

## The DTDA's Strategy on Poverty and Employment

Employment generation and decent work are closely tied to an economic development in both the private and public sectors. As social partners in the labour market, trade unions in developing countries are both a key driver for any national employment strategy, and a central part of the 'enabling environment' for the implementation of such strategies.

As a consequence of this, the fundamental approach of the DTDA Employment and Poverty Strategy is to build the capacity of the present and future partner organisations from the developing countries in Africa, Asia and Latin America.

This strategy on poverty and employment has been developed to provide guidance for the further assistance provided from the DTDA to partner organisations in this key policy area.

### 1. Introduction

Most third world countries, particularly in Africa, have failed to create sufficient employment mainly for their young people due to a multiplicity of reasons. However, some key causes stand out. First, while many economies have grown, they have not grown fast enough to sustain the rising population and the many new labour market entrants. Secondly, the economic growth has not been adequately translated into new, decent jobs that could improve living conditions and sustain national economies through stronger internal demand. Thirdly, the vast majority of the workers has not had – and do still not have – the necessary skills and competencies to take advantage of the employment opportunities that have and could have arisen in their economies.

Overall, simultaneous efforts on enhancing employment intensive growth and equipping the growing number of young people with the skills needed for entering the labour market, as well as making their economies more productive and competitive, are urgently needed. Specially three areas should be prioritised by the third world governments, i.e. 1) to ensure that employment is placed at the centre of political priorities and policy coherence, 2) to invest more in enterprise development, capable of creating decent work, 3) to improve the quality of, availability of and access to technical and vocational education and training.

Nationally, this means placing employment more centrally in economic and educational policy-making as well as to ensure the right national coherence around these priorities. Internationally, it is essential that regional cooperation and the international development partners focus more on employment – the creation of it, its quality, its governance, the rights related to it and the readiness of the population for it. It is necessary to develop a range of specific, well targeted initiatives on these priorities.

While there is a general lack of quantitative creation of employment, there is also in critical need of improving the quality of existing and future employment. If the poor countries only create new jobs

with low pay, long hours, bad conditions and no rights, in the formal or informal sector, they will not achieve the development they so desperately needs.

Decent Work, as defined by the ILO and supported by ITUC, consists of productive employment, rights at work, social protection and social dialogue.<sup>1</sup> Efforts that in the short term may enhance growth or create employment are not acceptable if in the long run they undermine the attainment of Decent Work.

In the endeavour to create more youth employment, governments and the international cooperation community should be aware of the gender and age differences that are relevant to each of the different aspects of their policy-making and implementation. This includes, but also goes beyond, ensuring that employment opportunities are created for young women and that they are able to take part in the labour market as well as in education, training, governance etc. Policies must be designed and implemented in a gender-sensitive way so that they target young women and men differently where appropriate. Equally important interventions cannot be followed without paying due attention to the extent of HIV/AIDS, particularly in Africa.

## **2. The DTDA Employment and Poverty Strategy**

Common to any national trade union employment generating intervention is democratic ownership. Workers participation in decision-making processes at the labour market is an important contributor to pro-poor economic growth and employment generation. It is important that the poor and marginalized workers have an ownership to the process of lifting them out of poverty, being social, democratic or economic poverty. Without the feeling of belonging to a legitimate democratic process and organization, the local development processes are not possible.

Trade union interventions are by nature an expression of a collective effort to influence society and extend the reach of public institutions and services to the working poor. Trade unions thereby actively contribute to social inclusion and democratic anchoring of national institutions and policies. The poor and marginalized workers become social actors with a democratic interest in participating in the society. They become contributors to the development instead of being social (and economic) marginalized.

Strong labour market organisations with a political and democratic mandate are highly conducive to solve labour market issues efficiently and to identify common priorities and strategies. This also directly includes issues and priorities related to employment generation and poverty.

*The overall DTDA Employment and Poverty Strategy is, under the umbrella of the Decent Work Agenda, to provide support to democratic legitimate trade union organizations in the development of specific national and local employment generation and poverty alleviating interventions.*

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<sup>1</sup> See, among other things, 'Declaration on Employment and Poverty Alleviation in Africa', African Union Extra-Ordinary Summit, Ouagadougou, 3-9 September 2004 and 'The Decent Work Agenda in Africa: 2007-2015', ILO, 2007

More specifically, the DTDA support to trade union organisations in developing countries shall be provided within the following strategic interventions levels:

1. National enterprise and sector level intervention strategies
2. Trade union advocacy and policy-influence strategies
3. Direct trade union employment-generating strategies

### **2.1 National enterprise and sector level intervention strategies**

Sector-wide framework agreements, collective bargaining agreements (CBAs) and other workplace agreements are among the main pro-poor instruments of labour unions, as the agreements both provide stability in the labour market and is a fundamental redistributing mechanism of the economic growth in society and workplaces. The workers both contribute efficiently to higher enterprise/sector productivity and economic surplus, while they at the same time receive a higher share of the economic surplus. With a higher purchasing power workers again generate a higher demand for goods and services in society.

