

# **The Decent Work Agenda and Poverty Reduction:**

## **ILO Contribution to IMF/World Bank Comprehensive**

### **Review of Poverty Reduction Strategy Process**

**Washington 14-17 January 2002**

#### **Introduction**

The International Labour Office welcomes the opportunity to join in the comprehensive IMF/World Bank review of poverty reduction strategies, both to offer ideas drawn from its own work and also to further partnership with other international organizations. In 1999, during the period in which the World Bank and the IMF were formulating the concepts of a Comprehensive Development Framework and Poverty Reduction Strategy Papers, the ILO was undertaking a similar exercise of reflection around its Decent Work agenda. Both initiatives share the common goal of creating opportunities for women and men to enlarge and realise their capabilities to provide a decent living for themselves and their families through productive work.<sup>1</sup>

At its March 2002 meeting, the ILO Governing Body will evaluate the work of the Organisation in support of PRSPs with a view to enhancing the potential complementarities between ILO efforts to operationalize its Decent Work agenda and the PRSP process and strengthening the role of the social partners in all phases of national strategies. This statement to the special International Review Conference will therefore be followed up subsequently with further information on the outcome of the ILO Governing Body's discussions.

In March 2000, Director-General Juan Somavia of the ILO and President Wolfensohn of the World Bank agreed that, given the considerable synergies between the ILO's goal of Decent Work for All and the World Bank's focus on poverty reduction, the two organizations should work closely together to assist countries in the preparation, implementation and evaluation of PRSPs. Following on from this a pilot programme was established (in Cambodia, Nepal, Honduras, Mali and Tanzania) with the aim of strengthening ILO's contribution to the PRSP and learning lessons with respect to country level collaboration. The ILO has also been asked by governments and social partners in a number of other countries to assist in their work on poverty reduction.

Although the ILO has not formally joined the UN Development Group, it is active at the country level in the UNDAF process at the supports the decision to align the UNDAF process with PRSPs. The ILO aims in all of its activities to link poverty reduction strategies with employment-intensive economic growth and the generation of decent work opportunities, and sees considerable scope for strengthening policy integration through its involvement in the PRSP and UNDAF. An important mechanism for this effort

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<sup>1</sup> Reducing the Decent Work Deficit: A Global Challenge. Director-General's Report to 2001 International labour Conference

is to introduce the ILO's unique tripartite structure (government, workers' and employer's organisations) as a means for introducing the voices of key stakeholders into the development dialogue and thus giving substance to the objective of national ownership.<sup>2</sup>

The ILO regards the PRSP as a dynamic process providing opportunities for improved policy dialogue on poverty reduction and decent work. The concept of decent work integrates the four pillars of ILO's activities: employment, social protection, social dialogue and labour standards/rights. Gender equality is an integral cross-cutting theme in the decent work agenda with particular focus on the process of creating equal opportunities for women, enhancing their social protection, ensuring that the human rights of women are addressed and in enabling them to participate in social dialogue. Decent work recognises that the global economy has to deliver increased employment but that this has also to involve improvement of working conditions, social protection and representation based on respect for fundamental principles and rights at work. Increasing the quantity and quality of employment opportunities is central to poverty reducing growth, and is therefore a strong feature of the ILO's work on PRSPs.

Decent work stems from peoples' own perceptions of what they can realistically expect from their working environment (be it paid or unpaid work in the formal or informal economy). It recognises that work defines peoples' sense of themselves and that dignity is important in its own right, is a contributory factor in productivity as well as in the prevention of social exclusion. Decent work underpins efforts to enhance global security.

Central to ILO's work is the ILO Declaration on Fundamental Principles and Rights at Work which aims to help countries to eradicate child labour, abolish forced labour, assist people to work free from discrimination and freely organise themselves to represent their interests and bargain collectively.

Decent work also recognises that the majority of people in the member countries of the ILO gain their livelihoods outside the formal sector, in agriculture and in the rural and urban informal economy, and there is an urgent need to devise means for improving their livelihoods.<sup>3</sup>

### **Ownership and Participation**

The ILO strongly supports the key principles of enhanced national ownership of poverty reduction strategies based on broad civil society participation in the process of preparation, implementation and monitoring and evaluation. Although many governments of least-developed countries have initiated efforts to enhance their own capacities to undertake PRSPs, and have sought to facilitate the participation of civil society organizations in the exercise, it may take some time before the full potential of this major shift in policy becomes embedded in the governance of development.

