

Social dialogue for poverty reduction – ILO points the way

The fight against poverty is at the heart of the ILO's Decent Work Agenda. So the ILO has been actively assisting unions, employers and labour ministries to play a full part in drafting and implementing Poverty Reduction Strategy Papers.

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Social dialogue and tripartism are not only a component of the Decent Work Agenda, they are also a process for achieving decent work. This principle was recently reinforced by the International Labour Conference, in June 2002, in its Resolution concerning Tripartism and Social Dialogue.

It recognized the initial role that social dialogue and tripartism have in promoting and strengthening fundamental principles and rights at work, promoting job creation and expanding social protection. The relevance of social dialogue is more and more recognized, as the international community searches for appropriate responses to the severe challenges of globalization. In this context, a growing number of developing countries are recognizing the need to foster dialogue, partnership and participatory approaches to decision-making. Social dialogue is thus becoming a prerequisite for good governance and democratic development. This calls for a broadening of the scope of social dialogue and tripartism, with a view to addressing priority issues such as poverty reduction strategies and attaining the Millennium Development Goals.

In this context, one key area for the ILO has been to promote the acceptance and practice of social dialogue in the preparation and implementation of PRSPs.¹

In particular, attention was paid to selected countries such as Cambodia, Ethiopia, Sri Lanka, Tanzania and Vietnam. In differing degrees, the participatory process in these countries added value to the formulation and implementation phase.

With the assistance of the ILO, the workers' and employers' organizations, as well as labour ministries, started to play a more active role in the preparation and implementation of PRSPs.

Social dialogue and poverty reduction

Over the last decade, it became clear to institutions involved in debt relief and concessional lending that strategies for reducing poverty, although correct from the financial point of view, were too heavy to be borne by the people, who had not been kept sufficiently informed by their governments. In too many cases, the financial measures adopted by governments ended up in breach of the commitments to the lending institutions. The majority of the population was then thrust into poverty. It was recognized that any attempt to emerge from poverty requires the commitment of the entire society, including workers, employers and their organizations.

However, in most of the developing countries, the formal economic sector accounts for no more than 10-15 per cent of the whole economic system, and one of the big issues in the policy development debate is how to promote decent work in the informal economy, where workers and self-employed persons are not adequately represented. It is probably in this specific domain that workers' organizations could play a major role in formulating policy assistance through income-generating activities.

Economic growth is a means of reducing income poverty. A key objective of the poverty reduction strategy is to promote accelerated and equitable growth. So PRSPs are meant to provide a link between growth and poverty reduction. Poverty reduction is a result of growth, but the growth must be pro-poor and must be shared out among the various sectors of society.

In this regard, social dialogue and tripartism play a key role in getting social partners to participate in the PRSP.²

The main goal of promoting social dialogue in countries preparing the PRSP, and/or implementing it, was to promote consensus-building and democratic involvement among the main stakeholders in the world of work, notably the most representative workers' and employers' organizations.

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 also an essential component of the participatory process inherent in the drafting of inclusive PRSPs.

This is best illustrated by the experiences of some selected countries.

Cambodia

Cambodia has an agrarian economy, with more than three-quarters of the workforce engaged in agriculture. The vast majority of agricultural workers are subsistence rice farmers, many of whom supplement their income with hunting, fishing or part-time employment. About 39.5 per cent of the population falls below the poverty line, which is defined as the minimum income required to provide 2,100 calories per day and basic items such as clothing and shelter.

Industrial workers only accounted for 7.5 per cent of the 5.89 million workforce in 2000. Of these, an estimated 200,000 Cambodians (50 per cent of the industrial work force) work in the rapidly expanding garment industry.

Only one per cent of Cambodia's labour force is estimated to be organized, or roughly 13 per cent of its total industrial workforce. Unionization of the workforce is not significant outside the industrial sector and within the sector it is highly concentrated in the garment industry, where roughly 25 per cent of all workers belong to unions. Organizing in other sectors – construction, tourism and education – is improving.

The Royal Government of Cambodia's Poverty Reduction Strategy process was launched in early May 2000, based mainly on an internal government economic multi-year plan called SEDPII.

The process for the Full PRSP was due to be launched during a National PRSP Workshop on 25-26 April 2001. Problems arose concerning the relations between the two different strategic plans and the multi-year budget instruments. As a result, the PRSP was postponed to the following year. The National Poverty Reduction Strategy (NPRS) was to focus on reducing poverty and promoting growth and setting priorities consistent with macroeconomic and fiscal constraints as well as implementation capacity. It was to be drawn up within an open and participatory process. It was subsequently agreed that the Full PRSP should be completed towards the end of 2002.

In early April 2002, the first PRSP National Workshop focused on the process of consultation, but the unions did not participate. An umbrella NGO, the “NGO Forum of Cambodia”, attended. A second workshop was held in May 2002, but the unions still did not take part.

