



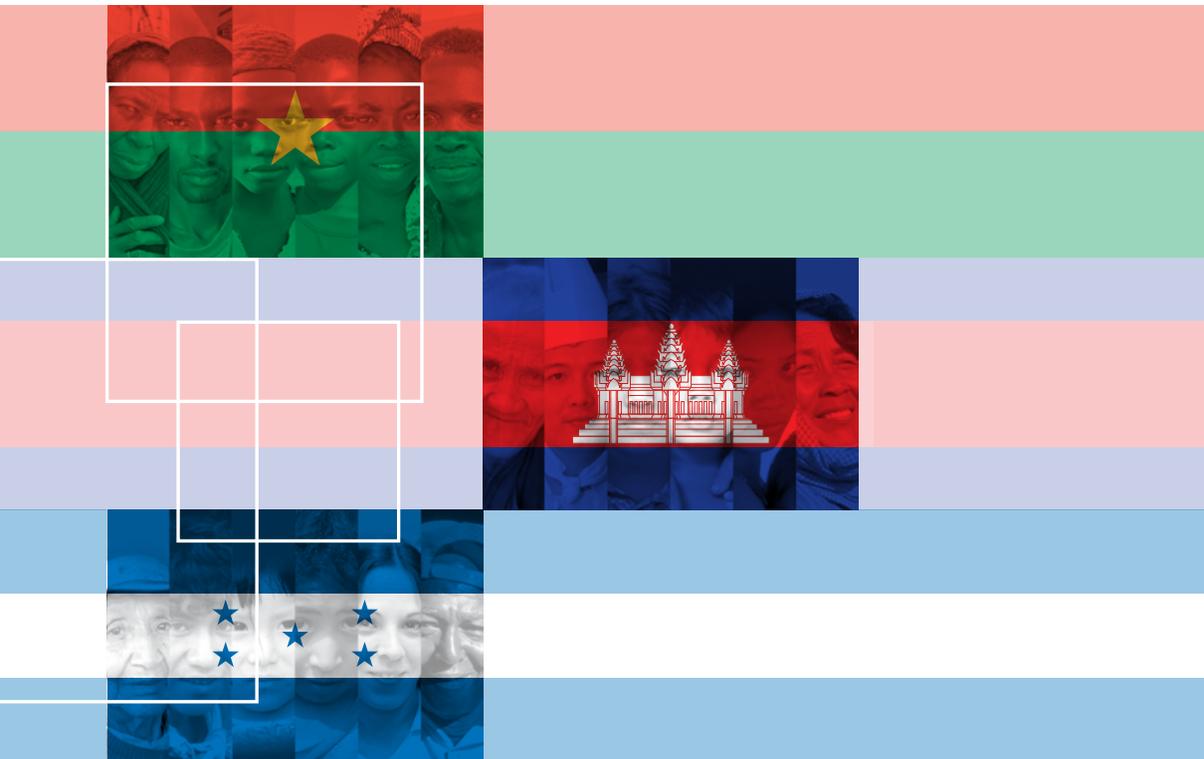
International  
Labour  
Organization



European  
Union

# Coordinating social protection and employment policies

## Experiences from Burkina Faso, Cambodia and Honduras



# **Coordinating social protection and employment policies**

Experiences from Burkina Faso,  
Cambodia and Honduras



# **Coordinating social protection and employment policies**

Experiences from Burkina Faso,  
Cambodia and Honduras

Copyright © International Labour Organization 2013

First published 2013

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifro.org](http://www.ifro.org) to find the reproduction rights organization in your country.

---

*Coordinating social protection and employment policies: experiences from Burkina Faso, Cambodia and Honduras / A EU/ILO Project on Improving Social Protection and Promoting Employment; International Labour Office. - Geneva: ILO, 2013*

ISBN 978-92-2-127325-7 (print)

ISBN 978-92-2-127326-4 (web pdf)

International Labour Office; EU/ILO Project on Improving Social Protection and Promoting Employment social protection / employment creation / promotion of employment / employment policy / poverty alleviation / youth employment / vulnerable groups / project evaluation / Burkina Faso / Cambodia / Honduras

02.03.1

*ILO Cataloguing in Publication Data*

---

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our web site: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Photocomposed in France  
Printed in Switzerland

CAD  
GEN

## Foreword and acknowledgements

In 2009, the International Labour Organization (ILO) and the European Union launched a project entitled “Improving Social Protection and Promoting Employment” as a reaction to the international economic crisis.<sup>1</sup> The project was carried out over the period November 2009–December 2012. Originally intended to cover four pilot countries, the country projects were eventually developed in three – Burkina Faso, Cambodia and Honduras. The overall objective was to assist the pilot countries in the development of coherent social protection and employment policies in the context of a decent work strategy response to the economic crisis. The pilot countries were chosen based on a number of criteria: cross-regional vision, low and lower-middle income status, important poverty and labour market challenges, geographical diversity, a strong need to build coherent employment and social protection policies, and strong commitment on the part of the respective governments and social partners to implement such policies.

Both the ILO and the European Union designed the project in line with their commitments as spelled out in the European Consensus on Development and the EU commitment to decent work for all, as well as in the ILO Declaration on Social Justice for a Fair Globalization (2008). The hypothesis was that a coherent framework for employment and social protection policies would deliver a stronger impact than isolated policies. The main thrust of the project design was the recognition that employment and social protection problems cannot be solved through fragmented and isolated interventions;

---

<sup>1</sup> ILO and EU: *Improving social protection and promoting employment*, project document DCI-HUM/2008/2009 (Brussels/Geneva, 2009), mimeo.

that sustained and concerted action is required over a wide range of policy areas and involving a great number of stake-holding agencies. Moreover, the 2008–09 global financial crisis had stirred fears that a large part of the gains in poverty relief and employment creation in a number of developing countries over previous years could be dragged down by worldwide recession. As a consequence, the project envisaged the proposal of national action plans to extend social protection coverage and to promote employment.

The project design foresaw, for each of the countries, two diagnostic studies – one on recent labour market developments and employment challenges, the other on the current constellation of social protection policies and coverage. All these studies had been delivered at least as drafts by August 2011, and were then presented for discussion and validation by the social partners in the respective countries from September to November 2011. On the basis of the studies and after debate with the tripartite partners in steering committee meetings held between January and May 2012, a draft document with proposals for synergetic action between social protection and employment policies was elaborated in each country by August 2012. These draft action plans were pragmatically based on the strategic documents and policy initiatives already in place in the respective countries. The basic decision taken was to add value to the actions already rolled out by the national partners instead of creating new documents or activities which would be in conflict with the existing ones.

The draft action plans were distributed and discussed at a national social dialogue (March 2012 in Cambodia, May 2012 in Burkina Faso, and October 2012 in Honduras). Convergence on a number of aspects resulted among national partners.

In parallel with these actions, the project also delivered training to members of the national steering committees in 2011, as well as on social policy and employment-related indicators and quantitative methods in 2011 and 2012. At the end of the project in December 2012, an international conference was foreseen to present and compare the country experiences and, based on the project experience with low- and medium-low-income countries, draw up a set of suggestions for future technical assistance by the European Union and the ILO in the field of employment and social protection.

So many individuals have generously given of their time and expertise in each of the country projects that it is impossible to list them all here. We acknowledge their assistance with thanks. In particular, we thank the authors of the three country studies included in this report: Olivier Louis dit Guérin (Burkina Faso), Arthur van de Meerendonk (Cambodia) and José Rafael del Cid (Honduras). We also wish to thank our colleagues in the European Commission Directorate-General for Development and Cooperation – EuropeAid, and the teams from the ILO's Social Security and the Employment Policy Departments.

# Contents

Foreword and acknowledgements . . . . .	v
Abbreviations and acronyms . . . . .	xiii
<b>1 The ILO/EU project “Improving Social Protection and Promoting Employment”: An overview . . . . .</b>	<b>1</b>
1.1 Project structure and methodology . . . . .	1
1.2 Recent ILO/EU developments linking social protection and employment policies . . . . .	5
1.3 Conceptual links between employment and social protection . . . . .	10
1.4 Policy formulation and implementation linkages . . . . .	16
1.4.1 The strategic level . . . . .	16
1.4.2 The policy formulation level . . . . .	19
1.4.3 The operational level . . . . .	21
1.5 Project experiences . . . . .	22
1.5.1 Burkina Faso . . . . .	22
1.5.2 Cambodia . . . . .	26
1.5.3 Honduras . . . . .	29
1.6 Outcomes of the national dialogues . . . . .	33
References . . . . .	37
<b>2 Burkina Faso: A social protection floor for unemployed, underemployed, poor or vulnerable youth . . . . .</b>	<b>41</b>
2.1 Introduction . . . . .	41
2.2 Promoting work and extending social protection: A priority for Burkina Faso . . . . .	43
2.2.1 Good but fragile macroeconomic results . . . . .	43
2.2.2 Economic growth, but with little impact on human development . . . . .	44

## Coordinating social protection and employment policies

2.2.3	The challenge of creating productive, quality jobs . . . . .	46
2.2.4	Social protection: Large variations and low coverage . . . . .	48
2.2.5	Priorities for SCADD: Promoting quality employment and extending social protection . . . . .	52
2.3	Developing an integrated approach for extending social protection and promoting employment in Burkina Faso . . . . .	53
2.3.1	Creating synergies between national policy measures in the various sectors . . . . .	55
2.3.2	Targeting young women and men who are unemployed or underemployed, poor and vulnerable . . . . .	56
2.3.3	Building a social protection floor for young women and men . . .	57
2.4	The cost of a social protection floor . . . . .	62
2.4.1	Funding and managing minimum social protection guarantees through social transfers from the State . . . . .	62
2.4.2	Cost scenarios: Three examples . . . . .	62
2.5	Obstacles to building a social protection floor . . . . .	65
2.5.1	Basing the implementation process on national dialogue . . . .	65
2.5.2	Organization and administration based on existing structures . .	65
2.5.3	Mobilizing resources . . . . .	67
2.5.4	Monitoring and evaluation . . . . .	69
2.6	Conclusion . . . . .	69
	References . . . . .	71

## **3 Cambodia: Rolling out social protection and employment strategies. . . . 73**

3.1	Introduction . . . . .	73
3.2	Towards integrated employment and social protection policies . . . .	78
3.2.1	Labour market imbalances . . . . .	80
3.2.2	Enlarging the productive base . . . . .	80
3.2.3	The global financial and economic crisis, and economic integration in the region . . . . .	81
3.2.4	Conclusion . . . . .	81
3.3	What are the elements pushing towards this integrated strategic framework? . . . . .	82
3.3.1	The commitment of the Cambodian Government to an integrated strategic framework . . . . .	82
3.3.2	Linkages between the various instruments . . . . .	83
3.3.3	Implementation . . . . .	85

3.4	Extending social protection and establishing a social protection floor for Cambodia	87
3.4.1	Costing NSPS strategic objectives	88
3.4.2	Social health protection costings	90
3.4.3	Public works programmes costings	91
3.5	Developing “growth diamonds”	91
3.6	What are the challenges to overcome?	94
3.6.1	Institutional and implementation challenges	94
3.6.2	The role of the social partners	96
3.6.3	Vocational education and training (TVET)	98
3.7	Conclusion	99
	References	102
<b>4</b>	<b>Honduras: Development of a proposal for an employment and social protection policy: Overview and lessons learned</b>	<b>103</b>
4.1	Introduction	103
4.2	The socio-geographic context of Honduras	104
4.3	Employment and social protection: The current situation	107
4.4	Employment and social protection policy instruments	110
4.4.1	Employment and employability	111
4.4.2	Social protection	111
4.4.3	The Social Protection Policy (SPP)	116
4.5	Dialogues with the Economic and Social Council (CES) and other tripartite actors	120
4.6	Recommendations for an employment and social protection policy (ESPP)	124
4.6.1	Guidelines for an ESPP	124
4.6.2	The National Action Plan for Employment and Social Protection	127
4.7	Lessons learned: Outline of future work	130
	References	133
<b>5</b>	<b>Observations, recommendations and conclusions</b>	<b>135</b>
5.1	Linking employment and social protection at strategic and policy-making levels	136
5.2	Institution-building challenges and fragmentation of programmes	138

## Coordinating social protection and employment policies

5.3	Social dialogue, civil society and the private sector .....	140
5.4	Funding of employment and social protection policies .....	143
5.5	Rights-based approach .....	144
5.6	Conclusion .....	146

## Tables

1.1	The national dialogues: Key issues and points of consensus .....	34
2.1	Burkina Faso: Economic and financial indicators, 2005–2010 .....	43
2.2	Burkina Faso: Demographic profile, 1990–2010 .....	44
2.3	Burkina Faso: Indicators of social development, 1995 and 2008 .....	45
2.4	Burkina Faso: Estimated monetary poverty trends based on national accounts, 1998–2009 .....	45
2.5	Burkina Faso: Distribution of employment by gender, age 15 and above, 2003 and 2007 .....	48
2.6	Burkina Faso: Social budget 2008, source of funds .....	50
2.7	Burkina Faso: Synergies between national policies in different sectors .....	55
2.8	Burkina Faso: Household living standards for urban and rural young people .....	56
2.9	Burkina Faso: Target groups in the various scenarios .....	63
2.10	Burkina Faso: Development of progressive coverage in the various scenarios .....	63
2.11	Burkina Faso: Value of benefits in the scenarios .....	63
3.1	Human development: Cambodia and the region, various years 2000–2011 .....	73
3.2	Cambodia: GDP growth and composition by sector, 2002–2008 .....	78
3.3	Vulnerable employment, world and selected regions, 2000, 2007 and 2010 .....	79
3.4	Working poor, world and selected regions, 2000, 2007 and 2010 .....	80
3.5	Cambodia: NSPS strategic objectives and interventions proposed, 2011 .....	88
3.6	Costing of NSPS measures: Food relief and transfers to families with children, 2012, 2016 and 2020 .....	88
3.7	Costing of NSPS measures: Old-age pensions and transfers to the disabled, 2012, 2016 and 2020 .....	89

3.8 Costing of NSPS measures: Aggregate expenditures for objectives 1, 2 and 5, 2012, 2016 and 2020 .....	89
3.9 Costing of NSPS measures: Extending social health protection, 2012, 2016 and 2020 .....	90
3.10 Costing of NSPS measures: Public works programmes, 2012, 2016 and 2020 .....	91
3.11 Application of the growth diamond concept to the rice production sector in Cambodia .....	93
4.1 Honduras and other countries in Central America: Development indicators, 2007–2011 .....	105
4.2 Honduras: Existing programmes to create employment and enhance employability .....	112
4.3 An employment policy for Honduras: Recommended guidelines ...	125

## Figures

1.1 Sequence of country activities as planned in the project document ..	4
1.2 Backward and forward links between employment and social protection .....	14
1.3 Possible virtuous circle linking employment and social protection ..	15
2.1 Burkina Faso: Social budget 2008, source of funds .....	51
2.2 Burkina Faso: Three broad strategic goals .....	54
2.3 Burkina Faso: Costs of the three scenarios, 2010–2022 .....	64
2.4 Burkina Faso: Architecture of the social protection floor for young women and men .....	66
3.1 Cambodia: The Rectangular Strategy .....	75
3.2 Cambodia: Overlap between NSPS and NES instruments .....	84
3.3 Cambodia: The PEOPLE Service .....	86
3.4 Costing of NSPS measures: Aggregate expenditures for objectives 1, 2 and 5, 2012–2020 .....	90
3.5 The “growth diamond” and its dimensions .....	92
3.6 Cambodia: Outline of the coordination structure .....	96
4.1 Honduras: Geographic location .....	105
4.2 Honduras: The National Action Plan for Employment and Social Protection .....	129

**Boxes**

- 3.1 TVET programmes in Cambodia: Some challenges ..... 98
- 4.1 Honduras: Scenario for a social protection floor..... 119
- 4.2 Honduras: Some aspects of the employment and social protection policy (ESPP) on which a tripartite consensus was reached..... 131

## Abbreviations and acronyms

ADB	Asian Development Bank
ALMP	active labour market policy
ASEAN	Association of South-East Asian Nations
BCH	Banco Central de Honduras
CAFTA	Central American Free Trade Agreement
CARD	Council for Agricultural and Rural Development (Cambodia)
CARFO	Autonomous Fund for Retired Officials ( <i>Caisse Autonome de Retraite des Fonctionnaires</i> ) (Burkina Faso)
CBHI	community-based health insurance
CENET	National Vocational Education Centre (Honduras)
CES	Economic and Social Council ( <i>Consejo Económico y Social</i> ) (Honduras)
CFA	African Financial Community ( <i>Communauté Financière Africaine</i> )
CMDG	Cambodian Millennium Development Goals
CNSS	National Social Security Fund ( <i>Caisse Nationale de Sécurité Sociale</i> ) (Burkina Faso)
CNPS	National Council for Social Protection ( <i>Conseil National pour la Protection Sociale</i> ) (Burkina Faso)
COHEP	Honduran Council of Private Enterprise ( <i>Consejo Hondureño de la Empresa Privada</i> )
CPP	Cambodian People's Party

C/S Fund	Commune/Sangkat Fund (Cambodia)
CSLP	Strategic framework for the fight against poverty ( <i>Cadre stratégique de lutte contre la pauvreté</i> ) (Burkina Faso)
DB	database
DGEP	Director-General for Economics and Planning (Burkina Faso)
EAP	economically active population
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EPL	employment protection legislation
ES	employment strategy (Cambodia)
ESPP	employment and social protection policy ( <i>Política de Empleo y de Protección Social – PEPS</i> ) (Honduras)
EU	European Union
FAFPA	Support Fund for Vocational Training and Apprenticeship ( <i>Fonds d'Appui à la Formation Professionnelle et à l'Apprentissage</i> ) (Burkina Faso)
FDI	foreign direct investment
FENAB	National Federation of Craftspeople of Burkina Faso ( <i>Fédération Nationale des Artisans du Burkina Faso</i> )
GAN	Major National Agreement on Sustainable Development Combined with Social Equity ( <i>Gran Acuerdo Nacional por un Crecimiento Sostenible con Equidad Social</i> ) (Honduras)
GDP	gross domestic product
HEF	health equity fund
HIMO	labour-intensive public works programmes ( <i>Haute Intensité de Main d'œuvre</i> )
HNL	Honduran lempiras (currency)
IFAD	International Fund for Agricultural Development
IHSS	Honduran Social Security Institute ( <i>Instituto Hondureño de Seguridad Social</i> )
INFOP	National Vocational Training Institute ( <i>Instituto de Formación Profesional</i> ) (Honduras)
ILO	International Labour Office/Organization
IMF	International Monetary Fund
INSD	National Institute for Statistics and Demography ( <i>Institut national de la Statistique et de la Démographie</i> ) (Burkina Faso)

ISSA	International Social Security Association
MEF	Ministry of Economy and Finance (Cambodia)
MJFPE	Ministry for Youth, Vocational Training and Employment ( <i>Ministère de la Jeunesse, de la Formation Professionnelle et de l'Emploi</i> ) (Burkina Faso)
MOEYS	Ministry of Education, Youth and Sport (Cambodia)
MOH	Ministry of Health (Cambodia)
MOLVT	Ministry of Labour and Vocational Training (Cambodia)
MOP	Ministry of Planning (Cambodia)
MOSVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation (Cambodia)
MRD	Ministry for Rural Development (Cambodia)
NCDD	National Committee for Sub-National Democratic Development (Cambodia)
NEA	National Employment Agency (Cambodia)
NES	national employment strategy
NFV	National Fund for Veterans (Cambodia)
NSDP	National Strategic Development Plan (Cambodia)
NSPS	National Social Protection Strategy (Cambodia)
NSSF	National Social Security Fund (Cambodia)
NSSFC	National Social Security Fund for Civil Servants (Cambodia)
NTB	National Training Board (Cambodia)
NTSC	National Tripartite Steering Committee
PEP	public employment programme
PES	public employment service
PFMRP	Public Financial Management Reform Programme (Cambodia)
PNE	National Employment Policy ( <i>Politique Nationale de l'Emploi</i> ) (Burkina Faso)
PNPS	National Social Protection Policy ( <i>Politique Nationale de Protection Sociale</i> ) (Burkina Faso)
PNT	National Labour Policy ( <i>Politique Nationale du Travail</i> ) (Burkina Faso)
PPP	purchasing power parity
PRS	Poverty Reduction Strategy (Honduras)

PSCE	Special programme for the creation of employment for young people and women ( <i>Programme spécial de création d'emplois pour les jeunes et les femmes</i> ) (Burkina Faso)
PWP	public works programme
RAP	Rapid Assessment Protocol
RGC	Royal Government of Cambodia
SCADD	Strategy for Accelerated Growth and Sustainable Development ( <i>Stratégie de Croissance Accélérée et du Développement Durable</i> ) (Burkina Faso)
SMEs	Small and medium-sized enterprises
SNEC	Supreme National Economic Council (Cambodia)
SPCU	Social Protection and Coordination Unit (CARD, Cambodia)
SPER	Social Protection Expenditure and Performance Review
SP/EMP	social protection and employment
SPF	Social Protection Floor (Initiative); national social protection floor
SPP	Social Protection Policy ( <i>Política de Protección Social – PPS</i> ) (Honduras)
STSS	Ministry of Labour and Social Security ( <i>Secretaría de Trabajo y Seguridad Social</i> ) (Honduras)
TVET	technical and vocational education and training
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
WFP	World Food Programme

# Introduction

# 1

## The ILO/EU project “Improving Social Protection and Promoting Employment” An overview

*Helmut Schwarzer<sup>1</sup>*

This chapter describes the project design and methodology of the ILO/EU project and enumerates a number of recent developments within the European Union and the ILO regarding international norms, declarations and recommendations in the field. It then summarizes a number of linkages between social protection and employment, both conceptual and at the level of policy formulation. After briefly narrating the project experiences in the three chosen pilot countries, the chapter closes with a short comparative analysis of the project results.<sup>1</sup>

### 1.1 Project structure and methodology

The approach chosen for the project is based on social dialogue, involving consultation with and participation of line ministries, ministries of finance and planning, employers’ and workers’ organizations, non-governmental agencies and development partners. In each of the three countries a national dialogue was carried out to discuss the issue with stakeholders. Social dialogue is a cornerstone of the process, because without the active involvement of all tripartite partners and other relevant organizations an integrated perspective cannot be established, and the broad basis for implementation of the proposed interventions will not be mobilized.

---

<sup>1</sup> Helmut Schwarzer works at the ILO Social Security Department in Geneva and acted as Project Chief Technical Advisor.

Several instruments have been used to assess the scope for integrated policies. The first tools are the diagnostic studies listed in the reference section at the end of this chapter (ILO, 2012a–h). These studies are also intended to link developments in each of the three pilot countries to broader local, regional or global trends – that is, to provide a context for these often not-so-isolated events – and from there to suggest directions for further developing employment and social protection policies. The identification of gaps in the existing strategic framework is an important item in the diagnostic studies.

The second tool is the social protection and expenditure review (SPER), a particular form of diagnostic study carried out according to a consolidated methodology as applied by the ILO. Together with the third tool – costing exercises – a SPER is an inventory made to chart the financial scope for an existing set of social protection schemes, plus a limited set of alternative reform scenarios. It provides a detailed snapshot of current social protection programmes, including the entire range of social insurance schemes, social assistance measures and health-care provisions. The subsequent costing exercise takes the SPER as its point of departure to forecast what these current social protection programmes and some selected policies would cost looking at a limited time horizon – for example the period 2012–2020, which is the time frame in the costing exercise carried out in the three pilot countries. This helps to assess whether existing and planned arrangements are financially feasible and sustainable in the short and medium term. The costing exercises produced under the project are listed in the reference section at the end of this chapter (ILO, 2012i–k).

The final tool – bringing the first three together – is a roadmap, or national plan, to coordinate fragmented policies and make the connection with the more encompassing national strategic planning framework. This national plan should provide an overall framework to guide activities: it should ensure that duplications or gaps are avoided, procedures are harmonized, capacities in ministries, local government and other involved agencies enhanced, monitoring and compliance mechanisms strengthened, and the use of available funds coordinated. The national plans produced under the project are listed in the reference section (ILO, 2012l–o).

After closing country activities, the project foresaw the production of reports on the country experiences and a comparative synthesis report to be disseminated at a global conference as well as on the respective websites and in the countries.

The expected results, according to the project document (ILO and EU, 2009), were as follows:

- The availability of a diagnosis of the respective social protection and employment situations in the pilot countries, submitted to the Government

and social partners. Draft versions of the diagnostic documents were submitted to national stakeholders during workshops held in Tegucigalpa (September 2011), Ouagadougou (October 2011), and Phnom Penh (November 2011).

- The availability of a draft national action plan to propose policies to extend social protection and promote employment, elaborated with the support of social dialogue. The national plans were submitted to the national stakeholders at social dialogue conferences held in Phnom Penh (March 2012), Ouagadougou (June 2012), and Tegucigalpa (October 2012).
- The development and transfer of knowledge on the diagnostic tools used for the preparation of the diagnostic studies and draft action plans to the national stakeholders, expanding the leeway for future specialized social dialogue discussions on the formulation of coordinated employment and social protection policies. Training events were held in Tegucigalpa (September 2011 and November 2012), Phnom Penh (November 2011 and November 2012), and Ouagadougou (March 2012 and November 2012).
- The dissemination of the knowledge created to national and international actors by means of knowledge exchange platforms, publications, and an event in support of the International Campaign to Extend Social Protection to All and the Implementation of the Global Employment Agenda.<sup>2</sup>

The sequence of the country-level activities of the project was as follows (see also figure 1.1):

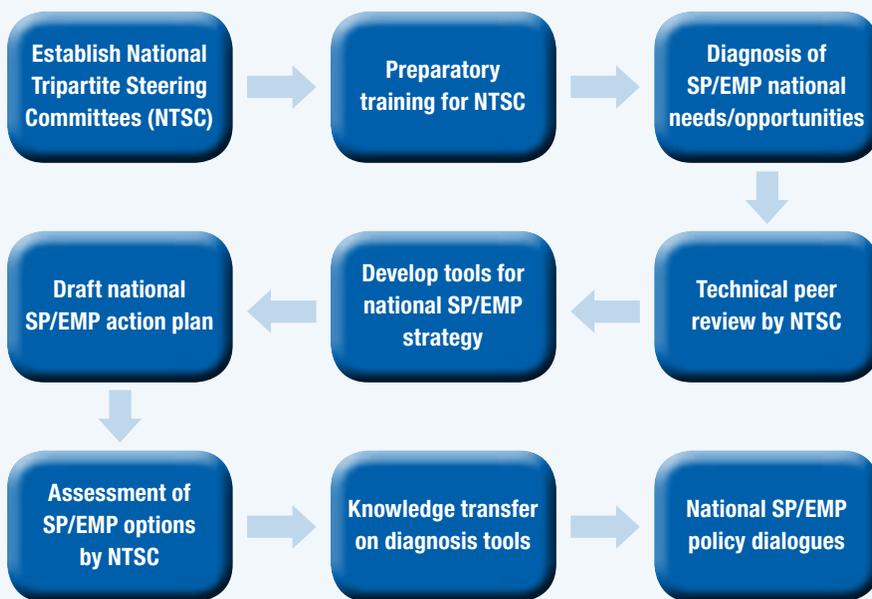
1. Given the agreement of the national social partners of the pilot countries chosen for the project, action started with the establishment of a National Tripartite Steering Committee (NTSC) that served as the main interlocutor of the project, providing guidance and agreements on aspects of implementation as well as increasing the perspective for national ownership of the results.
2. Training about the project was provided to NTSC members.
3. The diagnostic studies on social protection and employment policies were carried out in the respective pilot countries in order to provide an inventory and collect the information needed for the elaboration of the costing exercises and draft action plans.

---

<sup>2</sup> The project experiences also enriched the discussions held at the International Labour Conferences in 2011 and 2012. The documents were published on the GESS (Global Extension of Social Security) website, managed by the Social Security Department of the ILO, at <http://www.social-protection.org/gimi/gess/ShowProjectSpePage.do?pid=1175>.

4. The diagnostic studies were presented in each country to the NTSC, national specialists and other stakeholders, to be reviewed under the format of a validation workshop.
5. By applying budgeting tools developed for each of the countries, costing exercises were prepared for the evaluation of social protection and employment policy options raised in the validation workshops and the subsequent dialogues with the national stakeholders, notably for those policies linked to national social protection floors.
6. A national action plan for the extension of social protection and promotion of employment was drafted and presented to the NTSC.
7. The NTSC gave guidance on the contents of the draft action plans and the costing exercises.
8. A new version of the draft action plan was prepared;
9. A national social dialogue on social protection and employment policies was organized in each of the countries and the draft action plan, as well as correlated subjects discussed;
10. Training on the quantitative methods applied to the project took place throughout the period.

**Figure 1.1 Sequence of country activities as planned in the project document**



Note: SP/EMP = social protection and employment.

Source: Author, based on ILO and EU, 2009.

At the global level, after finishing the country activities this project synthesis report was produced and a conference to disseminate the findings on employment and social protection policies in the three pilot countries was held in Brussels on 3 December 2012.

## 1.2 Recent ILO/EU developments linking social protection and employment policies

After the project had been negotiated, a number of important developments involving both the ILO and the European Union took place concerning norms and communications in the field of social protection and employment policies. In the case of the ILO and as regards employment policies, the 99th Session (2010) of the International Labour Conference held a discussion on employment and adopted a set of conclusions (ILO, 2010a). In the following year, the 100th Conference (2011) had as one of the main points on the agenda the Recurrent Discussion on Social Protection (Social Security), with conclusions that eventually led to the preparation of the Social Protection Floors Recommendation, 2012 (No. 202), adopted by the Conference at its 101st Session (2012). At that same Conference, another key subject on the agenda was an analysis of the youth employment crisis that resulted in the adoption of a resolution entitled “The youth employment crisis: A call for action” (Youth call for action). Finally, in August 2012 the European Commission published *Social protection in European Union development cooperation*, guided by its Agenda for Change, the result of an encompassing consultation process at international level. These four recent developments are explained in detail as follows:

The Conclusions concerning the recurrent discussion on employment adopted by the International Labour Conference in 2010 (ILO, 2010a, para. 42) underscored the inseparable, interrelated and mutually supportive nature of the four decent work strategic objectives. The decent work approach is increasingly considered to be a key element of the framework of a new social and economic development paradigm, characterized by employment-centred and income-led growth with equity:

- (i) the full economic and social growth potential of a society cannot be realized if people are not benefiting from a social protection floor;
- (ii) by the same token, social security schemes cannot be financed without a sound economic and employment base;
- (iii) freely chosen employment cannot be realized without respect for the fundamental principles and rights at work;

- (iv) a fair sharing of the benefits of productivity gains and growth and of adjustment burdens, especially in times of economic crisis, cannot be assured without social dialogue; and
- (v) productivity gains and employment growth cannot be achieved without an enabling environment for sustainable enterprise.

The Conclusions state that governments and social partners need to institutionalize coherence and the mutually supportive character of the four strategic objectives – for example, by combining measures such as minimum wages, income transfer, social protection, employment policies, public investment and skills and entrepreneurship development to improve the quantity and quality of jobs, including for groups typically disadvantaged in the labour market; or by deploying employment policies to build a more inclusive society, including ensuring that policies and programmes serve the objective of gender equality and meet the needs of groups typically disadvantaged in the labour market. The Conclusions also declare that the ILO shall work cooperatively with other multilateral organizations to promote policy coherence for a fair globalization, based upon the guidance provided by the ILO Declaration on Social Justice for a Fair Globalization (2008) and the Global Jobs Pact (2009).

The Social Protection Floors Recommendation, 2012 (No. 202) is the result of an extensive analysis of the institutional approach to social security (see ILO, 2011a, 2011b; ILO, 2012p). It represents a guiding framework that complements the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), by proposing the development of national social protection floors (SPFs) in all member countries as quickly as possible, tailored to the national circumstances, as part of a national strategy for the extension of social security towards a comprehensive social security system. The 2011 Conclusions concerning the recurrent discussion on social protection (social security), and the Recommendation itself, provide an encompassing framework for the development of national social protection systems, where the SPF represents one step on the “social protection staircase” towards higher social protection levels for all. According to Recommendation No. 202, national SPFs should comprise at least four basic social security guarantees for all residents and children:

- (a) access to a nationally defined set of goods and services constituting essential health care, including maternity care, that should be available, accessible, acceptable and of quality for all;
- (b) basic income security for all children, at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;

- (c) basic income security, at least at a nationally defined minimum level, for persons in active age unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- (d) basic income security, at least at a nationally defined minimum level, for older persons. (II.5)

Recommendation No. 202 presents a set of principles, among which are that SPFs: are understood as rights-based; are progressively implemented; consider a diversity of methods and approaches in terms of financing and delivery; are sustainable; are preferably domestically funded; are coherent with other social, economic and employment policies; are regularly monitored and evaluated; and are subject to social tripartite dialogue including with other relevant organizations concerned. There is particularly strong emphasis on the coordination of social protection policies with the promotion of productive economic activity and formal employment. Policies that can be conducive to these purposes include public procurement, government credit provisions, labour inspection, labour market policies and tax incentives, and the promotion of education, vocational training, productive skills and employability.

In the coordination approach promoted by the SPF, benefits and policies would ideally be combined in such a way as to increase the prospects for those individuals able and wishing to participate in the labour market, activating both men and women and, where applicable, facilitating sustainable exit strategies from social assistance. This view is based on the recognition that social protection can improve access to labour markets, and that the strengthening of the virtuous linkages between both policy areas increases the chances for full and productive employment and the universalization of social protection, as well as poverty mitigation and eradication.

The work of the International Labour Conference at its 101st Session, 2012 also resulted in the resolution known as *Youth call for action*, referred to above. It recommends a series of policies to promote employment and policy coherence in favour of young men and women (see ILO, 2012q). For instance, public investment and employment programmes should, where appropriate, promote employment in general and especially youth employment, particularly in countries with low labour demand, creating employment across the range of skills and yielding significant multiplier effects for the economy. These programmes are seen as capable of providing a labour standards floor and significantly enhancing local productivity, market development and social protection. They would also contribute to a sustainable environment and to the development of much-needed infrastructure and community works in many countries.

In a number of countries, income support for young jobseekers can be provided in conjunction with active labour market policies (ALMPs) through a combination of unemployment insurance, unemployment assistance, employment guarantee schemes or other forms tailored to the specific situations of different groups, as foreseen within the SPF concept. Good practices demonstrate that conditionality, activation and mutual obligation can assist in achieving early exits from unemployment. Such schemes can be particularly effective for youth at risk of marginalization in keeping them connected to the labour market.

Governments should give serious consideration to allocating adequate resources to labour market policies, including public employment programmes (PEPs), as key instruments to promote youth employment; linking income support to active work search and participation in ALMPs; consolidating and coordinating the delivery of services to better integrate labour market and social protection measures; and providing social protection to first-time jobseekers.

The European Commission and the European Union have built over the last decade a relevant framework of communications and policy papers on social protection and employment policies that serve as guidance for the respective institutions and Member States in the development of an integrated and coherent model according to European values. In the communication entitled *The social dimension of globalization – the EU's policy contribution on extending the benefits to all* (EC, 2004) the Commission recognizes the importance of a social model to generate balanced outcomes of globalization and to lead to sustainable development. The EU model places particular emphasis, for example, on solid institutional structures for the management of economic, employment, social and environmental issues and the interplay between them, on strong social and civil dialogue and on investment in human capital and the quality of employment.

Moreover, the *Agenda for Change*, as the current strategic document for EU development cooperation, states:

The EU should take into account a more comprehensive approach to human development. This involves supporting a healthy and educated population, giving the workforce skills to respond to labour market needs, developing social protection, and reducing inequality of opportunity. The EU should support sector reforms that increase access to quality health and education services and strengthen local capacities to respond to global challenges. (EC, 2011, para. 3.1, p. 7)

The European Commission's policy papers and communications are important references in the technical cooperation framework; they express European

values and expectations regarding the formulation of national social protection and employment policies. In this regard, the Commission's document *Social protection in European Union development cooperation* (EC, 2012) mentioned earlier in this chapter, the *Council conclusions on social protection in European Union development cooperation* adopted in October 2012 (Council of the European Union, 2012) and the working document *Promoting employment through EU development cooperation* (EC, 2007) constitute relevant tools to guide cooperation with national decision-makers and social partners when formulating national social protection and employment policies.

These strategic documents outline several key aspects of the comprehensive approach to human development adopted by the European Union in its development cooperation. Among these aspects are the importance of developing inclusive, nationally-owned social protection policies and programmes, including social protection floors; the importance of promoting full and productive employment; and the improvement of working conditions in both existing and new jobs in the formal and informal economy that respect fundamental principles and rights at work. Furthermore, these guidance documents affirm the European commitment to the integrated approach of decent work in employment strategies that encompasses the four strategic objectives of creating jobs, guaranteeing rights at work, extending social protection and promoting social dialogue, highlighting the need to focus especially on women and young people. The experience and views of social partners are considered crucial, and the European Union is in this regard firmly committed to secure cooperation with them in formulating, implementing and evaluating employment and social protection policies.

In its technical cooperation, the European Union is committed to facilitating structural change and flexibility in the labour market through the implementation of effective labour market policies and the development of social protection systems with broader and effective coverage, guided by each country's needs and circumstances, that reduce social risks and enhance the livelihood security of people. The 2012 Communication places emphasis on the need to combine social protection policies with job creation and employment promotion. Relevant aspects, not only in the field of social policy, refer to placing the issue of social protection at the centre of national development strategies; fostering the design and implementation of national policies and programmes, with particular endorsement for the ILO SPF approach; supporting institutional capacity building in partner countries, including with social partners and non-governmental organizations; promoting revenue reform to develop fiscal space, since the systems should increasingly be funded by domestic sources; and specific gender differences.

### 1.3 Conceptual links between employment and social protection

This section briefly describes possible conceptual approaches to the links between social protection and employment. Since the assumption behind the ILO/EU project is that both dimensions are strongly interrelated and mutually reinforcing, it is important to cast a look at some of those linkages. The present effort does not attempt to be exhaustive or to create any new theoretical paradigm.

One possible approach is to refer to the normative approach as provided by the decent work concept. The ILO Declaration on Social Justice for a Fair Globalization (2008), for instance, reaffirms the “four equally important strategic objectives” through which the Decent Work Agenda is expressed, namely (i) the promotion of productive employment; (ii) the development of social protection; (iii) the promotion of social dialogue and tripartism; and (iv) the realization of the fundamental principles and rights at work. These four strategic objectives are “inseparable, interrelated and mutually supportive” and their promotion is part of an “ILO global and integrated strategy for decent work”. Furthermore, such a normative approach is usually rooted in well-known international instruments such as the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1966).