The ILO has encouraged governments to invite trade unions and employer's organizations to join fully in all phases of the PRSP process. However, in many cases the social partners have expressed concern and frustration that

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<sup>2</sup> [Poverty Reduction and Decent Work in a Globalizing World](#) (GB.280/WP/SDG/1 March 2001)

<sup>3</sup> The 2002 International Labour Conference will discuss a major report Decent Work in the Informal Economy

their views and potential support appear undervalued. There are a number of explanations for the relatively marginal role in many but not all PRSP countries of what are in many cases the largest democratic membership based organisations in society.

- The traditional conduit for the views of social partners into government policy making is the ministry of labour, but in many countries it plays a relatively minor part in what is still a heavily budget-oriented intra-governmental process;
- The emphasis on the participation of “civil society organizations” can cause difficulty in that few trade unions and employers identify themselves with this relatively new all-embracing term, although in a literal sense they clearly are encompassed in its meaning. Furthermore other CSOs do not often think of unions and employers as part of their movement;
- The new approach of PRSPs has stimulated important innovations in participatory mechanisms but has often neglected established channels such as tripartite economic and social councils and parliaments;
- Some governments may prefer to engage with less autonomous partners than trade unions and employer organizations and have deliberately marginalized the social partners in the PRSP process.
- Some Bank and Fund officials are unfamiliar with the work of the social partners and have not felt the need to alert government PRSP teams to seek their involvement, despite encouragement to do so from senior management.
- 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 employer’s organizations have decided to concentrate their resources on other aspects of public policy.

For these and perhaps other reasons, tripartite social dialogue is in general an under-utilised mechanism for extending participation and national ownership of PRSPs. The ILO has therefore offered to facilitate the creation or adaptation of social dialogue mechanisms for the purposes of informing and consulting employers and workers on the PRSP. Recently, the Tanzanian Ministry of Labour, the Association of Tanzanian Employers and the Trades Union Congress of Tanzania invited the ILO to help prepare and facilitate a major national tripartite conference that concluded with the adoption of conclusions and recommendations outlining action “Towards a Decent Work Strategy for Poverty Reduction in Tanzania”. A number of other governments and their social partners have shown interest in this approach, as have the Bank and Fund and other international and bilateral development agencies. The ILO will therefore be extending its work on social dialogue, decent work and poverty reduction to several other countries this year if resources permit. The challenge in the next phase is to extend the number of countries where the ILO is active and develop capacity building support programmes which can further enlarge the contribution of unions, employers and labour ministries to the success of the PRSP process.

In this regard, it is important to note that in many 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 employer's 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 able to organise themselves and articulate their interests in society and the PRSP process.

### **Content of Strategies**

The ILO has been tracking progress with respect to the inclusion of employment and decent work concerns in PRSPs. In Mali, ILO suggested that two additional theme groups on income generation and social protection and employment and training join the drafting team. In Tanzania employment, child labour and gender have been covered in the PRSP as it has evolved and links with the "Investment in Poverty Reducing Employment (IPRE)" component of the ILO Jobs for Africa programme have been made. In Ghana, the Jobs for Africa project participated in the Economic Dialogue process and assisted in the drafting of a section of the PRSP on employment generation. Likewise in Pakistan, ILO at the invitation of the government prepared a major input into the Planning Division's Employment Strategy as part of the PRSP process. The ILO is seeking clarification as to why the resulting section on employment in earlier drafts was omitted from the recently completed IPRSP. Initiatives are also envisaged for pension reform, including consideration of the question of how to extend coverage to workers in the informal sector.

In some countries analysis has been provided of weaknesses. In Cambodia, the IPRSP lacked detailed specification of a growth strategy and there was no mention of the labour market and employment. ILO work on strengthening respect for freedom of association in Cambodia is particularly important to the development of social dialogue on poverty reduction. The Nepal IPRSP was also not very detailed in its growth strategy and there was no consideration of the necessary market reform agenda or of the importance of strengthening the weak infrastructure necessary for creating employment and work, such as roads and irrigation systems. The Nepal IPRSP has however taken on board on-going ILO supported work on the elimination of forced and child labour. In Honduras, ILO is involved in the formulation of specific policies and programmes including:-

- improving statistics and indicators to measure linkages between employment with poverty reduction,
- the inter-relationship between economic growth, employment generation and poverty,
- the impact of macro-economic policies on the pattern and pace of economic growth and employment generation,
- the impact of existing social programmes and their impact on excluded and vulnerable groups, and

- developing work with social partners in all these areas.

