Listen and treat others with respect;
- Be flexible;
- Focus on areas of agreement, and if necessary agree to disagree on other areas;
- Start small and get used to working together before launching big joint projects;
- Attend caucus meetings (e.g. NGO caucus meetings) and try to get your priorities into any joint documents;
- Be prepared to support others.

Trade Unions and PRSP’s

Why should unions get involved in a PRSP?

Box 50 recaps why it is a good idea to participate from a union perspective.
Why get involved in a PRSP?
- The PRSP will directly affect unions and their members;
- Unions can help reduce poverty through contributing their ideas, experience and support;
- The PRSP process offers the opportunity to work with other organizations and to form alliances;
- A PRSP gives unions an opportunity to have a say about the government's approach to development;
- It helps organizational planning and development by providing a better idea of government policies, programmes and plans;
- Involvement in a PRSP helps unions learn new skills.

Meeting the challenges for unions

There are challenges, as well as advantages, when involved in the PRSP process. Unions need to be aware of these so they can take them into account when deciding what to do within the PRSP, and how to go about it. Some of the challenges are set out below and on the following pages:

Sufficient resources

Being involved in a PRSP process takes resources. A resource is not just money. It includes people's time, funds for things like publications, skills, and the support and understanding of members. If your union makes a decision to be involved in the PRSP process, then those resources will not be available for other union work. Unions often already struggle with their day-to-day union work. The PRSP may not seem a priority.
Social Dialogue and Poverty Reduction Strategies

Table 45

<table>
<thead>
<tr>
<th>Ideas to meet the resource challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Start small to get experience so you can make informed decisions about what is needed;</td>
</tr>
<tr>
<td>• Be realistic about how many resources you can put into the PRSP process;</td>
</tr>
<tr>
<td>• Focus on a limited number of priorities;</td>
</tr>
<tr>
<td>• Seek help from organizations such as the ILO, other UN agencies, ministries and NGOs;</td>
</tr>
<tr>
<td>• Share resources by working with other like-minded individuals or organizations (e.g. academics, NGOs or religious organizations);</td>
</tr>
<tr>
<td>• Share the workload within the union (e.g. perhaps there is someone on the executive board who does not have other heavy responsibilities to coordinate).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credibility on poverty issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are low rates of union membership in many developing countries. This is partly because few people work in formal jobs that are unionized. Often, others see anyone with a formal paid job as being free of poverty. This means unions may be seen as representatives of elite, and not the truly poor. This view is strongest where unions are not involved with pro-poor groups, like NGOs and religious organizations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ideas to meet the credibility challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Explain the link between decent work and poverty reduction;</td>
</tr>
<tr>
<td>• Produce short case studies of the problems facing workers and their families, such as short accounts of real life experiences;</td>
</tr>
<tr>
<td>• Don’t be defensive when others have misperceptions and criticisms;</td>
</tr>
<tr>
<td>• Work in alliances with others and support common concerns;</td>
</tr>
<tr>
<td>• Think about all workers (unionized and non-unionized, formal and informal) when working on issues such as social security, minimum wages, access to health and education;</td>
</tr>
<tr>
<td>• If you represent a public sector union, explain the link between quality public services and a quality workforce (low wages can lead to corruption).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Membership support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members may not agree their union should be spending time on the PRSP, as it may seem removed from their day-to-day problems. They may prefer their union to work on solving problems in the workplace.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ideas to meet the challenge of membership support</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Choose priorities for the PRSP you are likely to be able to influence that reflect membership concerns;</td>
</tr>
<tr>
<td>• Explain the importance of being involved in the PRSP to members (e.g. executive meetings, training, workplace activities);</td>
</tr>
<tr>
<td>• If you produce materials, make sure members also get copies;</td>
</tr>
<tr>
<td>• Regularly report back on the process and any ‘wins’;</td>
</tr>
<tr>
<td>• Involve members in the process (e.g. take a membership delegation to a workshop and organize a special PRSP consultative process).</td>
</tr>
</tbody>
</table>
The complexity of a PRSP is a challenge for any organization. Governments and IFIs have teams of trained professionals working full-time on the PRSP. No union or community organization could ever match this.

### Ideas to meet complexity challenge

- Stay focused on your priorities;
- Don’t try to cover everything;
- Insist that documents are written and meetings run in local languages;
- Insist that documents are produced with enough time for civil organizations to read and discuss;
- Co-ordinate with others and specialize in your own areas of interest;
- Request training and skills seminars from the coordinators of the PRSP process; Request funding to help with specialist skills and advice.

