

Social Dialogue for Sustainable Development in Uruguay, Ghana and Indonesia





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This publication, as well as the individual case studies, are available for download at:
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INTRODUCTION

SOCIAL DIALOGUE AND THE 2030 AGENDA

The three case studies contained in this publication showcase the contribution that social dialogue can make to development processes. These national case studies provide valuable examples of the role that social dialogue can play in reaching many of the goals and targets of the 2030 Agenda such as ending poverty, reducing inequality, promoting decent work and sustainable economic growth, promoting gender equality. The studies focus primarily on tripartite social dialogue, although bipartite social dialogue is also part of the analysis.

As described by the ILO: social dialogue refers to “all types of negotiation, consultation or information sharing among representatives of governments, employers and workers or between those of employers and workers on issues of common interests relating to economic and social policy.”¹ It “can be bipartite, between workers’ and employers’ (which the ILO refers to as the social partners), or tripartite, including government”, and can take place at national, sectorial and enterprise level. “Tripartite social dialogue brings together the social partners to discuss public policies, laws and other decision making that affect the workplace or interests of workers and employers.” It is “both a means to achieve social and economic policy and an objective in itself, as it gives people a voice and stake in their societies and workplaces.”²

This definition puts an emphasis on key elements for development: economic and social policy on the one hand and governance on the other. Social dialogue

contributes to both and, as repeatedly illustrated by the case studies included in this publication, has an important role in the development processes. This has far-reaching implications for the implementation of the 2030 Agenda for Sustainable Development and in development effectiveness debates.

The Uruguay case study emphasises how social dialogue spaces were opened to implement structural reforms that would deal equally with social and economic policy. In this sense, through social dialogue, important contributions were made to the raising of wages and to improvements in the social protection and social security coverage resulting in reductions in poverty and inequality levels.

The Ghana case study puts forward the role of institutionalised social dialogue in increasing the minimum wage. It also highlights how other forms of social dialogue, including consultations and discussions, have contributed to the elaboration of the Poverty Reduction Strategy; of national employment, youth and social protection policies; and to the inclusion of social partners on the governing boards of public institutions.

The Indonesia case study mainly focuses on the role of social dialogue in reforming social security laws to cover the whole population, including workers in the informal economy. It describes the importance of social dialogue for the formulation of the two Decent Work Country Programmes, but also touches upon the contribution of social dialogue to minimum wage increases prior to the October 2015 Government reform.

1 ILO 2013, *National Tripartite Social Dialogue, An ILO Guide for Improved Governance*, p.13 at: http://www.ilo.org/ifpdial/information-resources/publications/WCMS_231193/lang--en/index.htm

2 ILO 2013, *Report VI: Social Dialogue, Recurrent discussion under the ILO Declaration on Social Justice for a Fair Globalizations. International Labour Conference 102nd Session*, p.5 at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_205955.pdf

SOCIAL DIALOGUE AND THE DEVELOPMENT EFFECTIVENESS AGENDA

Social dialogue makes an important contribution to some of the principles which are at the heart of the development effectiveness agenda, namely those of ownership, inclusive partnerships and transparency and accountability. Putting forward policies that are the fruit of consensus among representative organisations ensures greater ownership. The processes of negotiation, consultation and information sharing with the social partners and their participation in the institutions that will implement negotiated policies, is an important factor for transparency and accountability. Including social partners in institutionalised dialogue contributes to inclusive partnerships.

Furthermore, multi-stakeholder partnerships are gaining increasing relevance in the development arena, especially in the context of the Global Partnership for Effective Development Cooperation (GPEDC) and with respect to the implementation of the Sustainable Development Goals (SDGs). As a form of multi-stakeholder partnership which has been ongoing for decades in many countries around the world, social dialogue is crucial and many lessons can be learned from the wealth of experience that it draws on.

SOCIAL DIALOGUE FOR AN ENABLING ENVIRONMENT

Social dialogue's contribution to an enabling environment that will guarantee the effectiveness of development interventions should also be emphasised. This is particularly the case in the context of Indicator 2 of the monitoring framework of the GPEDC: "Civil society operates within an envi-

ronment which maximises its engagement in and contribution to development".

Social dialogue acts as an additional safeguard for the respect of basic freedoms and contributes to governance. These are both fundamental requisites of an enabling environment. As the Uruguay case study notes, calling upon social dialogue to determine, implement and monitor public policies substantially legitimates and improves these policies. Furthermore, even when dialogue might not have immediate results, the process in itself contributes to the deepening of democracy by giving social legitimacy to the policy-making process.

Another important factor highlighted by this study is the institutional strengthening of the social actors through social dialogue processes. As the population sees the positive effects of the participation of social actors in prosperous economic and social policies, this increases the level of trust in the social actors. The process can therefore also contribute to the qualitative and quantitative growth of representative organisations. These organisations will also guarantee that an enabling environment is upheld as a common interest. A society in which people trust and feel involved in its governance builds both institutional stability and resilience.

AN ENABLING ENVIRONMENT FOR SOCIAL DIALOGUE

While social dialogue creates an enabling environment, it in turn requires an enabling environment in order to effectively contribute to development. The studies presented in this publication provide direct insight into the key requisites for an effective social dialogue.

In this way, we see the importance of **an enabling international framework** highlighted in the Indonesia country study. Of special significance is the ratification of key ILO conventions, particularly Convention N. 87 on Freedom of Association and Protection of the Right to Organise and Convention N. 98 on the Right to Organise and Collective Bargaining, and their translation into national legislation and norms which are applied. These provide an international backing and guidance for the elaboration of laws and the development of practices that grant important freedoms which are at the basis of social dialogue.

In order to ensure the representative nature of social dialogue, **representativeness of the social actors** must be maximised. In the case of trade unions, representativeness is not limited to trade union density, but is also manifested through work place elections in which workers, including those not affiliated to trade unions, democratically elect their union representatives. This representative nature of trade unions cannot be upheld without certain freedoms, especially those linked to the above mentioned ILO Conventions.

The institutional environment for social dialogue is also crucial. As mentioned in the above ILO definition, social dialogue refers to “all types of negotiations, consultations and exchange”, but, as stated in the Ghana study, “social dialogue mechanisms which do not have agreed structures and procedures have limited potential outcomes”. Its effectiveness is therefore linked to the degree of **institutionalisation of dialogue** to guarantee that the decisions made are legally binding. The Uruguay study also illustrates the importance of the representation of social partners in the governing bodies of public institutions to contribute

to the implementation and monitoring of the policies established through social dialogue.

The element of trust also has to be highlighted. **A positive and constructive attitude based on trust from all the actors engaged** is needed for a constructive dialogue. The role of governments is especially important here, given that they are the primary institution that has the power to establish and implement the policies which are jointly decided upon. The Indonesia study shows us the important role that the government played for the institutionalisation of social dialogue in the country following the end of the Suharto Regime in 1998, and how the government in 2015 wore down trust with the introduction of new laws, which overruled the role of social partners.

The need to **build the capacities of the social partners** that engage in dialogue is put forward in the Indonesia study, especially to provide appropriate responses to macro-economic issues and global economic trends. This has to be translated in terms of resources, but also in terms of access to information and its processing to make the adequate decisions to tackle each problem.

Finally, for social dialogue to have a real impact on development, there needs to be a broad approach to this dialogue, going beyond traditional labour issues related to wage setting and collective bargaining, and touching upon other economic and social policy issues on which social actors can unlock the full benefits of a participative policy-making structure. These include employment, social protection and social security policies, but also education, health and economic policy as well as investment priorities.

CONCLUSION

The three country case studies below are the first in a series of research papers by the Trade Union Development Cooperation Network (TUDCN) on the contribution of social dialogue to development. These will be followed by further case studies and further analysis on the role of social dialogue as a means to achieving a just and sustainable development.

As a final note, we have to highlight that social dialogue does not take place in a vacuum and is greatly influenced by the context in which it develops. The studies show the outcomes in specific countries and in a specific time frame. As countries and governments change, so too can the enabling environment that is necessary for social dialogue to be effective. Creating and maintaining these enabling conditions is therefore fundamental to its success.



“The importance of social dialogue in translating global agreements into sustainable solutions cannot be overemphasised”.

Guy Ryder,
ILO Director-General

EXECUTIVE SUMMARY OF URUGUAY CASE STUDY

The current format of social dialogue in Uruguay was first introduced under harsh economic realities. As a new center-left government came into office in 2005, the country was recovering from a deep economic crisis, with public debt exceeding 100% of the GDP, unemployment at 20% and poverty affecting one in three inhabitants of the country. The deregulatory policies pursued by previous governments had caused the weakening of trade unions and a depreciation of the minimum wage, deepening the crisis in the labour market.

The new government designated social policy as an explicit priority and opened a space for social dialogue to promote the involvement of civil society in the policy-making process. The Uruguayan trade union movement, which had a traditionally strong role in representing workers' interests, has been afforded a privileged role within the dialogue on labour policy, as well as other subjects which contribute to development and social inclusion. As a result, the labour market became a key factor in the rise of the standard of living of the population, as well as in overall poverty reduction and more equitable income distribution. Real wages increased uninterrupted for ten consecutive years, with an increase of 51.5% across the decade. The role of the Wages Council, a tripartite collective bargaining forum divided into sectors of economic activity, has been instrumental to this development.

As of 2005, in addition to opening new spaces of tripartite representation, the government sought broader-based spaces for social dialogue, involving citizens in the discussion on the design and implementation of various public policies. Thus the National Economic Council was set up to fulfill the constitutional provision to establish a consultative body made up of representatives of the various economic and vocational interests in the country. Similarly, the National Dialogue on Employment

convened by the Ministry of Labour and Social Security and comprised of trade unions, employers' organizations and civil society organizations was set up to discuss issues affecting the labour market.

Another forum for social dialogue, the National Dialogue on Social Security (NDSS) was first convened to institutionalise the participation of civil society actors in the discussion on changes to the social security system. The Uruguayan trade union movement, represented by the PIT.CNT, actively participated in the NDSS to ensure a socially conscious perspective was included in law-drafting and public policy implementation. Despite numerous disagreements between stakeholders, the outcomes of the first NDSS were highly promising, with a number of agreements resulting in concrete actions, such as the redesign of the unemployment benefit program and the introduction of a law on the flexibilisation of access to retirement funds.

The second NDSS was not unfortunately as positive an experience as the first one. While it was in session, a reduction of the technical interest rate was unexpectedly announced, despite this being a point for discussion on the agenda of the dialogue. This transformed the climate of the dialogue into a conflict, making it difficult to reach agreements between stakeholders. Nonetheless, it proved possible to resume the dialogue and reach consensus on some key aspects, such as the opening of the possibility to withdraw from the mandatory mixed pension scheme.

The new spaces for social dialogue introduced in Uruguay have led to overall positive experiences for the actors involved; they have allowed the various stakeholders to learn of the interests of others and to convey their perspectives in a substantiated manner, which has been fundamental to the social legitimacy of the government. Furthermore, through its participation in the social dialogue, the Uruguayan trade union movement has increased its relevance in the country as well as its ability to influence issues on the development agenda.

EXECUTIVE SUMMARY OF GHANA CASE STUDY

Social dialogue is a long-established tradition in Ghana and currently exists in a variety of forms, from formal and binding consultations to demonstrations and protests. Social partners and other interest groups have harnessed these spaces to exert an influence on Ghana's development policies. Tripartite and bipartite dialogue takes place at various levels, including national, subnational, sectoral and enterprise; multi-stakeholder dialogue is also not uncommon. However, while traditional tripartite and bipartite social dialogue is backed by law and its outcomes are largely legally binding, multi-stakeholder dialogue and other CSO engagements lack adequate legal backing in Ghana.

At the national level, tripartite consultations resulted in a 1,500% increase in the national daily minimum wage over the last fifteen years. However, the focus on minimum wage determination has diverted the attention of the National Tripartite Committee (NTC) away from other aspects of its mandate, namely consensus building on socio-economic and productivity increases. With regards to the national level bipartite dialogue, the Ghana Employers Association (GEA) and the Trades Union Congress (TUC Ghana) hold regular consultative meetings to discuss issues of mutual economic and social interest. Unfortunately, social dialogue at this level is voluntary and purely consultative, meaning that its outcomes are largely not binding.

Enterprise-level bipartite dialogue which determines wages, working conditions and work organization, is however covered by an elaborate legal and institutional framework based on the ILO Convention on the right to organise and collective bargaining and is enshrined in the country's constitution and labour law. In addition to improving wages and working conditions, enterprise-level social dialogue provides spaces for workers to influence work organization and management of their enterprises, and has thus

contributed to a more positive industrial relations atmosphere in the country. Unfortunately, enterprise level social dialogue in Ghana is not pervasive due to low trade union density in the country.

Multi-stakeholder dialogue is mainly employed in the formulation of economic and social policies and the passage of legislation in Ghana. Although largely ad hoc, national, regional and district-level multi-stakeholder dialogues have helped establish wide consensuses on critical national issues; the national annual budgeting processes has institutionalised multi-stakeholder engagements through budget hearing sessions. Thus, social dialogue became a key element in the formulation of medium-term economic policies in Ghana, such as the Ghana Poverty Reduction Strategy (GPRS) and has in the past contributed towards mitigating the effects of utility price hikes. However, a lack of comprehensively defined structures and procedures as well as external influence from international financial institutions such as the IMF and the World Bank have restricted the positive outcomes of this type of social dialogue.

Social dialogue is further present within the governing structures of public institutions in Ghana. Trade unions are represented on around 20 governing boards, councils, commissions and committees in the country, giving them the opportunity to contribute to corporate governance in the public service and to ensure that policies are consistent with the broader societal goals.

It is clear that social dialogue is well-rooted in Ghana and encourages the development of shared consensus among social partners in the country, which in turn eases policy implementation. However, social dialogue can have a greater impact in the country if the following improvements are made: defining multi-stakeholder dialogue structures and procedures and making their outcomes binding and enforceable; investing in and enforcing institutions of social dialogue; as well as improving trade union organisation and coverage.

EXECUTIVE SUMMARY OF INDONESIA CASE STUDY

The current format of social dialogue in the country was developed following the end of the Suharto regime, in the midst of the Asian Financial crisis of the late 1990s. What started out as a financial crisis quickly escalated into a social and political one. The rapid change of the political situation and government led the country to achieve remarkable progress in human rights and democratization; with regards to workers' rights, the trade union monopoly system was ended, allowing workers' to organise and bargain collectively once the ILO Convention on freedom of association and protection of the right to organise was ratified.

