

Decent work and poverty eradication: literature review and two-country study

A study for the Decent Work and Labour Standards Forum

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Executive summary and recommendations

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Executive summary¹ and recommendations

The scope of this study

This study has been commissioned by the UK-based Decent Work and Labour Standards Forum with the overarching intention of investigating what the Decent Work Agenda can contribute to the elimination of poverty, particularly in the context of the food, fuel and financial crises. Given the breadth of this task, a two-country case study approach has been adopted to provide a practical focus. The two countries, Bangladesh and Zambia, were chosen to provide examples of contrasting labour markets and potentially, of the impact of decent work themes within development planning. Within each country study, we have analysed the degree to which decent work has been integrated into national development planning and donor programming. Each country study has also focussed on a key sector (garments in Bangladesh and horticulture in Zambia) in order to analyse the decent work issues in each and donor strategies designed to address these.

This report therefore contains analysis of decent work at two levels: a general overview of the global debate around decent work and development; and a national analysis in relation to the two country studies and a sectoral analysis in each case.

What is decent work and how does it relate to poverty reduction?

For many poor people, work is a major route for escaping poverty. However, economic growth, which has been a focus for donors, including DFID, does not inevitably result in more and better jobs. The majority of poor people in the developing world already have jobs: the problem is that these are predominantly in the informal economy, where conditions are usually insecure and incomes inadequate. Eradicating poverty is therefore not solely a question of generating economic growth and employment opportunities but rather making sure that both the *quantity* and *quality* of available work is such that it can lead to poverty reduction.

In response to this challenge, the Decent Work Agenda, developed by the ILO, proposes an approach to development that emphasises fair and sustainable working opportunities. Decent work is conceptualised as having four constituent pillars, which are interdependent and mutually reinforcing:

- Access to productive employment and income opportunities;
- Rights at work, particularly with respect to the core labour standards;
- Systems of social protection; and
- A voice at work through social dialogue.

The Decent Work Agenda therefore is an approach to development that emphasises employment that is accompanied by rights, representation and protection. While decent work is applicable to both developed and developing countries, different elements may need greater focus depending on the particular challenges in a given region, country, sector or workplace.

Importantly, decent work represents an approach to development as well as an outcome. The Decent Work Agenda entails building respect for international labour standards and social dialogue into

¹ Full report available from <http://www.decentwork.org.uk/wp-content/uploads/Decent-work-and-poverty-eradication-literature-review-and-two-country-study-Full-report.pdf>

development processes, rather than seeing them as a future goal or inevitable outcome of economic development. This is not only a question of social justice, but also an important contributory factor to social and economic development: in many ways, labour standards and social dialogue help to enable development processes, by encouraging stronger standards of governance and promoting social development.

In addition, a major benefit of looking at development through a decent work lens is the fresh perspective it can give on links between otherwise separate branches of development thinking (e.g. employment and education). This assists in avoiding the silo approach and enhances policy analysis.

Uptake of decent work within the international development agenda

The concept of decent work has achieved high-level international endorsement as an objective of the development agenda, most notably with its integration into the Millennium Development Goals (MDGs). In recognition of the importance of decent work for poverty reduction, MDG1 now includes a target to 'achieve full and productive employment and decent work for all, including women and young people', along with four measurable indicators. These relate to both the quantity of employment, and also to its quality in terms of wage levels for workers and degree of informality. Decent work has also featured prominently in international policy statements on the global financial crisis, where the importance of employment and social protection strategies in safeguarding livelihoods and contributing to recovery has been underlined.

However, beyond these international statements of support, the uptake of decent work by donors (multilateral and bilateral) and national governments has been mixed to date. Decent work does not have a high visibility in donor programming and strategies, even where donors have expressed strong support for the concept. This is not to say that donor programmes do not address elements of the Decent Work Agenda, but rather that they do not do so in an integrated way. For example, DFID's White Paper sets out substantial commitments in relation to social protection, employment creation in fragile states and fair and ethical trade, but the conceptual links between these areas are not explored. In a similar fashion, the development plans of national governments may refer to decent work, but rarely nominate it as a central objective. Employment creation has, however, emerged as a much more important feature of partner country development policy.

These propositions were further investigated during the country studies.

Bangladesh

Bangladesh has made significant progress on poverty reduction and towards achievement of some of the MDGs, including MDG1 (halving the proportion of people below the poverty line by 2015). However, 40% of the Bangladesh's people (55 million) remain in poverty, and 80% below the US\$2 per day line.