**Having something to say: Possible union issues**

There are many issues in a PRSP that can affect union interests. There are both issues to which you may wish to respond, or to add. In Box 52 and Box 53, there are some examples of issues in which unions may have an interest. They have been taken from the Cambodian PRSP documents. These are in the policy matrix, but are just a few examples from a complex document. Implementation and budget allocations are the real test of any PRSP.
Examples of how a PRSP could affect union interests (Cambodian National Poverty Reduction Strategy):

- Stabilize prices of goods and food items;
- Reduce budget deficit;
- Use employment-generation programmes for road building;
- Implement tariff reduction programme;
- Support employees most impacted by trade reform to facilitate adjustment;
- Provide incentives for teachers to work in low-income communities and ensure adequate government financing to achieve goals;
- Consult with employer and union organizations to improve governance;
- Scale up official user fee schemes with strong regulatory mechanisms for staff performance, and exemption for the poor;
- Ensure payment in full and on time in the civil service;
- Define a remuneration policy and programme in the civil service;
- Implement anti-corruption programmes;
- Disseminate labour law to both employers and employees, and enforce;
- Review and pilot employment-guarantee scheme, paying a minimum wage as a basic safety net;
- Monitor working conditions in private enterprises in co-operation with the ILO;
- Promote tri-partite dialogue;
- Develop ways to ensure that all children enter and stay at school.
Cambodian unions and the PRSP - a case study on the minimum wage

An early draft of the Cambodian PRSP included a proposal to reduce the minimum wage in the Cambodian textile and garment industry, to improve international competitiveness. The minimum wage is set at US$45 per month. In Cambodia, the poverty rate is $16.20 per month, or $0.54 per day per person. The Cambodian textile worker unions were unaware of the draft proposal until another NGO told them about it. The unions went to the next community consultative workshop, which discussed the draft. They strongly opposed the proposal with support from some NGOs and community organizations. The proposal was removed from the final PRSP, although some contentious wording still remains. The unions felt strongly that it was only the presence of other civil organizations and their support that forced the government to remove the proposal.

The unions are now working with academics on a study of the minimum wage. Their research has shown that on average, one worker's wage supports three family members. This means that family members surviving on the worker's wage are, in fact, below the poverty line (i.e. all three members of the family have a daily income of only $0.50 per day). The unions now intend to pursue lifting the minimum wage for workers within the context of the PRSP.

Employer Organizations and PRSP’s

Why should employer organizations get involved in a PRSP?

Box 54 recaps why it is a good idea to participate from an employer perspective.
Social Dialogue and Poverty Reduction Strategies

Box 54

Why get involved in a PRSP?
- The PRSP will directly affect employers and their businesses;
- Employers can help reduce poverty through contributing their ideas, experience and support;
- The PRSP process offers the opportunity to work with other likeminded organizations and to form alliances;
- A PRSP gives employers an opportunity to have a say about the government’s approach to development;
- It helps business planning by providing a better idea of government policies, programmes and plans;
- Involvement in a PRSP helps employer organizations to gain new skills.

For employer organizations, poverty reduction has important economic benefits. Eradicating poverty means creating employment and generating income. This will translate into demand for goods and services, and will directly benefit local enterprises. Also, there is a growing emphasis on corporate social responsibility. Through active involvement in a country’s PRSP process, employer organizations are showing their commitment to the communities in which they operate. This reflects well on an employer’s reputation. In a PRSP process, there are opportunities for individual employers to directly engage and demonstrate this commitment.

Meeting the challenges for employers

There are challenges, as well as advantages, in being involved. Employers need to be aware of these so they can take them into account when deciding what to do within the PRSP, and how to go about it. Some of the challenges are set out on the following pages:
Involvement in a PRSP process takes resources. A resource is not just money. It includes people’s time, funds for things like publications, skills, and the support and understanding of business members. If your organization makes a decision to be involved in the PRSP, then those resources will not be available for other work.

**Ideas to meet the resource challenge**

- Start small to get experience so you can make informed decisions about what is needed;
- Be realistic about how many resources you can put into the PRSP process;
- Focus on a limited number of priorities;
- Approach organisations (such as the ILO, other UN agencies, ministries and businesses or professional organizations) for help;
- Share resources by working with other like-minded individuals or organizations such as academics and business or professional organizations;
- Share the workload within the employer organization. Perhaps there is someone on the executive board who does not have other heavy responsibilities to coordinate.

