



LABOR ISSUES IN ADB OPERATIONS

Asian Development Bank

September 2002

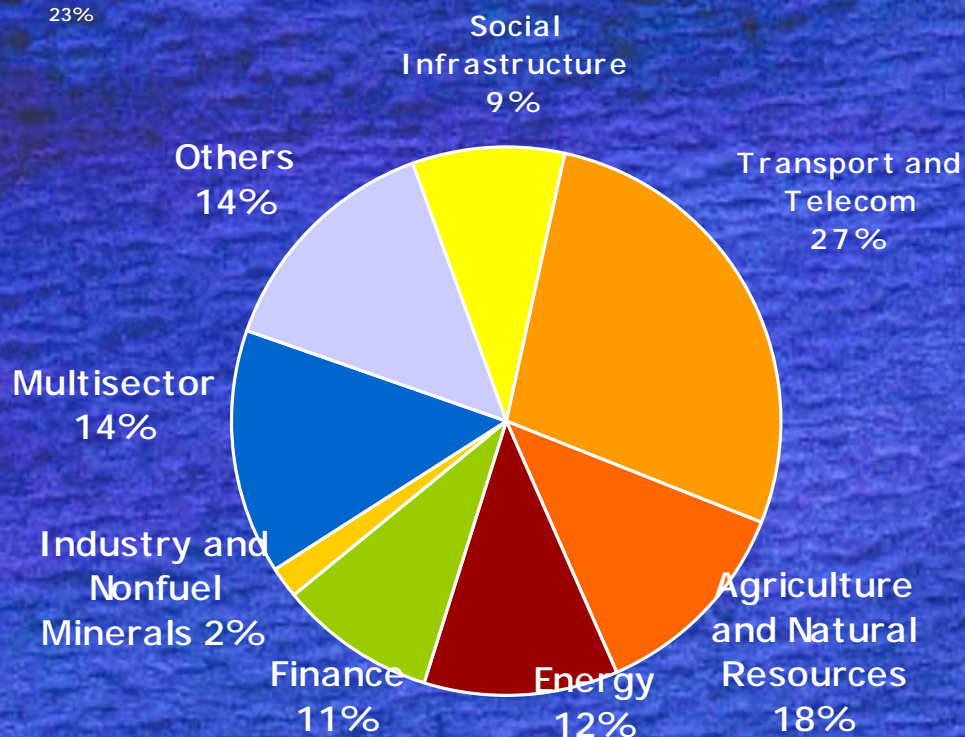
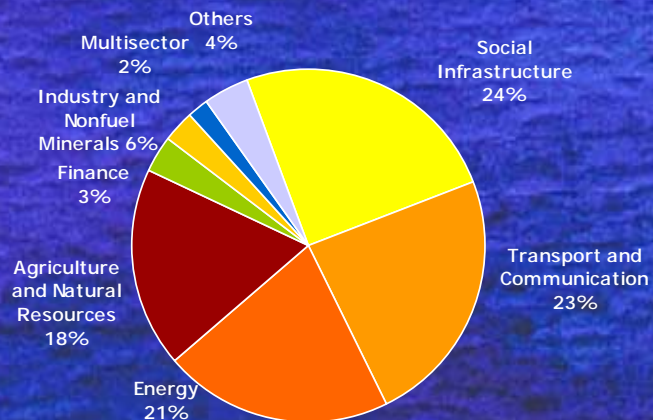
ADB

Historical Background

- ADB established 1966 - “project financier”
(1966-2000: \$88 b. loans, \$2 b. TA grants, \$0.7b. equity investments).
- Changing priorities:
 - 1980s Growth + Preserving the environment
 - 1990s Growth + Fostering social development
 - 2000s Fighting poverty



ADB Lending by Sector 2000-2001



ADB Poverty Reduction and Social Development Policies

- **1993:** Staff Instruction - Incorporation of Social Dimensions in Projects (OM 47)
- **1995:** Policy on Involuntary Resettlement
- **1995:** SI Assessing the impact of Program Loans (Adjustment Lending) on Poverty
- **1998:** Policy on Gender and Development
- **1998:** Policy on Indigenous Peoples
- **1998:** Policy on Cooperation between ADB and NGOs
- **1999: Poverty Reduction Strategy of the ADB**
- **2000:** Promoting Good Governance
- **2001:** Social Protection Strategy
- **Under preparation:** Participation

ADB Social Protection Strategy

- Approved 13 September 2001
- Five major pillars
 - Labor Markets
 - Social Insurance
 - Social Assistance
 - Micro and Area-based approaches to protect communities in the informal sector (60% Asia-Pacific population rural, 30% poor)
 - Child protection (40% population children)

ADB Social Protection Strategy: Why Labor markets?