Industry accounts for a growing proportion of GDP but employment growth has not increased at the same rate as economic growth and has not grown sufficiently to absorb new entrants into the labour market. This has contributed to unemployment, under-employment and labour migration. Around 80% of workers are in the informal economy. The main formal sector employer is the ready-made garment (RMG) industry, which accounts for three-quarters of exports by value and provides employment for 2.1 million people, 90% of whom are women.

With the structural disparities in the Bangladesh economy between the rural poor, the urban informal economy and the RMG sector, there is clearly a need for the Decent Work Agenda to be differentially applied in order to be relevant. For the bulk of the population and the very poor, the priority is to create Decent work and poverty eradication

sustainable employment opportunities, either in the formal or the informal sector. For the RMG sector, in contrast, the priority is to secure improved working conditions.

Overall, key decent work challenges at national level are:

- employment creation and employability (particularly among women) to enable poor people in rural communities to participate more fully in the economy and labour markets;
- reform of labour laws to upgrade the minimum wage, improve occupational health and safety and improve rights to freedom of association;
- improved capacity of the government to enforce labour market regulation;
- improvements in social dialogue to overcome a legacy of extremely poor industrial relations; and
- extension and improved coherence of social protection programmes.

Employment creation is prioritized by the government in national development planning, but decent work, as an integrated concept, does not have high prominence either within government or among donors, including DFID whose main areas of activity are education, health, governance reform, private sector development and extreme poverty. Nevertheless, donors have major programming areas that fall within decent work thematic areas, though they are not categorized as such. These include work on vocational training, economic empowerment of the poor, private sector development including micro, small and medium sized enterprises with a particular focus on women, eradication of child labour, and social compliance promotion within the RMG sector.

Application of focussed decent work principles to employment-related programmes could widen and strengthen their outcomes so that they have greater qualitative benefits. For example, programmes aimed at private sector development or the business environment should also contain elements to ensure adherence to basic labour standards, and the promotion of representative structures for workers, communities or employers.

RMG sector and decent work in Bangladesh

The RMG sector is vitally important for the Bangladesh economy and provides livelihoods for up to 10 million people. It has proved resilient in the face of the global economic crisis, but this has only been achieved by competing on labour costs. Some jobs have been lost and already poor working conditions have been squeezed. In this respect, this low-cost, low-value model is seen by many as unsustainable both for workers, who can see little prospect of improvement in working conditions, and for Bangladesh's economic development.

Key decent work challenges in the RMG sector include: low wages and long hours, gender discrimination, poor physical working conditions, lack of respect for freedom of association and poor industrial relations, and inadequate social protection. There have been a number of donor-funded programmes to address these problems which have focused on promotion of social compliance (in collaboration with brands) along with improvements in productivity and the business environment for the sector. This has been based on the view that the long-term health of the sector – and improvements in workers' conditions – is dependent on improved managerial practices that can improve productivity, social compliance and human resource management of workers. DFID has participated in some of these programmes, but is not presently taking the lead.

While these programmes have had some impact on working conditions, they have been limited in scope and have not resulted in significant improvements in wages, industrial relations or national capacity to enforce the existing law. There remains significant scope for action on these issues if progress towards

decent work in the RMG sector is to be accelerated. The installation of a new democratic government committed to reviewing the minimum wage and labour law provides a more positive political environment for action on these issues.

A proposed Development Forum in February 2010 offers the opportunity for donors to promote a high priority for employment-related issues. There is particular scope for donors, including DFID, to support the government's labour law reform commitments, to support capacity-building for both the Labour Inspectorate and the Labour Courts and to provide greater support for programmes that aim to improve social dialogue at enterprise level, and support for industry-wide multi-stakeholder programmes to harmonise buyer codes and build industry capacity.

Zambia

Widespread poverty in Zambia means that an estimated 64% of the population live on less than US\$1 per day: as such, poverty reduction and better access to decent work is a key issue. Although Zambia enjoyed relatively high levels of economic growth from 2000 to 2007, this was concentrated in the capital intensive sectors of mining and construction and did not translate into wide-scale job creation or broad-based economic opportunities for the poor. Although copper mining accounts for 75% of exports, it provides only 1% of direct employment overall. The vast majority of Zambians (73%) rely on agriculture as the source of their livelihood, particularly in rural areas.

The impact of the global financial crisis on the Zambian economy varied across sectors. Although Zambia was, in many ways, resilient to the effects of the financial crisis, many workers were still affected. In the horticultural sector, it was estimated that up to half of all workers lost their jobs as a result of reduced demand, while a large proportion of workers in the copper sector lost their jobs due to falling copper prices (although it is thought that this is now changing).