In most countries, there is little relationship between business organizations and support groups for the poor, such as NGOs and religious organizations. Often, others see business organizations as focused on their own interests and not particularly concerned with poverty. In some cases, they may even be hostile. However, this may be balanced with a more supportive attitude from government and ministries.

**Ideas to meet the credibility challenge**

- Explain the link between business success, decent work and poverty reduction;
- Produce research on employment rates and the affect on poverty;
- Don’t be defensive when others have misperceptions and criticisms;
- Work in alliances with others and support common concerns;
- Focus on the employment-creation and skill-enhancement role of business.

Employer members may not think their organizations should be spending time on the PRSP, as it may seem far removed from their day-to-day problems. They may prefer their employer organization to work on solving practical problems.

**Ideas to meet the challenge of membership support**

- Choose priorities for the PRSP you are likely to be able influence that reflect membership concerns;
- Explain the importance of being involved in the PRSP to members at executive meetings, training courses, and in publications;
- If you produce materials, make sure members also get copies;
- Regularly report back on the process and any ‘wins’;
- Involve members in the process (for example, take a delegation to a work shop, or organize a PRSP consultative process with members).
The complexity of a PRSP is a challenge for any organization. Governments and IFIs have teams of trained professionals working full-time on the PRSP. No employer organization could ever match this effort.

**Ideas to meet complexity challenge**

- Stay focused on your priorities;
- Don’t try to cover everything;
- Insist that documents are written and meetings run in local languages;
- Insist that documents are produced with enough time for civil organizations to read and discuss;
- Co-ordinate with others and specialize in your own areas of interest;
- Request training and skill seminars from the co-ordinators of the PRSP process;
- Request funding to help with specialist skills and advice.
Having something to say: Possible employer issues

There are many issues in a PRSP that can affect employer interests. There are issues to which you may wish to respond, or to add. In Box 55 below, there are some examples of issues in which employers may have an interest, taken from the Viet Nam PRSP documents. These are taken from the policy matrix, but are only a few examples from a complex document. Implementation and budget allocations are the real test of any PRSP.

Box 55

Examples of how a PRSP could affect employer interests:

(Vietnamese Comprehensive Poverty Reduction and Growth Strategy)

- Remove barriers for registration and start-up of businesses;
- Create a level playing field for different forms of enterprises;
- Revise and amend some articles of the Labour Law (2002);
- Complete the equitization, transfer to employees, sale, contracting out, leases, mergers, divestiture and liquidation of around 2,800 state-owned enterprises;
- Strengthen the tax system and increase the tax base;
- Restructure state-owned commercial banks;
- Carry out a bi-lateral trade agreement with the United States, paving the way for accession to the World Trade Organization;
- Increase activities to organize quota auctions for garment exports;
- Encourage the development of small and medium enterprises, in traditional sectors and professions, with modern technology;
- Develop a legal framework for establishing business associations;
- Promote use of local labour for implementing infrastructure projects;
- Increase net enrolment rate in lower secondary education with the aim to achieve universal schooling at this level by 2010;
- Ensure job security, extend unemployment insurances, provide training for the redundant workforce and improve working conditions;
- Provide guidance and implement regulations to encourage industries to relocate to rural areas;
- Simplify and rationalize customs procedures.
Social Dialogue and Poverty Reduction Strategies

Making sure Women are heard

Gender equality

The social partners can make a huge contribution to gender equality. One of the main things they can do is ensure that women are well represented in their own structures. This will make social dialogue more relevant. The participation of women at all levels of union and employer organizations makes it much more likely the interests of women workers and employers will be heard.

Some ideas for employer and union organizations on how to promote gender equality in their organizations can be found in Box 56 below.

Box 56

Some ideas for employer and union organizations on how to increase the participation of women:

- Increase the number of women members through targeted recruitment;
- Create internal structures, such as women’s committees or focal points;
- Ensure women are represented at all levels of the organization’s structure, including executive (e.g. create special positions for women);
- Educate all members on the importance of gender equality;
- Run skills training for women;
- Set up special consultative processes for women members to identify priorities for policies, programmes and collective bargaining;
- Include gender equality issues in collective bargaining;
- Ensure women are represented on all delegations;
- Check that your organization’s policies, programmes and budgets equally benefit women and men;
- Make sure all publicity material is inclusive of women and men.
Useful resources

Websites

Using a web-based search engine is a good way to find information. Most websites also have links to other sites on a similar issue. Some good websites to start with are listed below.

