

# ***TRADE AND LABOUR:***

## ***Making effective use of trade sustainability impact assessments and monitoring mechanisms***

*Final Report to*

*DG Employment, Social Affairs and Inclusion  
European Commission*



**Contract no. VC/2010/0029**

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Ergon Associates Limited  
8 Coldbath Square  
London EC1R 5HL  
United Kingdom  
Tel: +44 20 7713 0386  
[www.ergonassociates.net](http://www.ergonassociates.net)



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**Authors:** Kirsten Newitt & Steve Gibbons, Ergon Associates

**Co-authors of Part II:** Kirsten Sehnbruch & Oscar Landerretche (University of Chile), Magdalena Echeverría (independent consultant)

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## EXECUTIVE SUMMARY

### Introduction

This report constitutes the final report for Contract no. VC/2010/029 on ‘Sustainability Issues – Green Jobs and Labour’ (Lot II): “Trade and Labour – Making effective use of trade sustainability impact assessments and monitoring mechanisms”.

The main purpose of this study is to explore **how workers’ and employers’ organisations might be better involved in the assessment (ex-ante) and monitoring (ex-post) of the links between employment and international trade**, both in Europe and in selected third countries /commercial partners. This executive summary reflects the structure of the main report and is set out in two main parts: the first on Trade Sustainability Impact Assessments, the second on ex-post monitoring.

## PART I: TRADE SUSTAINABILITY IMPACT ASSESSMENTS

### Overview

A Trade Sustainability Impact Assessment (SIA) is an **independent study undertaken during trade negotiations that seeks to identify the likely economic, social and environmental impact of a free trade agreement** between the EU and a third country or region. Trade SIAs are a key plank in the Commission’s approach to integrating employment and decent work into its trade policy, alongside GSP+ and the inclusion of Sustainable Development chapters in new trade agreements.

### Our methodology

Our analysis principally relates to the 13 bilateral and bi-regional SIA studies that had been launched by the Commission as at 31 March 2009. Our work involved desk research, interviews with Commission officials, EU social partner representatives and SIA contractors and country visits to Ukraine, South Korea and Central America.

### The SIA methodology

The SIA methodology has two main components:

1. **Assessment of the economic, environmental and social impacts** of the proposed trade agreement, based on economic modelling and causal chain analysis; and
2. **Stakeholder consultation**, undertaken in both the EU and the proposed trading partner.

The Commission holds these two components to be ‘**mutually dependent elements of equal importance**’ in the SIA process.

Nevertheless, we found that economic modelling is at the heart of the SIA process, as it provides the basis for assessing quantitative impacts in relation to the economic, social and environmental dimensions. Different models, including Computable General Equilibrium (CGE) modelling, are used to assess the likely consequences of policy changes on variables such as prices, income or welfare via resource allocation. However, there are **known limitations associated with economic modelling** and our research underlined the importance of making additional use of qualitative research techniques, such as stakeholder interviews and use of secondary sources, to assess decent work impacts.

Over time, stakeholder consultation has assumed an increasingly important role in the SIA methodology, both with respect to stakeholders in the EU and in the proposed trading partner.

**Collective workshops and group meetings are the main vehicle for stakeholder consultation:** at a minimum, consultation usually comprises one workshop in the proposed trading partner and two to three meetings in the EU.

Our review of the final SIA reports suggested that there is no consistent framework for combining quantitative and qualitative methodologies, which risks compromising the quality and consistency of analysis across SIAs. Moreover, the current version of the SIA Handbook – which sets out the basic methodology – provides little guidance on how to assess decent work and employment impacts either quantitatively or qualitatively. We consider that it would be helpful to update the SIA Handbook to improve guidance for contractors on social impact assessment and consulting with the social partners, particularly sectoral organisations, as well as providing examples of best practice.

## Review of past SIA reports and practices

Overall, we found that **the treatment of decent work issues in SIA reports and the conduct of stakeholder engagement have both improved over time.** Nevertheless, our desk review of the final SIA reports suggested that there is still considerable variation in the extent and quality of discussion on decent work and employment impacts and our review suggested that there is **still room for improvement in order to fully capture the likely impacts.** The depth of understanding of the Decent Work Agenda demonstrated by SIA reports varies considerably, particularly with respect to sensitive issues such as freedom of association.

**Most contractor teams do not appear to include a member with specific expertise and experience on either decent work or stakeholder consultation.** Instead, these matters tend to be handled by generalists or shared across the SIA team. Needless to say, this generalist approach to decent work issues and stakeholder consultation contrasts with the deep expertise of SIA teams on economic modelling and analysis. The value of greater expertise on decent work issues and stakeholder consultation is particularly important given that social impact assessment requires a combination of economic modelling with more qualitative techniques.

## Stakeholder consultation and engagement with the social partners

Our research suggests that the **quality of engagement with social partners** in the SIA process could be improved. Trade unions have only intermittently attended SIA consultation events, both inside and outside the EU. Business representatives attend more stakeholder meetings, but this tends not to be in their capacity as employer representatives; rather, they are more likely to send representatives specialised in trade and commercial issues. Overall, contractors noted that they had limited resources to pursue stakeholders to attend collective workshops, but in some cases, contractors deepened the consultation with social partners by using **additional one-on-one interviews or participating in additional joint social partner meetings.**

There are a number of **challenges associated with stakeholder consultation outside the EU,** which vary according to the geographic context. Most contractors and many stakeholders expressed a concern that one extra-EU workshop is not sufficient for consultation purposes, leading to stakeholder dissatisfaction about lack of follow-up. It was also suggested that workshops would be usefully accompanied by capacity-building exercises or other support to improve stakeholder contributions and participation. Contractors noted that discussions were likely to be more productive where civil society is better informed about trade issues.

**Many contractors and stakeholders believed that Brussels consultation meetings had become stale,** partly as a result of dwindling stakeholder interest. It was suggested that meetings of relevant Sectoral Social Dialogue Committees (SDCs) could help to facilitate more focused dialogue on social

impacts in Europe. Contractors noted that the presence of DG Trade officials involved in the negotiations was very important to attract stakeholders and stimulate discussion.

A **more active, targeted approach to certain stakeholders** could help to address some of the issues associated with collective workshops. Specialised interviews are not only important for bridging consultation gaps but also for allowing a deeper, more specialised discussion of employment and decent work issues with the social partners. There can be particular value in holding a series of specialised interviews or small meetings outside the EU, where – depending on the country or region – social dialogue is limited or strained and there is little trust between stakeholders.

### Findings from interviews with EU social partners

Social partner representatives emphasised the importance of dialogue on SIAs, but acknowledged that their **attendance at SIA meetings in Brussels had been irregular**. The main reasons cited were:

- Lack of resources;
- The SIA process is perceived as having a limited influence on negotiating outcomes;
- It is not clear how their views are taken into account by contractors; and
- The meetings do not provide an appropriate forum for consultation with the social partners.

**Principal concerns** raised about the final SIA reports were that:

- SIA reports are too long and complex;
- There are gaps in the SIA methodology and serious limitations associated with CGE modelling;
- There is too much focus on the economic dimension of the SIA; and
- The design of flanking measures needs to be more focused.

Most social partner representatives were positive about the possibility of an **enhanced role for SDCs** in the SIA consultation process and drew our attention to examples of past collaboration by the social partners on relevant issues. However, social partners also flagged some obstacles to SDC involvement, including their limited resources, the need for SDCs to retain autonomy to set their own agenda and the fact that not all export-focused sectors have a dedicated SDC (e.g. the automotive sector).

**Few social partners had been approached directly** by contractors for specific inputs, despite the fact that social partners considered that they could provide useful information, such as detailed sectoral labour market information or stakeholder contacts in other countries. In response to perceived factual inaccuracies in one SIA, a business organisation chose to commission its own study on the impact of the proposed FTA on the agricultural sector.

The social partner representatives made a number of recommendations, including proposals to: improve contractor understanding of employment and decent work issues; ensure that contractors directly approach the social partners for information; and build the capacity of social partners to provide stronger contributions to the SIA.

## PART II: EX-POST MONITORING

### Overview

The second half of this project involved carrying out a retrospective monitoring exercise in Chile that sought to:



- **Build a picture of the effect of the EU-Chile Association Agreement (“AA”)** on employment and decent work in Chile, based on quantitative and qualitative methodologies;
- **Stimulate dialogue amongst stakeholders in Chile** on the effects of trade liberalisation on employment and decent work; and
- **Develop tools and recommendations** for future monitoring exercises.

Chile was selected for a pilot monitoring exercise on the grounds that the EU-Chile Association Agreement (AA) has been in operation since 2003 and is considered to have had notable effects on trade in goods and services with Europe. The EU-Chile AA does not contain any commitment to carry out monitoring, so this study was carried out on an ad hoc, exploratory basis.

## Our methodology

### Overview

There are important **methodological challenges associated with attributing decent work and employment impacts to the operation of a single trade agreement**. Labour market developments may result from the individual or combined effect of any number of factors, such as domestic policies or the impact of other trade agreements. With respect to the latter, Chile has concluded a large number of bilateral trade agreements, making it particularly difficult to isolate the effects of the EU-Chile AA from those of other trade agreements. These issues were taken into account when designing both the quantitative and qualitative aspects of the methodology, but nevertheless place some important constraints on our ability to reach unqualified conclusions.

### Quantitative methodology

Our quantitative methodology was based on the use of **publicly available data**, on the grounds that this provided a more cost-effective and transparent model and was more likely to be sustainable in Chile in the future (and potentially replicable in other geographic contexts). We used customs data to analyse trade flows and data from the national household survey (CASEN) for labour market information. For the employment data, we narrowed the period for analysis to 2000 to 2006 in order to avoid the distorting effects of the global financial crisis from 2008.

We used a **“difference in difference” approach** to analyse trade flows, comparing changes over time in Chile’s trade relations with the EU, compared with Chile’s relations with the rest of the world. Our two main indicators related to changes in trade volumes (“Euro Bias”) and changes in product and market diversification (“Euro Diversification”).

With respect to employment data, we used eight indicators for the quantitative analysis, which were chosen primarily on the basis of practical considerations (i.e. the available statistical data):

1. **Quantity of employment** (number of jobs);
2. **Income levels**;
3. **Type of contract** (proportion of workers with an indefinite contract);
4. **Average duration of contract**;
5. **Training levels**;
6. **Accident reporting rate**;
7. **Proportion of women workers**; and
8. **Proportion of indigenous peoples**.





## Qualitative methodology and stakeholder engagement

While our quantitative analysis considered trade and employment trends across 10 export sectors, it was necessary to narrow the sectoral focus for our stakeholder engagement. A preliminary review of trade and employment data, accompanied by consultation with the EU Delegation in Santiago, suggested that the four sectors that appeared to have experienced the most significant impacts following the introduction of the EU-Chile AA were:

- **Salmon**
- **Wine**
- **Forestry**
- **Fruit**

Our qualitative methodology centred on interviews and workshops with stakeholders in these sectors and at the national level, with a particular focus on the social partners and government agencies. In particular, we conducted:

- A series of **semi-structured interviews** in Santiago, Concepción, Puerto Montt and Castro from December 2010 to April 2011; and
- Two **collective workshops** at the ILO's Santiago offices in January 2011 and April 2011.

We also sought to gain access to labour inspection and other data from the Chilean labour inspectorate, although we experienced some delays in this process which meant that we were unable to use this data in the final analysis.

## Findings

### Quantitative findings

We analysed the performance of Chile's ten major export sectors on the selected trade and employment indicators. With respect to trade, we found that some sectors' trading patterns with the EU had changed noticeably more than others in the three years after the EU-Chile AA came into effect. In particular, we found:

- A significant increase in the importance of EU trade for the wine and fisheries sectors;
- A notable increase for fruit and chemicals and plastics; and
- No measurable effect in relation to forestry (although this sector did improve its performance on market and product diversification in the EU over the period).

With respect to employment data, we compared trends across export sectors to determine which sectors were improving at a higher than average rate on each of the indicators. Overall, the strongest correlation between increased trade with Europe and performance on our individual employment indicators related to an improvement in training levels. Apart from this, there did not appear to be a strong correlation *within* individual indicators or sectors on increased trade with the EU.

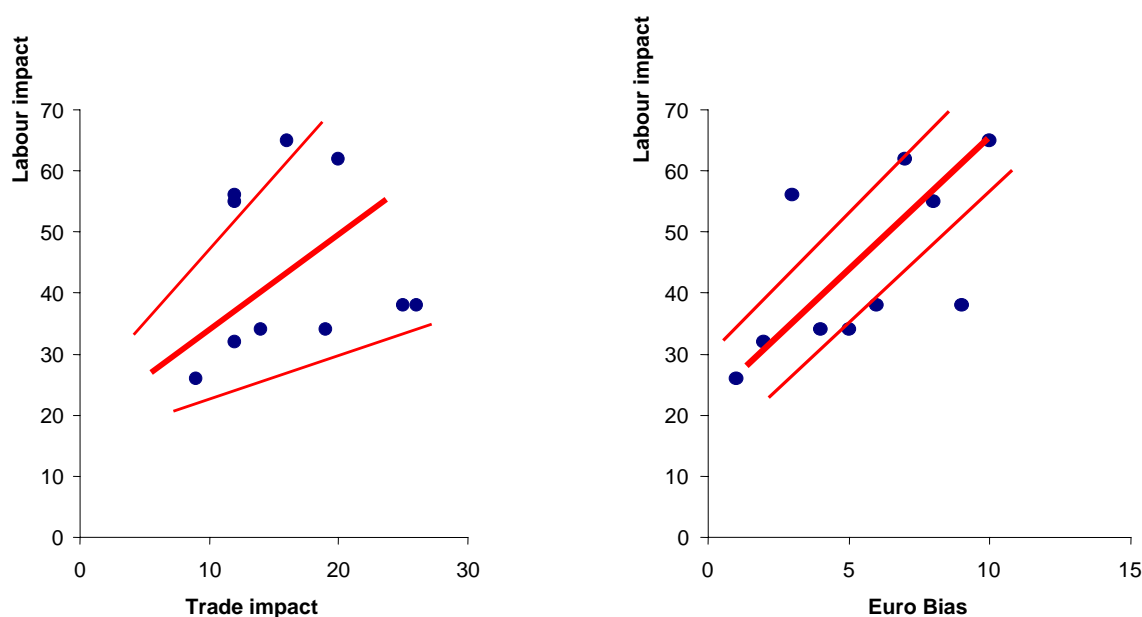
However, looking at the employment indicators as a whole, we did find some **tentative evidence to suggest that there is a positive link between increased trade with the EU and improved overall sectoral performance on employment indicators**. In order to gain a holistic overview, each sector was assigned a score out of ten for each indicator, reflecting its ranking relative to the other sectors: the sector with the most positive performance on an indicator (e.g. the highest rate of job creation) was given 10 points, the next strongest 9 points and so on. These scores were then added up to give an overall figure for each sector on trade and labour (see 'Summary of results and ranking' table below).

## Summary of results and rankings

	Trade impact			Euro effect Trade	Employment impact								Euro effect Labour
	Bias	Product	Market		Quantity	Indefinite contract	Training	Duration	Wages	Women	Indigenous	Accidents	
Wood, paper, cellulose & furniture	6	10	10	26	5	6	5	3	8	6	2	3	38
Chemicals & plastics	9	9	7	25	4	5	8	10	3	1	6	1	38
Other fruits & derived foods	7	4	9	20	7	9	7	9	6	9	9	7	63
Fishing, pisciculture & derived foods	10	1	5	16	8	10	9	6	9	5	10	8	65
Wine & grapes	8	2	2	12	1	7	10	7	10	10	1	9	55
Other agriculture & derived foods	3	3	6	12	6	8	6	8	5	8	8	6	55
Copper & its manufacture	2	6	4	12	10	3	2	2	2	4	5	5	33
Molybdenum	1	5	3	9	9	2	1	1	1	3	4	4	25
Other minerals & metals manufacturing	4	7	8	19	3	4	4	5	7	2	7	2	34
Industrial equipment & manufacturing	5	8	1	14	2	1	3	4	4	7	3	10	34

We then used these scores to create two scatter plots to show the relationship between the two variables (see below): the first plots total trade scores against total labour scores, while the second plots the Euro Bias (i.e. change in trade volumes) against the labour scores.

## Trade and labour impacts



Together, these scatter plots suggest that there is some **positive correlation between increased trade with Europe and positive impacts on employment** (bearing in mind our previous comments on the limitations of the data). This relationship is stronger in the second graph, which uses Euro Bias as the trade variable and does not take diversification into account as an indicator of increased trade. Naturally, the strength of the trend is difficult to demonstrate conclusively given the small number of points and the variation in performance on indicators between sectors, but there is nevertheless a **clear suggestion that the impact of European trade is more likely to be positive than negative**.



## Results of stakeholder engagement

### *Wine and grapes*

The EU is the main export destination for Chilean wine. For the most part, stakeholders agreed with the findings of our quantitative analysis, which suggested that there had been **stronger than average improvements on training levels and wage levels**, close to average performance on the proportion of indefinite contracts and the average duration of contracts and a decline in the number of jobs.

Stakeholders noted that there are a number of domestic factors shaping improvements in working conditions; for example, labour shortages during the harvest season are driving up wages. However, the wine exporters' association suggested that increased trade with European companies is having some influence on industry practices regarding labour standards and working conditions. Over a number of years, the industry has become increasingly proactive about how it deals with these issues and one important motivating factor has been the pressure exerted by European companies for evidence of compliance with certain labour and environmental standards in the supply chain.

### *Fruit*

The EU is also a major export destination for Chilean fruits. Our data analysis suggested that there had been **improvements for workers in a number of areas in the fruit sector, with respect to the quantity and quality of employment** (proportion of indefinite contracts, average duration of contracts and training levels).

Once again, it is difficult to attribute these changes directly to increased trade with Europe. Instead, as with the wine sector, stakeholders suggested that rural labour shortages are leading businesses to offer more attractive working conditions in order to secure the necessary labour supply. These improvements do not, however, extend to wages: high levels of temporary employment and low levels of unionisation still make it difficult for workers to bargain for better wages. Nevertheless, stakeholder interviews suggested that the export industry's ongoing efforts to ensure compliance with international social standards such as GlobalGap may be helping to create an environment in which further progress can be made on working conditions.

### *Salmon*

There were **positive developments in the quality and quantity of work** in the salmon industry over the period 2002-2006, but it is difficult to attribute these developments to increased trade with the EU, given that the EU accounts for such a small proportion of Chile's exports. Rather, many of these improvements may be attributed to labour shortages in an industry that was prospering over the period under analysis. Improvements over the period 2000-2006 have now been overtaken to a large extent by the repercussions of the ISA virus crisis, which detrimentally affected both the quality and quantity of work, although stakeholders suggested that the industry may now be in recovery mode.

### *Forestry*

Of the four selected sectors, the forestry sector was the industry with the **lowest performance on the employment indicators**. Interviews with stakeholders suggested that one of the main reasons for this is the widespread practice of subcontracting, which trade union representatives frequently raised as a factor that undermines decent work opportunities in the sector. Subcontracting not only has implications for individual employees with respect to the type and duration of their contracts, but also means that collective negotiations are more difficult, as unions cannot bargain directly with

the actors who control the industry (i.e. large conglomerates), as they are no longer the direct employers.

