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Addis Ababa, ETHIOPIA P. O. Box 3243 Telephone: +251 11 551 7700 Fax: +251 115182072
Website: www.au.intwww.africa-youth.org

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**Theme: “Investment in Employment and Social Security for Harnessing the
Demographic Dividend”**

TRADE AND INVESTMENT FOR DECENT WORK

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Employment opportunities and decent jobs promotion result from investment and trade as labour market drivers at national and regional levels. The AU Continental Free Trade Area (FCTA), in particular through its action plan, seeks integrating labour rights and standards requirements as described in the cluster on market factors. It calls for regional integration of labour markets for labour mobility to support investment, growth and inclusive development.

Trade agreements in Regional Economic Communities are enhanced by policy frameworks and protocols dealing with the imperatives of aligning labour market integration with the regional integration agenda for development. ECOWAS, EAC, SADC and COMESA are at the forefront of these regional dynamics though with different focus and level of intensity.

At global level, labour rights provisions are included in global trade agreements and they are also found in trade and investment agreements in other regions (EU, Asia, Latin America, etc). The ILO is very instrumental in promoting the Fundamental Conventions in investment and trade. A remarkable example is the African Growth and Opportunity Act (AGOA) which provides unilateral trade preferences to sub-Saharan African countries¹ opening access to U.S. markets in an effort to support economic growth and development in the region.

The U.S. Department of Labor (USDOL) works with African countries to ensure economic growth made through trade and investment in U.S.-African trade programs includes adherence to internationally recognized labor rights. These efforts seek to ensure that the benefits of trade are widely shared, and that workers and businesses compete on a level global playing field.

Labor Provisions in U.S.-African Trade Programs

In some trade agreements, like AGOA eligibility is conditioned on countries' efforts to "make continual progress toward establishing protection of internationally recognized worker rights, including freedom of association, the right to organize and bargain collectively, a prohibition on forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours, and occupational safety and health."² Implementation of a country's commitment to eliminate the worst forms of child labor is also taken into consideration. The Morocco FTA labor provisions require both the United States and Morocco (the parties) to "strive to ensure that labor standards are consistent with internationally recognized labor rights"³ and that neither party "fail to effectively enforce its labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade

¹ Enacted in 2000, AGOA was reauthorized in 2015 with a ten-year extension to 2025.

² Trade and Development Act of 2000, H.R. 434, §104; available from <http://trade.gov/agoa/legislation/index.asp>

³ United States – Morocco Free Trade Agreement, 16(2)(1)(2), 2004; available from <https://ustr.gov/trade-agreements/free-trade-agreements/morocco-fta/final-text>

between the parties.”⁴ It also prohibits the parties from weakening or reducing protections afforded in domestic labor laws.⁵

These labor provisions are included in U.S. trade arrangements with the aim of ensuring that economic growth gained through trade is inclusive and sustainable. Economic growth coupled with the protection of internationally recognized labor standards benefits governments, businesses, and individuals. With adherence to labor standards, businesses increase productivity and expand operations thereby growing employment opportunities for workers who, in turn, reinvest in their families and communities.⁶ These improvements grow the overall economy and advance a strong consumer middle class. The existence of this virtuous cycle of growth is supported by quantitative and qualitative research, as discussed below. The continual improvement towards strengthening the protection of internationally recognized worker rights in conjunction with employment generation and poverty reduction is also aligned with the African Union’s Plan of Action on Employment and Poverty Alleviation, adopted in January 2015.

Effect of Labor Provisions on Trade

A recent study from the International Labor Organization (ILO) shows that labor provisions in trade agreements have a positive effect on labor force participation rates, particularly female participation rates.⁷ The study also found that there is no evidence to support the claim that the enforcement of labor standards leads to reduced trade.⁸ Countries in trade agreements that include labor provisions have an average of 28 per cent increased bilateral trade while those with agreements without labor provisions have an average increase of 26 per cent.⁹