Currently, social dialogue takes place at a number of levels and within a variety of settings. Tripartite consultations are held at national, provincial and district levels and have a flexible organisational structure based on the need at province and district levels. They may also take place on a sectoral basis and in a variety of government institutions and councils. At national level, social dialogue has been organised within the National Tripartite Body, the National Wage Council and the National Occupational Safety and Health Council. At the regional level, there are usually tripartite institutions for employment, minimum wages and occupational health and safety. Bipartite negotiations exist at enterprise level, with collective labour agreements negotiated between the employer and one or more registered trade unions in the company.

Since its institutionalisation, social dialogue has led to a number positive changes in the Indonesian social policy. A good example of this was the

signature of the Indonesia Job Pact (IJP) by representatives of the tripartite bodies in 2011 and the subsequent formulation of the Decent Work Country Programs (DWCP), the objective of which is to promote decent work as a key component of national development strategies. Significant minimum wage increases were also a positive outcome of social dialogue, although the introduction of a new law, in October 2015, to adjust minimum wages without negotiation is a threat to this achievement. The 2004 social security law reform was also achieved through social dialogue, with the social partners calling for an extension of health coverage to the entire population, the addition of a new pension scheme for private workers and the extension of social security to informal workers. As a result, the the government is extending coverage for health, work injuries, old age, and death of the breadwinner to the entire population, and has introduced introduced non-contributory schemes for the poor and contributory schemes for those employed in the informal economy.

Despite these positive achievements, social dialogue in Indonesia continues to face challenges that need to be addressed, such as creating an enabling environment for dialogue, increasing the level of trust between parties in the dialogue, enhancing the capacity of social partners and the government, tackling the lack of labour compliance, addressing the continued expansion of precarious work, addressing the low representativeness of trade unions and employers, tackling union fragmentation, including the military and police forces into the dialogue, tackling the absence of genuine union verification to determine tripartite and bipartite representation and addressing restrictions on collective bargaining rights for public servants.



**THE IMPACT OF
SOCIAL DIALOGUE
ON DEVELOPMENT
AND SOCIAL
INCLUSION IN
URUGUAY**

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Case Study: The National Dialogue on Social Security in Uruguay

Cuesta Duarte Institute
PIT.CNT



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This publication was drafted by Cuesta Duarte Institute (PIT.CNT) and coordinated and edited by Diego Lopez, Partnerships Officer at the ITUC/TUDCN.

1. URUGUAY: POLITICAL, ECONOMIC AND SOCIAL CONTEXT¹

Over the past ten years, Uruguay has experienced extraordinary economic, political, social and institutional changes. It is difficult to analyze changes of this magnitude without providing a brief background on the circumstances in which they occurred and their origins.

In March 2005, for the first time in the history of the country, a center-left coalition took office: the *Frente Amplio-Encuentro Progresista*. At that time, the country was just beginning to recover from one of the deepest crises in its history which reached its apex in 2002. The new administration faced a highly complex economic, social and institutional context. Between 1999 and 2002, domestic production dropped 15% in real terms and 46% in US dollars. Both public and private debt, which had skyrocketed during the crisis, reached unsustainable levels: public debt exceeded 100% of the GDP, meaning that the entire annual production of the country was insufficient to cover its public debt.

At the social level, poverty rose to dramatic levels, affecting one million inhabitants in a country with a population of just over three million, while around 200,000 people were living under extreme poverty. From the labour standpoint, unemployment

and job insecurity had increased: unemployment grew to 20% of the economically active population in just a few months, and job insecurity or lack of coverage by social security was affecting 40% of the employed. In addition, the purchasing power of wages shrank by about 23% in the first half of the decade which, in conjunction with the decline in employment, led to a sharp reduction of the wage bill in the total output, dropping from 34% before the crisis to 27.1% in 2003.²

Furthermore, the policies implemented in the 1990s – in line with the structural reforms based on the so-called Washington Consensus – had led to less regulation and less government intervention in the labour market. The subsequent weakening of trade unions, withdrawal of the state from collective bargaining, depreciation of the national minimum wage, new forms of employment contracts, etc. eroded many of the institutional mechanisms that once would have cushioned the effects of the crisis on the labour market. The deep impact of the crisis on the labour market – both through its impact on employment levels and the creation of employment insecurity – also affected the social benefits to which the population, particularly low income groups, were entitled to. This was due to the fact that, since its inception, the country's social protection system was closely linked to employment – most transfers were contributory and linked to wage labour.

1 The content of this study and its conclusions reflect the role and value of social dialogue in Uruguay from the year 2005 to 2015. It is however important to note that social dialogue, like any form of dialogue, could be broken at any moment and the progress made through the years can shift due to a change in government or in the attitudes of the actors involved. This study has therefore to be taken in its specific context as a snapshot of what social dialogue can achieve with the good will of its actors. The best way to guarantee the contribution of social dialogue to development is by institutionalising it, and even then it is not exempt from obstacles.

2 "La masa salarial 1998-2010" Cuesta Duarte Institute (2011).

I. URUGUAY: POLITICAL, ECONOMIC AND SOCIAL CONTEXT

In this context of harsh internal and external imbalances, the economic policy of the new government sought to establish a macroeconomic strategy which addressed debt problems – which were posing severe restrictions on economic policy management – and attempted to restart economic growth, while rapidly addressing the deep social crisis that had emerged throughout the previous years. Thus, social policy was considered a clear and explicit priority of macroeconomic policy and a battery of measures and programs were urgently implemented in order to reduce the huge social debt.

The economic policy of the new administration also included a series of structural reforms, which were gradually implemented throughout *Frente Amplio's* first term in office, including reforms of the tax and healthcare system. Unlike within previous administrations, economic and social policy were considered on equal standing for the first time, seeking to integrate them as inalienable elements of a strategy for development.

The other fundamental difference in the political actions of the *Frente Amplio* administration was the introduction of a consultative process for public policies. Both for the implementation of the abovementioned structural reforms, as well as for other areas of public policy, the new administration opened a space for social dialogue (with varying degrees of impact and institutionalization) in order to promote the involvement of civil society organizations in the policy-making process. The Uruguayan trade union movement has been af-

forded a privileged role within the dialogues on labour policy, as well as other subjects which, albeit not closely related to labour issues, contribute to development and social inclusion. Hence, the trade union movement has much to contribute in this regard.

1.1. ECONOMIC GROWTH

After the deep socioeconomic crisis experienced in Uruguay between 1999 and 2002, in 2003 the economy was once again on the path to growth, and between 2004 and 2014 the Uruguayan domestic production rose by 69.7%, with an average annual growth of 5.4%. The most significant cycle of expansion of the national economy was therefore achieved firstly because of uninterrupted growth spanning over 12 years and secondly because of its magnitude, reaching rates well above the country's historical average. Although growth slowed down noticeably in 2014 and early 2015, the country is still on a positive path and annual growth rates of approximately 2.5-3% are expected for the next three years (see *Statistical Annex, Graph 1*).

As shown in *Table 1* of the Statistical Annex, between 2004 and 2014 domestic output quadrupled in current dollar prices, rising from nearly 13.7 billion current dollars to 57.5 billion dollars in 2014. By the same token, per capita product rose from 4,000 dollars to 16,641 dollars in the same period, with the country becoming internationally classified as an upper-middle income country.

³ While during the 1990s (1990 to 1998), the Uruguayan economy also experienced an expansion of relevant economic activity, this had no positive impact on the labour market. Although output expanded by 40% in those years and the economy grew at an average annual rate of 3.9%, unemployment rose from around 8% in the early 90s to over 11% in 1998. Furthermore, the implementation of flexibilizing policies increased job insecurity and led to the average real wage increasing by barely 1.8% annually and to a significant dispersion of wages between sectors and among companies at the sector level.

1.2. KEY LABOUR MARKET INDICATORS

The labour market was a key factor in the rise of the standard of living, as well as in overall poverty reduction and more equitable income distribution. Unlike what had happened at other stages of the country's economic growth,³ this time the growth in production was accompanied by a greater demand for labour, with key labour market indicators showing significant improvements. The labor force participation rate and the employment rate rose, unemployment declined, and the country achieved its lowest ever recorded unemployment rate.

As shown in *Table 2* of the Statistical Annex, in the last decade the labour participation rate, defined as the ratio of the economically active population to the working age population, rose from an average of 58.7% in 2004 to nearly 65% in 2014. The improved prospects of the labour market during this period encouraged more people to join it, increasing labour supply. The employment rate, defined as the ratio of the employed to the working age population, also rose during this period from 50.9% in 2004 to 60.4% ten years later, reaching a record high of 60.7% in 2011, meaning that slightly more than 6 out of every 10 people of working age were employed.

The unemployment rate (ratio of the unemployed to the economically active population), which at the peak of the crisis in 2002 had reached an annual average of 17.2%, had declined to 12.4% of the economically active population in 2004 and then to 6.6% in 2014. The lowest ever recorded unemployment rate of 6.3% was reached in 2011.

Economic growth, the rise in employment and the collective bargaining process led to robust growth

in average real wages during the last decade, as shown in *Graph 2* of the Statistical Annex.

For the first time since records began, real wages increased uninterruptedly for ten consecutive years, accumulating an increase of 51.5% during the decade and growing at an average annual rate of 4.25%. The role of the Wages Council (the Uruguayan collective bargaining format, tripartite and by sectors of economic activity) has been crucial to the rise in the purchasing power of wages regardless of the fact that the good results of the labour market warranted the agreed increments.

1.3. POVERTY AND EXTREME POVERTY

The positive impact of the expansive cycle of economic growth on the labour market, together with the implementation of distributive and social assistance policies within the most vulnerable sectors raised the overall quality of life, with significant improvements in poverty and extreme poverty indicators, and in the distribution of wealth. The increases in employment levels and wages, as well as the host of social policies introduced by the government in 2005 to address the high levels of poverty and extreme poverty in the country, led to a considerable reduction in these levels. In addition to the role played by the labour market, the expansion of the social protection scheme, despite the presence of contributory pillars, was instrumental in reaching the most vulnerable sectors of society who had been previously left out of the coverage as they were outside the formal labour market. In addition, existing benefits targeting formal workers, such as unemployment benefits, health insurance, maternity and paternity leave, contributory family allowances, etc. were expanded and improved.

I. URUGUAY: POLITICAL, ECONOMIC AND SOCIAL CONTEXT

As a result, poverty levels decreased significantly in the last decade, going from affecting 32.5% of the population in 2006 to 9.7% in 2014, and dropping below 10% for the first time since income methodology research has been conducted. Extreme poverty also dropped from 2.5% in 2006 to 0.3% in 2014⁴ (see Table 3 of the Statistical Annex).

1.4. DISTRIBUTION OF PERSONAL INCOME

Significant progress was also achieved in terms of income distribution according to different indicators of income inequality. Table 4 presents the

changes to the Gini coefficient,⁵ which decreased from 0.455 in 2006 to 0.381 in 2014, indicating a significant reduction in income distribution inequality. Along the same lines, the 10/1 ratio (ratio between mean income of the first and last deciles: this data shows that the average income of the last decile is much higher than the first decile) went from 17.9 in 2006 to 11.6 in 2014. While growth occurred for both average incomes, the average income of the first decile grew well above the average income of the last decile (99.2% and 29.3% respectively), helping reduce the income gaps between the strata, which declined to 35%.

4 Methodological note: in 2006 a household survey with national coverage was carried out for the first time in Uruguay. Previous household surveys only collected data from locations with over 5,000 inhabitants. Therefore, data for the entire country is only available as of 2006. In the case of pre-2006 data, the point of reference is the evolution of locations of over 5,000 inhabitants which, in fact, is not very different to that of the entire country. However, absolute figures for the entire country are presented as of 2006.

5 The Gini coefficient is an indicator of income inequality ranging between 0 and 1. A value of 0 represents total income equality (everyone has the same income) while a value of 1 represents total inequality (one person has all the income of the society and the rest have nothing).

2. DIFFERENT EXPERIENCES OF SOCIAL DIALOGUE IN URUGUAY

Uruguay has a long history of social dialogue and a traditionally strong role of the trade union movement in representing workers and the people in general in these spaces. Since the early 1940s, minimum wages per occupational category and by sector of activity, as well as their adjustments, are determined by law in tripartite negotiating boards called Wage Councils. While the Wage Councils are not spaces for social dialogue *per se* (they are not open but made up of representatives of each of the occupational categories and the government), they provide space for exchange and tripartite negotiation. In the same vein, the Ministry of Labour and Social Security (MLSS) and the *Banco de Previsión Social* (BPS – the Social Security Bank), also have tripartite spaces for institutional work where representatives of organised workers participate.

However, in line with changes in the political direction of the country following the reforms proposed by the Washington Consensus in the early 1990s, the government stopped convening the Wage Councils. Consequently, over a 12-year period, collective bargaining failed to fulfill the core role that it had played in the Uruguayan labour market until that point. Increasing the role of the market vis-à-vis the State as policymaker and decisive actor in the economy led to the dissolution of the Wage Councils and also undermined the relevance of these tripartite institutions, discouraging social participation.

As mentioned, with the coming into office of the *Frente Amplio-Encuentro Progresista* in 2005, the approach and focus of policymaking changed to one seeking the involvement of civil society in the discussions on the design and implementation of public policies. Uruguay already had experience of the participative approach due to the existence of government institutes and agencies with tripartite management composed of representatives of the government, workers' and employers' organizations. Examples of this can be found in the tripartite management of the *Banco de Previsión Social*, the body in charge of implementing social security policies in the country, and in the *Instituto Nacional de Empleo y Formación Profesional* (National Institute for Employment and Vocational Training), which operates under the aegis of the Ministry of Labour and Social Security, and is responsible for the design and implementation of training and employment policies. As of 2005, in addition to opening new spaces of tripartite representation,⁶ broader-based spaces for social dialogue were sought, involving citizens in the discussion on the design and implementation of public policies in different areas. For this purpose, the **National Economic Council**, which has a consultative and honorary status, was set up at the end of 2005. Its creation fulfills the constitutional provision to establish a body made up of representatives of the various economic and vocational interests in the country.

According to the law, one of the main objectives of the Wages Council was to instill order into and institutionalise the dialogue between representatives of the economic, vocational, social and cultural interests (employers, employees, pensioners, cooperative workers, academic workers, users and consumers, non-governmental organizations) and the State, and between all of the above and similar bodies in other countries.

⁶ Examples are the directors of the National Institute of Cooperatives, the Tripartite Commission on Gender and Equal Opportunities that operates under the aegis of the Ministry of Labour and Social Security, the National Council on Health and Safety at Work and the Sectoral Production Councils. They are all tripartite and act as advisors to the ministries to which they are attached, in addition to being also empowered to define and implement policies for their specific areas.

2. DIFFERENT EXPERIENCES OF SOCIAL DIALOGUE IN URUGUAY

The law established that the Council should be composed of 14 worker representatives (12 active workers and 2 retired workers); 14 employer representatives; 3 representatives of cooperatives; 3 members of university faculties; 3 representatives of users and consumers, and 3 more for NGOs with an established contractual relationship with the government.