### Synthesis of findings

Considered together, the findings of our quantitative and qualitative research provide **tentative evidence of a link between improved performance on employment indicators (quantity and quality) and increased trade with Europe**. We note once more that it is very difficult to draw definite conclusions about the impact of the EU-Chile AA as a result of data and methodological limitations, including the inevitable issue of attribution.

Our quantitative findings suggested that, on the whole, **sectors that had experienced increased trade with Europe over the period 2000-2006 were more likely to show improvements on the selected employment indicators** than sectors whose trade with Europe remained steady or decreased following the introduction of the EU-Chile AA. Not unexpectedly, our interviews with stakeholders in the wine, fruit, salmon and forestry sectors gave us a more nuanced understanding of the results and a strong indication that **there was no definitive evidence from stakeholders to link improvements on employment indicators and increased trade with Europe**. In particular, one of the key factors driving improvements in some sectors (wine, salmon and fruits) was **labour shortages in rural areas**. Also, stakeholders in the salmon sector noted that the influence of trade with Europe was limited by the fact that it represents a very small proportion of their overall exports.

One clear positive finding from both the quantitative and qualitative analyses was that there are **increased levels of employer investment in training** across the selected sectors. Our quantitative analysis showed that in two of the four sectors (wines and fisheries) there had been an improvement in training levels that was significantly higher than the average and an improvement in two others (fruits and forestry) that was slightly above average. This development is not attributable to the EU-Chile AA alone, but given the opening of Chile's economy over the past ten years, it is possible to surmise that increased interaction with global markets (including the EU) and the consequent need to maintain competitiveness by maintaining and enhancing the industry skills base is one of the factors driving this development.

In addition, there was some **tentative evidence to suggest that ethical trade and certification schemes were encouraging export industries to be more proactive on social and environmental standards in their supply chain**. In particular, business representatives in the fruit and wine sectors stated that European buyers were placing increasing pressure on Chilean exporters to demonstrate compliance with certain social and environmental standards in their supply chains. These ethical trade initiatives are not directly linked to the EU-Chile AA or associated technical assistance; however, they may be indirectly linked to the extent that the AA may have facilitated greater trade between Chilean and EU companies. Further research would help to ascertain the extent of the influence of EU social and environmental standards on working conditions in Chile's fruit and wine industries.

We consider that the findings of this study are sufficiently noteworthy to justify further monitoring in Chile – both analysis and dialogue – of the type carried out in this study. Following the second workshop, a number of stakeholders expressed their interest in participating in further dialogue on trade and employment. We consider that any further work of this kind in Chile could build on the lessons learned in this project, in terms of methodology and process, to build an even stronger platform for monitoring. In particular, further research could explore the influence of European companies' on social and environmental standards in Chile.

## Lessons learned

Some of the key practical lessons that emerged from our practical experience of carrying out ex-post monitoring in Chile included:

- As the EU's local representative, the EU Delegation in Santiago is a key partner and a major target audience for the study. Some involvement by the local Delegation will help to provide a greater sense of legitimacy to the exercise, which may be necessary to persuade some stakeholders – particularly national government and business – to participate in the study.
- Similarly, international or local partner organisations (such as the ILO) can provide important assistance, including with respect to meeting arrangements, and give the exercise greater legitimacy or neutrality in the eyes of stakeholders.
- Planning for stakeholder engagement should take place as early as possible and include contingency plans, including how to address delays in dealing with government or disinterest on the part of certain stakeholder groups.
- It should be made clear during stakeholder engagement that the main goal is to obtain information about general trends, rather than specific outcomes which can be directly linked to the text of the agreement.
- It is important to hold at least two collective workshops in order to give stakeholders the opportunity to reflect on the results presented in the first workshop.
- Specialised interviews play a critical role in the research and stakeholder engagement process, particularly where certain stakeholder groups cannot be induced to attend stakeholder workshops.
- Trade unions are more likely to lack specific expertise on international trade than employer organisations, particularly at the sectoral level, and would benefit from capacity building exercises, especially in connection with ongoing monitoring.

## Ex-post monitoring and EU FTAs: the role for social partners

One of the objectives of our work in Chile was to reflect on best practices for designing and supporting effective mechanisms to monitor the sustainability impacts of the EU's FTAs.

Monitoring arrangements with respect to sustainability impacts have assumed a more prominent role in the EU's recent trade agreements, as part of an increasing emphasis on promoting and monitoring the role of trade in sustainable development. Whereas earlier agreements (such as the EU-Chile AA) did not make specific provision for monitoring sustainability impacts or civil society dialogue mechanisms, such concepts have become a standard inclusion in more recently concluded agreements with Korea, the CARIFORUM countries, Colombia, Peru and Central America. In line with the EU's approach to labour provisions in trade agreements, the focal point for monitoring sustainability impacts in each agreement is a clear commitment to establish intergovernmental and civil society mechanisms. Alongside dialogue mechanisms, there are also more general commitments to monitoring sustainability impacts (although no precise specifications regarding ex-post monitoring).

We spoke to a number of EU social partner representatives about the potential role for social partners in monitoring mechanisms. On the basis of these interviews, it is clear that European social partners and civil society groups are very keen to participate in dialogue-based and other forms of monitoring of trade impacts, although they have limited resources to participate in detailed data-based monitoring. In this sense, independent ex-post monitoring could play an important role in supporting their involvement.

There are a small handful of international programmes that provide examples of the types of support and capacity-building that could accompany ex-post monitoring and enhance the role of social partners and other civil society organisations in dialogue mechanisms.

## Recommendations

### PART I: SUSTAINABILITY IMPACT ASSESSMENTS

#### Terms of reference and contractor selection

##### Recommendation 1

The technical specifications for team composition for each SIA should include a requirement for one team member with specific experience of:

- Analysing a range of qualitative and quantitative employment and decent work issues; and
- Consulting with social partners in different geographic contexts.

#### Methodology

##### Recommendation 2

The Commission should provide more concrete support and guidance for the assertion that economic modelling and stakeholder consultation are of equal importance and how contractors should achieve this balance in practice.

##### Recommendation 3

We recommend that there should be better guidance available for SIA contractors on both:

- Assessing the decent work and employment impacts of trade; and
- Stakeholder consultation.

We recommend that this information be provided through a revision to the Handbook. It is particularly important that the Handbook reflects current practice and thinking if the Commission intends to continue cross-referencing it in the terms of reference for SIA studies. In addition to (or in lieu of) the Handbook revision, DG Trade could develop a guide that could be annexed to the Handbook, which could include checklists for SIA contractors on labour issues and stakeholder consultation. These should be organised on the basis of a stage-by-stage outline of the kinds of issues that need to be addressed and the likely outputs in relation to each phase of the SIA.

#### Stakeholder consultation - general

##### Recommendation 4

We recommend that steps are taken to ensure that employers (as distinct from business representatives) are better represented in relation to the SIA process; i.e. representatives of employer organisations or social affairs and employment specialists from business organisations.

##### Recommendation 5

We recommend that contractors are encouraged to use one-on-one meetings more routinely to gather information, both inside and outside the EU, particularly at an inter-professional level (ETUC and BusinessEurope).

### **Recommendation 6**

We recommend that an assessment is made of the needs for capacity building amongst stakeholders and, where appropriate, budget lines and / or implementation partners are identified to support this, both inside and outside the EU. These avenues for funding support should then be clearly communicated to the social partners.

### **Stakeholder consultation within the EU**

#### **Recommendation 7**

We recommend that the input of the social partners in the SIA consultation process should be improved in the EU consultation process. This should involve making SDC meetings a standard part of the stakeholder consultation process.

### **Stakeholder consultation outside the EU**

#### **Recommendation 8**

With respect to consultation outside the EU, we recommend that there should be a separate meeting of the social partners on the decent work and employment impact of the proposed trade agreement, in addition to the standard workshop.

#### **Recommendation 9**

We recommend that steps are taken to encourage SIA contractors to make greater use of local partners in relation to stakeholder consultation and treatment of employment and decent work issues. In particular, we recommend that the local partner team should:

- Include a team member with knowledge of local labour market issues and experience of consulting with the social partners;
- Be given a more active role in scoping and developing flanking measures and any recommendations on monitoring;
- Be given a clearer role in identifying participants and organising the stakeholder meetings; and
- Be given responsibility for carrying out regular bilateral meetings throughout the SIA process.

#### **Recommendation 10**

We recommend that SIA contractors should liaise with the local ILO representative, at the country or regional level.

#### **Recommendation 11**

We recommend that SIA contractors make contact with the European Economic and Social Committee at the beginning of the project to determine whether it has previously conducted (or plans to conduct) roundtables / seminars with the tripartite partners in the proposed trading partner country. Similarly, we also recommend that SIA contractors should identify existing platforms for dialogue that they could use to improve communication with stakeholders. This applies to consultation both inside and outside the EU.

#### **Recommendation 12**

We recommend that there should be more systematic follow-up procedures after SIA workshops in third countries. Ideally, we recommend that this involve a follow-up dissemination event, but at the least should involve circulating written material to stakeholders, translated into their language, to show how their comments have been interpreted and what influence they will have on the SIA study.

## Report-writing

### Recommendation 13

We recommend that the final SIA report should include the following headings:

- Key decent work issues (this should be considered for inclusion in relation to context and impact assessment, both in the general and sectoral analysis);
- Outline of contacts with stakeholders (including social partners) in Europe;
- Outline of contacts with stakeholders (including social partners) in the third country / region;
- Anticipated adverse impacts on employment and decent work arising from modelled outcomes; and
- Steps to be taken in relation to mitigating adverse decent work impacts.

### Recommendation 14

We recommend that the final SIA report should:

- Always include a list of stakeholders consulted / workshop participants;
- Clearly set out key stakeholder positions and points of views;
- List issues raised by stakeholders in the workshop / meetings and how these have been reflected in the report; and
- Set out what changed as a result of the consultation.

Where possible, the key points raised by stakeholders and their impact on the final report should be reflected in the executive summary.

## PART II: EX-POST MONITORING

### Establishing ongoing ex-post monitoring schemes

#### Recommendation 15

In order to obtain the most meaningful results, monitoring to assess the impact of free trade agreements should be carried out at regular intervals over a long term (rather than on an ad hoc basis).

#### Recommendation 16

The structure of an ex-post monitoring scheme should be tailored to the circumstances of each country / region.

#### Recommendation 17

Where it is known that there will be an ongoing monitoring scheme, a preliminary study should be carried out as early as possible to design a methodology for the monitoring regime and provide a baseline.

### Actors involved

#### Recommendation 18

There should be a long-term coordinator with responsibility for ongoing ex-post monitoring schemes, ideally an independent local institution that is perceived as a relatively neutral actor (such as a respected university or research institution).



### **Recommendation 19**

The Delegation should be involved in the monitoring study from the outset and, as appropriate, provide guidance and support to the contractor.

### **Recommendation 20**

Relevant supporting partners for ex-post monitoring studies should be identified and approached by the contractor as early as possible to discuss their possible role.

## **Stakeholder engagement**

### **Recommendation 21**

Ex-post monitoring studies should be understood as an important opportunity to engage with government and civil society on issues regarding the impact of free trade agreements and should not be conceived of solely as pure research / data collection exercises. This should be taken into account at each stage of the monitoring exercise, including dissemination of results.

### **Recommendation 22**

The social partners (including sectoral organisations) should have a recognised role in any ex-post monitoring studies.

### **Recommendation 23**

The design of ongoing monitoring schemes in developing countries should always include a needs assessment for technical assistance for government agencies and consideration of the possibilities for dialogue or exchange of best practice on data collection, civil society dialogue or stakeholder engagement.

### **Recommendation 24**

Part of the planning for long-term monitoring should include an early assessment and consultation to determine whether there is a need for targeted technical or financial assistance for the social partners and other civil society stakeholders. Particular consideration should be given to the needs of the sectoral and (as appropriate) regional social partners.

### **Recommendation 25**

Early awareness-raising on the possible impacts of a trade agreement can encourage stakeholders to start recording or taking note of developments that are relevant to later monitoring or dialogue.

### **Recommendation 26**

Consideration should be given to providing social partners (and other stakeholders) with funding to carry out their own studies to accompany the broader monitoring regime. This can be used to fuel debates in the civil society dialogue forum (where this is provided for in the trade agreement) and can also complement / inform the more general monitoring studies.

## **Methodology**

### **Recommendation 27**

Stakeholder engagement must be explicitly identified as being of equal importance to econometric analysis in the monitoring methodology. This must be underlined at each stage of the process.

### **Recommendation 28**

With respect to both long term and ad hoc studies, there should be a balance of expertise in the research team and the composition should not be weighted towards economic analysis. There should be expertise on social and environmental issues, as well as experience in stakeholder engagement.

### **Recommendation 29**

Significant consideration should be given to the initial sectoral selection in the study in order to ensure that there is an early focus on sectors most likely to have been affected by changes in trade flows. In the case of long-term ex-post monitoring, the selection of sectors under consideration should be continually reviewed.

### **Recommendation 30**

As far as possible, indicators on decent work and employment should seek to cover a broad range of areas, including job quantity and quality and labour standards, but there should be some flexibility in the choice of indicators, given that the breadth of analysis will depend on the availability of data.

### **Recommendation 31**

In order to ensure the sustainability and transparency of the monitoring process, indicators should be primarily selected on the basis of information that:

- Is in the public domain;
- Is the subject of regular and representative statistical surveys; and
- Can be collected without disproportionate cost or effort.

### **Recommendation 32**

At the beginning of each monitoring study, there must be a clear plan for stakeholder engagement, including the conduct of collective workshops, use of individual stakeholder interviews and consultation with sectoral social partners.

### **Recommendation 33**

Where possible, any monitoring exercise should seek to involve European companies sourcing from the third party country in sectors that are known to be heavily influenced by corporate social responsibility (CSR) and responsible supply chain trends.

## **Reporting and dissemination strategies**

### **Recommendation 34**

As far as possible, monitoring reports and other outputs should be prepared in a format that is easily understood and digested by a broad range of stakeholders. The presentation of the findings of monitoring studies should not be restricted to formal studies, as important as these will be, but should also take the form of shorter focussed reports and presentations delivered during the course of the monitoring process. These may be disseminated directly to stakeholders, or through electronic means, such as dedicated websites or discussion groups and social media.

### **Recommendation 35**

Any monitoring studies should include a chapter in the body of the report that highlights the views of stakeholders in order to ensure that the outcomes of stakeholder engagement are adequately reflected and that the report is not overly focused on data analysis.



# Part I: Trade Sustainability Impact Assessments

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## 1.1: Overview

A Trade Sustainability Impact Assessment (SIA) is an independent study undertaken during trade negotiations that seeks to identify the likely economic, social and environment impact of a free trade agreement between the EU and a third country or region. SIAs are considered to be a key plank in the Commission's approach to integrating employment and decent work into its trade policy, alongside GSP+ and the inclusion of Sustainable Development chapters in new trade agreements.<sup>1</sup>

The main objectives of SIAs are to:

- Integrate sustainability into trade policy by providing information to negotiators about possible economic, social and environmental impacts of a trade agreement; and
- Ensure that trade policy is more transparent by making this information available to all stakeholders, including trade unions, employers, NGOs, aid donors, parliaments, business and others.<sup>2</sup>

DG Trade has lead responsibility for managing the SIA process, but other parts of the Commission, including DG Employment, provide input through their participation in the project steering group that is convened for each study.

The analysis in this study is principally based on the 13 bilateral and bi-regional SIA studies that had been launched by the Commission as of 31 March 2009 (see Table 1).<sup>3</sup> The research involved a series of interviews with the European Commission, SIA consultant contractors and representatives of the European social partners. We also carried out three field missions to Korea, Ukraine and Central America to assess how the extra-EU consultation process was carried out with respect to these SIAs.

**Table 1: SIAs as of 31 March 2009**

Proposed trading partner	Type	Start	Completion	Lead contractor
Chile	Country	2002	2002	Planistat Luxembourg
Cooperation Council of the Arab States of the Gulf (GCC)	Regional	2002	2004	PricewaterhouseCoopers
African Caribbean Pacific (ACP) (Economic Partnership Agreements)	Regional	2002	2007	PricewaterhouseCoopers
Euro-Mediterranean (Euromed)	Regional	2002	2007	University of Manchester
Mercosur	Regional	2005	2009	University of Manchester
Ukraine	Country	2006	2007	Ecorys
China	Country	2007	2008	EMG / Development Solutions

<sup>1</sup> See, for example, the European Commission's 2006 Communication, *Promoting decent work for all: The EU contribution to the implementation of the decent work agenda in the world*; European Commission Staff Working Document, *Policy Coherence for Development Work Programme 2010-2013, A twelve-point EU action plan in support of the Millennium Development Goals*, p 9.

<sup>2</sup> DG Trade, *Handbook for Trade Sustainability Impact Assessment ('Handbook')*, 2006, p 7: [http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc\\_127974.pdf](http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf)

<sup>3</sup> The key documents for each SIA are available on DG Trade's dedicated SIA website: <http://ec.europa.eu/trade/analysis/sustainability-impact-assessments> This study does not analyse the SIAs on the WTO negotiations, nor does it consider in detail the SIA for the EU-Canada trade negotiations, which was taking place at the same time as this project.



<b>Korea</b>	Country	2007	2008	IBM
<b>Association of South East Asian Nations (ASEAN)</b>	Regional	2007	2009	Ecorys
<b>India</b>	Country	2007	2009	Ecorys
<b>Central America</b>	Regional	2008	2009	Ecorys
<b>Libya</b>	Country	2009	2009	Development Solutions
<b>Andean Community</b>	Regional	2009	2009	Development Solutions

## 1.2: The SIA methodology

The current methodology for SIAs is set out most concretely in DG Trade's *Handbook for Sustainability Impact Assessment*.<sup>4</sup> However, the description of the methodology in the Handbook is fairly broad and, in practice, the methodology continues to evolve beyond this text as a result of the growing body of experience of the Commission and SIA contractors.

We do not propose to examine the methodology in detail here, but for the purposes of this report it is important to note that there are two main components:

1. **Assessment of the economic, environmental and social impacts** of the proposed trade agreement, based on economic modelling and causal chain analysis; and
2. **Stakeholder consultation**, undertaken in both the EU and the proposed trading partner.

The Commission holds these two components to be '**mutually dependent elements of equal importance**' in the SIA process: these dual priorities were clearly articulated in the terms of reference for recent SIAs<sup>5</sup> and were confirmed in our interviews with DG Trade officials.

There will necessarily be variation in how each SIA is carried out, depending on the availability of information, the different actors involved, the issues at stake and the time available. However, our analysis suggests that there is clearly scope to revise the broad methodological framework as set out in the Handbook with respect to both:

- Assessing decent work and employment impacts; and
- Engaging with stakeholders.