- Work major source of income for the poor, it is crucial for family welfare
- Unemployment/underemployment in heads of household generates anomia, often domestic violence and child labor
- 20 million worldwide bonded labor
- 250 million children working worldwide
- Demographics: 500 million jobs will be needed over the next decade worldwide just to absorb all new entrants into labor market (350 million jobs needed in Asia)

Labor Markets and Social Protection

- Only 20% of world's workers covered by adequate social security system
- Promoting Good Working Conditions
 - Enhances welfare
 - Develops workers' skills
 - Promotes equal opportunities, including gender equity
 - Promotes transparency and good governance
 - Reduces labor disputes and conflict
 - Reduces child labor
 - Increases productivity -Balancing goals of growth/protection - Case of **Nordic Countries** - high protection/high productivity + competitiveness
 - More equitable and sustainable economic growth

Main Labor Market Areas for ADB

- **Active Labor Market Programs**
 - direct employment generation (i.e. SME promotion, public works)
 - labor exchanges or employment services (i.e. job brokerage, counseling) linking supply with demand of labor
 - skills development programs, labor training/re-training;
- **Passive labor market policies**
 - unemployment insurance,
 - income support (severance pay, early retirements)
 - appropriate labor legislation and labor standards that provide adequate worker protection without creating barriers to labor mobility and economic development.

Safeguards - All ADB Interventions

As a good corporate social responsibility practice, ADB:

- will continue to ensure that vulnerable groups that maybe negatively affected by an ADB intervention must be adequately compensated and mitigation measures put in place to avoid creating further poverty (e.g., labor retrenchments, safety nets to ease the effects of shifts towards market based pricing of utilities)
- in the design and formulation of its loans, ADB will comply with the internationally recognized core labor standards;
- Take all necessary and appropriate steps to ensure that for ADB financed procurement of goods and services, contractors, subcontractors and consultants will comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions, etc.) as well as with the Core Labor Standards

ADB Project Cycle:

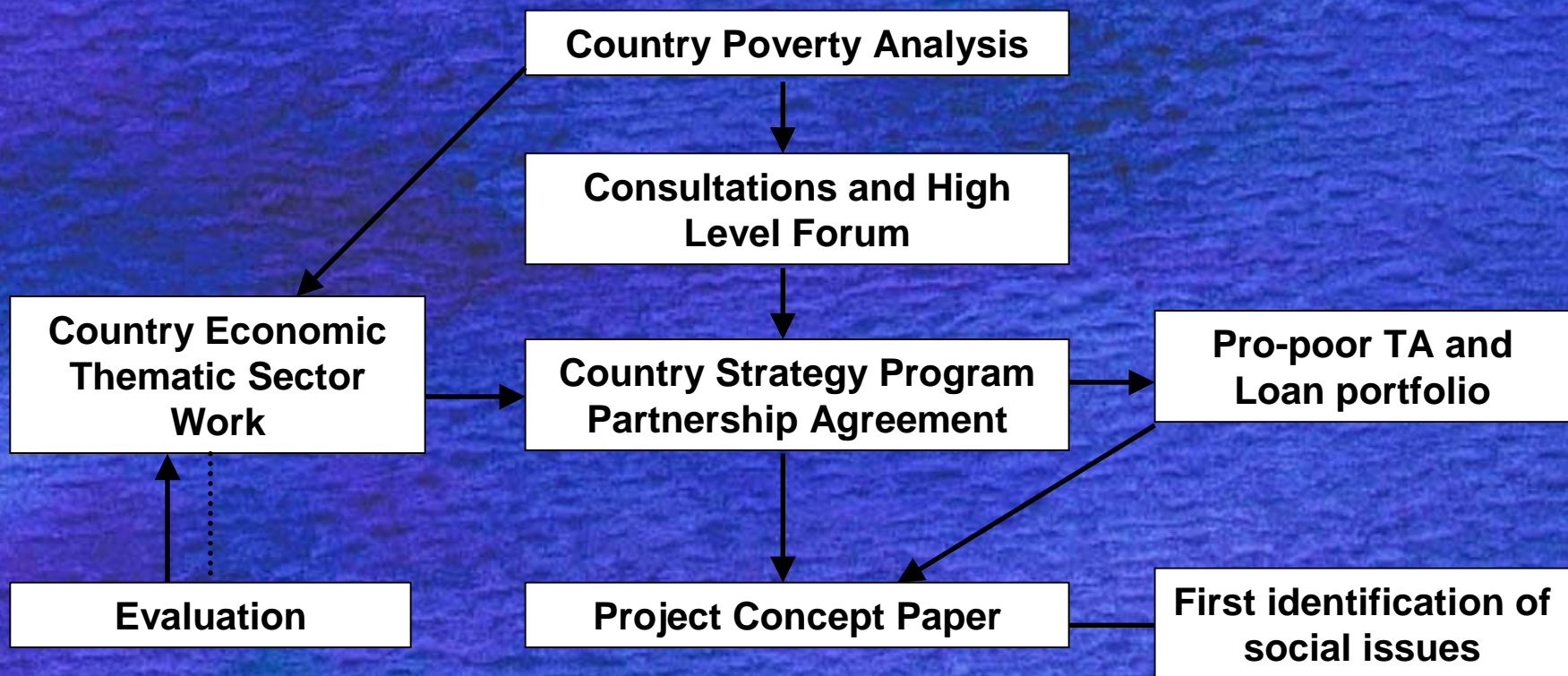
- COUNTRY PROGRAMMING
- LOAN DESIGN
- LOAN PROCESSING AND IMPLEMENTATION

See: Handbook on Poverty and Social Analysis

http://www.adb.org/Documents/Handbooks/Poverty_Social/default.asp

THE ADB OPERATIONAL CYCLE

COUNTRY PROGRAMMING



Country Poverty Analysis

- Analysis of poverty situation and systemic causes of poverty; Identifies solutions to for effective poverty reduction and ranks priorities
- Builds towards a Partnership Agreement between the Government and the ADB and a poverty focussed ADB pipeline in the ADB Country Strategy Program (CSP).
- **Participatory process** - Forums with Representative Stakeholders: Private sector, Civil Society, Government, Donors at "low" and High Level Forums

(i) **Poverty profile:** Overview of the manifestations and causes of poverty, including:

- Analysis of data
- Household characteristics, including access to resources, participation/inclusion in decision making processes, when possible gender disaggregated data;
- Risk and Vulnerability Profile (dynamic view of poverty), including major risks (life cycle, economic, environmental, social/governance), incidence of risk by population group (age, income, gender, regions) and coverage gaps and priorities to be addressed.
- A summary labor market assessment
- Analysis of causes of poverty and obstacles for effective poverty reduction