The impact of trade on labor markets, particularly job quality and income distribution, depend largely on institutional factors. Research shows that in order for economic growth through trade to combat inequalities and foster inclusive growth, institutions must promote internationally recognized labor rights as a core component of that path to growth.¹⁰ The positive effect of labor provisions on trade is affected by the government’s capacity to politically prioritize and enforce the provisions.¹¹ Because ministries of labor have the mandate to enforce labor provisions but trade and investment portfolios fall under the purview of ministries of trade, strong coordination to prioritize and effectively enforce the

⁴ United States – Morocco Free Trade Agreement, 16(2)(1)(a)

⁵ United States – Morocco Free Trade Agreement, 16(2)(2)

⁶ International Finance Corporation, Jobs Study Assessing Private Sector Contributions to Job Creation and Poverty Reduction, page 130, 134, and 137 January 2013; available from https://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES. See also ILO, Better Work Discussion Paper n.12: Is There an Efficiency Case for International Labour Standards?, pages 2-3, 2013. See also United Nations, The Employment Imperative: Report on the World Social Situation, pages 103-106, 2007; available from <https://www.un.org/development/desa/socialperspectiveondevelopment/2015/08/20/report-on-the-world-social-situation-2007-the-employment-imperative/>.

⁷ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 65; available from http://www.ilo.org/global/publications/books/WCMS_498944/lang--en/index.htm

⁸ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 65

⁹ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 65

¹⁰ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 65-67

¹¹ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 74

labor provisions of trade programs is needed to ensure the benefits of trade are fully realized.

Benefits of Linking Labor and Trade

Jobs are an important determinant of living standards across the world and increased trade has the potential to increase job growth.¹² However, job creation alone does not necessarily aid in improved living standards and poverty reduction.¹³ Decent jobs are needed to most effectively raise households out of poverty. A decent job: “promotes opportunities for work that is productive and provides a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.”¹⁴ Adherence to labor provisions in the creation of decent work opportunities has the potential to increase gains from trade and investment at the national, business, community, and individual level.

National Level Benefits

Evidence shows that labor provisions in trade initiatives, if implemented and enforced, can lead to concrete institutional and legal improvements, including an increase in labor inspectors and judges, as well as business-level intervention in support of improved labor conditions.¹⁵ Decent work, including those jobs gained through increased trade and investment, can also lead to social cohesion and improved development indicators, including poverty reduction and improved health, education attainment, and living standards.¹⁶ Research also shows that jobs that are linked to positive development indicators provide good working conditions, positive working relationships, fair wages, and flexibility for sick leave.¹⁷ Efforts to create job growth inclusive of labor standards can lead to increased investments in skills development and better societal resource allocation, both of which lead to improved livelihoods.¹⁸ They can also lead to improved gender equality and human capital, which promotes a healthy business environment and a cycle of quality job creation.¹⁹

Employment generation within the context of decent work opportunities may also contribute to national, regional, and continental goals related to youth employment and to address root causes of vulnerable youth recruitment to violent extremism. The United

¹² ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, pages 68-69. See also International Finance Corporation (IFC), Jobs Study Assessing Private Sector Contributions to Job Creation and Poverty Reduction, page 130-134, January 2013; available from https://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES

¹³ World Bank, World Development Report; Jobs, pages 78-79, 2013; available from <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTNWDR2013/0,,contentMDK:23044836~pagePK:8258258~piPK:8258412~theSitePK:8258025,00.html>

¹⁴ ILO, Decent Work; available from <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

¹⁵ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 65-67

¹⁶ World Bank 2013, pages 79-80. See also IFC page 131. See also United Nations, Report on the World Social Situation, 2016; available from <https://www.un.org/development/dspd/report-on-the-world-social-situation-rwss-social-policy-and-development-division/rwss2016.html>

¹⁷ IFC, page 130 and 131. See also ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 85

¹⁸ IFC, page 131

¹⁹ IFC, page 131. See also United Nations, Report on the World Social Situation, 2016

Nations notes that today's generation of youth is "the largest the world has ever known, and youth's access to education and economic opportunities has a dramatic impact on durable peace and reconciliation."²⁰ The United Nations also argues that factors leading to increased radicalization and violent extremism amongst youth should be addressed, in part, by "evidence-based and gender-sensitive youth employment opportunities, inclusive labor policies, national youth employment action plans in partnership with the private sector, developed in partnership with youth and recognizing the interrelated role of education, employment, and training in preventing the marginalization of youth."²¹ Coordinated action between ministries of trade and labor to expand youth employment opportunities and to ensure youth have the skills needed to participate in existing or growing sectors can provide positive employment opportunities for young people and is a logical step towards addressing the need for sustainable youth employment.