Despite the scope for PRSPs to draw on previous analysis and policy development work by the ILO, the first wave of IPRSPs and PRSPs are disappointingly meagre in their coverage of employment issues both in terms of the quantity of jobs that need to be created and raising the quality of conditions of work. Given that income from work is the overwhelmingly most important means of survival for the poorest this is somewhat surprising. In part, the weakness of the employment policy dimension of PRSPs probably reflects the relative absence of labour ministries and the social partners from the consultation processes for the drafting of the first papers. It may also arise from the failure to give sufficient prominence to the gender dimensions of poverty since nearly two-thirds of those working for less than a dollar a day are women subsistence farmers. As others have observed, PRSPs have not fully overcome the tendency for discussions to concentrate on the contribution of foreign aid to the national budget. Whilst public expenditure in vital areas such as education and health is of great significance to poverty reduction, the larger question of how to generate pro-poor growth is yet to be fully integrated into deliberations surrounding PRSPs. This is likely to change as PRSPs evolve and the ILO would expect the fundamental question of how to raise the productivity of the working poor and the returns they get from their labour to become more central in the future.

The ILO was invited by the 2000 Special UN General Assembly review of follow-up to the Copenhagen Social Summit to prepare a global employment agenda. A major conference in November 2001 has recommended a 10 point programme of work to the ILO Governing Body much of which is focused on the central issue of employment generating growth in developing countries. This on going work will contribute to the support the ILO will be able to offer governments and the social partners in the next phase of work on PRSPs. Already in Tanzania, the first progress report on the PRSP has identified employment as a major cross-cutting theme and, following the Conference mentioned above, the ILO will be working with the government and the social partners to develop a Decent Work dimension to the on-going PRSP work.

In applying its work on the Global Employment Agenda to the goal of enlarging decent work opportunities as a key instrument in reducing poverty, the ILO will encourage all working on PRSPs to see employment is a principal means of social inclusion and integration.<sup>4</sup> How jobs are created through the processes of trade, investment and enterprise creation and by various labour market measures is thus a critical dimension of policies that aim to ensure that growth in a globalizing world reduces poverty. The quality of jobs depends on participation through social dialogue, action in favour of equal opportunities on labour markets, skill acquisition, social protection and forms of labour market regulation and intervention. Direct job creation for the poor is often possible through targeted programmes, frequently involving labour intensive processes, but the main thrust of job creation is through enterprise creation and expansion, including small and micro enterprises. Decent work is a cross-cutting theme grouping basic rights at work and freely-chosen and productive employment. All these form a package.

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<sup>4</sup> See Global Employment Agenda, ILO Geneva, 15 December 2001.

Having work is obviously fundamental to decent work but employment alone cannot meet all the aspirations that people have of their work. All this bears repetition because job creation is not something added on to other economic processes but rather interacts with those processes. Correspondingly there are various entry points where the ILO can contribute to bringing about decent work. These can be through strengthening social dialogue, extending social protection<sup>5</sup>, through greater attention to labour market processes and measures, often thereby strengthening the role of the labour ministry in development policy dialogues. In addition, ILO can assist countries in their analysis of the most appropriate macro-economic policy stance by ensuring a good feedback of information on labour market developments and thus the design of policies that can spur employment and productivity growth and contain inflationary pressures.

Many I-PRSPs and PRSPs give high priority to the improvement of education and health services, and in particular their availability to the poorest. It will however be necessary to give much closer consideration to the design of policies that attract, retain and train the significant numbers of people who will be required to provide the quality and quantity of services needed to meet the targets in national poverty reduction strategies and in the Millennium Development Goals.

One of the largest ILO programmes (IPEC) is aimed at the eradication of child labour through time bound programmes agreed with governments on targeted measures to increase educational alternatives to child labour, reduce family poverty and implement labour laws especially concerning the most dangerous and damaging forms of child labour. These programmes are directly connected to the overall drive for poverty reduction and should become more thoroughly integrated into strategies.

The elimination of child labour is one example of a policy field where the ILO is able to contribute to the vital issue of monitoring and evaluation. In general, the ILO would urge all concerned with PRSPs to focus on the development of simple and reliable indicators of progress and seek the involvement of target groups and non-governmental organizations including the social partners. This method forms part of the IPEC approach and is proving a most successful technique for ensuring on-going commitment to making a challenging programme successful.

### **The main achievements and challenges to date in developing and implementing poverty reduction strategies**

The drive to develop PRSPs in a large number of countries as a means of working towards an integrated and comprehensive development framework has imparted a fresh stimulus to the international community's efforts to improve the well being of the world's most disadvantaged people. In addition, the shift of emphasis to the process for deciding priorities and monitoring policies designed to realise these goals has focused attention on identifying where the responsibility lies for taking action. All too often in the past carefully constructed policies failed because it was unclear who was supposed to

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<sup>5</sup> See Social Protection; A New Consensus ILO Geneva, 2001

follow them up. The ILO welcomes the opportunities created by this important change of direction in thinking about development.