www.ilo.org International Labour Organization
www.worldbank.org World Bank
www.imf.org International Monetary Fund
www.undp.org United Nations Development Programme
www.developmentgoals.org Millennium Development Goals
www.unifem.org United Nations Development Fund for Women
www.icftu.org International Confederation of Free Trade Unions
www.ioe-emp.org International Organization of Employers
www.dfid.gov.uk Department for International Development (UK Government)

Publications

ICFTU: Guide to Poverty Reduction Strategy Papers (November 2001),
ILO: Gender Issues in the World of Work, Gender Training Package (Geneva, 1995),
Social Dialogue and Poverty Reduction Strategies


Appendices

Millennium Development Goals

At the Millennium Summit in September 2000 the states of the United Nations reaffirmed their commitment to working toward a world in which sustaining development and eliminating poverty would have the highest priority. The Millennium Development Goals grew out of the agreements and resolutions of world conferences organized by the United Nations over the previous decade. The goals have been commonly accepted as a framework for measuring development progress.

Table 47

<table>
<thead>
<tr>
<th>GOALS AND TARGETS</th>
<th>INDICATORS</th>
</tr>
</thead>
</table>
| **Goal 1**  
Eradicate extreme poverty and hunger | |
| Target 1  
Between 1990 and 2015, halve the proportion of people whose income is less than $1 a day | • Proportion of population below $1 a day  
• Poverty gap ratio (incidence x depth of poverty)  
• Share of poorest quintile in national consumption |
| Target 2  
Between 1990 and 2015, halve the proportion of people who suffer from hunger | • Prevalence of underweight children (under five years of age)  
• Proportion of population below minimum level of dietary energy consumption |
<table>
<thead>
<tr>
<th>GOALS AND TARGETS</th>
<th>INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal 2</strong>Achieve universal primary education</td>
<td></td>
</tr>
<tr>
<td><strong>Target 3</strong> By 2015, ensure that children</td>
<td>• Net enrolment ratio in primary education</td>
</tr>
<tr>
<td>everywhere, boys and girls alike, will be</td>
<td>• Proportion of pupils starting grade 1 who reach grade 5</td>
</tr>
<tr>
<td>able to complete a full course of primary</td>
<td>• Literacy rate of 15 to 24-year-olds</td>
</tr>
<tr>
<td>schooling</td>
<td></td>
</tr>
<tr>
<td><strong>Goal 3</strong>Promote gender equality and empower</td>
<td></td>
</tr>
<tr>
<td>women</td>
<td></td>
</tr>
<tr>
<td><strong>Target 4</strong> Eliminate gender disparity in</td>
<td>• Ratio of girls to boys in primary, secondary, and tertiary education</td>
</tr>
<tr>
<td>primary and secondary education, preferably</td>
<td>• Ratio of literate females to males among 15 to 24-year-olds</td>
</tr>
<tr>
<td>by 2005, and in all levels of education no</td>
<td>• Share of women in waged employment in the non-agricultural sector</td>
</tr>
<tr>
<td>later than 2015</td>
<td>• Proportion of seats held by women in national parliament</td>
</tr>
<tr>
<td><strong>Goal 4</strong>Reduce child mortality</td>
<td></td>
</tr>
<tr>
<td><strong>Target 5</strong> Between 1990 and 2015, reduce by</td>
<td>• Under-five mortality rate</td>
</tr>
<tr>
<td>two-thirds the mortality rate for under-fives</td>
<td>• Infant mortality</td>
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<td></td>
<td>• Proportion of one-year-old children immunized against measles</td>
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<tr>
<td><strong>Goal 5</strong>Improve maternal health</td>
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<tr>
<td><strong>Target 6</strong> Between 1990 and 2015, reduce by</td>
<td>• Maternal mortality ratio</td>
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<tr>
<td>three-quarters the maternal mortality ratio</td>
<td>• Proportion of births attended by skilled health personnel</td>
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<tr>
<td><strong>Goal 6</strong>Combat HIV/AIDS, malaria and other</td>
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<tr>
<td>diseases</td>
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<td><strong>Target 7</strong> To have halted and begun to</td>
<td>• HIV prevalence among 15 to 24-year-old pregnant women</td>
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<td>reverse the spread of HIV/AIDS by 2015</td>
<td>• Contraceptive prevalence rate</td>
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<td>• Number of children orphaned by HIV/AIDS</td>
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## GOALS AND TARGETS

### Target 8
To have halted and begun to reverse the incidence of malaria and other major diseases by 2015

- Prevalence and death rates associated with malaria
- Proportion of population in malaria-risk areas using effective prevention and treatment measures
- Number of children orphaned by HIV/AIDS
- Prevalence and death rates associated with tuberculosis