The ILO launched a capacity-building programme in 2002, with a view to helping the Cambodian tripartite constituents to fully participate in the PRSP process.

The main output of ILO involvement in the PRSP process was a detailed and comprehensive report entitled *Generating Decent Work for Poverty Reduction in Cambodia: the Voice of Workers, Employers and the Government*. This gave the social partners and the Ministry of Labour the opportunity to highlight issues of major concern for the workers, notably employment policies, which were then included in the final PRSP document.

After a series of technical activities, the social partners were officially included in the PRSP participatory process and the NPRS paper was officially launched in March 2003.

The Cambodia example demonstrates that the social partners, if seriously taken into account, make a major contribution to the preparation of poverty reduction strategies. In doing so, they highlight issues related to employment policy and the incorporation of the Decent Work Agenda into the PRSP.³

Ethiopia

Another country in which the ILO was involved in the tripartite constituents’ capacity-building for participation in poverty reduction strategies was Ethiopia.

The Ethiopian PRSP (Sustainable Development and Poverty Reduction Programme – SDPRP) was finalized and delivered to the World Bank on 15 August 2002. It received the support of the Board of the IDA (International Development Association) on 19 September 2002 and of the IMF Board on 23 September 2002. It is still at an early stage of implementa-

tion. It is a long document, and its strategy centres on:

- agricultural development-led industrialization (ADLI)
- reform of the judicial system and the civil service
- governance, decentralization and empowerment
- capacity-building.

There are eight key sectoral themes: agriculture, food security, education, health services, HIV/AIDS, roads, water and sanitation, and gender and development.

A National Technical Committee and a separate Steering Committee are responsible for the SDPRP (coordinated by the Ministry of Finance and Economic Development) and four “thematic groups” have been established to guide its implementation and to prepare a policy matrix for the planned Poverty Reduction Support Credit (PRSC).

These groups are:

- private sector and economic growth
- improving public service delivery
- institutional reform, including decentralization and civil service reform
- human development.

Although the Government claims that employment issues somehow underlie the SDPRP in Ethiopia, there is no actual mention of employment strategies, let alone any reference to the Decent Work Agenda.

A progress report on the PRSP was due in July 2003 and was prepared by the PRSP Secretariat in the Ministry of Finance and Economic Development. It was reviewed by the World Bank in November 2003.

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. In Ethiopia, good coordination has been developed among development organizations. Moreover, a PRSC is being formulated, with the participation of

the World Bank, the EC and a number of donor countries, and is intended as direct budgetary support.

As far as the participation of the tripartite constituents is concerned, the Ministry of Labour and Social Affairs participates in the National Technical Committee and Steering Committee and has prepared a policy matrix (containing both labour administration issues and issues concerned with social welfare for vulnerable groups) for submission to the Ministry of Finance as its contribution.

Neither the Confederation of Ethiopian Trade Unions (CETU), nor the Ethiopian Employers' Federation (EEF) had been particularly involved in the process of putting together the PRSP, and their views had not been adequately taken on board.

Based on the different meetings with the constituents, the Minister of Labour, EEF and CETU, it was felt that the Labour Advisory Board has a major role to play in the PRSP process. In particular, shortcomings of the current PRSP strategy were analysed as follows:

- Private sector development, job creation and productivity had not been accorded sufficient emphasis in the PRSP.
- Employment protection and workers' protection during the process of privatization were not addressed in the strategy.

So the ILO faced a big challenge in Ethiopia. The PRSP was a new concept for the social partners and it was not evident to them how they could best participate in the process. From the outset, it was clear that empowering the social partners, giving them a voice and influence in the PRSP process in Ethiopia, was inextricably bound up with more general capacity-building. This was as true of the trade unions as of the employers' federation, which has been in existence for six years and has very limited human and financial resources. Therefore, the ILO embarked on a broad-based capacity-building exercise for the social partners, acknowledging

the importance of the PRSP, and seeking to achieve the following objectives:

- to empower the social partners to influence the drafting and implementation of poverty reduction strategies through social dialogue
- to incorporate employment and other aspects of decent work into PRSPs
- to influence development organizations and governments involved in designing and implementing poverty reduction strategies to embrace the fundamental principles and rights at work, employment policies and social protection, and to listen to the social partners.

In parallel, the ILO has sensitized the donor community, especially via the Coordination Group (DAG-Core Group) on the ongoing activities and the Decent Work Agenda, thus creating a conducive environment for further support in the future.