In many developing countries sector agreements and CBAs provide workers with increased pro-poor benefits, and, through the social dialogue processes inherent in the CBAs, often increase the productivity of the companies.

The fundamental character of successful sector and workplace agreements between employers and workers organization are that mutual interests and understanding have been reached. An important employment-poverty linkage is the need of increased workers productivity through vocational training investments and skills development for workers.

*The DTDA Employment and Poverty Strategy prioritises building the social dialogue capacity of trade union organisations with a specific focus on enterprise and sector level intervention strategies, which includes:*

- *Carrying out national level social dialogue with employers' organizations and state organizations to establish sector-wide pro-poor job generating framework agreements.*
- *Building their capacity to build, engage in and benefit from international and regional company- and sector-wide labour market agreements.*
- *Negotiate and agree with enterprise owners on CBA's and workplace agreements which efficiently contribute to job generation and improvements, increased workers skills and higher productivity through a better workplace environment, and poverty alleviation through more equal division of economic surplus.*
- *Give specific emphasis to sector level and company agreements on technical and vocational education and training.*
- *In order to increase sector and workplace productivity and economic surplus, proactively cooperate with employers organizations in analysing and identifying industrial market potentials within their specific sector.*

- *Actively support the inclusion of the Decent Work agenda at all levels of social dialogue and collective bargaining, including sector level agreements and company clauses on occupational health and safety and HIV/AIDS at the workplace.*

## **2.2 National trade union advocacy and policy-influence strategies**

Trade unions, as representative of the workers, can with a concerted advocacy effort ensure that national labour market policies and legislations become pro-poor and generate jobs, for instance through national investments in infrastructure and a national policy to promote a (responsible) growth potential of the private sector through sound industrial relations and sustainable legislation.

Trade union advocacy and policy-influencing strategies encompasses issues ranging from the promotion of core labour standards to a wide spectre of social and economic policies. Common to them are that they are important pro-poor labour market mechanisms as they influence the working (and living) conditions of a large group of workers and their families.

However, economic development (job and income generation) alone is not sufficient for the poor and marginalized workers, for whom it is often equally important with a reasonable level of social security, fair taxation policies, access to training, education, and health services etc. Whereas advocacy for the provision of social security falls well into the field of trade unions, it is important to emphasise that the state has the responsibility in setting-up the institutional framework and in the provision of specific national services through e.g. health schemes and social security funds.

One of the important development interventions to increased workers productivity and employability is vocational training and skills development. Experiences shows that vocational training should be combined with other development interventions (such as increased access to micro-credit, markets, and social security) to obtain sustainable employment generation.

Most recent analysis of economies that have sustained high levels of growth over several decades, as presented by the Commission on Growth and Development, emphasises that governments and public investment have a central role to play in ensuring such growth.<sup>2</sup> Clear “growth strategies” and “impressive rates” of spending on “infrastructure, education and health” have been key ingredients to the success of the fastest growing countries since the 1950s. However, in the same period – not least since the 1980s – most developing countries have been advised not to interfere with market forces and to limit the size of their public sector as well as its spending. Particularly in Africa, it is obvious that a change in course is needed, if the continent is to achieve higher, more inclusive growth, deliberate growth and industrial strategies as well as a more proactive use of public interventions and investment is vital.

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<sup>2</sup> ‘The Growth Report: Strategies for Sustained Growth and Inclusive Development’, Commission on Growth and Development, 2008

*The DTDA Employment and Poverty Strategy prioritises the development of trade union organisations' capacity in advocating for a pro-poor labour market policies and legislation, which includes:*

- *With the Decent Work agenda as the umbrella, advocating for pro-poor employment generating national employment policies, legislation and interventions. This includes overall development and macroeconomic policies, good governance, respecting core labour rights, public and private investments and finance, frameworks for enterprise development and setting up labour market information systems.*
- *Building the capacity to establish alliances and networks with international labour market organizations (ITUC, ILO and the GUFs) and national labour market and advocacy-proficient civil society organisations.*
- *Developing national trade union policies on employment with specific emphasis on women and youth.*
- *Lobbying and advocating for the promotion of national public and private coverage of, health insurance, social security, education, credit schemes, fair taxation policies, etc.*
- *Advocating for increased national priority to technical and vocational education and training, including both an expansion of the training and education opportunities and a creation of a more positive perception of skilled labour.*
- *Advocating for the abolition of child labour.*
- *Advocating for higher national priorities to labour intensive public investment in order to stimulate economic growth and massive job generation.*
- *Advocating for improved national frameworks for development of small and medium sized enterprises and their integration into the formal economy. This entails making it easier to set up businesses, making regulatory frameworks more adequate, increasing the incentives for being part of the formal economy, and providing more direct support to enterprises that have the potential to drive growth and deliver employment opportunities for young people.*