### Methodology for assessing economic, environmental and social impact assessments

Despite a growing emphasis on stakeholder consultation, economic modelling is at the heart of the SIA process and provides the basis for assessing quantitative impacts in relation to the economic, social and environmental dimensions. Different models such as Computable General Equilibrium (CGE), econometric, input-output models or gravity models can be used depending on the purpose (general overview, sector analysis or regional analysis). All try to assess the likely consequences of policy changes on variables such as prices, income or welfare via resource allocation.<sup>6</sup> SIA contractors use CGE modelling to simulate a number of different scenarios, including what would happen if there was no agreement ('baseline scenario') and other scenarios that anticipate the effects of different degrees of trade liberalisation.

<sup>4</sup> DG Trade, *Handbook*, op cit.

<sup>5</sup> See, for example, the terms of reference for: Libya, Central America and the Andean Community, op cit; Korea, 2007; India, ASEAN, Central America and the Andean Community, 2007.

<sup>6</sup> DG Trade, *Handbook*, op cit, p 36.

There is no single method used for making the social impact assessment, with some stakeholders suggesting that there is a 'pressing need' to develop a better model for social impact analysis, particularly with respect to the quantitative aspects. Some contractors expressed doubts about the possibility of effectively measuring decent work developments, raising concerns over definitions, indicators, data availability and attribution. This is not to say that there is an absence of methodology in this area: all contractors draw on the results of economic modelling and apply causal chain analysis to determine social impacts, including those related to employment and decent work. But contractors emphasised that economic modelling can only ever be a starting point for social impact analysis. In particular, there are known limitations on the ability of CGE modelling to simulate the impacts of trade on employment and wages in developing countries, where certain assumptions about labour market elasticities may be less applicable given high levels of informal employment and uneven access to information about employment opportunities.<sup>7</sup> In addition, quantitative data may be poor and unreliable, particularly time-series data.

All of these issues mean that it is critical to use qualitative research techniques (e.g. stakeholder interviews and use of secondary sources) alongside economic modelling to assess decent work impacts. However, our review of the final SIA reports suggested that there is not a consistent framework for combining quantitative and qualitative methodologies, which risks compromising the quality of analysis and sometimes leads to the social impact assessment appearing as a 'cut and paste' or an 'add-on' to the economic analysis. Currently, the Handbook provides little guidance on how to assess decent work and employment impacts.<sup>8</sup>

### Methodology for stakeholder consultation

Overall, we found that the Commission places considerable emphasis on stakeholder consultation in the SIA methodology. However, this has not always been the case: a growing emphasis on stakeholder consultation is a clear trend in the evolution of the SIA process. There has been a greater degree of stakeholder consultation in more recent SIAs (e.g. Central America) compared to earlier SIAs (e.g. Chile). The terms of reference for each SIA now include specific requirements for the stakeholder consultation process, asking contractors to engage 'actively' with stakeholders.

The SIA consultation process involves stakeholders within the EU and within the proposed trading partner country /region. At a minimum, stakeholder consultation is comprised of:

- Two meetings in Brussels with EU stakeholders (organised by DG Trade);
- One workshop in the third country / region with stakeholders from the proposed trading partner (organised by the contractors); and
- Dissemination of study results through a dedicated SIA website.<sup>9</sup>

In addition, SIA contractors may also use additional consultation mechanisms, such as one-on-one meetings, although these are discretionary.

The Handbook outlines a number of important general principles regarding the stakeholder consultation process (e.g. there should be feedback on the main issues raised in the consultation process at each point).<sup>10</sup> However, it does not establish a clear, stand-alone methodology for

<sup>7</sup> See, for example, Lance Taylor and Rudiger von Arnim, *Modelling the impact of trade liberalisation*, report for Oxfam International, 2006. These limitations also tend to be acknowledged clearly in the reports themselves; see, for example, Ecorys, *Trade Sustainability Impact Assessment of the FTA between the EU and ASEAN – Final Report (Vol II)*, 2009, p 17.

<sup>8</sup> One of the reasons for this is the Handbook's generally broad approach to methodology; another is that the Handbook was drafted prior to the Commission's 2006 communiqué on decent work.

<sup>9</sup> See, for example: [www.euandean-sia.org/](http://www.euandean-sia.org/); <http://tsia.ecorys.com>; [www.eu-korea-sia.org/pub](http://www.eu-korea-sia.org/pub).

<sup>10</sup> DG Trade, *Handbook*, op cit, p 26.

stakeholder consultation and must be read in conjunction with the terms of reference for each SIA, which set out more precise requirements. While this permits a flexible approach to different geographic contexts, it does not accurately reflect the Commission's current expectations with respect to the key steps in the stakeholder consultation process.

### *Clarifying the purpose of stakeholder consultation*

One of the goals of this study is to consider how the objectives of SIA stakeholder consultation might be better fulfilled and, in this context, we consider that some thought could be given to revisiting the purpose of the stakeholder consultation. Establishing clear objectives is an important part of ensuring the integrity of any stakeholder consultation process: the objectives of the SIA consultation process inform DG Trade, contractor and stakeholder expectations of the outcomes of the process and influence their participation in meetings.

According to the Handbook and interviews with DG Trade, stakeholder consultation fulfils two main objectives in the SIA process:

- Increasing the transparency and accountability of the process; and
- Providing an opportunity for stakeholders to contribute to the identification of priority areas and key issues.<sup>11</sup>

In the course of our interviews, we found that there were very different perceptions between stakeholders as to the purpose of SIA consultation meetings, particularly those held in Brussels, and that this had a clear effect on stakeholder participation. (These stakeholder perceptions are discussed below in the section commencing on page 34.)

### *Identifying key stakeholders*

Our research suggested that the process for identifying stakeholders appears somewhat *ad hoc*, with contractors relying on a combination of desk research, their own knowledge, advice from local partners and (on some occasions) the SIA steering group. One group of stakeholders that appears to be overlooked in this process is the sectoral social partners. To date, outreach to these stakeholders appears to have been limited, yet improved consultation with these groups could possibly improve the breadth of discussion on sectoral social impacts.

We consider that it could be helpful to include further information in the Handbook about social dialogue, including:

- How the social partners are distinct from other civil society organisations;
- The particular value of consulting with the social partners (including sectoral organisations); and
- Why it is important to consult with business in their capacity as employer organisations (see discussion below on page 28).

In the past, SIA terms of reference have not specifically mentioned social partners as a category of stakeholder to be consulted. This has been amended in the terms of reference for the most recent SIA, EU-Canada, which specifically mention a requirement to consult with the social partners.<sup>12</sup> Following the precedent of the EU-Canada SIA, we consider that it would be desirable to incorporate more specific references to the social partners into future terms of reference.

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<sup>11</sup> Ibid, pp 16, 24. See also, for example, the combined terms of reference for Libya, Central America and the Andean Community.

<sup>12</sup> Terms of reference for EU-Canada SIA, 2010.

### Updating the methodology

There are a number of sources that could provide a useful reference point for reviewing the methodology. SIA contractors themselves collectively possess a significant body of knowledge and, on the basis of comments made during interviews, contractors appeared to welcome the possibility to participate in a revision exercise.<sup>13</sup> Other useful reference points would include:

- The Commission's *Guidance for Assessing Social Impacts within the Commission Impact Assessment System* (2009), developed by DG Employment in cooperation with the Secretariat General.<sup>14</sup>
- Outcomes from two current EU-funded ILO projects: the *Monitoring and Assessing Progress on Decent Work (MAP)* project<sup>15</sup> (2009-2013) and the *Assessing and Addressing the Effects of Trade on Employment* project (2009-2013). (These projects are discussed in more detail on page 97ff).

Contractors also noted that more ex-post monitoring of the impacts of trade on employment and decent work – such as the research in Chile described in the second part of this report – could assist in developing indicators and considerably enhance the methodology.

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<sup>13</sup> See also the insights on impact assessment and stakeholder consultation in the 'Lessons learned' chapter of the final report for the ACP SIA: PriceWaterhouseCoopers, *Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements – Summary of key findings, policy recommendations and lessons learned*, 2007, p 88.

<sup>14</sup> For example, the guidelines include a list for social impact assessment: European Commission, *Impact Assessment Guidelines*, 2009, pp 35-36. Also, the guidelines include guidance on *inter alia* analysing the impacts on the quality and quantity of jobs: European Commission, *Impact Assessment Guidelines – Annexes*, 2009, pp 30-31.

<sup>15</sup> Project website: [www.ilo.org/integration/themes/mdw/lang--en/WCMS\\_123804/index.htm](http://www.ilo.org/integration/themes/mdw/lang--en/WCMS_123804/index.htm). See also: ILO, *Revised Office Proposal for the Measurement of Decent Work*, 2009. See also Sari and Kucera's recent paper on developing a compliance index for the ILO's conventions on freedom of association and collective bargaining, based on the findings of the ILO supervisory system. See Dora Sari and David Kucera, *Measuring progress towards the application of freedom of association and collective bargaining rights: A tabular presentation of the findings of the ILO supervisory system*, 2011.



### 1.3: Review of past SIA reports and practice

Our findings on past SIA practice are based on a series of interviews with contractors and Commission officials and an extensive document review, focused primarily on SIA terms of reference, meeting records and final reports. Most of this section focuses on patterns of stakeholder attendance at consultation events and the outcomes of these events; however, we do also make some general comments on the way in which decent work issues are covered in the reports. Overall, we found that the treatment of decent work issues in SIA reports and the conduct of stakeholder engagement have improved over time; however, our review suggested that there is still room for improvement.

#### Work organisation

Our interviews with contractors revealed that most contractor teams do not have a member with specific expertise on decent work or stakeholder consultation. Instead, these matters tend to be handled by generalists or shared across the SIA team. This reflects the greater prioritisation of the economic modelling aspects of the SIA process, as well as the lack of a requirement in terms of reference for team members to have specific skills in these areas. Needless to say, this generalist approach to decent work issues and stakeholder consultation stands in stark contrast to the expertise of SIA teams on economic modelling and analysis.

The value of having a team member with deeper knowledge of decent work and employment issues is particularly important given that social impact assessment requires a combination of economic modelling with more qualitative techniques. Without this knowledge, treatment of decent work and employment impacts is at risk of being more superficial and engagement with the social partners (and civil society more generally) potentially less effective. This was consistent with our reading of the final reports, where in some cases, the social impact assessment appears as an 'add-on' to very detailed economic analysis. Equally, we consider that there would be considerable value in having a team member with specific experience in participatory methodologies.

However, we acknowledge that shrinking timeframes for SIA studies are placing increasing pressure on contractors to deal with a large number of issues in a shorter period of time, whilst maintaining the right balance of complexity and accessibility. It is now expected that SIA studies will be completed after a period of nine to twelve months, compared to earlier SIAs that were undertaken over a number of years. A number of contractors expressed concern that tightening budgets and shorter timeframes would place constraints on the quality of stakeholder consultation, particularly outside the EU.

#### Discussion of decent work issues in SIAs

##### *The Decent Work Agenda*

The breadth of discussion of decent work issues in SIA reports has improved over time, with recent terms of reference and reports referring to decent work more consistently. For example, there is substantial discussion of decent work and its themes in the India and ASEAN SIA reports. In contrast, there is no reference to decent work in the terms of reference for the China SIA and the resulting report refers to the concept only three times. This is not to say that decent work themes are not discussed in this and other SIA reports, but rather that they may not be contextualised within the framework of the Decent Work Agenda.

The depth of understanding of the Decent Work Agenda demonstrated by SIA reports differs considerably. The meaning of the term itself is a point of contention; for example, some SIA reports



appear to use it interchangeably with labour standards or reflect a lack of understanding of its content. For example, the Inception Report for the Canada SIA uses the term ‘decent and quality work’ and describes it as being composed of ‘job characteristics’ and ‘the work and wider labour market context’,<sup>16</sup> while the Andean SIA refers to ‘basic decent work standards’ in a discussion about labour standards. There is little in the reports to indicate a consistent understanding amongst all contractors about the four pillars of the Decent Work Agenda and how they relate to each other.

The decent work themes that are addressed most often across the SIAs are employment (including job creation and unemployment levels) and women’s access to employment. Wages and skills are also discussed with some frequency. There are obvious reasons for a focus on these issues:

- These are the themes with the clearest and most explicit links to trade adjustments;
- There is more likely to be data available on these issues;
- Economists are most likely to be familiar with these themes; and
- They are covered more extensively than other decent work themes in the Handbook.

We recognise that employment and income impacts are the issues with the most immediate and serious consequences for workers and are the most measurable decent work impacts of trade liberalisation. Moreover, SIA studies cannot include an exhaustive discussion of all decent work themes, as they must cover a lot of ground in terms of the economic, environmental and social dimensions of trade agreements and maintain a balance between the different areas. However, overall there is scope for more of the SIA studies to explore some of the related impacts of employment and income impacts.

Although some reports address decent work issues more broadly and accurately than others, there is no one report that we would hold out as an exemplar. The discussion of decent work tends to be particularly weak in sectoral impact assessments, although we note that the ASEAN SIA provides a broad-ranging discussion of decent work and employment issues in the textile, garment, clothing and footwear sector, including *inter alia* precarious working arrangements, migrant labour, discrimination, child labour and differing regional impacts.<sup>17</sup>

SIA reports tend to cite very few resources with respect to social impact analysis on decent work and employment. During interviews, a number of SIA contractors stated that they consulted ILO publications as an important source of information; however, this assertion is not supported by citations in the final reports. Only one SIA contractor said that their team had directly contacted ILO officials for commentary on the issues and suggested that the usefulness of contacting the ILO varied according to the capacity of the local office. At the moment, use of statistical indicators to measure decent work and employment varies considerably between SIA reports.

### ***Freedom of association and social dialogue***

A further litmus test lies in the way in which difficult or politically sensitive issues are discussed or – equally importantly – overlooked. In particular, discussions on freedom of association and social dialogue (difficult issues for non-specialists) often display a lack awareness of the breadth and inter-relatedness of the issues at stake. For example:

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<sup>16</sup> Development Solutions, *A Trade SIA relating to the Negotiation of a Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada – Inception report*, 2010, p 42. Strangely, the report cites the Commission of the European Communities for this concept: *Employment and social policies: a framework for investing in quality*. Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, Brussels, 20 June 2001, COM, 2001.

<sup>17</sup> Ecorys, *EU-ASEAN SIA – Final Report (Vol II)*, 2009, op cit, pp 84-5, 89, 100-105.

- The Libya SIA report states that there are ‘good levels’ of decent work, despite acknowledging serious constraints on freedom of association;<sup>18</sup>
- The Korea SIA report overlooks political sensitivities regarding freedom of association in Korea and describes Korean trade unions as ‘independent and aggressive to the extent that labour-management relations are one negative area among assessments of Korea’s competitiveness’.<sup>19</sup>

These two reports suggest a lack of awareness of the centrality of freedom of association to the Decent Work Agenda: respect for the right to collective organisation is integral to the attainment of ‘decent work’.

## Stakeholder consultation

### Patterns of attendance by trade unions at SIA consultation events

Our analysis of SIA meeting records shows that trade unions are only intermittently present at SIA consultation events, both inside and outside the EU (see Table 2).

**Table 2: Trade union attendance at SIA consultation meetings / workshops**

SIA	EU			3 <sup>rd</sup> country / partner
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	
Chile	✓	N/A	✓	N/A
GCC	-	-	-	N/A
ACP <sup>20</sup>	✓	✓	✓	✓
EMFTA	-	-	-	✓
Mercosur	-	-	-	-
Ukraine	-	-	-	✓
China	-	✓	-	-
Korea	-	✓	-	✓
ASEAN	✓	✓	-	✓
India	-	✓	-	-
Central America	-	N/A	✓	✓
Libya	-	N/A	-	-
Andean	-	N/A	✓	-

✓ = yes; - = no or unknown<sup>21</sup>

Source: Ergon analysis of SIA documentation

There is a more favourable participation rate for trade unions in SIA meetings in third countries / regions, where trade unions are known to have participated in 6 out of 11 SIA consultations. However, during our country visits, we discovered that the quality of engagement with social partners varied considerably between countries and there was little engagement with the sectoral social partners.

<sup>18</sup> Development Solutions, *Trade Sustainability Impact Assessment of the EU-Libya Free Trade Agreement – Final Report*, 2009, pp 20-21.

<sup>19</sup> IBM Consulting, *Trade Sustainability Impact Assessment of the EU-Korea FTA – Final Report*, 2008, p 16.

<sup>20</sup> Being a much longer and more geographically extensive process, ACP doesn’t fit the same pattern of consultation as other SIAs. There were two ‘interim’ meetings for ACP in Brussels: trade unions were present at one of them. There were several in-country workshops for the ACP EPA SIA: trade unions attended in some regions and not in others.

<sup>21</sup> In particular, there were six Brussels meetings on the Mercosur FTA: it appears that none were attended by trade unions, although this is not entirely clear from the records.

In countries where there are constraints on freedom of association, the quality of engagement is more likely to be poor. In one such situation, a contractor said that their team had liaised with the international trade union movement in an attempt to ensure a better quality of consultation, but that this didn't resolve the problem. The contractor observed that it was ultimately very difficult to address workers' interests in these circumstances. The quality of engagement with trade unions may also be difficult where relations between trade unions and government and/or employers are particularly strained.

### Patterns of attendance by employer representatives at SIA consultation events

Our desk review suggests that business representatives regularly attend SIA consultation events in both Brussels and third countries. However, our research also indicates that both inside and outside the EU, these representatives are more likely to raise commercial and technical trade-related issues than employment and decent work issues.

Table 3 provides a visual representation of meetings that were either attended by:

- a) Representatives of business organisations that raised employment issues (suggesting some level of knowledge of employment and decent work); or
- b) Representatives of employers' organisations.

**Table 3: Employer representatives' attendance at SIA meetings and workshop**

SIA	EU			3 <sup>rd</sup> country / partner
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	
Chile	-	N/A	-	-
GCC	-	-	-	N/A
ACP	-	-	-	✓
EMFTA	-	-	-	*
Mercosur	-	✓	✓	*
Ukraine	✓	-	-	-
China	-	-	-	-
Korea	-	-	-	-
ASEAN	-	-	-	✓
India	-	✓	-	✓
Central America	-	N/A	-	✓
Libya	-	N/A	-	-
Andean	✓	N/A	✓	-

✓ = yes; - = no or unknown;

\* SIA websites have been removed since the analysis was carried out

Source: Analysis of SIA reports and meeting records

The pattern highlighted in Table 3 has important implications for the quality of social dialogue on employment and decent work. Although business inputs during SIA consultations may be strong, their contribution as a social partner is weakened if representatives do not bring knowledge of labour market issues to the consultation.

Despite the fact that business organisations are often recognised social partners, there are important reasons why they may not raise employment and decent work issues in SIA consultation events:

- **Business associations may judge labour market issues to be secondary to commercial interests:** In many jurisdictions, inter-sectoral employer organisations do not exist separately from inter-sectoral business organisations; i.e. a single organisation represents members'

collective interests with respect to both 'product/service markets' and 'labour markets'.<sup>22</sup> In the EU, this is true of business groups at the European, national and sectoral level. Depending on the issues at stake, an inter-sectoral business organisation may consider it more appropriate to send a representative to SIA meetings who specialises in commercial and trade matters and who may have little knowledge of labour market issues.

