



## United Nations Economic and Social Council

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### Informal Preparatory Meeting on the Theme of the 2006 High-Level Segment of ECOSOC

**"Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development"**

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United Nations Headquarters  
New York*

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#### **Issues Note for Roundtable 3 on: "Increasing employment opportunities and productivity of labor for low income groups in rural and urban areas"**

#### **Introduction**

Following on the broad framework set for Roundtable 1 discussion<sup>1</sup>, this issues paper zooms in on the daunting challenge of increasing the incomes and employment of low-income populations in rural and urban areas. In spite of notable successes in poverty reduction over the last 25 years in a few countries and regions, more than one billion people continue to live on less than a dollar day. Most are "working poor", wage employees, self-employed or small producers in the rural and urban informal economy who often have to combine a range of low-return, low productivity jobs in order to earn a living. Even in countries that have had sustained high growth rates (East Asia and India for example) over the period, 1975 to 2005, and have managed to reduce the incidence of poverty by as much as 50 percent, growth has not translated into significant and sustained improvements in the life of large segments of the population and inequalities and income disparities remain high.

Recent development patterns and the globalization processes have not fulfilled the promise of increased opportunities and prosperity, although these have led to more mobility and flexibility in the labour markets and changed the nature and levels of interaction between the informal and formal economy, between traditional and non-traditional sectors of activity, between the rural and urban areas, and between global, national and local levels.

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<sup>1</sup> "Growth and employment: Creating a national environment conducive to full employment and decent work"

The last three decades have also witnessed the development and application of new approaches, policies and programmes that have “worked” in specific contexts. If success stories remain patchy and local, the value of building on good practices, evaluating and adapting to local circumstances and building strategic alliances for scaling up is commonly shared. It is now widely accepted that a combination of policies are required to bring about a socially inclusive development path. These policies include: growth and investment strategies that generate higher quality employment opportunities for the poor; measures that improve the access of small producers and their control over vital assets including land, strategies that enhance governance of public policy and of markets, eliminate discrimination, promote equitable outcomes, empower and facilitate the organization of low-income workers and producers and promote targeted interventions for the poorest and most vulnerable.

## **II. Selected policy issues for panel discussion**

### ***Creating a virtuous cycle of improved productivity, and boosting rural employment and incomes through diversification and increased integration of agricultural and non-farm activities***

Seventy-five per cent of the poor work and live in rural areas, and in spite of high rates of rural-urban migration in many countries, it is estimated that over 60 percent will continue to do so in the coming decades. Low income rural groups are wage-earners, mostly casual and seasonal workers, small-holders engaging in traditional and cash crop cultivation, raising small livestock, undertaking a range of off-farm activities with low return, and often combining two or more of these activities.

Rural non-farm activity provides 25 to 40 percent of rural income and is growing faster than farm income. Its dynamism depends to a large extent on expanding internal demand. It is important to strengthen the links that act as multipliers between farm and non-farm activities. Success stories show that boosting incomes of the rural poor derive from a combination of agricultural productivity growth and the expansion of non-farm activities and incomes.

Furthermore, trade liberalization has changed the context for many small producers. It has had differentiated impacts on local livelihoods, on the one hand, reducing the cost of agricultural inputs and on the other, imports at cheaper prices compete with and undermine local production.

Drawing on the good practice examples, the following are some key policy questions:

- How to create a virtuous cycle of productivity and income growth combining agriculture and non-farm activities?
- How to strengthen the organization and representation of small holders and rural workers through farmers’ associations, workers’ organizations and cooperatives?
- How to improve access of small producers including through employment intensive methods to infrastructure and to markets, local and external?

- How to improve safety and health measures for agricultural workers using agricultural machinery and agro-chemicals to ensure sustainable employment and livelihoods?

**Policies to promote decent work and upgrade employment and incomes in the urban informal economy**

According to the latest estimates, employment in the informal economy represents some 65 percent of all non-agriculture employment in Asia and some 47 percent in Latin America. In Africa, the percentage is much higher at about 70 percent. While traditional informal sector activities prevail, it is believed that globalization has changed the pattern of labour, increased the incidence of informality and made the formal and informal economies more interdependent. With the stagnation of modern sector employment, the bulk of new employment created is informal. Women workers and producers represent a significant proportion, as do internal and foreign migrants. An important policy concern is the extreme diversity of low income workers and producers composing the informal economy. This can range from street vending to self-employment, including family labourers, to micro and small enterprises that sell their products as part of a value-chain connected with external markets. Levels of productivity and value-added vary substantially through the spectrum of informal activities. While the incomes remain low and there are glaring decent work deficits, the potential for entrepreneurship and innovation is only partially tapped. The policy approaches need to be comprehensive, addressing first and foremost issues of governance, legal recognition and rights as well unleashing the economic potential, and should take into account specific needs and characteristics of the various groups and of local circumstances.<sup>2</sup>