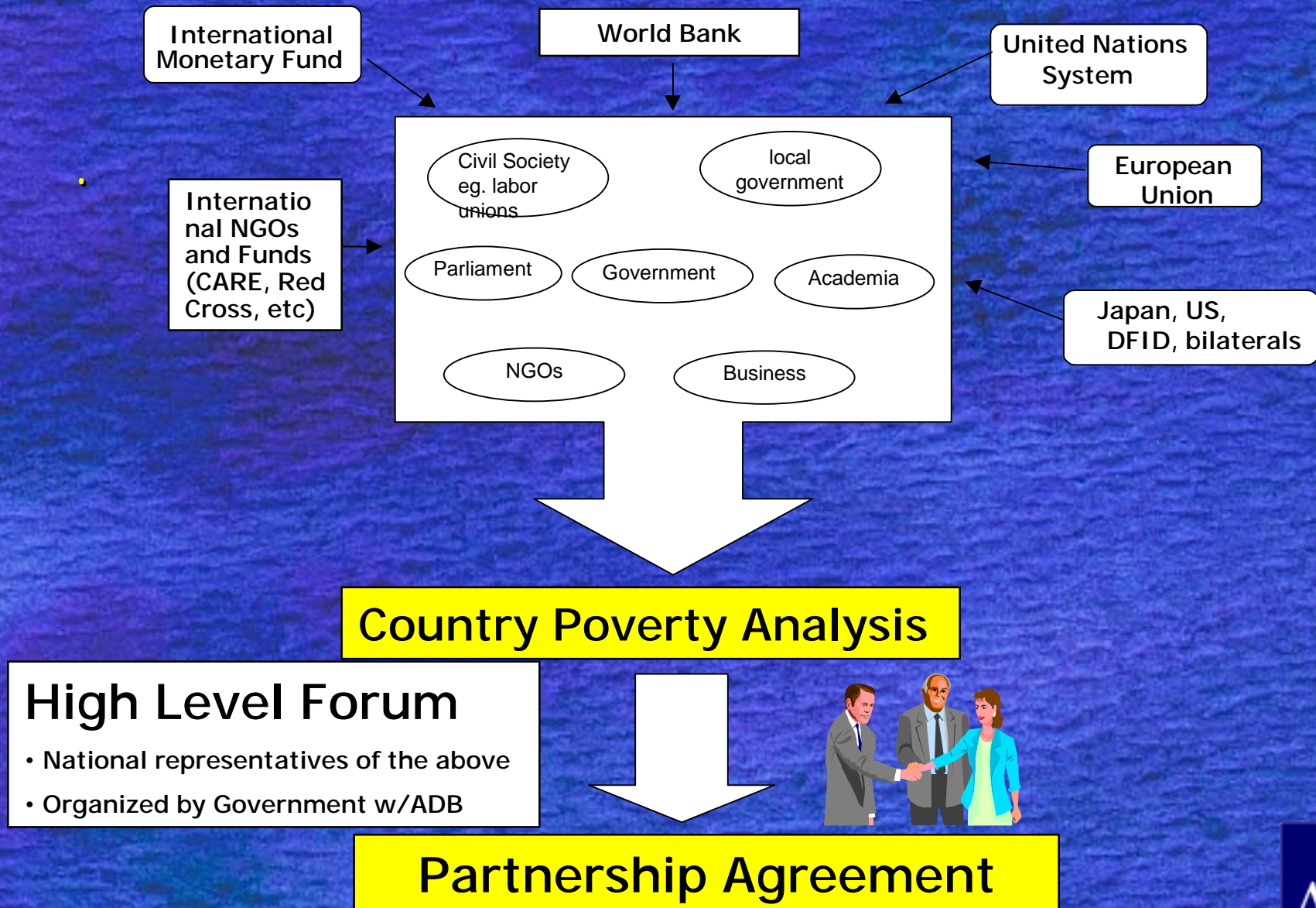
(ii) **Responses to poverty to date:** Reveal gaps in coverage of existing programs and possible requirements for interventions – Government, Civil Society and Private Sector and Development Agencies

(iii) **Poverty reduction options:** Present several alternatives for poverty reduction to be discussed; spelling out assumptions and prerequisites

Labor Issues - Country Poverty Analysis

- Summary Labor Market Analysis included in the Country Poverty Analysis and reflected in the ADB CSP.
- Structure of the labor market - to identify labor imbalances
 - Labor supply (size, structure and projections of working age population, employment by economic activity, gender, age, education, rural/urban, formal/informal, public/private sectors)
 - labor demand (economic structure by sectors, national/regional level, wage levels, size/structure/potential of private sector, relationship between formal/informal sectors and rural/urban economy)
- Existing active and passive labor market policies including compliance to labor standards
- The country's labor absorbing development pattern:
 - based on the sectoral composition of growth (and leading sectors) and the labor force in primary, secondary and tertiary sectors,
 - Which are the most dynamic sectors of the economy? Are they labor-intensive?
 - What is the percentage of the population below 18? Will the economy be able to absorb all new entrants into the labor market?
 - Which sector is the country's niche in the world economy? Is this leading sector labor-absorbing? If not, is it taxed? Do the tax revenues benefit those outside the labor market?
 - Is the growth rate low? What are the barriers to investment by the private/public sector? What can be done to accelerate growth while ensuring pro-poor use of scarce public resources?
 - Which sectors, in which geographical regions, should be promoted in the short/long term to secure employment and prosperity for all citizens?