- **Employer representatives may not have experience or knowledge of international trade issues:** Where there are separate inter-sectoral employer and business confederations, employer organisations are often more focused on domestic (e.g. collective bargaining, minimum wage-setting or labour laws) rather than international issues. They may have little experience of trade issues or may consider this to be the domain of more commercially focused organisations.

### Use of additional meetings and interviews

In some cases, SIA contractors have used alternative forms of consultation to reach trade unions, such as additional interviews. This approach is not only important for bridging consultation gaps (i.e. where social partners do not attend SIA consultation events) but also for allowing a deeper, more specialised discussion of employment and decent work issues with the social partners. Moreover, it may be particularly valuable to hold a series of small meetings for consultations outside the EU, in countries or regions where there is little experience of multi-stakeholder dialogue or consensus-building and little trust between stakeholders.<sup>23</sup>

A number of contractors said that they sought to organise additional meetings with stakeholders; however, the SIA reports indicate very few additional meetings with the social partners (see Table 4). Based on available documentation, it is more likely that contractors will organise additional meetings with academics, business organisations or government ministries than with trade unions.

**Table 4: Use of additional meetings to consult with social partners**

Where	Mechanism	Used in how many SIAs?	Which ones?	Contractor
EU	Meeting of Sectoral Social Dialogue Committee	1	ASEAN	ECORYS
	Individual meetings with social partners	2	ASEAN, Ukraine	ECORYS
Extra-EU	Individual meetings with social partners	2	Central America, Ukraine	ECORYS
	ILO bipartite / tripartite meeting	1	Central America	ECORYS

Source: Analysis of SIA final reports

We understand that consultation events are open to all interested stakeholders and invitations are sent to a large number of stakeholders, but a more active, targeted approach to certain stakeholders could be appropriate in some circumstances, such as speaking to inter-sectoral trade unions at the EU-level or directly contacting sectoral social partners where there are likely to be social impacts in given sectors or stakeholder sensitivities. For example, in the context of the EU-Korea SIA, it could

<sup>22</sup> See, eg: Martin Behrens and Franz Traxler, 'Employer organisations in Europe', EIRO, 2004: [www.eurofound.europa.eu/eiro/2003/11/study/tn0311101s.htm](http://www.eurofound.europa.eu/eiro/2003/11/study/tn0311101s.htm). Behrens and Traxler distinguish between 'pure' employers' organisations, which specialise in representing interests related to the labour market and industrial relations; 'pure' trade associations, which represent product market interests; and 'dual' associations, which combine the representation of both sets of interests. They note that mergers of trade and employer associations have taken place at a number of levels in Europe as a result of pressures to economise on resources.

<sup>23</sup> See: ACP SIA final report: PriceWaterhouseCoopers, *Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements – Summary of key finding, policy recommendations and lessons learned*, 2007, p 90.

have been useful to hold individual discussions with the sectoral social partners in the automotive sector, who had particular concerns about the impact of the agreement on their sector.<sup>24</sup>

We note that the Commission has played an important role in catalysing the additional tripartite consultations set out in Table 4. In the case of the ASEAN SIA, DG Employment suggested that it would be useful to convene a meeting of relevant Sectoral Social Dialogue Committees. Similarly, in the case of the Central America SIA, an official from DG Employment advised the contractor that an ILO-convened regional meeting of the social partners was taking place in Guatemala and could be a useful opportunity for consultation.

Some contractors made good use of existing platforms for dialogue to raise awareness of the SIA amongst a greater range of civil society stakeholders. One contractor noted that this is not only cost-effective, but can lead to much greater awareness and a more productive and focused dialogue. While this is a positive approach and could be pursued more systematically by all contractors, we note that additional presentations to civil society meetings should not be equated with consultation, except where they meet certain formal conditions (e.g. documents are provided beforehand and stakeholders have the opportunity to provide comments).<sup>25</sup>

## Outcomes of consultation

### Meeting records

For the most part, contractors keep records of stakeholder meetings on dedicated SIA websites. There is, however, variation in the details of records kept by contractors. Not all meeting records are available on the SIA websites or, there may be meeting records but no stakeholder list, making it impossible to know which organisations were represented at the meetings. (This is most likely to be a problem for extra-EU stakeholder workshops, as DG Trade keeps records of Civil Society Dialogue participants on its website.) For example, in the Korean SIA final report, there is no list of stakeholders who attended the workshop in Seoul, only a list of stakeholders broken down by category; similarly, there is no list of attendees available for the Beijing workshop for the China SIA.

Addressing the issue of stakeholder engagement in a more consistent way would increase transparency of the whole process and add more legitimacy to outcomes of the analysis and proposed solutions. This should be relatively straightforward to address, by adopting a more standard approach to meeting records and ensuring that the records always include a list of attendees.

### Making better use of stakeholder inputs and consultation outcomes

Contractors gave mixed feedback about whether inputs from stakeholder consultation were useful to inform the impact analysis. In part, this reflects some lack of clarity as to the purpose of stakeholder consultation. Only two contractors clearly stated that they received helpful information from stakeholders: one said that the stakeholder consultation process had definitely assisted the team to identify key information and reports, while the other said that stakeholders provided information that definitely influenced the analysis of potential impacts.

<sup>24</sup> However, we note that it would not have been possible to approach the sectoral social partners through the Sectoral Social Dialogue Committees (SDCs) at this point as there was no SDC in place for the metal / automotive sector at the time of the EU-Korea SIA.

<sup>25</sup> For example, the final report for the Euromed SIA includes a two page list of 'major consultation activities', but it seems likely that contractor participation in many of these events would have been confined to presentations, rather than active dialogue with stakeholders. University of Manchester, *Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area – Final Report of the SIA-EMFTA Project*, 2007, pp 49-50.



Better use of stakeholder inputs is not just a question of seeking more quantitative data and sectoral information from stakeholders (although it is possible that contractors could do this more, including through additional interviews), but also of reflecting stakeholder debates and positions in the discussion of possible impacts. A good example of this is the final report for the China SIA, which describes stakeholder concerns about the impact of the deal on social standards, including labour rights, low wages, gender inequality and health and safety, and cites a submission made by the ETUC to the Commission in the context of an earlier consultation.<sup>26</sup> Currently, the emphasis on quantitative methodologies leaves little space for reflecting on the role of institutions and stakeholder positions.

The SIA Handbook notes that contractors have a responsibility to integrate contributions received from stakeholders into the final report.<sup>27</sup> However, the outcomes of consultation are not always reflected clearly in SIA final reports, making it difficult for stakeholders to feel that their voices have been heard or understand how their comments were interpreted and taken into account. Most final reports include a detailed description of modelling methodology and results, but the content of their description of stakeholder consultation varies (including with respect to records of stakeholder comments).

The final report for the ASEAN SIA provides one example of how the outcomes of stakeholder consultation events and submissions can be reflected in the final study:<sup>28</sup>

- **Executive summary:** The executive summary includes a series of short bullet points that describes how the report was influenced by the consultation (e.g. the inclusion of a case study on decent work at the request of labour organisations).<sup>29</sup> By including this material in the executive summary, stakeholder contributions are presented as one of the key aspects of the project.
- **Comment tables:** The chapter on stakeholder consultation provides further detail, by including a table that specifically record the details of comments made by identified stakeholders during consultation meetings and how they were reflected in the final report. A similar table records issues raised during interviews and by email. The format of these tables is reproduced in Table 5 below, including a sample entry.

**Table 5: Reproduction of table from ASEAN SIA – overview of stakeholder comments (Vol II, p 25)**

Public meeting in Brussels - GAR		
Comment	Organisation	How comments were incorporated in the reports
<ul style="list-style-type: none"> <li>• Social and environmental issues should be more important in an earlier phase and not only when flanking measures were taken into consideration;</li> </ul>	ETUC	<ul style="list-style-type: none"> <li>• Social and environmental issues are included throughout the study;</li> <li>• Frequent reference is made in</li> </ul>

<sup>26</sup> Development Solutions, *Trade Sustainability Impact Assessment of the Negotiation of a Partnership and Cooperation Agreement between the EU and China* – Final report, 2008, p 28.

<sup>27</sup> DG Trade, Handbook, op cit, p 26. The Handbook goes on to state: ‘Each report should include a section reporting on the quality and quantity of contributions received and how they were taken into account in the Trade SIA process. There should be feedback on the main issues raised in the consultation process at each point.’

<sup>28</sup> A similar – albeit less detailed – approach was also taken in the final report for the Ukraine SIA, which includes a series of bullet points to describe how stakeholder comments were taken into account in the final report. See, Ecorys, *Final report for the Ukraine SIA*, 2007, p 247. Similarly, a detailed report on consultation, outcomes and responses to stakeholder concerns was attached to the ACP SIA: PricewaterhouseCoopers, *Summary of dissemination and stakeholder engagement – key issues surrounding the SIA*, 2007: [http://trade.ec.europa.eu/doclib/docs/2007/june/tradoc\\_134915.pdf](http://trade.ec.europa.eu/doclib/docs/2007/june/tradoc_134915.pdf)

<sup>29</sup> Ecorys, *Trade Sustainability Impact Assessment of the FTA between the EU and ASEAN*, Final Report, 2009, p 3.



<ul style="list-style-type: none"><li>• Distribution aspects of employment impacts should be studied in more detail and possibly quantified; and</li><li>• GATS Mode 4 and migration, as well as Rules of Origin are important issues</li></ul>		<p>reports to distributional aspects, both geographic and social; and</p> <ul style="list-style-type: none"><li>• RoO were added to the in-depth assessment.</li></ul>
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## 1.4 Stakeholder views on SIAs

In September to October 2010, we carried out a number of interviews with European social partners with an interest in trade policy and/or past experience of SIA stakeholder consultation events. This section sets out our findings from those interviews. Preliminary findings were presented to social partners who attended the Multi-Sectoral European Social Dialogue meeting on Trade SIAs and Trade Policy, organised by DG Employment, on 15 October 2010.

### European social partner views on the SIA process

#### The importance of engaging with the social partners in the context of SIAs

The social partners are recognised by the EU to play a unique and important role in economic and social governance, with their role specifically promoted in the Treaty on the Functioning of the European Union.<sup>30</sup>

As inter-sectoral membership bodies, European trade unions and employers' organisations collectively represent the interests of large numbers of workers and employers across the EU, including those sectors and industries on which trade liberalisation is likely to have important impacts. As such, strong social partner participation in the SIA process is important to ensure that:

- There is a clear flow of information to trade unions and employer organisations whose members may be affected by trade negotiations;
- Information held by trade unions and employers' organisations is taken into account in the assessment of impacts, thereby improving the overall quality of information available to contractors;
- There is greater public confidence in the findings of the SIAs (provided that social partner views are adequately reflected in the SIA report); and
- Where SIA recommendations include a role for social partners (e.g. monitoring mechanisms associated with sustainability impacts), social partners will be better informed and ready to participate in those measures.

Overall, the involvement of civil society and social partners in dialogue on different aspects of trade policy – impact assessment, negotiations and monitoring – serves to highlight and strengthen the EU's cooperation-based approach to trade and sustainable development.

#### Structure of consultation

An important part of the methodology for this project involved a series of interviews with key social partners to gain a better understanding of their role in SIA process, their major concerns and suggestions for improvements. Overall, we carried out interviews with representatives of 14 European social partner organisations that have an interest in trade policy and/or past institutional experience of SIA consultation (see

<sup>30</sup> Article 152: 'The Union recognises and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy...'



Table 6).

Table 6: Social partners consulted during stakeholder engagement phase, September to October 2010

Trade unions	
ETUC	European Trade Union Confederation
EFFAT	European Federation of Food, Agriculture and Tourism Trade Unions
EMF	European Metalworkers' Federation
ITUC	International Trade Union Confederation
Uni-Europa	European Trade Union Federation for Services and Communication
Employers' Organisations	
Business Europe	Business Europe
CEEMET	Council of European Employers of the Metal, Engineering and Technology-based Industries
CEFS	European Committee of Sugar Manufacturers
COPA-COGECA	European Farmers and Agri-cooperatives
Cotance	Confederation of National Associations of Tanners and Dressers of the European Community
CESA	Community of European Shipyards Associations
Euratex	European Apparel and Textile Confederation
EuroCommerce	Association for Retail, Wholesale and International Trade Interests

### Social partner comments on attendance at SIA consultation events

Many of the social partner representatives were generally positive about the opportunity to participate in consultation on SIAs through DG Trade's Civil Society Dialogue (CSD) meetings in Brussels. All social partner representatives emphasised the importance of adequate consultation mechanisms on EU trade policy. Positive aspects of the CSD meetings were highlighted by some of the social partners:

- CESA and CEFS suggested that the SIA meetings were good forums for transparency and information provision; and
- Euratex and ITUC considered that the meetings gave social partners an opportunity to exchange information.

In addition, all of the social partners recognised the increasing importance of gaining a deeper understanding of the impacts of trade on the EU and their given sectors.

Nevertheless, representatives of both trade unions and employers' organisations acknowledged that there has been limited attendance by the social partners at the CSD meetings on SIAs. As noted previously, there is notably low attendance by trade unions and, where business organisations attend, they are more likely to focus on their members' commercial interests rather than employment-related issues. On the latter point, interviews with a number of employers' organisations confirmed our analysis, with representatives of business organisations stating that they were more likely to send trade or international affairs specialists to SIA meetings (rather than employment and social affairs specialists) to focus on economic issues such as market access or competition policies.<sup>31</sup>

### Social partner comments on reasons for low attendance at SIA consultation events

One of the main reasons cited by social partners for their low attendance at SIA meetings in Brussels was **lack of resources**. This is a particular issue for trade unions, which generally don't have dedicated trade specialists, notwithstanding the increasing interest of the European trade union movement in trade issues.<sup>32</sup> Although business organisations have a better track record of

<sup>31</sup> Interviews with BusinessEurope, Euratex, EuroCommerce, CESA and COPA-COGECA.

<sup>32</sup> Interviews with EMF and UNI Europa. Although we note that the EMF appointed a trade specialist in 2010.

attendance at SIA meetings than trade unions, they also noted that resource constraints affected their ability to participate in consultation.<sup>33</sup> Participation in SIA consultation events is seen to be resource-intensive as a result of the complexity of issues and the length of SIA reports.

There is also a strong perception amongst trade unions and employers' organisations that the **SIA process has a limited influence on the outcomes of trade negotiations**. The implication is that where the social partners are grappling with resource constraints, they are more likely to focus their attentions and energies on mechanisms that they consider will give them the most resource-effective influence on trade policy. For example, COPA-COGECA stated that the SIA process '*is only one of many channels to raise concerns or questions and it is not the most effective*'. Similar ideas were espoused by EMF and CESA.

Mechanisms that social partners considered to deliver equally effective or greater influence over trade policy were:

- Direct contact with DG Trade officials,<sup>34</sup>
- Direct contact with officials from other Directorates, such as DG Agriculture,<sup>35</sup> and
- Direct contact with Members of the European Parliament (MEPs).<sup>36</sup>

Employers' organisations were more likely to report direct contact with DG Trade officials, while trade unions were more likely to have engaged in discussions with MEPs. Although trade unions would like to have greater interaction with DG Trade officials, they appear to be increasingly interested in leveraging MEPs' growing interests in the sustainability impacts of EU trade policy.<sup>37</sup>

The idea of influence is an important point, as it raises once more the question **of conflicting views on the purpose of SIA consultations**. Although DG Trade sees the stakeholder consultation process as an opportunity for *inter alia* increasing transparency and providing information to stakeholders, our interviews suggested that social partners are primarily interested in the SIA consultation process as an opportunity to interact with DG Trade officials and influence trade policy. In effect, this means that there is little overlap between the objectives of DG Trade and the social partners and **low incentives for the social partners to attend SIA meetings**: they consider them to be resource-intensive and unlikely to fulfil their main goal of influencing trade policy. It is important to recognise that social partner expectations are informed by the meaning that they attribute to 'consultation' in the context of 'social dialogue' which traditionally involves more in-depth bipartite or tripartite social dialogue. While it doesn't necessarily offer decision-making power to all participants, social dialogue often takes place as part of a decision-making process or offers the opportunity to influence a decision-making process.<sup>38</sup>

There is also a perception amongst social partners that when they attend CSD meetings, **their views are not taken into account by SIA contractors**. This is in great part because most final reports do not acknowledge stakeholder comments or reflect their influence over the report. Several social partner representatives commented either that it was not clear how their comments were taken into account or that their views were definitely not taken into account in the final report.<sup>39</sup> Only CEFS

<sup>33</sup> Interviews with BusinessEurope, COPA-COGECA and EMF.

<sup>34</sup> Interviews with BusinessEurope, CESA, COPA-COGECA, Euratex and CEFS. Note that this was more the case for employers' organisations than trade unions.

<sup>35</sup> Interviews with EFFAT, CEFS and COPA-COGECA.

<sup>36</sup> Interviews with EMF and EFFAT.

<sup>37</sup> Interview with EMF.

<sup>38</sup> See, e.g. Junko Ishikawa, *Key features of national social dialogue: a social dialogue resource book*, ILO, 2003, p 3.

<sup>39</sup> Interviews with EMF, COTANCE, COPA-COGECA, ITUC and Euratex.

recounted a positive experience of direct contact with the contractors that resulted in their comments being clearly reflected in the final SIA report on Mercosur.

Finally, some social partners expressed the view that the **CSD meetings do not provide an appropriate forum for consultation with the social partners**. In particular, EFFAT commented that it had never participated in SIA meetings, despite the importance of agricultural issues in many of the SIAs, because it considered that they were an inappropriate forum for consulting social partners, as distinct from NGOs.

There was a widespread perception that the meetings lacked the correct balance of interest groups required for social dialogue: the EMF commented that SIA meetings are dominated by business interests, whilst other social partners stated that there are too many stakeholders representing too many interests at the CSD meetings, with equal value accorded to all stakeholder views.<sup>40</sup> These concerns were voiced by the social partners representing the textile, leather and footwear industries at a joint SDC meeting in 2009 on the ASEAN SIA:

... the current form of 'civil society dialogue' [on SIAs is] inadequate, partly due to its lack of focus and low frequency, and partly due to its too widespread coverage of interests and its relative disregard for the special position and legitimacy of social partners and existing social partner structures as provided by [Article 138 of the Treaty Establishing the European Community].<sup>41</sup>

These views must be seen in the context of ongoing debates about civil society dialogue and stakeholder representativeness, in which social partners' argue that their membership bases and democratically elected leadership gives them a unique legitimacy and representativeness, in contrast to NGOs that do not have a membership base.<sup>42</sup>

These findings suggest that:

- At least some of the social partners' concerns may be relatively easily surmounted if they were to have a more clearly defined role in the SIA process and there was a standard approach to reflecting the outcomes of stakeholder consultation in SIA reports;
- The question of social partner resource limitations requires more particular attention; and
- There is a need to re-examine the purpose of the stakeholder consultation meetings and whether they represent the best or only way to consult with the social partners.

### Key concerns regarding the content of SIA reports, including the social impact assessment

A number of social partners stated that the **SIA reports are too long and complex**, making it difficult for social partners to put forward informed sectoral positions or specific comments. This is particularly the case with respect to the outcomes of CGE modelling, which are highly technical and require significant expertise and time to analyse. For example, BusinessEurope suggested that SIAs could be substantially simplified by reducing the emphasis on CGE modelling. At the same time, COPA-COGECA raised concerns about the possibility of conducting a 'decent study' if the timelines are to be reduced.