### Goal 7
Ensure environmental sustainability

#### Target 9
Integrate the principles of sustainable development into national policies and programmes, and reverse the loss of environmental resources

- Change in land area covered by forest
- Land area protected to maintain biological diversity
- GDP per unit of energy use
- Carbon dioxide emissions (per capita)

#### Target 10
By 2015, halve the proportion of people without sustainable access to safe drinking water

- Proportion of population with sustainable access to an improved water source

#### Target 11
Achieve a significant improvement in the lives of at least 100 million slum dwellers by 2020

- Proportion of population with access to improved sanitation
- Proportion of population with access to secure tenure (urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers)

### Goal 8
Develop a global partnership for development

#### Target 12
Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)

- Some indicators below will be monitored separately for the least-developed countries, Africa, land-locked countries and small island developing states
### GOALS AND TARGETS

**Official development assistance:**
Address the special needs of the least-developed countries (includes tariff-and quota-free access for exports-enhanced programme of debt relief for HIPC and cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction)

- Net ODA as a percentage of DAC donors' gross national income
- Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water, and sanitation)
- Proportion of ODA that is untied
- Proportion of ODA for environment in small island developing states
- Proportion of ODA for the transport sector in land-locked countries

**Market access:**
Address the special needs of land-locked countries and small island developing states (through the Barbados Programme and 22nd General Assembly provisions)

- Proportion of exports (by value, excluding arms) admitted free of duties and quotas
- Average tariffs and quotas on agricultural products, and textiles and clothing
- Domestic and export agricultural subsidies in OECD countries
- Proportion of ODA provided to help build trade capacity

**Debt sustainability:**
Deal comprehensively with the debt problems of developing countries through national and international measures, to make debt sustainable in the long term

- Proportion of official bilateral HIPC debt cancelled
- Debt service as a percentage of exports of goods and services
- Proportion of ODA provided as debt relief
- Number of countries reaching HIPC decision and completion points

**Other:**
In co-operation with developing countries, develop and implement strategies for decent and productive work for youth

- Unemployment rate of 15 to 24-year-olds
- Proportion of population with access to affordable, essential drugs on a sustainable basis
- Telephone lines per 1,000 people
- Personal computers per 1,000 people

### INDICATORS

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Social Dialogue and Poverty Reduction Strategies


5 Ibid., p. 6.


7 Ibid., pp. 26-27.


12 Ibid., p. 4.

13 Ibid.

14 Ibid., p. 108.

15 Ibid., p. 127
CONCLUSIONS
THE ILO AND POVERTY REDUCTION STRATEGIES

“Decent work is a powerful tool in selecting the path to the attainment of the interrelated goals and human development outcomes of the Millennium Declaration. The ILO’s four strategic objectives are a contemporary formulation of its mandate and a development strategy that corresponds to the most urgent demands of families today. Decent work unites the international drive to wipe out poverty with the fundamental right to work in freedom”

Juan Somavia, Director-General, ILO, Working Out of Poverty, 2003

The PRSP Agenda

In 1999, the Bretton Woods Institutions agreed to support nationally owned PRSPs as the basis for their respective concessional lending programmes and as a trigger for debt relief under the Heavily Indebted Poor Countries Initiative (HIPC). Of the approximately 70 low income countries eligible for PRSPs, by end 2005, around 50 (roughly half from Africa) had World Bank endorsed PRSPs in place, the majority had produced at least one progress report and a few of the first countries to develop a PRSP, such as Burkina Faso, Uganda and the United Republic of Tanzania, had moved on to develop second generation PRSPs. Many donors have subsequently structured their programmes, especially budgetary support, around a country’s PRSP. Since 2000 and the adoption of the Millennium Declaration and Millennium Development Goals (MDGs), most PRSPs have placed a strong emphasis on outcomes which resonate with the MDGs. It is fair to say that PRSPs and the MDGs now define the development architecture in most low income countries and PRSPs are often the most important policy framework around which governments and donors allocate resources.
Poverty reduction and social dialogue: at the core of the ILO mandate

The ILO’s mandate on poverty reduction is written into the ILO constitution…

“Poverty anywhere constitutes a danger to prosperity everywhere”