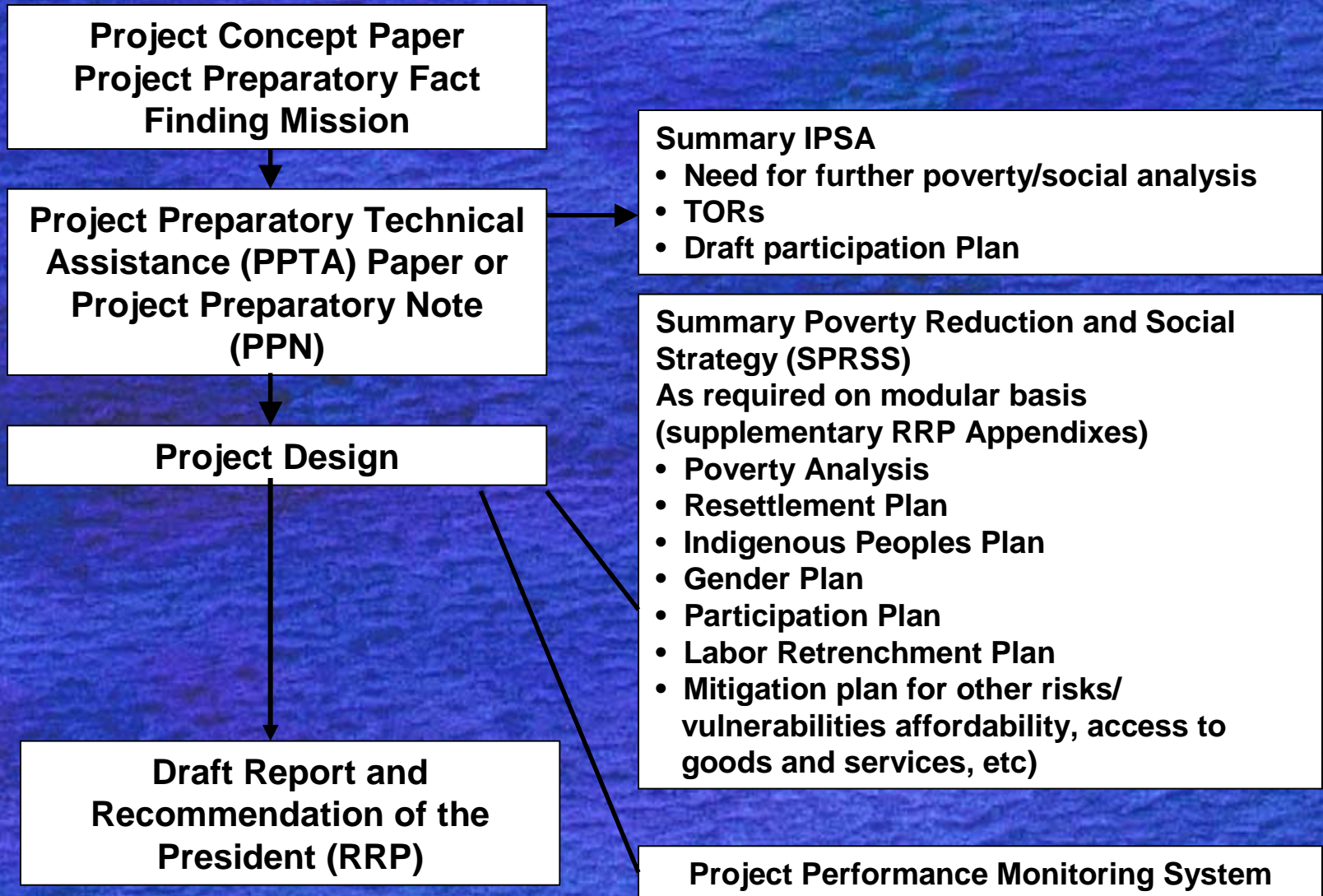
Participation Processes for the Preparation of the Country Poverty Analysis and Partnership Agreement



ADB Country Strategy and Program and Project Concept Papers

- Identifies a 3 year portfolio of ADB interventions designed to maximize poverty reduction impacts and assist the Government to achieve the International Development Goals.
- Includes the Poverty Partnership Agreement, to be prepared and signed every 3 years, in parallel with the preparation of a new Country Poverty Analysis and CSP.
- The prioritization of any ADB intervention will be consistent with the findings of the Country Poverty Analysis
- CSP prepared every 3 years, in parallel with the Partnership Agreement, through a consultative process (High Level Forum)
- Concept Papers: Attached to the CSP - include a box "Social or Environmental Issues" to be addressed at Project design - first identification of possible social issues.