Development theory in the 1940s and 1950s treated employment and social protection policies as rather marginal issues.<sup>3</sup> A dualistic approach, opposing a “modern” and a “backward” sector, where the former would “absorb” the latter, was best expressed by the model developed by Lewis (1954). The “take-off” (Rostow, 1960, pp. 4–16) of the modern sector would provide formal employment and, by extension, roll out contemporary forms of social protection. However, today it is well known that this “take-off” and the “absorption” of the “backward” sector did not take place as foreseen. Other development theories unfolded during the 1950s to the 1970s, analysing the asymmetries, unequal factor endowments, different roles of the developing countries in the global economy, and so on, and launched concepts such as “centre–periphery system”, “dependent development” or “unequal development” (see for instance Prebisch, 1950; Cardoso and Faletto, 1979; Amin, 1976). As a result, policy proposals were usually centred on an active role of the State in planning development, mostly according to a sector approach; bottlenecks had to be eliminated, industrialization promoted, terms of trade counteracted. Employment and social protection policies played a

---

<sup>3</sup> On the history of social protection and employment policies within development theory, the following paragraphs draw on Lee (2010).

rather subordinate and instrumental role in those models and were designed in such a way as to be functional to the respective development pattern. This also means that the classical contributory schemes provided only partial coverage in developing countries, protecting those populations where formal, urban, stable, long-term wage-earning employment forms developed, very often a minority of the population and mostly those groups linked to the key economic sectors. Hence dualistic, fragmented and very unequal subsystems of social protection evolved in a large number of developing countries. The experts aligned with the ILO principles usually recommended the national consolidation of fragmented social protection systems in search of more equity and efficiency, and the coordination of contributory and non-contributory approaches in order to increase coverage (see for example Mesa-Lago, 1978 and 1994). Another approach, followed by a number of countries after the 1980s debt crisis in Latin America and Eastern Europe, was the substitution of the fragmented public schemes by privately managed pension funds, which however have not been capable so far of delivering a better result in terms of coverage and public finance.

Regarding employment policies, the ILO itself launched in the late 1960s the ILO World Employment Programme (WEP), as a reaction to the uneven impacts of the “modernization” strategies adopted in developing countries with regard to massive productive employment generation. The WEP proposed a set of interventions to accelerate employment creation in both the “traditional” and “modern” sectors of the economy. Among them, proposals included a shift towards more labour-intensive goods and services and labour-intensive techniques of production, as well as policies to raise productivity in the agricultural, non-farm rural and urban informal sectors.

The historical development of social security systems, and the obvious correlation between the results of the modernization strategies on employment and social protection, illustrate the strong link between employment status and access to social protection within the classical pathways. More recently there has been considerable formal employment generation in Latin America, raising the levels of formal social protection and partly alleviating poverty in the countries benefiting from those developments. However, unemployment, underemployment, informality, precariousness and job instability continue to be central challenges as a consequence of the yet unsolved “imbalances of the past”, which are often magnified by the transformations undergone by labour markets under the globalization process. The coverage levels of social protection still remain low, even taking into consideration the number of innovations in developing countries. In its *World Social Security Report 2010/11* (ILO, 2010b) the ILO estimates that approximately 80 per cent of the world population still lacks the protection of a comprehensive social security system.

From the practical experience of decades of ILO work, the positive reinforcing effects – both from employment policies towards social protection levels and vice-versa – can now be seen. The success cases of economic development throughout the 20th century show that countries that effectively “caught up” with the economic leaders of their time centred their strategies on massive employment creation and simultaneously put in place, step by step, an extensive social protection system (for instance in the Scandinavian countries). Those countries now successfully engaging as export champions in the globalized economy are the same as those that developed their compensation mechanisms to foster social cohesion and resilience vis-à-vis the impacts of competition on the global markets and the unavoidable cycles stirred by technological developments. These values of full employment and social protection are at the origin and the heart of the post-war European development model. More recently, in the 2000s, a number of Latin American countries (Argentina, Brazil and Uruguay) have shown that it is possible to associate a high level of economic growth and formal employment creation with the development step by step of an encompassing social protection model that feeds back into economic growth by strengthening the dynamic factors of domestic market growth. Hence, looking at recent historical developments, one can say that both employment and social protection policies have been shown to be mutually reinforcing in the increasingly globalized development context.

This argument is further supported by two recent ILO reports: one (ILO, 2010c) focuses on employment and social protection in the new demographic context and was originally prepared for a discussion at the International Labour Conference; the other is the *World Social Security Report 2010/11*, launched in 2010 (ILO, 2010b). The Conference report (ILO, 2010c) states explicitly that there is no trade-off between economic and employment performance on one hand and the development of social security on the other. Social security has a beneficial impact on the economy and the labour market by providing protection for the unemployed, people with disabilities, and elderly and vulnerable groups; smoothing the economic cycle and hence providing a cushion for economic activity and even employment. Another beneficial effect is that social protection policies increase labour productivity, for instance by providing health care and protection against employment-related accidents and occupational diseases. Finally, social services provide an important number of jobs themselves, usually with a high share of female employment. (A detailed discussion and list of such effects is presented in ILO, 2005.)

The report also argues that evidence shows that the setting up of extensive systems of social security has been promoted by those countries that have subsequently achieved sustainable growth and record levels of poverty reduction, as is the case of OECD countries (see Cichon and Scholz, 2006;

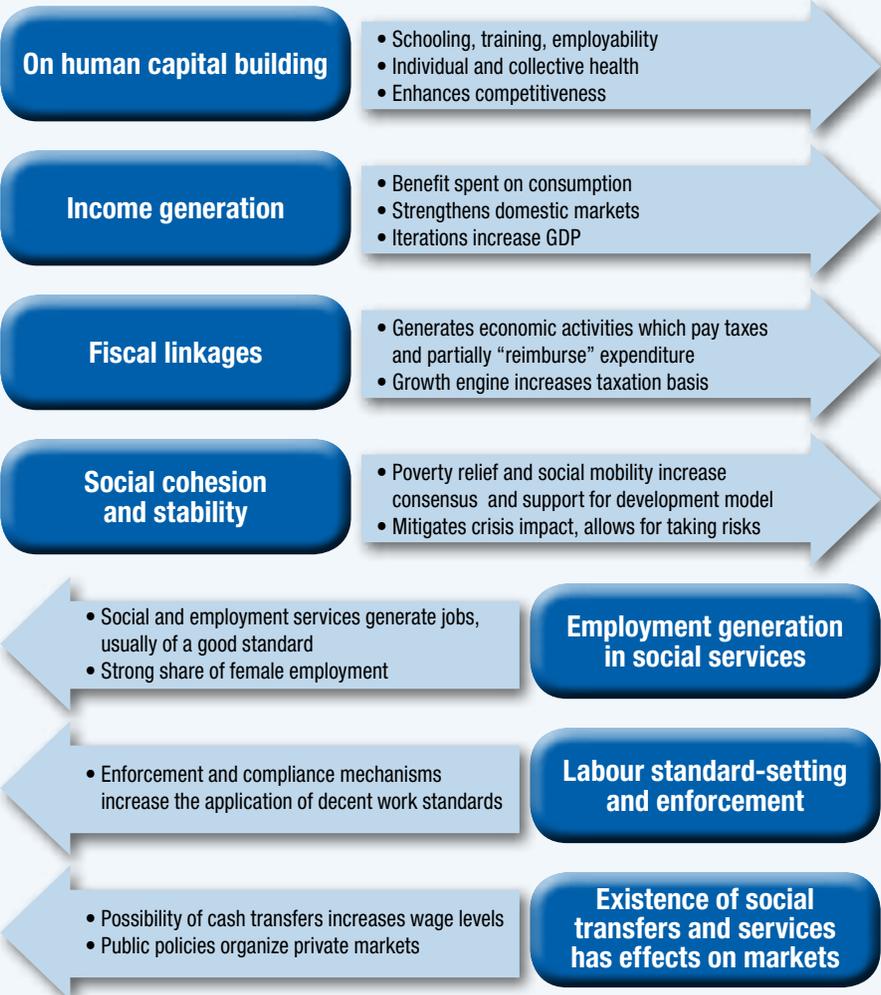
Van de Meerendonk et al., 2007). India is another country quoted by the report whose empirical evidence correlates – over a long period (1973–99) – social protection investments with productivity growth, especially among the poor (Justino, 2007). A third country where a strong correlation between social protection and economic growth has recently been documented is Brazil, where a study published by the Instituto de Pesquisa Econômica Aplicada (Institute for Applied Economic Research – IPEA) (2011) estimated that an expenditure of 1 per cent of GDP on education, health, conditional cash transfers, social assistance pensions and contributory pensions would result, respectively, in GDP growth rates of 1.85, 1.70, 1.44, 1.38 and 1.22 per cent.

The *World Social Security Report 2010/11* explains that “social security systems are income transfer schemes fuelled by income generated by national economies, mainly by the formal economy” (p. 27). The labour market also determines who has access to contributory social protection schemes, and the formalization of the economy co-defines the extent of the taxable flows on which contributions and general taxes may be levied for the financing of social protection and employment schemes. Hence, the degree of informality and its drivers are relevant pieces of the context, which explains the low levels of social protection in a number of developing countries. The probability of coverage (and payments of contributions) is higher for wage- and salary-earning employees in the formal economy, whereas the higher the proportion of self-employed occupations, casual work and home work, the lower the chance of formality and of contribution to classical social protection schemes. The report argues, furthermore, that the lack of social protection coverage for large parts of the population negatively affects their well-being and their productivity. The population without coverage needs to pay out-of-pocket when health and other basic services are needed, thus increasing the risk of poverty.

Backward and forward linkages are an analytical concept originally raised in development economics by Albert O. Hirschman in the 1950s (Hirschman, 1958); such linkages can also be identified between social protection and employment (see figure 1.2). Social protection strengthens the prospects for growth and employment generation, and vice-versa. A positive economic performance with decent employment generation increases the income of families and economic units, boosting the tax basis for financing additional social protection, employment promotion and further sector, infrastructure and human capital development policies. The families then have more income to overcome poverty thresholds. On the other hand, social policies allow families to accumulate more “human capital” (such as education, vocational training, health, well-being of children), increasing employability. The additional available income can result in more “physical capital” (by investing in improvements to the economic activities of the household or the small firm), also raising productivity.

Stronger productivity and higher family consumption increase the chances of further growth. The constellation also allows for more social cohesion, and the reduction and mitigation of the poverty risk allows individuals to take more risks in economic and even entrepreneurial activities. In terms of backward linkages, besides the employment created by social services themselves, the decent work standard-setting in certain key economic sectors may have backward impacts on the supplier chains, and the existence of cash transfers usually influences the establishment of minimum remuneration levels by labour markets.

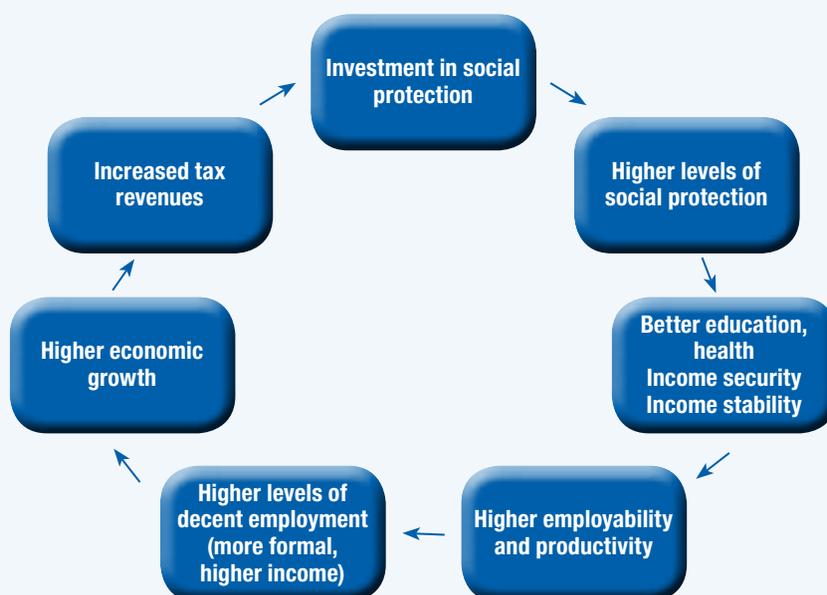
**Figure 1.2 Backward and forward links between employment and social protection**



Source: Author’s notes.

A potentially virtuous circle involving employment and social protection programmes emerges from the linkages described above, as put forward by the so-called “Bachelet Report” (ILO, 2011b) named after the President of the Social Protection Floor Advisory Group, Michelle Bachelet (see figure 1.3). It links social protection investments with better health, education, services, stability and income security, hence generating more productivity and employability. These are requisites for a higher level of formal employment and a larger tax base, allowing for more expenditure in social protection and employment policies. However, to make sure that the “virtuous circle” fulfils the promises, a number of conditions are also required. Among them are, inter alia, the fact that social, employment and development policies will only result in more protection and employment if properly designed and operated. If bad policy design causes further income concentration, or if the goods and services demanded by the social policy beneficiaries and newly employed persons are not available, the domestic market will suffer income “leakages” and the potential strength of the circle diminishes. If policies are ill targeted or benefits captured by non-target groups, the poverty alleviation and/or social cohesion effects are missed. Another condition for the success of the virtuous circle is a successful fight against tax evasion, so that additional employment and economic activity effectively increases the fiscal space for future policies in a sustainable way.

**Figure 1.3 Possible virtuous circle linking employment and social protection**



Source: Adapted from ILO, 2011b.

Strengthening the linkage between essential employment services and the national SPF benefits could be a particularly promising way of helping to pave the road out of poverty and vulnerability. Such services could include job-search assistance and placement, assistance for new business start-ups and self-employment activities, public employment programmes, skills development and vocational training, and assistance for completing and furthering formal education, as well as other labour inclusion subsidies. The implementation of the Single Window Service, called the PEOPLE Service, in Cambodia is a good example of a coordinated offer of basic social protection and employment services (see Chapter 3 below). It should increase the chances of the poor for progressive inclusion in the labour market and to step up the ladder towards higher levels of productivity, income and social protection.

## 1.4 Policy formulation and implementation linkages

Throughout the ILO/EU project, country activities were conducted with a view to finding, supporting, establishing and strengthening links at policy formulation and operation levels between the fields of social protection and employment. In practice, these links were to be found at three levels: (1) strategic development planning; (2) policy formulation; and (3) operations. The hypothesis was that the links at the three levels need to be coherent with each other to allow for the establishment of more integrated policies and to reach an optimal outcome.<sup>4</sup>

### 1.4.1 The strategic level

Social protection and employment need to be elements of a coherent strategic development plan at national level, where an overall vision on economic and social development for the medium and long term is elaborated. Usually such strategies establish quantifiable goals to be attained within a certain period, based on current strengths, insufficiencies and potential. The plan also establishes key drivers of development, enumerates potential resources required, and deliberates on the main actors and the public–private partnerships needed, as well as on the unfolding of the relationship with the international community and the economy. The global planning framework is pivotal as a mandatory reference for line ministries, national agencies and coordination mechanisms established at policy formulation and operational levels. If the goal is to achieve more coherence between both policy areas, it is indispensable

---

<sup>4</sup> This section draws on the diagnostic reports produced by the ILO/EU project and discussions held with Arthur van de Meerendonk.

that both be clearly mentioned in the strategic framework, providing a support for the design of respectively coordinated policies. The strategic planning framework also provides an argument for more coherence regarding other policies, i.e. the macroeconomic and fiscal policies that have a crucial impact on the labour market, the prospects of employment creation and the funding sources for the implementation of employment and social protection policies. Sector strategies may be developed in line with the macro plan; if employment and social protection goals are not highlighted and linked at the strategic level, sector policies will usually take them into account only as a marginal tool and not as a central goal of the development project.

Such a national strategic framework exists in all three pilot countries. In Burkina Faso the global national strategy is given by the Strategy for Accelerated Growth and Sustainable Development (*Stratégie de Croissance Accélérée et du Développement Durable, 2010–2015 – SCADD*); in Cambodia the overall planning instrument is the Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase II with the supporting role of the National Strategic Development Plan (NSDP) Update 2009–2013; in Honduras the national planning document is the Country Vision 2010–2038 and National Plan 2010–2022 (*Visión de País 2010–2038 y Plan de Nación 2010–2022*). The three countries identified social protection and employment generation as challenges and established that policies should be deployed to tackle them. Employment generation is at the heart of each country's strategy, and ambitious goals regarding the extension of social protection follow closely. The three countries propose to foster the investment climate for the private sector, give special importance to new entrants in the labour market (due to their youthful demographic structures) and pay attention to entrepreneurship among small and medium enterprises (SMEs) and the self-employed. The strategic frameworks also establish the need to increase the coverage of basic social protection and health care, and a step-by-step expansion of social insurance coverage. Regarding the need to increase productivity, the three countries place emphasis on reforms that improve and expand the offer of vocational training and education. Each of the three frameworks establishes objectives in terms of reducing poverty and ensuring compliance with the Millennium Development Goals.

At the global level, strategic development plans will coordinate a large number of instruments and policies with the major goal to accelerate the development process with relevant impact on employment and social protection. Besides macroeconomic and fiscal policies, they include policies that improve governance, and industrial policies. At the macroeconomic level, developing countries need to find a balance that allows for stabilizing the economy vis-à-vis the impacts stemming from international markets and for keeping price

levels under control, while avoiding a currency overvaluation that increases production costs in local currency and hence a negative impact on international competitiveness of domestic production. The three countries studied face such dilemmas – in Cambodia and Honduras the local currencies are closely linked to the US dollar, whereas Burkina Faso is pegged to the Euro via the CFA franc arrangement. Depending on a number of factors, including the structure of their international economic relations, developing countries' scope for manoeuvre in this respect may either remain narrow or increase. Downward adjustment of the exchange rate will improve the terms of trade and stimulate exports, but at the same time it may fuel potential inflation in the domestic market, especially when countries are reliant on imports – for example of basic commodities such as rice, fuel or raw materials for their industries. Therefore, the available space for implementing employment-friendly macroeconomic policies, in line with the recommendations of the Global Jobs Pact, ought to be used.

Scope for fiscal policies in developing countries is not absent, but faces important obstacles. Tax revenue is usually modest, taxation very often is regressive, and the political economy of tax reform poses relevant challenges. The development of domestic funding, a key challenge for the long-term sustainability of social protection and employment policies, thus will probably depend on stepwise tax reforms and on the improvement of tax collection efficiency. In summary, the macroeconomic environment in support of a coordinated approach of employment and social protection policies requires further development. Given that the poorest countries usually have to take their macroeconomic constellation from the global environment, adaptations of the policy approaches of the international community in general and multilateral financial institutions in particular could certainly deliver an important contribution to break that cycle.

Additional scope for action lies with improvements in governance, often with transversal impact on all fields of governmental action. Reducing red tape and preventing fraud and mismanagement, as well as improving quality of spending, are issues all over the world, including the emerging economies. Moreover, in capacity building – for example at the level of local government – much work remains to be done. Cambodia has taken this up as one of the main strategic government priorities, deploying both an effort to strengthen decentralized government levels and to modernize public finance administration. The Public Financial Management Reform Programme (PFMRP) launched in 2004 has achieved improvements in tax administration, revenue collection, expenditure control, cash management and budgeting, whereas the current decentralization and deconcentration process (under the Strategic Framework for Decentralization and Deconcentration Reforms) lays the ground for improved local governance and public service delivery, hence

allowing a decentralized implementation of the new National Social Protection Strategy (NSPS).

And there is also scope in sector policies. Improving productivity in agriculture in many parts of the world is one main priority; building infrastructure is another. And developing excellence in the private sector, particularly developing sectors based on competitive advantage, can be listed as a third beachhead towards economic development. Securing ownership rights to level the ground for investments is an important condition, as are policies to upgrade entrepreneurial skills. A well-performing and accessible education sector is obviously an indispensable asset in this respect. Not surprisingly, the three countries have ranked these priorities high within their national strategic frameworks.

#### 1.4.2 The policy formulation level

A high-level coordination mechanism is required to steer the formulation and implementation of employment and social protection policies and programmes according to the global goals of the development plans and the implementation guidelines agreed upon. This mechanism should be composed of representatives from the various line ministries involved (e.g. labour and social security, health, social assistance, education, sector ministries such as agriculture), the ministries of finance, interior and planning, and representatives from local level government. The functions of such a mechanism would include coordinating policies, monitoring their implementation, and formulating suggestions to improve the relevance and efficiency of the interventions or to provoke, as necessary, their reorientation.

In some countries such as Honduras, the supervision function of both areas – employment and social protection – pertains to the same ministry/ secretary; while in others such as Cambodia, there are national coordination boards or councils with the participation of policy-makers from both areas. These councils or boards may be presided or convoked by the Offices of the President, Prime Minister, Minister of Planning, or similar. In Cambodia, four national-level councils are centred on key themes for development and perform coordinating tasks, while the leadership for the recent formulation and implementation of the NSPS has been given to the Council for Agricultural and Rural Development (CARD), linked to the Ministry of the Interior. In Burkina Faso, recent developments in the same field that were coordinated by the Ministry of Economy and Finance have been transferred to the Prime Minister's office. In Honduras, the Minister for Labour and Social Security has the leadership and the Economic and Social Council (CES) has an important role in organizing the actors. The CES is currently linked to the Office of the President of the Republic.

None of the three countries had a complete set of updated national employment and social protection strategies or policies in place when the ILO/EU project was launched. Burkina Faso had launched a National Employment Policy (PNE) in 2008 that was eventually completed with the National Labour Policy (PNT) in 2011 and the National Social Protection Policy (PNPS) in 2012, elaborated by the national stakeholders with the collaboration of the development partners, including the ILO/EU project. Cambodia designed and launched its National Social Protection Strategy (NSPS) in 2011, with technical support from the ILO/EU project. At the national dialogue held in Phnom Penh in March 2012, a consensus of the national actors was found in favour of the elaboration of a national employment policy that takes into account the progress made by the NSPS. In Honduras, a national Social Protection Policy (SPP) had been discussed since 2007 and was launched in early 2012. Some of the recommendations of the national dialogue held in Tegucigalpa in October 2012, referring to the social protection floor approach, will probably be helpful in supporting the implementation strategy of this social protection policy. During the national dialogue, the need for a new employment policy, reviewing the results of the 2007 national employment policy, was recognized and a conclusion document, negotiated among the tripartite partners, explicitly included this necessity among the next policy developments.

A key element at this level is programme design. For this purpose and for the operation of the programmes, it may be desirable that the social protection policy-makers have a place in the advisory bodies responsible for the employment programmes and vice-versa, and that a consultation mechanism among implementing agencies is established at operational level. Among the issues are the design choices and the more technical aspects of the various schemes, including: coverage, financing, benefit/service characteristics, management mechanisms, targeting procedures, focus populations, and joint use of coordinated or unified data bases. Usually there are important links among programmes – e.g. between health-care and employment injury programmes, which quite often are managed by different ministries and agencies – and there may also exist legally required coordination, for instance if cash transfers are conditional upon an individual's or household's behaviour (for example, active job search by an adult beneficiary, school frequentation by children, or use of certain health programmes by pregnant women and their children).

These instrumental linkages entail that efforts in one area of the social protection frame will also promote other areas, and thus when working, for example, to make health provisions accessible through the establishment of pooling arrangements (such as the health equity funds (HEFs) in Cambodia) this will increase the productive base and, in the end, reduce the number of poor and vulnerable households – both directly via the service provision,

and indirectly via the positive impact on a person's earning capacity. In other words, achieving progress in one area will have positive spill-over effects in other areas. On the other hand, poor coordination and lack of planning at the inter-ministerial level may leave a programme designed to have an integrated approach without a substantive part of the potential impact – if, for example, health and education services are not available in time, quantity and quality to match the cash transfer schemes.

The strategic priorities of the three pilot countries (particularly the need to design policies for the informal sector) show that the consultation and coordination mechanisms at the policy design and the implementation levels should link at least those organizations responsible for the design and implementation of the SPF guarantees, social insurance institutions, labour inspection, and the employment and vocational training services, since these are priority areas for coverage expansion and the programme design has effects respectively on the performance of the other area. In some countries a form of “Social Cabinet” at national level offers a political umbrella and installs a working party of social protection and employment-related ministries, agencies and programmes to increase coordination and joint planning.

### 1.4.3 The operational level

Coordination among implementing agencies is crucial to avoid overlapping, increase efficiency and improve synergies. Honduras installed six regional coordination round-tables, where public agencies responsible for the delivery of benefits and services could meet. The ILO/EU project discussed the coordination ideas with four of the round-tables, as well as with employer and worker representatives. Cambodia and Burkina Faso are currently implementing decentralized services and benefits as a consequence of the development of the national strategies and policies. The choice in Cambodia has been to implement the Single Window Service, or PEOPLE Service, that integrates delivery mechanisms and the management of a number of employment and social protection programmes at national and provincial levels. This is a particularly challenging task, since it requires not only the material coordination of service and benefit programmes, but also the conceptual confluence of institutions and actors which quite often present differing operational logics. Hence a coordinating role at the national level is very often key to establishing basic common norms and tools (e.g. the targeting mechanism, the information system, minimum standards). Additionally, information and communication technologies have already progressed up to a point where good practices among a number of developing countries show that the challenges of establishing a common informational backbone certainly exist but are not insurmountable, even in low-income countries.

Another issue linked with governance and operations concerns the administration of the various employment and social protection schemes and the management and supervision of the social security fund. Some principles of sound governance are imperative to ensure that the schemes and the social security organization will be accountable, but also to a sufficient extent independent from political interference in its operations. These principles include that there is a clear delineation of strategic and operational tasks and responsibilities, that the management is professional and independent from political gaming, that there is a sufficient degree of consultation with the social partners, and that checks and balances are in place at all levels of the organization – from the central office right down to the local offices. International good practices, as well as the *ISSA good governance guidelines* (2011), may be helpful for both contributory and non-contributory social protection schemes.

## 1.5 Project experiences

### 1.5.1 Burkina Faso<sup>5</sup>

Burkina Faso is a West African country with a surface of 274,000 square kilometres and 16.3 million inhabitants. It developed two poverty reduction strategies during the 2000s and currently applies the SCADD 2010–2015 as its strategic planning framework, which contains the goals of promoting employment and extending social protection. The SCADD and the National Employment Policy (PNE) have a special focus on young people, due to the demographic structure of the country: 57.1 per cent of the population is aged below 20, and thus the population dynamics generate a strong surplus of young people entering the labour market.

Burkina Faso presented a relatively high growth rate of 5.2 per cent per annum on average between 2003 and 2009, whereas the poverty rate fell by only 2.5 percentage points in the same period, from 46.4 in 2003 to 43.9 per cent in 2009. Hence, it is possible to say that no relevant “trickle-down” effect of growth was registered in Burkina Faso during the 2000s. The country is macroeconomically vulnerable to foreign shocks – especially fuel, food and cotton prices. The latter is due to the fact that cotton represents up to 8 per cent of GDP and 50–60 per cent of the exported value. Employment is still strongly centred on agriculture – approximately 80 per cent of the workforce with an estimated 700,000 jobs linked to cotton. After the cotton crisis in 2008, a

---

<sup>5</sup> This section draws on the reports on Burkina Faso produced by the project and on Chapter 2 below.

strategy to diversify the economy was developed, with a role for mining (gold) and agroindustry. The surge of food and fuel prices impacted on the fragile reduction of poverty rates registered before 2009. Life expectancy at birth was recorded at 57 in 2006, low by international comparison, but it is necessary to register that progress has been recorded regarding social indicators since the 1990s, especially in the field of school enrolment and child mortality.

The employment structure of Burkina Faso shows a high rate of labour force participation (80.9 per cent). In fact, unemployment is not an option for most of the rural population; it is an urban phenomenon affecting the educated. There is a predominance of agricultural and informal sector work (79.5 per cent of the economically active population) and vulnerable jobs are the vast majority. Only 12.2 per cent of the jobs were of independent non-agricultural workers and only 6.6 per cent salaried workers (2007). The group aged 18–35 is growing very fast and the economy has not been generating enough jobs to absorb this population, a potential source of unrest (as seen in early 2011). Hence, young persons are often underemployed, mostly in agriculture or the informal sector, significantly increasing the risk of falling into poverty.

The social protection structure of Burkina Faso, however, despite a relatively low coverage, actually has existing institutions of social insurance: the National Social Security Fund, (*Caisse Nationale de Sécurité Sociale* – CNSS) for private-sector workers, the Autonomous Fund for Retired Officials (*Caisse Autonome de Retraite des Fonctionnaires* – CARFO) for public servants, a network of social assistance programmes (cash transfers, cash for work, food security, etc.), a number of social services (e.g. services for those living with HIV/AIDS), and health policies. The policies have been set up with the goal of expanding coverage; there is a coalition of domestic and foreign actors in support of social protection policies and the Government has expressed the commitment to expand these. However, in 2009 only 3.7 per cent of the labour force aged 15 or over contributed to a social insurance scheme and only 2.3 per cent of the population aged 55 or above received a pension, according to the ILO Social Security Inquiry (data from 2009). Hence, even in the formal sector, evasion is high (estimated at 48 per cent). Only social assistance and mutual health funds reach out to the informal sector and rural areas. The social assistance programmes (*filets sociaux*) covered an estimated 2.8 million persons (approximately 18 per cent of the population, whereas the poverty rate is close to 43 per cent). Additional weak points regarding social protection can be identified in the fact that the social budget is strongly dependent on foreign aid (approximately 36 per cent of the social budget); the *filets sociaux* very often are seen as a collection of uncoordinated programmes; social security schemes could strongly increase the collection of taxes and have scope to improve the

cost efficiency of administration; and a number of programmes are articulated around specific social/occupational groups, hence not conducive to universality and solidarity.

Therefore, some respectable challenges lie ahead of Burkina Faso. Among the key challenges, as identified by the SCADD as well as the National Employment Policy (PNE), National Labour Policy (PNT) and National Social Protection Policy (PNPS) are to increase opportunities for decent work and expand social protection. With this background, the project started operations in Burkina Faso in 2010 and delivered the first draft of the employment and social protection diagnostic studies by mid-2011. Upon request of the national partners, the employment study focused on the employment funds, which fund the development of the self-employed and SMEs. A second employment study on the history, experience and options of labour-intensive investment programmes (HIMO) became necessary, due to the relevance that these policies gained during the debates with the national partners in 2011, especially during the validation workshop of the studies held in Ouagadougou in October 2011. During 2011, the Inter-ministerial Working Party in charge of designing the National Social Protection Policy (PNPS) was the main national counterpart and steering committee, delegating the detailed discussion of the documents produced to workshops formed by specialists from the member institutions and invited guests. All workshops and training sessions were jointly organized by the Director-General for Economics and Planning (DGEP) of the Ministry of Economy and Finance of Burkina Faso (who chaired the Working Party) and the ILO.

Given that the National Employment Policy as well as the National Labour Policy were already in place and that a National Social Protection Policy was being drafted by the Working Party together with a corresponding action plan, the project contributed to the latter task and, in early 2012, prepared a draft action plan focusing on young vulnerable persons, according to interviews and the conclusions of a workshop with the DGEP and key national actors. In May 2012 the action plan, including the feedback given by those national partners, was presented at a national dialogue, also held in Ouagadougou.

As stated above, the decision was not to create a new plan, but to align components of the PNP, PNP and PNPS for the youth and propose an approach for linking and coordinating them. The simple and enlightening concept developed during the discussions was that the actions promoted by the PNP generate income from work that needs to be protected by the actions of the PNPS in order to fight poverty in a sustainable way. Hence, the global approach was to suggest linking – on the employment side – labour-intensive public works programmes (*Haute Intensité de Main d'œuvre* – HIMO), training for youth, and the employment fund to trigger entrepreneurship and increase

productivity, with a gradual introduction of basic social protection in line with the concept of the SPF.

The SPF guarantees covered in the package for the vulnerable young population would be as follows:

- (a) old-age and survivors' pensions by the CNSS, which is currently open on a voluntary basis to independent workers, with contributions subsidized for the targeted population;
- (b) family allowances also by the CNSS, which manages the currently existing contributory family benefits to the formal-sector population and would pay general-revenue-funded modest cash transfers to poor families with children under the PNPS;
- (c) maternity allowance, similar to family allowances;
- (d) universal health insurance, a project that has been developed since 2008 and is planned for 2015;
- (e) HIMO programmes, with large-scale generation of employment focused on the vulnerable (young) population; and
- (f) professional training, based on agreements between the public and the private sector, with a special role for the National Federation of Craftspeople of Burkina Faso (*Fédération Nationale des Artisans du Burkina Faso* – FENAB).

Such a set of policies was provisionally estimated to cost approximately 1.1 per cent per annum of GDP in case of 120,000 HIMO jobs per annum, and universal benefits to all vulnerable and poor young men and women aged 18–35, on a gradually introduced basis.

The challenges involved in setting up such a policy approach require strengthening the role of social dialogue, which has been probably taken into account with the recent transfer of the leadership to implement the PNPS from the Ministry of Economy and Finance to the National Council for Social Protection (CNPS), linked to the Prime Minister's office. It will also be necessary to develop several existing agencies to be capable of playing an enlarged role; among these is the CNSS, a national agency that needs to liaise with decentralized actors to perform its new roles in future. Additionally, it will be necessary to find a suitable coordination mechanism among the ministries to link the HIMO programmes, professional training, and the social protection mechanisms. In terms of funding, a number of options were mentioned: (a) rationalizing and reorganizing the social budget; (b) a possible tax on mobile phones; (c) the improvement of tax collection mechanisms and the contribution collection of the CNSS; (d) the development of efficient targeting mechanisms and the gradual introduction of programmes; and (e) the development partners.

### 1.5.2 Cambodia<sup>6</sup>

The Kingdom of Cambodia is located in the South-East Asia region, with 14.3 million inhabitants and covering 181,000 square kilometers. The country is governed by a Prime Minister, democratically elected since 1993. Although it still ranks among the low-income economies, Cambodia is probably transiting towards the group of medium-income countries over the current decade. It still has the lowest per capita income (US\$711) in the subregion, with 28.3 per cent of the population living on less than US\$1.25 per day.

GDP growth over the last decade has been impressive, on average 9.9 per cent per annum between 2002 and 2009. However, this high growth record has not been enough to create sufficient productive employment for the large number of young men and women entering the labour market each year; this is due to the demographic structure where over 25 per cent of the labour force is aged between 15 and 24. The structure of the labour market presents a high employment rate of 77 per cent, with 71 per cent of employment in agriculture and 83 per cent in the informal economy. A large share of the jobs is in unpaid family work, mostly in agriculture, where women are overrepresented. The unemployment rate of 1.7 per cent is low, given that there is no other option than accepting precarious employment; hence underemployment is high. Besides the challenge of creating productive employment for young men and women, another key development to be envisaged is to increase productivity and improve the working conditions and wages of existing employment.

Some analysts, as well as the Government, have perceived the present economic crisis as a sign that the current cheap labour-based export-oriented model (i.e. garment factories) is reaching its limits, as previously in other Asian countries. A more sophisticated economic and industrial base in Cambodia has become necessary to sustain growth rates and generate employment. Hence it is important to encourage domestic entrepreneurship and diversify the export portfolio. The new skilled occupations, so the diagnosis goes, will be occupied by Cambodian workers only if vocational training in the country is reformed and expanded. Moreover, the ASEAN single market will open borders from 2015 on and increase the level of competition. It is therefore possible to say that the current development model has had an impressive growth record, but has not been capable of creating sufficient decent work and has left sizable groups of excluded persons and working poor.

The Government's development strategy is based on the so-called *Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase II*, whose roadmap can be said to be the National Strategic Development Plan

---

<sup>6</sup> This section draws on the reports on Cambodia produced by the project and on Chapter 3 below.

(NSDP) *Update 2009–2013*. At the core of the Rectangular Strategy is the development of governance and solid public finances, whereas the four sides of the rectangle are composed by agriculture, infrastructure, the private sector and human capital development. The Rectangular Strategy chapter on private-sector development contains recommendations related to the investment climate, SME promotion, job creation, working conditions and social safety nets. In 2011, a National Social Protection Strategy (NSPS) was published in line with the NSDP. In the short to medium term, the NSPS aims at protecting the poorest, while in the medium to long term it promotes the building of comprehensive social protection systems and the expansion of social insurance. The NSPS has five objectives, namely: (a) access to basic provisions and services; (b) protection for children and mothers; (c) active labour market policies; (d) health care and income protection for the poor; and (e) special programmes for disadvantaged groups. The instruments are largely known and mostly already in existence in Cambodia: social assistance transfers and services, child benefits, free education and basic health care, and public works programmes (PWP). Social insurance schemes have been introduced step by step during the last decade; a scheme for public servants (NSSFC) is currently in place, another for veterans (NFV) and an employment injury scheme for private-sector workers (managed by the National Social Security Fund (NSSF)). Only 5 per cent of the elderly, according to the ILO Social Security Inquiry in 2009, receive a cash benefit.

With this background, analysts have identified a national employment strategy (NES) as the missing piece; it would, in coordination with the recently launched NSPS, provide an integrated strategy. The employment diagnostic study presented by the ILO/EU project in April 2011 recommended the elaboration of such an NES, and the national dialogue promoted in Phnom Penh in March 2012 supported it. The interaction of both strategies would be very strong, since the NES would contribute to generating decent employment, increasing productivity and enhancing skills, and meeting the needs of the labour market, whereas the NSPS acts to include the vulnerable and protect the income of workers. The interplay of both strategies would result in a sustainable reduction of poverty levels and the proportion of precarious and vulnerable employment.

The long-term relationship between the Cambodian Government and the ILO, and the concrete technical cooperation work under the ILO/EU project and other projects, have shown that there are a number of strong elements in the governance of the Cambodian public sector pushing towards an integrated strategy. First, a strong government commitment is aligned with the milestones included in the strategic planning framework: that is, the NSDP allocates responsibilities and elaborates action plans and resources, so that line ministries

responsible for the implementation act consistently. Second, the national-level Council for Agricultural and Rural Development (CARD) has been entrusted with the mandate to coordinate the NSPS elaboration and implementation. Third, the current design of the NSPS already provides for some strong linkages with employment, including through active labour market policies, vocational training and migration policy, so that there are certainly spill-over effects between social protection and employment strategies. Fourth, the extension of basic social protection (in line with the ILO's SPF approach) is also seen as part of the economic development model; policies reforming technical and vocational education and training (TVET) and HIMO programmes are on the border between social protection and employment policies. Finally, the implementation model chosen favours the coordination of employment and social protection programmes: the Single Window Service, or PEOPLE Service, brings the benefits and services of both areas together under the same roof. The concept is to increase the efficiency and synergy of policies, link national and provincial government levels, use the ID-Poor targeting mechanism, establish an integrated database for social and employment policies and provide a gateway for the citizen to public services.

The project has delivered a number of costing scenarios for the NSPS, taking into account that there is already a range of social protection and employment-related programmes in place (i.e. social assistance, cash for work, health equity funds (HEF), community-based health insurance (CBHI), social insurance institutions, TVET, a national employment agency). A more ambitious scenario for the five NSPS objectives would represent a cost of approximately 5–7 per cent of GDP for the years 2016–2020, whereas a targeted approach would probably cost between 1.2–2.3 per cent of GDP. Extending the health equity funds – donor-funded policies that reach the informal sector – would cost only an additional 0.1 per cent of GDP, whereas public works targeting the poor would add 0.26 per cent to expenditure (or 0.14 per cent of GDP if targeted only to the extremely poor, a policy already in place in 2012).

