



USAID
FROM THE AMERICAN PEOPLE

THE LABOR SECTOR AND THE GLOBAL DEVELOPMENT ALLIANCE (GDA)

INTRODUCTION

This topics paper discusses the tripartite model developed in past labor sector programs as an example of how labor sector programming can intersect with Global Development Alliance (GDA) opportunities. The GDA is a business model created by USAID in 2001 as a means of developing partnerships among private and public stakeholders to advance USG development and diplomacy goals. Like the tripartite model, the GDA model operates under the assumption that reform is more responsive, equitable, and sustainable when negotiated by multiple social partners. By redefining the dialogue between the key stakeholders of business, government, workers, and US foreign assistance goals, the GDA model can help to identify synergies between labor sector programming objectives, democratic development, and economic growth.

THE GDA AND LABOR INTERSECTIONS

The Labor Sector and U.S. Foreign Assistance Goals: Technical Paper explores tensions and synergies between and among the Economic Development and Democracy and Governance objectives of a foreign assistance strategy. For example, in some cases, expanding workers' rights (a primary component of the Just and Democratic Governance indicator) may seem to undermine private sector competitiveness (a key component of the Economic Growth indicator). Similarly, strengthening collective bargaining as part of a civil society strategy may result in minimum wage reform that negatively impacts job creation. However, tripartite programs have demonstrated that reforms to labor policies and laws are not necessarily a zero-sum proposition among the stakeholders of business, workers and government, and that through research and dialogue, these stakeholders are at times able to identify common interests.

One such area of potential common interest is with regard to worker rights. Absent a forum for research, information sharing, and dialogue, the three key stakeholders are more likely to put forward rigid agendas, with worker organizations demanding expanded rights and protections and increased wages; employer organizations advocating reduced government regulation on employment and opposing wage increases; and government struggling to balance human rights and economic growth priorities. Tripartite alliances create a forum wherein stakeholders gain knowledge of the costs and benefits of each proposition. For example, unions may both advance the rights of workers and promote an increased minimum wage while supporting increased productivity and competitiveness. Employers may seek to increase profitability while promoting workers rights. Host country governments have a vested interest in both encouraging economic growth and foreign investment through improving

competitiveness and combating corruption, and promoting stability and equitable growth by supporting workers rights, education and training, and health services.

In many countries, tripartite arrangements have helped business, labor unions, and government to address these tensions and help identify solutions that benefit all stakeholders. For example, a USAID program in Croatia (2001-2004) developed the capacity of the Economic and Social Council of Croatia (GSV), an association of workers, employers, and government, to build consensus on labor policies and legislation. In 1995, USAID supported a program in Haiti to assist the Tripartite Commission on Conciliation and Arbitration, a commission of workers unions, employers, and government, to improve the Labor Code and restructure the State-run pension and workers' compensation funds. In Kazakhstan, a US Department of Labor supported program resulted in the development of tripartite social partnerships with established dispute arbitration procedures. While varied in scope of work, these projects share the accomplishment of establishing a labor conciliation capacity to address bread and butter policy and legislative issues.

The GDA-supported Guatemala Labor Standards Alliance (GLSA) is one example of how GDA opportunities were leveraged to enhance synergies between human rights and economic development strategies through labor programming. The GLSA was launched in Guatemala in 2004 to better position the country's *maquila* sector to compete in the world market after the January 2005 expiration of the Multi-Fiber Agreements (MFA). By building partnerships between different stakeholders, including multinational retailers, monitoring groups, civil society actors, workers associations, and government ministries, the alliance helped bring into focus the correlation between upholding labor standards and competitiveness.

The GLSA example suggests that voluntary, market-driven codes of conduct established and enforced by private retailers may serve as an important complement to public sector enforcement, though it should be noted there is still debate as to the measurable impact that voluntary compliance audits alone have on the enforcement of core labor standards. In the case of the GLSA, increased public awareness of the prevalence of labor rights violations, particularly in the textile industry, has made multinational retailers, such as alliance partners Timberland and The Gap, publicly accountable to enforce core labor standards in their suppliers. Public pressure has added a new dimension to producer competitiveness, as retailers must weigh the risk of public backlash for sacrificing labor standards for lowest-cost production. Retailers have a concrete incentive to independently monitor and enforce vendor code of conduct as a marketing and public image issue, as evidenced by The Gap's 2004 decision to revoke approval of 136 factories for failure to comply with the vendor code of conduct.

The tripartite partnerships developed through labor programming can be applied to GDA opportunities in support of a wide range of development and diplomacy objectives. Employer organizations, particularly those of multi-national enterprises, have a stake in promoting rule of law, human rights, consensus building, education, social services and protections for vulnerable groups, trade and investment, and competitiveness in their countries of operation. As discussed in the country labor assessments conducted under the GLASAI, businesses operate best in a stable, predictable, rules-based environment; and multi-national companies benefit from operating in host countries that comply with international labor standards. In addition, there is a growing expectation among civil society organizations, governments, and consumers that businesses will engage in corporate social responsibility programs. The GDA program offers an attractive way for businesses to engage in corporate social responsibility and invest in improvements to the business-enabling environment while leveraging donor and host country contributions.

CONCLUSIONS

The GDA model presents an opportunity to mitigate or resolve some of the key tensions between democratic governance and economic growth objectives, and to build upon the fundamental synergies discussed in the Technical Paper. Building partnerships with private sector players offers potential promise in deepening the sustainable impact that public sector actors alone can achieve.

The GDA has developed partnerships between host country governments, multi-national corporations, civil society representatives, and the donor community to tackle deep-seated, complex social and economic problems that neither business nor government can solve alone. Public-private partnerships focused on labor issues such as competitiveness, workforce development, labor standards, and negotiation and consensus building work because players in each sector share similar challenges and can benefit from interventions aimed at the labor sector. The increase in the reach and influence of the private sector in recent decades has increased the political pressure and practical motivation for the private sector to invest in political stability, good governance, and economic growth of developing countries. At the same time, the heightened role of the private sector in the global political economy has made obtaining private sector buy-in an important component of a coherent foreign assistance strategy.

Author: Kelly Kimball

Task Order under the Analytical Services IQC Second Phase of Analytical Work: The Role of Labor in the Foreign Assistance Framework USAID – State/DRL