ADB OPERATIONAL CYCLE: LOAN DESIGN



Integrating Labor Concerns in Project Design

- Design proactive interventions on labor (requires being introduced in ADB's country strategy pipeline and agreed by Governments). Examples of projects:
 - Active Labor Programs such as direct employment generation (promoting small and medium enterprises, public works); labor exchanges or employment services (job brokerage, counseling) linking supply of with demand for labor; or skills development programs (training and retraining of labor).
 - Programs to fight child labor (as stand alone project or as component of loans with other objective – i.e. education)
- Mainstream labor concerns, including compliance to standards, in ADB projects/interventions where labor is not the main concern:
 - Reporting mechanism - The Poverty and Social Analysis, which analyzes the social concerns and studies best ways to maximize poverty reduction impacts in ALL projects
 - Should be develop as early possible during project design - two stages: Initial Poverty and Social Analysis at Fact-Finding Mission and a full Poverty and Social Analysis during project design

Suggested format for an Initial Poverty and Social Analysis (IPSA), included in all ADB projects

**Table III.4: Summary Initial Poverty and Social Analysis (IPSA) Report Form
(Appendix PPTAs and PNNs)**

A. Linkages to the Country Poverty Analysis

Sector identified as a National Priority in Country Poverty Analysis?	Yes/No	Sector identified as a National Priority in Country Poverty Partnership Agreement?	Yes/No
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Contribution of the sector/subsector to reduce poverty in (DMC):

B. Poverty Analysis

Proposed Classification

What type of poverty analysis is needed?

C. Participation Process

Stakeholder Analysis – Identify consultations needed at Project Design
Participation strategy required Yes/No

D. Potential Issues¹

	Significant/ Non Significant/ Uncertain/ None	Strategy to Address Issues	Plan Required ²
Resettlement ³			Full/Short/ Not Known/ None
Gender			Yes/No/Not Known/None
Affordability			Yes/No/Not Known/None
Labor			Yes/No/Not Known/None
Indigenous People			Yes/No/Not Known/None
Other Risks/ Vulnerabilities			Yes/No/Not Known/None

¹ If not known, a contingency should be included in the TA budget to predict the need of a plan.

² A plan will be required at design stage if any of the potential issues are found significant.

³ Significant involuntary resettlement requires a full resettlement plan; nonsignificant requires a short resettlement plan.

Initial Poverty Social Analysis (IPSA): General criteria to assess significance of social issues

Resettlement issues are likely to be significant when the project

- ✓ requires construction or rehabilitation work;
- ✓ is expected to require land acquisition; and/or
- ✓ is expected to engender loss of assets, resources, or income (Appendix 6).

Gender issues are likely to be significant when

- ✓ Specific measures are needed to provide for differential gender requirements.
- ✓ Women may be disadvantaged by the project because of economic, political, or socio-legal discrimination.
- ✓ Potential for increasing the direct poverty reduction impact (of a nonpoverty-focused intervention) is of particular relevance to women and/or women may face specific barriers to access (Appendix 5).

Affordability issues are likely to be significant when

- ✓ There is a danger that the access to goods and services of poor or otherwise vulnerable groups will be worse off as a result of the project because of pricing of such goods and services.
- ✓ Unless addressed, the benefits of the project's reforms will flow primarily to nonpoor consumers and unserved poor groups will remain excluded from the service (Appendix 8).

Labor issues are likely to be significant when

- ✓ Workers may lose their employment as a result of public or private sector restructuring.
- ✓ The project may develop labor market policies or investments.
- ✓ The project, including ADB-financed procurement of good and services, is not in compliance with the national labor legislation (e.g. minimum wage, safe working conditions, social security contributions, etc.) and any of the International Core Labor Standards: (i) includes forced labor, (ii) includes discrimination at the workplace, (iii) includes child labor, or (iv) impedes workers to associate and to collectively bargain (Appendix 9.2).

Initial Poverty Social Analysis (IPSA): General criteria to assess significance of social issues

Indigenous peoples issues are likely to be significant when the project

- ✓ will be located in, or pass through, areas of significant indigenous peoples' settlement and/or use (attach map from the ADB (forthcoming): *Indigenous Peoples Poverty Profiles for Bangladesh, Cambodia, India, Indonesia, Lao PDR, Philippines, Nepal, Thailand and Viet Nam*;
- ✓ proposes to specifically target indigenous peoples in one or more of its main activities; or
- ✓ is anticipated to have significant negative effects on indigenous peoples (Appendix 7).

Other risks/vulnerabilities are likely to be significant when

- ✓ Vulnerable groups may be negatively affected by an ADB intervention; in this case, temporary safety nets may need to be developed.
- ✓ There exists a danger that the access to goods and services of poor or otherwise vulnerable groups will be worse off as a result of (i) real loss of entitlements and (ii) loss of livelihood or employment (Appendix 8).