### **2.3 Direct trade union employment-generating strategies**

Direct trade union employment-generating interventions are recognising the often limited capacity of national institutions in developing countries and utilising the strength of being collective member-based organisations. They are mainly applied in situations, where there are no formal employer-employee relation (making it difficult to make e.g. CBAs) and where the concerned workers' organisation does not have the required capacity to carry out national-level advocacy and policy-influencing campaigns to the benefits of its members.

These types of interventions might strengthen both the demand-side of employment through the creation of e.g. income generating activities, co-operatives, credit schemes and technological assistance, and the supply-side through e.g. development of vocational training programs and/or entrepreneurial development.

The direct employment-generating strategies have gained in importance with the enormous growth in the number of Informal Economy (IE) workers in the labour market, presenting a tremendous

challenge both to the trade union movement and to society in general. Many trade unions in developing countries are increasingly focusing on how to target and organise the IE workers and a number of innovative strategies are emerging. Some of these highly suggest that the specific employment-poverty linkage in the case of IE workers need to include a mixture of employment generation, social security and capital formation in order to in a sustainable way to improve their livelihood.

Among trade unions two strategic avenues are being pursued. Firstly, there are examples of trade unions taking the direct responsibility of investing in the creation of companies or co-operatives, insurance- and credit-schemes, etc. Normally it is done with the dual purpose of creating employment, and at the same time seeking to generate income for the union and ultimately the members.

Some of these initiatives have been very successful and even setting standards in their sector of trade. Others have exposed a wide range of problems related to such initiatives. Directly or indirectly investing in an open market economy is not only representing a risk, it is also exposing the problem of ‘sitting at both sides of the table’. Many unions find it difficult to balance the need for profit with the right of workers employed to a decent pay and decent working conditions.

Secondly, instead of directly seeking to provide employment other trade unions have taken the role of promoting such initiatives - linking members with relevant public or private providers of the services in need.

A recent case study<sup>3</sup> demonstrates the importance of promoting - as opposed to providing – specific development interventions. The promotion approach is especially important in a developing country context due to the fact that the services provided by mainly private institutions in e.g. microfinance, vocational training or entrepreneurship development usually are not targeted to the poorer groups of the society, for which reasons the services become either irrelevant or too costly for them. Through the promotion approach, the beneficiaries or their democratically elected leaders are actively involved in the process of providing access of workers to services such as microfinance, entrepreneurship development or vocational training. The specific intervention is further not seen in isolation, but can – through the organisation – be seen in a broader and more holistic context and backed up by e.g. a training-input and/or linked to other income generating and/or job possibilities.

The promoter approach does not exclude the necessity for specific interventions in which the organisations – outside the normal trade union work - directly initiate employment or related services to its members. It can e.g. be in situations, where the “mental distance” between the poor and marginalized workers and the market is too high. Here trade unions can have an important role as catalysts (don’t tell them - show them) – giving examples and setting standards for the market. Experiences from many countries at the same time show, that this will normally only be needed in a transitional phase. Once workers count with increased economic and social assets, a greater variety

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<sup>3</sup> Employment promotion and Poverty Reduction in Developing Countries, Working Paper, Cases Presentation, Danida / DTDA 2008.

of services from specialised providers in an open competition become both more relevant to them and are more long-term sustainable.

*The DTDA Employment and Poverty Strategy prioritises the development of the capacity of trade union organisations in identifying and promoting direct trade union employment-generating interventions particularly for the Informal Economy workers. This includes:*

- *Developing the capacity of the trade unions in promoting better services to their members, according to their needs.*
- *Actively support the policy development and networking capacity to provide access for members to a range of targeted public and private services: training, entrepreneur-development, credit-schemes, technical services, etc.*
- *In specific cases, in which workers within the informal economy are marginalized to the markets, support the role of trade unions in developing pilot projects and act as catalyst in the development of direct interventions.*
- *Documentation of the promising sustainable employment generating practices which in a sustainable way alleviate the poverty of marginal informal economy workers.*
- *Supporting functional networks and alliances that ensure sharing of experiences and best practices.*

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