Declaration of Philadelphia, 1944

Poverty reduction is a critical part of the ILO agenda as grounded in the Constitution and the Philadelphia Declaration. The Director-General’s Report to the International Labour Conference in 2003 “Working Out of Poverty” set the new context for ILO’s work and reviewed the multiple dimensions in connecting the decent work agenda with the fight against poverty. The ILO’s work on poverty reduction generally, and the PRS process specifically, is grounded in social justice and the twin concepts of entitlements and equity. The starting point is the fact that for poor people, work is the main and often only way to get and stay out of poverty. In addition, this social justice approach advocates a right to inclusion and protection. Poor people suffer a deficit of entitlements because their ability to access decent work depends on the entitlement relations in any given society. For a poor person, access to decent work depends on what he or she owns (often not a lot), what exchange possibilities are offered to him or her (often very few), what is given, and what is taken away. Poverty reduction is therefore about increasing the endowments of the poor and their entitlements. The achievement of these rights involves the development of both economic and social capabilities. The ILO approach emphasizes that economic growth is an essential but not sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor (often referred to as “pro-poor growth”). It includes changes in institutions, laws, regulations and practices that are part of the process that creates and perpetuates poverty. The papers contained in this book have attempted to illustrate the importance of social dialogue as the vehicle for bringing about poverty reduction through decent work.

The objectives of ILO engagement in Poverty Reduction Strategies

The overarching vision of the ILO’s work on PRS is to develop and promote coherent cross-sectoral strategies and integrated frameworks for connecting poverty and decent work agenda(s) at the national level. This vision draws on all four strategic objectives of decent work and involves three specific goals:
Empowering the constituents (ministries of labour, employers’ and workers’ organizations) by building their capacity to influence the drafting and implementation of national poverty reduction strategies; 

Incorporating relevant dimensions of the decent work agenda into poverty reduction strategies by identifying appropriate entry points and country specific priorities; and 

Influencing and developing partnerships through strategic communication. Seeking to influence development organizations (including multilaterals, bilaterals and civil society organizations) and government ministries and departments (especially ministries of finance/planning) involved in designing and implementing poverty reduction strategies to embrace the fundamental principles and rights at work, employment policies, social protection and social dialogue.

Poverty Reduction Strategies are important for the ILO because….

- They are the national strategy for achieving the Millennium Development Goals (MDGs). Both the World Bank and the UN stress that integrating the MDGs into poverty reduction strategies is the key to ensuring that the MDGs become central to national policy processes; 

- They are linked to the prioritization of public policy actions and public expenditure frameworks. It is important that social and economic policies are made with reference to decent work and that policy outcomes reflect decent work concerns; 

- They are linked to development assistance from the World Bank and other multilateral and bilateral donors. Many donors align their country programmes with PRS and producing a PRSP is a prerequisite for multilateral debt from the Paris Club members under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative; 

- The UNDAF – the common strategic framework for the operational activities of the United Nations system at the country level and the ILO’s Decent Work Country programmes (DWCPs) are framed in light of nationally formulated PRS.
PRSPs constitute an opportunity to raise the profile of decent work and the ILO

It has been argued that a major difference between new PRS processes and old style national development plans and structural adjustment programmes is the notion of national ownership based on public consultation. This is consistent with a greater appreciation today of the need to strengthen the rule of law and democratic institutions and processes, taking into account fundamental rights to organize, enjoy freedom of association, be free from child labour and forced labour and to enjoy equal rights without discrimination on the basis of gender or other factors. Consequently, social dialogue becomes a vital process in and of itself. Many of the chapters in this book have shown that at the country level great attention has been placed on building the capacity of trade unions and employers’ associations and strengthening tripartism more generally. It is evident that as the ILO and constituents become increasingly involved in PRS activities their profile and that of decent work is enhanced vis-à-vis others in the international development community. Working relations with IFIs (principally the World Bank) and bilaterals, among others, are becoming more significant and productive. The PRS process, therefore, constitutes a vehicle through which the voice of the ILO including that of the constituents can be heard at the level of national planning and budgeting.

How to engage in Poverty Reduction Strategies

The papers in this book have provided many examples of how the ILO has sought to engage in PRS. This has been done from many different angles but two broad approaches prevail: an integrated, longer term and multidimensional approach or a more specific thematic, focused input. In general, the approach adopted will depend on the stage of a given country’s PRS cycle and the interest and capacity of constituents and the Office to participate in and add value to the process.

Participating in PRS is about engaging in an on-going policy dialogue, giving voice to the concerns of constituents and opening up policy dialogues to employment and labour market issues. It has been shown that areas where the ILO can add value include:

- Ensuring that the poverty diagnostic in PRSs includes reference to the employment situation, especially as it affects, for example, women, indigenous peoples, migrants, the disabled, informal economy and rural workers all of whom are likely to experience poverty in distinct ways;
Ensuring that decent work outcomes are included in strategies and that decent work indicators are included in monitoring and evaluation processes;

Ensuring that rights issues, especially respect of the core labour standards and equity issues including good governance in the labour market are properly addressed in PRS.