A key challenge for Zambia is the high levels of informal employment (only 11% of the workforce is in formal employment) and unemployment. This is a particular problem for young people, women, and people living with HIV/AIDS. At the same time, the minimum wage is very low and the real value of wages is declining for both informal and formal workers, as the price of food continues to rise at a greater rate than inflation. Most workers have no formal safety net for dealing with external shocks as government programmes are under-resourced, while donor-funded programmes are small-scale and aimed at incapacitated households rather than the working poor. It is estimated that 41% of 5-14 year olds (1.3 million) work, mostly in agriculture. All of these issues are compounded by the HIV/AIDS pandemic, which creates a further strain on households, as well as affecting workplace productivity. The labour ministry is insufficiently resourced to develop new policy approaches on decent work or enforce existing labour standards.

On paper, employment and decent work are an integral part the Zambian government's Fifth National Development Plan 2006-2010 (FNDP). However, employment and labour issues are mostly confined to the social section of the FNDP, employment is not strongly integrated into macro-economic strategies and practical strategic actions are lacking. Among major donors, none explicitly incorporate the Decent Work Agenda into country-level programming, although there are major programmes with implications for decent work. These include programmes on private sector development, SME creation and development and support for agricultural development; social cash transfers; work on rights at being undertaken by the ILO, principally in relation to child labour, trafficking and health and safety; and programmes undertaken by social partners that provide support for their counterparts in Zambia.

Zambian horticulture

The horticultural sector provides an important snapshot of a part of Zambian agriculture that comprises production for export and domestic consumption. In general, agriculture is crucial to economic development efforts in Zambia, as it is a mainstay of the rural economy and accounts for 74% of all employment.

In the 1990s and early 2000s, the horticultural sector grew to constitute an important non-traditional export sector for Zambia, with the UK and the Netherlands providing the largest markets for its produce. As recently as 2006, exports of fresh vegetables (beans, mange tout, baby carrots, courgettes, baby corn and asparagus) and cut flowers (roses and other flowers) accounted for almost 40% of Zambia's total agricultural exports. However, the sector has been hit by the effects of the economic crisis, which has compounded other pre-existing business challenges, notably high transport costs and interest rates. This has led to the closure of a number of farms and high job losses, with employment in the sector estimated to have halved.

Large commercial farms provide a source of employment for rural populations but low-wage, precarious working arrangements (seasonal, casual and contract) are the norm. This means that workers are reluctant to stand up for their rights, although many workers are not even aware of their rights in the workplace. Women face particular issues: they are more likely to be in non-permanent working relationships than men, with less employment security and no access to maternity leave. Health and safety issues are often connected with improper pesticide use. Long working hours and overtime are also an issue and enforcement of labour laws is a problem in the agricultural sector in general.

There are no specific government or donor initiatives focused on the horticultural sector. Donor initiatives in agriculture are squarely focused on promoting entrepreneurial activity amongst farmers and do not integrate broader consideration of the Decent Work Agenda. Zambia's national development plan emphasises the role of agriculture in driving pro-poor growth, but the focus of its efforts has been a maize subsidy scheme that has been heavily criticised by many. As such, the government appears to be providing little real support for creating access to decent work in horticulture, although the horticultural union is making progress on its own initiatives with the assistance of international partners.

General contribution of decent work to poverty alleviation

The case studies exhibit some common themes about the current relevance and application of decent work within development assistance.

In spite of widespread international endorsement, the use of the Decent Work Agenda as a planning or programming tool for achieving development outcomes has been limited outside the ILO. This is true of both donor development strategies as well as the national development plans of partner countries. This is not to say that there are not many programmes and projects that address various aspects of the Decent Work Agenda; simply that these programmes are rarely instigated, categorised or evaluated in terms of their contribution to decent work.

One reason for this is that the term is often seen as limited to labour standards or the work implemented by the ILO and therefore related only to technical work within labour ministries and associated institutions or to labour markets rather than to the wider development agenda. A similar view among partner governments means that employment and decent work responsibilities are allocated to the Ministry of Labour, usually one of the most under-funded government ministries, and receive little attention from central finance and planning ministries. It also means that relevant policy

links between certain ministries are often neglected, especially between ministries responsible for labour, education or social protection.

By contrast, for those actors with a broader understanding of the Decent Work Agenda, it can be regarded as too eclectic for the purposes of practical programming, which is already organised around other principles (e.g. education, governance, and infrastructure).