Social partners made a number of comments about **the SIA methodology**, particularly with respect to the **limitations of economic modelling**:

<sup>40</sup> Interviews with ETUC and CESA.

<sup>41</sup> Minutes of the Joint Session of the Social Dialogue Committees for 'Textiles and Clothing', 'Tanning and Leather' and 'Footwear' on Trade Sustainability Impact Assessments, 11 June 2009 (provided by DG Employment).

<sup>42</sup> These views were also expressed by social partners in the context of the 2007 CSD review: Anneke Slob and Floor Smakman, *A Voice, not a Vote: Evaluation of the Civil Society Dialogue at DG Trade*, 2007, pp 53-4: [http://trade.ec.europa.eu/doclib/docs/2007/march/tradoc\\_133527.pdf](http://trade.ec.europa.eu/doclib/docs/2007/march/tradoc_133527.pdf).

- Social partners highlighted the particular usefulness of sectoral impact assessments, but BusinessEurope, for example, observed that the SIA methodology is not sufficiently robust to simulate sectoral employment impacts with any degree of accuracy.
- ITUC stated that the discussion of the modelling results does not sufficiently highlight outstanding uncertainties. For example, ITUC and ETUC argued that one of the fundamental limitations of economic modelling is that it cannot give any indication of the *quality* of jobs that will be destroyed or created; i.e. the impact on decent work as opposed to employment levels (*Will the new jobs created be found in the informal economy? Will they represent more precarious working conditions for workers?*).
- EFFAT noted that SIAs do not provide enough information about the *period* over which the impacts are likely to take place, information that is critical for managing transitions in the labour market.
- EMF raised concerns about the usefulness of a study that simulates the effects of a trade agreement at one point in time and is not updated if negotiations stall.
- COPA-COGECA considered that SIAs should incorporate a more regional focus (a key issue for the agricultural sector).

Social partners argued that these methodological gaps undermine the modelling results and impact assessment, significantly impeding contractors' ability to state credibly whether employment impacts will be 'negative' or 'positive'.

In light of these methodological limitations, social partners argued that there was **too much focus on the economic pillar of the SIA** and highlighted the contrasting level of detail accorded to economic impacts versus employment and decent work impacts. Euratex suggested that the focus on economic impacts probably results from the high level of niche expertise that is required for CGE modelling, which may lead to a lesser understanding of how to analyse social impacts. Some social partners were aware of the broader methodological difficulties associated with social impact assessment and suggested that this might be overcome by developing best practice templates for contractors to guide their analysis of employment and decent work impacts.<sup>43</sup>

Some stakeholders raised concerns about the **design of flanking measures**, and had quite specific suggestions to improve this area of the SIA process (see Table 7). These measures were described as 'too broad and general to be useful' (BusinessEurope) and not responsive enough to the needs of European workers (Euratex). Importantly, Euratex expressed concerns that flanking measures in SIAs risked becoming meaningless, given that there is little evidence to show that they are implemented by the Commission (notwithstanding consideration given to flanking measures in SIA position papers). We note that the Commission is not obliged to agree with or implement the flanking measures set out by contractors in the SIA. However, as an exercise in transparency, social partners were very interested in receiving more information from the Commission about how it develops and implements flanking measures in the EU and trading partner countries once a trade agreement comes into operation.

Finally, most social partners commented that the influence and effectiveness of the SIA reports was usually weakened by the **timing** of the SIA process, arguing that SIAs were generally conducted too late in the negotiating process for their findings to be taken into account by negotiators.<sup>44</sup> This was seen as particularly important given that some negotiators were less likely to be familiar with employment and decent work issues. COPA-COGECA argued that a detailed SIA should be carried out *before* the decision is taken to start negotiations.

<sup>43</sup> Interviews with ITUC, BusinessEurope and ETUC.

<sup>44</sup> Interviews with Euratex, COPA-COGECA and ETUC.

### The scope for more systematic involvement of the Sectoral Social Dialogue Committees

Sectoral Social Dialogue Committees (SDCs) provide a potential framework for social partners to be consulted on sectoral policies outside the social field such as trade, internal market, industrial or transport policies. The Commission has specifically included a reference to consultation with European SDCs in the Impact Assessment guidelines. The recent Staff Working Paper on European sectoral social dialogue notes that:

Consultation of [SDCs] is complementary to other forms of consultation, notably public consultations, and it differs from wider consultation of other actors in civil society in that social partners engaged in SDCs are recognised by the Commission as representative actors of the sector concerned.<sup>45</sup>

However, the SIA process has not yet harnessed the potential of SDCs to deepen the discussion of sectoral social impacts in Europe. To some extent, this is because the focus of dialogue in many SDCs tends to be on internal EU issues, such as mobility of workers, health and safety, skills levels and industry restructuring. Business Europe and ETUC stated that their inter-professional SDC only focused on internal social issues and social dialogue; similarly representatives from both employers and employees in the service sector stated that trade-related issues are not included in their SDCs' work programmes.

Only a few of the sectoral social partners use SDCs as a forum to discuss or agree on common positions, carry out research or develop tools related to the impacts of international trade on employment and decent work.<sup>46</sup> Examples of sectoral collaboration on trade issues include:

- **Sugar.** The European social partners in the sugar sector (CEFS and EFFAT) provided detailed analysis in their 2008 report of the consequences of trade policy on the sustainability of the sector in Europe, including consequences on employment. Moreover, in 2010, during the plenary session of their SDC, the social partners discussed trade agreements and the challenges for the sugar industry. The social partners agreed *inter alia* that the SDC work programme for 2010 would include dialogue on EU trade commitments that could influence the European sugar industry.
- **Agriculture.** In a joint statement released in September 2010, COPA-COGECA and EFFAT called on trade negotiations with Euromed countries<sup>47</sup> 'to seek to promote social progress, integrating the principles of respect and improvement of working conditions and the salaries of agriculture employees'. The social partners suggested the establishment of sectoral social dialogue in partner countries and offered their experience and cooperation in this area.<sup>48</sup>

#### Sectoral Social Dialogue Committees (SDCs)

European social dialogue is one of the key elements of the European social model. Sectoral social dialogue is encouraged by the EU Treaties, which require the Commission to consult the social partners before submitting any proposals in the social policy field.

In 1998, the Commission adopted a decision to formally establish SDCs to be consulted on EU-level developments with social implications and to develop and promote social dialogue at the sectoral level. As of 2010, there are now 40 SDCs in existence, covering some 145 million workers (more than 75% of the EU's workforce).

**Source:** European Commission, *European Sectoral Social Dialogue: Recent developments*, 2010.

<sup>45</sup> European Commission, *Commission Staff Working Document on the functioning and potential of European sectoral social dialogue*, SEC(2010) 964.

<sup>46</sup> Eurosugar, *CSR – Code of Conduct of the European Sugar Industry, Sixth implementation report (year 2008)*, 2009.

<sup>47</sup> See the European Commission's website on the Partnership for Euro-Mediterranean cooperation: [www.eeas.europa.eu/euromed/index\\_en.htm](http://www.eeas.europa.eu/euromed/index_en.htm).

<sup>48</sup> These are the examples of sectoral social dialogue that we think have the clearest connection to the employment effects of trade; however, we acknowledge that there are other examples of sectoral collaboration on related issues, such as work carried out by Euratex and ETUF on a code of conduct for the textiles industry.

Social partners suggested that SDCs could provide a balanced view of their sectors and the trade-related challenges they face. However, to date, SDCs have only been involved in one SIA. In June 2009, at the suggestion of DG Employment, the social partners in the textile, leather and footwear sectors organised a joint session of their SDCs to discuss the SIA for the proposed EU-ASEAN FTA.<sup>49</sup> The session included presentations from the SIA contractors and DG Trade officials.

Although ideally the ASEAN SIA meeting would have been organised earlier in the SIA process and was not intended as a formal consultation on sectoral social impacts, the social partners who attended considered that it provided a beneficial forum for them to confirm their interest in trade agreements and trade SIAs.<sup>50</sup> For example, Euratex stated that SDCs were a good forum to discuss SIAs, while Cotance considered that SDCs were among the key stakeholders in the process and should be directly consulted by SIA contractors and DG Trade.

Most social partners we spoke to were positive about a greater role for SDCs in the SIA consultation process. However, social partners noted that some obstacles may need to be addressed first:

- EMF observed that not all export-focused sectors have their own dedicated SDC: this is a particular issue for the automotive sector.<sup>51</sup>
- CEFS noted that the autonomy of each SDC to determine its own work programme must be preserved (i.e. SIA consultation should not be 'imposed' on SDCs). This is particularly important given that SDCs have limited resources and few opportunities for dialogue; i.e. one or two plenary sessions per year and a few working groups. As such, SDCs must have the opportunity to choose whether to prioritise trade issues as part of their work programme.

### Inputs that social partners could usefully provide

Very few social partners said that they had been directly approached by SIA contractors for inputs. The social partners in the agricultural sector stated that this lack of direct approach by contractors had resulted in important errors and omissions in the text of the final Euromed SIA report that could have been prevented. In response to these perceived inaccuracies, EFFAT commissioned its own detailed study on the impact of the proposed FTA on agriculture.<sup>52</sup>

A number of social partner representatives suggested that they would be able to provide useful inputs for SIAs if they were approached directly by contractors.<sup>53</sup> In particular, many social partner representatives commented that they had detailed sectoral information on issues such as employment levels, skills and industry restructuring that could be usefully shared,<sup>54</sup> while others said that they could provide contact details for their counterparts outside the EU.<sup>55</sup> EuroCommerce commented that these inputs could be enhanced with additional funding or capacity-building.

<sup>49</sup> Minutes of the Joint Session of the Social Dialogue Committees 'Textiles & Clothing', 'Tanning & Leather' and 'Footwear' On Trade Sustainability Impact Assessments, 11 June 2009.

<sup>50</sup> Interviews with Euratex, Cotance and ETUF.

<sup>51</sup> Although we note that the interests of the automotive sector are, of course, covered by the parent SDC for the metal industry.

<sup>52</sup> EFFAT, *Sozioökonomische Auswirkungen einer Freihandelszone im Mittelmeerraum auf den Agrarsektor*, 2010 (only available in German).

<sup>53</sup> Interviews with ETUC, Cotance and CESA.

<sup>54</sup> Interviews with CEFS, CESA, EFFAT and Euratex.

<sup>55</sup> Interviews with EMF and EFFAT.



### Social partner suggestions for improving the SIA process

The social partners collectively made a number of suggestions for improving a range of different aspects of the SIA process.<sup>56</sup> We have recorded these below in their entirety in Table 7.

Some of the suggestions relate to **the role played by Commission services** in the SIA process. Social partners suggested that there was scope for improved understanding of employment and decent work issues across all of the Commission services involved in the SIA process and the negotiations more generally.

Other suggestions relate to **contractor capacity**. Many of the social partners thought that contractors' knowledge of employment and decent work issues could be improved. There was general agreement that more direct consultation with social partners could help in this respect. For example, contractors should approach social partners directly for relevant inputs, including social partner contact information in proposed trading partner countries, statistical data or key research reports.

Some of the suggestions relate to the **capacity of the social partners** themselves. For example, some social partners said that they would like more information about the SIA process and how they can contribute,<sup>57</sup> whilst others said that targeted capacity building measures could help to improve social partner inputs. Amongst other things, ETUC suggested that there should be greater promotion and use of existing budget lines on social dialogue; these could, for example, be used to conduct an inter-sectoral study that would build capacity on trade-related issues.

**Table 7: Summary table of social partner suggestions**

Theme	Suggestion	Social partner
<b>Consultation process</b>	1. Ensure that contractors directly approach social partners / make social partner consultation compulsory	ETUC, EFFAT, Euratex, CESA, EFFAT, CEFS
	2. Strengthen the dissemination of information during the SIA process	CEFS, Euratex
	3. Ensure that contractors consult with SDCs	Euratex, Cotance
	4. Ensure that there is a dedicated meeting between SDC and DG Trade	Cotance
	5. Consider involving social partners earlier in the SIA process, for example in the steering committee	ETUC, CEFS
<b>Commission services</b>	6. Allocate more resources to strengthen DG Employment's role in the SIA steering committee	ETUC, Euratex
	7. Strengthen the involvement of negotiators in the SIA process	BusinessEurope
	8. Raise awareness of employment and decent work issues amongst all Commission services involved in SIAs and negotiations	CESA
<b>Contractors</b>	9. Strengthen contractor awareness of employment and decent work issues	COPA-COGECA, Euratex, ETUC
<b>Content and timing of report</b>	10. Make SIA outputs shorter	ETUC, BusinessEurope
	11. Simplify the SIA by limiting the emphasis on CGE modelling	BusinessEurope
	12. Strengthen the sectoral impact assessments, including more discussion of uncertainties associated with modelling	ITUC
	13. Increase the number of sectors studied in the SIA	Cotance
	14. Include more detail about regional impacts	COPA-COGECA

<sup>56</sup> We note also the analysis and recommendations set out in the Opinion on Sustainability impact assessments (SIA) and EU trade policy issued by the Economic and Social Committee (CESE 818/2011 - REX/313) on 5 May 2011. The rapporteur for this Opinion, Mme Evelyne Pichenot, carried out broad consultation in connection with the Opinion.

<sup>57</sup> Interviews with UNI Europa and CEEMET.



	15. Include more detail about the type of jobs and enterprises that will be impacted	Euratex, BusinessEurope
	16. Include more detail about the period over which the impacts are expected to take place	EFFAT
	17. Include more information about how job quality will be affected (i.e. impact on decent work as opposed to focus on employment levels)	ETUC, ITUC
	18. Ensure that social partners' comments are taken into account in the final report	ETUC
	19. Conduct SIAs earlier so that they can be taken into account in the decision to commence negotiations	COPA-COGECA
<b>Flanking measures</b>	20. Make flanking measures more targeted and precise, including information about the measures proposed, the funds available and the way to activate them	BusinessEurope, Euratex
	21. Design a broader range of flanking measures	Euratex
	22. Strengthen Commission follow-up on the implementation of flanking measures, including liaison with member states	Euratex
	23. Consult more with social partners about the types of flanking measures that would be appropriate or necessary	Euratex
	24. Build trade union capacity to help them implement flanking measures	ETUC
	25. Use SDC input to make propositions about specific projects or programmes which could be implemented in different member states	Euratex
<b>Capacity building for social partners</b>	26. Promote partnership between European and partner country trade unions to develop projects and programmes to mitigate the social impacts of trade	ETUC
	27. Provide social partners with additional resources to carry out research to feed into the SIA process	EuroCommerce
	28. Use EC budget line on social dialogue to build social partners' capacity to engage on trade issues	ETUC
	29. Raise awareness of the SIA process amongst social partners	UNI Europa, CEEMET

## 1.5 Recommendations on SIA methodology and practice

In line with the terms of reference for our study, this report and resulting recommendations are principally based on an analysis of the practices and experiences related to SIA processes that were carried out prior to March 2009. Where possible, we have taken into account our knowledge of recent changes that DG Trade has introduced to the SIA process, as well as anticipated changes for the future (for example, changes may be introduced following the review of DG Trade's Civil Society Dialogue).

We acknowledge that some of the recommendations made in this report may already be addressed by reforms that DG Trade has already set in train; nevertheless, for the sake of completeness, we have chosen to set out our recommendations in full.

### Terms of reference and contractor selection

#### Recommendation 1

The technical specifications for team composition for each SIA should include a requirement for one team member with specific experience of:

- Analysing a range of qualitative and quantitative employment and decent work issues; and
- Consulting with social partners in different geographic contexts.

### Methodology

#### Recommendation 2

The Commission should provide more concrete support and guidance for the assertion that economic modelling and stakeholder consultation are of equal importance and how contractors should achieve this balance in practice.

#### Recommendation 3

We recommend that there should be better guidance available for SIA contractors on both:

- Assessing the decent work and employment impacts of trade; and
- Stakeholder consultation.

We recommend that this information be provided through a revision to the Handbook. It is particularly important that the Handbook reflects current practice and thinking if the Commission intends to continue cross-referencing it in the terms of reference for SIA studies. In addition to (or in lieu of) the Handbook revision, DG Trade could develop a guide that could be annexed to the Handbook, which could include checklists for SIA contractors on labour issues and stakeholder consultation. These should be organised on the basis of a stage-by-stage outline of the kinds of issues that need to be addressed and the likely outputs in relation to each phase of the SIA.

### Stakeholder consultation - general

#### Recommendation 4

We recommend that steps are taken to ensure that employers (as distinct from business representatives) are better represented in relation to the SIA process; i.e. representatives of employer organisations or social affairs and employment specialists from business organisations.

### **Recommendation 5**

We recommend that contractors are encouraged to use one-on-one meetings more routinely to gather information, both inside and outside the EU, particularly at an inter-professional level (ETUC and BusinessEurope).

### **Recommendation 6**

We recommend that an assessment is made of the needs for capacity building amongst stakeholders and, where appropriate, budget lines and / or implementation partners are identified to support this, both inside and outside the EU. These avenues for funding support should then be clearly communicated to the social partners.

## **Stakeholder consultation within the EU**

### **Recommendation 7**

We recommend that the input of the social partners in the SIA consultation process should be improved in the EU consultation process. This should involve making SDC meetings a standard part of the stakeholder consultation process.

## **Stakeholder consultation outside the EU**

### **Recommendation 8**

With respect to consultation outside the EU, we recommend that there should be a separate meeting of the social partners on the decent work and employment impact of the proposed trade agreement, in addition to the standard workshop.

### **Recommendation 9**

We recommend that steps are taken to encourage SIA contractors to make greater use of local partners in relation to stakeholder consultation and treatment of employment and decent work issues. In particular, we recommend that the local partner team should:

- Include a team member with knowledge of local labour market issues and experience of consulting with the social partners;
- Be given a more active role in scoping and developing flanking measures and any recommendations on monitoring;
- Be given a clearer role in identifying participants and organising the stakeholder meetings; and
- Be given responsibility for carrying out regular bilateral meetings throughout the SIA process.

### **Recommendation 10**

We recommend that SIA contractors should liaise with the local ILO representative, at the country or regional level.

### **Recommendation 11**

We recommend that SIA contractors make contact with the European Economic and Social Committee at the beginning of the project to determine whether it has previously conducted (or plans to conduct) roundtables / seminars with the tripartite partners in the proposed trading partner country. Similarly, we also recommend that SIA contractors should identify existing platforms for dialogue that they could use to improve communication with stakeholders. This applies to consultation both inside and outside the EU.

### **Recommendation 12**

We recommend that there should be more systematic follow-up procedures after SIA workshops in third countries. Ideally, we recommend that this involve a follow-up dissemination event, but at the least should involve circulating written material to stakeholders, translated into their language, to show how their comments have been interpreted and what influence they will have on the SIA study.