Finally, during the national dialogue and in the documents outlining the integrated approach a technique of identifying “growth diamonds” has been used to exemplify how several public policy dimensions would need to be articulated coherently in order to foster growth within certain key sectors. Obviously employment and social protection issues rank high among these public policies, which form the five axes of the diamond. The needs assessment that can be made through the growth diamond concept delivers a roadmap to be discussed with the actors to develop the sector and integrate a number of policy dimensions.

The debate during the national dialogue also showed some implementation challenges faced by Cambodia. Firstly, even if CARD currently has the mandate

of coordinating the implementation of the NSPS, and the Ministry of Labour and Vocational Training (MOLVT) is currently working on the elaboration of the NES, a coordination platform seems to be needed at ministerial level to bring together CARD, the MOLVT (which runs key employment programmes and institutions such as the National Training Board, TVET, the National Employment Agency, job centres and the NSSF), as well as a number of line ministries that contribute to the global strategy (the Ministries of Education, Health, Social Affairs and Rural Development). The second challenge is to build an encompassing social dialogue platform that allows for the participation of workers and employers in the elaboration process of the NES, the discussion of sector strategies (possibly with the application of the growth diamond approach), and the monitoring and evaluating of the implementation of the different strategies. The construction of such a platform still needs to accumulate trust among social partners, as some anecdotal experience seems to show.

### 1.5.3 Honduras<sup>7</sup>

Honduras is a Central American country with a surface of 112,500 square kilometers and eight million inhabitants. It is a medium-to-low income country that registered low growth before the 2000s, but in 2003–2008 recorded GDP growth rates between 4.2 and 6.6 per cent per year. Due to an extremely high income concentration, with one of the highest Gini coefficients in the world (57.7), Honduras presents an equally high proportion of poor and very poor population. The poverty rate, as measured by the national poverty line, stayed steady at around 60 per cent of the population during the 2000s, with slight variations, whereas the Latin American average (33 per cent in 2008) at the end of the 2000s was almost half that. Economic growth, therefore, has not resulted in a “trickle-down” to the poor population. In contrast to these rather negative figures, life expectancy at birth was 73 years and has registered a continuous improvement over the last decade.

The country underwent a difficult political crisis in 2009, when the mandate of President José Manuel Zelaya was terminated prematurely and new elections were held. International cooperation was suspended until a democratically elected government was in place, and hence project activities actually started in Honduras only after the ban was lifted in June 2010.

The Honduran economy is very dependent on the United States, a relationship that has been deepened with the Central American Free Trade Agreement (CAFTA), which came into force in 2006. Approximately two-

---

<sup>7</sup> This section draws on the reports on Honduras produced by the project and on Chapter 4 below

thirds of foreign direct investment (FDI) comes from the United States (with an important role for the so-called “*maquila*” industries); 30 per cent of GDP depends on the 86 per cent of the Honduran exports that go to the United States, whereas almost 50 per cent of the imports stem from that country. The United States is the main destination of an estimated almost one million Honduran emigrants, who generate a remittance flow equalling almost 20 per cent of GDP. Remittances to the family members of emigrants have been shown to reduce poverty among these households. Hence, the Honduran economy was strongly hit by the 2008 financial crisis, generating a loss in GDP of –2.1 per cent in 2009.

The main characteristics of the employment structure are under-employment, at an estimated rate of 33 per cent, and a high proportion of workers in the informal economy, comprising 74 per cent of employment. The open unemployment rate, a mostly urban phenomenon, was at 6 per cent in 2010. Despite falling over time, rural activities still accounted for 53 per cent of total employment. Only 43 per cent of employment was of wage workers (compared to the Latin American average of 63 per cent at the end of the 2000s), while self-employment and non-remunerated work accounted for 35 per cent. The youthful population structure generates a strong flow of young men and women entering the labour market, which has not been capable of generating enough productive employment. As a result, dependent and self-employment in agriculture has been very precarious, with a high incidence of poverty and low productivity. Another main challenge for the Honduran labour market, as captured by the diagnostic studies of the ILO/EU project, is the failure of labour market institutions to address minimum wage regulation, social security, labour inspection and others.

With regard to social protection schemes, the diagnostic studies show that, on the one hand, a set of institutions exists in Honduras in the field of cash transfers, health care and social insurance; but on the other hand, coverage, funding and quality of expenditure of the social programmes has usually been questioned by the analysts. For social insurance coverage, for example, the contributor rate among the working population is 19.6 per cent, with only 8.4 per cent of the elderly population with pensions covered, according to the 2009 ILO Social Security Inquiry. There are an important number of cash transfer programmes (at least 12) with some relevant expenditure, especially the new *Bono 10 Mil* programme, which aims to cover approximately 600,000 households; such programmes are funded mainly through international assistance and borrowing from multilateral financial institutions.

Employment promotion shows a similar picture: initiatives and projects which are not clearly linked and coordinated, several of them also funded by the international community by means of donations and lending.

Hence, there is a true need for an integrated policy in both fields – employment and social protection – which consolidates and coordinates actions within a general framework and increases the effects of the programmes in terms of employment generation and income protection and, eventually, helps reduce the high poverty rates in a sustainable way.

Commendable progress was made in early 2012 with the launch of a national Social Protection Policy (SPP). Although this policy had been discussed since 2007, it ceased to develop under the impact of the 2009 political crisis, but was relaunched with the creation of a Minister for Social Development in 2011. The SPP has the goal of organizing and articulating benefits and services already existing, addressing life-cycle vulnerabilities, a rights-based approach, nutritional security and focusing on the poor and vulnerable. The policy will need to be articulated with future employment policies and social insurance institutions, but represents an important step towards policy coherence.

The set of benefits foreseen under the SPP, coordinated with basic health-care services, would largely converge with the horizontal dimension of the ILO social protection floor concept. The ILO/EU project produced a series of possible scenarios for a costing exercise; the results show that such an approach, containing modest targeted benefits for the elderly, the disabled, children and the unemployed, as well as basic health and maternity care, could cost between 1.26–2.5 per cent of GDP between 2012 and 2020. Part of this could possibly be funded from a reorganization of current expenditure; hence these figures do not necessarily imply additional net expenditure.

Social insurance programmes are managed by six different institutions, of which the largest is the Honduran Social Security Institute covering private-sector workers. Extensive discussions in Honduras have revealed that the schemes need to be reformed in order to become more inclusive and to comply with ILO Convention No. 102, ratified by the Honduran National Congress in December 2011. Such an approach, coordinating the gradual implementation of the SPP with step-by-step reforms of the social insurance institutions and increasing coherence among the various social protection mechanisms, would also be an important step towards an integrated approach and the development of an encompassing social protection system, as foreseen by ILO Recommendation No. 202.

In terms of the strategic planning framework, the *Visión de País 2010–2038 y Plan de Nación 2010–2022* (Country Vision 2010–2038 and National Plan 2010–2022) established a set of goals to be reached within one generation. Among the five strategic goals, two ( a Honduras without extreme poverty; and with productive and decent employment) provide connecting ports for an integrated approach, strengthening coherence between employment and social protection policy, even though the planning document does not mention that

goal explicitly. At the end of 2011, the tripartite partners negotiated an agreement in reaction to the international economic crisis, the *Gran Acuerdo Nacional por un Crecimiento Sostenible con Equidad Social* (Major National Agreement on Sustainable Development Combined with Social Equity – GAN) signed in February 2012. The GAN proposes a roadmap for the implementation of the priorities of the *Visión de País* under the current presidential mandate (which runs until the end of 2013). The GAN foresees a set of steps to improve the investment climate and incentives to generate more employment, while an additional point on social protection corresponds to the global goals of the SPP, which was approved a few months after the GAN agreement had been negotiated.

Honduras has had previous experiences with social dialogue in recent years, such as the Masterplan for Reconstruction (1998), negotiated after Hurricane Mitch caused 5,600 deaths and financial losses of US\$2 billion, and the Poverty Reduction Strategy (2001). The recent ratification of the ILO Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) in 2012 can also be taken as a sign of the country's commitment to social dialogue processes. During the ILO/EU project, however, it was felt that there are still a number of challenges to be faced by Honduras for the future development of social dialogue. Among these are the strong influence of past political experiences and conflicts (as in 2009), the need to better disseminate knowledge about social security and employment policies to the tripartite partners, to openly discuss the financial challenges of such policies (especially how to develop the financial framework without creating a burden for the competitiveness of Honduran enterprises), and, finally, the strong resistance of workers to the debate on social insurance reforms, even if these are possibly necessary to increase the inclusiveness and sustainability of the social insurance schemes. These subjects are key themes around which trust has not yet been sufficiently created. Another challenge identified from the project experience is the development and continuity of a stable social dialogue platform at national level. The Economic and Social Council (*Consejo Económico y Social* – CES) linked to the Presidency and an interlocutor of the project, has played an important role regarding tripartite negotiations in the recent past.

As for the proposals presented at the national dialogue held in Tegucigalpa in October 2012, one important aspect was that macroeconomic policies, including responsible fiscal and monetary policies, should be designed in such a way as to stimulate employment generation. In parallel, policies to support and foster investment and competitiveness and create decent jobs are required, with special attention to SME promotion and a strategic approach to the participation of Honduras and Honduran enterprises in the global markets. Regarding the rural sector, where employment is particularly precarious and poverty widespread, policies to support small self-employed farmers, linked to

food security policies, were mentioned. A number of employment-generating small-scale projects were presented, including cooperatives and SMEs, to exemplify possible approaches. Training policies and the need to reform the National Vocational Training Institute (*Instituto de Formación Profesional* – INFOP) were mentioned during the dialogue with the employers in May 2012. In general, a number of proposals tend toward strengthening and improving the efficiency of labour market institutions, such as the application of minimum wages, labour inspection, vocational training, employment services and social security coverage. Formalization, with higher tax collection efficiency, were also mentioned as relevant goals. Regarding the social protection policies, it was widely accepted that the SPF concept can represent a useful guideline for the development of the social protection policies and the improvement of policy coherence.

At the end of the national dialogue, a set of consensus points emerging from the series of meetings (May, August and October 2012) was agreed upon among the tripartite actors. These will influence future policy formulation and underpin the new Decent Work Country Programme for Honduras signed in November 2012, which agreed on the need for an SPF approach and a national employment policy. Based on the Honduran experience, an integrated approach linking and establishing coherence between social protection and employment programmes and policies will develop over time in concentric and expanding circles. It can be said that important progress has been made in this regard.

## 1.6 Outcomes of the national dialogues

After closing the core country activities and based on the accumulated experience and the first results of the national dialogues, it can be affirmed that the main hypothesis of the project continues to be true: that a synergy can be obtained by coordinating better employment and social protection policies. Evidence on already-existing policy coordination initiatives and the efforts towards institution building in the three countries show there is a large potential for improved levels of impact. Institutional coordination by means of councils, such as CARD in Cambodia, the Inter-ministerial Working Party in charge of elaborating the National Social Protection Policy under the coordination of the Ministry of Economy and Finance in Burkina Faso, and the dialogue within the Economic and Social Council in Honduras are important examples for further coordination initiatives. Nevertheless, progress reached within the project itself is measurable only in part, because the institutional developments are still too recent to deliver empirical quantitative evidence. In supporting the elaboration of strategic frameworks and policy documents, however, the project made important progress (see table 1.1).

**Table 1.1 The national dialogues: Key issues and points of consensus**

	Burkina Faso	Cambodia	Honduras
Project contribution to the formulation of national strategies	Decent work and social protection floor for young men and women; coordination of elements of the existing national strategies (employment, labour, social protection).	Support to NSPS; consensus on the need to formulate a national employment strategy to complete the strategic planning framework.	Work aligned with CES, GAN and SPP; consensus on need for increased coherence of employment and social protection policies; national employment policy to be formulated.
Sources of economic growth	Need to diversify growth sources, reduce dependence on cotton; develop mining (gold) and agroindustry.	Choice of “growth diamonds” for future growth cycles; consensus on need to move towards new development phase.	GAN to create favourable environment for additional growth (based on foreign and domestic investment).
Links between employment and social protection at the national strategic level	Action plan delivered to the Government; the CNPS, linked to the Office of the Prime Minister, takes over the implementation task after completion of PNPS and may take over the coordination of the integrated approach.	CARD and MOLVT responsible for social protection and employment strategies; coordination structures at ministerial and operational levels discussed.	CES as national tripartite dialogue institution; <i>Plan de Nación/Visión de País</i> and GAN as overarching references for social protection and future employment policy and social insurance developments.
Links between employment and social protection at the operational level	National and local coordination mechanisms proposed in the action plan.	Implementation of NSPS via Single Window Service, with participation of a number of agencies.	Regional employment and social protection round-tables already exist and took part of the discussion process.
Labour market and training / skills developments	HIMO programmes to generate employment are linked with training (e.g. FAFPA/public and FENAB/private institutions to play important roles).	Training and education for future demands, important role for employment services (National Employment Agency (NEA)); TVET targeted to needs of private sector.	Entrepreneurship/SME promotion, education and training needs to be reformed to become more effective.
Social protection floor (SPF) approaches	Introduction of SPF would start with the coordination of programmes targeted to youth in the existing national strategies.	Cambodian SPF to include persons in NSPS and gradually transfer them to social insurance branches, which will be introduced gradually.	SPF guarantees should be extended; technical cooperation was asked by Minister for Social Development; consensus that current programmes are fragmented; new SPP (2012) to gradually unify coordination.

<b>Social insurance to be developed</b>	Old-age, survivors', maternity and family benefits (currently voluntary for the self-employed and agricultural workers) through the CNSS; subsidized benefits to be focused on poor young workers; universal health insurance planned.	Social insurance (foreseen in national development plans) already introduced for public servants and veterans, and employment injury for private-sector workers; Plans to gradually introduce social health insurance (2012/13) and old-age, survivors' and invalidity pensions for private sector (2015); plan ratified by national dialogue.	Formal social security institutions need to be reformed to become sustainable and inclusive; Honduras has ratified Convention No. 102 and seeks to develop social security in order to comply with these international minimum standards; analysis on how to include self-employed; tax collection needs to be strengthened.
---	--	--	--

Source: Project documents, Reports of the national dialogues.

Relevant contributions were made to the ongoing processes in the respective countries. In Burkina Faso, the documents produced and the training offered by the project have been used as inputs during the elaboration process of the National Social Protection Policy (PNPS) launched in 2012, and the study on employment funds has been a key input into the discussion on possible policy reforms in that field, also in 2012. Since the mid-2000s Burkina Faso has developed a complete set of national policies (employment, labour and social protection), in line with the SCADD and respective action plans. The project focused on the articulation of a number of programmes foreseen by each of the three policies targeted to young men and women, in order to strengthen the generation of employment, skills development and income protection for persons between the ages 18 and 35. Thus, the project aimed at supporting the country in finding answers to one of the demographically most pressing problems: the challenge stemming from the very young demographic age structure of the population, which continuously increases the number of new entrants to the labour market entrants. This is also in line with the Resolution on the youth employment crisis adopted by the International Labour Conference in 2012.

In Cambodia, concrete achievements of the project relate to the support for the elaboration of the National Social Protection Strategy (NSPS) launched in 2011 in line with the National Strategic Development Plan. The project also assisted the ILO's work in support of the tripartite constituents for the formulation of a national employment strategy (NES). Some elements of the NSPS have been identified as potential linkage points with the future NES, and the ILO has already been involved in support to the national partners in the elaboration of this strategy. On the other hand, in the field of policy implementation the

national dialogue strongly supported the further development of the Single Window Service, or PEOPLE Service, a project that coordinates and integrates service and benefit delivery to citizens in employment and social protection at the provincial and local levels in Cambodia.

In Honduras the project studies were among the inputs used when discussing the GAN, a tripartite agreement to improve the investment environment in Honduras, support employment generation, increase policy coherence and strengthen policies to fight poverty. The GAN is in line with the Country Vision and the National Plan, the strategic outlook establishing a set of goals to be reached by 2038. The project activities (especially the diagnostics validation workshop in September 2011) were also useful for the development of the national Social Protection Policy (SPP) launched in March 2012, which has the aim of coordinating policies to fight poverty. Finally, the national dialogue held in October 2012 concluded, among other points, that a new national employment policy was needed to improve coherence among the existing programmes and initiatives. A number of already existing initiatives and good practices to generate more employment and increase entrepreneurship were presented, and the need for stronger coherence between social security and social assistance policies was validated.

Chapters 2, 3 and 4 describe the employment and social protection situations in each country in more detail, as well as the experiences in the ILO/EU project, while Chapter 5 offers observations, recommendations and conclusions.

## References

### Diagnostic studies

- International Labour Office (ILO). 2012a. *Burkina Faso: Revue des dépenses et des performances de la protection sociale*. OIT/UE/Burkina Faso/R.4 (Geneva).
- 2012b. *Burkina Faso: Les fonds d'emploi: Performance et impact*. OIT/UE/Burkina Faso/R.6 (Geneva).
- 2012c. *Burkina Faso : Vers une stratégie de travaux publics à haute intensité de main-d'œuvre*. OIT/UE/Burkina Faso/R.5 (Geneva).
- 2012d. *Cambodia: Social protection expenditure and performance review*. ILO/EU/Cambodia/R.4 (Geneva).
- 2012e. *Cambodia: Toward a national employment strategy for sustained poverty reduction*. ILO/EU/Cambodia/R.8 (Geneva).
- 2012f. *Cambodia: Social security for the formal economy: Outlook and challenges ahead*. ILO/EU/Cambodia/R.7 (Geneva).
- 2012g. *Honduras: Elementos para una política de empleo y combate a la pobreza*. OIT/UE/Honduras/R.15 (Geneva).
- 2012h. *La protección social en Honduras: Informe para discusión*. OIT/UE/Honduras/R.14 (Geneva).

### Costing exercises

- 2012i (forthcoming). *Calcul du coût d'un socle de protection sociale au Burkina Faso dans la cadre d'une stratégie conjointe de politiques d'emploi et de protection sociale* (Geneva).
- 2012j. *Cambodia: Financial assessment of the National Social Protection strategy for the poor and vulnerable*. ILO/EU/Cambodia/R.6 (Geneva).
- 2012k (forthcoming). *Estimaciones de costo e impacto de un piso de protección social en Honduras empleando micro datos* (Geneva).

### National action plans

- 2012l. *Burkina Faso : Une approche intégrée d'extension de la protection sociale et de promotion de l'emploi productif*. OIT/UE/Burkina Faso/R.7 (Geneva).
- 2102m. *Cambodia: Toward integrated employment and social protection policies*. ILO/EU/Cambodia/R.5 (Geneva).
- 2012n (forthcoming). *Política integrada de empleo y protección social en Honduras* (Geneva).
- 2012o (forthcoming). *Propuesta de plan de acción para una política de empleo y protección social de Honduras: Resultados del diálogo nacional* (Geneva).

### Other documents

- Amin, S. 1976. *Unequal development: An essay on the social formations of peripheral capitalism* (New York, Monthly Review Press).

- Cardoso, F. H.; Faletto, E. 1979. *Dependency and development in Latin America* (University of California Press).
- Cichon, M.; Scholz, W. 2006. *Social security, social impact and economic performance: A farewell to three famous myths*, paper for DFID/GTZ/ILO seminar on challenging the development paradigm (Geneva, ILO).
- Council of the European Union. 2012. *Council conclusions on social protection in European Union development cooperation* (Luxembourg). Available at: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/132875.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/132875.pdf).
- European Commission (EC). 2004. *The social dimension of globalization – the EU's policy contribution on extending the benefits to all*. COM (2004) 383 (Brussels). Available at: [http://ec.europa.eu/europeaid/what/socialprotection/documents/1com\\_2004\\_383\\_final\\_en.pdf](http://ec.europa.eu/europeaid/what/socialprotection/documents/1com_2004_383_final_en.pdf).
- 2007. *Promoting employment through EU development cooperation*. Commission Staff Working Document SEC 495 (Brussels). Available at: [http://ec.europa.eu/development/icenter/repository/SEC\\_2007\\_495\\_EN\\_DOCUMENTDETTRAVAIL\\_p\\_en.pdf](http://ec.europa.eu/development/icenter/repository/SEC_2007_495_EN_DOCUMENTDETTRAVAIL_p_en.pdf).
- 2011. *Increasing the impact of EU development policy: An agenda for change*. COM (2011) 637 (Brussels). Available at: [http://ec.europa.eu/europeaid/news/agenda\\_for\\_change\\_en.htm](http://ec.europa.eu/europeaid/news/agenda_for_change_en.htm).
- 2012. *Social protection in European Union development cooperation*. COM (2012) 446 (Brussels). Available at: [http://ec.europa.eu/europeaid/what/social-protection/documents/com\\_2012\\_446\\_en.pdf](http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf).
- Hirschman, A. O. 1958. *The strategy of economic development* (Yale University Press).
- Instituto de Pesquisa Econômica Aplicada (IPEA). 2011. *Gastos com a política social: Alavanca para o crescimento com distribuição de renda*. Comunicados do IPEA nº 75 (Brasília).
- International Labour Office (ILO). 2005. *Social protection as a productive factor*. GB.294/ESP/4, 294th Session, Geneva.
- 2009. *ILO Social Security Inquiry (SSI)* (Geneva).
- 2010a. Report of the Committee for the Recurrent Discussion on Employment and respective conclusions, International Labour Conference, 99th Session, Geneva, 2010. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_141630.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_141630.pdf).
- 2010b. *World Social Security Report 2010/11: Providing coverage in times of crisis and beyond* (Geneva). Available at: <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=15263>.
- 2010c. *Employment and social security protection in the new demographic context* (Geneva). Available at: <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=16272>.

- 2011a. Report of the Committee for the Recurrent Discussion on Social Protection, as well as the resolution and the respective conclusions, International Labour Conference, 100th Session, Geneva, 2011. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_157820.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_157820.pdf).
  - 2011b. *Social protection floor for a fair and inclusive globalization*. Report of the Social Protection Floor Advisory Group (Geneva). Available at: <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=25842>.
  - 2012p. Report of the Committee on the Social Protection Floor, the Recommendation and the resolution, International Labour Conference, 101st Session, Geneva, 2012. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_182950.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_182950.pdf).
  - 2012q. Report of the Committee on Youth Employment, as well as the resolution and the respective conclusions, International Labour Conference, 101st Session, Geneva, 2012. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_183323.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_183323.pdf).
  - ; European Union. 2009. *Improving social protection and promoting employment*, project document DCI-HUM/2008/2009 (Brussels/Geneva), mimeo.
- International Social Security Association (ISSA). 2011. *ISSA good governance guidelines for social security institutions* (Geneva).
- Justino, P. 2007. “Social security in developing countries: Myth or necessity? Evidence from India”, in *Journal of International Development*, Vol. 19, Issue 3, pp. 367–382.
- Lee, E. 2010. *Employment and social protection in developing countries: A framework for policy integration*. Background paper (Geneva, unpublished).
- Lewis, W.A. 1954. “Economic development with unlimited supplies of labour”, in *Manchester School of Economic and Social Studies*, Vol. 22, pp. 139–191.
- Mesa-Lago, C. 1978. *Social security in Latin America: Pressure groups, stratification and inequality* (University of Pittsburgh Press).
- 1994. *Changing social security in Latin America: Towards the alleviation of social costs of economic reform* (Boulder, CO: Lynne Rienner).
- Prebisch, R. 1950. *The economic development of Latin America and its principal problems* (New York, United Nations).
- Rostow, W. W. 1960. *The stages of economic growth: A non-Communist manifesto* (Cambridge University Press).
- Van de Meerendonk, A. et al. 2007. *Economic impacts of selected social security policies covered by international labour standards* (Geneva, ILO).



# Burkina Faso

# 2

## A social protection floor for unemployed, underemployed, poor or vulnerable youth

*Olivier Louis dit Guérin*<sup>1</sup>

### 2.1 Introduction

Burkina Faso was the first West African country to implement a poverty-reduction strategy: the *Cadre stratégique de lutte contre la pauvreté* – CSLP 2000–2003. The strategy initially focused on social sectors (in particular, education and health) and on speeding up economic growth. Starting with the second generation of the CSLP (2004–2006, extended until 2010), social protection became a priority; this was confirmed with the third generation, the “Strategy for Accelerated Growth and Sustainable Development” (*Stratégie de Croissance Accélérée et du Développement Durable* – SCADD 2010–2015), in parallel with support to growth-promoting sectors. Over the past decade economic growth has not led to a significant reduction of poverty in Burkina Faso: while annual economic growth has averaged 5.2 per cent, the poverty rate decreased only 2.5 percentage points from 2003 to 2009, from 46.4 to 43.9 per cent. Because of the marked population growth, average growth in GDP amounts to only 2.04 per cent per capita. Also, annual growth rates have fluctuated over the period due to outside factors.

The aim of the SCADD is to accelerate growth and promote sustainable development through the establishment of a modern society built on solidarity. Its overarching priorities are:

---

<sup>1</sup> Olivier Louis dit Guérin graduated in international trade and development economics. He worked as coordinator of the Strategies and Tools against Social Exclusion and Poverty (STEP) ILO Programme in West Africa for six years, and then as a social protection specialist in the ILO DWT for West Africa (DWT/CO-Dakar). He is currently an international consultant in social protection and microinsurance.

- to intensify employment creation in order to absorb the massive growth in the numbers of people in the job market, to reduce unemployment and poverty, to raise incomes and improve living conditions; and
- to promote social protection in order to meet the basic needs of the population and guarantee universal access to basic social services through building a social protection floor; and to protect households against socio-economic risks that lead to lower incomes and enable them to better sustain economic shocks and crises.

Young women and men are a special focus of the SCADD, as they currently constitute a particularly vulnerable group. Burkina Faso has strong population growth, leading to a constant increase in the number of 18–35-year olds, who make up more than a quarter of the population. This age group gives rise to an increasing demand for employment that cannot be absorbed by the formal economy – whether public or private – as well as to social unrest and instability, as demonstrated by the riots in early 2011. A large proportion of young people are currently unemployed or in agricultural or informal employment of low quality, and a large proportion are underemployed or unpaid workers.

Through SCADD, the National Employment Policy (*Politique Nationale de l'Emploi* – PNE) and the recent special job creation programme for young people and women (*Programme spécial de création d'emplois pour les jeunes et les femmes* – PSCE), measures have been identified for employment promotion, notably through vocational training and creating jobs through the encouragement of self-employment, one-person firms, and micro- and small enterprises, as well as labour-intensive works programmes.

It is in this context that an integrated approach to extending social security and promoting work in favour of young people has been developed within the framework of the ILO/EU project “Improving Social Protection and Promoting Employment”. This approach sprang out of various reviews undertaken by the ILO starting in 2010 and published in 2012; they are listed in the references at the end of this chapter.

In addition to these studies, workshops were held to collect feedback and discuss the issues with the relevant ministries working in the social field, institutions linked to employment and social security, social partners, civil society organizations and technical and financial partners. These discussions have led progressively to the design of an integrated strategy for employment promotion and social protection among young people. This chapter describes the context and the process that has led to this integrated approach, as well as the challenges for Burkina Faso. Section 2.2 outlines the context, including the employment and social protection situations that led to the approach as described in section 2.3. Sections 2.4 and 2.5 discuss the costs and the

challenges that need to be overcome in order to implement this approach, while section 2.6 concludes the chapter.

## 2.2 Promoting work and extending social protection: A priority for Burkina Faso

### 2.2.1 Good but fragile macroeconomic results.

Burkina Faso is a low-income, landlocked country with scarce natural resources; it is listed as one of the world's least advanced countries. The economy is insufficiently diversified and is structurally vulnerable to outside shocks and natural disasters such as droughts. The infrastructure is not well developed, and the country lacks energy resources. Burkina Faso has had solid but irregular growth since the devaluation of the CFA franc in 1994: from 1994 to 2008 at an annual average rate of 6 per cent, but fluctuating between 2000 and 2009 owing to economic and external factors such as the crisis in Côte d'Ivoire, a food and energy crisis and the global financial and economic crisis (see table 2.1). Growth has been led mainly by the tertiary sector (60 per cent of GDP on average), followed by the primary sector (25 per cent) and secondary sectors (15 per cent).

**Table 2.1 Burkina Faso: Economic and financial indicators, 2005–2010**

	2005	2006	2007	2008	2009 <sup>1</sup>	2010 <sup>2</sup>
GDP (CFA francs billions)	2 960	3 018	3 252	3 689	3 986	4 280
GDP growth (%)	7.1	5.5	3.6	5.2	3.2	5.2
Per capita GDP (CFA francs '000s)			228	232	231	234
Consolidated central government revenue and expenditure (CFA francs billions)						
Total revenue			650.5	630.8	771.5	940.5
Net expenses and loans			834.8	795.3	959.6	1 145.9

Notes: <sup>1</sup>Estimate. <sup>2</sup>Forecast.

Source: ILO, 2012a.

The contribution of the primary sector is dominated by vegetal production: agriculture employs more than 80 per cent of the population and is their main source of income. The economy is excessively dependent on world cotton prices, with cotton providing the principal export revenue and accounting for 3–4 per cent of GDP. This dependency on cotton and the low diversification of the economy make the country vulnerable to external factors. In this context

Burkina Faso began a policy of economic diversification in 2009, entering into mining, particularly gold, and agroindustry. The economy thus saw a recovery in 2010 with an estimated growth rate of 7 per cent, linked to gold exports which benefited from the high prices in international markets.

### 2.2.2 Economic growth, but with little impact on human development

According to Burkina Faso's National Statistics Office (*Institut national de la Statistique et de la Démographie* – INSD), the country's population was 15.7 million in 2010, of which 50.05 per cent were women and 49.95 per cent men. A general census in 2006 showed that the population was still mainly rural, with 77.3 per cent living in rural areas and 22.7 per cent in urban areas. The population is also one of Africa's youngest, with 47 per cent aged under the age of 15 and 57.1 per cent under 20. Young people aged 15 to 24 represent 19.1 per cent, and those aged 25 to 35 14.3 per cent. The proportion of young people aged 15 to 35 is larger among women (34.9 per cent) than men (31.7 per cent). The demographic profile is shown in table 2.2.

**Table 2.2 Burkina Faso: Demographic profile, 1990–2010**

Indicators	1990	1995	2000	2005	2010
Population ('000s)	8 814	10 127	11 676	13 747	16 287
Men ('000s)	4 345	5 000	5 777	6 851	8 138
Women ('000s)	4 469	5 127	5 899	6 896	8 149
Male–female ratio (men per 100 women)	97.2	97.5	97.9	99.3	99.9
0–4 years (%)	19.0	18.9	18.6	18.3	19.6
5–14 years (%)	28.4	28.4	28.2	27.5	26.9
15–24 years (%)	20.1	20.3	20.4	20.4	19.6
60 years and above (%)	4.2	3.8	3.6	3.5	3.3
65 years and above (%)	2.5	2.4	2.2	2.1	2.0
80 years and above (%)	0.2	0.2	0.2	0.2	0.1
Women 15–49 years (%)	44.6	45	45.7	46.6	46
Median age (years)	16.2	16.2	16.4	16.9	16.7
Population density (habitants / km <sup>2</sup> )	32	37	43	50	60

Source: UNDESA, 2009.

According to the World Bank ranking (2010), Burkina Faso is one of the poorest countries in the world – no. 177 of the 182 countries analysed in 2007, with a Human Poverty Index score of 51.3 per cent. Poverty predominates

in rural areas, where living conditions are precarious. This vulnerability stems both from fluctuations in the prices of agricultural produce and from climate conditions. The following indicators confirm the degree of poverty and vulnerability of Burkina Faso's population:

- 40 per cent of the population is at risk of food insecurity.
- 42 per cent of inhabitants have limited access to drinking water.
- Life expectancy at birth is estimated at 57 years (INSD, 2006).
- The adult literacy rate is 27 per cent, and 13 per cent for women (INSD, 2010; UNDP and IFAD, 2010). Indicators of social development between 1995 and 2008 show that Burkina Faso made good progress over that period (table 2.3).

**Table 2.3 Burkina Faso: Indicators of social development, 1995 and 2008**

Indicators	1995	2008
Rate of primary education (%)	39.6	66
Rate of secondary education (%)	7.2 (1990)	20.7
Mortality under the age of 5 (per 1,000)	204	122

Source: World Bank, 2010.

Strong economic growth at the national level and measures of wealth redistribution have not led to a significant reduction in the poverty rate, which is still high. The 2009/2010 survey of household living conditions showed that the poverty rate had reduced by 2.5 percentage points compared to 2003. Therefore, 43.9 per cent of the population still live below the poverty line, compared to 46.4 per cent in 2003 (SCADD 2011–2015) – with a large gap between rural and urban areas (see table 2.4). Even this reduction of the poverty rate is fragile; it has not continued after 2008, due to increases in food and fuel prices and their impact on real income.

**Table 2.4 Burkina Faso: Estimated monetary poverty trends based on national accounts, 1998–2009 (percentage of population)**

	1998	2003	2006	2007	2008	2009
National	45.3	46.4	42.1	42.6	42.8	43.2
Rural	51	52.4	48.2	48.6	48.9	48.8
Urban	16.5	19.9	16.8	18.6	20.3	20.6

Sources: INSD, EICVM 1998, 2003; MEF, 2007, 2008, 2009.

Progress in macroeconomic terms through the economic growth that began in 1994 has not led to a significant reduction in poverty. This very moderate result invites reflection on the degree to which economic growth alone can produce more productive and better-paid jobs. An analysis of job trends in Burkina Faso by the Ministry for Youth, Vocational Training and Employment (*Ministère de la Jeunesse, de la Formation Professionnelle et de l'Emploi* –MJFPE) in 2010 confirms that the positive macroeconomic results over the past decade have not increased productive and high-quality work, the lack of which is still a challenge in the fight against poverty.

### 2.2.3 The challenge of creating productive, quality jobs

According to the MJFPE, trends between 2003 and 2007 – a slight increase in the level of salaried employment, an increase in the proportion of independent workers (particularly non-agricultural and women) and a decrease in unpaid workers – are still too weak to change the employment structure significantly. The employment structure in Burkina Faso is largely informal and disadvantageous to women and young people, who form the majority in informal, non-salaried and unpaid work. Burkina Faso's employment structure is characterized by:

- *A relatively high level of occupation.* The average employment-to-population ratio was 80.9 per cent over the past decade. It was higher in rural areas (86.6 per cent) than urban areas (58.2 per cent), and higher for men (86 per cent) than for women (76.4 per cent). The relatively large gap between rural and urban areas can be explained by higher unemployment in cities than in rural areas, but also by a higher education level in urban areas (MJFPE, 2010).
- *A majority of vulnerable jobs – more so for women and young people.* The proportion of unpaid workers (contributing family workers and apprentices) is high among the economically active population (especially among women), despite having fallen from 57.4 to 46.1 per cent over the past five years. Independent agricultural workers are the second largest category of the active working population (35.2 per cent). This proportion grew between 2003 and 2007, while the proportion of non-agricultural independent workers near doubled (7 to 12.2 per cent) – especially among women. The ratio of salaried employment rose slightly between 2003 and 2007 but is still low, at 6.6 per cent of the economically active population in 2007 – less than 1 per cent of which is in the informal economy. It is half that for women in the economically active population (3.4 per cent).
- *A predominance of agricultural and informal work.* In 2007 the majority of the economically active population was in the agricultural sector (79.5 per cent), compared to 7.8 per cent in the non-agricultural urban informal

economy and 7.2 per cent in the modern economy. Of the economically active population, 13.3 per cent were in informal employment. Only 3.7 per cent of women in the economically active population were in the modern economy, as against 10.6 per cent of men. The agricultural sector and the informal economy employed 81.4 per cent and 14.9 per cent respectively of women in the economically active population. Only 3.9 per cent of young workers were in the formal economy compared to almost 85 per cent in the agricultural sector: 7.3 per cent in the urban informal economy and 4.1 per cent in the rural informal economy.

- *Unemployment mostly in urban areas, affecting women, young people and the educated.* Between 1998 and 2007 urban unemployment rose from 5.2 to 8.6 per cent, albeit with a drop between 2003 and 2007 from 11.5 to 8.6 per cent. This reduction mostly benefited men, while the unemployment rate remained more or less unchanged for women. Over the period, male unemployment has remained at the same level as in 1998, while for women it has tripled compared to 1998 levels (MJFPE, 2010). Also, unemployment is much higher for those people in the economically active population who have an education: 21.6 per cent for those with secondary-level schooling; 17.4 and 12.1 per cent respectively for those with vocational training (before and after finishing primary schooling), as against 6.8 per cent for those in the economically active population who have no education.
- *A higher rate of young people not in education or employment in urban areas, and among women.* The rate of young people not in education<sup>2</sup> or employment fell significantly from 1998 to 2007, from 28.4 to 11.6 per cent, but shows large regional variations: it is nearly five times higher in urban than in rural areas (11.6 as against 2.4 per cent). In urban areas, women not in education or employment represented 16.1 per cent in 2007, down from 42.4 per cent in 1998. Despite this significant drop, women are twice as likely as men to be affected (16 per cent as against close to 7 per cent for men in urban areas). Also, the rate of young people not in education or employment is higher among those with less education (MJFPE, 2010).
- *Underemployment mostly in rural areas, and in decline.* The high level of visible underemployment relative to the unemployment rate shows that

---

<sup>2</sup> The rate of young people not in education or employment (relative to the total number of young people aged 15–35) compensates to some degree for the limitations of the unemployment rate as a metric, by taking into consideration young people who are unemployed and disillusioned – that is, who are not in the economically active population and not actively seeking employment. It cannot, however, distinguish between those who would like to work and those who would not, or who are not available to work (especially in the case of young women).

a significant part of the economically active population – particularly young people – hold jobs where the period of work is shorter than the reference period (9 months) and would like to work more (MJFPE, 2010). In 2007 visible underemployment affected a quarter of the employed population. The proportion was double in rural areas, and there were regional variations. It decreased between 1998 and 2007 from 38 to 24.5 per cent, with women and young people more strongly affected (see table 2.5). Across these assessments, the problem of youth unemployment and underemployment stands out. The formal economy generates few jobs compared to the rapid population growth and the ever larger numbers of young people entering the job market. For these young people, agriculture and the informal economy are the main gateways to the job market – but the jobs are of low quality, and underemployment and unpaid work is rife. These young women and men are among those mostly at risk of poverty.

**Table 2.5 Burkina Faso: Distribution of employment by gender, age 15 and above, 2003 and 2007**

	2003			2007		
	Men	Women	Total	Men	Women	Total
Salaried worker, modern economy	6.9	2.2	4.6	8.8	3.0	5.9
Salaried worker, non-agricultural informal economy	1.5	0.7	1.1	1.0	0.4	0.7
Independent/non-agricultural employer	6.5	7.3	6.9	10.9	13.4	12.2
Independent, agricultural sector	50.9	9.5	30.2	57.4	13.1	35.2
Contributing family workers/apprentices	34.3	80.4	57.4	21.9	70.1	46.1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: INSD, 2003, 2007.

#### 2.2.4 Social protection: Large variations and low coverage

The social protection systems and programmes in Burkina Faso fall into four main groups:

- **Social security**, with benefits provided by:
  - The National Social Security Fund (*Caisse Nationale de Sécurité Sociale* – CNSS), which covers workers as provided under the labour code. The Fund is in charge of three branches of benefits: retirement, family (family and maternity allowances) and work-related injuries.