Finally, the poverty alleviation strategies of donors and partner country governments are generally aimed at the very poor in marginal rural or informal economies, whereas decent work is perceived as applying more to waged workers in the formal sector. Where donor focus is on incapacitated households, there is a danger that the situation of the working poor falls through the cracks in terms of development strategies. The importance of providing safety nets for this group has been particularly highlighted by the financial crisis. Where donor focus is on the informal economy, the emphasis is commonly on generating economic opportunities and jobs at the SME level. The Decent Work Agenda (and particularly where it is interpreted as limited to labour standards) is seen at best as irrelevant to this or at worst, inimical where it is interpreted as supporting inflexible labour markets. However, seeing decent work as irrelevant to or even opposed to job creation within the informal economy represents a major misreading of the concept. Interventions within the informal economy that increase the opportunities for work, whilst at the same time enhancing the conditions in which work is performed, are of paramount importance in achieving both poverty reduction and decent work.

One key finding from the case studies is that it is difficult to generalise on the best ways to promote employment, including in crisis situations, given differences in countries' economic structures, labour markets, institutional arrangements and political circumstances. But the case studies also show that there are common challenges that have more general applicability. These include:

- The overwhelming need to create greater employment opportunities through ensuring that economic growth strategies – and donor strategies - are targeted to optimise employment.
- The need to ensure that employment creation in the informal economy, where the need is greatest, also involves consideration of working conditions and economic security (including social protection).
- The need for greater linkages between different national planning documents (e.g. PRSPs Decent Work Country programmes and UNDAFs) where these address employment issues, and the establishment of clearer priorities within these to inform donor programming.
- The need for clearer links between social protection programmes and labour market strategies.
- The need to explain the business case for safeguarding labour standards and promoting social dialogue within private sector development programmes.
- The need for improved government capacity to reform labour laws so that they are up-to-date, relevant for businesses and workers and more widely applicable.
- The need for greater institutional capacity to enforce labour laws through industrial courts or labour inspectorates and also through emerging means of complementary enforcement.
- The need for improved capacity among social partners to engage in discussion at national planning level and to engage in the development of meaningful industrial relations at sectoral and enterprise level.

Many of these challenges affect more than one area of programming. This reflects the breadth of the Decent Work Agenda and reinforces the view that one way of looking at decent work is to consider it a cross-cutting theme within programming. The key is to identify the ways in which a focussed application of decent work themes can link, cross-fertilise and reinforce programme outcomes.

A better understanding and higher prominence for the Decent Work Agenda among donors and national governments could have clear positive benefits in assisting in programming aimed at poverty eradication and in delivering those programmes, so long as decent work is understood as an approach that is not applied prescriptively.

By highlighting the importance of quality of employment as a contributor to poverty eradication, the Decent Work Agenda enables a more nuanced and pro-poor analysis of growth-related strategies. Fundamentally, target 1B within MDG1 (Achieve full and productive employment and decent work for all, including women and young people) will have more prospect of being attained if relevant aspects of the Decent Work Agenda are considered within donor programming.

Recommendations

DFID and other bilateral donors

Ensuring achievement of MDG1

The high-level political consensus in favour of decent work as an objective of the development process, exemplified in the decent work target within MDG1, needs to be translated into more concrete outcomes. This also applies to the target in MDG3 on the proportion of women in non-agricultural employment. DFID and other bilateral donors will not be contributing fully to the achievement of the MDGs unless they take more account of decent work in development programming.

- **DFID and other donors should review how the decent work target in MDG1 is being addressed in their policy frameworks and programming, particularly with respect to monitoring progress and planning future interventions according to the decent work indicators within MDG1.**
- **DFID and other donors should review how they can support partner governments in collecting the labour market data required to measure the decent work targets in MDG1.**

Integrating the Decent Work Agenda within programming

Decent work should be seen as a cross-cutting theme with relevance for a number of existing programmes and teams. However, closer integration within donor programmes will only be achieved with improved understanding of the concept, and through using existing internal policy, communication and information-sharing channels rather than establishing new structures.

- **DFID and other donors should utilise existing internal mechanisms to ensure that decent work is more effectively treated as a cross-cutting issue within and between programming or thematic teams and country offices. This may include internal and external awareness-raising through publications, seminars and training, accompanied by the development of practical guidance to highlight linkages between different policy areas for headquarters and country office staff.**
- **DFID specifically should ensure that achievement of decent work outcomes is enshrined as an important criteria underpinning approval of Challenge Fund applications.**

Informal economy

Many informal economy initiatives relate to MSME development and many of these include components on vocational training, productivity improvement and incentives for formalisation. These should be augmented with elements on working conditions, social protection, or creation of representative structures for workers. In particular the financial crisis has highlighted the importance of safety nets for the working poor, given the extreme vulnerability of workers in informal and precarious working arrangements. DFID could have a key role here, given its leading position on social protection.