In addition to improved development, health, education, and labor indicators, ensuring labor rights within the context of trade has the added benefit of attracting foreign investment to a country. Research indicates foreign investors prioritize workforce quality and political and social stability above low labor costs when choosing where to invest.²²

Firm Level Benefits

Emerging research shows compliance with labor standards results in increased profits, sustainable growth, and new market opportunities for businesses.²³ It also improves worker productivity, resulting in lower turnover rates, and reduced workplace accidents and injuries.²⁴ A study of the Better Work project in Cambodia, a program launched with the aim of improving compliance with labor standards in apparel supply chains, showed that firms implementing improved labor standards expanded production by 165 per cent in one year, worker-management relations improved, and factories reported innovations in productions systems and supervisory skills.²⁵ Case studies of companies that have made efforts to improve labor standards saw benefits including on-time and on-budget completion of projects, fewer accidents, and new opportunities in European and American markets.²⁶ Improved labor standards provide incentives for reputation-sensitive brands to initiate and maintain relationships with producers.²⁷ Examples in the chart below show the benefits of improved labor standards in production from a variety of different studies.

Table 1: Benefits from Improved Labor Standards; Documented Examples	
China Chai Da/Ying Xie	Annual worker turnover decreased from 78 to 32 percent in three years

²⁰ United Nations, Security Council Resolution 2250, 2015; available from <http://www.un.org/press/en/2015/sc12149.doc.htm>

²¹ United Nations, Security Council Resolution 2250.

²² ILO, The Benefits of International Labor Standards; available from http://ilo.org/global/standards/introduction-to-international-labour-standards/the-benefits-of-international-labour-standards/lang--en/index.htm#P22_8333

²³ IFC, Jobs Study Assessing Private Sector Contributions to Job Creation and Poverty Reduction, pages 130 and 134, January 2013.

²⁴ International Finance Corporation, Jobs Study Assessing Private Sector Contributions to Job Creation and Poverty Reduction, page 130 and 134, January 2013; available from https://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES See also ILO, The Benefits of International Labor Standards.

²⁵ IFC, 136

²⁶ IFC, page 133

²⁷ IFC, 135

Cambodia A factory in ILO Better Factories program	Product Rejection rate reduced by 44 percent overall
Turkey Yesim	37 percent decrease in lost time from accidents and sickness
Turkey Topkapi	Received 2.5 percent larger discount on insurance premiums for casualty and goods in transit
India Esstee	Worker turnover reduced from 75 percent to 35 percent
Source: IFC and Social Accountability International (SAI), 2010	

Evidence suggests that ensuring national level labor laws and regulations are in place and enforced provides for better production outcomes and outputs for companies working within the national labor legislation framework.

Individual and Community Level Benefits

Earnings for millions of workers across the world are often insufficient to provide for an adequate standard of living. Additionally, they frequently work in non-wage earning jobs.²⁸ Poverty is intricately linked to social exclusion and the capacity of an individual or a household to fully participate in society.²⁹ Employment opportunities and improved working conditions through the application of internationally recognized labor standards can help pull people out of poverty, improve people's full participation in society, mainstream people into the formal economic system, and significantly improve human life and dignity.³⁰

Addressing gender inequality and discrimination, through policies promoting decent work opportunities, can impact family welfare: a mother's income effects child survival more than 20 times compared to that of the father's.³¹ Decent work opportunities can also affect personal and community health since low income levels and a lack of employment opportunities are associated with poorer health outcomes, leading to lower health indicators with regard to mortality rates, HIV, and malnutrition and stunting.³²

Methods for Coordinating Labor and Trade Policy and Action

Labor provisions within trade agreements are increasingly becoming the norm. In 2010, 25 per cent of trade agreements globally included labor provisions. That number steadily increased to 80 per cent by 2015.³³ Coordinated policy and action between ministries of trade and labor has the potential to increase benefits from ongoing trade and investment opportunities.

²⁸ World Bank, page 80.