- The Autonomous Fund for Retired Officials (*Caisse Autonome de Retraite des Fonctionnaires* – CARFO), which provides pensions for retirement, disability and death to public employees – as well as, more recently, services related to employment injuries. Public-sector workers also receive family allowances.
- **Social assistance**, characterized by:
  - A variety of social safety net programmes financed through public and international funds.
  - A variety of initiatives aimed at improving access to basic social services and employment for disadvantaged social groups, and diminishing the effect of crises.
  - A variety of actors and scope of programmes, most of which are recent. These social safety nets are mostly in the fields of food security, access to education and health. In a review of social safety nets conducted by the World Bank in 2010, some labour-intensive programmes were also included in this category, in response to events such as climate crises.
- Multiple **social work services** providing aid and rehabilitation for children and young women and men, aid and support during humanitarian catastrophes and crises, and support for people living with HIV.
- A number of **public and private mechanisms for coverage of health risks**, which work through providing social insurance for some (micro-health insurance, company plans and so forth) as well as through universal coverage in the health budget. Since 2008, Burkina Faso has been planning a national health insurance project that should provide basic coverage for the entire population, centred on public health services and essential generic drugs, and which should help build a coherent system of health coverage.

Social protection in Burkina Faso has made great strides:

- Social insurance and assistance mechanisms are in place, as is universal coverage.
- Numerous mechanisms are in place and working to address several areas of social risk: health; maternity and family; old age and survivors; and poverty and social exclusion.
- A large group of national and international actors are taking part.
- The Government's commitment to build a system of social protection for all has been demonstrated by the three generations of the CSLP.

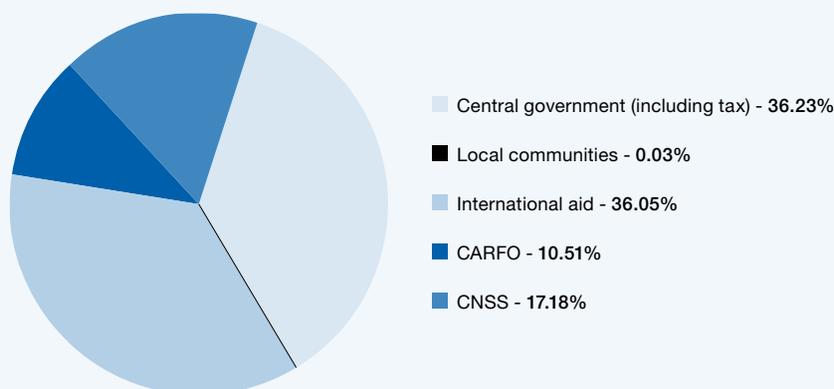
Nevertheless, reviews by the World Bank, UNICEF and the ILO in 2010 and 2011 reveal that there are numerous challenges still to be overcome:

- Coverage is low for various groups of the population:
  - Households in the formal economy benefit the most from coverage mechanisms, including certain social safety nets, but payment evasion rates are estimated to be 52 per cent (only one in two employees is covered).
  - Households in the informal economy and in rural areas which are not classified among the poorest are most disadvantaged in terms of social protection, even though they make up the majority of the population. Except for certain social assistance programmes, health mutual funds are the only actors in the informal economy – but they only reach a small portion of the population (3 per cent in 2003, according to the Ministry of Civil Service, Labour and Social Security).
  - Social safety nets reach 2.8 million of the poorest and most vulnerable individuals, or 18 per cent of the total population. Not all households below the poverty line, therefore (43 per cent of the total population), are covered: The focus of the social safety nets is on extreme poverty, with the possibility of targeting errors, and also tends to address limited geographical areas and for a limited amount of time.
- Burkina Faso is still heavily dependent on international funding, particularly for social safety nets and health (see table 2.6 and figure 2.1). This funding is volatile, making it hard for the State to launch longer-term initiatives. Also, the priorities of international partners and the State do not always align.

**Table 2.6 Burkina Faso: Social budget 2008, source of funds (CFA francs)**

Source of funds	2008
Central government	89 162
Local communities	79
International aid	88 703
CARFO	25 877
CNSS	42 266
Total	246 087

Source: ILO, 2012b.

**Figure 2.1 Burkina Faso: Social budget 2008, source of funds (percentages)**

- The statutory schemes – CNSS and CARFO – have problems in collecting contributions. The CNSS has a large potential for extending its benefits to workers in the informal economy, but is weighed down by administrative costs and procedures.
- Social protection consists of a large variety of programmes and costs that lack coherence and coordination.
- Finally, current social protection programmes are designed and implemented as a function of specific socio-economic groups, not as a function of the social risks that need to be covered. This approach does not allow for solidarity between the socio-economic groups, so that each group tends to organize itself according to its own means.

The young people who make up the most disadvantaged group in terms of access to employment appear to be equally disadvantaged in terms of social protection. On the one hand, agriculture and the informal economy, where most young people work, are outside the coverage of the formal social protection schemes. Health mutual funds working within the informal economy are often seen as an alternative, but they reach only a small portion of the population and their coverage is limited to sickness. On the other hand, social safety nets target the poorest households and often specifically women and children. Nevertheless, young people aged over 18 may still benefit indirectly in cases where they are members of households that receive benefits through social safety nets.

### 2.2.5 Priorities for SCADD: Promoting quality employment and extending social protection

The overall aim of SCADD is to realize strong, long-term and quality economic growth that will generate multiplier effects in improving incomes and living conditions for the population, and respect the principles of sustainable development. Cross-cutting these priorities, SCADD faces the challenges of increasing opportunities for decent work in a rapidly growing workforce, and extending social protection in order to promote access to employment, protect incomes and encourage a transition from low-productivity activities to decent and productive work.

These priority areas for SCADD are implemented mainly through the national employment policy, the national labour policy and the national social protection policy.

The **National Employment Policy** (*Politique Nationale de l'Emploi – PNE*), adopted in 2008, targets specific groups such as young people, women, people with disabilities, migrants and repatriates, and also aims to fight child labour. Its main objective is to increase opportunities for decent work in order to help fight poverty in Burkina Faso. As such, it seeks to meet a need to improve the quality of employment without forgetting the challenge of creating new work for new entrants to the job market. The PNE aims to strengthen job creation through promoting private job-creation initiatives, and as such focuses on encouraging self-employment, one-person enterprises, micro-enterprise and small business – implementing systems such as the support fund for promoting employment. This strategic goal also includes promoting labour-intensive programmes such as the HIMO (*Haute Intensité de Main d'œuvre*) in order to generate more job opportunities through public investment programmes.

The **National Labour Policy** (*Politique Nationale du Travail – PNT*), adopted in 2011, has the general aim of improving working conditions and governance of the labour market with a view to increasing its efficiency at the economic and social levels. Among its strategic goals are: to contribute to building a social protection floor through promoting a global and coherent social policy that allows for providing a broader range of services via the national social protection programme; improving the quality of these services; and extending coverage to all workers.

The **National Social Protection Policy** (*Politique Nationale de Protection Sociale – PNPS*) was developed in 2010 and 2011 and is due to be adopted in 2012. It resulted from a process of cooperation between national actors (representatives of central and local government, local communities, civil society and the private sector) and technical and financial partners. The PNPS is based on “Vision Burkina 2025” and SCADD 2011–2015 – especially on the SCADD objective of building a social protection floor. Its overarching goal is

to contribute to a qualitative change in the living conditions of various groups of the population through developing adequate and lasting systems of coverage for major risks and crisis management, and through extending social insurance to all categories of workers and broadening the range of services for all social risks. To reach this overall goal, the PNPS focuses on four strategic objectives:

- providing guaranteed access to basic social services for vulnerable social groups;
- extending coverage for all risks and developing systems to prevent crises;
- developing innovative common practices for targeting and transfer programmes; and
- strengthening coherence, coordination and good governance.

### **2.3 Developing an integrated approach for extending social protection and promoting employment in Burkina Faso**

As described above, the greatest challenges that Burkina Faso currently faces in the field of employment and social protection are: first, to increase the opportunities to find decent work in spite of a rapidly growing workforce; and, second, to extend social protection. While the country needs to focus on access to employment, protecting incomes and moving from low-productivity activities to decent and productive work, it also needs to make it possible for poor workers to make social contributions in order to fund social protection.

The various aspects of these challenges have been analysed in reviews of social protection and employment within the framework of the ILO/EU project, and underlie the integrated approach. The overarching goal of this approach is to build a social protection floor and promote access to decent work for young women and men who are unemployed or underemployed, poor and vulnerable.

In order to meet this objective, the integrated approach aims to align the PNE measures for promoting work for young people with the PNT and PNPS measures for extending social protection and minimum income security. This link is a cornerstone in the fight against poverty, as it brings together programmes to create jobs and generate income with measures to protect that income from social risks (related to health, family and so forth).

With this in mind, the integrated approach is based on two main elements:

- developing and implementing guaranteed basic social protection by combining social insurance with social transfers; and

- designing highly labour-intensive works (HIMO) programmes with the aim of guaranteeing a minimum income for and strengthening employability of the poorest and most vulnerable young people, so as to facilitate their integration into the job market.

In addition, the ILO study on employment funds (2012b) provides a series of recommendations on their expansion, which – if they are well-designed and put into practice – may contribute to protecting workers against risks in the labour market and reduce their vulnerability, and which may therefore be efficient tools in the fight against poverty.

In order to meet this overarching goal, three broad strategic objectives have been identified in collaboration with national stakeholders, as shown in figure 2.2:

- Define a minimum package of social protection guarantees.
- Develop the content of a programme of labour-intensive works for young people – which together with a minimum package of social protection guarantees will form the constituent parts of a social protection floor for young people, based on the options considered within the PNPS and on national dialogue.
- Evaluate what these measures will cost and the possibility of funding them in the long term and apply this social protection floor to target groups through measures in the PNE, implementing and spreading it progressively.



The achievement of these objectives implies the following actions.

### 2.3.1 Creating synergies between national policy measures in the various sectors

Employment, labour and social protection policies are all in agreement with the goals and methodology of SCADD. Still, these are policies in different sectors, and each operates with its own set of measures, with a risk of overlap or even competition. The aim of the integrated approach is to bring these measures together in a coherent and coordinated framework which stands alongside the national policies. In other words, the aim is not to develop new national policy or action plans, but to propose a common framework for implementing some of the measures in the national policies, as illustrated in table 2.7.

**Table 2.7 Burkina Faso: Synergies between national policies in different sectors**

	PNE	PNT	PNPS
	Strengthen the links between the employment policy and other national policies	Foster the right legal and institutional environment for decent work	Improve social transfer mechanisms for the poorest and most vulnerable
<b>Integrated approach to extending social protection and promoting work</b>	Boost job creation through promoting private-sector activities, HIMO programmes and measures targeting employment	Promote social dialogue through strengthening its framework	Improve access for all – particularly poor and vulnerable groups – to basic social services
	Improve access to employment through vocational training	Contribute to putting in place a social protection floor by promoting coherent social policy	Guarantee employment security and minimum income
	Improve the organization and functioning of the labour market and increase respect for the right to work as well as the right to social protection and social dialogue	Promote security and health at work	Improve and extend social coverage for workers in both the formal and informal economies
			Improve governance: coordination, follow-up, evaluation, and the legal framework for social protection  Strengthen capacity

### 2.3.2 Targeting young women and men who are unemployed or underemployed, poor and vulnerable

Burkina Faso's strong demographic growth is leading to an increase in demand for employment which cannot be absorbed by the formal economy – both public and private – and which is a source of social unrest and instability. An analysis of employment trends shows that the majority of young people aged 18–35 are in informal, low-quality employment. These young women and men, who aspire to enter the labour market and start a household, are particularly vulnerable to unemployment, underemployment, low-quality work and poverty. They therefore constitute a main target group for the implementation of the integrated approach to employment and social protection, with a particular focus on young people aged 18–35 who are in the process of creating and developing economic activity (self-employment or micro-enterprise); whether educated but unemployed, undereducated or uneducated; working in agriculture; contributing family workers or apprentices. This definition of the target group excludes young people who are employed in the formal economy – 6.5 per cent of those aged 18–35, according to the 2006 general census. These, however, are the people most affected by unprotected employment (precarious or undeclared employment without old-age pensions or social security), for whom it remains necessary to strengthen mechanisms to fight social evasion, as envisioned in the National Labour Policy (PNT).

Special emphasis must be put on programmes that affect the poorest and most vulnerable young people. Based on the 2006 general census, nearly 15 per cent of young people belong to “very poor” and 22 per cent to “poor” households. Thus, more than a third of young people live precarious lives – and are the most vulnerable to low-quality employment – with distinct differences between rural and urban areas. As shown in table 2.8, young people in rural areas are a particularly disadvantaged group requiring special attention.

**Table 2.8 Burkina Faso: Household living standards for urban and rural young people (percentages)**

Area	Household living standard					Total
	Very poor	Poor	Less poor	Rich	Very rich	
Urban	1.3	2.4	4.3	24.2	67.9	100
Rural	20.2	30.1	23.3	21.1	5.4	100
Total	14.7	22	17.8	22	23.5	100

Source: Recensement Général de la Population et de l'Habitation, 2006 (general census), Theme 11: *Situation socioéconomique des enfants et des jeunes au Burkina Faso* (Socio-economic situation of children and young people in Burkina Faso).

### 2.3.3 Building a social protection floor for young women and men

The ILO Social Protection Floors Recommendation (No. 202), adopted by the International Labour Conference in June 2012, defines a social protection floor as a set of “nationally defined basic social security guarantees” (I.2), and specifies that:

The guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level. (II.4)

A social protection floor aims at universal coverage, but gradually implemented in line with economic growth. In the case of Burkina Faso, the proposal in the integrated approach is to start out by targeting the poorest and most vulnerable young women and men, who are a national priority. As such, the aim is to establish a framework for implementing measures identified in the national policies aiming to promote the right to social protection and decent work. In practice, these measures constitute the building blocks of a social protection floor alongside the strategies to promote employment for young women and men who are unemployed, in vulnerable employment, underemployed and poor. They also make the operational means available to implement basic social protection. The actual implementation of the integrated approach, therefore, rests on two main strands of intervention that run through the PNE, PNT and PNPS:

- defining and deploying a minimum package of social protection guarantees for young women and men, based on extending existing social insurance schemes such as the voluntary insurance of the CNSS, and on those in the planning stages such as health insurance; and
- promoting labour-intensive work programmes (HIMO) for the benefit of young people who are permanently or temporarily underemployed or in precarious employment.

This minimum package should allow for organizing protection against social risks that keep young entrepreneurs and workers in the informal economy and rural areas in survival mode, and curb productivity and the entrepreneurial spirit. The aim of the package is to promote access of these young people to decent employment and to heighten the impact of programmes to promote employment. The absence of social coverage for micro-entrepreneurs means that loans from the employment support funds and other programmes may not go towards their intended goals (i.e. creating or consolidating economic

activity) in cases where social risks occur that have an adverse financial impact, thus endangering economic activity.

Based on risks identified in SCADD and the national policies as priorities, the proposal is to build the minimum package around the following benefits:

- *Old-age and survivors' benefits.* Since 2008 the CNSS has offered old-age and survivors' benefits to independent workers and workers in the informal economy through a voluntary insurance programme that includes:
  - old-age pension from the age of 56 and/or with 180 months of contributions;
  - old-age grant from the age of 56 with fewer than 180 months of contributions, at the request of the insured person (who may choose to continue to pay contributions in order to reach the 180 months, thus receiving a pension);
  - survivors' pension on the death of the insured person, if the latter has or would have received an old-age pension. The survivors' pension is paid to the widow or widower and to the children;
  - survivors' grant if the insured person dies before accumulating 180 months of contributions.

This voluntary insurance is the subject of a large communication campaign in 2012 with the aid of the social partners and organizations in the informal economy. But because of the way in which affiliations are administered and contributions collected, it still struggles to penetrate the informal economy.

- *Family allowances.* Although family allowances are at present limited to salaried workers in the formal economy (both public and private) they have proved their efficacy in the fight against poverty for households living below the poverty line. It is proposed here to link the family allowances that workers in the private formal economy receive with the cash transfers envisioned under the PNPS for children in the poorest, most vulnerable households, through an allowance for children of workers targeted under this approach. The aim of this allowance is to ensure that such workers can provide access to education, good food and good living conditions for their children – one of the basic conditions of decent work.

According to the 2006 general census, the average age of marriage is 27 for men and 20 for women. The number of (live) births per woman up to the age of 35 is 3.55 on average. In targeting young people who want to start a family, these allowances would also aim to reduce the risk of funding allocated for start-ups or developing economic activity being used for consumer goods or everyday household needs.

- *Maternity allowance.* According to the ILO forecast, in 2012 women represent 63 per cent of young people aged 18–35. Since this age group coincides with reproductive age, a large majority of young women who wish to start or develop economic activity, or find employment will therefore be confronted with a serious risk of losing income due to pregnancy. They often have to work up to the day they give birth and start again immediately after, risking both their own health and that of their child. In this context, inspired by the maternity benefits paid by the CNSS to salaried workers in the private formal economy, a maternity allowance should provide pregnant women with a minimum income during a limited period so that they may at least reduce their activity and undergo the final part of their pregnancy under better conditions.
- *Health coverage.* In line with the universal health insurance scheme which the State aims to put in place, health coverage will be a part of social protection for young workers and entrepreneurs and members of their households. This national health insurance scheme is currently being researched; it is envisaged that it will be deployed progressively in order to offer basic health coverage for the entire population by 2015 (PNT, immediate goal no. 7). The plan is to provide coverage for a basket of basic health-care services at all levels, offered through the public system, identical for the whole population, with contributions from beneficiaries in full, in part or not at all, depending on their socio-economic status. The contents of the basket, as well as the management bodies and mechanisms, are defined and put in place within the framework of the PNT. According to current (2012) feasibility studies, the annual contribution per beneficiary would be 15,000 CFA francs for coverage of over 70 per cent of health-care expenses in the public system at primary, secondary and tertiary levels, as well as of essential and generic drugs.
- *Promotion of labour-intensive work programmes.* Since the 1980s Burkina Faso has benefited from extensive experience of labour-intensive work (HIMO) programmes run by the State as well as by technical and financial partners. Following the climatic and economic crises suffered by the country over the past decade and the unrest in 2011, interest in the HIMO approach as a method for responding to urgent economic situations, as well as to chronic underemployment and vulnerability, has been rekindled. Reviews of the 30 years experience of labour-intensive projects and strategies in Burkina Faso – undertaken by UNDP in 2011 and the ILO in 2011/12 – have provided a basis for drawing up recommendations for a labour-intensive works programme directed at young people and aimed at complementing measures to promote employment for this target group:

- Burkina Faso’s job market is characterized by precarious and vulnerable employment in the informal and agricultural sectors, where the economically active population works only four months of the year. In this context, labour-intensive work projects may provide work for young people during the dry season and be an alternative to emigration.
- Labour-intensive projects may be seen as a response to the needs and expectations of young people with varying levels of education, since they involve both unskilled and skilled labour, as well as jobs for youth with higher education in connection with planning, designing and monitoring the projects.
- They may also contribute to the creation of SMEs in building and civil engineering, which provide yet more employment opportunities.
- Finally, labour-intensive work projects contribute to strengthening the purchasing power of disadvantaged populations, monetizing rural areas and, when they are linked to production and processing of local products, stimulating demand for goods and services originating in the local economy. These new economic networks contribute to economic growth, which can be a catalyst for starting a virtuous cycle that creates yet more employment.

The PNE, PSCE and PNPS all promote labour-intensive work activities. In the framework of the integrated approach, these measures may be combined into a special “youth labour-intensive work” programme (*Emploi-jeunes-HIMO*) – a set of specific measures to include young people aged 18–35 in these projects as well as to provide follow-up and education within the framework of the national labour-intensive work programmes that also affect workers aged 36–64. Such a “youth labour-intensive work” programme should have the following characteristics.

- It should be thought of as a long-term system for providing income security and contributing to meeting the demand of young people in urban and rural areas who are unemployed, underemployed or in vulnerable employment, through creating jobs and strengthening vocational training.
- Like programmes in other countries (such as Ethiopia, India and Rwanda), it should guarantee a certain number of working days per year and a minimum income, especially outside the agricultural season.
- It should ensure education and development of local skills for young people who want to form SMEs, work in research or form economic interest groups in the building and civil engineering sector.
- It should spread the use of appropriate technology learnt and mastered at the local level.

- It should adapt the basic social protection guarantees, especially concerning health insurance, to young women and men who are beneficiaries of the labour-intensive work programme so that they also have minimum social protection.

Such a youth labour-intensive work programme should prioritize young people with little or no education in urban and rural areas. It could also be a complement to specific programmes planned by the PNE and PSCE, aimed at young graduates in order to strengthen their skills and encourage the creation of SMEs in various fields such as technical and socio-economic research, project design and contract management, implementation, operation and maintenance of assets created, and impact studies.

- *Measures to promote vocational training* could also be developed as a complement to the social protection floor. Strengthening vocational training is one of the priorities in the National Employment Policy (PNE). There are multiple challenges to this, such as finding a way of improving technical training and qualifications, which are inadequate in Burkina Faso; extending access to training to the informal and rural economy; improving apprenticeship systems; and putting in place systems for sandwich courses based on training in schools and businesses. Multiple initiatives exist in this area, mostly in terms of agreements between the State and private institutions. For instance, the National Federation of Craftspeople (*Fédération nationale des artisans du Burkina Faso – FENAB*) has launched an apprenticeship system where young people are matched with master craftspeople and receive training based on both schooling and practice. Currently, 503 young people are being trained, and FENAB wants the Support Fund for Vocational Training and Apprenticeship (*Fonds d'appui à la formation professionnelle et l'apprentissage – FAFPA*) to take over the project in order to broaden and perpetuate it. But the FAFPA does not currently have the necessary means to cover all demands for training across all regions. Projects such as that run by FENAB show that new and adapted approaches are possible – but that more resources must be put into vocational training.

More broadly, the integrated approach must be implemented in connection with the whole range of employment promotion measures aimed at enabling young people to avoid the risks of unemployment and underemployment, such as the employment fund and measures planned by the PSCE. The study of employment funds conducted within the framework of this ILO/EU project includes a series of recommendations for strengthening these funds, which – if well designed – can contribute to protecting workers from the risks weighing heavily on the labour market

and make them less vulnerable, and can be an effective tool in the fight against poverty.

## 2.4 The cost of a social protection floor

### 2.4.1 Funding and managing minimum social protection guarantees through social transfers from the State

In social security schemes the various guarantees are usually funded through contributions from workers and employers. In the present approach, however, which targets young people who are unemployed or underemployed and focuses on the poorest, a contributory scheme would be inappropriate and could even act as a deterrent. This package of minimum social protection guarantees therefore comes in the form of a non-contributory scheme funded through state transfers that cover the beneficiaries' contributions. This has a dual objective:

- Protecting young people aged 18–35 who are entrepreneurs and workers in the informal economy and rural areas while they undergo vocational training, set up an economic activity or enter the labour market. Such protection would increase the impact of employment promotion measures by making these young people's lives and economic activities less vulnerable and precarious.
- Teaching young people the importance of social security coverage, thus encouraging them to seek it when they are no longer eligible for the guarantees in the social protection floor. In this context, an interesting factor of such a programme is its prolongation through other coverage programmes, such as health insurance and voluntary insurance, adapted to workers and entrepreneurs in the informal economy and rural areas. During the period of non-contributory coverage through the social protection floor, young beneficiaries should understand the importance of continuing their affiliation and start paying their own contributions in part or in full. The social protection floor therefore needs to be complemented by education about social protection in the vocational training and skill-building programmes for entrepreneurs.

### 2.4.2 Cost scenarios: Three examples

The transfers would carry a cost, and would need to be evaluated in an iterative process leading to a balance between basic guarantees adapted to the needs of the young people targeted, on the one hand, and the number of beneficiaries and the State's funding capacity on the other. Within the framework of the integrated approach, three basic scenarios described below were discussed and calculated at a workshop in March 2012 with national stakeholders, based

on a quantitative tool (the Rapid Assessment Protocol – RAP) developed by the ILO. The simulations are based on various scenarios that all assume a gradual increase in the number of beneficiaries, and thus in the cost of social transfers. Through this progressive approach it should be possible to keep costs to an acceptable proportion of GDP. This implies defining precise criteria for targeting beneficiaries at the beginning, as well as when extending coverage, which must be done following rigorous and consensus-based planning agreed on by all stakeholders. The parameters of the three scenarios are shown in tables 2.9, 2.10 and 2.11 and in figure 2.3.

**Table 2.9 Burkina Faso: Target groups in the various scenarios**

Scenario	Level of income
I Universal coverage	All income levels
II The 50% poorest	Average income per person placing household income below the 50th percentile
III The 20% poorest	Average income per person placing household income below the 20th percentile

**Table 2.10 Burkina Faso: Development of progressive coverage in the various scenarios**

Scenario	Labour-intensive work programmes Coverage for whole period (no. of beneficiaries)	Other benefits		
		Initial coverage (% of target population)	Final coverage (% of target population)	Year of reaching final coverage
I and II	120 000	5	50	2022
III	120 000	5	60	2022

**Table 2.11 Burkina Faso: Value of benefits in the scenarios**

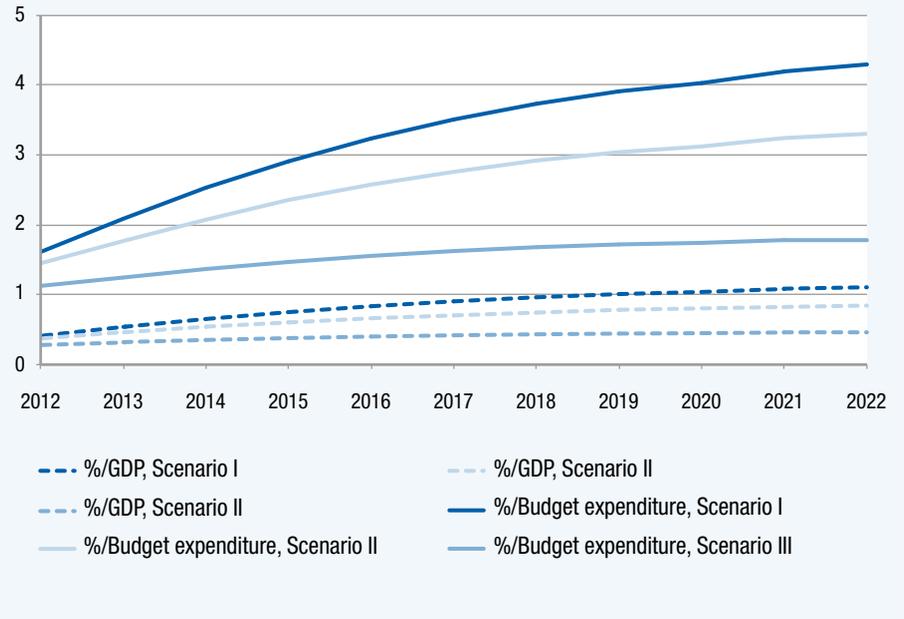
Component	Beneficiaries	Amount per person, 1st year (CFA francs)
Health	Insured person and dependants	15 000 annual <sup>1</sup>
Old age	Insured person	40 504 annual <sup>2</sup>
Maternity allowance	Insured woman	112 763 for 3.5 months <sup>3</sup>
Child allowance	Children (max. 6 under age 15)	2 000 per month per child <sup>3</sup>
Labour-intensive work programme	Young people in target group	97 500 for 75 days <sup>4</sup>

Notes: <sup>1</sup>Based on estimates from the universal health insurance project (2010). <sup>2</sup>Contribution amount set by the CNSS for the lowest incomes, giving the right to a pension amounting to 60–80 per cent of guaranteed minimum income.

<sup>3</sup>Same amount as for salaried workers in the private formal economy. <sup>4</sup>Based on simulations in draft proposals for a youth labour-intensive work (HIMO) project (ILO, 2012c).

Scenario I targets all young people aged 18–35 with the aim of progressively providing coverage, affecting 5 per cent of young people in the first year and gradually reaching 50 per cent after 10 years (the progressive increase may appear in various other forms in the other scenarios). It is based on the longer-term vision of providing coverage to all young people. The cost of this scenario varies between 0.41 per cent of GDP in 2012 to 1.11 per cent of GDP in 2022 – or between 1.61 and 4.29 per cent of expenditure in the national budget. Scenarios II and III are examples of how costs might be reduced when the targeted population is limited to those of particularly low incomes – in this case targeting the 50 or 20 poorest per cent of young people. As shown in figure 2.3, in these two scenarios the overall cost of the set of guarantees, including labour-intensive projects, is lower – but they would also affect a significantly smaller population.

**Figure 2.3 Burkina Faso: Costs of the three scenarios, 2010–2022**  
(percentages of GDP and national budget expenditure)



These three examples illustrate the advisability of developing different scenarios through a national dialogue in order to arrive at a final package for a precisely targeted group by way of consensus, and striking the right balance between scope (population covered, volume of benefits) and the State’s capacity for funding.

## 2.5 Obstacles to building a social protection floor

### 2.5.1 Basing the implementation process on national dialogue

Implementing a social protection floor for young women and men is part of a long-term process which must build on a national dialogue involving all stakeholders, including ministries, social security institutions, social partners and organizations in the informal economy. This national dialogue itself needs to include a phase of sensitizing and training national stakeholders about social protection and its links to employment.

The national dialogue should build on the sectoral dialogue frameworks put in place by the SCADD. The agreement among the stakeholders participating in discussion workshops in June 2012 in connection with this integrated approach was that the approach needs to be anchored in the Prime Minister's office through the National Council for Social Protection Council (*Conseil National pour la Protection Sociale – CNPS*), which is comprised of representatives from the Government, national institutions and development partners (civil society, the private sector, local actors and technical and financial partners). The CNPS is presided by the Prime Minister and three vice-presidents: the Minister for the Economy and Finance, the Minister for Social Action and National Solidarity, and the Minister for Civil Service, Labour and Social Security. It has a permanent secretariat under the Minister for the Economy and Finance as well as specialized inter-ministerial bodies where the piloting of this integrated approach could be housed.

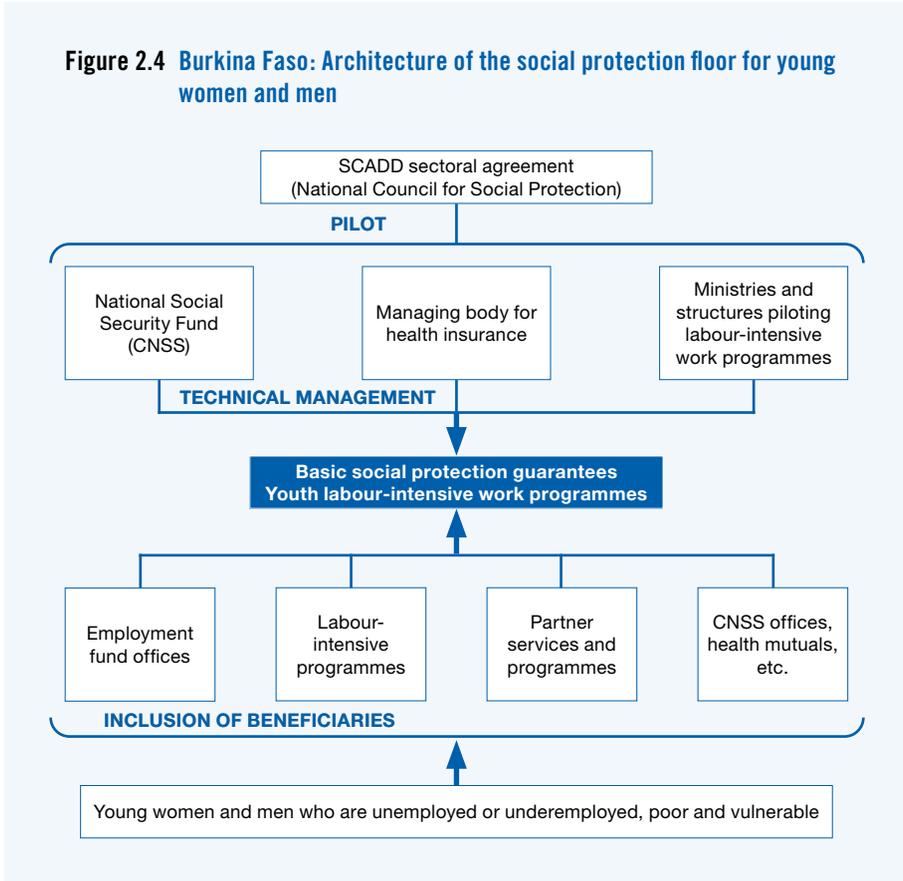
This institutional anchoring proposed within the framework of national dialogue might, however, create a risk of confusion concerning the labour-intensive work (HIMO) approach promoted here, which is based on productive employment and vocational training; it is not the “HIMO–social protection” approach promoted by some organizations as a short-term response to crises (climate, food, the economy) and which acts as a social safety net.

### 2.5.2 Organization and administration based on existing structures

In the action plans of the PNPS and the PNT are proposals for both a national health insurance scheme on the one hand, and the extension of parts of the CNSS to the informal economy on the other. This integrated approach is therefore based on an already existing central level – the CNSS – and its strengths in terms of old-age benefits, family and maternity allowances and, soon, health insurance. The technical architecture of the social protection floor should be complemented by measures at the local level, especially for affiliation (see figure 2.4). These might be built on services linked to the employment support funds or those which are run as part of the PSCE, and the programmes and services put in place by national organizations such

as FENAB and the social partners, as well as the employment promotion programmes established by international partners. Over time, mutual funds might also play a part.

**Figure 2.4 Burkina Faso: Architecture of the social protection floor for young women and men**



As for a youth labour-intensive work programme, this would need to be part of a larger framework of programmes piloted by the ministries involved, especially the Ministry for Youth, Vocational Training and Employment (MJFPE) and the Ministry for Infrastructure and Regional Development. Such an arrangement would need to be the subject of feasibility and technical studies in order to determine how in practice to implement its social protection components, adapt them to young people’s needs and ensure that managing bodies exist in their local environments. There are several possible means of access at the local level for the inclusion of young people in basic coverage, and these could be put in place progressively as guarantees are found. They include one-stop shops linked, as above, to the employment support funds and services put in place by national organizations such as the FENAB or social

partners, as well as employment promotion programmes for young people established by international partners. Again, mutual funds might also play a part over time.

### 2.5.3 Mobilizing resources

The various options in the integrated approach rely on social transfers from the State for funding the basic guarantees in the social protection floor. This means that the floor needs to be socio-economically affordable for a low-income country such as Burkina Faso, and that the viability of its budget needs to be verified. The three scenarios presented above show that each option relies on a fiscal effort to a smaller or greater extent. The social protection expenditure and performance review (SPER) conducted by the ILO (2012a) identified several possible ways of mobilizing resources to achieve sustainable funding:

- First, the state budget is the principal guarantee of long-term sustainable funding for employment and social protection. The SPER showed that the total social budget represented 7 per cent of GDP in 2007 and 2008, or 227 and 254 billion CFA francs respectively. The budget shows a heterogeneous collection of different measures and programmes as well as the flow of funding. To begin with, therefore, rather than seeking additional resources the social budget should be reorganized and rationalized. Social transfers for a social protection floor for young people should be part of a broader budget of spending on social protection, including other measures of the PNPS such as food and monetary transfers to the poorest, and access to schooling, as well as the reinforcement of formal schemes. These measures should not compete with each other, but rather be integrated in a common and realistic social budget built on national political priorities. Creating a coherent and coordinated social protection framework and setting clear priorities constitute a main focus for resource mobilization through reorganizing and rationalizing the current flow of funding and channelling current sectoral funding towards precise goals.

More specifically concerning the integrated approach for young people, another route for mobilizing resources is a similar reorganization in the funding of activities promoting employment and labour-intensive works within the framework of the PNE and linked to the PSCE. But the MJFPE's 2010 review of public expenditure showed that there is scarce funding for pilot measures within the PNE, as well as of the direct promotion of employment efforts for young people run by the MJFPE. The MJFPE's budget is only 0.8 per cent of the state budget, and attracts only 0.5 per

cent of international funding in terms of investment. Its budget is just 0.4 per cent of GDP, while public investment in the MJJFE is 1.4 per cent of the State's total investments from its own resources.

- A second source of funding through the national budget is to expand the fiscal space through creating new resources such as the frequently cited example of a tax on mobile phones. But even though the PNPS emphasizes the importance of funding through public resources, it does not propose any particular route in this respect. Finding the sufficient budgetary margin to fund the planned measures should, however, be part of any implementation. This will depend on a national political will to promote social protection and employment for all – and a coherent and coordinated framework might strengthen that will.
- Another route mentioned in the SPER concerns the CNSS, which has the following problems:
  - on one hand, very high administrative costs, with a very low conversion rate (36 per cent in 2009) – demonstrating real problems of efficiency and management of the Fund;
  - on the other hand, a significant rate of social evasion particularly on the part of young workers with high vulnerability to precarious and undeclared work.

Rationalizing and increasing the efficiency of the management of the CNSS's formal scheme is a possible source of funding for extending its cover to young people in the informal economy, notably through voluntary insurance products. Such a rationalization would imply increased productivity, as well as better management of databases and the flow of information between services, the increased use of new technology, and fighting fraud and loss of resources, among other things.

- International assistance will be necessary in a country with as scarce resources as Burkina Faso. However, it must be based on medium- and long-term budgetary planning and engagement with the international partners, in order to end the current situation where social protection measures depend on volatile outside finance which does not allow the State to put longer-term initiatives in place. Such aid might start with support for the investments needed to implement measures such as putting in place an effective information system.
- Finally, as highlighted in all three scenarios described above, another route for mobilizing resources is directly linked to the implementation of measures including, first, the efficient targeting of beneficiaries and, second, the progressive deployment of resources. The aim of this strategy is to cover a limited population – namely the poorest and most vulnerable young people – to begin with, and then progressively expand towards

universal coverage in line with the State's ability to create the necessary budgetary space. This underscores the importance of drawing up scenarios and projections for the measures identified, in order to plan for a roll-out that is realistic in both financial and technical terms.

#### 2.5.4 Monitoring and evaluation

The reviews conducted by the World Bank and the ILO have shown that a lack of data and project evaluation are among the weakest points of nearly all social protection programmes and measures in Burkina Faso. Similar conclusions were reached in the MJFPE review of public expenditure in 2010, and the performance study of the support funds conducted by the ILO (2012b): there is still little follow-up and evaluation of employment programmes in Burkina Faso, and the methodology used to determine their efficacy is still unreliable. It is therefore essential to include data production in the implementation of the programmes. Such information is necessary for the efficient administration of guarantees as well as for monitoring, evaluating and making adjustments to benefits. Thanks to today's information and communication technology, simple and efficient tools are available for the exchange and processing of information between the various actors. These technologies are available in Burkina Faso, as in the region as a whole, and are already often used for monetary transfers. Creating a database of beneficiaries and a network for information exchange, as well as front- and back-office management systems, will be important elements in the control, evaluation and development of guarantees. Such an information system is also an important factor in the efficient and effective technical management of guarantees.