Although experience with PRSPs is still relatively recent, the ILO has recognised a change in the climate of the donor/recipient relationship with a growing sense on the side of developing countries that if they can demonstrate a strong broad-based national support for their poverty reduction strategy they can insist vigorously that donor agencies live up to their promises of increased assistance. Similarly, donor agencies are aware that a well-considered nationally developed programme is likely to be more successful than even the most technically sophisticated foreign designed equivalent. As a result, a more balanced relationship between the “international community of development experts” and government and non-government policy-makers is gradually emerging. This progress is, however, fragile and could easily be broken if confidence is damaged of either developing countries in the responsiveness of donors to their identified needs, or of donors in the commitment of developing country governments to a participative approach to poverty reduction.

The ILO itself has recognised the challenge of improving and integrating its own services to its constituents in support of their commitment to poverty reduction. At the same time as the IMF and World Bank have been reorienting their working methods to the PRSP approach, the ILO has launched a new strategy for Decent Work for All. By aiming to ensure that national Decent Work strategies are developed as part of PRSPs, the ILO believes that more and better jobs can make a major contribution to sustainable development and poverty reduction.

### **Guidelines and modalities of the PRSP approach**

The ILO’s two major concerns with PRSPs so far are that:

- Few contain much analysis of labour market developments and, thus, the contribution of increased decent work opportunities to poverty reduction is largely absent from policy proposals; and
- Trade unions and employer organisations have had difficulty in participating in the PRSP process, and labour or employment ministries have also been somewhat marginal actors in governmental networks.

Given the potential significance of increased employment opportunities, improved conditions of work and extended social protection mechanisms to sustained poverty reduction, it will be necessary to work in partnership with the World Bank, UNDP and other agencies to promote more explicitly consideration of policy options in these areas.

Consideration should be given to encouraging all involved in the PRSP process to be alert to weaknesses in the participation of employer’s organizations and trade unions. The ILO would see the main remedy as extending its support to its national constituency to facilitate a clearer definition and thus recognition of the value of tripartite social dialogue and decent work to the PRSP process. This could be part of a more differentiated strategy that takes account of the wide variety of groups and organizations encompassed in the term civil society.

Similarly, PRSPs should take account of the importance of promoting the engagement of strong worker and employer's organisations able to articulate and represent the interests of those usually poor sections of the population largely without a voice in the development process. Support for the capacity building efforts of trade unions and employer's organisations should become a component of PRSPs in many countries, and will need to address questions of reform to laws and practices that inhibit the full realisation of fundamental principles and rights at work.

### **Recommendations**

At this relatively early stage in the development of the PRSP process, the main priority is to foster the confidence of developing country governments, the social partners and other civil society organisations that the approach is going to be sustained and will yield increased international support for more effective poverty reduction policies. Regularly peer review of national strategies to enable the sharing of good and bad experiences is an important method for examining how policy advice and guidelines might be adapted. This is particularly important in the critical area of participation. Many PRSP countries may wish to develop a more differentiated strategy for extending and deepening the involvement of the wide variety of groups interested in the PRSPs. Such a trend would certainly be welcomed by trade unions and employer's organisations in a number of countries.

Capacity-building for all concerned in the dialogues around PRSPs also deserves increased attention. In addition to helping non-governmental organizations and ministries improve their ability to engage in the PRSP process, international agencies themselves need to train their officials to understand the culture and origins of the institutions of the countries with which they are working. The institutional framework for development is, as a consequence of the PRSP approach, increasingly recognised as a key factor in poverty reducing growth and knowledge of the path through which current structures evolved is critical to consideration of how they might adapt to changing needs. This is especially true with regard to the institutions in and around the labour market on which the ILO has particular experience. The ILO is ready to expand its collaboration and partnership with other agencies involved in the PRSP process and would trust that the contribution that its programmes for the operationalization of Decent Work will increasingly become integrated into the comprehensive multilateral effort to support national poverty reduction strategies.

Finally, the effort being made by developing country governments to attack poverty directly by programmes elaborated, implemented and monitored by a wide variety of non-governmental bodies, including the social partners, must be matched by an equivalent political drive in industrial countries to increase and make more stable and predictable the flow of concessional financial resources to the poorest parts of the global community.