### **Report-writing**

### **Recommendation 13**

We recommend that the final SIA report should include the following headings:

- Key decent work issues (this should be considered for inclusion in relation to context and impact assessment, both in the general and sectoral analysis);
- Outline of contacts with stakeholders (including social partners) in Europe;
- Outline of contacts with stakeholders (including social partners) in the third country / region;
- Anticipated adverse impacts on employment and decent work arising from modelled outcomes; and
- Steps to be taken in relation to mitigating adverse decent work impacts.

### **Recommendation 14**

We recommend that the final SIA report should:

- Always include a list of stakeholders consulted / workshop participants;
- Clearly set out key stakeholder positions and points of views;
- List issues raised by stakeholders in the workshop / meetings and how these have been reflected in the report; and
- Set out what changed as a result of the consultation.

Where possible, the key points raised by stakeholders and their impact on the final report should be reflected in the executive summary.



## Part II: Ex-post monitoring in Chile

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## 2.1 Introduction

The European Commission is committed to building credible and efficient monitoring systems to accompany the implementation of free trade agreements. As part of its *Trade, Growth and World Affairs* communication,<sup>58</sup> the Commission signalled its intention to carry out ex-post evaluation on a more systematic basis, while a number of free trade agreements recently concluded by the EU contain commitments to monitor their impacts.<sup>59</sup>

In this context, a major part of this project was devoted to carrying out a retrospective monitoring exercise in Chile, with a view to:

- Building a better picture of the effect of the EU-Chile AA on employment and decent work in Chile, based on quantitative and qualitative methodologies;
- Stimulating dialogue amongst stakeholders in Chile on the effects of trade liberalisation on employment and decent work; and
- Developing tools and principles that could be drawn on to monitor these effects in other countries.

Chile was selected for a pilot monitoring exercise on the basis that the EU-Chile Association Agreement (AA) has been in operation for a number of years (since 2003) and is considered to have had notable effects on trade in goods and services with Europe. Chilean imports in the EU have doubled since 2003.<sup>60</sup> We note that the EU-Chile AA does not contain any commitment to carry out monitoring, so this study was carried out on an ad hoc, exploratory basis.

## Project team

The study was carried out by Ergon Associates in partnership with a team comprised of Kirsten Sehnbruch (project coordinator) and Oscar Landerretche from the University of Chile and Magdalena Echeverría, an independent consultant. The team was supported by research assistants from the University. The methodology for the quantitative analysis was developed and applied by Oscar Landerretche and the stakeholder interviews were carried out by Magdalena Echeverría.

## Acknowledgements

Our work on this project in Chile was greatly facilitated by the kind assistance of a wide range of individuals who were very generous with their time and knowledge, including José Miguel Torres, Gerald Hatler, Beatriz Gonzalez, Nicola Ardito and Nanna Mattson from the EU Delegation in Santiago and Guillermo Miranda, Alicia Diaz, Patricia Roa, Mario Velasquez and Montserrat Lopez from the ILO's Santiago office.

The project team would like to thank the ILO in Santiago for hosting the two stakeholder workshops.

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<sup>58</sup> DG Trade, *Trade, Growth and World Affairs*, 2011:  
[http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc\\_146953.pdf](http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146953.pdf).

<sup>59</sup> Monitoring mechanisms are envisaged in the EC-CARIFORUM Economic Partnership Agreement, EU-South Korea FTA, EU-Central America Association Agreement and the EU-Peru-Colombia FTA.

<sup>60</sup> DG Trade website, *Chile*: [http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/chile/index\\_en.htm](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/chile/index_en.htm)

## 2.2 Methodology

### Overview

There are important methodological challenges associated with attributing decent work and employment impacts to the operation of a single trade agreement. Labour market developments may result from the individual or combined effect of any number of factors: these may be domestic factors (such as changes in government policy or labour law reforms) or other trade agreements. With respect to the latter, Chile has concluded a large number of bilateral trade agreements,<sup>61</sup> making it particularly difficult to isolate the effects of the EU-Chile AA from the individual and collective effect of other trade agreements. These issues were taken into account when designing both the quantitative and qualitative aspects of the methodology and place some important constraints on our ability to reach clear and unqualified conclusions.

Our methodology for this task was comprised of two main components, as described in the following sections:

1. Quantitative data collection and analysis; and
2. Stakeholder engagement, including individual interviews and collective workshops.

### Quantitative data collection and analysis<sup>62</sup>

#### Data sources

The methodology for the quantitative analysis was developed on the basis of pre-existing, publicly available databases. The benefit of this approach is that it is relatively simple, cost-effective and transparent to stakeholders, and, as such, a sustainable model that could be easily repeated in Chile in years to come (and could potentially provide a template model for other country contexts). The use of firm-level data would have enabled us to make stronger, more rigorous conclusions about the links between trade and employment impacts, but would have required new data collection and hence would have been considerably more resource-intensive.

Given that there are no existing databases specifically designed to connect trade flows with labour market developments, we drew on and compared two different data sources:

- Customs data for trade flows; and
- Data from the National Socioeconomic Survey (CASEN),<sup>63</sup> the main household survey in Chile, for labour market developments.

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<sup>61</sup> In addition to the EU Association Agreement, Chile has concluded bilateral free trade agreements with Canada (1997), Mexico (1999), Costa Rica (2002), El Salvador (2002), European Free Trade Association (2004), Korea (2004), United States (2004), China (2006), India (2007), Japan (2007), Panama (2008), Colombia (2009), Australia (2009), Peru (2009) and Guatemala (2010). It has entered into the Trans Pacific Strategic Agreement (2006) with Brunei Darussalam, New Zealand and Singapore and also has bilateral “economic complementation agreements” with Bolivia, Venezuela, Ecuador and Mercosur, as well as a partial agreement with Cuba. In addition, Chile has concluded negotiations on trade agreements with Turkey, Nicaragua and Malaysia and is in progress on negotiations with Vietnam. See: Dirección General de Relaciones Económicas Internacionales, ‘Cuadro Resumen de Acuerdos’, <http://rc.direcon.cl/pagina/1897>.

<sup>62</sup> This section is based on the analysis by Oscar Landerretche that is presented in Annex 6.

<sup>63</sup> The CASEN survey, developed by the Ministry of Planning and Co-operation, is a household survey with a large sample size that provides representative data at the national, regional, urban and rural levels, as well as some of the Chilean “comunas”.





CASEN is the most reliable and regular source of information on the labour market in Chile, where labour market surveys are not carried out regularly. However, we note that household survey data does not make any distinction between workers who work in enterprises that work in export businesses as distinct from non-export businesses. This means that the labour market data provides broad sectoral trends, rather than export-focused sectoral information.

One of the challenges associated with extracting sectoral trends from two different sources relates to the way in which sectors are classified. Customs data is classified according to the Harmonised System (HS) of the World Customs Organisation,<sup>64</sup> while data from the National Socio-Economic Survey (CASEN) is classified according to the International Standardised Industrial Classification system (ISIC).<sup>65</sup> To address any inconsistencies, we reclassified the sectors and used the following categories:

- Wine and grapes;
- Other fruits and related foods;
- Other agriculture, meat, dairy and related foods;
- Fishing and related foods;
- Wood, paper, cellulose and furniture;
- Copper and its manufacture;
- Molybdenum (a type of mineral);
- Chemicals and plastics;
- Other minerals and metal manufacturing; and
- Industrial equipment and manufacturing.

### Sectoral selection

The methodology that we adopted for our quantitative analysis enabled us to analyse and compare trends in ten export sectors, but we needed to narrow our stakeholder engagement process to a much smaller number of sectors to ensure that it was achievable within the project's timeframes. Moreover, we needed to make this decision early, so that we could start the stakeholder process as soon as possible. As such, we carried out an early, provisional analysis of the data to identify relevant sectors.

Drawing on the trade and employment data sources outlined above, as well as consultation with trade officials at the EU Delegation in Santiago, we made a preliminary determination of:

- The sectors most directly affected by the EU-Chile AA in terms of export volumes or value; and
- Sectors where there appeared to have been discernible impacts on employment over time (particularly employment levels).

On the basis of this analysis, we selected the following sectors<sup>66</sup>:

#### 1. **Salmon;**

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<sup>64</sup> For further information, see: [www.wcoomd.org/home\\_hsoverviewboxes\\_hsharmonizedsystem.htm](http://www.wcoomd.org/home_hsoverviewboxes_hsharmonizedsystem.htm).

<sup>65</sup> For further information, see: <http://unstats.un.org/unsd/cr/registry/isic-4.asp>

<sup>66</sup> In this particular instance, all of the sectors we chose for stakeholder engagement had experienced positive impacts (see results on page 57). However, future studies in Chile or elsewhere may seek to identify sectors that experienced negative trading impacts and how this affected employment outcomes. For example, future ex-post monitoring studies may consider the interest of choosing sectors on the basis of different criteria, such as those that have experienced increased imports from the EU (and vice versa, if the impact on the EU were to be analysed).

2. **Wine;** and
3. **Forestry.**<sup>67</sup>

We later added the **fruit** sector on the basis of further data analysis that suggested significant trends in this sector, a decision which was facilitated by the overlap in stakeholders between the fruit and wine sectors. Subsequent analysis also revealed interesting employment trends in the chemicals and plastics sector; however, by this stage of the project, it was not feasible to introduce a fifth sector for stakeholder consultation, particularly where there was no stakeholder overlap with other sectors.<sup>68</sup>

### Period for analysis

We initially analysed trade data from 1997 to 2009, but chose to exclude 2009 in some cases on the basis that taking later figures into account would have skewed the results as a consequence of the impact of the global financial crisis in 2008. (Chile is one of the most open economies in the world and, as such, its export industries are highly sensitive to shifts in the global economy.) This decision also helped to give further symmetry to our analysis, as we sought to uncover what happened in two sets of six year periods: 1997-2002 (before the trade agreement came into effect) and 2003-2008 (after the trade agreement came into effect).

We note, however, that care should be taken in using a single date to interpret the ‘before’ and ‘after’ effects of a trade agreement, as the timing of the effects is unlikely to be clear-cut. For example, it is likely that some exporters will make certain decisions or change certain practices before the trade agreement comes into effect, in anticipation of its implementation. Similarly, it is possible that some exporters do not have immediate access to information about the trade agreement and thus certain decisions are delayed for a number of years. These two scenarios highlight the importance of tracking changes over a number of years before and after the trade agreement comes into effect.

CASEN surveys have been carried out at regular intervals in Chile over the last 20 years.<sup>69</sup> We used the results from 2000 and 2006 to analyse changes in the quantity and quality of work: these dates provided equidistant points around the EU-Chile AA coming into operation in 2003. Data from 2003 was not drawn on for the analysis given that it was the first year of operation of the treaty and is less likely to reveal any meaningful changes. Data from 2009 was excluded for previously discussed reasons related to the global financial crisis. The period for analysis also avoided the distorting effects of the labour market changes in the salmon sector that were brought about by the ISA virus outbreak in 2007.

### Trade data

We used a “difference in difference” approach to analyse trade flows, comparing changes over time in Chile’s trade relations with the EU compared with Chile’s trade relations with the rest of the world. To measure these trade shifts, we developed two main indicators:

- **‘Euro Bias’;** and
- **‘Euro Diversification’.**

<sup>67</sup> We note that the sectoral classifications chosen for stakeholder engagement do not precisely match those that we used for the quantitative analysis: some are more specific. This is due to the way that the quantitative data was aggregated, making it impossible to break broad sectoral categories down further. In particular, ‘fishing and related food’ is the narrowest sectoral classification we could use to indicate broad trends in the salmon sector. This places some constraints on the comparability of quantitative and qualitative information, but was more logical with respect to stakeholder consultation and a more focused analysis.

<sup>68</sup> The original terms of reference for the project envisaged analysis of no more than three sectors.

<sup>69</sup> The CASEN survey has been carried out in 1985, 1987, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2006 and 2009.

**Euro Bias** measures the changes in an export sector's participation in Chile's total exports to the EU, compared to that sector's participation in Chile's total exports to the rest of the world. The formula is:

$$Eb_{jt} = \frac{\sum_{j \in J} \sum_{i \in UE} X_{ijt}^q}{\sum_J \sum_{i \in UE} X_{ijt}^q} - \frac{\sum_{j \in J} \sum_I X_{ijt}^q}{\sum_J \sum_I X_{ijt}^q}$$

Here,  $X^q$  represents the total actual quantity (as opposed to the nominal value) of the goods  $j$  of sector  $J$  exported to market  $i$  in the period  $t$ . When  $Eb_{jt}$  is positive, this signifies that the sector  $J$ , during the period  $t$ , 'weighs' proportionally more in Chilean exports to the EU than in Chilean exports to the rest of the world; i.e., it is more 'biased' towards Europe. When the number is negative, it signifies the contrary. If the number rises over time, we can interpret this to mean that the sector's exports are increasingly biased towards Europe; whereas if the number falls, this signifies that the importance of Europe is declining relative to the rest of the world.

However, Euro Bias only provides one part of the picture. Although export volumes are an important indicator for trade performance, a sector can also improve by diversifying its export markets or the products it exports. Diversification not only enhances a sector's ability to grow, but also reduces its risk profile by diminishing its reliance on a smaller number of products or markets and decreasing any disruption caused by cyclical or seasonal fluctuations related to given markets or products. It is conceivable that these shifts can take place without a corresponding change in volumes of trade. As such, looking at diversification trends gives a more detailed picture than relying on trade volumes alone.

To measure this effect, we developed an indicator called **Euro Diversification**, which measures the changes in the diversification of a sector's export product and markets with respect to the EU compared to the diversification of its exports to the rest of the world.<sup>70</sup> Euro Diversification consists of a relatively conventional indicator of concentration called the Herfindahl-Hirschman Index (HHI). We calculated the HHI for the concentration of products in a sector by using the formula:

$$H_{jt}^{pr} = \sum_{j \in J} s_{i \in jt}^2$$

Similarly, for the concentration of markets in a sector, we used the formula:

$$H_{jt}^{mk} = \sum_{i \in I} s_{ij \in jt}^2$$

Here  $s$  represents one of two things: firstly, the share of product  $j$  in the total exports of sector  $J$  to all countries  $i$  of market  $I$  in the period  $t$ , and secondly, the share of country  $i$  in the total exports of the market  $I$  of the sector  $J$ . A higher value means more concentration, while a lower value means more diversification.

Once these indices have been calculated, then in the same way that we calculated the Euro Bias, we can compare the HHI for Europe with the HHI for the rest of the world. That is to say, the formula for Euro Diversification in products (in one category of product  $J$ ) is:

$$Ed_{jt}^{pr} = \sum_{j \in J} s_{i \in jt}^2 - \sum_{j \in J} s_{i \in UEjt}^2$$

<sup>70</sup> Diversification is a term used to describe the extent to which a sector is entering new markets ("market diversification") or increasing its product range for existing markets ("product diversification"). However, we note that trade data provides us only with information regarding the port of entry to the EU and not the ultimate destination of the exports.

And the formula for Euro Diversification in markets is:

$$Ed_{lt}^{mk} = \sum_{i \in I} s_{i \in Ijt}^2 - \sum_{i \in UE} s_{i \in UEjt}^2$$

In both cases, if the variable  $Ed$  is higher than zero, this means that exports to the EU in the sector are more concentrated (i.e. less diverse) than those to the rest of the world.<sup>71</sup> Therefore, we can interpret an increase in the value as a relative decrease in diversification (in Europe compared to the rest of the world) and a fall in the value as an increase in the relative concentration (in Europe compared to the rest of the world). In the case of the first measure, we are looking at the relative diversity across products within a sector (e.g. apples and pears in the fruit sector or tables and wood chips in the forestry sector). In the case of the second measure, we are looking at the diversification of markets (e.g. the Netherlands and Denmark in Europe or Japan and Argentina in the rest of the world).

What is the purpose of using these measures of Euro Bias and Euro Diversification? What we are trying to do is to establish a counterfactual analysis in order to compare the effects of the agreement between Chile and the EU. It is quite possible that changes may have taken place in a given export sector that are unrelated to the AA; for example, a sector may have been launching initiatives to diversity its product range or markets anyway, regardless of the EU-Chile AA. If this were the case, we hypothesise that the impact of this initiative would also be reflected in that sector's trading patterns with the rest of the world. What matters, then, is how trade relations with Europe changed compared with the rest of the world and whether these trends were more or less pronounced after the EU-Chile AA came into effect.

### Employment data

To analyse changes in the **quantity and quality of employment** over time, we analysed CASEN survey data according to the following indicators:

1. **Quantity of employment:** number of jobs;
2. **Income:** percentage of workers earning more than twice the minimum wage;<sup>72</sup>
3. **Type of contract:** percentage of workers with an indefinite contract;
4. **Duration of contract:** average length of employment;
5. **Training:** percentage of workers who received training during the previous year;
6. **Accidents:** percentage of workers who reported an occupational accident during the previous month;
7. **Gender:** percentage of women employed; and
8. **Indigenous peoples:** percentage of indigenous people employed.

Whilst we took into account the ILO's decent work indicators,<sup>73</sup> ultimately our choice of indicators was shaped by practical considerations; i.e. the available statistical data. (We note that this type of constraint would similarly affect ex-post monitoring studies in other jurisdictions.)

<sup>71</sup> Note that we are subtracting the EU figure from the 'rest of the world' with the object of 'inverting' the HHI away from its original purpose as a concentration index to a diversification index.

<sup>72</sup> A salary of twice the minimum wage is estimated to be necessary to ensure that a worker and his/her dependents live above the poverty line. This indicator was first developed in a report to UNDP Chile: J. Ruiz-Tagle and K. Sehnbruch, *Elaboración de un indicador de la Calidad del Empleo*, 2010.

## Stakeholder engagement

The qualitative component of our methodology was primarily based on contributions from stakeholders in the four selected sectors (salmon, wine, forestry and fruit), as well as relevant stakeholders at the national level, during individual interviews and collective workshops. Where possible, we also drew on information from websites, press statements and other documents (e.g. meeting minutes of sectoral roundtables).

To ensure that all relevant stakeholders were identified, we prepared a list of stakeholders at sectoral and national levels, with a particular focus on the Chilean social partners and relevant government agencies. (See Annex 3 for the stakeholder map.)

### Purpose of stakeholder engagement

Our stakeholder engagement aimed to draw on stakeholders' personal knowledge of their sectors in order to:

- Provide a more nuanced explanation of the results of the quantitative analysis;
- Bring forward relevant information or trends that had not emerged in the quantitative analysis; and
- Understand stakeholders' perceptions of current trading relations with the EU.

### Stakeholder interviews

We prepared a series of template questions for worker and employer representatives, with a view to providing a degree of consistency across the interviews and testing the preliminary findings of the quantitative analysis. The questions related principally to changes in the quantity and quality of employment in the selected sectors over time and the influence of European trade with Chilean companies. As far as possible, we tried to link these questions to the indicators used for the quantitative analysis. (See Annex 4 for the list of stakeholder questions.)

On the basis of these questionnaires, we carried out semi-structured interviews with key stakeholders, including sectoral social partners, in Santiago, Concepción, Puerto Montt and Castro from December 2010 to April 2011. (See Figure 1 for map of Chile; see Annex 7 for the complete list of interviews). To a large extent, our regional interviews were facilitated by the fact that economic activity in Chile tends to be concentrated by region (for example, the salmon industry is located in the Puerto Montt area), such that most industry stakeholders were concentrated in particular areas.