The National Economic Council set up a number of committees which include representatives of the ministries responsible for these issues. The resulting reports (in some cases consensus reports and in others majority and minority reports) were issued reflecting the vision of representatives in each thematic area.

Another important case of social dialogue was the **National Dialogue on Employment**. It was convened in early 2012 by the Ministry of Labour and Social Security (MLSS) to discuss the main issues affecting the labour market in Uruguay at a time of strong job creation and significant decline in unemployment, targeting trade unions, employers' organizations and civil society organizations linked to labour market and employment policies.

The dialogue was divided into five major themes: i. Youth employment and vocational training; ii. policies to address the shortage of labour supply; iii. matching of the structures evaluating labour supply and labour demand; iv. employment policies targeting different phases of the economic cycle; and v. employment and micro and meso-economic policies.

This dialogue continued throughout most of 2012, with reports from different actors involved in each thematic area presented and discussed and policy recommendations emerging from the discussion – such as the recently approved law on youth employment.

Another example of social dialogue in the country was the **National Dialogue on Social Security (NDSS)**, which will be presented in greater detail below to fully describe its particularities, such as its greater degree of institutionalization. The National Dialogue on Social Security was first convened in 2007 with the main objective of institutionalizing the participation of different civil society actors in the discussion on changes to the social security system. This was a strategic area of the economic and social development of the country, as it sought to cushion the impact of contingencies – such as labour accidents, illness, unemployment, vulnerabilities and old age – on the population.

The Uruguayan trade union movement, represented by the PIT.CNT (the only national trade union center in the country), actively participated in the NDSS, seeking agreements, making proposals and exercising a dynamic impact on the drafting of laws and the implementation of public policies aimed at strengthening the country's social fabric.

The following section briefly describes the emergence of the NDSS, its stakeholders and functioning in each of the two stages in which it was convened, as well as key agreements that achieved significant legislative changes expanding workers' rights.

3. NATIONAL DIALOGUE ON SOCIAL SECURITY (NDSS)

3.1. INVITATION TO THE FIRST DIALOGUE, METHODOLOGY AND ACTORS

The Sectoral Commission on Social Security⁷ was created soon after the Frente Amplio-Encuentro Progresista took office in 2005, at a time when the country was barely emerging from a deep economic and social crisis. The Commission was composed of various government bodies and sought to promote improvements for different aspects of social security. Among other tasks, it was entrusted with organizing and convening a broad-based dialogue on social security. This process, dubbed the National Dialogue on Social Security (NDSS), took place over the course of 2007 and part of 2008.

The overall objectives of the first dialogue were to thoroughly evaluate the existing social security system, prepare inputs for any potential amendments and strengthen democratic governance. It is important to stress that the dialogue, just as the other forms of participation and consultation described above, contrasted sharply with past experiences and expanded the venues for debate beyond the traditional institutions.

The dialogue was based on five thematic areas to be discussed separately and consecutively: 1) Demography and Social Security; 2) Inclusion, Employment and Social Security; 3) Social Security and Social Protection; 4) Coverage and Social Security; and 5) Financing of Social Security. The dialogue also received support from the Universidad de la República (University of the Republic) and international cooperation funding, which allowed for the

organization of lectures binational and international experts and the provision of support materials.

Each of these five thematic areas was discussed over the course of three meetings. Once concluded, an Executive Commission was created to systematise the proposals and write a final report, detailing the points of agreement and disagreement.

The format of these meetings was agreed to respect certain basic criteria such as allowing a limited but representative number of participants, maintaining a cautious *modus operandi* and creating a website to allow citizens to post their own proposals.

50 institutions were invited for each thematic area, of which 50% to 60% actually participated. Among those invited were representatives of workers, pensioners and employers, present in all five thematic groups. Other organizations invited were civil society organizations, the three semi-public pension funds, the four Administrators of Pension Funds (APFs), five academic institutions, the four political parties represented in parliament and various government agencies.

3.2. PROPOSALS AND PARTICIPATION OF WORKERS IN THE FIRST NDSS

As with other consultative processes, the NDSS dialogue represented a major opportunity for workers for two main reasons. Firstly, as it presented a chance to be heard and promote longstanding proposals on the design of public policies in an area as sensitive for development and equity as social security. Secondly, as it allowed to demonstrate that dialogue and social participation were not an obstacle to the implementation of policies but, on the contrary, enriched the exchange of ideas, contributed relevant perspectives and legit-

⁷ Its Executive Committee included representatives of the Ministry of Labour and Social Security (MLSS), the Ministry of Social Development (MIDES), the Ministry of Economy and Finance (MEF), the Ministry of Public Health (MSP), the *Banco de Previsión Social* (BPS) and the Planning & Budget Bureau (OPP). A plenary was also held with the wider participation of representatives of pensioners, employers and workers during the board meeting of the *Banco de Previsión Social*.

3. NATIONAL DIALOGUE ON SOCIAL SECURITY (NDSS)

imised the resulting agreements. The trade union movement had a major advantage in addressing this challenge in the form of the established presence of a workers' representative on the board of the Banco de Previsión Social since 1992. This experience had led to the creation of a politico-technical team which had succeeded in building a strong critical mass over the years, greatly facilitating worker participation in the NDSS. As input for the NDSS, the workers' representatives already had an 'Alternative Proposal' approved at the Eighth PIT.CNT Congress in 2003. This comprehensive proposal put forward a number of improvements and sought to reduce the inequities in the existing social security system; it also sought to achieve the financial sustainability of the scheme.

Based on studies showing the difficulties of receiving a pension or another type of benefit at retirement, one of the main proposals was to reform the process of accessing retirement funds, which until then required 35 years of service. Specifically, the proposal suggested that eligibility for retirement could be introduced at 60 years of age and after 30 years of service without affecting the replacement rates in force, as well as providing an early retirement or extended unemployment insurance to dismissed workers of over 50 years of age. With regards to gender considerations, one of the main suggestions was that the lower amounts paid in by women due to time assigned to family care be taken into account at the time of accessing retirement funds.

A discussion was fostered on how to combine the contributory and non-contributory systems in order to ensure protection for the most vulnerable who are excluded from the formal labour market, and therefore make no contributions to the social security system. To tackle this issue, initiatives aimed at strengthening family allowances for children, as well as social assistance programs for the elderly and those living in poverty who do not meet the requirements for retirement, were pro-

moted. The trade union movement had from the beginning opposed the 1996 reform which established a mixed pension scheme in which a solidarity or distribution pillar was supplemented with a pillar of individual savings. The dialogue was seen as an opportunity to question private profit in social security at the expense of the compulsory savings of workers, and proposing the elimination of Administrators of Pension Funds (APFs). Given that it was politically difficult to carry this change out in the short term, several proposals were made to mitigate the most harmful aspects of the APFs. The measures promoted were, amongst others: a reduction in the monthly fees paid to the APFs by workers; enabling workers to place a greater part of their savings in the solidarity scheme; ensuring more transparency in the way in which insurance firms pay the annuities using mortality tables so that they do not, for example, discriminate against women because of their longer life expectancy.

Regarding employment benefits, the PIT.CNT proposed increasing the basic percentage paid by unemployment insurance and other measures to ease access to these benefits. In addition, proposals were made to significantly raise the ceiling of sick leave benefits to equate it to the existing unemployment benefits.

3.3 THE RESULTS OF THE FIRST NDSS

The outcomes of the first NDSS were highly promising. Although in many instances the different stakeholders disagreed on the role and scope of the security system, a number of agreements were reached which resulted in concrete actions in different areas. These agreements, reflected in the final report of the General Executive Committee of the NDSS, provided a key input to the Executive Branch in the implementation of concrete public policies.

Law 18395 on the flexibilization of access to retirement funds is one of the most important examples

of this, as it reduced the requirement of contributions to the system from 35 to 30 years. It also established a two-year extension of a special allowance with contributions for the unemployed of 58 years of age and more than 28 years of service, paving the way to their subsequent retirement. A special calculation of service years is established for women, adding one year of recognised service for each child, with a maximum of 5 additional years. Lastly, certain requirements for accessing pensions due to total disability and for temporary allowances in the case of partial disability were eased.

Regarding social security benefits during employment, a redesign of the unemployment benefit program was agreed and subsequently implemented through Law 18399. Among other changes, the period of six months of provisions was extended to 12 months for those aged over 50, access to benefits while maintaining a secondary job has been allowed, a scheme of decreasing amounts was established starting from 66% of the salary in the first month of the benefit and increasing the duration of the allowance in the event of economic recession.

These concrete measures, together with others discussed in the dialogue which were already being implemented or would be implemented (such as healthcare reform and the expansion of family benefits among others), resulted in a highly positive outcome of the dialogue. The NDSS allowed for an enriching exchange between the actors and provided relevant input for policymaking aimed at expanding social protection, a fundamental requirement on the path towards development.

The first NDSS also demonstrated the different approaches of the government and social actors vis-à-vis the individual capitalization scheme. In particular, the position of workers on the elimination of profit-making, financial speculation and uncertainty of the benefits that workers were to

receive from the individual savings schemes, promoting the elimination of APFs, failed to translate into concrete policy changes.

3.4. THE SECOND NDSS: A MORE CHALLENGING EXPERIENCE

The second NDSS was held between late 2010 and 2012 with the more ambitious goal of addressing outstanding, and contentious, issues more thoroughly. Once again, the Sectoral Commission on Social Security led the organization and political leadership of the event, with the support of the Universidad de la República and international co-operation funding.

Both the actors convened and the methodology applied were similar to the first NDSS. Once again the focus was on five thematic areas: 1) Benefits of labour participation and Unemployment Insurance; 2) Pension savings systems and role of insurance firms; 3) Retirement and Pension System; 4) Social Security Institutions and Management of the Protection System; and 5) Self-employment and social benefits.

In addition to the pension system and the elimination of APFs, the main proposals of the PIT.CNT platform were the implementation of differential replacement rates prioritizing the issues of undeclared employment, part-time retirement, rise in the health benefit ceiling, reform of the system determining entitlements to permanent disability benefits, creation of a wage guarantee fund in cases of employer insolvency, and the regularization and protection of independent workers.

During late 2011 and early 2012 the first thematic area groups enjoyed a greater attendance than at the first dialogue. However, in May 2012, while the second NDSS was in session and without prior notice, the Central Bank of Uruguay, as the regulator of insurance firms, unilaterally decided to lower

3. NATIONAL DIALOGUE ON SOCIAL SECURITY (NDSS)

the technical interest rate. This measure, resulting in a reduction in the annuities of future pensioners for their individual savings, was opposed by workers, pensioners and the employers. The move prompted strong protests by workers and pensioners and greatly hindered the continuation of the dialogue.

Finally, in October 2012, after the government conducted an evaluation of the implementation of this measure, which had not however been reversed, the parties met again. The separation into thematic areas was abandoned and the government put forward for discussions initiatives on which it considered agreements could be reached. The second NDSS was clearly not as positive as the first. The reduction of the technical interest rate, an aspect on the agenda of the second thematic area, transformed the climate of dialogue into a conflict precluding the possibility of reaching agreements through an exchange of points of view. Even so, with a less structured format, it was possible to resume the dialogue and reach agreement on some key aspects.

One of these aspects, implemented through Law 19162, was the possibility of withdrawing from the APFs or revoking the options associated with the mixed pension scheme of a large group of potentially affected persons who had placed part of their

savings in these funds. Although the law did not address many of the issues raised by the trade union movement, it was considered a breakthrough which would allow for the further expansion of the freedom of choice and the introduction of other issues, such as discounts for the public sector which would make it convenient for many workers to continue placing half of their savings in the APFs.

Another relevant outcome associated with the second NDSS was the harmonization of retirement and work in the industry and trade sectors under particular circumstances, as enshrined in law 19,006. It reflected the consensus reached between the parties on the shortage of skilled labour in certain sectors of the economy, a problem that could be mitigated by the addition of some retired workers who, while still collecting their pension, could contribute their experience and expertise to the training process. This led to the authorization of partial retirement, i.e. the possibility of retiring and continuing to work half-time while collecting half of the pension.

Finally, the government implemented a gradual rise in the ceiling of the sick leave benefit and modified aspects of the disability measurement system which, as specified by the PIT.CNT, allowed a large number of disabled workers to access these benefits.

CONCLUSIONS

Social dialogue as a democratic setting that strengthens social organizations and improves the quality and sustainability of public policies

In recent years major economic, political and social changes have taken place in Uruguay, setting the country on a path of growth and economic and social development. These developments arose from profound political changes and a different political approach, which was much more open and participatory than previously. While the implementation of public policies is clearly the responsibility of the State, turning to social dialogue to identify, implement and monitor public policies contributes substantially to both their legitimacy and effectiveness.

Social dialogue brings fresh and different views to discussions on public policy. It allows all actors to learn about the interests of others and to convey their perspectives in a substantiated manner, which is fundamental to policymaking and its social legitimacy. Even when these different outlooks are not incorporated into policies, dialogue in and of itself contributes to the deepening of democracy. It is crucial to legitimise social dialogue spaces by institutionalizing them, ensuring their independence and securing them in their advisory role. If the outcome of the dialogue is not consistently reflected in the resulting policies or if policies are implemented without considering the

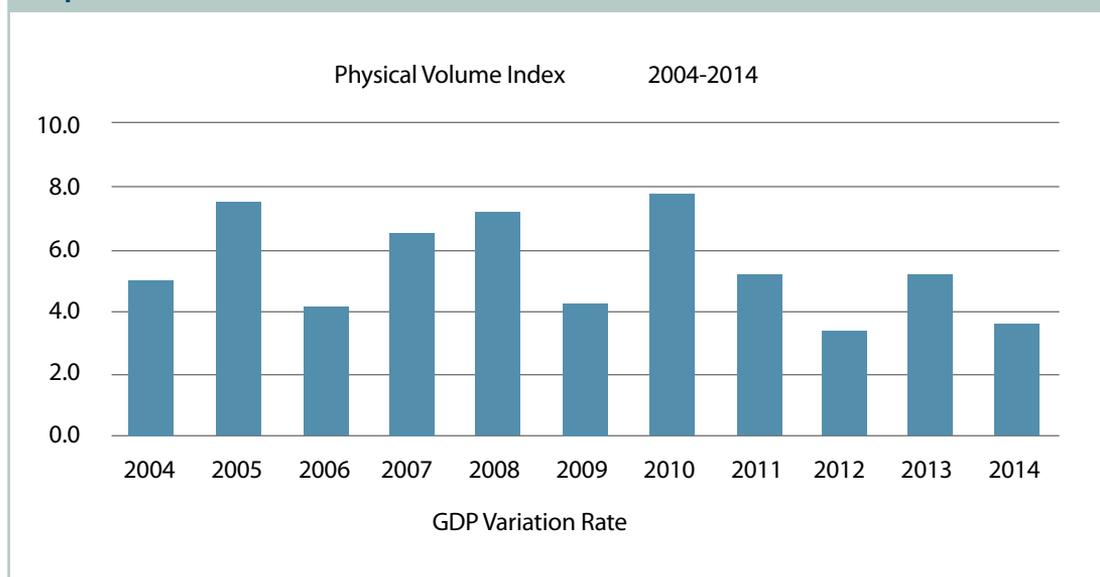
dialogue recommendations the participation will inevitably gradually decline.