## 2.6 Conclusion

Several international instruments emphasize the link between policies for the promotion of employment and the extension of social protection with the objective of pro-poor growth and decent work. Burkina Faso's strategy for accelerated growth and sustainable development (SCADD) subscribes to this vision, pointing to employment and social protection as determining, and complementary measures which would help to remedy the hardships of families, particularly the poorest and most vulnerable. Over the course of reviews and workshops in the framework of the ILO/EU project "Improving Social Protection and Promoting Employment" in Burkina Faso, it has become clear that the promotion of employment on the one hand and the extension of social protection on the other have been identified, but that they are separated from each other in the various national policies. It is the aim of the integrated

approach to create synergies between them in a common implementation framework and for a specific target population – young women and men – who are a priority group for the country.

Implementing such an approach requires overcoming several challenges concerning, for instance, national dialogue and mobilization of resources. Implementation will be a long-term process involving a wide range of national and international players who will need to define a benefits package, an agenda for deployment, and the specific target groups, in order to develop a social protection floor that is both accessible and realistic in terms of the available fiscal space.

With the adoption of its national social protection policy in 2012, Burkina Faso enters a phase of putting in place the measures identified, with the support of its partners. These measures include strengthening the formal social security schemes and extending them to workers in the informal economy and rural areas, as well as food- and monetary-transfer mechanisms aimed at the poorest and most vulnerable. The integrated approach is part of this framework, and needs to be developed as a complementary, not a competing, programme under an overall social protection budget. The RAP methodology for evaluating costs, developed by the ILO and adapted to Burkina Faso as part of the ILO/EU project, is an important tool here – accompanying the process and ensuring that the framework being constructed is coherent and economically viable in the long term. The last stage of this project, at the end of 2012, will be to complete the transfer of skills to the ministries that are members of the CNPS, so that they can use this tool as a part of the process. The recommendations in the review of support funds for employment promotion, vocational training and development of economic activities conducted by the ILO (2012c) have already been used by the MJFPE in connection with the reform of these funds in 2012. Also within the framework of this project, the ILO has supported the Ministry for Employment in formulating the labour-intensive work programmes that are part of the National Employment Policy (PNE). The present recommendations may be useful in the current revision of the action plan for implementing the policy.

Following the national dialogue workshop held in June 2012, the Ministry for the Economy and Finance, which is in charge of piloting the implementation of the National Social Protection Policy (PNPS), requested support for moving forward in developing this integrated approach. Such support would require a follow-up to the ILO/EU project, which will close at the end of 2012.

## References

- Burkina Faso. 2006. *Recensement Général de la Population et de l'Habitation* (General Population and Household Census).
- Institut National de la Statistique et de la Démographie (INSD) (Institute for Statistics and Demography). Various years. Ouagadougou. Data available at: <http://www.insd.bf>.
- 1998, 2003. *Enquête prioritaire sur les conditions de vie des ménages* (EICVM) (Ouagadougou).
- International Labour Office (ILO). 2012a. *Burkina Faso: Revue des dépenses et des performances de la protection sociale*. OIT/UE/Burkina Faso/R.4 (Geneva).
- 2012b. *Burkina Faso: Les fonds d'emploi: Performance et impact*. OIT/UE/Burkina Faso/R.6 (Geneva).
- 2012c. *Burkina Faso: Vers une stratégie de travaux publics à haute intensité de main d'œuvre*. OIT/UE/Burkina Faso/R.5 (Geneva).
- 2012d. (Forthcoming) *Burkina Faso: Bâtir un socle de protection sociale pour les jeunes femmes et hommes en situation de non ou de sous emploi, pauvres et vulnérables: Une approche intégrée d'extension de la protection sociale et de promotion de l'emploi* (Geneva).
- International Monetary Fund (IMF). 2010. *World Economic Outlook: Recovery, risk and rebalancing*, October (Washington, DC).
- Ministère de l'Économie et de la Finance (MEF) (Ministry for the Economy and Finance). 2007, 2008, 2009. *Programme d'action prioritaire (PAP) – Cadres stratégiques de réduction de la pauvreté* (CSLP) reports (Ouagadougou).
- Ministère de la Jeunesse, de la Formation Professionnelle et de l'Emploi (MJFPE) (Ministry for Youth, Vocational Training and Employment). 2010. *Contribution des mouvements et associations des jeunes à l'atteinte des objectifs du millénaire pour le développement au Burkina Faso: Rapport d'enquête su la contribution des MAJ à l'atteinte des OMD/2000–2010* (Ouagadougou).
- United Nations Department of Economic and Social Affairs (UNDESA). 2009. *World Population Prospects: The 2008 Revision*. Available at: <http://esa.un.org/unpp>.
- United Nations Development Programme (UNDP); International Fund for Agricultural Development (IFAD). 2010. *La pauvreté rurale au Burkina Faso*. Available at: <http://www.ruralpovertyportal.org/web/guest/country/home/tags/burkina%20faso>.
- World Bank. 2010. *Data by country: Burkina Faso*. Available at: <http://data.worldbank.org/country/burkina-faso> [consulted in 2010].



# Cambodia

# 3

## Rolling out social protection and employment strategies

Arthur van de Meerendonk<sup>1</sup>

### 3.1 Introduction

Cambodia is a low-income country ranking medium to low on the UNDP Human Development Index. Table 3.1 situates Cambodia in perspective to some other countries in the South and South-East Asian region.

**Table 3.1 Human development: Cambodia and the region, various years 2000–2011**

	HDI ranking 2011	GDP/capita 2008 (US\$)	Vulnerable employment (average 2000–08)	Percentage living on less than US\$1.25 per day	National poverty line	Gini (average 2000–2011)
China	101	3 267	...	15.9	2.8	41.5
India	134	1 017	...	41.6	27.5	36.8
Sri Lanka	97	2 013	40.7	7.0	15.2	40.3
Pakistan	145	991	28.9	22.6	22.3	32.7
Indonesia	124	2 246	63.1	18.7	13.3	36.8
Thailand	103	4 043	53.3	10.8	8.1	53.6
Viet Nam	128	1 051	73.9	13.1	14.5	37.6
<b>Cambodia</b>	<b>139</b>	<b>711</b>	<b>45.7</b>	<b>28.3</b>	<b>30.1</b>	<b>44.4</b>

Note: ... not available.

Source: UNDP, *Human Development Report*, 2010 and 2011.

<sup>1</sup> Arthur van de Meerendonk has worked for over 16 years for government organizations in the Netherlands and abroad. He is currently the director of *Magazijn13* in The Hague, and is a lecturer in the joint ILO/University of Maastricht Social Protection Financing Masters programme at the Maastricht Graduate School of Governance.

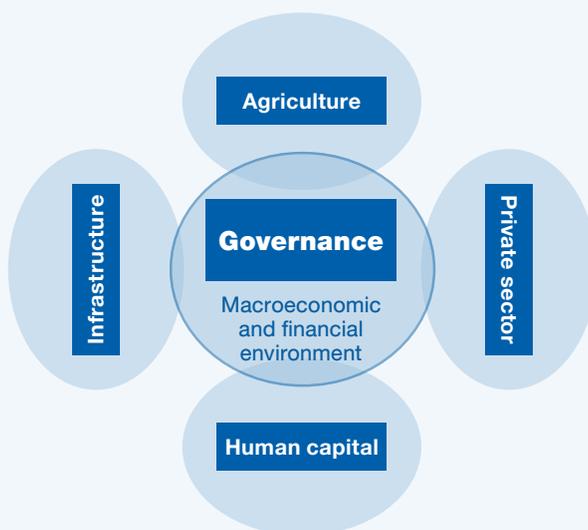
*Political situation.* After gaining independence in 1953, Cambodia experienced four decades of tumultuous change in its political and economic regimes, culminating in the Khmer Rouge regime from 1975 to 1979, when the market economy was abolished, the urban population was forcibly resettled in rural areas to perform agricultural work and the educated elite was executed. In 1979, Vietnamese troops and Cambodian resistance forces took over and this led to another two decades of civil unrest. Reconciliation began in 1987, with the last contingent of Vietnamese troops withdrawing in 1989. The first general elections after more than two-and-a-half decades were held in 1993 and a coalition government was formed by the three major political parties; the coalition, however, was short-lived, and the Cambodian People's Party (CPP) under Prime Minister Hun Sen has been leading the Government ever since.

*Institutional reform and the decentralization of resources.* Over the past decade the governance reform agenda has embraced decentralization, referred to in Cambodia as subnational democratic development. The 2005 *Strategic Framework for Decentralization and Deconcentration Reforms* (the D&D Strategic Framework) unfolded a reform process aiming to: (i) consolidate and deepen the process of democratization at the grass roots; and (ii) promote local development and poverty reduction. The reform entails the establishment of district and provincial councils and the creation of accountable and unified subnational administrations to support these councils. Along with this, the Commune/Sangkat Fund (C/S Fund) was established in 2001 as the first step in an intergovernmental fiscal transfer system to finance both administrative and development expenditures to be controlled by commune/sangkat councils. These councils use the C/S Fund to provide basic infrastructure and services. The Organic Law (2008) established a new National Committee for Sub-National Democratic Development (NCDD), an inter-ministerial body entrusted with overseeing implementation of the Organic Law. In 2009 NCDD formulated the National Program for Sub-National Democratic Development (2010–2019) (the National Program) aiming to operationalize the implementation of the D&D Strategic Framework and the Organic Law over the decade. In 2010, a three-year Implementation Plan (IP3) was developed by NCDD with detailed objectives and activities for the first three years (ILO, 2012a).

*Economic development.* Cambodia's economic development since 1989 can be categorized in three phases (RGC, 2009, pp. 75–9): (i) The rehabilitation phase from 1989 to 1998, with an emphasis on privatization and decollectivization, and with difficulties similar to those observed in other transition countries; (ii) the reconstruction phase from 1999 to 2003, characterized by institutional reforms and consolidation of market reforms; and finally (iii) the high-growth phase from 2004 to 2008 lasting until the onset of the global financial crisis, with GDP growth rates at around 10 per cent per year on average.

*The Rectangular Strategy* and *NSDP Update 2009–2013*. The Government’s agenda for economic planning and development has been laid down in two important documents. *The Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase II* contains the Government’s socio-economic policy agenda of the political platform for the Fourth Legislature (2008–2013). Figure 3.1 shows a simplified version of the Strategy.

**Figure 3.1 Cambodia: The Rectangular Strategy**



The second document is the mid-term review of the National Strategic Development Plan (NSDP) in its *Update 2009–2013*, which provides the roadmap for the implementation of the Government’s priorities for the Fourth Legislature, as outlined in the Rectangular Strategy. Following the “Rectangular framework”, the *Update 2009–2013* systematically lists the Government’s achievements during the past period and its objectives for the current Legislature. The core of the rectangle consists of measures to improve (i) the governance regime; and (ii) the responsiveness of public finance to the macroeconomic environment. Here, the Government’s public finance framework and the targeting of financial resources to Cambodia’s industrial needs have been set out. Among others, the Update lists the following priorities (RGC, 2009, pp. 79–83):

- adopting a “prudent” fiscal stance – that is, accommodating to economic needs but with a view to the financial possibilities;

- enhancing the tax base, strengthening compliance and exploring alternative revenue sources;
- rationalizing government expenditures with a view to optimizing the available resources for the priorities set in the NSDP agenda; and
- expanding microfinancing facilities, in particular to remote areas.

At the four angles of the rectangle (see figure 3.1) the Government's economic development priorities are set out for the agricultural sector, the infrastructure, the private sector and the development of human capital. The various chapters of the NSDP contain detailed plans for these four areas. In particular, the chapter on private-sector development deserves mention here, as it lists priorities that are to be further elaborated into employment and social protection policies: improving the investment climate, facilitating the setting up of SMEs in the formal sector, creating jobs and improving working conditions, and establishing social safety nets (RGC, 2009, pp. 146–155).

*The National Social Protection Strategy (NSPS).* With respect to social protection, a third strategic document is crucial. Following an extensive consultation process with national stakeholders, in 2011 the Government published its National Social Protection Strategy, which elaborates upon the priorities laid out in the *NSDP Update 2009–2013*. The NSPS aims to complement and coordinate the plans and strategies of line ministries and other stakeholders in the area of social protection. The Council for Agricultural and Rural Development (CARD), one of the existing four high-level inter-ministerial coordination councils in Cambodia, has been responsible for coordinating the development of the NSPS (see RGC, 2011a).

In the short and medium term the NSPS is focusing on establishing and extending social protection for the poor and the vulnerable. For the longer term, it envisages a further extension towards a comprehensive social protection framework, including the establishment and enhancement of new and existing social insurance schemes – but this longer-term perspective is not elaborated in the document. The strategic goals of the NSPS are to:

- protect the poorest and most disadvantaged;
- prevent the impact of risks that lead to negative coping behaviour and further impoverishment; and
- help to build human capital and expand opportunities for the poor to work themselves above the poverty line.

These goals are to be achieved through the following steps: covering existing gaps; scaling up and harmonizing existing programmes and coordinating the efforts of the agencies involved; ensuring regular financing; and improving

administration and monitoring practices. Following a listing of risks, disadvantaged groups, vulnerabilities and gaps, the NSPS identifies five objectives and highlights the instruments to achieve them. The objectives are:

1. Access to basic provisions.
2. A social safety net targeted at children and mothers.
3. Active labour market policies (ALMPs) to connect inactive prime-aged people to the labour market.
4. Access to affordable health-care services and financial protection for the poor and vulnerable.
5. Special provisions for disadvantaged groups.

The instruments proposed by the NSPS are not entirely new; rather, what is proposed is consolidation and extension in the coverage of existing programmes. The package includes:

- social assistance to senior citizens, widows, people with disabilities and from endangered ethnic groups;
- a universal child protection grant;
- free education up to grade 12 in community (government) schools;
- free basic health-care services; and
- an employment guarantee scheme.

*The missing piece in the strategic jigsaw.* From the above, we can conclude that much of the groundwork at the strategic level has been done. The NSDP *Update 2009–2013* and the NSPS have been effective in establishing momentum in the pursuit of an encompassing agenda towards social and economic inclusion of all Cambodian nationals. Despite this, it has been argued from various sides – including the ILO (ILO, 2012c) – that there is a need for a national employment strategy (NES) to complement the overall planning framework. This NES should take a long-term view: where does Cambodia envisage itself in a five- to ten-year time frame? Also, it should be based on social dialogue to establish a common platform with a shared focus. Given that the NES would complement the existing strategic government documents – notably, the NSDP *Update 2009–2013* and the NSPS – its setting up and elaboration requires careful consideration of these milestone documents in order to ensure that initiatives under the NES fall on fertile soil.

Together, the NSDP and NES can be the pillars of an integrated national employment and social protection strategy for Cambodia, as envisaged in the ILO/EU project “Improving Social Protection and Promoting Employment”.

*Outline of this chapter.* This chapter describes the challenges of formulating a plan for integrated employment and social protection policies in Cambodia. Section 3.2 focuses on some of the economic and labour market backgrounds that provide the stage for the plan, and argues that the problems Cambodia faces make such an integrated plan urgent. Section 3.3 illustrates that there are indeed forces pushing towards such an integrated employment and social protection approach, and that these forces are at work on both on the strategic and operational (instrumental and implementation) levels. Sections 3.4 and 3.5 highlight two examples where the sum of measures can add up to more than just their constituent parts: the social protection floor in section 3.4, and the identification of industrial sectors with a high economic potential (Cambodia’s future “growth diamonds”) in section 3.5. However, there are also some challenges to overcome – in particular in the coordination of the tasks and responsibilities of the multitude of actors involved, and in the organization of a social dialogue to support the integrated policies. Section 3.6 discusses some of these issues. Section 3.7 provides some conclusions and recommendations, including as to the role of the ILO and other international organizations in supporting these developments.

## 3.2 Towards integrated employment and social protection policies

**Table 3.2 Cambodia: GDP growth and composition by sector, 2002–2008**

	2003	2004	2005	2006	2007	2008	Average 2002–08
<b>Overall real GDP growth rate</b>	<b>8.5</b>	<b>10.3</b>	<b>13.2</b>	<b>10.8</b>	<b>10.2</b>	<b>6.7</b>	<b>9.9</b>
Agriculture, fisheries & forestry	10.5	−0.9	15.7	5.5	5.0	5.7	6.8
Industry	12.1	16.6	12.7	18.3	8.4	4.0	11.9
Trade and services	5.9	13.2	13.1	10.1	10.1	9.0	10.2
<b>Sector composition of GDP</b>							
Agriculture, fisheries & forestry	32.0	29.4	30.7	30.1	29.7	34.9	
Industry	25.0	25.6	25.0	26.2	24.9	21.1	
Trade and services	38.2	39.3	39.1	38.7	38.5	38.5	

Source: ILO, 2012a.

As shown in table 3.2, Cambodia’s economic growth record is impressive; moreover, from the late 1990s to about 2007 it was associated with a tangible reduction in poverty. Nevertheless, it needs to be noted that the poverty

incidence has remained high, especially in rural areas, in specific regions, and among particular groups of the population. Labour force participation in Cambodia is high compared to international standards: the total labour force has been expanding by about 3.3 per cent per annum on average during the past decade, with over 25 per cent now in the age group 15 to 24. Likewise, the employment-to-population rate is high – estimated at 77 per cent. However, at the same time we observe that total employment comprises a large share of unpaid family workers, the majority of whom are women. Hence, a large percentage of the population has an income between the lower threshold (US\$1.25 per diem) and the higher threshold (US\$2 per diem) and this group is particularly vulnerable to economic shocks or negative income consequences of life events.

Cambodia is no exception in the region – and indeed in the world. The ILO estimates that in 2010 almost two-thirds of the labour force in the South-East Asian and Pacific region was in vulnerable employment (see table 3.3). For these people, working conditions tend to be precarious. Workplaces are undefined, work conditions are unsafe and unhealthy, incomes are low and irregular, working hours are long, and access to social protection and training facilities is nonexistent. The share of working poor (people who are poor despite having a job) in low- and middle-income countries varies; it has declined in the past decade but remains high in some parts of the world such as South Asia and sub-Saharan Africa. In the South-East Asian and Pacific region it has declined rapidly during the past decade, as shown in table 3.4.

**Table 3.3 Vulnerable employment, world and selected regions, 2000, 2007 and 2010**  
(percentage of labour force)

	Both sexes			Females		
	2000	2007	2010	2000	2007	2010
World	52.8	51.1	49.6	55.7	53.5	51.0
Developed economies and EU	10.8	9.9	10.0	10.2	8.6	8.5
Central and South-Eastern Europe (non-EU) and CIS	25.5	20.6	20.9	25.1	20.1	20.5
East Asia	58.0	54.8	49.6	64.3	60.5	53.9
<b>South-East Asia and the Pacific</b>	<b>65.3</b>	<b>62.3</b>	<b>62.3</b>	<b>70.7</b>	<b>67.3</b>	<b>66.7</b>
South Asia	80.9	80.0	78.4	88.1	86.3	84.6
Latin America and the Caribbean	35.9	32.3	31.9	36.8	33.1	32.3
Sub-Saharan Africa	80.7	77.6	76.9	87.6	85.5	84.7

Source: ILO, 2012c.

**Table 3.4 Working poor, world and selected regions, 2000, 2007 and 2010**  
(percentage of total employed)

	< US\$1.25/day			< US\$2/day		
	2000	2007	2010	2000	2007	2010
World	26.4	16.7	15.1	45.9	33.1	30.2
Central and South-Eastern Europe (non- EU) and CIS	4.6	1.8	1.4	13.0	5.5	4.8
East Asia	29.9	10.9	8.1	53.2	25.6	19.1
South-East Asia and the Pacific	31.1	14.5	11.4	60.5	38.3	33.0
South Asia	46.7	37.8	36.8	81.2	70.8	68.7
Latin America and the Caribbean	7.0	4.2	3.5	15.1	10.4	9.1
Sub-Saharan Africa	54.8	43.4	39.1	75.7	67.0	63.2

Source: ILO, 2012c.

### 3.2.1 Labour market imbalances

Despite the fact that the share of the primary sector is on a declining trend in relative terms, the majority (71 per cent) of the employed still work in this sector – predominantly in agriculture. Most employment by far (83 per cent) can be attributed to the informal economy – generally without income security and with no entitlements to social protection benefits (ILO, 2012a). Internal labour migration is high in Cambodia; it is estimated that about one-third of those in the labour force are domestic migrants. Therefore, whereas labour force participation is high and the official unemployment rate is low (1.7 per cent of the labour force in 2008) underemployment and seasonal unemployment are estimated to be high, particularly in the informal economy.

One of Cambodia's major economic and social challenges is to create employment opportunities for new entrants to the labour force while at the same time increasing earnings and raising productivity for the vast majority of workers employed in rural areas and the informal economy. The continued high growth rate of the working-age population will increase the labour force in the next decade from an estimated 8.1 million in 2012 to 9.6 million in 2020 (ILO, 2012d).

### 3.2.2 Enlarging the productive base

Another fundamental challenge confronting Cambodia is the need to accelerate productivity growth and ensure that productivity gains are translated into better working conditions and higher wages. Cambodia has one of the lowest levels of productivity among the countries in the Asia–Pacific region, at about one-third of the average of ASEAN countries in 2008 (ILO, 2010, p. 20). There

is a mismatch between skills available and skills demanded. Large numbers of workers lack the skills that would make their efforts more productive, whereas others find themselves locked in jobs that are not utilizing their capacities to the full.

### 3.2.3 The global financial and economic crisis, and economic integration in the region

The global financial and economic crisis has disclosed the structural imbalances in Cambodia, and has highlighted the labour market challenges. Thus far, like many of its South-East Asian neighbours, Cambodia has followed a labour-based, export-oriented growth strategy. While this has been successful in some respects – for example in the rapid growth in garment exports – the success has been ascribed to a set of fortuitous circumstances which are unlikely to be sustained in the future (ILO, 2012a). The most important of these is the strong dependence on foreign direct investment. Those countries in the region that have sustained past successes, however, have organized their industrial base. The designing of “backward–forward linkages” and concomitant policies to encourage appropriate factor use, domestic investment, entrepreneurship and skills to capture the markets has been crucial to their success. Industrial development will require diversification, which in turn is necessary for a diversified export portfolio. Attention is needed to the encouragement of domestic entrepreneurs, and specifically small and medium-sized enterprises (SMEs). The high proportion of expatriate workers currently in the high-end jobs in the export industries needs to be brought down through a well-designed programme teaching Cambodian workers targeted skills. In the long run, Cambodia’s export competitiveness should not rest on cheap labour, but on enhancing productivity and on skills competitiveness. Skills policies would need to be further tuned to reduce mismatches in the job market.

The establishment of a single market in ASEAN, envisaged for 2015, further raises the stakes. In 2015 there will be free movement of commodities, services and labour between the ASEAN economies, and this will open new windows for Cambodian entrepreneurs and workers to compete in international markets. With this perspective, a well-educated workforce will become more important than ever.

### 3.2.4 Conclusion

The Cambodian Government has long since acknowledged that economic growth per se does not benefit (“trickle down” to) the poor. The past decade of massive economic growth has not succeeded in providing sufficient paid jobs with decent working conditions to all Cambodians of working age who would be willing to work. Hence, it is obvious that economic growth alone is

not sufficient to avoid underemployment: while it has offered opportunities to some, it has also left others – many others, and this includes a large number of working poor – behind. The NSPS, therefore, has prioritized the development of effective and sustainable social safety nets targeted to the poor and the vulnerable. This is highly commendable, but it is not sufficient. There are two core issues for Cambodia:

- to raise productivity through building on human capital and meeting the needs of the labour market; and
- to include the vulnerable and poor into the formal sector and create decent job opportunities.

This points to the need for a NES, because:

- evidence reveals that economic growth alone is just not sufficient;
- despite more than a decade of impressive GDP growth, over 80 per cent of Cambodian workers are still ill-protected against the risks of life; and
- Cambodia is lagging behind other ASEAN countries in terms of productivity.

There is also a need to integrate this NES into the existing D&D Strategic Framework – notably the NSPS. The NES will then serve to focus on generating a sufficient quantity of quality employment – that is, productive and well-paid job opportunities for those who are on the sidelines at present, and for those who will shortly enter the labour market. In this respect, the NES can be the missing link in Cambodia’s development strategy: it can lead to a truly integrated employment and social protection strategic framework, and it can bring about one of the Government’s main priorities – a reduction in the number of poor and vulnerable households.

### **3.3 What are the elements pushing towards this integrated strategic framework?**

Three sets of elements can be identified, and at three levels: (i) coordination; (ii) instruments; and (iii) implementation.

#### **3.3.1 The commitment of the Cambodian Government to an integrated strategic framework**

Two strong elements pushing in favour of integrated employment and social protection policies in Cambodia are the commitment of the Government to

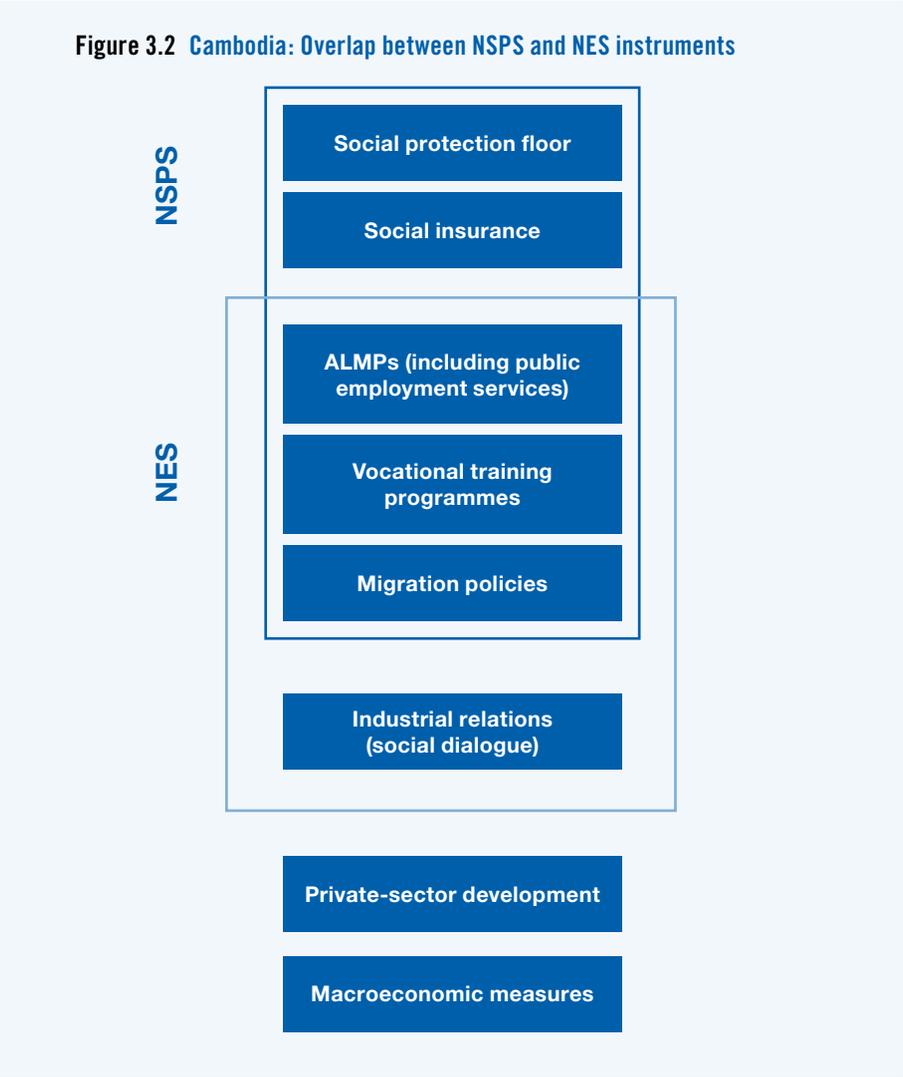
reducing the number of the poor and vulnerable, and the strategic milestones that have been established over the past decade towards that objective. The National Strategic Development Plan 2006–2010 placed poverty reduction among the highest national priorities. In the Plan the Government expressed the need for “focused attention and targeted action to reach the Cambodian Millennium Development Goals (CMDGs) in reducing poverty”. The NSDP *Update 2009–2013* notes that “creating jobs and ensuring improved conditions are the Government’s continuing long-term goals, aimed at enhancing the living standards of the population and ultimately alleviating poverty and accelerating economic growth”. This provides the context and justification for designing a national employment policy/strategy – a policy that will focus on employment promotion, on improving the quality of employment and on non-discrimination.

The NSDP *Update 2009–2013* identifies the actors (WHO is responsible), actions (WHAT is undertaken), and costs (HOW will objectives be achieved). This is intended to ensure that bottom-up activities from the various ministries and other stakeholders are consistent with top-down priorities and the financial framework. And, as mentioned before, the National Social Protection Strategy (NSPS) aims to complement and coordinate the plans and strategies of line ministries and other stakeholders in the area of social protection. In this respect, the high-level Council for Agricultural and Rural Development (CARD) has a mandate to coordinate the NSPS with a view to ensuring the effectiveness and efficiency of the measures that will follow from it. The actual implementation of the various measures will fall under the responsible line ministries. The NSPS will provide an overall framework to guide these activities – more specifically, to avoid duplications or gaps; harmonize procedures; enhance capacities in ministries, local government and other agencies involved; strengthen monitoring and compliance mechanisms; and coordinate the use of available funds. Hence, from the perspective of governance, we can infer that a strong driver towards an integrated strategic framework – including social protection and employment policies – is in place.

### 3.3.2 Linkages between the various instruments

The strong linkages between employment and social protection policies at the instrument level comprise the second cluster of elements pushing towards an integrated and coherent strategic framework. Figure 3.2 illustrates these linkages.

**Figure 3.2 Cambodia: Overlap between NSPS and NES instruments**



These linkages ensure that working in one area of the social protection frame will also push forward other areas. For example, efforts to enhance access to education and improve connections between education and the labour market will, through upgrading the level of human capital, increase the productive base and in the end reduce the number of poor and vulnerable households in Cambodia. In other words, achieving progress in one area will have positive spill-over effects on other areas.

In Cambodia the Government and the social partners have recognized the need for a social security reform that will, within available resources, meet social and economic requirements. The extension of social security to workers

in the informal sector and their families is regarded as particularly important in this respect. It may be conceived as the horizontal dimension in a two-dimensional approach to extend social security coverage in Cambodia. It adopts the idea of a “social protection floor” consisting of a set of social protection schemes providing (i) universal access to basic/essential health-care benefits; (ii) family/child benefits aimed at facilitating access to nutrition, education and care; (iii) targeted income support for the non-working poor in the active age group; and (iv) some arrangement providing pension benefits to the elderly and disabled.

A number of social protection arrangements are already in place in Cambodia. The challenge in this horizontal approach will be to bring the current programmes under a more coherent framework, and to trace and address those pockets of the population – social, regional, ethnic groups – that are not covered by any of the existing programmes. Much of what the NSPS describes in terms of objectives and medium-term instruments as well as implementation and monitoring deals with this horizontal approach.

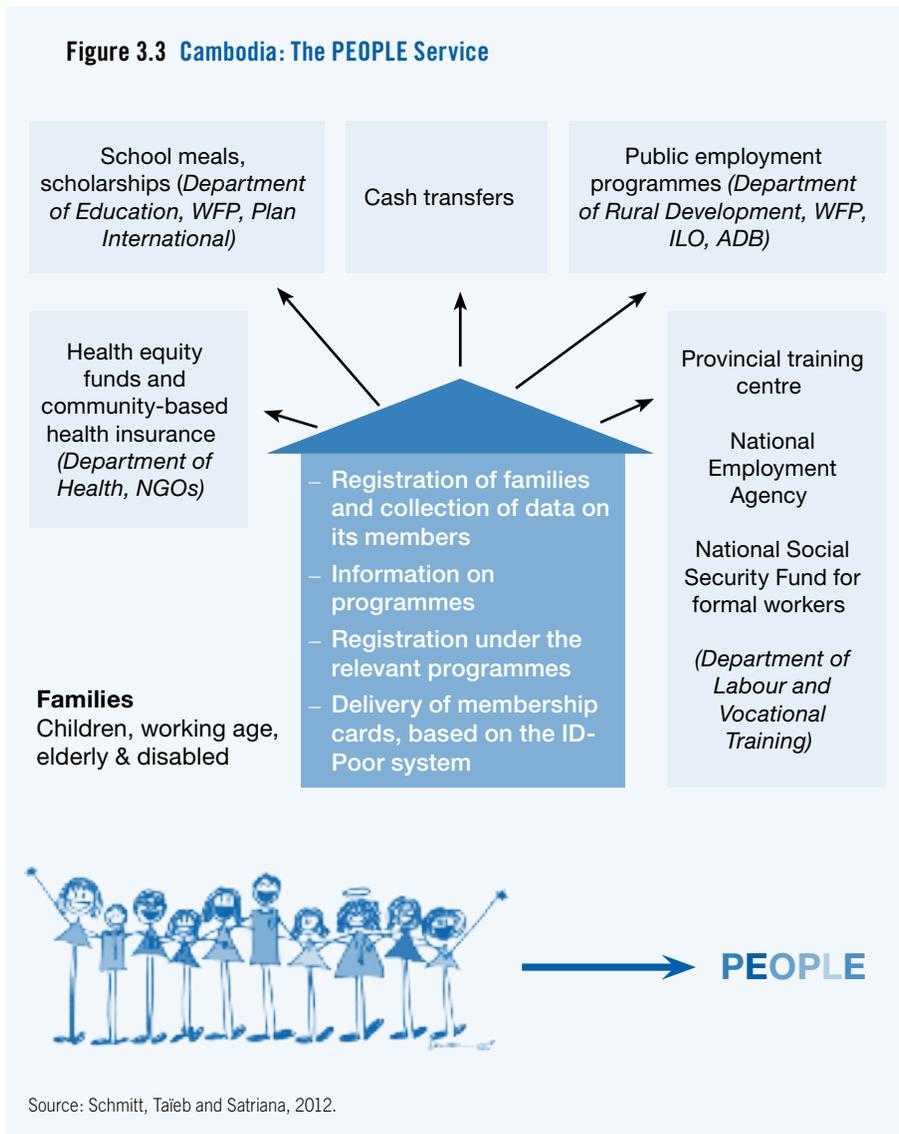
Another crucial objective in the NSPS is providing the working-age poor and vulnerable with work opportunities. In fact, where the NSPS overlaps most clearly with elements of a possible national employment strategy (NES) is in the addressing of active labour market policy (ALMP) measures – for example, public works and technical and vocational education and training (TVET) programmes.

A further dimension would be the vertical extension of social insurance coverage. This is mentioned in the NSPS as a longer-term objective. The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) provides guidance in this respect. To date, there are several social insurance schemes under the NSSF, the National Fund for Veterans (NFV) and the National Social Security Fund for Civil Servants (NSSFC) and there are plans for a further extension in the immediate future.

### 3.3.3 Implementation

A third element operating in favour of integrated employment and social protection policies lies in the actual implementation of the various services on the ground. In Cambodia, the ILO is piloting an innovative mechanism that intends to better coordinate, monitor and deliver integrated social protection and labour market interventions. Named the PEOPLE Service (see Schmitt, Taïeb and Satriana, 2012), it is an office within government structures at local level, aiming to bring social protection and employment services together under one roof (see figure 3.3). The PEOPLE Service has already been adopted as the central implementation mechanism of the NSPS by CARD’s Social Protection Coordination Unit.

**Figure 3.3 Cambodia: The PEOPLE Service**



The PEOPLE Service has five objectives (Schmitt, Taïeb and Satriana, 2012):

1. Provide a coherent framework for the implementation of the NSPS and facilitate coordination between line ministries.
2. Simplify procedures and develop synergies between the components of the NSPS, reduce costs, share administrative tasks: registration, vulnerability assessment, skills assessment.

3. Empower subnational levels: the PEOPLE Service will be established at district and commune/sangkat level. The districts and communes will be involved in its design and oversight.
4. Facilitate the establishment of a monitoring and evaluation system through a common database of beneficiaries, based on ID-Poor (as explained below).
5. Facilitate access to existing social protection schemes for those families which lack access to information and services. The offices will be close to the people, at district and commune level.

ID-Poor consists in the identification of all poor households in Cambodia and the determining of their respective needs. So far, more than 50 per cent of all Cambodian households have been interviewed. The ID-Poor database should include all poor Cambodians towards the end of 2012 and is a useful mechanism for tracking poor households. The lack of an appropriate targeting mechanism is often the main impediment for the introduction of benefits targeted at the poor.

The PEOPLE Service could be the link between beneficiaries at the commune level and job centres in the cities. It would collect data on jobseekers and transmit the information to the job centres through an integrated database. On the social protection side, the PEOPLE Service identifies poor households, assesses their vulnerabilities, registers them under the relevant social protection and employment programmes, and updates the poverty/vulnerability databases (for example, ID-Poor) with information on the utilization of social protection and employment programmes.

### **3.4 Extending social protection and establishing a social protection floor for Cambodia**

The previous section has mentioned the reform process along the “horizontal dimension”. This would encompass the consolidation of a “basic and modest set of social protection guarantees” suitable and affordable in given national conditions, as expressed in the Social Protection Floor Initiative. A national social protection floor consists of a minimum package of rights, transfers and services to be guaranteed by the State. This section will elaborate this issue a little further, while the next section will look a bit deeper into another crucial area of the integrated strategic framework: the identification of future economic growth sectors.

In the NSPS several categories of programmes have been identified, as shown in table 3.5:

**Table 3.5 Cambodia: NSPS strategic objectives and interventions proposed, 2011**

Strategic objective	CMDG nos.	Interventions proposed
1 Addressing food security and basic needs in case of emergency	1, 9	→ Targeted food distribution → Distribution of farm inputs → Emergency support operations
2 Addressing poverty and vulnerability of children and mothers	1, 2, 3, 4, 5	→ Cash, vouchers, food, or other in-kind transfers for children and women in one integrated programme → School feeding, take-home rations → Outreach services and second-chance programmes for out-of-school youth
3 Addressing seasonal unemployment and underemployment	1	→ National labour-intensive public works programmes → Food for work and cash for work schemes
4 Promoting affordable access to health care for the poor and vulnerable	4, 5, 6	→ Expansion of health equity funds (HEF) and community-based health insurance (CBHI)
5 Improving social protection for vulnerable groups	1, 6, 9	→ Social welfare services for special vulnerable groups → Social transfers and social pensions for the elderly and people with chronic illnesses and/or diseases

Note: CMDG = Cambodian Millennium Development Goal.

Source: ILO, 2012d, based on RGC, 2011a.

### 3.4.1 Costing NSPS strategic objectives

The ILO has estimated the costs of several combinations of programmes (ILO, 2012d). Providing food relief for the ultra-poor through cash transfers would cost 2.4 per cent of GDP in the short run, decreasing to 0.7 per cent towards 2020 (see table 3.6). Including the vulnerable in the cash transfer scheme would cost 4.5 per cent of GDP immediately, decreasing to an estimated 1.5 per cent in 2020. Various options for cash transfer schemes for families with small

**Table 3.6 Costing of NSPS measures: Food relief and transfers to families with children, 2012, 2016 and 2020 (percentage of GDP)**

Programme	2012	2016	2020
Targeted food relief (ultra-poor) <sup>1</sup>	2.43	1.33	0.66
Targeted food relief (all poor)	4.53	2.63	1.48
Targeted cash transfers (poor families with children) <sup>2</sup>	0.95	0.56	0.31
Universal cash transfers (all families with children)	3.77	2.89	2.33

Notes: <sup>1</sup> Ultra poor corresponds to ID-1, all poor corresponds to ID-1 and 2 (including the vulnerable).