As a follow-up, it was decided and reaffirmed at a tripartite meeting in February 2003, that a programme of activities would be put in place to build the capacity of the social partners, centred on strengthening the institutional framework for successful tripartism – together with specific activities based on strengthening the analytical and research capacity of the social partners in specific areas. The Plan of Action culminated in the national tripartite meeting on Social Dialogue and SDPRP which took place on 1-2 October 2003. A tripartite agreement was reached among the constituents, and a future action plan has been agreed between the ILO and the Ethiopian constituents. This concentrates on strengthening capacity-building by the social partners and the Ministry of Labour in the area of poverty reduction strategies, especially the implementation and monitoring phases.

Tanzania

Tanzania is one of the poorest countries in the world. Per capita income is about US\$250 per year. Tanzania's economy is primarily agricultural. Agriculture (coffee, cotton, tea, cashew nuts, sisal, maize, rice, wheat, tobacco) accounts for 50 per cent of GDP and provides 85 per cent of exports.

Employment in the private formal sector has grown rapidly (though agriculture still has over 80 per cent of the labour force) and public sector reform has led to a decline in growth of government employment. While the incidence of poverty has declined since the mid-1980s, this has yet to be reflected in a number of important fields: the level of education of the labour force is extremely low (less than 5 per cent of the labour force is educated above the primary level). Access to secondary education remains below 5 per cent.⁴

In this difficult context, the unions suffer from basic difficulties, including scant respect for union rights. Since 1998, the trade unions have been denouncing the fact that several labour law provisions are in violation of union rights. Among others, a major criticism concerns the provision forbidding public sector employees to organize.

At the time of preparing the first PRSP in October 2000, not all economic sectors had drawn up 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. They were:

- Sustaining macroeconomic stability, promoting rural sector development and export growth, promotion of private sector development.
- Targeting income poverty: reducing the percentage of the population below

the poverty line from 48 per cent in 2000 to 42 per cent in 2003, reducing the proportion of the rural population below basic poverty from 57 per cent to 29 per cent in 2010 aligned, reducing the proportion of "food poor" from 27 per cent to 14 per cent in 2010.

The PRSP Progress Report of August 2001 signalled several improvements, including a continued consolidation of the macroeconomic situation through prudent monetary and fiscal policies. This enhanced budgetary support for education, health, and other priority areas. The report placed the emphasis on:

- 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
- elaborating development strategies for the education and agricultural sectors; amplification of strategies for other sectors and cross-cutting areas (HIV/AIDs, governance, environment, gender and employment)
- tracking the income and social indicators of poverty, and adopting measures, in the context of the Tanzania Social Action Fund (TASAF), to alleviate rural income poverty and to provide relief to vulnerable groups.

Tanzania is something of a success story for the participatory process in drawing up a PRSP. Through its consultations with stakeholders, the Tanzanian Government has sought to gain an improved understanding of what were the causes of income and non-income poverty.⁵ Zonal workshops (May 2000) were organized by an inter-ministerial technical committee⁶ in order to identify the views of grassroots stakeholders and the poor. 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 (sampled randomly), one district councillor, one town councillor, and one district executive director, whilst for each zonal workshop, five NGOs were present (with one representative).⁷

Participants, reporting back to the inter-ministerial technical committee,⁸ 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, weak marketing and distribution systems for agricultural produce, and a lack of implements, inputs and extension services. Members of Parliament (2000) and regional administrative secretaries (August 2000) were consulted on the findings, before the final PRSP draft was approved by Cabinet (September 2000).

In its Progress Report 2000/01 (released on 14 August 2001) the Government, however, stressed that in deciding on the use of indicators and the responsibilities for collecting, using, storing and disseminating disaggregated poverty data in future PRSP progress reviews, it would consult many other non-state stakeholders such as research and higher education institutions, civil society groups and the donor community. This gave an opportunity for the Association of Tanzanian Employers (ATE) and the Trade Union Congress of Tanzania (TUCTA) to become fully engaged in monitoring and evaluating the PRSP.⁹

However, there are some constraints which have affected 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 workshops¹⁰ organized 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. This deprived their organizations of the opportunity to be fully engaged at the PRSP agenda formulation stage.¹¹ They also contended that only through the ILO-sponsored workshops did their awareness about the PRSP increase or even develop. Moreover, the two organizations agreed that, because of the primarily consultative (and irregular) nature of the National Labour Advisory Board and the National Employment Council's tripartite meetings, a meaningful outcome-oriented social dialogue over PRSP policy priorities could not be developed in either body. On the other hand, the social partners recognized, in a critical self-appraisal, that their involvement in the PRSP depended on enhancing their own research and analytical capacity to assess socio-economic policy issues pertaining to the national PRSP.