The last decade has seen the development of varying forms of dialogue and social participation in Uruguay. All these spaces have been highly relevant to reinforcing the democratic process and have influenced the quantity and quality of the public policies aimed at achieving a higher degree of development. In addition to the more traditional spaces of participation for the trade union movement, such as issues relating to employment policies and wage-setting, workers, along with other social actors, have participated in discussions on strategic aspects of development such as health, education and social protection. The current invitation to participate in the discussion and in the management of the National Care System proposed by the new government is another example of the ongoing cultural change.

The abovementioned experiences of dialogue have also promoted major quantitative and qualitative growth within the participating organizations, gradually preparing them for future challenges. Through its participation in the social dialogue, the Uruguayan trade union movement has become an increasingly important player in the country, with strong media presence and the ability to influence issues on the development agenda.

STATISTICAL ANNEX

Graph 1: GDP Variation Rate

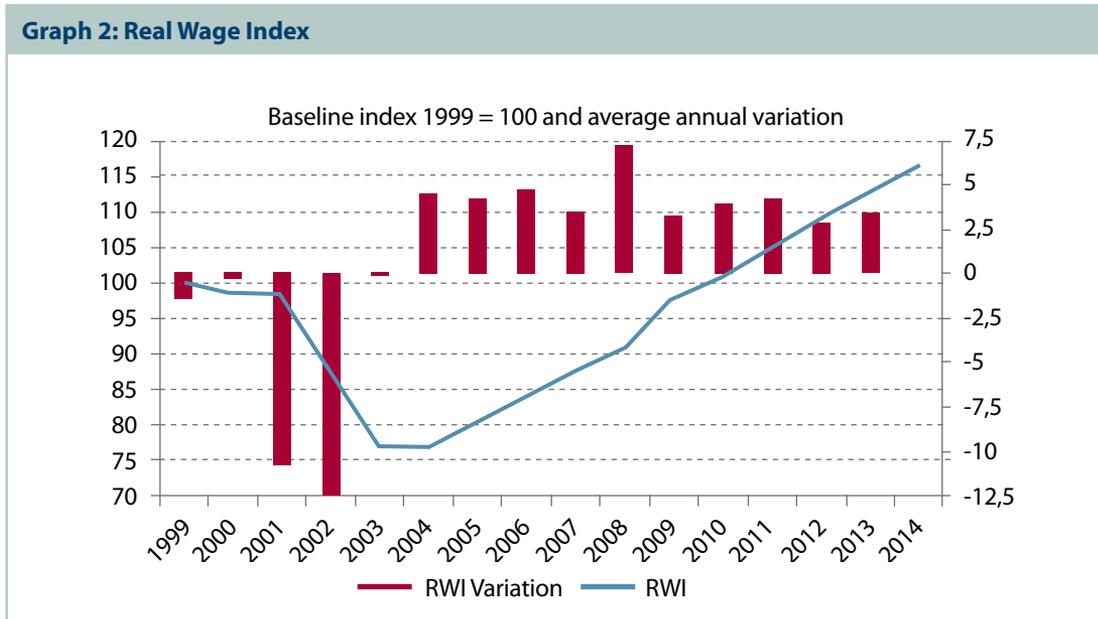


Source: own research based on the Central Bank of Uruguay and the National Statistics Institute

Table 1: Gross Domestic Product 2004 – 2014

	In thousands of US dollars	In dollars per capita	Annual growth rate (%)
2004	13,697,210	4,099	5.0
2005	17,380,324	5,185	7.5
2006	19,600,138	5,837	4.1
2007	23,435,535	6,977	6.5
2008	30,366,648	9,029	7.2
2009	31,660,911	9,372	4.2
2010	40,285,084	11,860	7.8
2011	47,962,936	14,055	5.2
2012	51,385,377	14,997	3.3
2013	57,523,530	16,721	5.1
2014	57,471,277	16,641	3.5

Source: own research based on the Central Bank of Uruguay and the National Statistics Institute



Source: own research based on data from the National Statistics Institute

Table 2: Main Labor Market Indicators

	Labour participation rates (%)	Employment rate (%)	Annual growth rate (%)
2004	58.3	50.9	12.4
2005	58.3	51.5	11.6
2006	60.7	54.1	10.8
2007	62.5	56.7	9.4
2008	62.7	57.7	8.0
2009	63.4	58.5	7.7
2010	62.9	58.4	7.2
2011	64.8	60.7	6.3
2012	64.0	59.9	6.5
2013	63.6	59.5	6.5
2014	64.7	60.4	6.6

Source: own research based on data from the National Statistics Institute

Table 3: Percentage of the Population Living in Extreme Poverty and Poverty

	Extreme Poverty	Poverty
2006	2.5	32.5
2007	2.4	29.6
2008	2.5	24.2
2009	1.6	21.0
2010	1.1	18.5
2011	0.5	13.7
2012	0.5	12.4
2013	0.5	11.5
2014	0.3	9.7

Source: National Statistics Institute



DEVELOPMENTAL RELEVANCE OF SOCIAL DIALOGUE IN GHANA

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Labour Research and Policy Institute
Ghana TUC
Author: Prince Asafu-Adjaye



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ACRONYMS

AGI	Ghana Association of Industries
CSOs	Civil Society Organizations
ECF	Extended Credit Facility
GEA	Ghana Employers' Association
GLSS 6	Ghana Living Standards Survey, sixth round
GMWU	Ghana Mine Workers' Union
GPRS	Ghana Poverty Reduction Strategy
GSS	Ghana Statistical Service
ILO	International Labour Organization
IMF	International Monetary Fund
JSNC	Joint Standing Negotiating Committee
NEP	National Employment Policy
NHIA	National Health Insurance Authority
NLC	National Labour Commission
NPRA	National Pensions Regulatory Authority
NTC	National Tripartite Committee
PIAC	Public Interest and Accountability Committee
PURC	Public Utilities Regulatory Commission
SNCs	Standing Negotiating Committees
SSNIT	Social Security and National Insurance Trust
SSPP	Single Spine Pay Policy
TUC	Trades Union Congress (Ghana)

INTRODUCTION¹

Social dialogue, i.e. engagements, consultations, discussions and negotiations among social partners on economic and social policies and other issues of common interest is fairly established in Ghana. An elaborate legal and institutional framework and norms exist for tripartite and bipartite social dialogue between the government, employers' association and trade unions. In addition, multi-stakeholder dialogue spaces enable civil society organizations (CSOs) and other interest groups in the country to engage in national development dialogue processes. Social dialogue and multi-stakeholder dialogue in Ghana take place at multiple levels in either structured or *ad hoc* form.

Ghana's social partners, CSOs and other interest groups have actively engaged in the formulation and implementation of national policies, programmes and legislation. This has engendered some positive and inclusive economic, social and political development outcomes. Social dialogue and multi-stakeholder consultations, including public hearings, have characterised the formulation of annual national budget and medium term economic policies as well as other sectoral socio-economic policies in Ghana. The consultation processes have provided opportunities for the public to submit memoranda at public hearings and other consultation meetings. Social dialogue is therefore largely incorporated into the governing structures of public institutions in Ghana. At the enterprise level, trade unions have used social dialogue struc-

tures, including the collective bargaining space to enhance the employment and working conditions of workers.

This paper analyses the relevance of social dialogue for development in Ghana. It focuses on the extent to which social dialogue, multi-stakeholder dialogue and other non-traditional forms of social dialogue influence development policies and legislation in Ghana.

The analysis contained in this paper draws on primary and secondary data sources. Primary data was collected through questionnaires and face-to-face and telephone interviews with representatives of social partners and CSOs in Ghana. The participants of the study include: the Chief Labour Officer of Ghana, the Director of Industrial Relations of the Ghana Employers' Association (GEA) and the Head of Organizing and Industrial Relations of the Trades Union Congress TUC (Ghana). The other respondents include the Eastern Regional Secretary of the TUC (Ghana) and officers of the following CSOs across the country; PWYP, ISODEC, Social Support Foundation, Civil Society Coalition on Land, WACCAM and Friends of the Nation. Primary data was complimented by secondary data obtained from published documents and data from the sixth round of the Ghana Living Standards Survey (GLSS 6).

¹ The content of this study and its conclusions reflect the role and value of social dialogue in Ghana, focusing mainly on the period from the year 2000 to 2015. It is however important to note that social dialogue, like any form of dialogue, could be broken at any moment and the progress made through the years can shift due to a change in government or in the attitudes of the actors involved. This study has therefore to be taken in its specific context as a snapshot of what social dialogue can achieve with the good will of its actors. The best way to guarantee the contribution of social dialogue to development is by institutionalising it, and even then it is not exempt from obstacles.

1. ESTABLISHMENT AND INSTITUTIONALIZATION OF SOCIAL DIALOGUE IN GHANA

Ghana has a long history of social dialogue, pre-dating its political independence. The nature and functions of social dialogue, particularly the relationship between social partners and social dialogue spaces have mostly been shaped by prevailing political economic demands. Over the years, whereas multi-party democracy has promoted spaces for enhanced social dialogue, military dictatorships have stifled social dialogue in the country. The relationship among social partners has thus varied from an adversarial to a cooperative one under different political and economic regimes.

Social dialogue between the early 20th century and independence in 1957 was largely adversarial as workers organised to protest against poor working conditions and later joined the independence struggle movement. Britwum (2007) and Obeng-Fosu (2007) document notable collective actions by workers and workers' militancy in 1919, 1921, 1925 and 1930s. Trade union and workers' struggles for rights and interests were intertwined with the nationalist political struggles for independence. This dynamic shaped the relationship between unions and the immediate post-independence government and subsequent political regimes in the country.

Immediately after independence in 1957, the nature of social dialogue and relations among social partners changed significantly. During the first decade of independence, cooperation between the government and the TUC (Ghana) characterised social dialogue in the country. Subsequently, the methods, intensity and emphasis of social dialogue have varied. Over the years, the relations and engagements between the TUC (Ghana) and

governments have been shaped by political and economic orientations of the various governments (Britwum, 2007).

The current legislative and institutional framework for social dialogue in Ghana is defined by the 1992 Constitution, the Labour Law (Act 651) and other established practices such as *ad hoc* consultations. International conventions, including some of the conventions and recommendations of the International Labour Organization (ILO) also influenced social dialogue in the country. Ghana has ratified the Tripartite Consultation convention (C144) and Freedom of Association and Protection of the Right to Organise convention (C087).

The constitution of Ghana provides guarantees for effective participation in the development processes, including rights to form associations for the promotion and protection of rights in relations to the development process (CEPIL, 2008). The Labour Act (Act 651) guarantees the right of both workers and employers to form trade unions and associations respectively, for the promotion and protection of their interests and establishes institutions for the conduct of social dialogue in the country.

The National Tripartite Committee (NTC) and Standing Negotiating Committees (SNCs) or Joint Standing Negotiating Committee (JSNC) are among the key social dialogue structures at the national and enterprise levels, respectively. The other key institutions and structures for social dialogue in Ghana include the Labour Department, National Labour Commission (NLC), trade unions led by the Trades Union Congress (Ghana) and employers represented by the Ghana Employers' Association. These have mostly focused on national level and enterprise level industrial relations.

1. ESTABLISHMENT AND INSTITUTIONALIZATION OF SOCIAL DIALOGUE IN GHANA

In Ghana, CSOs and other interest groups are largely exempt from the above social dialogue structures. However, CSOs, policy think tanks and other traditional authorities and hierarchies have participated in development dialogues in

Ghana through *ad hoc* mechanisms such as public hearings and consultations. The country's decentralised political system also enables citizens to influence decisions through their representatives at local assemblies.

2. LEVELS AND FORMS OF SOCIAL DIALOGUE IN GHANA

Social dialogue in Ghana is mostly tripartite and bipartite, and as indicated earlier, multi-stakeholder dialogue is also not uncommon. The dialogues take place at multiple levels such as the national, subnational, sectoral and enterprise levels. Consultations, discussions and negotiations among social partners in Ghana are either structured and predictable or *ad hoc*. The social dialogue agenda in the country varies widely. It includes national economic and social policies and programmes, legislation as well as wages and working conditions. While some social dialogue outcomes, such as consultative dialogue, are not binding or legally enforceable others, such as outcomes of collective bargaining, are binding. Whereas traditional tripartite and bipartite social dialogue is backed by law, multi-stakeholder dialogue and other CSO engagements lack adequate legal backing.

2.1. NATIONAL TRIPARTITE SOCIAL DIALOGUE

The present form of tripartite consultations in Ghana began in 1972 (Baah and Akrosu, 2007). Currently, tripartite social dialogue in the country is established by the Labour Act through the NTC which is mandated, among other things, to determine the national daily minimum wage, advise on employment and labour market issues and consult with partners in the labour market on matters of social and economic importance.

Alby *et. al.* (2005) argue that in most parts of Africa, tripartite cooperation is defined by improved labour relations, increasing productivity and consensus building among social partners on socio-economic issues. Consistent with Alby *et. al.* (2005), tripartite consultations in Ghana have significantly improved the relationship among the social partners. In the last fifteen years, NTC negotiations have resulted in a significant increase in the national daily minimum wage from GH¢0.42 (US\$0.11) in 2000 to GH¢7.00 (US\$1.74), representing an increase of over 1,500%.

However, consensus building on socio-economic and productivity increase are less attributable to tripartite consultation in Ghana. The NTC has, over the years, focused almost exclusively on minimum wage determination, with only minimal attempts at tackling other areas of its mandate. A trade union official intimated that:

the scope of their [National Tripartite Committee's] work is highly limited... because beyond determination of minimum wage and wage related issues, they do not [focus on other issues]. My understanding is that the tripartite should go beyond these issues to include major policy discussions on the economy, on employment generation, on whole lot of other issues... Unfortunately, that is not the case.

Furthermore, although the labour law provides that NTC sub-committees may be established at regional and district levels, tripartite social dialogue in Ghana is highly centralised at national level. A participant of the study from the Eastern region of Ghana be-

moaned that “for tripartite, we don’t have it in the regions for now... the tripartite is centralised in Accra”. This is despite the need for and potential benefits of tripartite dialogue at regional and district levels.