Examples of successful engagement by the ILO in Poverty Reduction Strategies

The chapters of this book have illustrated how the ILO (both the Office and the constituents) has sought to promote social dialogue to ensure that poverty reduction policies embrace decent work. The theory of rights based approaches to development and best practices in social dialogue have been described together with country-based examples of evidence based-policy making grounded in social dialogue. Examples have been drawn from a number of countries and detailed case studies from, among other countries, Ethiopia and Cambodia have been used to illustrate the challenges experienced and the successes achieved. In particular, the chapters on Indonesia and Ghana have illustrated successful processes and outcomes.

Some lessons learnt

In general, the ILO’s engagement in the PRS process at the country level has led to improved participation by the tripartite constituents in the process and resulted in opening the scope of policy dialogues to employment and labour market issues and providing a range of alternative policy options. PRSPs are considered a “learning by doing” process by the international community. More recent PRSPs and second generation PRSPs are better addressing some of the weaknesses identified in earlier PRSPs, including greater coverage of equity issues as in the case of Indonesia and Cape Verde, for example, and greater coverage of employment issues as in the case of the recently completed Sierra Leone PRSP which is subtitled a National Programme for Food Security, Job Creation and Good Governance. Many of the more recent transition country PRSPs contain better coverage of social protection issues based on poverty diagnoses which stress the vulnerability of people on low incomes slipping into and becoming trapped in acute poverty.
It is also worth noting that there is evidence to suggest that the principal architects of PRSPs (ministries of finance and planning), and the donors who influence PRSPs are increasingly receptive to certain aspects of the decent work agenda and the ILO has sought to build on this arguing for the centrality of employment growth in poverty reduction strategies, especially through policies designed to promote the private sector and enterprise development, labour-based public works programmes, productivity improvement and better management of the informal economy. Generally, ILO’s engagement has broadened the scope of policy options and their critical review during the PRS process. There are also examples – in Indonesia, Cambodia and Ethiopia among others – where work on the PRS process has fostered more and better working relations both between constituents and within constituent groups, as shown in the Indonesia example above.

It is essential to empower and build the capacities of the ministries of labour to add value to national policy dialogues on poverty reduction. PRSPs also provide the opportunity for the ILO to work with other parts of government in addition to labour ministries. In particular, PRSP processes enable the ILO to sensitize the finance and planning ministries at the country level to decent work. This has been done successfully in Nepal, Indonesia, Sudan and Ghana, among others. However, it has to be recognized that PRSPs constitute a “crowded marketplace” for what are often competing ideas, programmes and claims on resources, so “selling” the decent work agenda is not always easy. It requires a pro-active approach by ILO field-based teams and mobilization of constituents backed by sound policy and technical analysis. It also involves a communication strategy for building alliances with like-minded organization including academic and civil society institutions in order to increase support for particular aspects of the decent work agenda.

To be most effective, it requires sustained contributions over a full cycle involving inputs to the design of the strategy, its monitoring and ultimately, its review and assessment. As a country driven process, it is not time bound in the sense that the policy dialogue process does not have a discrete start and finish. The dividends on the ILO investment accrue in the medium run, in terms of orientation of policy and resources towards decent work goals. This implies the need, on the one hand, to be focussed in prioritising where the ILO can add most value and on the other hand, identifying synergies with existing ILO initiatives in given countries and making the links between those projects and programmes and the broader policy environment. In this context, there are numerous good examples of where the Office has made clear links to ongoing work: in Indonesia, for example, with respect to child labour; and in Mali where the ILO’s work on a national employment programme has fed into the PRSP which is one of the few
that treats employment not simply as a consequence of growth but as a factor of
growth. This is a direct outcome of the active engagement of constituents and the
Office in the participatory process.

In addition to identifying synergies between existing ILO activities and PRS
processes, it is also beneficial to identify where the decent work agenda can add
value to particular sector wide strategies and public expenditure frameworks. For
example, a major plank of the Ghana PRSP is private sector development through
improved infrastructure. Public procurement policies currently do not realize the
considerable potential from large investments in infrastructure for the generation
of employment and income in deprived areas. They also do not make use of the
positive experience in Ghana of including specific provisions on conditions of
employment and workers’ rights in the tender documents. Thus, to improve this,
a policy brief was developed with guidance on the necessary modifications in
tendering rules and procedures, capacity building in relevant institutions and
better access to information to ensure that work based rights including the core
labour standards are embedded in decisions to award infrastructure contracts.