The main objectives of the stakeholder interviews were to:



**Figure 1: Map of Chile** (Source: EC Chile Country Strategy Paper 2007-2013)

<sup>73</sup>

For the full list of indicators proposed by the ILO, see: [www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/meetingdocument/wcms\\_115402.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/meetingdocument/wcms_115402.pdf)



- Consider the extent to which the findings of our quantitative analysis were consistent with stakeholder views of developments in the selected sectors;
- Gather information, where possible, about reasons for trends in the sectoral labour markets that had emerged from the quantitative findings;
- Determine whether stakeholders were gathering their own quantitative data about developments in the labour market; and
- Gather stakeholder views on the extent to which labour market conditions may have been affected by increased trade with Europe over time.

### **Labour inspectorate**

As part of our stakeholder engagement, we sought to obtain labour inspection and other data from the Dirección del Trabajo, the Chilean government agency responsible for labour inspection. Unfortunately, there were a number of unexpected delays in this process and we were ultimately required to submit a request for information under the Freedom of Information Act. As a result of these delays, we were unable to include labour inspection data in this report, as we received it too late in the process.

## 2.3 Labour market context in Chile

In order to better understand the findings of our study, it is important to frame them in the context of longer-term developments in the Chilean labour market and industrial relations landscape. This short section aims to flag some of the key issues underlying the quantitative and qualitative work carried out for this study.

### A period of economic growth

Over the past 20 years, Chile has experienced significant economic growth, averaging 6% per annum over the period 1985 to 2007,<sup>74</sup> which has contributed to a decline in levels of absolute poverty and a number of positive developments for workers. Chile is now one of the richest countries in Latin America with respect to GDP per capita.<sup>75</sup> However, in order to achieve sustainable economic growth, the generation of decent work – i.e. more and better jobs – is broadly recognised to be crucial. Indeed, the government sees this as key to the country's path to high-income status and has declared it a policy priority for the period 2010-2014.<sup>76</sup> At present, many of the jobs that are being created in Chile are characterised by low productivity, low pay and poor working conditions.<sup>77</sup>

### Growth in flexible arrangements

One of the major developments in the Chilean labour market over the past 20 years has been the growth of flexible working arrangements. This forms an important backdrop to this project: it was consistently raised by worker representatives during our interviews across all sectors. The phenomenon includes an increase in the number of short-term contracts, a reduction in the average duration of employment contracts, constant levels of informal employment, higher levels of subcontracting and the increasing restructuring of businesses into multiple corporate entities to avoid labour and other costs (known as 'multi-RUT'). According to CASEN data from 2006, less than half (42%) of all Chilean workers now have permanent employment contracts, while 13% are engaged on fixed- or short-term contracts, 22% have no contract and 17% are self-employed. Fixed-term contracts are particularly common in the agricultural, forestry and construction sectors.<sup>78</sup>

Subcontracting continues to be a controversial issue in Chile. According to 2006 data, subcontractors are currently used by 41% of employers, including two thirds of large enterprises.<sup>79</sup> This has led to greater flexibility for businesses, but has resulted in more precarious employment for many workers, with few opportunities for collective bargaining and lower investment in training.<sup>80</sup> The use of subcontracting and temporary work agencies has only been subject to regulation since 2007, although there has reportedly been considerable difficulty in enforcing the legislation.<sup>81</sup>

<sup>74</sup> This is despite a slowdown over the period 1998-2003. OECD, *Review of Labour Market and Social Policies: Chile*, 2009, p 15.

<sup>75</sup> See eg, World Bank, *Country Partnership Strategy for Chile 2011-2015*, 2011, p 2.

<sup>76</sup> Gobierno de Chile, *Chile País Desarrollado: Más Oportunidades y Mejores Empleos*, 2010, p 52: [www.gob.cl/especiales/agenda-chile-pais-desarrollado](http://www.gob.cl/especiales/agenda-chile-pais-desarrollado).

<sup>77</sup> OECD, op cit, p 16.

<sup>78</sup> Ibid, p 70.

<sup>79</sup> Ibid, p 44.

<sup>80</sup> Ibid, p 19.

<sup>81</sup> Ibid, p 72.

### Confrontational industrial relations

Industrial relations in Chile remain politically sensitive: social dialogue is often confrontational and characterised by a lack of trust between the social partners. Historical factors continue to exert a powerful influence over labour relations; indeed, the current regulation of trade unions is based on reforms implemented under the military dictatorship in 1979.<sup>82</sup> The labour movement was considerably weakened over this period, with collective negotiations largely confined to the enterprise level.<sup>83</sup>

Trade union density is currently around 11% and membership is concentrated in large firms and certain sectors.<sup>84</sup> Although there are few legislative limits on collective bargaining, it still mostly takes place at the enterprise-level and focuses almost exclusively on wages.<sup>85</sup> Collective organisation at the sectoral level is still technically prohibited without the explicit agreement of all of the parties involved. It is estimated that around 10% of workers are currently covered by collective agreements.<sup>86</sup> Nevertheless, trade unions have begun to organise collectively within sectors, despite the fact that this is prohibited without the permission of employers.

### Relatively high minimum wage

The minimum wage rose substantially between the mid 1990s and 2003, particularly when viewed as a percentage of the average wage. By mid-2008, the minimum wage in Chile was 45% of the average wage.<sup>87</sup>

### Greater investment in training

There have been improvements in the numbers of employees who receive training over the past 20 years. Tax incentives have been in place since 1976 to encourage investment in training for workers: employers are required to pay a 1% payroll tax or spend the equivalent on training for workers.<sup>88</sup> However, policy makers and experts have raised concerns about the quality of this training, with suggestions that training initiatives tend to be poorly focused and principally benefit higher-skilled workers and workers in larger enterprises. In more recent years, the government and the national training agency, SENCE, have sought to tighten up the accreditation of training centres and improve information for employers.<sup>89</sup>

### Health and safety

There is also evidence to suggest that there have been major improvements in the rate of workplace accidents, although Chile continues to experience a much higher rate of workplace accidents than

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<sup>82</sup> See, e.g. Jorge Salinero B, *Veinte Años de Afiliación Sindical y Negociación Colectiva en Chile: Problemas y Desafíos*, working paper for the Dirección del Trabajo, Chile, 2006.

<sup>83</sup> Guillermo Campero, *Macro-economic reforms, labour markets and labour policies, 1973-2000*, ILO Employment Strategy Paper, 2004, p 10:  
[www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_elm/documents/publication/wcms\\_114331.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_elm/documents/publication/wcms_114331.pdf).

<sup>84</sup> OECD, op cit, p 22.

<sup>85</sup> Ibid, p 76.

<sup>86</sup> Ibid, p 77.

<sup>87</sup> Ibid, pp 22-23.

<sup>88</sup> Eduardo Martínez Espinosa, "El Sistema de Formación Profesional en Chile y su Financiamiento", in R. Galhardi, E. Martínez Espinosa, T Mc Ardle, L. Mertens, E. Monteiro Leite and J. Ramírez Guerrero, *Financiamiento de la formación profesional en América Latina y el Caribe. Un estudio comparativo de buenas prácticas*, 2007, p 135:  
[www.cinterfor.org.uy/public/spanish/region/ampro/cinterfor/publ/financia/pdf/martinez.pdf](http://www.cinterfor.org.uy/public/spanish/region/ampro/cinterfor/publ/financia/pdf/martinez.pdf).

<sup>89</sup> OECD, op cit, p 94.





most developed countries. Not surprisingly, the profile of occupational health and safety issues was raised considerably in Chile in the aftermath of the 2010 mining incident in Copiapó.

**Key points:**

- Chile has experienced considerable economic growth over the past two decades, leading to a lowering in the rate of absolute poverty.
- The creation of more and better jobs is a priority for the Chilean government in the medium-term.
- High levels of subcontracting and a shift towards more flexible forms of employment has been a very contentious issue.
- Industrial relations are highly confrontational and marked by a lack of trust between the social partners.
- Trade union density is relatively low at 11% and concentrated in certain sectors.
- The law favours trade union organisation at the enterprise level and prohibits collective organisation at the sectoral level without the explicit agreement of all of the parties involved.
- The minimum wage has risen substantially, particularly when viewed as a percentage of the average wage.

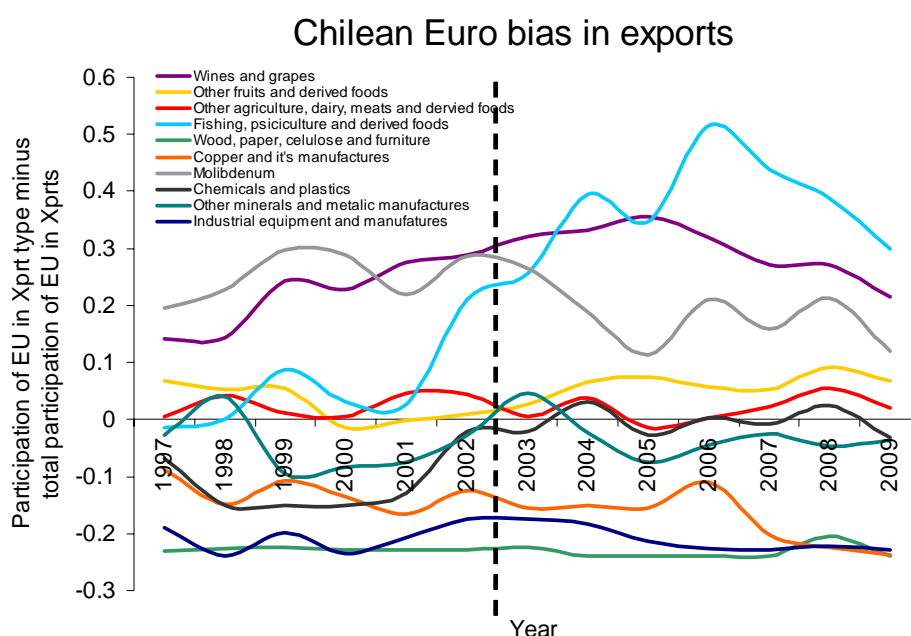


## 2.4 Quantitative research

### Analysis of trade data

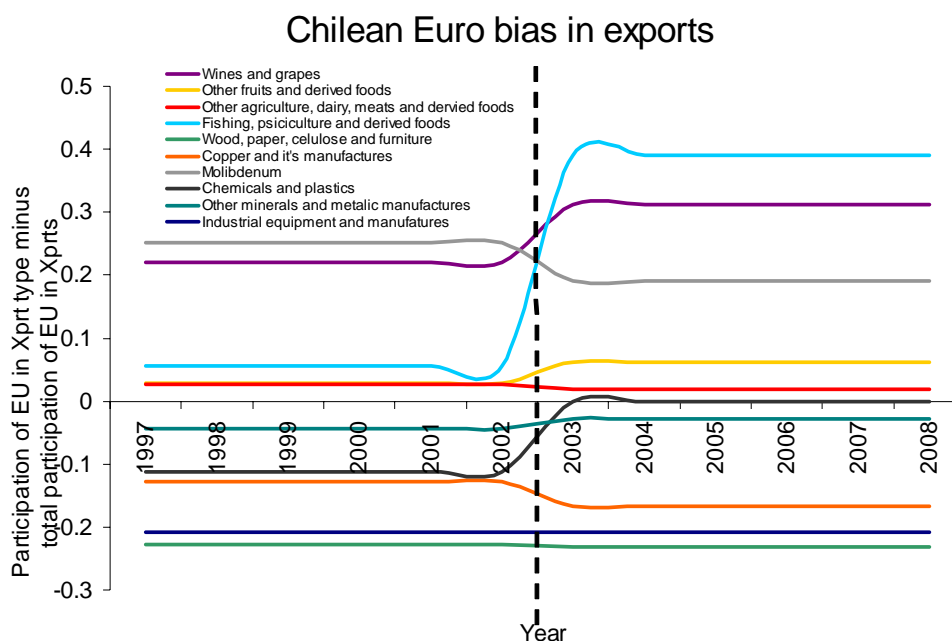
We found that some sectors' trading patterns with respect to the EU had changed more than others in the three years after the EU-Chile AA came into effect. Graph 1 shows the extent to which the proportion of Chilean trade to the EU compared to the rest of the world (i.e. the 'Euro Bias') changed over time in different sectors.

Graph 1



Graph 2 provides a simplified version of the first graph, by showing the average trends before and after the EU-Chile AA came into operation.

Graph 2



Together, Graph 1 and Graph 2 show:

- A significant increase in the importance of EU trade for the wine and fisheries sectors;
- A notable increase for other fruit and chemicals and plastics; and
- No measurable effect in relation to wood and other forestry-related industries.

The graphs in Figure 2 below show sectoral trends with respect to product and market diversification over the period 2000-2006. Higher values in these graphs signify greater diversification in the EU (i.e. growth in products or markets in the EU compared to the rest of the world), while lower values signify lesser diversification. As such, higher values indicate positive performance.



Figure 2: Product and market diversification graphs

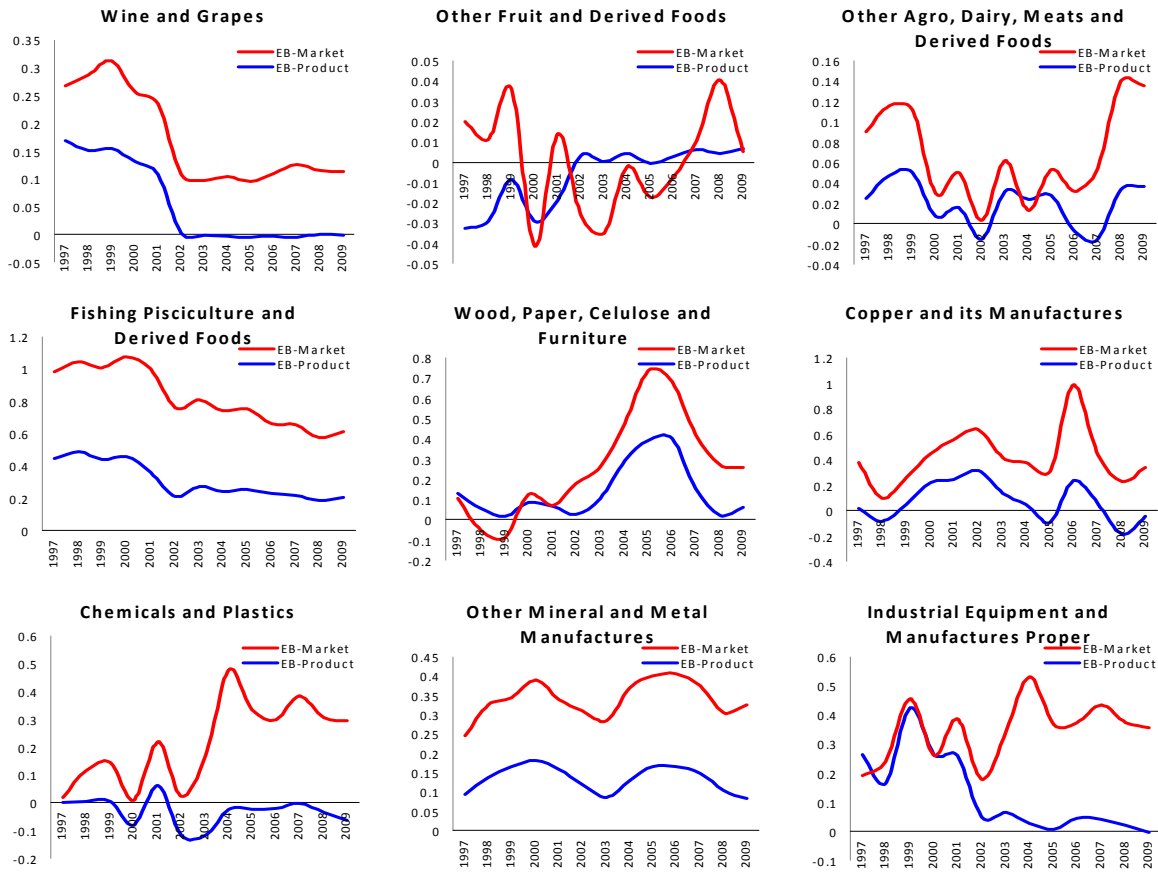
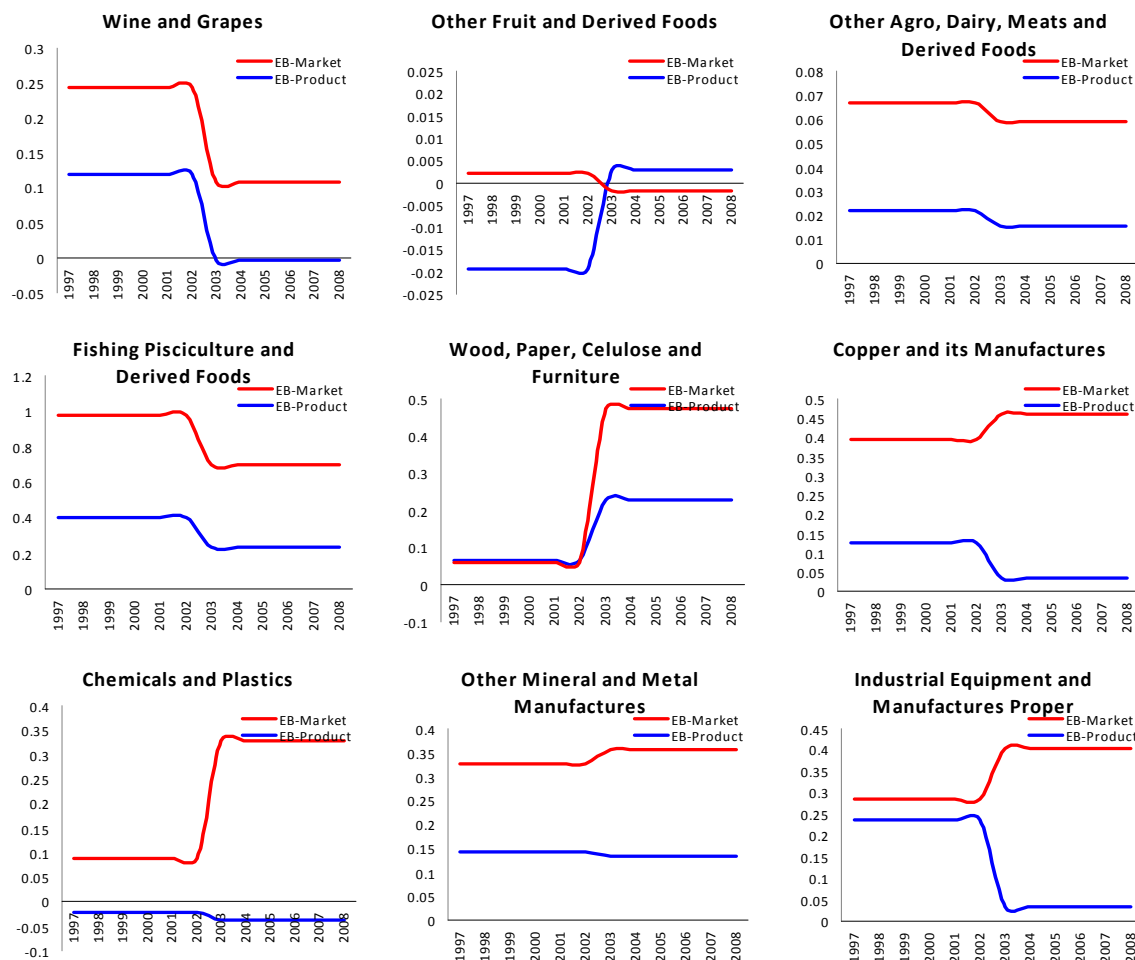




Figure 3 provides a simplified version of graphs in Figure 2, showing the pre- and post-2003 averages in relation to product and market diversification trends.

