

The Demand Side of Social Protection: Lessons from Cambodia's Labor Rights Experience

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Summary. — In fragile states, recent efforts to advance the social protection agenda have focused primarily on loosening supply-side constraints. But the resulting kaleidoscope of donor-driven projects has often overlooked the need to create a sense of ownership by beneficiaries. In part this is because it is unclear what political and social structures effectively facilitate activism in situations where state-society relations are contentious. We use Cambodia's unusual success creating and sustaining a labor rights regime to illustrate the dynamics behind one type of social regime change that has opened up governance over worker protections in a sustainable and potentially replicable way.

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1. INTRODUCTION

In less than a decade, Cambodia's garment sector has been transformed from a cluster of sweatshops where human rights violations were pervasive, into hundreds of monitored factories that are more likely to comply with the labor law than they are to engage in forced overtime. In 2012, the ILO-affiliated monitoring mechanism found that more than 90% of surveyed factories neither interfered with freedom of association nor engaged in anti-union activity.¹ This rapid evolution has not only spurred sustained growth in foreign investment, but also a reframing of the international perception of Cambodia from a dangerous hinterland to a viable production site for ethically branded apparel.

The underlying impetus for the change was a donor intervention that linked working conditions in the garment sector to market access under a global quota system that expired in 2005.² The fact that worker protections have not reverted back to their earlier state even after the subsequent global financial crisis suggests that the institutions and social dynamics that resulted from the program have produced a sustainable framework for worker rights.³ Continued support for social policies of this nature is unusual among fragile states and low income countries.

This paper contributes to research on the political economy underlying social interventions in fragile states. Guidelines for donor interventions in fragile states exist, and we observe many of them being followed in the case of Cambodia.⁴ But successful interventions often require fundamental changes in social and political dynamics in order to survive beyond the pilot stage. Our objective is to clarify the ways in which these processes enabled worker rights to take root under less than ideal conditions.

To achieve this objective, this paper advances the hypothesis that the durability of worker rights in Cambodia was a function of the inclusion of politically neutral spaces for beneficiaries to participate in labor governance. We evaluate this by examining how the original intervention affected the political opportunity structure facing workers. Recent developments in rural activism also allow us to construct a partial counterfactual where domestic demand for protection is articulated and internationally supported, but political space for activists does not exist.

Though this case treats only worker rights policies, it has implications for the more general question of how to sustain social redistribution in fragile states.⁵ Both labor market programs and traditional social protection share the goal of helping the poor “move beyond survival into productivity” (ILO, 2005). Though the processes differ in fundamental ways,⁶ movement toward the objective in either case requires similar adjustments to the way that vulnerable populations are engaged in the process. Understanding how this works is particularly important given recent changes in donor spending.

Over the past decade, donor support for social protection and labor market programs has skyrocketed. World Bank lending for social protection tripled from 1998 to 2011 (Andrews, Das, Elder, Ovadiya, & Zampaglione, 2012).⁷ The Asian Development Bank's lending for social protection has increased from 1.2% of the total loan portfolio in 1996 to 6% in 2008 (ADB, 2011a). This trend is largely the result of a rethinking of lending for poverty reduction as donors recognize that the poorest are not being properly targeted. The resulting integration of social protection and labor market policies into development lending has become so widespread that it has been dubbed a “quiet revolution” (Barrientos & Hulme, 2009).

But even as donor support for social protection and labor market interventions has expanded, the long run sustainability of donor-assisted projects remains uncertain. Donors' own evaluation reports frequently question whether gains will continue into the medium term (e.g., Hickey, Sabates-Wheeler, Guenther, & Macauslan, 2008) and if short term projects are adequately anchored into longer term goals (e.g., World Bank, 2011). Others have expressed doubts about the adaptability of existing programs in the face of demographic transitions (ADB, 2011a).

Uncertainty arises in large part because the political economy underlying government choices about redistribution—particularly where democracy does not function well—is poorly understood. In a democracy, the decision to redistribute is largely a function of variables that affect the translation of domestic demand (Grossman & Helpman, 2001). But in

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countries where democracy is not strong, nearly all donors acknowledge a struggle to incorporate the political context into program design. The literature is only beginning to explore how to support social policies in these cases (see e.g., Mares & Carnes, 2009; Niño-Zarazúa, Barrientos, Hickey, & Hulme, 2012).

This lack of insight compounds the already difficult process of service delivery and capacity building in fragile states.⁸ Fragile states are inherently risky environments which face “mutually reinforcing deficits” that both increase the need for social protection and decrease the ability of the state to provide it (Andrews *et al.*, 2012). It is in these states where extreme poverty has remained steady, even as it falls in the rest of the world (IDA, 2007; Kharas & Rogerson, 2012). This is in part because, as ADB (2010) points out, existing approaches to poverty reduction do not work well in situations of low capacity and fluid political conditions.