<sup>2</sup> Includes all transfers to pregnant women, children aged 2–4 and in primary school.

Source: Calculated from ILO, 2012d.

children (income support for pregnant women and various child allowance options) together would cost an estimated 1 per cent of GDP in the short run, levelling off to 0.3 per cent towards 2020, if targeted to poor families.

Further options for the horizontal extension of social protection would include social pensions for vulnerable groups such as the elderly and disabled. There is a distinction between targeted social old-age pensions (to the poor) and universal social old-age pensions (see table 3.7). The costs for the targeted option would range from 0.1 to 0.5 per cent of GDP in the short run to less than 0.05 to 0.2 in the longer run, depending on the pensionable age and the benefit replacement rate (benefit level as related to the subsistence income level). For the universal package this would range from 0.9 to 2.2 in the short run to 0.7 to 1.7 in the longer run, again depending on the same parameters. Last, social pensions for the disabled would range from 0.1 to 0.4 in the short run to less than 0.05 to 0.25 in the longer run, again depending on whether the scheme is a targeted or a universal one.

**Table 3.7 Costing of NSPS measures: Old-age pensions and transfers to the disabled, 2012, 2016 and 2020 (percentage of GDP)**

Programme	2012	2016	2020
Targeted old-age pensions (all poor) <sup>1</sup>	0.50	0.33	0.21
Universal old-age pensions <sup>2</sup>	1.39	1.22	1.10
Targeted income support for the disabled (all poor)	0.10	0.06	0.03
Universal income support for the disabled	0.42	0.32	0.25

Notes: <sup>1</sup>All poor from age 60. <sup>2</sup>Universal from age 65.  
Source: ILO, 2012d.

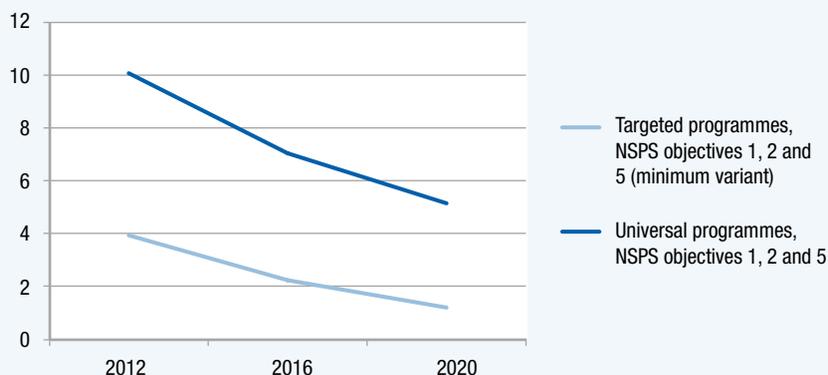
In aggregate, the estimated costs of all these schemes under NSPS objectives 1, 2 and 5 would be around 10 per cent of GDP in the most generous variant upon introduction in 2012. These costs would decrease to an estimated 5 per cent of GDP towards the end of the projection period in 2020. Targeted instead of universal benefit schemes would cost a considerably smaller share of GDP (see table 3.8 and figure 3.4).

**Table 3.8 Costing of NSPS measures: Aggregate expenditures for objectives 1, 2 and 5, 2012, 2016 and 2020 (percentage of GDP)**

Programme	2012	2016	2020
Targeted programmes, NSPS objectives 1, 2 and 5 (minimum variant)	3.98	2.28	1.21
Universal programmes, NSPS objectives 1, 2 and 5	10.11	7.06	5.16

Source: Calculated from ILO, 2012d.

**Figure 3.4 Costing of NSPS measures: Aggregate expenditures for objectives 1, 2 and 5, 2012–2020 (percentage of GDP)**



### 3.4.2 Social health protection costings

Health equity funds (HEF) are a pro-poor health financing mechanism. They are currently the most widespread and most effective form of social health protection provided in Cambodia, together with the fee exemption scheme (Taïeb et al., 2012). Forty-four HEFs are operating in 23 provinces and in the city of Phnom Penh. Civilians identified as poor by the ID-Poor national targeting system are entitled to use the health services they need free of charge at the point of use. The HEFs are donor-funded.

The ILO (2012d) has calculated the costs of extending HEF coverage to all poor, nationwide. The total cost is estimated at US\$13.7 million for the year 2012, an amount equivalent to about 0.1 per cent of GDP (see table 3.9). The relative cost of extended HEF coverage is projected to decrease to 0.06 per cent of GDP by the year 2020, due to an expected decrease in poverty and the assumption of sustained GDP growth over the period. The average cost per capita of HEF coverage is projected to increase from US\$3.97 in 2012 to US\$8.85 by the year 2020 due to an assumed increase in utilization and taking inflation into account (ibid.).

**Table 3.9 Costing of NSPS measures: Extending social health protection, 2012, 2016 and 2020 (percentage of GDP)**

Programme	2012	2016	2020
Extending social health protection (all poor)	0.10	0.09	0.06

Source: ILO, 2012d.

### 3.4.3 Public works programmes costings

Public works programmes (PWP) contribute to the development of rural infrastructure while also providing income. This will contribute to the achievement of a number of MDGs related to health, education and income relief for poor and vulnerable households. Improved infrastructure results in better access to economic and social services, and has a direct impact on school enrolment, the use of health services and access to markets and government services. PWP can meet some of the demand and need for the rehabilitation or construction of rural infrastructure. The maintenance of public infrastructure in Cambodia suffers from a chronic lack of funding. PWP can help to fill the funding gap and address needs for routine maintenance of roads, irrigation canals, flood protection structures and public buildings.

Cambodia has a considerable track record in the implementation of cash- and food-for-work programmes. Food-for-work programmes have been implemented since 1993. The experience and expertise in the implementation of these programmes can be utilized for a PWP.

The ILO (2012d) has also calculated the estimated costs of two options for introducing public works programmes. The first targets the ultra-poor and the second also targets the vulnerable categories (ID-Poor 1 and ID-Poor 1 and 2, respectively). This would mean that just over 42,000 households or 75,000 households would benefit from the scheme, respectively, in 2012. The per diem wage has been assumed at US\$2.50. The estimated costs for both options would be 0.14 or 0.26 per cent of GDP in 2012, decreasing to 0.05 or 0.11 per cent of GDP towards 2020 (table 3.10).

**Table 3.10 Costing of NSPS measures: Public works programmes, 2012, 2016 and 2020**  
(percentage of GDP)

Programme	2012	2016	2020
Targeted public works programme (ultra-poor)	0.14	0.09	0.05
Targeted public works programme (all poor)	0.26	0.17	0.11

Source: ILO, 2012d.

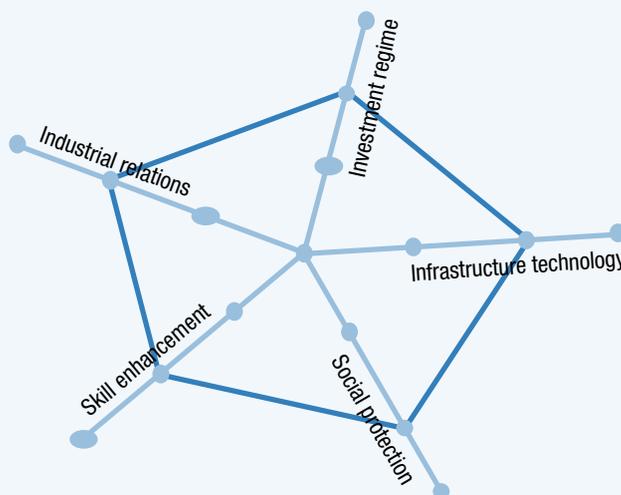
## 3.5 Developing “growth diamonds”

One important element in the NES could be the identification of “growth diamonds” – economic sectors in which Cambodia could achieve a competitive advantage in the near or more distant future. Achieving this competitive edge would require a careful coordination of policies targeted at these sectors.

By “competitive advantage” we do not mean comparatively static endowments such as those natural resources (fuel sources, abundance of arable land), or low factor costs (low wage costs) that enable countries to produce for some time at lower costs than other countries. Competitive advantages need to be created and require continuous nurturing. Well-known examples are the competitive advantages acquired by economies such as the Republic of Korea and Taiwan (China) in terms of skill-intensive industries. Skilled labour was unavailable when these countries staged their economic take-off. It required an enormous and concerted effort in terms of planning and resource mobilization to build the required human capital, and the role of government in facilitating this has been crucial to the success of these economies. It was the combination of government policies directed towards skill enhancement (education), the investment climate (tax and regulatory relief policies), infrastructure improvement (harbour construction, transport logistics), and various social policies that were the drivers of productivity growth.

An important element of the “growth diamond” concept is that it helps to concentrate and coordinate policies within various ministries and in different areas. Growth diamonds provide a focus: targets can be set and milestones defined. Figure 3.5 provides an illustration.

**Figure 3.5** The “growth diamond” and its dimensions



On the five axes of the diamond the main policy areas are defined. For example, in an integrated employment and social protection strategic framework the following five dimensions may be identified: (i) the investment

regime, including the various regulations and tax incentives that are aiming to stimulate investment in a certain sector; (ii) infrastructure and technological improvements; (iii) social protection schemes and programmes – both universal and tailored to the specific sector (for example, social insurance schemes); (iv) skill enhancement programmes (for example, TVET programmes); and (v) the industrial relations regime.

Together, the five dimensions would constitute a strategic agenda for a specific sector. Targets can be formulated and progress measured in each dimension, as shown in figure 3.5 where the various points on the axes stand for the milestones.

The identification of Cambodia's future growth diamonds is a task that could be taken up in the NES. Several economic sectors have the potential to become growth diamonds: rice production, the silk manufacturing industry, rubber plantations, agro processing and the hotel sector, to list just a few. To have SMEs spread across the sectors could be a focus in itself. Table 3.11 shows the various dimensions (the branches/axes of the growth diamond) for the rice production sector.

**Table 3.11 Application of the growth diamond concept to the rice production sector in Cambodia**

Branch of the diamond	Example	Social protection and employment services (NSPS/ES)
Technical conditions	Development of irrigation infrastructure through PWP	PWPs
Economic conditions and legal constraints	Access to land security (enforcement of land reform) and to assets (capital/machines)	Income security for those of working age
Social requirements	Establishment of a rice bank which would buy/store/sell the production and smooth the income of rice producers	Income security for those of working age
Human capital requirements	Skills development (technical, marketing, etc.)	Vocational training
Economic conditions and social requirements	Linkages with local markets such as hotels and schools (through the school feeding programme); tax exemption to facilitate exports	School feeding programme Income security for those of working age

Source: Schmitt, Taieb and Satriana, 2012.

It is in the identification of these growth diamonds and in the assessment of the needs for these sectors to develop their economic potential that the NES could contribute in a very practical sense to the existing strategic framework.

First, an assessment would be required as to the market potential (the future potential size) for each specific sector. Subsequently, a needs assessment can be made, including:

- *Identifying the enabling technical conditions.* What are the current technological and infrastructure deficiencies of the sector? What is required to bridge these gaps and enable the sector to realize its potential?
- *Identifying the enabling economic conditions.* What is the current investment climate, what current policies are in place, and what does it take in terms of incentives and security to attract domestic and foreign investors into the sector? How can entrepreneurship be encouraged? What does this take in terms of credit constraints?
- *Identifying the legal and institutional constraints.* What are the obstacles in terms of legislation and institutional organization that hinder the mobilization of required resources?
- *Identifying the social requirements.* What are the vulnerabilities in this specific sector? Are there precarious work conditions and what are they? What does it take to establish a standard of decent work in this sector?
- *Identifying the human capital requirements.* What are the skills required and where are the gaps in this respect?

Following up on this identification of the needs, a detailed roadmap can be drafted that addresses all these issues. This roadmap should be discussed with the stakeholders and translated into an operational plan with actions for the various actors. In this respect, sector-specific committees or “platforms” should be formed to conduct/coordinate operations, consisting of representatives of the various line ministries involved as well as the social partners.

Indicators need to be defined along the various dimensions of the growth diamond that help not only to reveal the gaps between the present situation and the target in 2020 but to set milestones on each of these dimensions. As these milestones are achieved and each sector develops its potential for growth, the diamond becomes larger over time (similar to a graphic radar chart).

## 3.6 What are the challenges to overcome?

### 3.6.1 Institutional and implementation challenges

In its NSPS the Government has identified a number of institutional and implementation constraints with respect to the effective and efficient provision of social protection. The list includes the following:

- agendas tending to be ruled by immediate priorities rather than a long-term vision;
- weak development at the local government level to implement measures;
- limited coordination leading to gaps/duplications in coverage;
- lack of universal geographic coverage and poor prioritizing of areas;
- ad hoc programmes, poor monitoring of impacts;
- absence of feedback mechanisms, non-transparent governance; and
- weak coordination of funding inputs.

While CARD has a mandate to coordinate the NSPS with a view to ensuring the effectiveness and efficiency of the measures that will follow from it, the actual implementation of the various measures will fall under the responsible line ministries. The NSPS should provide an overall framework to guide these activities – more specifically, to avoid duplications or gaps; harmonize procedures; enhance capacities in ministries, local government and other agencies involved; strengthen monitoring and compliance mechanisms; and coordinate the use of available funds.

It is not hard to realize that implementing the NSPS is an extremely challenging venture. This will become even more so after the NES – that is, an integrated employment and social protection strategy – has been formulated. Activities under the NES will need to be coordinated and integrated at the operational level with the activities under the NSPS.

The line ministries would implement their own policies through the relevant institutions and agencies:

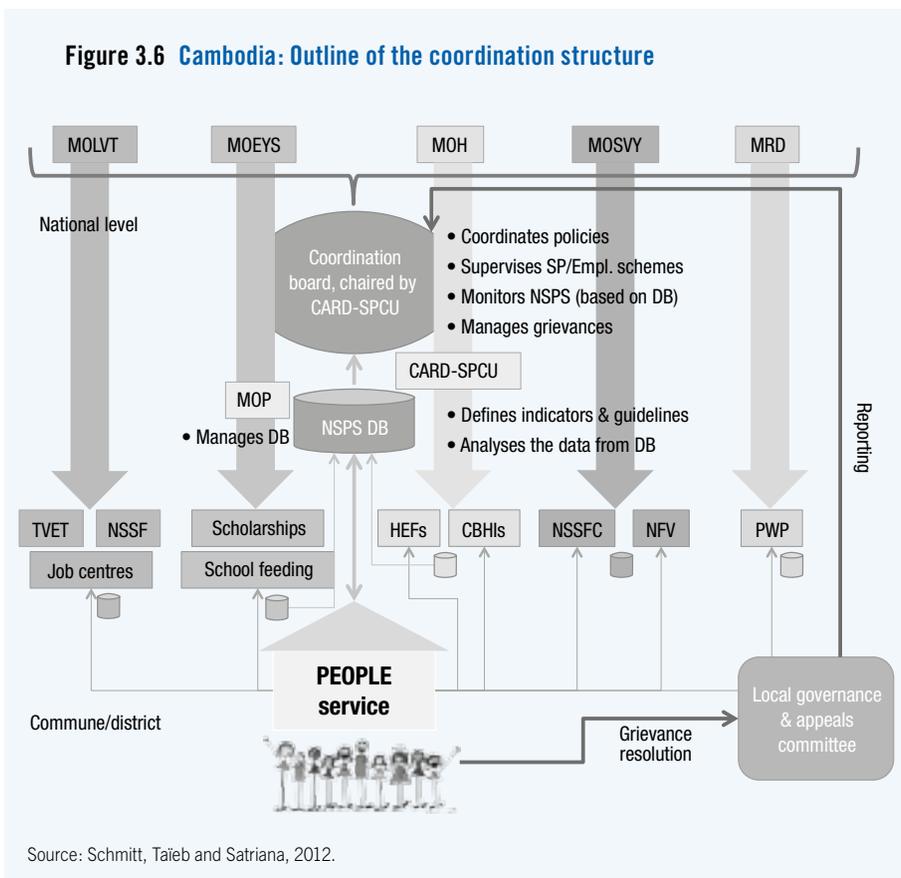
- Ministry of Labour and Vocational Training (MOLVT) → NTB, TVET, NEA, job centres, NSSF
- Ministry of Education, Youth and Sport (MOEYS) → scholarships and school feeding
- Ministry of Health (MOH) → HEFs, CBHIs
- Ministry of Social Affairs, Veterans and Youth Rehabilitation (MOSVY) → NSSFC, NFV
- Ministry for Rural Development (MRD) → PWP's

This will require a coordination platform or board to be established at national – that is, ministerial – level. This platform should be composed of representatives from all line ministries (this is the social protection task force: 11 line ministries) and representatives from the provincial governors and final beneficiaries.

The functions of the board would include the sharing of information and the coordination of policies, the establishing of a list of indicators to monitor the NSPS/ES and extension of coverage, and the establishing of assessment

protocols with respect to the impact of the integrated NSPS/ES on poverty reduction, productive and remunerative employment and other indicators. The board would use the information in the consolidated database managed by the Ministry of Planning (MOP).

Who would lead this board? One option could be that it would be chaired by CARD’s Social Protection Coordination Unit (CARD-SPCU). But would CARD-SPCU be trusted to lead a board that would supervise the National Employment Agency (NEA) and the NSSF, for example? Figure 3.6 assumes that this is the case. However, this might not be self-evident to all the stakeholders involved.



### 3.6.2 The role of the social partners

Social dialogue is key to the success of an integrated employment and social protection strategy. Earlier in this chapter (section 3.2) we identified the following as the core issues for Cambodia:

- to raise productivity through building on human capital and meeting the needs of the labour market; and
- to include the vulnerable and poor into the formal sector and create decent job opportunities.

The involvement of both workers' and employers' organizations is indispensable to achieve this, at least in the following areas:

- to identify the priority sectors (the “growth diamonds”);
- to identify the needs in these sectors;
- to identify the stakeholder organizations (at the proper level);
- to formulate the ingredients for a NES – that is, the areas the NES should look into; and
- to define the indicators, to set targets, and to measure progress.

The issue is, what are the economic sectors that could be developed into what we have called “growth diamonds” – that is, which are the sectors with a high potential for economic development? This would need to be decided at the national planning level (MOP/MEF/SNEC) and it should link with the mainstream planning agenda: the NSDP *Update 2009–2013* and the coordination structure that has been established under that framework.

The appropriate level of organization is the sector. For the identification of sector needs and the mobilization of stakeholders, an effective platform for social dialogue will be essential. Representatives participating in the platform need to have a clear mandate. This might require a streamlining of the various representative organizations, and given the large number of such organizations currently existing this will not be a simple matter. Even more important, it will require an environment of mutual trust that currently does not appear to exist in Cambodian industrial relations. There seems to be a platform for social dialogue at the central level, as experienced during the national dialogue that was organized in Phnom Penh in March 2012. However, when consulting with a number of organizations during the preparations for this national dialogue, the ILO delegation encountered some clear examples of distrust at lower levels of industrial organization, and there were even reports of outright hostile situations at the shop floor level that had led to fatal casualties. It appears therefore that much effort still needs to be made in terms of investing in mutual trust and training of workers' and employers' representatives to prepare for an effective social dialogue.

Concerning the actual policies, at both the national and the sector levels action plans need to be drafted to meet the current challenges and to bridge the gap between present and future. Crucial in these concerted action

plans is meeting the demands of the labour market – both present and future demand.

### 3.6.3 Vocational education and training (TVET)

Apart from the levels of coordination and social dialogue, there are huge challenges at the operational level as well. Some of these challenges can be demonstrated through the example of the vocational training network (TVET) relative to the needs of the labour market.

The TVET programme, together with public works, is an important pillar of Cambodia's development strategy. Box 3.1, taken from a recent ILO report (Taïeb et al., 2012), illustrates some of the difficulties that have to be solved at the operational level before employment and social protection measures can run smoothly.

#### Box 3.1 TVET programmes in Cambodia: Some challenges

- *Making TVET attractive to students.* Students are reluctant to enrol in training programmes, in so far as many of them face short-term financial problems and cannot afford the opportunity cost of vocational training and education. Besides, no food or accommodation is provided during training, which increases the costs to beneficiaries. Vocational training centres are consequently unable to attract those people who would probably need and benefit most from TVET: the unemployed, underemployed, disadvantaged, drop-outs. In addition, from the students' perspective the status of a TVET diploma or certificate is not considered equally valuable to an academic diploma, whereas from the industry perspective TVET is considered to be of high value, as it is TVET, not the universities, that teach vocational, technical and engineering skills.
- *Making TVET programmes more responsive to labour market needs.* Most courses provided aim to develop skills without being linked with employers or industries. Most of the time, industries and companies prefer to conduct their own training when they recruit employees. As a result, TVET programmes may not respond to labour market expectations.
- *Making TVET address SME start-up skill requirements.* There is a shortage of programmes teaching the entrepreneurial skills that are useful for starting SMEs. Besides, there is no financial support for micro-business creation – despite the fact that this is one of the priorities of the NSDP *Update 2009–2013*.
- *Establishing accreditation and international recognition of certificates.*
- *Establishing access to TVET facilities nationwide.* Vocational training centres tend to be in the cities. As a result, people living outside the cities are not likely to attend the on-location programmes, all the more so as the transportation costs are not covered. Also, facilities in most public training centres are lacking, with most of the existing facilities not functioning well and in need of serious revitalization. Moreover, the salaries of training staff are not in line with their skills, nor are teachers provided with accommodation, means of transportation or allowances.

Source: Taïeb et al., 2012.

### 3.7 Conclusion

Cambodia's economic growth record over the past decade has been outstanding and has been associated with a tangible reduction in the number of poor and vulnerable. Nevertheless, a large percentage of the population is on a low income and is particularly vulnerable to economic shocks or negative income consequences of life events. Core issues for Cambodia are (i) to raise productivity through building on human capital and meeting the needs of the labour market; and (ii) to include the vulnerable and poor into the formal sector and create decent job opportunities. Despite high labour force participation and an extremely low official unemployment rate, the past decade of massive economic growth has not succeeded in providing sufficient paid jobs with decent working conditions to all Cambodians of working age who would be willing to work. Hence, it is obvious that to avoid underemployment, economic growth alone is not sufficient. Major economic and social challenges for the coming decade will include the creation of employment opportunities for new entrants to the labour force, the acceleration of productivity growth, and ensuring that productivity gains are translated into better working conditions and higher wages.

The Government's overall agenda for economic planning and development has been laid down in two important documents: the *Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase II* and the *National Strategic Development Plan (NSDP) Update 2009–2013* – with the latter providing the roadmap for the implementation of the former. With respect to social protection, this agenda has been further elaborated in the National Social Protection Strategy (NSPS), which complements and coordinates the plans and strategies of line ministries and other stakeholders in the area of social protection. The Council for Agricultural and Rural Development (CARD) is in charge of coordinating the development of the NSPS. The NSPS has prioritized the development of effective and sustainable social safety nets targeted at the poor and the vulnerable. This surely addresses a need, but to complement the planning framework it has been argued that there is a need for a national employment strategy (NES). Together, the NSDP and NES could be the pillars of an integrated national employment and social protection strategy for Cambodia, as envisaged in the project “Improving Social Protection and Promoting Employment”.

*Elements pushing towards an integrated approach.* What are the elements pushing in favour of this integrated approach? This chapter has identified three types of elements operating at three different levels. From the perspective of governance, we can conclude from the strategic documents mentioned in the previous paragraph that a strong driver towards an integrated strategic framework – which includes social protection and employment policies – is in place.

The second element is the strong link between employment and social protection policies at the instrument level. This means that working in one field of social policies will also work to the advantage of other areas. Two of those areas that have been elaborated in this chapter are the horizontal extension of social protection programmes into the social protection floor, and the identification and development of future growth diamonds. The latter could help to concentrate and coordinate policies within various ministries from an industrial sector perspective, providing a focus and facilitating the setting of targets and the defining of milestones.

The third element pushing towards integrated policies lies in the actual implementation of the various services on the ground. Here, the ILO is piloting an innovative mechanism that intends to better coordinate, monitor and deliver integrated social protection and labour market interventions – the PEOPLE Service. This could become the link between the beneficiaries at commune/sangkat level and the job centres in the cities.

*Elements hindering an integrated approach.* What are the challenges that need to be overcome? This chapter has argued that there are at least three. The first is the issue of who should take the lead in the coordination of an integrated approach. CARD seems an obvious candidate, but this might not be self-evident to all the stakeholders involved. It could mean that CARD would coordinate organizations that are presently outside its mandate. When we left Cambodia after the national dialogue in March 2012 we were told that the Government, with a view to formulating an employment strategy, has plans to establish an inter-ministerial committee that would have the MOLVT as its secretariat. It remains to be seen how this new committee and CARD will cooperate to arrive at one integrated approach.

The second issue is social dialogue, which is crucial to the success of the integrated approach. The involvement of workers' and employers' organizations in defining the problems and the solutions is clearly indispensable. However, this will require an environment of mutual trust that currently does not appear to exist in Cambodian industrial relations. Substantial efforts still lie ahead in terms of investing in trust and the training of workers' and employers' representatives to prepare for an effective social dialogue at the sub-central (industrial sector and enterprise) levels.

The third challenge that needs to be tackled is embedded in the multitude of deficiencies in the current programmes – programmes such as TVET that have not been designed from an integrated employment and social protection perspective and often have rather one-dimensional objectives. Hence, the challenge will be in the redesigning of many of the existing programmes to ensure that their scope is multi-dimensional.

*Next steps.* The next steps using ILO/EU project inputs would include in-depth studies on special issues such as rural sectors, opportunities for legal and protected migration, identification of best practice sector and macro policies, and of skill gaps. These inputs could be valuable to the Government and the social partners in their identification of sector needs with a view toward arriving at Cambodia's growth diamonds. Indicators for setting targets monitoring progress need to be defined. Training programmes need to be drafted that can further facilitate social dialogue at the subnational level.

With respect to social protection, the ILO will remain committed to the elaboration of the NSPS, and would support its implementation. The implementation of the PEOPLE Service is a further area where ILO involvement has a clear added value. Among the priorities identified in the area of governance are the clarification of the role of subnational institutions in social protection; the formalization of reporting mechanisms from local administrations to the central level; the creation of a management-of-information system for social policies, based on existing databases; and a monitoring mechanism. Last but not least, the further extension of social protection (both in horizontal and vertical directions) is a target area. The Government's request to support the implementation of the NSSF's Social Health Programme for private-sector workers is an example.

Representatives of the two stakeholder departments of the ILO at the national dialogue held in Phnom Penh in March 2012 were also in favour of the adoption of these next steps. The recommendation for the ILO – in line with the general message of this chapter – will be to make sure that these two tracks will remain integrated.

## References

- International Labour Office (ILO). 2010. *Labour and Social Trends in ASEAN 2010: Sustaining recovery and development through decent work* (Bangkok).
- 2012a. *Cambodia: Social protection expenditure and performance review*. ILO/EU/Cambodia/R.4 (Geneva).
- 2012b. *Cambodia: Toward a national employment strategy for sustained poverty reduction*. ILO/EU/Cambodia/R.8 (Geneva).
- 2012c. *Global Employment Trends 2012: Preventing a deeper jobs crisis* (Geneva).
- 2012d. *Cambodia: Financial assessment of the National Social Protection Strategy for the poor and vulnerable*. ILO/EU/Cambodia/R.6 (Geneva).
- Royal Government of Cambodia (RGC). 2009. *The Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase II* (Phnom Penh).
- 2011a. *National Social Protection Strategy for the Poor and Vulnerable*, prepared by the Council for Agricultural and Rural Development (CARD) (Phnom Penh).
- 2011b. *Mid-Term Review on National Strategic Development Plan, Update 2009–2013* (Phnom Penh).
- Schmitt, V.; Taïeb, D.; Satriana, S. 2012. *The Single Window Service in Asia and the Pacific: Piloting integrated approaches to implement social protection floors*, ILO Factsheet (Bangkok, ILO). Available at: <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=30172>.
- Taïeb, D.; Kong, C.; Ok, M.; Schmitt, V. 2012. *Assessment of social protection and employment related programs in Siem Reap and Banteay Meanchey, Cambodia*, draft 2.0 (Phnom Penh, ILO). Available at: <http://www.social-protection.org/gimi/gess/RessShowRessource.do?ressourceId=32240>.
- United Nations Development Programme (UNDP). 2010. *Human Development Report: The real wealth of nations: Pathways to human development* (New York).
- 2011. *Human Development Report: Sustainability and equity: A better future for all* (New York).

# Honduras

# 4

## Development of a proposal for an employment and social protection policy: Overview and lessons learned

*José Rafael del Cid<sup>1</sup>*

### 4.1 Introduction

Although many years have been spent on efforts to improve economic performance and human development, the labour market in Honduras is still characterized by high levels of under-utilization of the workforce and of job insecurity. This prompted the Government of Honduras to endeavour to reach a consensus on an employment and social protection policy (ESPP). To that end, the Government sought technical support from the ILO, which responded with the support of the cooperation programme with the European Union entitled “Improving Social Protection and Promoting Employment”.

The ESPP will seek to promote “full, productive and freely chosen employment” as described in the ILO Employment Policy Convention, 1964 (No. 122), ratified by Honduras in 1980. Honduras will thereby implement its obligations under the Global Jobs Pact adopted by the International Labour Conference in June 2009 and the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) concerning minimum standards of social security. Ratification of the Convention was approved by the National Congress of Honduras in December 2011 and the relevant instrument was deposited at ILO headquarters in Geneva in November 2012; the Convention will enter into force in Honduras with effect from November 2013.

---

<sup>1</sup> José Rafael del Cid was born and lives in Honduras. A graduate of the University of Texas in Austin, United States, he holds a Ph.D. in sociology and demography, and is a university lecturer and international consultant in social project and public policy evaluation.

On becoming involved in the project, the ILO formulated a systematic series of recommendations which will assist the country in developing the ESPP. The recommendations focus on the goal of achieving greater consistency between employment and social protection policies; to that end, they recommend appropriate coordination to create synergies with multiplier effects.

The government institution tasked with formulating the ESPP is the Ministry of Labour and Social Security (STSS), acting in collaboration with social actors and key institutions such as the Ministry of Social Development, the Ministry of Finance, the Ministry of Education and the Employment Services. The STSS and the ILO agreed that the body responsible for monitoring the process of formulating the ESPP proposal would be the Economic and Social Council (CES), a tripartite body composed of representatives of the Government, the trade unions and the Honduran Council of Private Enterprise (COHEP).

Basing itself on this framework, the ILO initiated its support for the country in 2010 under the ILO/EU project, hiring two consultants, Emilio Klein and Rodulio Perdomo, for the purpose of analysing the employment and social protection situation in Honduras. The resulting reports (ILO, 2012a; ILO, 2012b) were discussed at a tripartite workshop held in September 2011. The ILO subsequently commissioned further research work aimed at preparing the ESPP proposal for Honduras, which would include an Action Plan. The research project was launched in December 2011 and completed in August 2012, incorporating recommendations from a parallel consultation process involving tripartite representatives at the central and regional levels. The first draft was presented to the CES plenary in May 2012; this was followed by three central and four regional workshops held in May, August and October 2012. The outcome of the research was officially and publicly communicated to the CES and the country as a whole at a national workshop held in Tegucigalpa on 10 October 2012.

This chapter presents a methodical overview of the experience of formulating the ESPP proposal, with the aim of identifying lessons learned about achieving greater consistency between employment and social protection policies, and about successfully proposing policies in the context of processes of social dialogue.

## 4.2 The socio-geographic context of Honduras

The peripheral character of the Honduran economy and society contrasts with the country's central location in geographic terms. Honduras stands virtually at the centre of the seven countries constituting the Central American isthmus,

the narrow bridge between North America and South America.<sup>2</sup> Honduras ranks second among its neighbours in terms of geographic area: 112,492 square kilometres. It also ranks second in the size of its current population of just over eight million, most of whom live in rural areas.

**Figure 4.1 Honduras: Geographic location**



**Table 4.1 Honduras and other countries in Central America: Development indicators, 2007–2011**

Countries	HDI ranking 2011	National income per capita, PPP (US\$ current, average 2007–2011)	Gini coefficient	Independent non-professional, technical or administrative workers (% of EAP, 2010)	National poverty line 2010 (%)
Honduras	121	3 840	57.7	30.9	60.0
Belize	93	6 070	...	...	33.5
Costa Rica	69	11 950	50.3	13.6	21.7
El Salvador	105	6 690	46.9	27.1	37.8
Guatemala	131	4 800	53.7	...	51.0
Nicaragua	129	2 840	52.3	29.6 <sup>1</sup>	46.2
Panama	58	14 740	52.3	17.6	32.7

Notes: <sup>1</sup> 2008 data. ... not available.

Sources: UNDP, Human Development Report, 2011; ILO, 2011a; ECLAC, 2009, Annex table A7.

<sup>2</sup> “Cinta central. América angostural que los golpes azules de dos mares/fueron haciendo, levantando en vilo/cordilleras y plumas de esmeralda: /territorio, unidad, delgada diosa/ nacida en el combate de la espuma”: a poetic description of Central America by Pablo Neruda (1904–1973) immortalized in his *Canto General* (1950).

In the global context, Honduras ranks as a medium-to-low income country with medium human development. As shown in table 4.1, Honduras ranks just above Nicaragua in the Central American subregion in terms of national income per capita PPP (US\$3,840 on average for 2007–2011) and in terms of the UNDP Human Development Index ranking (121). Income concentration is high: the Gini coefficient for Honduras (57.7) is not only the highest in Central America but also ranks among the highest in Latin America and the world as a whole.

Historically, the country has recorded low economic growth rates. During the period 1960–2000, the average annual economic growth rate per capita stood at just 0.8 per cent (World Bank, 2004). At the threshold of the new millennium the country continued to record low growth rates (0.6 per cent in 2000–2001), but it gradually began to recover, recording annual growth rates of 4.2 to 6.6 per cent between 2003 and 2008. In 2009 the upward momentum of the economy was thwarted by the crisis in North America and Europe and the internal political crisis. In 2010 and 2011 the country again embarked on a modest recovery.

The performance of the various branches of economic activity has been relatively homogeneous, although financial and real-estate services and manufacturing industry (primarily the assembly industry or *maquila*) spearhead the country's growth, accounting for 22 and 19 per cent of GDP respectively. Agriculture, trade, and transport and communications each account for approximately 12 per cent of GDP. Services relating to public administration account for 17 per cent (ECLAC, 2010: Annexes).

One of the engines of the country's growth has been foreign direct investment (FDI), which has accounted, on average, for about 5.8 per cent of GDP during the past decade. The high point of this investment was recorded in 2007 when it accounted for 7.5 per cent of GDP. It fell drastically to 3.7 per cent of GDP in 2009 and bounced back in 2010 (5.2 per cent of GDP) to the levels recorded at the beginning of the decade. FDI accounted for roughly half the capital invested in the assembly industry, so that its steep decline in 2009 led to the loss of more than 16,000 jobs. A slow recovery has since been recorded (Banco Central de Honduras (BCH), 2011). The United States is the basic source of FDI (ECLAC, 2011).

Family remittances are another source of foreign exchange – in fact the main source for Honduras. They come basically from Honduran emigrants in the United States. During the first six years of the decade, remittances totalled just over US\$900 million. In 2008 their value rose to US\$2.8 billion, which represented 20 per cent of GDP and slightly exceeded the total value of exports of goods, excluding assembly industry exports. They have grown at an impressive pace. In 2000 remittances totalled US\$410 million, so that their

increase over the decade was somewhat more than sixfold. Their contribution to household income is also remarkable, since they account for one-third of the total income of recipient households and hence have a major impact on poverty reduction and above all on extreme poverty, although it should be stressed that most emigrants do not come from the poorest households, probably because they are unable to cover the costs of moving abroad (BCH, 2007; BCH, 2010a).

In contrast to its economic performance, the country has recorded a high rate of population growth. The number of inhabitants increased at an average rate of 3.3 per cent during the period 1974–1988 and then began to fall slowly to its current rate of 2.2 per cent. It is estimated that by 2040 the population of Honduras will grow at a rate of less than 1 per cent (UNFPA, 2009).

It is not surprising, in light of this combination of indicators, that Honduras is one of the poorest countries in the Western hemisphere, with approximately 60 per cent of households living below the poverty line. This percentage is the highest in Central America (see table 4.1) and is almost double the average for Latin America, which stood at 33 per cent in 2008 (ECLAC, 2009: Annexes to table A4).

### 4.3 Employment and social protection: The current situation<sup>3</sup>

The labour market of Honduras is similar to that of many other developing countries: just over half the working-age population is integrated into the labour market (54 per cent), but the participation of women in the workforce is relatively low (37 per cent in 2010). Since the average labour participation rate for Latin America and the Caribbean is 59.8 per cent (ILO, 2011a), both the overall rate and the female rate of participation in Honduras are the lowest recorded in Latin America. The country's large rural population and the very low wages paid in agricultural employment certainly account for the low rate of participation of women in the workforce, since their participation is higher in urban areas. However, reference should also be made to a further obstacle to higher participation by women, namely the large number of children per family, especially in the poorest households. In the male workforce, the participation of the very young and of adults over 65 years of age is high. This is linked to the very low coverage of the education system, which impels young people to enter the labour market at an early age instead of building up human capital (UNDP, 2009). It is also linked to the low social security coverage, which prevents older workers from obtaining retirement benefits.

---

<sup>3</sup> This section is based on the analyses in ILO, 2012a and 2012b.

Rates of under-utilization and job insecurity are alarming. The unemployment rate was 6 per cent in 2010, but the low-income underemployment rate was 33 per cent, the percentage of wage- and salary-earners was 43 per cent and that of independent non-professional workers and family workers was 35 per cent. The latter rate is used as a proxy for vulnerable employment. Table 4.1 shows that the ratio of this category of employment in Honduras is higher than in any of the neighbouring countries.

The ratio of rural employment has been declining throughout Latin America, but it remains high in Honduras (53 per cent in 2010) and is still growing. This is undoubtedly linked to the expansion of agriculture and of non-agricultural employment (trade, services) in rural and peripheral urban areas.

The percentage of the economically active population who are in paid employment (43 per cent in 2010) has remained virtually unchanged in recent years and remains below the average ratio for Latin America (63 per cent). Honduras is one of the Latin American countries with the lowest ratio of paid employment; only Bolivia, Nicaragua and Peru rank lower in this regard. On the other hand, Honduras has one of the highest rates of self-employed workers.

The informal economy is large in numerical terms. It has been calculated on the basis of access to social security that 72 per cent of companies and 74 per cent of persons engaged in activities outside the agriculture and livestock sector are employed on an informal basis (Chacaltana, 2009: data for 2007). Seventeen per cent of informal jobs are based in formal establishments.