2.2. NATIONAL BIPARTITE SOCIAL DIALOGUE

In addition to the above, bipartite social dialogue involving consultations and discussions between two of the social partners is also established in the country. Twerefou (2014) asserts that the TUC (Ghana) and the GEA have developed a bipartite relationship through regular meetings at which matters of mutual interests are discussed. National level bipartite social dialogue in Ghana is usually consultative, *ad hoc*, voluntary and focused on matters of mutual economic and social interests. Positively, national bipartite social dialogue in Ghana has promoted a shared understanding and mutual cooperation among social partners in the country. It also generates lighthouse effects for social dialogue at various levels, i.e. enterprise, sectoral, regional and district levels. In the words of a participant of the study:

[bipartite social dialogue] is a kind of voluntary arrangement made by employers and trade unions [social partners] to help them close the gap between them on issues before even they take it further to the tripartite. It is good because it ensures that before we get to the tripartite, we are not at extreme ends, our gaps are narrow and we are able to reach consensus early.

In 2011, the TUC (Ghana) met the government’s economic management team, headed by the Vice President of Ghana, to discuss the union’s suggestions for the annual budget and economic policy. The suggestions emphasised a move away from inflation targeting towards economic policies that tar-

geted employment, increased investment in labour market institutions and improved social protection. Although inflation targeting continues to guide economic policies, some improvements have been made in social protection coverage in the country.

Its importance notwithstanding, national bipartite social dialogue is consultative, lacks adequate legal backing and its outcomes are largely not binding and therefore not legally enforceable. Hence social partners may act in ways contrary to consultations and discussions. A participant of the study lamented that:

some of them [social dialogues] are consultative and they do not have any commitment that you can hold people to. So even though we have the right to speak, the politician has the right to go their own ways. Opportunity is created for the people to talk but you cannot hold people to account on what is discussed.

And like tripartite, this form and level of social dialogue is limited to the government, employers’ association and trade unions.

2.3. ENTERPRISE LEVEL SOCIAL DIALOGUE

Arguably, one of the most established forms of social dialogue in Ghana is enterprise level social dialogue; specifically, collective bargaining is the most important form of social dialogue for workers. Bipartite enterprise level social dialogue determines wages, working conditions and work organization at the enterprise level. Social dialogue structures such as the SNC or JSNC, disciplinary committees, occupational health and safety committees exist at the enterprise level to deal with various issues. While some of these structures are *ad hoc*, others are permanent and established by legislation.

2. LEVELS AND FORMS OF SOCIAL DIALOGUE IN GHANA

An elaborate legal and institutional framework exists for the conduct of social dialogue at the enterprise level. Ghana has ratified ILO Convention 98 on the right to organise and collective bargaining and the country's constitution and labour law guarantee enterprise level social dialogue. Article 21(e) of the 1992 Constitution of Ghana guarantees "freedom of association, which shall include freedom to form or join trade unions or other associations, national and international, for the protection of their interest". Industrial relations institutions such as the Labour Department and the NLC have also been established to promote enterprise level social dialogue.

The above notwithstanding, enterprise level social dialogue in Ghana is not pervasive. This is largely due to low trade union density in the country. The GLSS 6 data show that in 2012-13, only about 29% of workers were employed in unionised establishments.

Ghanaian trade unions have utilised the collective bargaining space to enhance the legislated rights, establish non statutory benefits and promote interests of workers. Additional benefits have also been gained through the collective bargaining process. Pillinger (2011) stresses the importance of trade unions in achieving better salaries for health workers in Ghana. The GLSS 6 data shows significant difference in the average earnings, access to both statutory and non-statutory benefits, job satisfaction and employment security in unionised establishments compared to average earnings in non-unionised establishments.

In addition to wage and working conditions, enterprise level social dialogue has promoted a shared understanding and mutual respect among workers and their employers. This has enhanced the relationship among social partners and has contributed to a positive industrial relations atmosphere in the country. A representative of GEA who participated in the study submitted the following:

At the enterprise level, social dialogue has gone a long way to actually bridge the gap, eliminate some suspicion among parties; now there is respect, there is confidence and now it has also increased participation of workers in decision making. So on the decisions which affect them, they always have the opportunity to input. It has actually promoted joint consultation. The arbitrariness of management has also subsided.

Also, enterprise level social dialogue in Ghana provides spaces for workers to influence the work organization and management of their enterprises. Specifically, this manifests itself in the involvement of workers and their trade unions in conflict and dispute management and in decision making on work organization at the enterprise level. According to the Chief Labour Officer "At the enterprise level, the unions and the workers play various roles in the management of institutions [and] in terms of dispute resolution, it is [done] through dialogue.

2.4. MULTI-STAKEHOLDER DIALOGUE

Since the return to multi-party democracy in 1992, multi-stakeholder dialogue has characterised the formulation of economic and social policies and the passing of legislation in Ghana. Although largely *ad hoc*, national, regional and district level multi-stakeholder dialogues have engendered collective and shared consensus on critical national issues.

In 2014, the government of Ghana, in response to calls by the TUC (Ghana) and other CSOs, called a multi-stakeholder national economic forum aimed at fostering a common understanding and agreement about the challenges facing the Ghanaian economy and how best to address them. The planning forum involved the TUC (Ghana) and the Ghana Association of Industries (AGI) and brought together stakeholders from the

public sector, the private sector, political parties, CSOs, policy think tanks, professional associations, traditional leaders, the security services, the judicial service, religious groups, some key individuals and the media. The outcomes of the forum dubbed the *Senchi Consensus* is said to have influenced the current Extended Credit Facility (ECF)² programme between the Government of Ghana and the International Monetary Fund (IMF).

Although multi-stakeholder dialogue is mostly *ad hoc*, the annual national budgeting processes has institutionalised multi-stakeholder engagements through budget hearing sessions. These provide a platform to stakeholders and other interest groups to discuss proposals from non-state actors for annual budget and economic policies in plenary. Through these processes, CSOs and other interest groups have managed to influence the government's annual economic policies. The Ministry of Finance incorporated some CSOs' proposals into the 2015 budget.

National multi-stakeholder dialogue has promoted some cooperation among Ghanaian CSOs. *Ad hoc* cooperation and loose networks are sometimes established to respond and deal with specific issues of shared national interest. A notable example of this is the cooperation of civil society groups through the Civil Society Platform on Oil and Gas – Ghana (made up of over 100 individuals drawn from CSOs across the country) under the leadership of the TUC (Ghana) to campaign against the removal of the Public Interest and Accountability Committee (PIAC)³ from the Petroleum Revenue Management Bill. So far, PIAC reports have generated national discussions on the use of revenues from oil.

The importance of multi-stakeholder dialogue notwithstanding, lack of defined structures and procedures have constrained multi-stakeholder dialogue in Ghana. Dovlo (2005) argues that social dialogue mechanisms which do not have agreed structures and procedures have limited potential outcomes. This partly explains the failure of multi-stakeholder dialogue to achieve some desired outcomes, at least from the perspective of non-state actors.

Also, multi-stakeholder national dialogue is constrained by external influence. The TUC (Ghana) has criticised the influence of development partners in setting macroeconomic targets and the exertion of influence by these partners on important national issues, leaving little space for public participation (Twerefou, 2014). The failure of multi-stakeholder dialogue to adequately influence economic policy directions as anticipated by non-state actors may also be explained by external influence on these policies. In the last three decades, IFIs such as the IMF and the World Bank have exerted significant influence on Ghana's economic policy decision making. These external influences have largely proven resistant to countervailing ideas and pressures from local non-state actors. In 2003, through its budget statement and economic policies the government of Ghana introduced tariffs on rice and poultry imports to support domestic production of such commodities. But according to Aidoo (2014) intervention by the local IMF representative led to the suspension of the enforcement of the tariffs and the subsequent repeal of the act despite its approval by the Parliament of Ghana.

² Agreement between the government of Ghana and the IMF for a medium-term economic reform program (2015-2017) support.

³ PIAC is made up of civil society representatives. It was established by the Petroleum Revenue Management Act to monitor the compliance by the government and its agencies in the management of petroleum revenues in Ghana.

2. LEVELS AND FORMS OF SOCIAL DIALOGUE IN GHANA

2.5. PROTESTS AND DEMONSTRATION IN DIALOGUE

In Ghana, dialogue typically takes place through discussions, negotiations and consultations. However, trade unions and other CSOs have used protests, demonstrations and other channels, particularly the media – press conferences and press releases – to communicate their concerns. Although these may not be dialogue forms in the strict sense, they have been used as tools to either trigger social dialogue or back on-going social dialogue.

Some of these tactics have elicited responses. In February 2014, the Ministry of Finance issued a press release in response to the TUC's press statement on the general economic situation in Ghana. In 2014, trade unions in Ghana, led by the TUC (Ghana) organised one of the biggest nationwide demonstrations in the country in protest against worsening economic and social conditions in the

country. Some community groups have also used demonstrations to raise their concerns. Aidoo (2014) documents some demonstrations in Ghana since 2010: the demonstration by the people of Agyemankwanta over the health implications of a landfill site and the demonstration by some residents of Ashaiman over poor social conditions in the municipality. In addition to specific community issues, demonstrations were also held over political issues such as the voters register and the energy crisis.

Importantly, the democratic dispensation in the country has created spaces for varied forms of social dialogue including demonstrations and protests. Social partners and other interest groups have harnessed these spaces to exert or attempt to exert some influence on Ghana's development policies. But as previously indicated, the prevailing socio-economic milieu in the country has also influenced social dialogue in Ghana.

3. ROLE AND IMPACT OF SOCIAL DIALOGUE IN DEVELOPMENT POLICIES IN GHANA

As outlined above, the importance of social dialogue for inclusive economic and social development outcomes cannot be overemphasised. In Ghana, social dialogue has had varied influence on legislation, economic and social policies and outcomes at the national, subnational and enterprise levels.

Since the return to constitutional rule in 1992, discussions and consultations have characterised the

legislative processes. In practice, bills to the parliament of Ghana are largely sponsored by the executive arm of government but opportunities, such as consultative meetings at national and subnational levels, arise for individuals and interest groups to engage in a discussion before laws are passed. ACET (2014) asserts that typically, committees in parliament encourage the inclusion of public memoranda in bills and parliament also holds public hearings when a bill is presented for consideration. A participant in the study agreed with this assertion by stating that *"you know government is the initiator when it comes to legislation...The other social partners bring their expertise to bear on whatever is being discussed. And they are able to advise on issues"*.

In recent decades, extensive multi-stakeholder, national and subnational consultations and discussions have characterised Ghana's constitutional review processes. The Labour Act, 2003 (Act 651) is described as a negotiated law due to the active role social partners played in its passage. Twerefou (2014) mentions that the TUC (Ghana) and GEA played significant roles in the formulation and implementation of the labour act. And according to Dovlo (2005), the process of developing the labour law was a very good example of social dialogue in practice. Concerns raised by trade unions and workers led to the passage of the National Pensions Act, 2008 (Act 766) which reformed pensions in Ghana and introduced a contributory three-tier pension scheme for enhanced pensions in the country.

In addition to legislation, socio-economic policies in Ghana have been influenced by social dialogue. Like legislation, national policies largely emanate from the government, but social partners have opportunities to input. Twerefou (2014) highlights the importance of social dialogue in the formulation of medium-term economic policies in Ghana, including the Ghana Poverty Reduction Strategy (GPRS). National and subnational consultations as well as engagements with trade unions and other specific interest groups have characterised the development of medium-term economic policies in Ghana.

Again, extensive consultations and discussions between government, trade unions, employers' association and other interest groups helped shape the newly adopted National Employment Policy (NEP) of Ghana. Around 13 representatives of trade unions, employers' association, research institutions and CSOs participated in the inter-sectoral consultation on the NEP (see NEP document, 2015). The development of the national youth policy also involved similar stakeholder engagements. In addition, social dialogue is playing an important role in shaping the national social protection policy currently being formulated.

In Ghana, social dialogue on public policy has encouraged shared consensus among social partners. This has been useful in policy implementation. A participant of the study observed that *"people generally accept national policy decisions because they feel that they have been contacted in good faith and that not one person [decided on the policies], it is not an imposed decision. Once social partners agree on policies, it promotes confidence in the system"*. The relationship among social partners has therefore also been enhanced through social dialogue platforms. Twerefou (2014) asserts that there has been consistent improvement in industrial relations as a result of the increasing role of government, employers and trade unions as social partners. This has engendered a better reception and greater general ownership of such policies.

In addition to general policies, social partners in Ghana have engaged on specific issues of collective national interest such as utility tariffs and petroleum product pricing. Major reviews of electricity and water tariffs by the Public Utilities Regulatory Commission (PURC) have involved consultations and discussions between the PURC, utility companies and interest groups.

Social dialogue on utility tariffs has, in the past, contributed to mitigating the effects of utility price hikes in Ghana. In 2013, as a result of campaigns by trade unions and dialogue among social partners, the government of Ghana reduced the announced electricity tariff by 25 percentage points. This represented a subsidy of about GH¢400 million (US\$100 million). This was however not solely achieved through consultation and negotiations. Aidoo (2014) argued that the 10-day ultimatum (with a threat of industrial action) issued by the TUC (Ghana) to the government of Ghana and pressures from other labour unions led to the government's decision to lower prices of electricity and water.

3. ROLE AND IMPACT OF SOCIAL DIALOGUE IN DEVELOPMENT POLICIES IN GHANA

Ghanaian trade unions have not only promoted the interests of their members but also national interests through social dialogue. The TUC (Ghana) and its affiliate, the Ghana Mine Workers' Union (GMWU), have utilised the social dialogue space to promote mining revenues for national development. Minter (2014) suggests that the active involvement of the TUC (Ghana) has generated policy space for discussions on taxation of natural resources and that, thanks to proposals made by the TUC (Ghana) and the mining union, a windfall tax was imposed and moves towards a retracting of agreements were initiated.

As previously detailed, social dialogue has characterised wage determination, including the national minimum wage in Ghana. In addition to the significant increase of the national minimum wage, trade unions have demanded and were granted the exemption of minimum wage earners from the payment of income tax through national social dialogue. The unions' contribution to the processes leading to the introduction and implementation of the Single Spine Pay Policy (SSPP) for public sector workers in Ghana is generally recognised. As demonstrated earlier, through collective bargaining, unions have achieved relatively better pay and improved working conditions.

In addition to legislation and economic and social policies, social dialogue largely characterises the governing structures of public institutions in Ghana. This is done through representation of social partners on the governing boards of public institutions. Currently, unions in Ghana have a representation on around 20 governing boards, councils, commissions and committees in the country. These include the National Tripartite Committee (NTC), Ghana Statistical Service (GSS), National Health Insurance Authority (NHIA), National Pensions Regulatory Authority (NPRA), Social Security and National Insurance Trust (SSNIT), Population Council, Public Utilities Regulatory Authority (PURC), National Aids Commission, and Public Interest Accountability (PIAC). In addition to trade unions, some of the public boards and commissions, such as the PIAC, have CSO representatives on their governing boards.