Our investigation of Cambodia's labor rights regime offers some insight into the political and social dimensions underlying a successful worker rights intervention. Section 2 begins by describing what we know about why a government might support policies that involve social redistribution. Section 3 then uses this context to interpret the worker rights transformation. Section 4 details the structural changes that occurred during the transformation. Section 5 then assesses the channels for social spillovers between sectors and groups of actors, and Section 6 concludes.

2. CHANGING CONCEPTIONS OF SOCIAL PROTECTION

Most states have some form of redistributive social protection in place. The ILO estimates that coverage is nearly 100% in many industrial countries, but often less than 10% of the eligible population in the Least Developed Countries (LDCs). Recent years have seen renewed interest in social welfare policies, even in challenging situations like fragile states and regions without a consistent history of state-sponsored social policies, such as Asia (Kapstein & Milanovic, 2002). This offers us an unprecedented opportunity to contribute to the state of knowledge about how successful projects might expand into enduring domestic changes.

The way that social protections such as labor market interventions are theorized, conceptualized, and implemented has changed dramatically since the late 1990s. In its initial conception, social protection was seen as a set of redistributive policies offered by rich countries as a part of the social contract that enabled them to extend economic and political ties (Polanyi, 1944; Ruggie, 1982).

The literature that emerged seeks to understand the characteristics of the electorate that result in the state providing more or less protection. It originally focused on the extent to which inequality impacted redistribution (Meltzer & Richard, 1981; Romer, 1975). And it has since expanded to explore other variables such as cultural perceptions of fairness (Alesina & Angeletos, 2005); the relationship middle-income voters have with poor voters (Corneo & Gruner, 2002; Lupu & Pontusson, 2011); and the importance of religious or ethnic fractionalization (Alesina & Glaeser, 2004).

A subset of these studies removes the social contract assumption to explore why redistribution might occur where democracy is not the primary channel transmitting majority preferences to government. Research suggests that a government might be prompted to redistribute by the threat of revolution (Acemoglu & Robinson, 2001), the diversity of the

group of “essential supporters” (Bueno de Mesquita & Smith, 2011), or the degree of political competition within an autocratic regime (Mares & Carnes, 2009). In short, non-democratic governments use social redistribution to relieve political pressure.

What both angles of analysis have in common is that domestic demand for redistribution is a key determinant of the government's decision to supply it. This observation drives the main hypothesis of this paper that the incorporation of protected spaces for participatory governance was critical to the sustainability of the regime of worker rights in Cambodia.

More recently, the literature has reflected development practice by reconceptualising social protection and labor market policies as a component of poverty reduction.⁹ The social contract model depended on social protection following from growth. But in the aftermath of the transitions in Eastern Europe and the Asian Financial Crisis, it became clear that growth had not lifted all boats (Barrientos & Hulme, 2009; Conway, de Haan, & Norton, 2000). This is particularly true in the most difficult cases, as Table 1 illustrates. Even in the most advanced regions, social protection coverage of the poorest 20% of the population is only slightly more than half.

As a result, the post-1990 literature takes a more operational orientation. This has yielded important design innovations and redirected attention at the types of risks most likely to affect the poorest (Holzmann & Jorgensen, 2000). It also introduces a more comprehensive set of actors into the delivery process by defining a successful system of social protection as one which employs a range of instruments, harmonizes the programs of various donors, and engages non-state actors in the process (Harvey, Holmes, Slater & Martin, 2007). Importantly, this more organic approach to program design acknowledges the fact that interventions rooted in domestic demand or using existing domestic institutions are more likely to endure (Devereaux & White, 2010; Sabates-Wheeler & Macauslan, 2007; Gaventa & Barrett, 2012).

Yet, efforts to engage more domestic actors highlight the tumultuous nature of the state-society relationship in fragile states. In fragile states, there is often a divergence between formal rules and actual practice. As a result, political elites may see little benefit from engaging with citizens (Haider, 2010). Where there has been violence, state-society interactions may be further hindered by damaged social networks, uncertainty about which state actor is in control and a lack of qualified personnel to engage in negotiations (Earle, 2011). In these cases, the channels through which citizens' preferences are translated into government action may not exist or function

Table 1. *Social protection coverage of poorest in selected low and lower middle income countries (by region)**

	% of population under poverty line	Social protection coverage of poorest 20%
Asia	29.9	31.2
Cambodia	30.1	1.7
Latin America	40.7	52.5
Africa	34.5	50.5

Source: Social protection coverage from World Bank ASPIRE database. Poverty headcount from World Bank country Profiles. Data years vary 2005–2009.

*Asia includes: Indonesia, Cambodia, Laos, Vietnam, Philippines, Malaysia, Thailand, India, Sri Lanka, Bangladesh, Pakistan, and Timor Leste. Latin America includes: Argentina, Brazil, Costa Rica, Ecuador, Dominican Republic, Nicaragua, Paraguay, Uruguay, Peru, Venezuela, El Salvador, Guatemala, Bolivia, and Chile. Africa includes: Ghana, Kenya, Mauritius, Malawi, Rwanda, and Egypt.

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