The fact of having a job is no guarantee against poverty (ILO, 2012a). The national incidence of poverty among employed persons was 60 per cent in 2010. More than half of employed persons who are categorized as poor in Honduras work in the primary sector (58 per cent), which is a predominantly male sector. Most employed women who are poor work in the commercial sector and to a lesser extent in the services sector. Most poor workers in the primary sector are self-employed (agricultural workers); while most poor workers in the secondary sector and the services sector are wage-earners (this is less pronounced in the case of the former, where there are many self-employed workers who are also poor). As a result, activities in the rural sector, particularly the agricultural and livestock sector, are major generators of male poverty. By contrast, female poverty is more closely linked to paid employment in the services sector and to self-employment involving commercial activities.

Among the various occupational categories, self-employed workers and their families are at greater risk of poverty throughout the country and in all areas of activity: 74 per cent of workers in this category are poor, compared with 50 per cent of workers in paid employment. Poverty among self-employed workers and their families tends to be concentrated in the agricultural sector

and, to a lesser extent, in the industrial and construction sectors. This point is crucial when it comes to formulating employment policies for family farming, if one wishes to take effective action to combat poverty.

The fact that employment provides inadequate protection against poverty is related to structural factors (e.g. insufficient economic growth to absorb the entire effectively available workforce), but is also influenced by other institutional factors such as the high level of non-compliance with the minimum wage requirement, which directly affects persons in paid employment. The ILO Conventions on minimum wages,<sup>4</sup> which deal with methods of fixing such wages in general and in the agricultural sector, were never ratified by Honduras. The aim of these Conventions was to establish a wage floor for least-skilled workers that would guarantee them an effective and decent wage.

The level of inflation has been an important reference factor in Honduras for determining the minimum wage. Thus, the minimum wage has failed to keep pace with the rate of inflation, with the sole exception of 2003 and 2009. It was recently agreed (2011) to include the criterion of productivity. However, the minimum wage has continued to grow and has remained above the poverty threshold (Auguste, 2008). On the other hand, the high rate of non-compliance has tended to prevent the minimum wage from affording effective and efficient protection against poverty. Almost one-third of full-time paid employees (some 370,000 persons) earn less than the minimum wage. The situation is worst in the rural sector.

Lack of opportunity to earn an income comparable to that which prospective migrants hope to earn abroad seems to be the principal motive underlying the increased emigration of Hondurans to the United States and Europe. The number of emigrants has been estimated at roughly one million, which would have been equivalent in 2010 to almost a quarter of the economically active population.

Social welfare is limited by comparatively low funding rates and questionable efficiency in practice (excessive operational costs; unfocused, slow rates of implementation; superficial impact assessments). The public-sector budget for health, social security and social insurance was estimated at US\$1,439.2 million for 2011. Public health care is universal, but the services provided are limited and unsatisfactory. Contributory social security covers only a small percentage of the working population (no more than 20 per cent). Persons engaged in informal work and with low incomes are, in most cases, inadequately covered, although a series of social welfare programmes are

---

<sup>4</sup> Minimum Wage-Fixing Machinery Convention, 1928 (No. 26); Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99); and Minimum Wage Fixing Convention, 1970 (No. 131).

currently operating (some 12 transfer payment procedures, and various other measures). The *Bono 10 Mil* programme, which was launched under the present Government (2010–2013), is a more ambitious initiative involving conditional income transfers to households living in extreme poverty. The programme is funded from public loans amounting to US\$317.5 million and the goal is to reach 600,000 households by 2014, i.e. approximately 86 per cent of the population in the first two income quintiles. Benefits under *Bono 10 Mil* are to be channelled primarily to households with pregnant women, nursing mothers and children aged 0 to 18 years, and they are conditional on regular health, growth and development check-ups, and regular school attendance.

This analysis of the labour market and social protection (or the lack thereof) calls for strategic interventions which have eventually resulted in a variety of programmes and projects which, in turn, have an uncertain impact and involve an unsatisfactory utilization of available budgetary resources. It follows that an ESPP is warranted as a basic tool to assist in reversing the situation, especially if it succeeds in promoting policy consistency and is effectively oriented towards securing tangible benefits for the population.

#### 4.4 Employment and social protection policy instruments<sup>5</sup>

Although a document setting forth a long-term vision and attaching paramount importance to employment and social protection was recently negotiated and adopted (the *Visión de País 2010–2038 y Plan de Nación 2010–2022* – Country Vision 2010–2038 and National Plan 2010–2022), there is still no comprehensive policy in Honduras that combines employment with social protection.

Furthermore, the performance of the various labour market institutions is also inadequate (for instance, in the case of the minimum wage and social security). It may be assumed that labour market institutions must perform efficiently in order to ensure that the benefits of economic growth are distributed equitably among all persons participating in the labour market. These institutions also serve to enhance employability, for example through training facilities and employment services. All the aforementioned institutions are designed to ensure that workers enjoy an acceptable income level and employment conditions in a situation in which power is distributed unequally between the parties.

---

<sup>5</sup> This section is based on ILO, 2012a and 2012b.

#### 4.4.1 Employment and employability

Different governmental authorities have implemented key programmes aimed at generating employment and enhancing employability. Most have relied on external funding. Table 4.2 describes some of these programmes. Attention is focused on identifying specific groups and, where the information is available, their costs and benefits. No attempt is made to assess the programmes. Moreover, the number of programmes reviewed may not be exhaustive.

As already mentioned, the country still lacks a national employment policy; instead it relies on a wide range of projects such as those described in table 4.2, most of which are funded by international bank loans, and others by the donor community. However, the funds are limited and the impact of the projects is modest in terms of the number of beneficiaries. Moreover, the funds are subject to political vicissitudes both in donor countries and in Honduras itself. Suffice it to recall that during the 2009 political crisis, all types of cooperative financing were suspended and that a large proportion of the project activities funded from these sources came to a standstill. In addition, the provision for programme evaluation is inadequate and generally consists of administrative assessments.

#### 4.4.2 Social protection

This section provides a brief overview of the current social protection situation in Honduras. The country had no comprehensive policy in this regard, but circumstances began to change in early 2012 when the Government adopted a Social Protection Policy (SPP).

According to the ILO (2012b), social protection in Honduras fulfils three functions: health, social insurance and social welfare. The estimated public-sector social protection budget for 2011 was roughly US\$1,642.3 million, a sum equivalent to 41 per cent of the budget of the central Government, 23 per cent of the state budget and 10.7 per cent of GDP for 2010. Given that approximately 60 per cent of the population live in a situation of poverty, these budgetary appropriations fall short of the amount required to improve coverage so that it corresponds to a broader concept of social protection. Roughly 88 per cent of the aforementioned estimated total corresponds to public expenditure on health, social security and social insurance. The social welfare category is next in line at 8 per cent, and 4 per cent is allocated to other programmes.

Of the total state budget of approximately US\$1,439.2 million approved in 2011 for health, social security and social insurance, just over one-third was allocated to the Ministry of Health. The Honduran Social Security Institute (IHSS) accounted for 13 per cent of the budget in question, while the remainder was allocated to other social insurance institutes belonging to different groups of public-sector employees. The IHSS administers three insurance regimes and

**Table 4.2 Honduras: Existing programmes to create employment and enhance employability**

Objective	Mode of operation	Known results
<p>Improvement of employment levels among young people aged 15–19 living in the poorest parts of the country by involving them in activities that develop their labour and social skills.</p> <p>The benefits will be enjoyed by 6,000 young people (0.2% of EAP) who are enrolled in an alternative education programme.</p>	<p><b>My First Job Programme</b></p> <p>The young people receive a monetary stipend for each day on which they effectively attend a technical training course or apprenticeship in order to meet public transport and food costs. This is supplemented by work-related accident insurance. The Ministry of Labour and Social Security offers career guidance services to those who complete the training, and provides links to other training programmes.</p> <p>The programme is due to run for four years from 2010 at a cost of US\$7.3 million covered by the World Bank. If the job placement target of 40% is met, the cost of each placement will be US\$3,042.</p>	<p>Target: 40% of young people obtain employment on completion of training. The figure recorded at the time of assessment was 30%. No information is available about the type of employment involved.</p> <p>The job placement target reflects the fact that these are young people in situations of high social risk. Drop-out rates are high and employers are reluctant to employ them. It is an active employment policy with a strong social component aimed at supporting a special group of marginalized young people.</p>
<p>Increased labour market integration of the beneficiaries of the programme, who are identified as the estimated 8,000 unemployed and underemployed persons in the country's three most densely populated cities who have less than three years' schooling and are aged between 18 and 29.</p>	<p><b>Employment Promotion Programme (PROEMPLEO)</b></p> <p>The young people are offered three months of in-house training. During this period they receive a monthly stipend (US\$107), accident insurance, free training, equipment and tools, and a certificate on completion of the course. The participant companies receive an analysis of their training requirements and a training programme.</p> <p>The programme will also develop a modern system aimed at matching labour supply and demand. It will operate as an integrated service network with six labour mediation offices in the country (3 public and 3 private), coordinated by an Internet-based Electronic Employment Agency.</p> <p>The cost of the programme, supported by an IADB loan, is US\$7.4 million, with a subsequent increase of US\$3 million.</p>	<p>A total of 6,829 young people joined the programme between 2006 and 2010: 5,455 completed their training and 5,133 were recruited by the company concerned. There is no information regarding the effective duration of employment following recruitment.</p>

Objective	Mode of operation	Known results
<p>Introduction of more flexible working conditions to enable companies to hire workers by the hour, for a minimum of two hours per day in rural areas and three in urban areas. A worker hired by means of a labour-hour contract retains the prerogatives laid down in labour regulations.</p>	<p><b>National Hourly Employment Programme</b></p> <p>The workers receive a basic wage that is not lower than the minimum wage and is adjusted to reflect the number of hours worked. They are entitled to non-customary compensation for the lack of social benefits amounting to 20% of the basic wage. Such contracts are registered with the Ministry of Labour and Social Security.</p>	<p>The programme was launched in 2010. The Ministry of Labour and Social Security estimates that it had generated 104,000 new jobs by October 2012, involving wage earnings of roughly US\$346,000. The Ministry predicts a doubling of this total by 2013. Most of the employers are small and medium-sized enterprises and "call centre" companies. The latter mostly employ young people with at least intermediate-level education.</p> <p>The trade union sector has strongly opposed this programme from the outset and continues to do so on the ground that it promotes job insecurity.</p>
<p><b>Supplementary income programme for rural and marginal urban areas (Programa Desarrollemos Honduras)</b></p> <p>The aim is to guarantee an income supplement to one member of each household in the country's most impoverished rural and urban communities for at least 120 days a year.</p>	<p>The programme is run on the basis of proposals received by local organizations for development activities, with employment of a maximum of ten persons per project. The remuneration of unskilled labour is equivalent to roughly 40% of the minimum wage (it is regarded as supplementary income); in rural areas it amounts to about US\$105 for 20 days' work per month and in urban areas to about US\$119. It is hoped that such projects will be generated during periods of low demand for labour in the beneficiary communities.</p> <p>Approximate annual cost: US\$1.6 million appropriated from the state budget. Transfers of surplus funds from other programmes and projects are permitted.</p>	<p>In December 2010, 1,362 projects costing a total of US\$2.5 million and benefiting 13,619 households were implemented, mostly in five of the country's 18 departments.</p>

Table 4.2 (cont'd)

Objective	Mode of operation	Known results
<p>Implementation of and collaboration with vocational education programmes; action to meet literacy education requirements; training of human resources; entrepreneurial advice; education focusing on gender and the environment, targeting poor sectors of the population.</p> <p>The programme aims to benefit persons over 14 years of age in 19 intermediate-level educational establishments located in urban areas.</p>	<p><b>National Vocational Education Centre (CENET) Programme</b></p> <p>The CENET produces work-related educational technology to compensate for shortcomings in formal education with respect to the world of work. It runs a learning system for entrepreneurship in the form of an 80-hour package which concludes with a business plan.</p> <p>Cost: US\$530,000 per year, financed in some cases from international cooperation funds.</p>	<p>Students who completed the programme during the past two years set up 379 enterprises, for which they were granted loans for a period of two years at 7% interest at a rate of about US\$1,000 per enterprise. Of the 379 enterprises, 160 performed well, 100 encountered problems and the rest, almost one-third, went bankrupt and disappeared.</p>
<p><b>Human development programme for young people through employment to meet the challenges of migration</b></p> <p>Action to generate opportunities for employment and entrepreneurship at the local level in order to counteract plans for migration, especially irregular migration.</p> <p>Beneficiaries: 8,100 young people in the 15–29 age group, who are deemed to be at risk of migrating abroad. The programme operates in three of the country's 18 departments.</p>	<p>The programme provides training to enhance young people's prospects of finding decent jobs in local enterprises. It also promotes entrepreneurship by fostering equitable conditions through a focus on productive lines of business with strong potential for the generation of decent employment. This is the main component and accounts for 80% of the available resources. In addition, national and local institutional frameworks are strengthened with a view to promoting decent employment for young people (15% of available funds) enhancing leadership skills and a sense of roots and identity by developing a vision of local development based on shared principles and values (5% of available funds).</p> <p>Cost: US\$6.3 million for a period of three years beginning in January 2009.</p>	<p>The programme was launched at the height of the political and economic crisis, so that some programmes, such as the National Youth Plan, were initially delayed. Conflicts are discernible between the goal of expanding coverage and maintaining the quality of the services offered.</p>

Sources: ILO, 2012a; UNDP, 2009.

has a larger number of participants than the other insurance institutes; in terms of budgetary appropriations, however, it is surpassed by the Insurance Institute for Teachers (22 per cent) and the Insurance Institute for Executive Branch Employees (18 per cent). This is due to the lower level of contributions to date to the IHSS.

The **health** system comprises both public and private services. The public component is made up of the Ministry of Health, the Honduran Social Security Institute (IHSS) and the National Autonomous Water Supply and Sewerage Service (SANAA). The private sector runs hospitals, clinics, dispensaries, pharmacies, foundations and non-governmental organizations that provide publicly subsidized services. Of the estimated 2,500 health establishments, those run by the Ministry of Health cover between 57 and 60 per cent of the population, the IHSS about 11 to 14 per cent, and the private sector roughly 13 per cent. Between 13 and 17 per cent of the population are not covered by the health-care services (data for the period 2000–2005). According to estimates produced by the Ministry of Finance, expenditure on health care by the Government and the private sector was equivalent, in 2010, to 7.1 per cent of GDP, which corresponds to average per capita expenditure of the equivalent of US\$136. Roughly 70 per cent of this expenditure may be traced to the public sector and the remainder to the private sector. The bulk of public-sector expenditure on health care (84 per cent in 2010) is funded from domestic sources.

Under the heading of **social welfare**, seven organizations running different programmes may be identified, the most important being the Honduran Social Investment Fund (27 per cent of the estimated budget for 2011), the Ministry of Social Development (22 per cent) and the Family Allowances Programme (17 per cent). The estimated total amount for the seven organizations was US\$128.6 million in 2011.

An aspect of the social welfare system that may be highlighted is the expenditure on transfers to households and individuals living in a situation of poverty. Twenty-two types of transfers have been identified. The amount estimated in 2011 for direct transfers to households is US\$158.7 million. The proportion of this total amount appropriated to the *Bono 10 Mil* Programme, under which transfers began in 2010, should be highlighted. *Bono 10 Mil* accounts for 36 per cent of total direct transfers to households. It is followed by the Family Allowances Programme (different types of voucher transfers to households) and the School Lunch Programme, each of which accounts for roughly 20 per cent. The most innovative of the transfer programmes is *Bono 10 Mil*, which plans to reach 600,000 households within a four-year period by means of a loan-funded investment of US\$317.5 million. The reported number of households to be covered in 2010 was approximately 693,000 in the first two

income quintiles (the poorest). Benefits under *Bono 10 Mil* are to be channelled primarily to households with pregnant women, nursing mothers and children aged 0 to 18 years, and they are conditional on health, growth and development check-ups, and on school attendance.

In addition, there are 12 procedures for transfers in cash and in kind administered by the Family Allowances Programme (community canteens, integrated development for women, youth voucher, schoolbag, friendly hand voucher, senior citizen's voucher, mother and child voucher, promotion of self-managed rural enterprises, etc.). Additional voucher programmes are run by other government agencies such as the student transport voucher, the compensatory public transport voucher, the electricity voucher or subsidy, the drinking-water service voucher or subsidy, school lunch, and the solidarity voucher for small-scale farmers.

The following categories account for smaller budgetary appropriations: support for women, youth and indigenous peoples; environmental and civil risks; non-formal education and credit-based educational support. These three categories account for only 5 per cent of the estimated social protection budget.

#### 4.4.3 The Social Protection Policy (SPP)

The strategic goal of the SPP is to create, gradually and progressively, social conditions that are conducive to individual and collective well-being, and to build up skills and capacities conducive to the full exercise of the rights of persons living in situations of poverty, extreme poverty, vulnerability, exclusion and social risk, in order to create and expand the opportunities open to them for the generation of family and collective well-being and wealth, thereby achieving their active integration into society.

The specific aims of this policy are poverty reduction; promotion of an integrated life-cycle approach and coordination of this approach with (i) social security (contributory social protection) and (ii) programmes to combat poverty and social exclusion; management of the public and private supply of services; promotion of family and community participation on a basis of joint responsibility; and support for groups with a high level of social vulnerability.

It should be noted that the SPP objectives fail to mention the labour market regulation component, although they include in the category of groups at risk or socially vulnerable groups people of working age without access to decent employment (most of whom are visibly or invisibly underemployed persons) and references are made to enhancement of employability and/or entrepreneurial skills. As a result, openly unemployed workers are not identified as a group requiring attention.

The SPP adopts a comprehensive approach combining prevention, protection, opportunities and skills:

- *Prevention*: A sustainable supply of high-quality services in the areas of food and nutritional security and sovereignty, education, health care, housing, contributory social security, risk reduction and development of skills geared to different stages of the life cycle.
- *Protection*: A distinction is made between social welfare, social security and social protection services.
- *Social assistance*: A rights-based approach is adopted (full individual self-development capabilities are promoted) and such assistance is regarded as temporary pending the achievement of sustainability and the social inclusion and integration of the beneficiary groups. Social assistance activities comprise support throughout the life cycle, taking into account specific contextual circumstances, conditional and unconditional transfers, and other components.
- *Social security* comprises contributory pension, health-care and unemployment programmes and voluntary enrolment by workers in informal schemes. The aim is to create a single integrated social security regime, and to strengthen the existing regime by enhancing its quality and expanding its coverage to include, inter alia, groups with payment problems.
- Services affording *protection in emergency situations* (e.g. disasters) in cases where services are lacking and in other circumstances. This includes interventions to protect human life and psychological, physical and mental integrity.
- *Opportunities and competencies*: Reference is made to the linkage with employment and entrepreneurial opportunities. Employment in this context includes training for work, youth employment, employment for older adults who are capable of working, and alternative activities for groups living in conditions of vulnerability. Entrepreneurship includes access to credit, training and technical assistance, and access to subsidies.

The beneficiaries of the SPP are identified on the basis of life-cycle criteria and conditions of risk or vulnerability stemming specifically from denial of access to services commensurate with their age and status, chronic or contagious diseases, high-risk pregnancy (from a biopsychic or social perspective), violence, sexual and economic trafficking and exploitation, discrimination or stigmatization on grounds of sexual orientation and gender identity, addiction to drugs or to psychoactive or psychotropic substances, occupational disease, without access to decent work, without access to effective social

insurance services and retirement benefits, deprivation of liberty, exposure to malnutrition, suffering from a disability without access to protection, exposure to climatic risks, adversely affected by migration, orphaned, abandoned, without social protection, armed conflict, overburdened by economic support requirements (female heads of household), lacking a birth certificate and other similar situations. It is specifically stated that indigenous peoples and Afro-descendants are included in all life-cycle groups. The SPP identifies the following groups:

- *prenatal*: persons of reproductive age and/or pregnant women (12 conditions of risk or vulnerability are listed);
- *early childhood* (0–6 years): infants (15 conditions of risk or vulnerability are listed);
- *childhood* (7–11 years): boys and girls (17 conditions of risk or vulnerability are listed);
- *adolescence* (12–18 years): adolescents (19 conditions of risk or vulnerability are listed);
- *early adulthood* (19–30 years): young adults (18 conditions of risk or vulnerability are listed);
- *adulthood* (31–59 years): adults (19 conditions of risk or vulnerability are listed, including membership of an indigenous people and Afro-descendant status);
- *late adulthood* (60 years and over): older adults (18 conditions of risk or vulnerability are listed);
- *death* at any stage of the life cycle: persons without access to palliative care or preparation for expected death, and without access to funeral services.

Lastly, the SPP has created the National Planning System for the Development of Honduras which will serve as a tool for the planning, implementation and institutionalization of the Country Vision 2010–2038 and National Plan 2010–2022. This strategic planning tool will involve civil society, the government agencies that form part of the Social Cabinet and others connected with the SPP. The end product will be the Inter-Agency Strategic Plan for the Social Protection Policy 2012–2016.

The implementation of the SPP will be gradual and progressive, since the scope of the policy is limited to a significant extent by available resources (primarily public funding). Under these circumstances, the document supplementing the employment and social protection policy issued by the ILO (2012c) is of special relevance. It contains cost and impact estimates of a social protection floor in Honduras, using micro-data, i.e. different scenarios relating to possible floors to be agreed (see box 4.1).

#### Box 4.1 Honduras: Scenario for a social protection floor

Several hypothetical scenarios are presented, accompanied in each case by the specific cost implications and the impact of each scenario on the poverty level, with a view to illustrating how this calculation tool could be used as an empirical support for the process of negotiating the country's social protection floor.

Scenario 1 consists of a simple scheme that would cover families below the 40th percentile (similar to the population covered by *Bono 10 Mil* and close to the extreme poverty level), with the following benefits for the members of the families concerned:

- a transfer of approximately US\$15 per month to every adult over 65 years of age; to every person unable to work because of a disability; to every child under 6 years of age; to every minor under the age of 15 who is enrolled in school; to the unemployed (a maximum of six appropriations for just one year during the period);
- a basket of health-care services for the entire population under the 40th percentile costing, on average, approximately the equivalent of US\$30 in Honduran lempiras (HNL) per year; and
- a basket of services for pregnant women costing approximately the equivalent of US\$60 in HNL per year.

All the benefits initially reach 20 per cent of the target population and eventually 100 per cent by 2020; similarly, the administrative cost will decline from 30 to 20 per cent during the same period.

The total cost of this scenario would increase from 1.3 per cent of GDP in 2012 to 2.5 per cent in 2020. As a result of these benefits, the extreme poverty level would drop by 4 per cent during the period. This figure is influenced by the fact that poverty and extreme poverty in Honduras are very extensive and also very deep-rooted. It has been calculated under the ILO/EU project that an income transfer of 20.3 per cent of GDP would be necessary to eradicate poverty and an income transfer of 7.1 per cent of GDP to eradicate extreme poverty.

Source: ILO, 2012c.

To sum up, Honduras still lacks a general employment policy and the SPP has scarcely begun to be implemented in practice. Some of the employment projects described above seek to amalgamate the goals of employment and social protection, but the scope of these projects is limited. It should be highlighted, however, that important employment and social protection elements are discernible in the Major National Agreement on Sustainable Development Combined with Social Equity (GAN) and the Country Vision 2010–2038, which pave the way for a future policy that amalgamates the two dimensions. A continued investment of effort to achieve that aim is deemed to be vital, since it would facilitate a sustainable reduction of poverty through the generation of decent employment and through income protection.

## 4.5 Dialogues with the Economic and Social Council (CES) and other tripartite actors

The proposal for an integrated employment and social protection policy outlined by the ILO for the country's consideration was developed in accordance with the tripartite spirit. The documents prepared by the various consultants were discussed at length by the parties involved. The consultants took note of the diverse concerns and contributions and eventually drew up a comprehensive and methodical record of common ground, which resulted in a collective product whose analytical findings, identification of problems, policies and plan of action may prove extremely useful to the country in its task of formulating a comprehensive employment and social protection policy. The value of the proposal stems precisely from its status as a participatory product, since this guarantees broad social acceptance and political viability.

A strong point in the case of Honduras is the existence of a number of strategic and programme-based agreements which reveal a growing awareness of the problem and an ability to reach a basic consensus on issues relating to a general employment and social protection policy. Among the agreements reached since 1998,<sup>6</sup> the Master Plan for National Reconstruction and Transformation (1998–2008) and the Poverty Reduction Strategy (PRS 2001–2015) may be highlighted.

The PRS document was the outcome of wide-ranging national consultations but its design was heavily criticized, for instance on account of the lack of focus, in other words the failure to identify priority problems to be addressed. The fact that little importance was attached to employment was also criticized. The Government attempted to solve these problems by revising the PRS document, seeking to focus the strategy on action to improve access to and the quality of basic education, and on the creation of a safety net (or Solidarity Network) for the poorest sections of the population. In addition, a proposed National Plan for the Generation of Decent Employment in Honduras was drawn up in 2006 (Fúnez, Hernández and Navarro, 2006). The proposal provided for the creation of 400,000 decent jobs and 757,000 temporary jobs during the period 2006–2009 and 650,000 decent jobs and 1,150,000 temporary jobs by 2015. Although the figures were retained as government targets (Decree PCM 05-2007), the subsequent evaluation of the plan was not conducted.

---

<sup>6</sup> The year 1998 marked a departure from previous public policy approaches. In late October 1998 the country was severely damaged by Hurricane Mitch. International cooperation (the Stockholm Agreements) stimulated action to coordinate strategies that supported reconstruction based on new criteria of social participation and pro-poor development.

Towards the end of the last decade, public confidence in the Poverty Reduction Strategy was on the decline. Simultaneously, the country was hit by a political crisis, from which it only began to show signs of recovery in mid-2011. It should be noted, however, that notwithstanding these problems the country managed to agree on a document entitled *Country Vision 2010–2038 and National Plan 2010–2022*.<sup>7</sup> This document is unique in that it highlights, unlike its predecessors, the strategic importance of employment and social protection.

The first of the three strategic objectives of the Country Vision aims at creating *a Honduras without extreme poverty, educated and healthy, with solid social insurances schemes*. The second aspires to create *a Honduras that is productive, generating opportunities and decent employment*. It should be noted that these objectives are sufficiently clear-cut and wide-ranging to serve as a frame of reference for an ESPP that sets forth the action that needs to be taken to convert the country's vision of the future into practice. It should be borne in mind that the time frame for the Vision is 25 years, so that if the country is seriously intent on achieving it, action must be taken without wasting time and a determined effort will be required by the nation as a whole.

The Country Vision–National Plan has already demonstrated its usefulness as a frame of reference and facilitator of short-term agreements on investment and human development. In late 2011 the Government, private enterprises and trade unions managed to endorse the Major National Agreement on Sustainable Development Combined with Social Equity (*Gran Acuerdo Nacional por un Crecimiento Sostenible con Equidad Social* – GAN), which charts the course of the Government's economic and social policy for the remaining term of the current administration (Government of Honduras, 2012). The GAN consists primarily of agreements on the creation of investment and employment-generating facilities, but provision is also made for some social protection measures. It also contains an agreement on the establishment of an oversight or monitoring system to assess progress in implementing the GAN. To facilitate the operation of such a system, steps were taken to identify performance indicators for each agreement. This led to the creation of a simple monitoring system, which may be consulted by the public on the website of the Ministry of the Presidency (<http://www.sdp.gob.hn/>). Three progress reports on implementation of the GAN have been published to date on the website (the most recent in July 2012), demonstrating a remarkable degree of determination to implement the agreements in practice.

---

<sup>7</sup> Work on this document began in the National Congress under the Zelaya administration (2006–2009) and, in a sign that the capacity to build a consensus had survived the 2009 political crisis, it was adopted by the National Congress the following year under a new governmental administration. The Country Vision–National Plan was the outcome of wide-ranging national consultations, which were initially managed by the Executive with the backing of Congress.

In light of the foregoing developments, the consultants hired by the ILO took steps to produce a methodical overview of the views and agreements that gave rise to the ESPP proposal. Yet in spite of the benefits derived from these precedents, certain difficulties were encountered in the dialogue process. Among these difficulties, one of a conceptual nature and another of an operational nature may be highlighted.

The greatest challenge in conceptual terms consisted in forging a semantic link between the terms “social security” and “social protection”. Most of the participants in dialogue-related events were attending for the first time, so that there was a continuous demand for terminological clarification. It will be necessary in the future to develop a full understanding of what is meant by a system of social protection, which includes assistance, insurance and social services. Such an understanding will greatly assist in overcoming the exclusionary limits imposed by previous policies.

As the tripartite dialogue evolved, this conceptual problem intermeshed with the separate positions adopted by each participating sector, increasing the scale of the challenge. Obviously the views expressed by each party were influenced by the prejudices and fears shared by their respective groups. The following paragraphs summarize part of the debate, focusing on the positions adopted by business and trade union representatives.

- Business leaders feared that they would be required to bear the main financial burden of action to include non-contributory schemes under social protection. The Honduran Council of Private Enterprise (COHEP) stated in writing during the dialogue process that *the social protection floor should be an aspiration, but it cannot be imposed by decree; additional overbearing conditions should not be imposed on companies*. Two of the points made here call for comment. First, the social protection floor seems to be perceived as a target (a medium-term aspiration) rather than as a point of departure. Secondly, there is an evident fear that social protection would come about through a government levy, with contributory implications for businesses and the prospect of continued inefficiency. With regard to social assistance, business leaders also argue, for instance, that social protection discourages jobseeking, that it is a tool used for political patronage or that such policies promote paternalistic attitudes. While emphasizing these arguments, the business sector ignored the role that social protection can play in promoting social cohesion.

With regard to the Honduran Social Security Institute (IHSS), business representatives reiterated their well-known criticism of the inefficiency of this agency (excessive current spending, unsatisfactory services); hence, they demonstrated that they support reform in line with this approach.

On the other hand, it was argued during the discussion that the corporate sector should not ignore or underestimate the problem of employers' failure to pay the requisite contributions to the IHSS budget, a criticism that may also be levelled against the State which, as an employer, tends to be in arrears in its contributions to the Institute.

- In general, the trade union representatives concurred with the business leaders in their criticism of the social assistance programmes, citing virtually the same grounds (promotion of paternalism, inefficiency, political exploitation). With regard to social security, they focused their criticism on employers' arrears of payment to the Institute, playing down the importance of the institutional inefficiency problems of the IHSS. They adopted the same position with respect to the Vocational Training Institute (INFOP), focusing their demands on increased resources and virtually ignoring institutional inefficiencies. Other issues that may be highlighted in the position of trade union representatives were their reiterated emphasis on wage and salary issues and their opposition to any type of employment flexibility, particularly the temporary employment programme.

This trade union position is linked, according to critical comments, to the fact that the majority of members of the trade union movement in Honduras are currently civil servants (the most powerful trade unions are those in the public sector). When key public institutions are criticized for inefficiency, employees who are members of trade unions are generally opposed to any type of reform, which they perceive as a threat to job stability. This position has won the backing of the trade union federations out of respect for the principle of solidarity. Hence, paradoxically, the trade union movement would appear to be supporting institutional inertia, although this is likely in the long run to prove contrary to the interests of the poorest workers.

In addition to the above-mentioned conceptual problem, an operational problem constituted a further impediment to the smooth exchange of views and information between the consultants and the key representatives of the tripartite leadership. The Technical Secretariat of the CES was supposed to act as the official interlocutor in this regard. It was hoped that the Secretariat could act as the primary link when it came to validating the analyses and preliminary drafts of the proposed policy prepared by the consultants. It would also assist in translating the proposal into language that would be far more familiar to the representatives or leaders of the organizations constituting the Council and other basic labour, business and governmental organizations. Unfortunately, the dialogue coincided with a process of institutional reorganization whereby the Council was transferred from the Ministry of Labour and Social Security to the Ministry of the

Presidency, causing a budgetary time-lap and the temporary disappearance of the Technical Secretariat staff. Moreover, the Council was tasked with monitoring the GAN agreements, an assignment that was given top priority on its agenda and therefore delayed the debate on the proposal under the ILO/EU project.

## 4.6 Recommendations for an employment and social protection policy (ESPP)

In terms of specific recommendations, the proposed ESPP makes two contributions: first, it presents methodical guidelines for an employment and social protection policy; and secondly, it presents a short-term National Employment and Social Protection Plan.

### 4.6.1 Guidelines for an ESPP

The analyses (ILO, 2012a; ILO, 2012b) identified a number of problems relating to employment and social protection. In elaborating the proposal, however, it was considered essential to focus on three interrelated structural problems:

- inadequate generation of decent and productive employment in sustainable enterprises;
- poor performance of assigned roles by key labour market institutions (minimum wage, labour inspection, vocational training, labour mediation, and other tasks); and
- inadequate social security coverage.

Four basic principles were also taken into account in designing the proposed ESPP: (1) that the approach should be integrated and consistent (seeking synergies between employment and social protection); (2) that rural areas should be given special attention; (3) that steps should be taken to formalize enterprises and employment; and (4) that the policy should aim at gradual income distribution.

The proposal is based on the conviction that the path leading to sustainable growth and development must extend beyond macroeconomic stability, which must be accompanied by the creation of decent employment. This approach requires:

- investment resources: this calls for proper coordination of monetary, fiscal, capital account and exchange rate policies that can be adjusted to take account of the country's specific development needs (Guerra, 2011), in other words a pro-employment macroeconomic framework that uses these policy tools to promote increased job creation (ILO, 2012d);

- respect for workers' rights; and
- equality of opportunity for all sectors of the population, and establishment of a social protection floor that helps to increase productivity and investment in human capital – i.e. in education, health care and social protection – and contributes to long-term economic growth.

In the light of the foregoing, policy guidelines were recommended for economic growth with high rates of job creation, for the promotion of quality employment and for social protection (see table 4.3).

**Table 4.3 An employment policy for Honduras: Recommended guidelines**

	Policy guidelines	Summary explanation
A	For economic growth with high rates of job creation	
1	Public expenditure will include a sizable component to be channelled into productive investment in infrastructure, which promotes private investment in various competitive fields, including infrastructure.	<p><i>“Macroeconomic policies do create a supportive environment for employment-generating structural transformation, but there is also a need for a set of structural policies ... Macroeconomic policies (except fiscal policies) are broad and blunt instruments that have mostly an economy-wide impact. For employment generation, what also needs to be taken into account is the composition of macroeconomic stimuli, as well as their aggregate impact on growth (e.g. the composition of government expenditure). Structural policies can be calibrated to help foster productive employment (e.g., by supporting employment-intensive sectors or increasing employment intensity within sectors) and such policies involve a differential allocation of economic resources.”</i> (ILO, 2012d, p.23)</p> <p>In short:</p> <ul style="list-style-type: none"> <li>– Macroeconomic policies, particularly exchange/monetary policies, need to adopt a pro-employment approach.</li> <li>– Fiscal policy must aim at ensuring the sustainability of public finances, while leaving scope for the funding of social development and inclusion policies.</li> <li>– This calls for the negotiation of a medium-term fiscal pact.</li> <li>– Social and infrastructural public spending is of key importance for creating a physical basis for development and for sending out signals conducive to the organization of relevant private expenditure.</li> <li>– Measures are required to improve the investment climate and the international integration strategy.</li> </ul>
2	Monetary and fiscal policy will be responsibly managed and directed towards the creation of decent employment.	
3	The investment climate and conditions conducive to competitiveness leading to the creation or expansion of business enterprises will be given continuous attention with a view to ensuring policy harmonization and promoting an overall improvement. The strategic objective is the conversion of these conditions into decent jobs.	
4	Priority will be given to public and private initiatives that generate mass employment, with broad regional and local coverage.	
5	Micro, small and medium-sized enterprises in the agro-industrial, industrial and services sectors will be given special treatment on account of their important role in job creation and the development of entrepreneurship.	
6	High priority will be given to enhancing the integration of Honduras into international markets. To that end, appropriate marketing strategies will be developed in employment-generating sectors.	

**Table 4.3 (cont'd)**

	Policy guidelines	Summary explanation
<b>B</b>	For promoting the creation of high-quality jobs	
<b>1</b>	Priority will be given to rural areas. To that end, resources will be invested in the elaboration of a global development strategy for the rural sector. The strategy should identify the different strata or groups composing this sector in order to develop actions targeted at specific groups, especially those deemed to be most vulnerable in economic and social terms.	Policies and actions that increase the demand for formal employment must be devised in the hope that they will stimulate more intensive use of the workforce, especially women workers. The integration of vulnerable groups into the workforce is difficult to achieve. The majority of beneficiaries from improvements in the employment rate tend to be the most skilled workers. It is therefore important to coordinate employment integration policies with services such as paid training, labour mediation, public and private employment programmes, and employment-intensive infrastructural programmes.
<b>2</b>	Government responsiveness to rural employers and workers will be enhanced through social dialogue in order to guarantee policy and action tools that are relevant and widely accepted.	
<b>3</b>	Greater attention should be paid than at present to the goal of improving the employability of the workforce, especially young people and women, at high levels of competitiveness in the regional labour market.	It is recommended that the current policy framework for the development of micro, small and medium-sized enterprises should be reviewed and refined. The country's efforts to support such enterprises by means of policy tools and resources have been so impressive that the <i>Doing Business 2008</i> report recognized Honduras as one of the leading reformers in the region. The following challenges remain:
<b>4</b>	Labour market institutions will be steadily strengthened as a basic guarantee of decent employment. The challenges to be met include: updating of labour regulations; enhancement of the prerogatives of the Minister of Labour and Social Security as an arbiter and guarantor in the event of unbalanced relations between an enterprise and its employees; restoration of the role of the minimum wage as a tool for poverty reduction; and modernization and expansion of social security.	<ul style="list-style-type: none"> <li>• Reductions in formality costs need to be reoriented towards the benefits of formality, which increase when companies obtain direct or indirect access to financial or non-financial markets or services (e.g. corporate justice).</li> <li>• The financial system must be used to provide incentives for formalization.</li> <li>• Business development services, particularly management-related services, must be strengthened (in the interests of market expansion and other goals).</li> <li>• Self-employed workers and family business employees constitute the largest component of the informal sector in numerical terms. Specific policies and actions are required for this sector to support the creation of viable enterprises and to simplify the procedures that apply once business viability has been attained. However, this needs to be supplemented by intensive employment programmes (especially infrastructural programmes) because the sub-sector is heterogeneous and includes a large number of persons in highly vulnerable situations on account of their low asset levels, for instance subsistence farmers (Chacaltana, 2009).</li> </ul>

	<p>Honduras needs to speed up the process of reform of the basic formal and informal education system, and to develop a package of actions, policies and focused programmes to support retention rates, in order to ensure that its children and young people are in a position to fully exercise their right to devote this very special period of their lives to vocational, civic and cultural training. However, this is a long-term recommendation. The achievement of immediate human resource training objectives calls for the strengthening of vocational training facilities. Institutional reforms and a steep increase in resources are required to expand the supply of services, including business development services on behalf of micro, small and medium-sized enterprises, and employability enhancement services on behalf of workers with low levels of human capital, especially in rural areas.</p>
--	---

With regard to **social protection**, the proposal took into account the adoption in March 2012 of the Social Protection Policy (SPP) and therefore simply recommended, among other points, that the concept of a social protection floor should play a key role in the implementation of the SPP (the policy had been formulated without taking this concept into account). The social protection floor is perceived as an integrated set of programme actions designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people throughout the life cycle (ILO, 2011b). The proposal indicates that the social protection floor will be based on a national agreement concerning minimum guarantees that are deemed to be viable under the development conditions prevailing in the country. It is also recommended that the social protection floor should consider at least four guarantees: (i) universal access to basic health care; (ii) income security for children; (iii) income security for older adults and persons with disabilities; and (iv) policies on behalf of persons of working age who are unable to generate sufficient income in the labour market (ILO, 2009). Lastly, it notes that the social protection floor is implemented on a step-by-step basis, so that progress will be subject to tripartite negotiations as the country builds its capacity to support more ambitious social protection arrangements.