Key policy issues include:

- What is the appropriate regulatory framework to guarantee fundamental rights, upgrade the incomes and improve conditions of work of informal economy workers and facilitate the transition to formality?
- How to improve the governance impacting upon small and informal operators and provide effective responses to real concerns of lack of recognition, harassment, denial of property rights and absence of rule of law and transparency in the broader sense?
- How can labour law and other types of law create a favourable environment to facilitate transition between formal and informal employment? How could core labour rights be better enforced in order to guarantee freedom of association and deal with the worst of labour abuse such as forced labour and trafficking and the worst forms of child labour? How could capacities of labour inspection be strengthened to include the informal economy?
- What are possible organizational strategies for urban low income producers and their relationships with the formal institutions, including the workers' and employers'?

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<sup>2</sup> See the *Resolution concerning decent work and the informal economy* adopted by the International Labour Conference in 2002.

organizations? What are the most effective mechanisms for representation and voice in influencing the policy agendas?

- How to facilitate access to critical services such as infrastructure and public goods, finance, markets, business services, skills formation, legal advice and courts?
- How to mainstream gender equality in the policies aiming at upgrading the informal economy, in view of the significant numbers of women producers and of the multiple discrimination that they face?
- How to scale-up good practices in extending health insurance and social security?

### **Integration of low income producers in the value-chains of the global production systems**

Increasingly, in both rural and urban areas, small producers are contributing to the value-chain production of agriculture and industrial products through outsourcing, subcontracting arrangements or wage employment in the subsidiaries or intermediary firms linked with MNEs. This concerns the food and agro-processing and forestry sectors in the rural areas as well as high-tech industries and labour intensive manufacturing products such as textile and garments and leather products.

An emerging area for policy attention is:

- How to better identify the sectors participating in the value-chains; upgrade the technology, skills and conditions of work with a view to strengthening the position of workers and small producers in the value-chain production?

### **Decentralization and local development strategies**

In the last decades there has been increasing emphasis laid on decentralization and local development through the devolution of resources and decision making to local government and local development institutions. Limited capacity and resources and lack of effective frameworks for democratic participation have prevented these strategies from stimulating dynamic growth at the local level and empowering local communities. Good practices however, point to the need for an integrated policy framework that improves the local economic base, the access to basic social services and infrastructure, including shelter, and contributes to sustainable development.

Re-examining the conditions of success of local development, the key policy issue is:

- How to unleash the full potential of local development initiatives by empowering local communities in rural and urban areas; strengthening the capacities of local government; promoting policy coherence between national and local level development strategies and linking local producers with global markets ?

**Better integrating the interests of low income producers and workers in the rural and urban areas in national development frameworks including poverty reduction strategies**

Recent national poverty reduction strategies treat employment and incomes of small producers as desirable but often indirect outcomes of internal budget allocation processes and external development aid support. The second generation of poverty reduction strategies are more sensitive to employment and equity objectives. This change of mindset needs to be strengthened and deepened. There is scope and need to bring decent work goals to the core of poverty reduction priority setting and to link strategies for raising productivity and incomes of rural and urban poor with medium term expenditure frameworks and national investment plans.

In the preparation of the next round of national development frameworks <sup>3</sup> including poverty reduction strategies and public investment plans, the key issues to consider are:

- How to build stronger commitment and partnership, national and international, for effective results in achieving decent work goals? How to strengthen coherent UN system support to national strategies?
- How to promote closer coordination, coherence and synergy at the inter-ministerial level?
- How to enhance the capacity of national stakeholders representing the low income groups to influence the policy agenda and priorities for allocation of budget and development aid? How to enable full participation in the policy process of the most vulnerable and marginalised groups, including women, indigenous and tribal people, youth and disabled, etc.?
- How to further harmonize internal investment with external aid and improve the coherence of different frameworks?
- How to introduce the systematic use of employment impact assessment in the monitoring mechanisms?

**Based on their experience, panellists will provide a broad and varied perspective on the above key policy issues and address the critical question of how to reverse policy priorities and mainstream the goal of productive employment and decent work for rural and urban low income groups .**

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<sup>3</sup> As called for in the Millennium Summit Outcome Document, September 2005.