Representation within such bodies has become an important part of the strategies by trade unions to influence decisions that affect workers and their families. It gives unions the opportunity to contribute to corporate governance in the public service and to ensure that such decisions are consistent with the broader societal goals. Through their participation in governance of national institutions, unions have been able to resist policies that they consider inappropriate for social and economic development.

CONCLUSIONS AND RECOMMENDATIONS

This research demonstrates that social dialogue is well-rooted in Ghana. The existence of a legal and institutional framework for social dialogue has created spaces for trade unions, CSOs and other interest groups to engage with other significant actors on varied issues. But some challenges persist. Enterprise level social dialogue is minimal due to low trade union density in the country. Furthermore, the lack of defined structures and procedures for multi-stakeholder national dialogue detract from its effectiveness.

Challenges notwithstanding, tripartite, bipartite and multi-stakeholder consultation, discussion and negotiations at national, subnational and enterprise levels have led to some positive and inclusive economic and social development outcomes.

For non-state actors, the developmental outcomes of social dialogue in Ghana may not be as desired. However, the consequences of the absence of social dialogue are unimaginable. Shared understanding and consensus on national and enterprise level policies have been possible largely due to social dialogue. The inclusive economic growth outcomes in Ghana, albeit below expectations, have been made possible due to social dialogue. Social dialogue is therefore a pre-requisite for the economic and social development of Ghana.

On the basis of this analysis, the following recommendations are made.

- The analysis shows that multi-stakeholder dialogue is lacking in form and has weak outcomes in Ghana largely due to its non-binding and non-legally enforceable nature. To achieve greater impact, reforms are needed to define structures and procedures and to establish at least an annual multi-stakeholder dialogue. Furthermore, such reforms must make outcomes of multi-stakeholder dialogue binding and enforceable.
- Although Ghana has elaborate legislation for social dialogue, institutions of social dialogue created by such legislation are weak and unable to effectively execute their mandate. Significant investment is therefore needed to enable these institutions to effectively support social dialogue in the country.
- As shown above, low trade union density has limited the benefits of enterprise level social dialogue to the few unionised workers in Ghana. Trade unions need to ensure that the benefits of social dialogue are extended to as many Ghanaian workers as possible through improved organizing in order to extend trade union coverage and for that matter enterprise level social dialogue.

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**EXAMPLES OF
SOCIAL DIALOGUE
IN INDONESIA
(2004-15) AND ITS
CONTRIBUTION TO
DEVELOPMENT**

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Labor Institute Indonesia



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ACRONYMS

APINDO	Asosiasi Pengusaha Indonesia (Indonesian Employers' Association)
CLA	Collective Labour Agreement
IJP	Indonesia Job Pact
DWCP	Decent Work Country Program
Bappenas	Badan Perencanaan Pembangunan Nasional (National Development Planning Board)
GDP	Gross Domestic Product
PPP	Purchasing Power Parity
ASEAN	Association of Southeast Asian Nations
BPS	Badan Pusat Statistik (Central Statistic Board)
NTB	National Tripartite Body
NWC	National Wage Council
NOSHC	National Occupational Safety and Health Council
PHIJSK	Pembinaan Hubungan Industrial dan Jaminan Sosial Tenaga Kerja (Development of industrial relations and Social security)
KADIN	Kamar Dagang dan Industri (Indonesian Chamber of Commerce)
FDI	Foreign Direct Investment
CR	Company Regulation
CBA	Collective Bargaining Agreement
DJSN	Dewan Jaminan Sosial Nasional (National Social Security Board)
BPJS	Badan penyelenggara Jaminan Sosial (Social Security Provider)
IRC	Industrial Relations Court
CSO	Civil Society Organization
NGO	Non-Governmental Organization
KSBSI	Konfederasi Serikat Buruh Sejahtera Indonesia (the Confederation of Indonesia Prosperity Trade Union)
KSPSI	Konfederasi Serikat Pekerja Seluruh Indonesia (the Confederation of All Indonesia workers' Union)
KSPI	Konfederasi Serikat Pekerja Indonesia (the Confederation of Indonesian Workers' Union)
FSPSI	Federasi Serikat Pekerja Seluruh Indonesia (Federation of All Indonesia Workers' Union)
SARBUMUSI	Serikat Buruh Muslim Indonesia (All Indonesia Muslim workers' Union)

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FOREWORD

This study covers the development of social dialogue in Indonesia from the end of the Suharto regime, in 1998, until 2015 and more specifically during the period that goes from 2004 to 2015.

It is aimed at analysing specific examples of social dialogue taking place in the period in question, and assessing how the results of this dialogue amongst social partners has contributed to socio-economic development in Indonesia. The purpose of the analysis is also to highlight the importance of the “conditions” in which social dialogue can flourish and can be effective for development. These conditions are based on the freedom of association, collective bargaining, the willingness of social partners to engage in dialogue, and the supporting role of the State. The latter are “enabling conditions” for social dialogue to be relevant for socio-economic development in every country.

The current study focuses its analysis on specific positive past experiences. However, it has to be noted that unfortunately the situation in Indonesia has recently changed dramatically. The country is experiencing a severe drawback in terms of respect of fundamental labour rights, resulting in a disruption of social dialogue. The International Labour Organisation’s (ILO) Convention No. 87 on Freedom of Association and Protection of the Right to Organise was ratified by Indonesia straight after the fall of the Suharto regime, and important progress was

made in the country in the years following the transition period. However, these rights are currently under threat as illustrated by the arbitrary arrests and detention of trade unionists, imprisonment and fines issued to workers taking part in peaceful strikes and an inadequate legislation on freedom of association for civil servants.¹

Other setbacks to social dialogue, over the last year, are those related to the minimum wage setting process. Until October 2015, minimum wages were negotiated through social dialogue. This changed following the introduction of a new law to calculate minimum wages through a formula based on inflation and GDP growth. The new law has undermined negotiations, rendering them superfluous, and threatens the remarkable progress achieved in the past years. It has also led to a number of protest actions by the Indonesian unions in a struggle to reinstall dialogue.²

This of course is undermining the positive achievements previously reached, putting at serious risk the whole developmental and democratic process in the country.

This study has therefore to be taken in its specific context as a snapshot of what social dialogue can achieve with the good will of its actors.

July 2016

1 See the Provisional Record of the Report of the Committee on the Application of Standards of the 105th Session of the International Labour Conference (2016) pp.50-55 http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_489124.pdf

2 The International Trade Union Confederation has recurrently manifested its support to the struggle of the Indonesian workers and has continuously denounced violations of their rights, reported in its Survey of Violations of Trade Union Rights: <http://survey.ituc-csi.org/Indonesia.html#tabs-3> As a result of the deterioration of rights, Indonesia has been downgraded, in the International Trade Union Confederation’s Survey of Violations of Trade Union Rights, from a rating of 4, which implies a situation of systematic violations of rights to a rating of 5, implying no guarantee of rights

INTRODUCTION

How constructive social dialogue can contribute to decent work standards in Indonesia

Solving social problems through dialogue has a long history in Indonesia. The traditional decision-making approach known as “musyawarah and mufakat” (deliberation and consensus) is a type of social dialogue which has been employed in Indonesia, including in determining socio-economic policy. Furthermore, consensual decision-making provides an institutional basis for democratic stability by giving all players an equal opportunity to express their interests.

The principle of making decisions through consensual agreement is enshrined in Indonesian ideology and expressly stated in the Indonesian constitution. The constitution guarantees a number of rights relevant to labour regulations: the right of every citizen to life and maintenance, to have employment and a decent life; the right to develop and to an education, every child has the right to live, grow and develop, and has the right to protection against violation and discrimination. The constitution further protects the freedom of assembly and expression.

This historical and legal background has contributed to the acceptance of the concept of social dialogue in Indonesia, particularly at a time when it was facing an economic and political crisis. The social dialogue which took place during the Asian economic crisis in 1998 has proven to be an effective tool to resolve social and labour unrest. Less than a month after the fall of the military dictator-

ship, under president Habibie, Indonesia agreed to ratify ILO Convention No. 87 on Freedom of Association and Protection of the Right to Organise, and further ratified all ILO core conventions.³

The proceedings of ratification passed through a Tripartite Task Force, chaired by the Secretary General of the Ministry of Manpower, Suwanto. It had 36 members, including representatives from various ministries (including Manpower, Foreign Affairs, Home Affairs, Industry and Trade, Information, State/Cabinet Secretariat, Women’s Affairs, Promotion of State Enterprises, Justice, Education and Culture, Defense, and Security), employers (APINDO) and trade unions (including FSPSI, SPSI Reformasi, SBSI, PPMI, FSBDSI, SARBUMUSI, GASPERMINDO, KPNI and KBM).

The role of the task force was to:

- prepare the ratification of the three remaining fundamental ILO conventions;
- socialise the seven fundamental Conventions;⁴
- make an inventory of regulations not yet in line with the seven fundamental ILO conventions.

Furthermore, the intensification of tripartite cooperation between the government and the social partners stimulated the process of collective bargaining between unions and employers, which later contributed to an acceleration of economic recovery. Since 1998, global economic crises have

3 Initially, Indonesia had ratified four conventions, namely convention No. 29 on Forced or Compulsory Labour in 1930, convention No. 87 on Freedom of Association and Protection of the Right to Organise, convention No. 98 on the application of the principles of the Right to Organise and to Bargain Collectively in 1949 and convention No. 100 on Equal Remuneration for men and women workers for work of equal value in 1951. After the reform era, Indonesia ratified the remaining core conventions, such as No. 105, on the Abolition of Forced Labour, 1957, No. 111, on Discrimination (Employment and Occupation), 1958; and No. 138, on Minimum Age, 1973 by June 1999. The last convention ratified was convention No. 182 on the Elimination of the Worst Forms of Child Labour, 1999, in 2000.

4 Initially, there were seven core ILO conventions, but in 1999 a new convention was added, namely convention No. 182 on the Elimination of the Worst Forms of Child Labour. The eight ILO Conventions have been identified by the ILO’s governing body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member states. These rights are a precondition for all the others in that they provide for the necessary implements to strive for the improvement of individual and collective working conditions.

hampered the development of the country, but despite some challenges to the maintenance of social dialogue during this period, Indonesia was able to come up with a common response.

This was exemplified by the signature of the **Indonesia Job Pact (IJP)** by the representatives of the tripartite bodies in the national tripartite Cooperation Institution in 2011. The IJP is an international commitment adopted by the International Labour Conference in June 2009, which provides a framework designed to guide national and international policies and to stimulate economic recovery.

Another social dialogue breakthrough was the formulation of **Decent Work Country Programmes (DWCP)** over two terms, between 2006-2010 and 2012-2015. The DWCP were drafted through a series of consultations to refine and update the IJP priorities. This process involved high ranking government officials at the Ministry of Manpower and Transmigration and the National Development Planning Agency (Bappenas), members of the Em-

ployers' Association (APINDO), and leaders of the trade union confederation.

A further social dialogue achievement, although currently under threat, was the significant **increase in minimum wages**. All major industrial cities increased minimum wages above 100% over the past three years with the objective of gradually shifting the economy from low cost labour to a skilled workforce.

Finally, a **reform of social security law** in 2004 was achieved through social dialogue. This was a success story of how Indonesian social dialogue, in a context of global economic crisis, contributed to the expansion of social security to a wider population and, in so doing, acted as an autonomic stabiliser.

The above experiences demonstrate the effectiveness of social dialogue to counter economic crises and avoid prolonged social disputes. The following chapters will elaborate on the examples outlined above.

1. INDONESIA AS A NEWLY EMERGING ECONOMIC POWER: THE ECONOMIC AND EMPLOYMENT SITUATION

The Asian Financial crisis of the late 1990s was one of the greatest in Indonesian history. Starting out as a financial crisis it quickly expanded to also become a social and political one, which marked the end of Suharto's rule. The rapid change in the political and social situation did however lead the country to achieve remarkable progress in human rights and democratization in all aspects of people's lives. With regards to labour, the country put an end to the trade union monopoly system, expanding workers' rights to organise and bargain

collectively through the ratification of ILO Convention No. 87/1948 on Freedom of Association and Protection of the Right to Organise.

Indonesia is known as the fourth most populous country in the world, with a population of nearly 240 million. The nation had a GDP of \$868.3 billion in 2013 according to the World Bank. It ranked as the 16th largest economy in the world by nominal GDP, and 102nd largest GDP per capita based on purchasing power parity (PPP) in 2013. It is the largest economy in Southeast Asia and is considered an emerging market and a newly industrialised country. Indonesia's presence is increasingly felt at the international level, as a member of the G20 and as a driving force within the Association of Southeast Asian Nations (ASEAN).

According to the Central Statistics Board of Indonesia (BPS), February 2015 data showed that there were 7.45 million unemployed out of a total workforce of 128.3 million. This means that the unemployment rate stood at 5.81%. However, only 38% of Indonesians were employed in the formal sector, while 62% of people work in the informal economy, often for low pay, with hazardous working conditions and no social security.

Thanks to its abundant natural resources and relative self-sufficiency, Indonesia largely avoided the consequences of the global recession in 2008.

However, its economy has been experiencing a slowdown of its growth for the last four years. Agriculture still makes up an enormous portion of the economy, accounting for 14.3% of GDP in 2013 – much higher than in most industrialised nations. Industry now accounts for 46.6% of the economy and services for 39.1%. The nation still battles problems connected to the informal economy, inequality, and inflation which hamper its growth. Foreign investment however has recently grown. The Indonesian economy is expected to expand by 5.1% in 2015 and 5.7% by the end of 2016.

2. SOCIAL DIALOGUE: INSTITUTIONS AND ACTORS

2.1. ACTORS OF SOCIAL DIALOGUE

Government

The primary state body involved in social dialogue is the Ministry of Manpower.

The role of the Ministry of Manpower is divided into four tasks:

- regulator – issuing regulations, including ministerial decrees, after consultation with relevant parties;
- facilitator – creating structures for social dialogue and mechanisms for dispute resolution;
- mediator – providing official mediation in the settlement of disputes; and
- patron – ensuring a supply of efficient and capable human resources.

A number of other ministries also take part in the tripartite structures, holding one seat on the National Tripartite Council, such as the Department of Home Affairs, the Department of Trade and the Department of Industry.

Employers' organizations

In contrast to the multiplicity of unions, there is only one employers' organization: the Indonesian Employers' Association, known as APINDO. Independent industry associations – in for example the textile, shoe, garment, and toy industries – are beginning to speak up on labour issues. The Indonesian Chamber of Commerce (KADIN) also deals with economic issues and general interests of employers.