Participation issues are likely to be significant when

- ✓ Project success depends on intense and/or sustained involvement of citizens [whether in design process (e.g., affordability assessment), in implementation (e.g., girls' education) or operation and maintenance (rural water supply)].
- ✓ The project may face risk of delay, protest, or obstruction because stakeholders feel excluded from the decision-making process (e.g., large infrastructure, restructuring, and tariff reform projects). (Appendix 4)

[Quoted Appendixes from the ADB *Handbook on Poverty and Social Analysis, 2001*]

Stakeholder Analysis and Participation Strategy (good practice – not mandatory)

- Advisable to be developed at the earliest possible stage
- Participation ranges from superficial to deep—from passive exchange of information to full engagement:

Information.....Consultation /Collaboration / Joint.....Empowerment/
 Sharing Seeking Feedback Decision Making Shared Control

Table 4.1.2 Summary Stakeholder Analysis

Stakeholder	Primary (a)	Secondary (b)	Key Stakeholders' Interest in the Project

(a) Primary Stakeholders: People, groups or institutions affected positively (beneficiaries) or negatively (e.g., those involuntarily resettled).

Secondary Stakeholders: People, groups or institutions that are important intermediaries in the project delivery process (e.g., ADB, government line agencies, or NGOs).

Participation Strategy Summary Chart

Stakeholder Group (List each separately)	Objective of their Intervention	Type of Participation	Participation Methods		Time Line		Cost Estimate
	Why they are Included	(intensity: information sharing...)	Method (workshops, meetings, PRA)	Responsible	Start Date	End Date	
Central government ministries							
Poor and vulnerable groups							
Organized civil society (A, B, C...)							

Poverty and Social Analysis at Project Design: Poverty Impact Assessment Policy-Based Lending

**Table 2.4.2: Sample Table
Impact of Removal of Fertilizer Subsidy on the Poor**

Channel	CASE 1				CASE 2			
	TYPE OF EFFECT							
	Direct	Indirect	Macro	Non poor	Direct	Indirect	Macro	Non poor
Labor market (demand for unskilled labor)	Na	Same fertilizer use = no effect	na	na	Na	Less fertilizer use = less labor	Minor	na
Prices of goods sold and bought by the poor	Higher prices for some, lower for poor	Same use + more efficiency = more production	Lower deficit = less inflation	na	Higher prices for poor	Less use + More efficiency = less production (minor)	Less production = more inflation (minor)	na
Access to public goods and services	Increase	Increased use by smallholder farmers = increased production	Reduced rural poverty	na	Less	Less use = less production (minor)	Increased rural poverty	na
Transfers to the poor (minus taxes)	Na	na	na	na	Na	na	na	na
TOTAL NET EFFECT								
Significant: Pro-poor: better access to fertilizer, lower inflation, increased agricultural production					Small: Anti-poor: fertilizer more expensive for them, higher inflation, less agricultural production			
ASSUMPTIONS ABOUT CRUCIAL VARIABLES								
(i) Fertilizer is scarce at the subsidized price. (ii) The government funds saved are used to reduce the deficit. (iii) Subsidy lowers the price to some consumers. (iv) No effect on transfers/taxes.					(i) Fertilizer is not scarce at the subsidized price. (ii) The government funds saved are used to pay for more security costs. (iii) Subsidy lowers the price to some consumers. (iv) No effect on transfers/taxes:			
BRIEF NARRATIVE								

Key Gender Considerations in Project Design

Participatory Approach

- ✓ Are women and men equally consulted and involved in project design and implementation?
- ✓ Have local women's organizations been consulted?

Gender Analysis

- ✓ Have the needs of both men and women in the project sector been defined?
- ✓ Will women directly benefit from all project components?
- ✓ Have cultural, social, religious, and other constraints on women's potential participation been identified? Who has access to and control of resources, services and decision making?
- ✓ Have strategies been formulated to address the constraints?
- ✓ Is the executing agency staff to be strengthened to enable it to plan and implement gender-inclusive components and design features?

Project Design - Gender Plan - 1 page summary that provides information on:

- ✓ The preparatory work undertaken to address gender issues
- ✓ The features, components, strategies, design features, or targets to promote and facilitate women's active involvement in the project
- ✓ Budgetary allocations for these design features, strategies, and mechanisms?
- ✓ Institutional arrangements to ensure the implementation of the gender design elements
- ✓ gender monitoring and evaluation - gender disaggregated indicators, women involved in M&E

Are the strategies and targets for women's participation included in the logical framework of the project?