²⁹ United Nations, Report on the World Social Situation, page 34, 2016.

³⁰ ILO, The Benefits of International Labor Standards. See also United Nations, Report on the World Social Situation, 2016. See also United Nations, Report on the World Social Situation, 2016.

³¹ United Nations, Report on the World Social Situation, 2016.

³² United Nations, Report on the World Social Situation, 2016.

³³ ILO, Studies on Growth with Equity; Labor Provisions in Trade and Investment Arrangements, page 23.

Several examples of coordinated trade and labor policy and action exist in Africa and across the globe. Some examples are included below.

- In the Kingdom of Lesotho, Ministers of Labor and Trade and Industry coordinate to market Lesotho as a country for ethical sourcing of apparel, based on raising labor compliance standards in its cut and sew factories. The ministers work with stakeholders to create a high national standard for labor law compliance and to make improvements that benefit workers and employers, directly feeding into national sector-wide goals set by the government. Outcomes include measurable improvements under national labor law, including occupational safety and health rates, human resources and contracts, compensation and working hours; the establishment of strong dialogue mechanisms leading to more stable industrial relations; an increase in paid maternity leave in the garment and footwear sectors from two to six weeks; and factory owner-led development of apprenticeship programs to train workers in higher end jobs. In addition, Lesotho National Development Corporation's Industry Status Reports show that industrial action (strikes) is more frequent in factories not participating in the original Better Work initiative, and the industry has maintained its levels of apparel investment.
- In Cote d'Ivoire, with recognition of the reputational risks associated with child labor in the cocoa sector, Ivorian ministries of labor and trade, in coordination with the first lady's office and the Council on Coffee and Cocoa, implement measures in coordination with the cocoa industry to mitigate the problem by organizing communities to monitor child labor, increasing livelihood opportunities for parents of children involved in child labor, and providing education alternatives to children involved in or at risk of entering child labor.
- In Liberia, ministries have made efforts to improve working conditions in the rubber sector, including by combatting child labor, improving occupational safety and health standards, and allowing for freedom of association. Liberia has publically noted that improved labor standards have attracted new investments.
- Myanmar, with a growing apparel sector, uses a multilateral, multi-stakeholder approach to promoting fundamental labor rights and responsible business practices. Consultations with a broad group of stakeholders around labor reform, enforcement and transparency has improved workplace conditions and worker rights.³⁴ These improvements help make Myanmar an attractive sourcing destination, protecting Myanmar's workers and supporting its businesses, and advancing the country's overall sustainable growth and development.
- In Jordan, the government has instituted a system that only grants export licenses to garment factories that adhere to labor standards.

³⁴ See Joint Statement, 2d Stakeholders Forum on *Initiative to Promote Fundamental Labour Rights and Practices in Myanmar*, September 30, 2016.

- The Government of Ethiopia coordinates efforts to ensure quality employment generated through trade and investment in the textile industry is accessible to youth and that youth have the skills necessary to perform job functions.
- The European Union harmonized legislation to facilitate labor migration, including by allowing for the mobility of social protections, to allow for improved allocation of human resources and increased productivity, investment, trade and knowledge transfer for sending and receiving labor markets. The need to coordinate policy to allow for the transfer of job skills certification has been identified as a need to be addressed in future coordinated efforts.
- To regain trade benefits with the United States following a 2013 factory fire, the Government of Bangladesh participates in a compact to improve labor rights and factory safety in the ready-made garment and knitwear industry
- The Governments of Korea and Singapore created and prioritized employment strategies targeting the growth of decent work, contributing to a trained, productive, and stable workforce.

Each of these concrete actions builds important links between trade and labor. A country could choose one or many of these or other strategies in creating country-specific plans.

ILAB's Efforts to Promote Compliance with AGOA's Labor Eligibility Criteria

ILAB promotes conformity with AGOA's labor eligibility criteria including by raising awareness about the affirmative benefits of coordinating trade and labor policy and assisting countries in lifting labor standards through strategic engagement with governments, industry, multi-lateral institutions, and civil society.³⁵

This overall strategy was at the center of the USDOL and the U.S. Trade Representative's Office (USTR)-hosted inaugural AGOA Labor and Trade Ministerial Roundtable (Ministerial) in 2016. The Ministerial, held in conjunction with the AGOA Forum³⁶, brought together several trade and labor ministers from sub-Saharan Africa with the aim of supporting greater African government policy coordination that advances internationally recognized worker rights and sustainable economic development in the context of trade and investment.