Following a memorandum of understanding between the Chamber of Commerce and APINDO, it was determined that APINDO alone would deal with labour relations and industrial relations. Overall, APINDO is recognised as not being highly representative of employers in Indonesia, as only 10,000 of the 179,000 registered employers in Indonesia – less than 6% of all employers – are members of APINDO.⁵

⁵ Despite its shortcomings, APINDO remains the only organization representing employers which deals with labour policy. In fact, many of the larger Indonesian employers are members of APINDO, and the association provides them with considerable help in dealing with labour issues. On the other hand, medium and small enterprises are less likely to be members of APINDO. Likewise, only a few foreign direct investors are members of APINDO.

Trade unions

With the ratification of ILO Convention No. 87 on the Freedom of Association, a new chapter was opened for organizations focusing on labour in Indonesia. The ratification laid down a solid foundation for the democratization of the workers' movement.

As one of the reform steps in the area of industrial relations, and in accordance with the ratification of the ILO Convention, the Indonesian government enacted Act No. 21 in the year 2000 concerning Workers and Labour Unions. The act states that a trade union can be established in any company by a minimum of ten workers who work in the said company. The act provides for three levels of union organization: enterprise, federation and confederation. Workers have the right to form and become members of a workers' or labour union.

To date, there are 94 trade unions at national level, with a total of 3.4 million members. The composition of the national tripartite dialogue is as follows: 30 government representatives, 15 employers' organizations representatives, and 15 union representatives. The trade unions sitting in the national tripartite body at present are the Confederation of SPSI (KSPI), Confederation of KSPI, Confederation of KSBSI, Federation of Sarbumusi, Federation of SPN, Federation of plantation and the Federation of state enterprises.

Before the dictatorship (1945-1966), trade union affiliation stood at 18 million, but this was reduced when the military regime forced union merger, establishing a yellow union. After the fall of the dictatorship, trade unions represented 12.5 million workers, which was further reduced in subsequent years as workers were still scared to join unions after a long period of repression.

2.2 SOCIAL DIALOGUE AT THE TRIPARTITE LEVEL

Tripartite consultations are generally held at national, provincial and district levels. They may also take place on a sectoral basis and in institutions such as the Industrial Relations Dispute Settlement Court, the Wage Council, the Employment Council, the Occupational Safety and Health Council, the Training Council, the Productivity Council, etc. In every province, region and district in Indonesia, tripartite institutions have been established to deal with industrial relations issues. At the regional level there are usually tripartite institutions for employment, minimum wages and occupational safety and health. The organizational structure of tripartite institutions is flexible and established in accordance with their specific characteristics and the regional requirements. The number of participants in tripartite institutions in provinces also depends on the local needs.

National Tripartite Body

The National Tripartite Body (NTB) is composed of 45 representatives, with equal numbers from trade unions, the employers' association and the government.

National Wage Council

The National Wage Council (NWC) is composed of representatives of the employers, trade unions and of related government ministries, as well as experts from universities and research institutions. The total number of people in this body is 23, with the following composition: 10 from the government, 5 from the unions, 5 from the employers and 3 independent experts. The main function of the NWC is to advise the Minister of Manpower on wage policy and to review the wage components.

National Occupational Safety and Health Council

The National Occupational Safety and Health Council (NOSHC) consists of employer, trade union, government ministry representatives as well as experts from universities and research institutions. Its composition is similar to that of other tripartite bodies: 20 representatives from various governmental institutions, 10 from unions and 10 from the employers. The main function of the NOSHC is to advise the Minister of Manpower in the field of occupational safety and health. The NOSHC also facilitates safety audits and conducts a safety campaign.

Tripartite bodies at the regional level

Since 2000, with the implementation of the Autonomy Law, the functions of the Department of Labour are incorporated into the structure of provincial and district governments. There is no uniform structure of tripartite dialogue in all provinces and districts – it depends on the local needs of each local government. In most cases however, there are three tripartite bodies: the wages body, the occupational safety and health body, and the general tripartite body.

Number of tripartite cooperation institutions

NO.	Year	TRIPARTITE	
		PROVINCES	CITY/REGION
1.	2013	33	301
2.	2014	33	323

January-April 2015 Dit. PHUSK

2.3 SOCIAL DIALOGUE AT ENTERPRISE LEVEL

As stipulated by law, Collective Labour Agreements (CLA) are formulated based on the negotiation between the employer and one or more registered trade unions in the company. The negotiation shall be conducted in good faith and at the free will and good intention of both parties. Every employer should agree to the trade union request to negotiate a CLA provided that the trade union has been registered at the government office of Manpower Service and is supported by over 50 % of the workers. If there is more than one trade union in a company, individual unions must have more than 50 % of the workers as members in order to be eligible to conduct negotiations. If the members of the unions are less than 50% of the workers, individual unions must seek a coalition with other workers' unions. If needed, union membership can be verified by a committee consisting of the representatives of employers and of the unions. Negotiation for a CLA is conducted by a negotiation team consisting of not more than nine representatives of both the employers and the trade unions. Negotiations start after agreeing to the negotiation rules.

3. EXAMPLES ON THE CONTRIBUTION OF SOCIAL DIALOGUE TO DECENT WORK IN INDONESIA

Although social dialogue practices are often confronted to challenges such as lack of trust, frequent strikes, disagreement in regulations, etc., it is obvious that the role of social dialogue is important to narrow down the difference in position of the respective parties, to reach a solution and boost sound industrial peace and harmony. Four significant success stories on how social dialogue impacts the formulation of employment policy in Indonesia are detailed below.

3.1. FORMULATION OF THE INDONESIA DECENT WORK COUNTRY PROGRAMMES (DWCP) – 2006-2015

Indonesia is the first country in Asia that was able to rapidly formulate a Decent Work Country Programme (DWCP) through social dialogue at the national level. Furthermore, Indonesia has succeeded

in formulating a DWCP twice, first for 2006-2010 and then for 2012-2015. The main objective of the DWCPs is to promote decent work as a key component of national development strategies. Tripartism and social dialogue have been central to planning and implementing the programme. The contents of DWCPs have been organised around a few priorities and outcomes identified by the social partners. Through the elaboration of a DWCP, national constituents jointly undertook a situation and needs analysis and set out priorities for achieving decent work standards in the country.

In the 2012-2015 DWCP, Indonesia reaffirmed employment creation, industrial relations and social protection as its priority areas for action, reflecting the country's current socio-economic context and national priorities.⁶

The cross-cutting themes within the program were gender equality, tripartism and social dialogue. International labour standards were mainstreamed throughout the DWCP priorities. Participation of the tripartite constituents through social dialogue was encouraged at all stages.

CASE STUDY: USING "PROTOCOL ON FOA" FOR SOUND BIPARTITE RELATIONS BETWEEN INTERNATIONAL SHOE FACTORIES AND TRADE UNIONS.

A special case of bipartite negotiation, dubbed the Protocol on Freedom of Association (FoA protocol), took place within the sport shoes industry, between management and existing unions. The protocol contributed to industrial conflict reduction and to improving relations between management and unions. The Freedom of Association Protocol supports the rights of women and men who work in production for global brands in Indonesia to join unions and bargain collectively for better working conditions. This protocol was signed on 7 June 2011 by Indonesian trade unions, employers and multinational sportswear brands including Adidas, Nike, Puma, Pentland, New Balance and Asics. The Freedom of Association protocol gives

⁶ See Indonesia Decent Work Country Program at: www.ilo.org/jakarta

companies a practical set of guidelines on how to uphold and respect the rights of workers to unify to achieve decent pay and better working conditions. Play Fair calls on all footwear and garment brands sourcing from Indonesia to endorse and sign the protocol. The unions that signed the protocol – Garteks KSBSI, KASBI, SPN, GSBI – worked together for over 18 months on its drafting and negotiation. In December 2011, the SPTSK KSPSI union also became a signatory. Collectively, these unions represent over 700,000 factory workers in Indonesia. The unions continue to work together to monitor implementation of the protocol and ensure factory workers can access its benefits.

3.2. THE ACHIEVEMENTS OF SOCIAL DIALOGUE IN INCREASING MINIMUM WAGES – 2012-2015

Minimum wages are set every year at the provincial and local level and are usually followed up by bipartite negotiations at enterprise level to set wages for workers with over one year of work service.⁷

Traditionally, the government – particularly during the dictatorial regime – used very low minimum wages to attract foreign direct investment. It is only recently that trade unions have been able to lobby the government to change this trend, increasing the minimum wage in almost all cities. The minimum wage increases also applied at sectoral level, 5% higher than provincial minimum wages.

Members of tripartite wage bodies include representatives of local government, local universities, employers, and trade unions. Up until October 2015, the mechanism of setting minimum wages involved conducting a market price survey, discussing it within the body and providing recommendations to the governor or local government to determine the new minimum wages. In the last four years (2012-2015) unions were able to increase minimum wages by nearly 100%.⁸ This is the highest minimum wage increase obtained through social dialogue in the last 40 years. No comparable increases have been experienced in the ASEAN region. This situation changed in October 2015, when the government introduced a new regulation on wage determination, to handle minimum wage adjustments through an automatic calculation on the basis of an inflation/GDP formula, thus leaving social dialogue out of the process.

Level of Minimum Wage, 2012-2015, in Rupiah Currency

No	Region/Province	2012	2013	2014	2015
1	Jakarta	1,529,150	2,200,000	2,441,301	2,700,000
2	Batam	1,402,000	2,040,000	2,422,092	2,685,302
3	Bogor	1,174,200	2,002,000	2,352,350	2,711,000
4	Bekasi	1,849,000	2,100,000	2,441,954	2,840,000
5	Tangerang	1,529,000	2,203,000	2,442,000	2,730,000

⁷ Since 1970, Indonesia has used minimum wages as the basis of the wage for an unmarried worker with under one year of work service.

⁸ In 2016, the minimum wage in Jakarta reached RP 3,1 million (equal to US\$ 226).

3.3. THE ACHIEVEMENTS OF SOCIAL DIALOGUE IN REFORMING SOCIAL SECURITY LAWS 1997-2004

Millions of workers from all over Indonesia were involved in the unions' struggles to reform the social security law. A large number of rallies, meetings, and lobbying activities were organised.

As a result, in what many identify as a milestone for Indonesia's labour movement, trade unions were placed on the tripartite supervisory body in charge of implementing the social security system. Through their participation, the unions have access to a daily formal information channel to make sure that the system is run as effectively as possible.

Development of social security for all

Prior to the 1997-98 Asian economic crisis, the lack of formal social protection for the majority of the population had not been a political priority for Indonesian governments, despite the country's constitution providing for the development of social security coverage for the population. High rates of economic growth during the majority of the period of the Suharto regime had provided expanded economic opportunities for many people. The issue of social security had been put aside, apart from the expansion of contributory social insurance for part of the population engaged in the formal economy. Even in the formal economy, coverage was partial, because many small enterprises were either not legally required to or simply did not enroll their employees in social insurance schemes.

The impact of the 1997-98 Asian economic crisis on Indonesia was severe. Output dropped an estimated 13.7% in 1998, and it took four or five years for total output to recover to pre-crisis levels.

Unemployment rose sharply, and had continued its upwards trend, exceeding 10 million, or nearly 10% of the labour force, by 2004. Involuntary under-employment involved a further 13% of the labour force. Many business enterprises collapsed, and poverty levels rose sharply. The longer-term downwards trend in the national estimate of poverty reversed, and evidence of hardship was multiplied. Many former formal sector employees who lost their jobs withdrew their retirement fund balances from Jamsostek⁹ to cover income deficiencies. Many displaced workers returned to rural villages or sought to set up micro businesses in the informal economy. Others moved abroad to seek employment.

Faced with a poverty and livelihood crisis, the government moved to set up a variety of social assistance schemes which were collectively known as the Social Safety Net. Initially much of the cost was funded by external assistance and loans. Subsequently, the costs were met from the government budget, particularly from funds redeployed by reducing the fuel price subsidies. Also associated with the Social Safety Net program were a number of other initiatives, including subsidised employment schemes, grants to schools, and rural development grants.

As of 2000, the Indonesian economy resumed a moderate expansion path, with a real GDP growth rate of 4 to 5% per year. However, these growth rates have not been sufficient to absorb the growing labour force. Unemployment has trended upwards, and is now at nearly 10% of the labour force, which is twice the pre-crisis level. For a significant part of the recovery period, there has been a marked shift from formal to informal employment.

⁹ Jamsostek is PT. Jaminan Sosial Tenaga Kerja/The Workers Social Security Programs (WSSP) is a mandatory scheme under the 1992 Law No. 3 to protect workers against occupational accidents, premature death, sickness and old age. The WSSP called "Jaminan Sosial Tenagakerja" (Jamsostek) provides workers and their families with occupational accident insurance, primary health insurance, death benefits, and old age allowance.

Challenges to social security in Indonesia prior to the reform of the system in 2004

The analysis of the state of social security in Indonesia demonstrated a number of key challenges:

(1) Limited coverage: Lack of adequate social security represents one of the greatest challenges facing Indonesia. Social security coverage is limited to a small fraction of workers in the formal employment sector; a large majority of workers in the informal economy are left outside the scope of the system. Currently, the safety net, if existent at all, is provided by extended family and communities. Across society, this leads to enhanced poverty, ill health and mortality levels.

(2) Limited scope and low level of benefits: The scope and level of social security benefits are inadequate. While civil servants and members of the armed forces enjoy a full package of social benefits, private sector employees can only access a limited array, with benefits such as maternity and unemployment pay being under employers' discretion. Furthermore, the level of benefits provided by the existing schemes is not sufficient to ensure adequate protection for workers and their families.

(3) Problems with legal status and governance: Poor governance poses a major problem as social security organizations suffer from inefficiency, operational difficulties and investment failure. Social security organizations in Indonesia are run by profit-oriented, state-owned, limited-liability companies exempt from audits. As the sole shareholder, part of the contributions and income from investment is paid as dividends to the government. Furthermore, as inspection to social security organizations is not made, effective enforcement of the social security laws is inhibited.

(4) Lack of policy coordination: While the National Social Security System law is a major milestone in the development of a comprehensive social security system, its implementation faces significant delays. The fragmented responsibility for the different elements of the present system, spread between different ministries and public organizations, has resulted in policy inconsistency as well as uncertainty about the availability of funding budget to cover medical care for the entire population. A greater policy coherence between the central and local levels of governance must therefore be developed.¹⁰

Mapping these challenges encouraged Indonesia to carry out a mayor reform of social security, often praised as a remarkable achievement of social dialogue, at the beginning of the 2000s. Despite the global economic crisis affecting Indonesia, the reforms continued, with the government pursuing its path of investing in social welfare projects. As Indonesia relies on consumption for most of its economic growth, it was believed that the population should continue to have purchasing power to keep the economy running. As a result, Indonesia's economic growth remained relatively high (7%) at the time of the global economic crisis.