#### 4.6.2 The National Action Plan for Employment and Social Protection

The ESPP proposal includes guidelines for a National Action Plan for Employment and Social Protection. The overall aim of this short-term plan (three years at most) is to negotiate and implement a social protection floor that

makes it possible to achieve the proposed Country Vision by 2038. According to this Vision, Honduras will be a country without extreme poverty, with a consolidated social protection regime and with low levels of unemployment and underemployment (see figure 4.2).

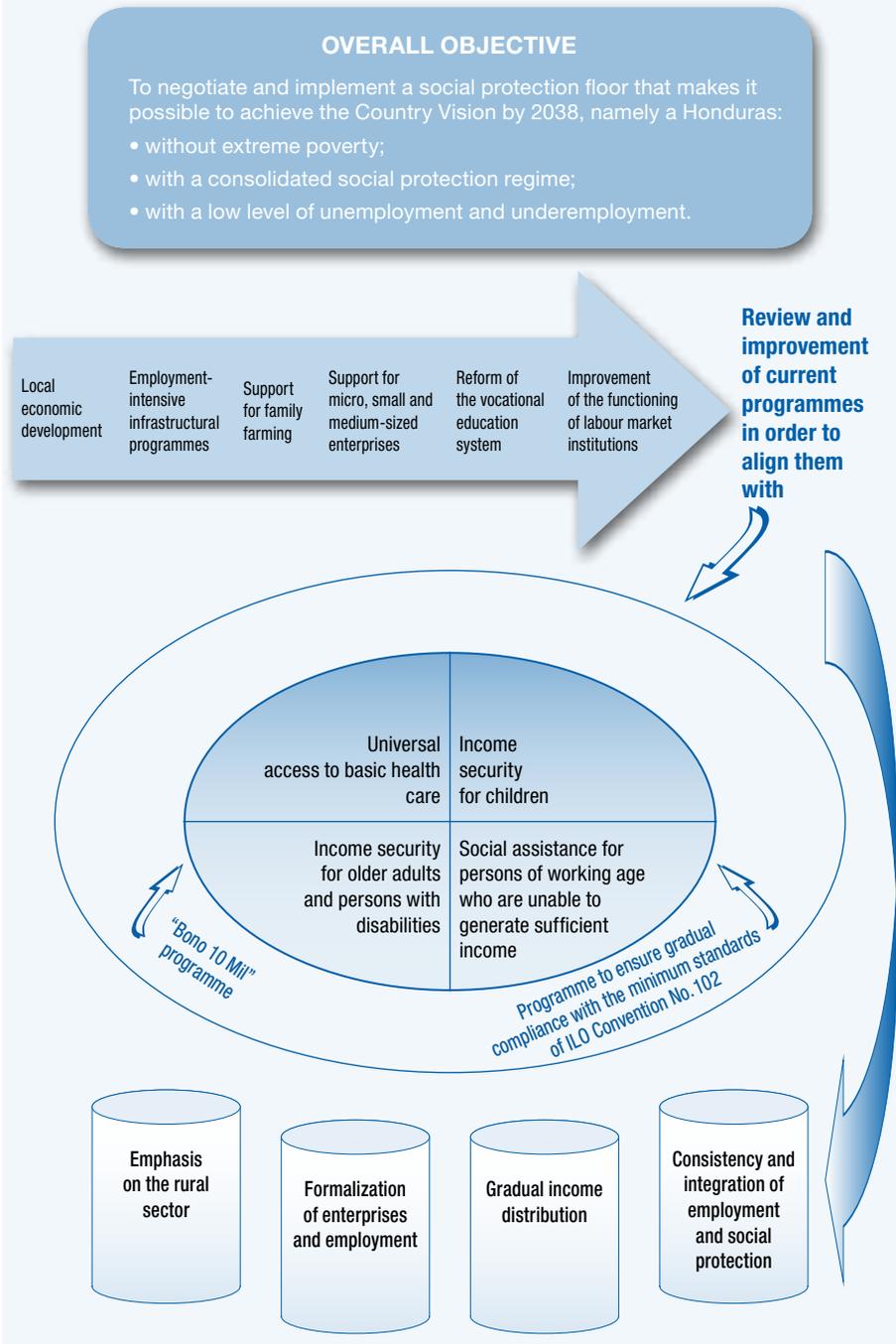
The specific goals of the Plan consist in creating decent jobs in the most promising employment sectors, especially in rural areas, and in providing social protection for the population, especially its most vulnerable members. To that end, it proposes action to review and upgrade existing programmes that are considered to be of key importance and that jointly constitute the social protection floor. These programmes, which seek to focus attention on the four basic social protection guarantees, are to be supplemented by relevant programmes designed to promote access to decent employment, particularly among the most socially vulnerable groups.

The Plan assigns priority to the adjustment of existing institutions and programmes rather than seeking to introduce costly innovative projects in a context of internal and external crisis. For example, in the case of the basic health-care system, it highlights the need to speed up reforms that convert a predominantly curative system into one that focuses on prevention. This change of approach responds more effectively to the current situation in the country, facilitating increased coverage and higher-quality health-care services. The Honduran Social Security Institute (IHSS) must also be reformed in accordance with a step-by-step plan designed to meet the minimum standards of ILO Convention No. 102.

Action must also be taken to ensure that income transfer programmes, particularly *Bono 10 Mil*, are run in a transparent and efficient manner. *Bono 10 Mil* will focus on guaranteeing income for children, older adults and persons with disabilities, as well as for persons of working age who are unable to generate an adequate income.

With regard to employment, the Plan advises that priority should be given to the needs of the rural population, which is currently the most adversely affected by poverty. The rural household economy requires support in the form of integrated employment and income transfer measures. To that end, employment-intensive infrastructure programmes, land access programmes (award of land titles, agrarian reform), labour and entrepreneurial training programmes and other projects that create opportunities for the poor rural population can be combined with transfers aimed at counteracting the annual downturn in the household economy. The family farming economy is still excessively dependent on climate variations and is faced with the threat of gradual soil erosion. A joint effort must be made to reverse this situation and, in so doing, to turn this sector of the economy into a mainstay of the country's food security.

**Figure 4.2 Honduras: The National Action Plan for Employment and Social Protection**



The list of recommendations also provides for action to support micro, small and medium-sized enterprises as well as different types of public and private investment in areas deemed likely to generate employment opportunities (based on approaches aimed at decentralization and promotion of local development); action to improve labour market institutions so that they guarantee labour rights more effectively; employment-intensive infrastructural programmes; and reform of the existing Vocational Training Institute.

To sum up, the Plan calls for a comprehensive overhaul of the programmes currently being implemented, including steps to ensure their integration and consistency, so that they can develop synergies between employment and social protection. The Plan also highlights the need to achieve the greatest possible degree of decentralization for the benefit of local development (see figure 4.2).

As already noted, this proposal for a short-term policy and action plan may be perceived as the outcome of a wide-ranging dialogue. It basically reflects a consensus, at least between the tripartite representatives who were consulted. The positions initially heard during the round-table discussions evolved from opinions tinged with distrust, fear and conceptual confusion towards assessments more closely reflecting the common good. Box 4.2 highlights the views endorsed by these representatives at the close of the dialogue process.

## 4.7 Lessons learned: Outline of future work

The experience of producing an ESPP proposal in Honduras through a participatory process demonstrates the effectiveness of tripartite dialogue. It is to be hoped that this effectiveness will be further confirmed when the policy is finally adopted and implemented.

In consensus-building processes, a genuinely key dialogue is generated between the leaders (and often between ordinary members) of the tripartite organizations. However, the contentious and/or complex nature of some issues requires, among other measures, technical support. This need is customarily met by drawing on the services of external experts or consultants whose expertise and commitment to neutrality inspire confidence in the dialogue partners, facilitating mutual understanding. At the same time, the outcomes seem to improve when technical specialists or experts from the organizations themselves are also represented. For example, the speed with which the Major National Agreement on Sustainable Development Combined with Social Equity (GAN) was discussed and adopted was quite surprising. In point of fact, one of the steps taken in arranging the dialogue process was the identification of government, private enterprise and labour-sector experts to liaise with the external consultants hired to produce the preliminary proposal

**Box 4.2 Honduras: Some aspects of the employment and social protection policy (ESPP) on which a tripartite consensus was reached**

1. The representatives of labour, business and government organizations agree on the importance for Honduras of the ratification of ILO Convention No. 102 concerning social security, with a view to achieving, by means of tripartite action, a basic level of social security through the social protection floor.
2. They acknowledge that there is a strong demand in Honduras for employment and social protection and that the State will find it financially difficult to respond effectively in the short or medium term; nevertheless, key actors support the formulation of an Employment and Social Protection Policy.
3. The representatives possess general information regarding the content of the Social Protection Floors Recommendation, 2012 (No. 202) and are familiar with the four basic guarantees of the social protection floor: access to basic health care, basic income security for children, income security for older adults and persons with disabilities, and income security for persons of working age who find it difficult to generate an adequate income; they draw attention to the need for ILO technical advisory assistance regarding the implementation of Convention No. 102 and the Employment and Social Protection Policy.
4. They recognize the need to strengthen the State's institutional structure and governance, and, in particular, to coordinate public-sector social and economic policies, boosting state finances through transparent systems of tax collection, controls and penalties for tax evaders and an increase in contribution rates, as the main source of funding for social protection.
5. They emphasize the need to address the challenge of enhancing public management of the education system in the area of vocational training, increasing its coverage and quality, involving local governments, students and teachers, and ensuring compliance with basic educational parameters and closer links with the world of work.
6. It is hoped that the National Vocational Training Institute, as the lead agency in this area, will adopt a methodically devised scheme relating, in particular, to financial and technical management and certification of skills, ceasing to operate as executor and certifier of the same process.
7. The health-care and social security systems should be modernized and adopt a sustainable financial strategy based on tax revenue and contribution rates that provide funds for more private- and public-sector workers and for persons faced with various employment problems.
8. It is recognized, in line with the foregoing, that a major overhaul of existing pension schemes is required and that proposals for an inclusive and sustainable scheme must therefore be developed.
9. On the basis of the social dialogue, the conflict stemming from the lack of employment and social protection should be converted into an opportunity to expand the range of innovative, creative and sustainable income-generating and employment-creating possibilities such as entrepreneurship, cooperative initiatives and other associative types of employment.

and to systematize the discussions and agreements. These experts or technical liaison officers from the organizations involved in the dialogue were able to build a kind of two-way bridge between the tripartite leaders and the external consultants. The latter received inputs from the technical liaison officers, who helped to formulate proposals that were more comprehensible and acceptable to the tripartite leadership. These liaison officers are still being used in the GAN implementation monitoring process.

The employment and social protection policy has proved to be a particularly complex issue. An initial consensus has been achieved on the broad lines and content of the policy. The tripartite leadership has expressed the view that ongoing ILO technical support will be required for the subsequent stages involving the official adoption of the policy and its implementation, particularly for key aspects such as certain employment programmes (for instance the employment-intensive infrastructural projects), and the reform of social security and vocational training. Such cooperation is considered necessary on account of the technical and political complexity of action to implement the policy, which should give high priority to the integration and consistency of employment and social security measures. The raising of awareness of the need to integrate employment and social protection as a tool for resolving major social problems such as the poverty and social exclusion affecting a considerable proportion of the population is an important achievement. But awareness on its own is not sufficient; it must be supplemented by political determination and the technical capacity to address the different challenges associated with the effective and efficient implementation of an ESPP.

It is important for the Economic and Social Council, in coordination with the Ministry of Labour and Social Security, the Ministry of Social Development, the Ministry of the Presidency and the Ministry of Planning, to assume the task of finalizing the ESPP document and the National Action Plan for Employment and Social Protection. The ILO proposal presents core ideas concerning the policies and the National Action Plan, which have been discussed at length and agreed upon. A step that will require further work is that of fine-tuning the Plan, the fundamental component of which is the agreement on a social protection floor – in other words, identification of the minimum employment and social protection guarantees on which attention will be focused. The empirical basis for reaching an agreement will be the outcome of cost estimates for the different social protection scenarios, an exercise for which ILO technical support will be forthcoming. In the area of social protection, this exercise can also be coordinated with the elaboration of the Social Protection Strategy, which has been identified by the recently adopted Social Protection Policy as a prerequisite for its implementation.

## References

- Auguste, S. 2008. *Política laboral en Honduras : Su impacto social y su vínculo con la reducción de la pobreza* (Tegucigalpa, UNAT).
- Banco Central de Honduras (BCH). 2007. *Consideraciones sobre las remesas familiares enviadas a Honduras* (Tegucigalpa).
- 2010a. *Remesas familiares enviadas por hondureños residentes en el exterior y gastos efectuados en el país durante sus visitas: Informe de Encuesta enero 2010* (Tegucigalpa).
- 2010b. *Comportamiento de la industria de bienes para transformación (maquila) y actividades conexas en Honduras* (Tegucigalpa).
- 2011. *Memoria Anual 2010* (Tegucigalpa).
- Chacaltana, J. 2009. *Experiencias de formalización empresarial y laboral en Centroamérica: Un análisis comparativo en Guatemala, Honduras y Nicaragua*, Macroeconomic Development Series No. 88 (Santiago de Chile: ECLAC).
- Fúnez, J.; Hernández, R.; Navarro, J. 2006. *Propuesta Plan Nacional para la Generación de Empleo Digno en Honduras* (Tegucigalpa, Secretaría de Trabajo y Seguridad Social). Available at: <http://www.undp.un.hn/MIGenero/Docs/Cap1/Propuesta%20Plan%20Nacional%20Empleo%20Digno%20en%20Honduras.pdf>.
- Government of Honduras. 2012. *Gran Acuerdo Nacional por un Crecimiento Sostenible con Equidad Social* (Tegucigalpa, Secretaría de la Presidencia).
- Guerra, M. L. 2011. *Pro-employment macroeconomic policy course* (Geneva, ILO).
- International Labour Office (ILO). 2009. *Extensión de la seguridad social a todos: Una revisión de los desafíos, de la práctica actual y de las opciones estratégicas* (Geneva).
- 2011a. *Panorama Laboral 2011: América Latina y el Caribe* (Lima).
- 2011b. *Piso de Protección Social para una globalización equitativa e inclusiva (Social Protection Floor for a fair and inclusive globaliztion)* (Geneva).
- 2012a. *Honduras: Elementos para una política de empleo y combate a la pobreza*. OIT/UE/Honduras/R.15 (Geneva).
- 2012b. *La protección social en Honduras: Informe para discusión*. OIT/UE/Honduras/R.14 (Geneva).
- 2012c, forthcoming. *Estimaciones de costo e impacto de un piso de protección social en Honduras empliando micro datos* (Geneva, ILO).
- 2012d. *Guía para la formulación de políticas nacionales de empleo (Guide for the formulation of national employment policies)* (Geneva).
- United Nations Economic Commission for Latin America and the Caribbean (ECLAC). 2009, 2010, 2011. *Panorama social de América Latina* (Santiago de Chile).
- United Nations Development Programme (UNDP). 2009. *Informe sobre desarrollo humano Honduras 2008–2009* (San José).
- 2011. *Human Development Report: Sustainability and equity: A better future for all* (New York).
- United Nations Population Fund (UNFPA). 2009. *El cambio demográfico: Motor del desarrollo* (Tegucigalpa).

- World Bank. 2004. *Drivers of sustainable rural growth and poverty reduction in Central America: Honduras country case study*. Gray Cover Reports No. 31192-HN (Vol.1) (Washington, DC).
- ; International Finance Corporation. 2007. *Doing Business 2008* (Washington, DC).

# Observations, recommendations and conclusions

# 5

*Helmut Schwarzer*

The main goal of the ILO/EU project was to support the development of more coherent employment and social protection policies in Burkina Faso, Cambodia and Honduras, and it is undeniable that important steps have been made in that direction. Stimulus to build new and more encompassing policy approaches, to fill the gaps in strategic planning, to support the development of additional human resources to operate those policies, and to improve social dialogue on them as well as on their coordination mechanisms are on the asset side of the balance. In addition, the consensus for an integrated approach has been strengthened at national level in the three countries among key actors within government agencies, employers and trade unions. However, despite the recognized importance and relevance of an integrated approach, low- and low-medium income countries still face a number of important challenges ahead before being capable of fully operating an encompassing integrated approach. The project experience delivers the impression that a series of institutional developments need to unfold, for instance in institution building, human capital development, strengthening social dialogue, developing vertical and horizontal policy coordination mechanisms, creating the necessary fiscal space, and democratically debating and approving laws that are still required to complete a “rights-based” approach.

The rather pragmatic technical cooperation approach to conducting the project activities has led to the recognition that there is no single or universal recipe for an integrated approach, at least at the level of technical assistance. The global principles and recommendations on employment and social protection, and their coordination, as spelled out by the ILO and the European Union through norms, declarations and communications, will find their concrete

materialization in each of the three countries at different moments and in different patterns according to the chosen development path, cultural factors, linkages with regional economies and current endowment of factors. Even if there are several points in common when comparing the starting point in each of the three countries and the outcomes of the national dialogue processes, the concrete design, as well as the sequencing and timing of policy developments, the solutions for policy coordination and respective dialogue, the possible sources of funding for policy extension and other issues will vary from country to country.

The country diagnostic documents and draft action plans obviously contain a large number of specific observations and recommendations. Some of the observations coincide among the three countries and with the experience of ILO work in other low-income countries. Among the lessons learned from the project activities, the following can be highlighted:

1. Attention needs to be given to linking employment and social protection in the planning and policy-making frameworks.
2. There is a need for additional institution building to allow for more coherence at the levels of both formulation and implementation.
3. There is a key role for social dialogue, including with the participation of civil society and a role for the private sector.
4. Financing employment and social protection policies requires the development of domestic fiscal space.
5. The approaches used should contribute towards institutionalizing rights (“rights-based approach”, “transformative social security”), but there is still a way to go for the progressive implementation of large-scale programmes.

## **5.1 Linking employment and social protection at strategic and policy-making levels**

The experiences of the project have shown that if employment and social protection are at the centre of the strategic development plans – and even more if the potential benefits of coordinating both areas are mentioned in the plans – a strong political and institutional basis is laid down for sector policies that link to each other and are designed and implemented in such a way as to extract the synergies. Simultaneously, it is important to build the governance and dialogue structures among line ministries and agencies, as well as between national and subnational levels of government. The mapping of the coordination and dialogue mechanisms would resemble a matrix, with vertical and horizontal

links. Decentralization processes and policies to improve the capacity of subnational levels to design and manage coordinated delivery mechanisms increase the chances that a dialogue between the national and subnational levels will occur; the existence of such a dialogue also creates the possibility that the regional differences that clearly exist in the three pilot countries (as exemplified by the four subnational discussion rounds held in Honduras) will be taken into account.

The backbone of the ministries and agencies needs to be formed by a group of civil servants specialized in employment and social protection policies, professionalizing the administration and avoiding the loss of knowledge and initiatives at every change of minister or president. Data have not always been available in the quantity and quality required for the diagnostic studies and the costing exercises; hence adaptations had to be made to the projection tools for the project to reach its goals. This also means that significant improvement can be achieved by supporting the development of statistical capacity in the institutions involved in policy-making and in the national statistical offices. Such efforts would result in an improvement of the methodology and quality of administrative data and of household/enterprise surveys. The availability of good data is paramount for the planning processes and the search for more policy coherence. In association with the lack of data, monitoring and evaluation of social protection and employment policies has quite often been missing and needs to be further developed.

At the strategic level, the project also discussed the importance of defining growth engines in the long-term development framework – sectors that would allow for decent job creation and the generation of the income flows required to expand the fiscal basis. The social protection floor in particular and social policies in general can be connected with these growth engines in a virtuous way; in Cambodia the “growth diamond” approach was used to exemplify how needs can be identified and a number of policies connected to support the growth of key sectors and generate the required employment and incomes. These background considerations are very relevant, given that there is insufficient employment generation and that youthful population structures, underemployment as a central phenomenon and low productivity are strong characteristics in all three pilot countries.

SPF policies play relevant roles in this development strategy (poverty alleviation, social inclusion, human capital accumulation) and can even contribute to reinforce growth if, for instance, benefit payments are connected with the supply of domestically produced consumption goods and services. Evidence from the three countries shows that growth and employment in the absence of social protection mechanisms does not protect against poverty; the case of Honduras, where the poverty rate failed to fall over the 2000s

even in presence of economic growth, depicts this challenge in a particularly impressive form. Burkina Faso and Cambodia have also experienced recent periods of high growth where, despite improvements in social indicators, classical “trickle-down” effects have not been noticed and growth alone does not seem to eradicate poverty. One lesson learned is that social protection policies actually help to organize growth in such a way as to be socially inclusive and fair.

The macroeconomic framework is another relevant pillar at this strategic level, and it is important that the stabilization policies have a pro-employment bias. In this regard, the foreign sector can be both a source of dynamism and of restrictions, and the exchange rate strategy needs to be in line with the development and macroeconomic frameworks. Further debate with the international community, the multilateral financial institutions and the IMF on how to build sustainable fiscal space and design employment-friendly policies would be important.

**Recommendation for future technical cooperation projects:** Public administration modernization programmes to support the planning capacities have been part of the development partners’ strategies and portfolios; it is certainly important to include the ministries of labour and social affairs among the beneficiaries of these programmes in future. The development of careers in the public service may be fostered by the modernization programmes in supporting, for instance, the institutionalization of training centres for public service in the respective countries, including the dissemination of good governance practices. Further technical support regarding the development of sound statistics – whether administrative data from line ministries or data from national statistical offices (such as survey and census data) – is relevant for consistent policy formulation, monitoring and evaluation, as well as for the identification of new opportunities to establish greater coherence between employment and social protection programmes. Monitoring and evaluation should also be part of support programmes. Macroeconomic policies should include a bias favourable to social and employment policies, to be discussed with the multilateral financial institutions including the IMF.

## 5.2 Institution-building challenges and fragmentation of programmes

Strongly connected to the previous item, the search for greater policy coherence between social protection and employment policies immediately faces barriers related to the lack or fragmentation of institutions and programmes. The implementation of a national employment service, the expansion and/or reform

of a training programme, the extension of the SPF guarantees – all these policies require strong and encompassing agencies, policy formulation and evaluation competencies at ministerial level, whereas only a restricted group of civil servants with the needed knowledge and experience can usually be found. Very often the ministries and agencies, as well as some programmes, are partly or even completely funded by foreign aid (via projects and/or budget support). Some programmes even seem to have been designed simply to take advantage of the offer of foreign aid. It is important that budget support for the public administration and implementation of programmes is linked to the gradual development of nationally-owned management and the respective fiscal space if such programmes are to be sustainable in the long run.

In all three countries a number institutions are still unfolding, both in terms of incomplete organizations and of low compliance with regulations. Regarding the former, in Cambodia, for example, the NSSF is gradually building its capacity to manage the branches to be introduced over the next few years. The recently established National Employment Agency (NEA) is currently developing its capacities to perform the labour market matching function and, as was discussed during the national dialogue, will have to acquire the forecasting capacities regarding future training needs.

On the subject of training, in all three countries the national dialogues concluded with a consensus on the importance of expanding and reforming vocational training policies; in Cambodia and Honduras a stronger link with the needs of private-sector developments was demanded. In Burkina Faso, training partnerships involving the employment funds, employment-intensive public works (HIMO), and private employers and artisans were mentioned. In Honduras, a social development policy has been approved and a Minister for Social Development installed, but the management of the respective programmes has not yet been coordinated, let alone unified; the linkage of social assistance programmes with the social insurance institutions needs to be further developed.

Regarding the compliance with regulations, social security coverage in the three countries remains low and there is also the example in Honduras of historically low compliance regarding the minimum wage regulations. The challenge of increasing compliance is probably also related to necessary developments in citizenship: a stronger access of citizens to the judiciary, or the shortage of some institutional resources such as an insufficient number of labour inspectors. The technical knowledge required for the management and operation of social protection and employment programmes also needs to be developed. This includes databases, IT, targeting tools, evaluation techniques, and others requiring continued human capital development.

**Recommendation for future technical cooperation projects:** Despite considerable national and foreign investments in institution building in the past, there is still a large demand for support in all three countries. Part of this can be addressed by further technical cooperation, when demanded by national stakeholders. Fostering comparative learning seems to be among the most fruitful approaches in the field of social protection and employment policies. It includes triangular and South–South approaches. The latter may be more effective when comparing countries from similar cultural and economic areas. In the search to develop integrated programmes, South–South experiences in middle-income countries can offer a number of relevant examples that aim to withdraw people from poverty through a mix of social protection and employment promotion interventions. Among the Latin American cases are the “*Chile Solidario*”, the “*Vivir Mejor*” programme in Mexico, and the “*Brasil sem Miséria*”, which demonstrate that it is possible to gradually connect the dots according to a national plan. India and South Africa can also provide relevant examples of systemic approaches, combining benefits and services as well as tools from employment and social protection policies. Another part of this demand can be met by investment in human capital, training civil servants in technical subjects; however, it is necessary to pay attention to the existence of career possibilities within the public sector in the pilot countries so as to avoid the loss of such human capital within a short period of time after training finishes.

### 5.3 Social dialogue, civil society and the private sector

Social dialogue is one of the key dimensions of the decent work concept. During the implementation of the project, one of the first questions that needed to be addressed was on the proper dialogue setting for the development of the project and the support to the elaboration and implementation of the resulting policies. At the start, the task was to find a suitable steering committee, composed of the tripartite actors, that could be the natural and long-term forum supporting the design and implementation of the resulting social protection and employment policies. It is not an obvious task, given that in low-income and medium-low-income countries, some of them subject to political instability, there is not necessarily a long-lasting and continuous tradition of social dialogue. In addition, it is important to understand that the practice of social dialogue undergoes a learning process, requiring years of institutional and human investment and a long-term perspective to become mature. To be effective, social dialogue has to be based on reciprocal trust and this requires long-term stability in the political sphere.

During the initial phase of the project in Burkina Faso, the first idea was to build a tripartite committee specifically dedicated to the ILO/EU project; however, a good working solution was found in 2011 when the dialogue between the project and the country was allocated to an Inter-ministerial Working Party chaired by the Ministry of Economy and Finance with the participation of key social and economic ministries, development partners and civil society. The Secretary-General of the Working Party provided good leadership for the local implementation of project actions, and the participating institutions were interested in the results of the project studies and dialogues. After the conclusion of the work on the National Social Protection Policy, the Working Party mandate expired and the responsibility for social dialogue and implementation of the policy was transferred to the CNPS, linked to the Office of the Prime Minister.

In Cambodia, a specific Steering Committee was created to ensure an institutional arrangement that formally included all the institutions relevant to the project. As mentioned above, the Cambodian political structure includes national-level councils, which link thematically related agencies (the Supreme National Economic Council or the Council for Agriculture and Rural Development (CARD)) to coordinate policy formulation and implementation; however, these councils have no mandate to promote tripartite dialogue. The needs for future developments of coordination and social dialogue mechanisms were part of the debates during the national dialogue in March 2012.

In Honduras, given the difficult internal political situation after the political crisis of 2009, the best option was to design action and deliver the results of the project to the Economic and Social Council (CES), managed during part of the period by the Ministry (Secretary) of Labour and Social Security and thereafter transferred to the Presidency of the Republic. The CES is composed of the key government agencies, representatives of employers and workers, and civil society. Social and economic councils give advice to presidents in several countries (such as France and several Latin American countries) and can be relevant arenas for high-level political and social dialogue that effectively influences policy formulation. One of the conclusions of the national dialogue held in Tegucigalpa in October 2012 was a consensus to strengthen social dialogue mechanisms regarding the elaboration and implementation of social protection and employment policies.

In summary, different dialogue arrangements have been found during the project implementation. Some were based on the traditional principles of the tripartite structure, others included actors beyond the tripartite structure. Institutions of civil society or organizations in the informal sector may strengthen the representation of the interests of those who are not formally

linked to the classical tripartite governance arrangements which are traditional in contributory social insurance schemes. If the goal of the policies to be designed and implemented is to increase coherence between employment and social protection policies and expand coverage in low- and medium-income countries, then it seems important to also include other relevant organizations in the consultation processes. Nevertheless, in low- and medium-low-income countries, social dialogue is often fragile and social actors frequently lack sufficient access to information and to the training required for a rather highly technical dialogue process. On the other hand, unstable political environments, sometimes present in low-income countries, are not conducive to building trust, the basis of open negotiation and authentic consensus-finding.

Regarding the private sector, in Honduras during the conversation with employers the issue of a leadership role regarding social protection and training programmes where the public sector is still absent was developed to include corporate social responsibility (CSR) on the agenda of the national dialogue. Good practices in CSR were presented by employers and mentioned in the conclusions. This topic has had growing importance on the agenda in both developed and developing countries.

**Recommendation for future technical cooperation projects:** Social dialogue on social protection and employment needs to be strengthened and supported in low-income countries. This requires promoting a dialogue-friendly environment, and providing training and support to the dialogue bodies. The development of social dialogue has to be seen as part of the institution-building efforts. It needs to be included as a necessary tool in the norms governing the negotiation and supervision of social protection and employment policy. It is also needed to ensure the institutional framework. Budgetary resources are required: in Honduras when the national steering committee was transferred from the Ministry of Labour and Social Security budgetary resources were not immediately available at the destination organization, and the flow of dialogue stopped.

Supporting national social and economic councils to include the coordination of employment and social protection policies on their agendas holds important potential. These councils quite often have a politically important role in advising the President or Prime Minister as well as representatives of employers and workers. Such councils can help to give political prominence and visibility to an integrated approach. The consultation processes should include, where appropriate, organizations from the informal sector and civil society to strengthen the political support to the policies to be developed. Good CSR practices, as mentioned above, have been registered in developing countries and could be stimulated as supplementary tools.

## 5.4 Funding of employment and social protection policies

How to finance the extension of social protection and employment policies, as well as efforts to integrate existing policies, has not been exhaustively discussed in national dialogues although it is a central concern and needs further development in the debate. In low- and medium-income countries the development of financial resources for these policies is essential, since many programmes have been funded through foreign assistance and even through borrowing from multilateral financial institutions. According to World Bank data for 2010, tax revenue was 12.9 per cent of GDP in Burkina Faso, 10.1 per cent of GDP in Cambodia and 14.8 per cent of GDP in Honduras. When non-tax revenue (except grants) was added, the figures increased to 15.6 per cent of GDP in Burkina Faso, 12.2 per cent in Cambodia, and 21.1 per cent in Honduras.

It is often affirmed that with a low level of domestic revenue it cannot be expected that public policies, especially those in the field of social protection extension and coordination with employment policies, be carried out with a sustainable long-term perspective. It is a basic rule of public policies that a permanent programme needs a permanent source of funding. The issue of missing fiscal space has been raised only partially in the national dialogues, and caused controversies due to resistance to increases in the levels of taxation. However, higher efficiency in spending and tax collection was broadly accepted.

**Recommendation for future technical cooperation projects:** In the three pilot countries a number of social protection, training and skills development programmes are highly dependent on foreign financial assistance. The support of development partners will certainly continue to be needed for several years in launching certain programmes and creating or improving the required institutions. It is also recommended that budget assistance programmes promote a gradual transition towards domestic funding resources. Therefore, the participation of the ministries of economy and finance – including the Supreme National Economic Council (SNEC) in the case of Cambodia – may be very important in support of the elaboration of integrated approaches.

The modernization of public administration, as well as social protection and employment technical support, should include technical assistance that helps countries to increase their capability to collect national taxes and social contributions. This approach would coordinate with ongoing efforts by multilateral financial agencies, especially the IMF and the associations of country tax collection agencies in some regions including the Americas. Training and learning processes could be envisaged, starting from simple

and progressing to more complex taxes and contributions, as well as stronger national coordination of the different revenue-collecting agencies (whether at the national or local level, or social security institutions) to increase efficiency in the fight against informality. Potential benefits can be found in the introduction of IT-based systems and coordinated inspection mechanisms, which increase the productivity of tax-collecting agencies. The establishment of national regulations regarding the protection of individual data is also important for citizens' privacy and to clearly establish how personal data may be used to fight crime and tax evasion and to improve the recognition of citizen rights.

## 5.5 Rights-based approach

There are important challenges to the development of social protection in the three countries. Coverage by social protection policies and employment services has historically been rather low, even when compared to regional averages. Non-contributory schemes are often resource-constrained, while large-scale programmes targeted to fighting poverty are being rolled out (as the *Bono 10 Mil* in Honduras) but are often based on foreign debt. The important role of health and education in building human capital has been recognized, but these services still have to be extended to all; this goal has been included in the strategic plans of all three countries – for instance, Burkina Faso includes the universalization of basic education in the SCADD. Even in view of these constraints, during the project the three countries negotiated and adopted (or decided to negotiate and adopt) employment and social protection policies. They have launched a number of social protection and employment programmes, are accumulating experiences and undergoing learning processes. Burkina Faso, for instance, has long experience with public works (HIMO) programmes which can be helpful in the efficient design of future interventions; and all three countries have plans for extending social insurance. It was also noted that the Millennium Development Goals, notably those touching the social dimension, have been important references to the planning and target-setting processes in each country.

The ILO and the European Union have recommended a further institutionalization of these developments, based on “rights-based” and “transformative” approaches (as in the Social Protection Floor Initiative and as mentioned in the EU Communication released in August 2012). During the elaboration and implementation of the policies an important array of institutional developments have yet to be achieved; further laws to provide the foundations for the rights-based concept will have to be approved and the

respective legal culture developed. A rights-based approach means that policies cannot be treated any longer as a gift or a concession, but as support in solidarity with those who are in need. National legislation has to define entitlements to benefits, and monitoring mechanisms should be in place to evaluate the policies. Impersonal and transparent claims and appeals mechanisms need to be created, while the public services have to develop a culture of serving the citizen and see their vocation in correctly providing the benefits and services in employment and social protection that are granted in law to the citizen. A correspondingly independent justice system needs to unfold. A rights-based approach, for instance to the benefits of a social protection floor, does not mean that there is a single worldwide standard or even a norm, but that there is a basic right to coverage spelled out in national legislation, according to national circumstances, that can be claimed in case of need.

In other words, it needs to be expected that the maturation of these policies, some of them currently introduced and being gradually expanded, will take their necessary time. The experiences of middle- and middle-high-income developing countries that have introduced comprehensive social protection and employment programmes demonstrate that these developments have taken at least a decade. For example, in the well-known Latin American cash transfer schemes, *Bolsa Família* has existed (in earlier forms) since 1995, the Mexican programme *Oportunidades* since 1997, and *Chile Solidario* began in 2002. Social insurance schemes can take several decades to become mature. As a consequence, the three countries will need to execute their national social protection and employment strategies with a time horizon that goes beyond the usual political cycles and with a perspective that starts with the introduction of the policies themselves, but evolves to the legal and even juridical sphere. Such an effort requires upholding a long-term national consensus in each country, driven by the empowerment of citizens; it will also require a long-term engagement on the side of the development partners, with the aim of introducing the rights-based approach and fostering the necessary institutional developments.

**Recommendation for future technical cooperation projects:**

Developing the legal aspects of the rights-based approach should be included in technical cooperation. There can be a fruitful exchange of knowledge and experiences by developing countries on how to improve citizens' access to benefits and services, how to process requests and allow for appeals, how to develop social and labour courts and train the specialized personnel required. At a global level, given the guiding function of the Millennium Development Goals, a relevant recommendation can be made to explicitly include employment and social protection objectives in the post-MDGs from 2015 onwards.

## 5.6 Conclusion

The implementation of the ILO/EU project “Improving Social Protection and Promoting Employment” was rather pragmatic, residing at the technical cooperation level. The challenge was not to develop new theoretical insights, but rather to pilot integrated approaches at country level so as to draw lessons from the project that would fit into more elaborated frameworks.

Recognition of the conceptual framework in support of decent work for all and the human right to social security is consensual among the three countries. Strategies to prioritize institutional developments and the horizontal extension of guarantees proved to be very important, as did the social protection floor approach underpinned by the recent ILO Recommendation No. 202. Hence both the ILO and the European Union have, through their frameworks of Recommendations, resolutions, Conventions and communications, set important guidelines for future work. Continued global advocacy for the Global Employment Agenda, the European Consensus on Development, the Agenda for Change, the Global Jobs Pact and the Social Protection Floor Initiative can enhance the process.

A second observation is that when it comes to implementation at country level, there is no single recipe for employment and social protection policies, as seen in the different experiences in the three pilot countries. The two-dimensional strategy to extend social protection (horizontally and vertically), the priorities in terms of employment policies, and the opportunities for linking with regional and global developments will vary from country to country.

Third, the SPF pathway accelerates the horizontal extension of social protection coverage and was accepted by the national dialogues in all three countries, with respective national variations. In Burkina Faso, according to the recommendations of the dialogue, the first step would be the introduction of an SPF focused on youth. In Cambodia, the national SPF includes a set of five benefits/services and has been included in the National Social Protection Strategy. In Honduras, a consolidation of existing programmes is envisaged to expand coverage and increase efficiency. Despite these differences, in all three cases the implementation will require the gradual building, step by step, of institutions and capabilities, a mid- to long-term process.

The efforts required for accelerated horizontal coverage expansion, as foreseen under the SPF concept, will benefit from the development of methodologies, social dialogue approaches, toolkits and training materials to disseminate the knowledge to national partners. Valuable contributions have been made by the project to show the possibilities and limitations of the available tools in relation to the SPF.

Comparative learning, by adapting good practices to the national context, will certainly speed up the development process of employment and social protection policies. Nevertheless, there are limitations in the sense that the national “hardware” (institutions, agencies) and “software” (human capital, knowledge of the public policy operators) has to be developed to guarantee the sustainability of the policies. A social consensus needs to be developed and cultivated, the legal foundations and institutions built, and the fiscal sources developed. A recommendation in this regard would be to foster further comparative learning and policy design processes, possibly bringing countries together in regional groups, particularly those countries which have a closer basis for comparison due to common culture and external economic environment, as well as sometimes similar endowment of resources – and to take care never to propose a single universal “technical” solution.

The building of a sustainable political consensus takes time, and the process cannot be accelerated without the consent of the national actors. Quite often the fruits of social dialogue will be harvested only years after a thematic discussion started (as in the social dialogue processes in developed countries regarding social security reform). Hence, it is recommended to continue technical assistance to strengthen the knowledge of the social partners regarding the need to integrate social protection and employment policies, as well as how to do it. Social dialogue and institution building are long-term processes which cannot be measured by a single indicator.