The Ministerial hosted trade and labor ministers from fourteen countries: Angola, Botswana, Cabo Verde, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Mauritius, Namibia, Nigeria, and Senegal.

The ministerial promoted greater labor and trade policy coordination with key objectives: to work to ensure countries maximize the benefits of AGOA through inclusive economic

³⁵ Note that ILAB publishes report on forced labor and child labor relevant to the eligibility for preference program benefits. See <https://www.dol.gov/agencies/ilab/reports/child-labor>

³⁶ Each year the United States Government and Governments of African countries eligible for AGOA conduct a high-level meeting to foster close economic ties between the United States and sub-Saharan Africa. This meeting is known as the AGOA Forum.

growth and development and to prepare countries for future U.S. trade initiatives that may include more stringent labor requirements than current AGOA eligibility criteria. The ministerial included a robust agenda, drawing from experts from African governments, the African Union, the ILO, industry and labor stakeholders, and the U.S. Government, including USDOL, USTR, USAID³⁷, and the Department of State.

The ministers also participated in a closed session in which they discussed current efforts and potential future initiatives to coordinate labor and trade policy. The ministerial focused on areas of need for future coordination. The trade and labor ministers widely recognized the importance of coordinating their ministries' efforts as they discussed key areas of concern, including the following priority needs to:

- Transition workers from the informal to the formal sector;
- Increase regional integration and address regional migration;
- Develop effective mechanisms to resolve labor disputes;
- Improve youth skills development and education;
- Expand social protection;
- Strengthen labor law enforcement, particularly with regard to occupational safety and health; and
- Integrate labor into existing trade infrastructure, for example by including occupational health and safety compliance requirements in existing mechanisms that assist in business registration and set-up.

The discussion shaped at this ministerial links directly to African Union and regional economic community priorities and will lay the base for future US/African engagement under the AGOA labor eligibility criteria.

Next Steps on **AGOA**

USDOL encourages African ministries of labor and trade to coordinate efforts in order to work to ensure benefits gained from AGOA are inclusive and sustainable, countries are prepared for future U.S.-Africa trade initiatives, and there is an enabling environment for responsible investment. African governments could begin coordinating through five concrete steps:

1. Raise the need to coordinate government labor and trade policy and efforts at cabinet-level meetings.
2. Integrate labor into country AGOA utilization strategies.³⁸
3. Begin the process of selecting concrete areas for coordination, perhaps using some of the examples above, and create a mechanism and action plan for coordinating those actions.

³⁷ U.S. Agency for International Development (USAID)

³⁸ The 2015 AGOA renewal legislation states “beneficiary sub-Saharan African countries should develop utilization strategies on a biennial basis in order to more effectively and strategically utilize benefits available under the African Growth and Opportunity Act.” These strategies are referred to as “AGOA utilization strategies.”

4. Create a coordinating mechanism to ensure industry entering the country is aware of and compliant with national labor laws.
5. Partner with USDOL and its AGOA labor and trade stakeholders to advance the objectives outlined in this paper in a meaningful way.

USDOL will continue to engage with AGOA stakeholders, including African governments, the African Union, industry, and civil society to promote labor and trade coordination under AGOA. The 2017 AGOA Forum, to be held in Lomé, Togo, will continue the discussion of labor and trade coordination, targeting ministers and technical experts from ministers of trade across sub-Saharan Africa. Messaging from African ministers of labor to African ministers of trade about the importance of and political will to coordinate would be welcome at the AGOA Forum, as would the presence of a commission of labor ministers at the meeting.

Issues for discussion:

1. How AU Member states must work to develop appropriate mechanisms for inclusion of labour rights in the negotiation and implementation of trade and investment agreements
2. How the ministry of labour can build and maintain effective collaboration with the Ministry of trade/investment to ensure respect of labour rights and decent jobs creation?
3. What roles can play the AUC and RECs?