The reform was pursued through social dialogue, with the social partners striving for an extension of health coverage to the entire population, adding a new pension scheme for private workers and extending social security to informal workers. Since its amendment in 2002, the Indonesian Constitution recognises the right to social security for all and the responsibility of the government in the development of social security policy. Though existing social protection schemes tend to be fragmented and scattered, progress towards a more comprehensive provision of social protection coverage is finally taking place.

¹⁰ See: *International Labour Organization "Social Security in Indonesia: Advancing the Development Agenda" Jakarta, International Labour Organization 2008.*

In 2004, Indonesia introduced the National Social Security Law which mandates the extension of social security coverage to the whole population. It relates specifically to health, work injuries, old age, and death of the breadwinner and introduces non-contributory schemes for the poor, contributory schemes for the self-employed (within the informal economy) and statutory social security schemes for workers within the formal employment sector.

The law elaborating the implementation of the National Social Security System, plans for universal health insurance coverage to commence in July 2014, while work injury, old age, and death insurance are anticipated to start in July 2015. The Social Health Insurance Provider is officially in operation since 1 January 2014. Health Insurance coverage, through contributory and non-contributory schemes, is expected to gradually be extended to reach the whole population by 2019.

Until the National Social Security System is fully operational, the social protection system principally comprises statutory social security schemes for formal workers, and a tax-financed social assistance system (public welfare) as part of a broader set of antipoverty programs and government subsidies. Alongside the development of the National Social Security System, an extension to the social assistance system is being put in place that aims to improve coverage among the poorest and most vulnerable. Various national and local-level social protection programs for different target groups exist in the country.

3.4. EXTENSION OF SOCIAL SECURITY TO WORKERS IN THE INFORMAL ECONOMY (2006-2010)

There are around 70 million informal workers in Indonesia. Meanwhile, the number of active formal workers contributing to social security in 2013 was only 17 million. This number is still far below the total of 44 million formal workers. However, since the new law foresees a number of fines for enterprises that do not comply, it is expected that the situation will improve in the coming years.

The Jamsostek pilot program for informal economy workers launched in 2006 offers benefits in four areas: health, work injury, death, and old age. The total membership amounts to approximately 400,000 persons, but since members can enter and exit the program at any time, the number of members at a given point in time varies widely. The program targets informal economy workers earning at least the minimum wage, which amounts to approximately US\$ 93 per month (the exact amount varies between provinces). The contribution for health care benefits is set at 3% of income for workers without dependents and 6% of income for workers with dependents.

However, it was found that limited administrative and human resource capacities along with workers' lack of awareness or inability to pay contributions on a regular basis have kept participation rates at a low level (see report of Jamsostek, 2010). The characteristics of jobs in the informal economy also make registration, compliance with payment of contributions and record keeping challenging. There is a need to further explore payment mechanisms and administrative methods that are more adapted to the constraints of informal economy workers as well as to design a benefit package that is more adapted to their needs.

4. SOCIAL DIALOGUE CHALLENGES DURING THE PERIOD OF REFORMS

From the institutional point of view, important challenges to social dialogue in Indonesia during the described reforms period also came from the following considerations:

1. *The majority of Indonesian enterprises are small or medium-sized enterprises (SMEs):* Most SMEs have less than ten employees, a fact which places constraints on the creation and development of unions. For instance, trade unions can only register in enterprises if they have a minimum membership of 10 workers.

Number of enterprises in Indonesia till March 2015¹¹

Year	Number of enterprises	Small	Middle	Large
2014	274,491	186,405	56,983	31,403
2015	221,161	150,460	48,030	22,665

Source: Directorate General of Ministry of Manpower

2. Prolonged Industrial conflict resolution

As certain labour conflict resolutions can take over four years, employers prefer to take legal action instead of negotiating, which is not conducive to the development of social dialogue. This might be due to the fact that it is better to look for quick solutions instead of facing prolonged uncertainty.

Number of strikes 2013-2015

NO	Year	Number of cases	Workers involved
1	2013	239	32,209 persons
2	2014	193	48,212 persons
3	2015	25	

Source: General Directorate of Manpower Ministry Office, October 2015.

A similar situation is demonstrated in the number of dismissal cases, which has declined over the last three years, despite more workers becoming victims. However, a greater tendency towards negotiation, rather than taking legal action, can be observed.

Number of cases of industrial conflict

NO	Cases	Number of cases		
		2013	2014	2015
1	Complaint case	2,861	2,628	241
2	Solved	2,468	2,270	174
3	unsettled cases	393	358	67

Source: General Directorate of Manpower Ministry Office, October 2015.

3. *High number of informal economy workers and independent workers* or workers without an employer (64%) which causes difficulties for unions to recruit and keep workers in the union, particularly as the majority of informal workers operate in the rural and agricultural sector.

4. *Low trade union and employer density:* according to the Ministry of Manpower and Transmigration, there are six national confederations for workers, 94 national-level unions and more than 45,000 regional and sectoral unions registered. The three

¹¹ Small enterprises are defined as those with fewer than 25 workers; middle-size, as those with between 50 to 99 workers; large, as those with over 100 workers.

4. SOCIAL DIALOGUE CHALLENGES DURING THE PERIOD OF REFORMS

biggest actors are the Confederation of Indonesia Prosperity Trade Union (KSBSI), the Confederation of All Indonesia Workers' Union (KSPSI) and the Confederation of Indonesian Workers' Union (KSPI). Despite this diversity, Indonesia's unions nevertheless manage to find common ground on certain issues.

5. Low Collective Bargaining Agreements (CBA) coverage. Despite minimum wages, and occupational safety and health standards being applied to all workers irrespective of whether they are members of a union, the number of CBAs is still very low. Employers, particularly SMEs, prefer to continue using company regulations instead of CBAs, as demonstrated by the data below.

Number of company regulations (CR) and collective bargaining agreements (CBA) till May 2015

NO	Year	CR	CBA
1	2013	51,895	12,113
2	2014	5,086	649
3	2015	2,950	352

Source: General Directorate of Manpower Ministry Office, October 2015.

6. Unclear verification in determining tripartite body seat allocation. Union membership verification must be ensured so as to avoid unclear arrangement of tripartite body representation, particularly in the national tripartite body. Given the fact that only a few provincial governments provided the data required by the Ministry of Manpower, data collection on union membership is sometimes lacking.

7. Lack of trust both in bipartite and tripartite labour relations. This is due to the fact that many employers still neglect labour laws and regulations, even with regards to compliance with minimum wages.

8. Need for capacity building of actors. The capacity of tripartite actors needs to be improved, especially in dealing with macro-economic issues and global economic trends.

9. Increased segmentation of the labour market. The increasing division of labour markets into segments with different characteristics and rules poses further challenges to social dialogue institutions. This segmentation implies increasing complexities in contractual arrangements (e.g. "regular" versus "non-standard" employment), their enforcement (in the case of informality) and category of workers concerned (e.g. migrant, domestic or temporary agency workers).

5. EXTENSION OF THE NUMBER OF TRIPARTITE BODIES IN OTHER INSTITUTIONS

There is a tripartite plus structure in place at both the national and regional levels, with representatives from academia and professionals such as lawyers and doctors participating in the tripartite forums.

Tripartite in the National Social Security System (DJSN)

This new body has the mandate to formulate general policies and synchronise the implementation of the National Social Security System. The board is composed by representatives of unions, government, employers and independents and is accountable directly to the President.

Social Security Providers

The new social security law transformed the four state-owned insurance companies into two non-profit public entities – BPJS *Kesehatan* (Health) and BPJS *Ketenagakerjaan* (Employment), working directly under the President's supervision. To support the implementation of the law on health insurance, a working group of relevant stakeholders was estab-

lished to develop a roadmap for the achievement of universal health care coverage in Indonesia.

Industrial Relations Court (IRC)

The Industrial Relations Court shall now have jurisdiction over industrial dispute settlement, which used to be settled by the Committees of Labour Dispute Settlement. This implies that an Industrial Relations Court will be established as part of the state court in every district. Its function will be to investigate and adjudicate labour disputes regarding civil law proceedings in relation to workers' rights, workers' interests, employment termination, and disputes between trade unions.

The IRC decisions on disputes over rights and over employment termination can be appealed directly to the Panel of Appellate Justices at the Supreme Court. However, the IRC decisions on disputes over interests and disputes among trade unions are final and cannot be appealed to the Supreme Court. These imply that the new IRC system will provide a much shorter legal process than the previous system.

However, the IRC may only investigate civil law violations in the field of industrial relations while criminal violation should be investigated and adjudicated by the General District Court.

6. INVOLVEMENT OF CIVIL SOCIETY

Civil society organizations normally cooperate with unions through awareness raising and information campaigns, advocacy and proposing draft laws and policies as well as through raising issues of the development agenda (such as the Millennium Development Goals and now the Sustainable Development Goals). This collaboration is primarily driven by human rights groups, environmental groups and academics.

Civil society organizations have been actively involved in the labour law reform process, with legal aid foundations in particular being brought in for their legal expertise, which supplements the knowledge on the employers' and unions' side. Women's groups, migrant workers' associations, and NGOs dealing with child labour issues were also included in the process.

CONCLUSIONS

Social dialogue plays a critical role in achieving the ILO's objective of advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity. Successful social dialogue structures and processes have the potential to address important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. The search for solutions leading to social justice through social dialogue has become even more urgent in light of the effects of the global financial crisis and the inequality which persists in the country. Fair terms of employment, decent working conditions and development for the benefit of all cannot be achieved without the active involvement of workers, employers and governments, and moreover include a broad-based effort by all of them.

A satisfactory process of social dialogue should be carried out in conditions of freedom and equality. It requires an environment of open communication and discussion, in which social actors can meet, build mutual trust, share information and consult one another. Social dialogue involves a transparent, non-authoritarian process with jointly devised rules of the game to facilitate reasoned actions of the parties. Moreover, a free and plural press, in a context of freedom of expression, is indispensable for strengthening and promoting a universal culture for social dialogue in all countries. Tripartite actors need to make social dialogue inclusive, covering those in non-standard employment, SMEs, the rural economy, migrant workers and other vulnerable and unorganised groups. This may require building the capacities of social partners at different levels to allow them to organise their diverse potential constituencies.

The ratification of ILO fundamental conventions created an enabling environment for trade unions and the conditions for them to participate in a dialogue, which in its turn led to better conditions and opportunities to implement the decent work agenda, as formulated in the Indonesia Decent Work Country Program (DWCP). Two DWCPs have been formulated through tripartite dialogue and assistance of the ILO office in Jakarta.

As shown throughout this study, social dialogue is relevant for social and economic development, reducing social unrest during economic crises, boosting sound industrial relations, minimizing strikes and contributing to stabilizing the Indonesian economy.

Despite the positive achievements described in this analysis, the current situation in Indonesia has now dramatically changed, characterised by a major drawback of the government in terms of fundamental labour rights protection and engagement in social dialogue. As the representative of the Indonesian workers at the 2016 International Labour Conference of the International Labour Organisation said, "the Government should be working with workers and unions to address these serious concerns, rather than resorting to the use of tear gas and the baton."¹²

This is particularly true with regard to the process of wage setting. The current government has introduced a new law to adjust minimum wages automatically without negotiation. In addition, violations of the right to freedom of association have been increasing. Trade unionists have suffered attacks and arbitrary arrest and detention, and the right to peaceful assembly and strike have been undermined.

¹² Provisional Record of the Report of the Committee on the Application of Standards of the 105th Session of the International Labour Conference (2016) p.55 at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_489124.pdf

This current climate of conflict is a stark illustration of how the respect of rights such as freedom of assembly, collective bargaining, and the right to organise are at the very roots of any process of dialogue amongst the socio-economic actors in a given country.

It is a vivid reminder that social dialogue should not be taken for granted. Like any form of dialogue, it

can be broken at any moment and the progress made through the years can shift undone due to a change in government or in the attitudes of the actors involved. The best way to guarantee the contribution of social dialogue to a country's development is by institutionalising it, however even then it is not exempt from obstacles.

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8. *Directorate general of industrial relation and social security. Indonesia labour ministry*

Ratification of international labour standards

Until the end of 2005, Indonesia has ratified seventeen (17) ILO Conventions including the eight (8) ILO Core Conventions and two (2) Priority Conventions:

Core Conventions

Convention No.87 concerning Freedom of Association and Protection of the Rights to Organise

Convention No.98 concerning Right to Organise and Collective Bargaining

Convention No.29 concerning Forced or Compulsory Labour

Convention No. 88 Institute for Employment Service

Convention No.105 concerning Abolition of Forced Labour

Convention No.100 concerning Remuneration for men and Women Workers for Work of Equal Value

Convention No. 144 on Tripartite Consultations to Promote the Implementation of International Labour Standards

Convention No.111 concerning Discrimination in Respect of Employment and Occupation

Convention No.100 concerning Remuneration for men and Women Workers for Work of Equal Value

Convention No.111 concerning Discrimination in Respect of Employment and Occupation

Convention No.138 concerning Minimum Age for Admission to Employment

Convention No.182 concerning Prohibition and Immediate Action for the Elimination of Worst Forms of Child Labour

Convention No: 185 Seafarers' Identity Documents

Priority Conventions

Convention No.81 concerning Labour Inspection

Convention No.144 concerning Tripartite Consultations to Promote the Implementation of International Labour Standards

Act No. 21 of 2,000 Concerning Trade Unions

The right to become a member of and or to establish a trade union is a fundamental right of any worker that is guaranteed under Article 28 of the Indonesian Constitution. This right is also a central theme of the ILO Constitution and various Conventions.

Act No. 21 of 2,000 concerning Trade Unions is key for the trade union movement in Indonesia because it contains the basic principles of Indonesian law and the ILO Constitutions as well as the principles of two fundamental ILO Conventions, namely No. 87 of 1948 and No. 98 of 1949.

Act No. 21 of 2,000 states that a trade union in a company can be established by a minimum of ten workers in the said company. It can be established based on the business sector, type of occupation or other categories. Freedom of association makes it possible to form more than one trade union in a company. Each union may have a hierarchical structure, starting from the company or enterprise level going up to district, provincial and national levels. A minimum of five such trade unions may establish a federation of trade unions, and a minimum of three federations may establish a confederation of trade unions.

A registered trade union is entitled to negotiate and make a collective labour agreement with the employer provided that its members represent more than 50% of workers. A trade union shall also represent its members in a bipartite body and in other institutions.



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Trade Union Development Cooperation Network

c/o International Trade Union Confederation
Boulevard du Roi Albert II, 5, Bte 1, 1210 Brussels, Belgium
dce@ituc-csi.org – www.ituc-csi.org/development-cooperation
Twitter: @TUDCN_RSCD – Facebook: /TUDCN.RSCD



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