- **DFID and other donors working on social protection should consider how to promote support for the working poor in the informal economy, who are particularly vulnerable to external shocks and crises.**

- **When designing employment-related programmes that operate within the informal economy, donors should consider how broader aspects of the Decent Work Agenda that reflect employment quality and security may be addressed.**

Support for social dialogue and better industrial relations

Social dialogue is one of the least understood and most neglected aspects of the Decent Work Agenda in terms of bilateral donor programmes, yet it is critical to ensuring that workers' voices are heard in the processes of development planning and policy dialogue. At the same time, support for stronger industrial relations processes at an enterprise level and for labour market institutions will enhance efforts to improve the private sector environment.

- **DFID and other donors should ensure programmes that relate to private sector development and social compliance include a strong element that supports the development of a self-sustaining culture of industrial relations. This should include capacity-building for representative organisations for informal workers and women workers and help to support the establishment of avenues to enable their better participation in national policy forums.**
- **DFID and other donors should support the capabilities of Labour Ministries to participate fully in national planning processes.**
- **DFID and other donors should support programmes that enhance the development of effective industrial relations and social dialogue at enterprise level such as training for worker committees, union representatives and managers on basic labour law, management skills, negotiating skills, and HR practices.**
- **DFID specifically should ensure that decent work themes, particularly respect for core labour standards, are promoted in all DFID's collaboration with companies.**

Support for regulatory reform and implementation

In many developing countries, national labour laws are in need of reform and inspectorates lack the resources to enforce them adequately. Although labour law is often considered in terms of perceived obstacles to private sector development, donors should give greater support to labour law reform and institutional capacity building in the context of governance reform, given that ineffective labour laws and institutions can serve to undermine the rule of law and create the need for often duplicative buyer-based social compliance programmes. This would help to ensure that labour standards were consistently taken into account in reform programmes.

- **Donors should see labour law reform and institutional capacity-building as part of the agenda of governance reform, and the provision of access to justice for the poor.**
- **Donors should support programmes that aim to reform labour law and institutions to extend the coverage, effectiveness and relevance of labour laws to wider groups of workers.**

Relations with DFIs

Loans and technical assistance programmes provided by development finance institutions are often the largest components of development assistance. While most DFIs have policies that promote social and environmental standards within lending projects, donors that are stakeholders in DFIs can work to strengthen the decent work outcome of DFI activities.

- **Where donors are represented on DFIs, they should ensure that lending programmes have regard to the Decent Work Agenda; e.g. that construction and infrastructure projects are carried out with respect for core labour standards and that lending to financial intermediaries is in compliance with basic policies.**

Multilateral organisations

There is scope for greater information and co-ordination on decent work themes within multilateral and bilateral donor agencies, beyond the existing Decent Work Toolkit.

- **The ILO should consider how the methodology and structure behind DWCPs can be developed to better address the needs of multilateral and bilateral donors in terms of information to underpin strategic programming.**
- **The ILO should consider developing tools to enable donor organisations to draw attention to interlinkages.**

Trade unions and NGOs

Trade unions and NGOs in developed countries play a vital role in supporting their counterparts in partner countries in participating in national development planning, and in promoting improved conditions at enterprise and community level. However, these programmes are often under-resourced and their ability to engage with international brands limited.

- **Trade unions should enhance assistance to trade unions in partner countries to develop their capacity to actively participate in national dialogue on development issues, including their ability to provide technical inputs in relation to the drafting, implementation and monitoring of national development plans and to keep employment and decent work issues on the national development agenda.**
- **Trade unions and NGOs should increase the level of their engagement with buyers on corporate social responsibility issues (e.g. responsible purchasing practices) that can impact on workers in international supply chains.**

Business

Business has an important role as a social partner in the local context, and a key responsibility for implementing the principles of decent work in terms of adhering to the law and to international standards. Buyer codes have been important in raising standards in export-oriented industries but they need to be harmonised and more effective on elements of the Decent Work Agenda such as freedom of association and wage levels.

- **International companies and brands should ensure that their audit programmes have a fuller understanding of freedom of association/collective bargaining and should prioritise communications with their suppliers to promote wider acceptance of the need for effective industrial relations.**
- **International companies and brands should support programmes that build the capacity of their suppliers to develop effective human resource structures.**

→ **Buyer codes should be widened to encompass social protection requirements (health/unemployment insurance, pensions) and responsible approaches to retrenchment.**

See full report: http://www.decentwork.org.uk/wp-content/uploads/Decent-work-and-poverty-eradication-literature-review-and-two-country-study_Full-report.pdf