In this context, the ILO project on promoting social dialogue in the PRSP process in Tanzania provided an opportunity to the tripartite constituents and to relevant NGOs to interact on the various issues dealt with in the PRSP. In particular, a tripartite agreement on a decent work strategy for poverty reduction in Tanzania was reached in December 2001 with the assistance of the ILO project activities. This agreement now represents the wider framework within which the social partners and the Government will interact in the years to come. Their aim is to take an active role in the future preparation and implementation of the PRSP. In order to operationalize the Decent Work Agenda's four main objectives within the PRSP process, Tanzania's national institutions need to be reformed and become more responsive to the socio-economic interests of the social partners. Only then can country ownership gain more substance. Among other things, the National Labour Advisory Board's functions would have to be transformed from advisory ones into policy-proposing ones. Within a reformed National Labour Advisory Board, consultation and negotiation between the ILO's tripartite constituents could gain more

prominence and become more outcome-oriented – thus culminating in the adoption of agreed policy proposals on the PRSP. Consequently, the social partners would be empowered to revalidate or propose a reorientation of PRSP policy priorities.

In addition, the role of the National Employment Council could be transformed in order to allow effective tripartite consultations on how to manage the PRSP's 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 the light of the increasing importance of foreign direct investment in Tanzania, there is also a need to investigate how multinational corporations might be incorporated into this policy network. This in turn may also allow them to take part in the PRSP and discuss matters pertaining to 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 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, one would also have to think about the possibility of setting up a tripartite or multipartite committee within the National Employment Council, which deals with this sector, specifically in order to propose ways of adjusting the PRSP. If there is sufficient interest, the inclusion of relevant NGOs into such a policy network/committee could also be considered.

The results of consultations between the Tanzanian Government and international

development partners (TAS: Tanzania Assistance Strategy) 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 implications that these consultations may have for their own actions and proposed policy realignments within the PRSP process.¹²

Social dialogue works

It is interesting to note that all parties in the countries covered by the ILO assistance for the promotion of social dialogue in the PRSP process have 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.

In particular, emphasis should be placed in the coming years on the following means of action:

- integrating the key objectives of poverty reduction and decent work
- strengthening ownership and participation
- ensuring a balanced approach to economic and social development
- incorporating the value added by 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.

Notes

¹ 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:

- a) Country-driven with governments leading the process.
- b) Broad-based participation between governments, other actors in civil society, the private sector (workers’ and employers’ organizations) and the donor community in the adoption and monitoring of the resulting strategy.
- c) Results-oriented identifying and prioritizing of desired outcomes and planning of the path taken 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.
- d) A comprehensive view of poverty, taking into account its multidimensional 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 A. Sen (*Development as Freedom*, 1999), poverty has five dimensions – 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 are improved. This broad concept of poverty has been adopted in major recent development reports such as the World Bank’s *World Development Report 2000* and UNDP’s *Human Development Report 2000*.
- e) 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.

² 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, workers and employers, 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 is often 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.

³ For more details on Cambodia, see: G. Buckley, *Social Dialogue and Poverty Reduction Strategy Paper (PRSP) Process in Cambodia: an assessment*, Paper No. 1, July 2003, IFP/Dialogue, ILO, Geneva.

⁴ See www.worldbank.org/afr/tz2.htm

⁵ Sustaining macroeconomic stability, promoting rural sector development and export growth, promoting private sector development. Targeting income poverty: reducing the percentage of the population below the poverty line from 48 per cent in 2000 to 42 per cent in 2003, reducing the proportion of the rural population below the basic poverty line from 57 per cent to 29 per cent in 2010 aligned, reducing the proportion of food poor from 27 per cent to 14 per cent in 2010 (Tanzania PRSP 2000). Non-income poverty is being tackled through the promotion of education, health and social well-being and campaigns to reduce social vulnerability and environmental damage.

⁶ See United Republic of Tanzania Poverty Reduction Strategy Paper (PRSP) published in October 2000, and Progress Report 2000/01, published in August 2001, for details (www.worldbank.org/tz/prs.htm).

⁷ Names of NGOs are not indicated in the PRSP or in the Progress Report 2000/01.

⁸ The interministerial technical committee consisted of officials from the Vice President’s Office, Prime Minister’s Office, Planning Commission, Ministries of Finance, Education, Health, Public Works, Local Government, Labour, Sports and Youth Employment, Agriculture, Water, Energy and Minerals, and Community Development and the Bank of Tanzania. The technical committee prepared the interim and final PRSP.

⁹ See United Republic of Tanzania, op. cit., pp. 1-54.

¹⁰ Workshops on Capacity Building for Effective Engagement in the PRSP and Social Dialogue, organized by the ILO for the Tanzanian trade unions (TUCTA) and the employers’ organization (ATE) in October 2001.

¹¹ The Government, via the Ministry of Finance, contends that it advertised the PRSP developments in advance in the national/local newspapers.

¹² For more details of the Tanzanian example, see G. Casale and S. Pursey (eds.): *Towards a Decent Work Strategy for Poverty Reduction in Tanzania*. Working Paper No. 8, IFP/Dialogue, ILO, Geneva, 2002.