Generally, where the ILO has managed to put together an annual, country level
plan of action for its PRSP work and mobilized staff (field and HQ) and financial
resources, this has greatly improved coherence and consistency in the PRSP
engagement (Indonesia and Ethiopia provide good examples in this regard). It
follows that the ILO’s work on PRSPs should help guide the development of
Decent Work Country Programmes (DWCPs). Cross-country and cross-regional
transfer of experience has been key to maximize the efficient use of limited staff
and financial resources. In view of the critical role of PRSs as the framework for
policy making and for resource allocation in numerous countries, support for
integrating a decent work agenda into PRSs should be a key priority in the
formulation of DWCPs. The experience gained through the ILO/PRS
engagement, including the approach to the empowerment and capacity-building
of the tripartite partners, the practical means for strengthening the capacity of
ILO offices for policy analysis and dialogue at the country level and a
communication strategy for broader outreach, is a vital contribution to the
development of DWCPs. Building synergies across different technical entry
points and mainstreaming projects’ outcomes into policy frameworks for poverty
reduction should be facilitated and planned from the outset.

There have been many critics, evaluations and reviews of the PRSP process by
a variety of stakeholders. A recurrent observation has been that, although the
PRSP framework has begun to orient the policy discussions in low income
countries toward a focus on poverty, attention to results and a new more coherent
framework for aid management, tension clearly exists in designing a World
Bank/IMF driven initiative involving conditionality that is simultaneously meant
to foster a country driven and home grown process. The International Financial Institutions continue to seek ways of addressing this challenge. Also, questions have often been raised about the quality of the participatory process and the degree to which there has been a real discussion of different policy options. This has augmented the rationale for social dialogue in poverty reduction and the need to better focus on policies which address *growth with equity*. Donors have recognized this need and the ILO has received technical cooperation funds from the Dutch, Danish and, in particular, United Kingdom Government for the PRSP work and there has been ever increasing demand from constituents for ILO support in PRSP processes. Thus, it seems reasonable to conclude that demand for ILO’s critical engagement in PRS work is likely to remain high.

Whilst lessons have been learnt and the ILO has now consolidated an approach and methodology to working on PRSPs, which as the chapters in this book have shown will continue to be grounded in capacity building for constituents and maximising the broader benefits from engagement in poverty policy dialogues, the ILO will now need to become increasingly active in helping to evaluate PRSPs globally and at the country level, in seeking to influence budgetary processes, in advocating for an employment based growth strategy and for the inclusion of the rights of sometimes neglected groups such as agricultural and informal economy workers, migrants, indigenous and tribal peoples. To strengthen its on going policy dialogue with development partners including the International Financial Institutions and within the United Nations UNDAF/CCA process and to reinforce its country level support there is scope and need for the ILO to continue to support constituents’ engagement in the PRS process through strengthened mechanisms of social dialogue. There is also a need to further develop empirical evidence on the linkages between macroeconomic policies, employment and poverty reduction; develop further guidance on linking rights and standards into PRS; to develop approaches to developing broad based social protection strategies whilst addressing the issue of fiscal space within PRS; focus more on monitoring indicators of PRS and approaches to integrate decent work targets in that process. There will also be a need – as part of DWCP processes – for developing with constituents more country specific advocacy strategies which reach out to a broad platform including academics, parliamentarians, donors and civil society. Social dialogue should be a central thread running through all of these issues and it is hoped that the contributions in this book will help to point policy makers in the right direction.
The ILO and Poverty Reduction Strategies

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Social Dialogue and Poverty Reduction Strategies

This book and much of the experiences described in the case studies were undertaken with financial support from the UK Department for International Development (DFID). In drafting this book, the authors have been assisted by a large number of people within the ILO and among the various groups of constituents, especially at the country level.

In this book, the authors analyse the different experiences of the role of social dialogue in planning and implementing the poverty reduction strategy policies. In so doing, an emphasis has been put on the experiences of countries such as Cambodia, Ethiopia, Ghana, Indonesia and Tanzania.

The reader will find this book a useful reference in the debate on poverty reduction in general, and more specifically on the participatory process in poverty strategies.

Graeme J. Buckley is Senior Economist, Policy Integration Department, ILO, Geneva.

Giuseppe Casale is Deputy Director, Social Dialogue, Labour Law and Labour Administration Department, ILO, Geneva.