Labor Issues at Project Design

- Summary Labor Market Assessment at Country Poverty Analysis should have identified the best options for labor absorbing development (general)
- ADB can also develop labor projects in active or passive labor market programs
- In the case of public or private sector restructuring, retrenchment plans are necessary to avoid creating poverty
- Safeguards: Compliance with the Core Labor Standards
 - ADB will comply with the international recognized core labor standards in the design and formulation of its loans
 - ADB will also take all necessary and appropriate steps to ensure that for ADB financed procurement of goods and services, contractors, subcontractors and consultants will comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions, etc.) as well as with the Core Labor Standards

All member countries of the ADB [except Bhutan and some Pacific Islands], by virtue of being a member of the ILO, have an obligation to respect, promote and realize the Core Labor Standards:

- (i) freedom from forced labor,
- (ii) prohibition on child labor,
- (iii) freedom from discrimination at the workplace, and
- (iv) freedom of association and the right to collective bargaining.

Labor Issues at Project Design: Retrenchment Plans

- ADB should make sure that workers, particularly low-income workers, are not unfairly disadvantaged as a result of a necessary development intervention. Main options:
 - prevention of layoffs - layoff restrictions, employment maintenance, enterprise agreements, enterprise development
 - compensation of laid-off workers - unemployment insurance, severance payments, early retirements
 - redeployment of laid-off workers - active labor market programs (labor retraining, counseling, job brokerage centers, self employment)
- Divestiture of social assets and services provided by enterprises - closure may result on large social losses so caution if transferred to local governments. Privatization is a preferred option if market responsive; otherwise discuss with community and stakeholders.
- There is no best solution and each situation will require a tailored plan in which consultation between government, employers and labor representatives is essential.
- Optimally, employers can win on productivity/wage cost rationalization so as to enhance enterprise competitiveness, and workers benefit from alternative employment options.

Mitigation Plans/Measures

- Mitigation plans set out strategies to alleviate the loans unintended adverse effects on the poor (first - prevent or avoid!).
- Applicable in cases of involuntary resettlement, indigenous peoples, labor retrenchments, affordability and other risks/vulnerabilities
- Mitigation plan is another project component, and should include:
 - Time frame (preferably to be completed before appraisal mission)
 - Personnel (person months of domestic/international expertise)
 - Detailed costs and funding source
- Tasks may include:
 - Conduct a census/socioeconomic survey of all people potentially affected to determine the scope and magnitude of likely effects and the list of likely losses
 - Consult the agencies responsible for the provision of entitlements and suggest a cut-off date for entitlements/benefits
 - Establish a criteria for eligibility of affected communities/households/individuals and prepare an entitlement matrix; mechanisms should be put in place to avoid leakages
 - Prepare a brief socioeconomic evaluation to analyze the trade-offs of the proposed mitigation plan and be openly discussed during decision-making processes - mitigation options should always aim to balance social fairness and economic sustainability
 - Prepare an institutional framework that designates responsibilities for supervision, management and implementation of mitigation measures
 - Prepare an indicative budget and an implementation schedule

The Summary Poverty Reduction and Social Strategy (PRSS)

TABLE III.8: SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY FORM
(Core Appendix RRP - all loans)

A. Linkages to the Country Poverty Analysis

Sector identified as a National Priority in Country Poverty Analysis?	Yes/No	Sector identified as a National Priority in Country Poverty Partnership Agreement?	Yes/No
Contribution of the sector/subsector to reduce poverty in [DMC]:			

B. Poverty Analysis

Proposed Classification

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C. Participation Process

Stakeholder analysis prepared	Yes/No
Participation Strategy	Yes/No

D. Social Issues

	Significant/ Nonsignificant/ None	Strategy to Address Issues	Output Prepared ¹
Resettlement			Full/Short/ No
Gender			Yes/No
Affordability			Yes/No
Labor			Yes/No
Indigenous Peoples			Yes/No
Other Risks/ Vulnerabilities			Yes/No

ADB OPERATIONAL CYCLE: LOAN PROCESSING & IMPLEMENTATION





For More Information:

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Web site: www.adb.org see also
www.adb.org/socialprotection

Comments welcome socialprotection@adb.org