**Figure 3: Product and market diversification**



With respect to our four sectors, trends from the graphs in Figure 2 and Figure 3 include:

- A drop in diversification of products and markets for wine and grapes and fisheries (despite a proportional increase in trade to the EU in Graph 1), showing that trade to the EU became more concentrated in certain products and markets after the EU-Chile AA came into operation;
- Increased diversification in both markets and products in forestry; and
- Diversification of markets for the ‘other fruit’ sector.

## Analysis of employment data

The tables in this section provide comparative employment data for the sectors that were analysed in the previous section.<sup>90</sup> Each of the tables displays data with respect to one indicator, showing trends in each sector in absolute figures and then how each sector performs relative to the average. This enables us to determine whether the sectors that experienced increased trade with Europe after 2003 demonstrate better than average performance on employment indicators.

### 1: Quantity of employment

Table 8 shows the changes in the **quantity of employment**<sup>91</sup> over time:

- The first two columns show the absolute number of jobs in each sector in 2000 and 2006, with the total numbers across the sectors in the bottom row;
- The third column shows the average rate of the period 2000 to 2006;
- The fourth column shows the annual rate of change between 2000 and 2006; for example, employment in the "wood, paper, pulp and furniture" sector increased by an average 2% per year; and
- The fifth column shows how each sector has performed relative to the other sectors in relation to the average annual rate of change (fourth column), by subtracting the overall average<sup>92</sup> rate of change from the rate of change in each sector.

**Table 8: Quantity of employment**

Sector	Job Quantum		Total percentage change	Y.o.Y. change	Relative to average
	CASEN 2000	CASEN 2006			
Wines & grapes	14,764	12,666	-14.3%	-2.5%	-4.6%
Other fruits & derived foods	730,544	853,203	16.7%	2.6%	0.6%
Other agriculture, dairy, meats & related foods					
Fishing, pisciculture & related foods	90,318	107,803	19.4%	3.0%	1.0%
Wood, paper, cellulose & furniture	185,301	209,182	12.9%	2.0%	0.0%
Copper & its manufacture	67,730	106,705	57.5%	7.9%	5.8%
Molybdenum					
Chemicals & plastics	38,558	35,679	-7.5%	-1.3%	-3.3%
Other minerals & metals manufacturing	97,092	88,891	-8.5%	-1.5%	-3.5%
Industrial equipment & manufacturing	144,407	129,963	-10.0%	-1.7%	-3.8%
<b>Total</b>	<b>1,368,714</b>	<b>1,544,092</b>	<b>12.8%</b>	<b>2.0%</b>	<b>0.0%</b>

<sup>90</sup> The figures for some sectors have been aggregated in this section ('other fruits' with 'other agriculture' and 'copper' with 'molybdenum') compared to the trade analysis. As a result of the different system for sectoral classification used by the CASEN survey, it is not possible to disaggregate the data for these sectors with respect to this data: see the explanation on page 47.

<sup>91</sup> These figures take informal and formal employment into account, given that they are based on the individual responses of workers to the CASEN household survey.

<sup>92</sup> In the following tables and discussion, the term 'average' is used to describe the average across the export sectors under analysis and should not be understood as the national average.



## Findings

- There was an increase in the overall number of jobs, at an average annual rate of 2.0% across all sectors;
- Three out of the four selected sectors (fruit, fisheries and forestry) experienced a job creation rate very close to or just above the average (2%).
- In the wine sector, the number of jobs decreased noticeably over time.
- There does not appear to be a clear correlation between increased trade with Europe and a higher than average rate of job creation.

## 2: Type of contract

Table 9 shows trends regarding the **proportion of indefinite term contracts**:

- The first two columns show the percentage of workers with an indefinite contract in each sector in 2000 and 2006;<sup>93</sup>
- The bottom row shows the average performance of each of these sectors on this indicator; i.e. the average proportion of workers with an indefinite contract in 2000 and 2006;
- The third and fourth columns show the difference in performance on this indicator between each sector and the average across all sectors in both 2000 and 2006 (i.e. the proportion of indefinite contracts in the wine sector was 27.2% better than the average of 54.2% in 2000 and 27.0% better than the average of 60.8% in 2006);
- The final column shows how the relationship to the average changes over time (i.e. the difference between the third and fourth columns).

**Table 9: Proportion of indefinite contracts**

Sector	Proportion of indefinite contracts		Relative to the average		Relative improvement
	2000	2006	2000	2006	
Wines & grapes	81.4%	87.8%	27.2%	27.0%	-0.1%
Other fruits & derived foods	} 49.4%	59.5%	-4.9%	-1.3%	3.6%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	48.8%	60.9%	-5.4%	0.1%	5.5%
Wood, paper, cellulose & furniture	54.2%	58.3%	-0.1%	-2.5%	-2.4%
Copper & its manufacture	} 91.0%	87.1%	36.8%	26.3%	-10.5%
Molybdenum					
Chemicals & plastics	82.6%	83.0%	28.4%	22.2%	-6.1%
Other minerals & metals manufacturing	65.7%	64.9%	11.5%	4.1%	-7.3%
Industrial equipment & manufacturing	47.1%	40.2%	-7.1%	-20.6%	-13.5%
<b>Sectoral average</b>	54.2%	60.8%			

## Findings

- Across all sectors, the proportion of workers on indefinite contracts rose 6.6 percentage points over the period (from 54.2% to 60.8%);
- In absolute terms, the proportion of indefinite contracts increased in all of the four selected sectors;
- In fisheries and 'other fruits', there was a low proportion of indefinite contracts in 2000 (48.8% and 49.4% respectively), but over time the proportion increased at a faster than average rate,

<sup>93</sup>

Because of the nature of the CASEN survey, these figures are based on workers' perceptions of their contract, rather than the actual legal status of the contract; ie. they show the proportion of workers who *believed* that they have an indefinite contract.



bringing both sectors' performance on this indicator much closer to the overall average in 2006 (60.9% and 59.5% respectively compared to the average of 60.8%);

- The proportion of indefinite contracts in the forestry sector was equal to the average in 2000 (54.2%), but increased at a slower than average rate over time, so that it dips below average in 2006 (58.3% in forestry compared to the overall 2006 average of 60.8%).
- In the wine and grapes sector, there was a high proportion of indefinite contracts relative to the average and this improved further over time (i.e. 81.4% in 2000 compared to the average of 54.2% and 87.8% in 2006 compared to 60.8%); however, the sector's rate of improvement on this indicator was close to average; and
- There does not appear to be a correlation between increased trade with Europe and the proportion of indefinite contracts.

### 3: Training

Following the same approach applied in Table 9, Table 10 below shows changes over time in the **proportion of workers who received work-related training** in the previous year.

**Table 10: Workers who have received training in the previous year**

Sector	Proportion of workers trained		Relative to the average		Relative difference
	2000	2006	2000	2006	
Wines & grapes	7.7%	23.7%	-4.0%	8.6%	12.6%
Other fruits & derived foods	7.0%	11.1%	-4.6%	-4.0%	0.6%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	10.9%	23.5%	0.7%	8.4%	9.1%
Wood, paper, cellulose & furniture	10.6%	14.2%	-1.0%	-0.9%	0.1%
Copper & its manufacture	52.1%	42.1%	40.5%	27.0%	-13.4%
Molybdenum					
Chemicals & plastics	14.6%	23.2%	3.0%	8.1%	5.2%
Other minerals & metals manufacturing	17.5%	16.7%	5.8%	1.6%	-4.2%
Industrial equipment & manufacturing	13.5%	9.6%	1.9%	-5.6%	-7.4%
<b>Average</b>	11.7%	15.1%			

#### Key points

- The average proportion of workers across all sectors who reported received training was relatively low in 2000 (11.7%) and increased by only 3.4 percentage points over the period;
- In the four selected sectors, the proportion of training increased over time;
- In both the fisheries and wine sectors, there was a significant jump in the proportion of workers who received training and the rate of improvement was considerably better than average (9.1% and 12.6% respectively);
- In the forestry and 'other fruits' sectors, there was an increase in training over time and the rate of change was close to the average;
- The proportion of workers who received training declined over time in all of the other sectors except one (chemicals and plastics, another sector that experienced increased trade with Europe); and
- This suggests the possibility of some correlation between increased trade with Europe and increased investment in training.



#### 4: Average duration of employment

Table 11 shows changes over time in the **duration of the employment relationship**. (The unit of measurement for the table below is years; i.e. 1.000 equals 1 year).

**Table 11: Duration of employment**

Sector	Average number of years		Relative to the average		Relative difference
	2000	2006	2000	2006	
Wines & grapes	1.000	1.000	-0.005	-0.014	-0.009
Other fruits & derived foods	1.016	1.032	0.010	0.018	0.008
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	0.993	0.992	-0.012	-0.022	-0.010
Wood, paper, cellulose & furniture	0.997	0.993	-0.008	-0.021	-0.013
Copper & its manufacture	0.995	0.989	-0.010	-0.025	-0.016
Molybdenum					
Chemicals & plastics	0.977	1.000	-0.028	-0.015	0.013
Other minerals & metals manufacturing	0.990	0.988	-0.015	-0.026	-0.011
Industrial equipment & manufacturing	0.993	0.991	-0.012	-0.023	-0.011
<b>Average</b>	1.005	1.014			

#### Findings

- The average duration of workers' contracts increased slightly across all sectors from 2000 to 2006;
- The only sectors to show improvement on this indicator were 'other fruits' and chemicals & plastics, both sectors that had experienced increased trade with Europe;
- The duration of contracts in wine and fisheries remained relatively stable over the period (meaning that that these sectors' performance on this indicator worsened over time compared to the average);
- The duration of contracts in the forestry sector decreased over time; and
- There does not appear to be a clear correlation between increased trade with Europe and the average duration of contracts.

#### 5: Wages

Table 12 shows changes over time in the **proportion of workers earning twice the minimum wage**.

**Table 12: Proportion of workers earning twice the minimum wage**

Sector	Proportion of workers		Relative to the average		Relative difference
	2000	2006	2000	2006	
Wines & grapes	38.0%	36.0%	2.0%	9.3%	7.3%
Other fruits & derived foods	30.8%	20.0%	-5.2%	-6.7%	-1.5%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	28.4%	23.8%	-7.6%	-2.9%	4.7%
Wood, paper, cellulose & furniture	37.9%	33.0%	1.9%	6.3%	4.4%
Copper & its manufacture	77.3%	62.5%	41.3%	35.8%	-5.5%
Molybdenum					
Chemicals & plastics	45.9%	32.0%	9.9%	5.3%	-4.6%
Other minerals & metals manufacturing	46.5%	37.2%	10.5%	10.5%	0.0%
Industrial equipment & manufacturing	35.7%	24.1%	-0.3%	-2.6%	-2.3%
<b>Average</b>	36.0%	26.7%			

### Key points

- Across all sectors, the average proportion of workers earning twice the minimum salary decreased over the period (from 36.0% to 26.7%) (due to the fact that the minimum wage has risen faster than the average wage);
- Wine, fisheries and forestry experienced better than average performance on this indicator;
- The decrease in the 'other fruits' sector was not as deep as other sectors; and
- There does not appear to be a clear correlation between increased trade with Europe and wage levels.

### 6: Workplace accidents

Table 13 shows the change over time in the **percentage of workers who reported a workplace accident in the previous month**. In this table, a negative number in the final column means an improvement; i.e. fewer workplaces accidents being report relative to the average.

**Table 13: Workers who reported a workplace accident in the previous month**

Sector	Number of workers		Relative to the average		Relative change over time
	2000	2006	2000	2006	
Wines & grapes	0.0%	0.0%	-0.6%	-0.9%	-0.3%
Other fruits & derived foods	0.5%	0.7%	-0.1%	-0.2%	-0.1%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	0.9%	1.0%	0.4%	0.2%	-0.2%
Wood, paper, cellulose & furniture	0.6%	1.4%	0.0%	0.5%	0.5%
Copper & its manufacture	0.4%	0.8%	-0.2%	-0.1%	0.0%
Molybdenum					
Chemicals & plastics	0.3%	1.9%	-0.3%	1.0%	1.3%
Other minerals & metals manufacturing	0.9%	1.8%	0.3%	1.0%	0.7%
Industrial equipment & manufacturing	0.6%	0.4%	0.0%	-0.5%	-0.5%
<b>Average</b>	0.6%	0.9%			

### Key points:

- On average, the rate of accidents increased slightly across all sectors;
- Wine maintained a zero rate in both 2000 and 2006, representing an improvement against the average over time;
- Fisheries and 'other fruits and agriculture' experienced a slight increase in the rate of reported accidents over time, but the rate of increase was lower than the average;
- The rate of reported accidents increased at a higher rate than the average in the forestry sector; and
- There does not appear to be a correlation between increased trade with Europe and improvements in the rate of reported accidents.

## 7: Women's employment

Table 14 shows changes over time in the **proportion of women workers** in each sector.

**Table 14: Proportion of women workers**

Sector	Percentage of women workers		Relative to the average		Relative change over time
	2000	2006	2000	2006	
Wines & grapes	16.0%	29.8%	-4.8%	4.0%	8.8%
Other fruits & derived foods	18.6%	27.6%	-2.2%	1.8%	4.0%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	23.6%	24.2%	2.8%	-1.6%	-4.4%
Wood, paper, cellulose & furniture	11.6%	14.5%	-9.2%	-11.3%	-2.1%
Copper & its manufacture	5.9%	5.5%	-14.9%	-20.3%	-5.4%
Molybdenum					
Chemicals & plastics	20.8%	17.7%	0.0%	-8.1%	-8.1%
Other minerals & metals manufacturing	7.8%	6.9%	-13.0%	-18.9%	-5.9%
Industrial equipment & manufacturing	58.2%	65.3%	37.4%	39.5%	2.1%
<b>Average</b>	20.8%	25.8%			

### Key points

- There was a small increase in the percentage of women workers on average across all of the sectors;
- The largest increases relative to the average were in the wine and 'other fruits and agriculture' sectors;
- Although the proportion of women in the fishery and forestry sectors increased over time, it did so at a slower than average rate; and
- There is no clear correlation between improvement on this indicator and increased trade with Europe.

## 8: Indigenous workers

Table 15 shows changes over time in the proportion of indigenous workers in each sector.

**Table 15: Proportion of indigenous workers**

Sector	Percentage of indigenous workers		Relative to the average		Relative difference
	2000	2006	2000	2006	
Wines & grapes	16.1%	8.3%	9.6%	-0.3%	-9.9%
Other fruits & derived foods	7.9%	10.0%	1.4%	1.4%	0.0%
Other agriculture, dairy, meats & derived foods					
Fishing, pisciculture & derived foods	5.4%	12.3%	-1.1%	3.7%	4.8%
Wood, paper, cellulose & furniture	6.6%	5.7%	0.1%	-2.9%	-3.0%
Copper & its manufacture	2.0%	4.0%	-4.5%	-4.6%	-0.1%
Molybdenum					
Chemicals & plastics	4.5%	8.0%	-2.0%	-0.6%	1.4%
Other minerals & metals manufacturing	2.2%	6.6%	-4.3%	-2.0%	2.3%
Industrial equipment & manufacturing	4.6%	6.5%	-1.9%	-2.1%	-0.2%
<b>Average</b>	6.5%	8.6%			

### Key points

- On average, the proportion of indigenous workers increased across all sectors over the period 2000 to 2006;
- The highest increase was in the fisheries sector, followed by other minerals and chemicals and plastics;



- There was a decrease over time in the proportion of indigenous workers in the wine and forestry sectors;
- The proportion of indigenous workers in the 'other fruits' sector increased at an average rate; and
- There is no clear correlation between improvement on this indicator and increased trade with Europe.

### Summary of key findings by indicator

Indicator	Findings
<b>Job creation</b>	<ul style="list-style-type: none"> <li>• Three out of the four selected sectors (fruit, fisheries and forestry) experienced a job creation rate very close to or just above the average (2%). In the wine sector, the number of jobs decreased noticeably over time.</li> <li>• There does not appear to be a clear correlation between increased trade with Europe and a higher than average rate of job creation.</li> </ul>
<b>Proportion of indefinite contracts</b>	<ul style="list-style-type: none"> <li>• In the four selected sectors, the proportion of indefinite contracts in the workforce increased over time.</li> <li>• In two cases (fisheries and 'other fruits and agriculture'), the proportion increased faster than the average; in one case, the proportion increased at the average rate (wine) and in the final case (forestry), the proportion increased, but at a slower than average rate.</li> <li>• There does not appear to be a correlation between increased trade with Europe and the proportion of indefinite contracts.</li> </ul>
<b>Training levels</b>	<ul style="list-style-type: none"> <li>• In the four selected sectors, the proportion of training increased over time.</li> <li>• In two cases (fisheries and wine), the proportion increased particularly rapidly, while in two cases (forestry and 'other fruits'), the proportion increased at a near-average rate.</li> <li>• In other sectors, training levels fell, except for chemicals and plastics (another sector that had experienced Euro Bias).</li> <li>• There appears to be a correlation between increased trade with Europe and increased investment in training.</li> </ul>
<b>Average duration of contracts</b>	<ul style="list-style-type: none"> <li>• Of the selected sectors, fruit was the only sector to experience a significant increase in the average duration of contracts. In the three other sectors, the average duration of contracts remained relatively stable (wine and fisheries) or decreased (forestry).</li> <li>• The average duration of contracts increased in chemicals &amp; plastics, another sector to experience increased trade with Europe.</li> <li>• There does not appear to be a clear correlation between increased trade with Europe and the average duration of contracts.</li> </ul>
<b>Wages</b>	<ul style="list-style-type: none"> <li>• Three of the four selected sectors (wine, fisheries and forestry) experienced better than average performance on this indicator.</li> <li>• There does not appear to be a clear correlation between increased trade with Europe and wage levels.</li> </ul>
<b>Accident rate</b>	<ul style="list-style-type: none"> <li>• Three of the four selected sectors (wine, fruit and fisheries) experienced better than average performance on this indicator.</li> <li>• However, the rate of reported accidents jumped in the forestry sector compared to the average.</li> <li>• There does not appear to be a correlation between increased trade with Europe and improvements in the rate of reported accidents.</li> </ul>

<b>Proportion of women workers</b>	<ul style="list-style-type: none"> <li>In all of the four selected sectors, there was an increase in the proportion of women workers over time. However, the rate of improvement was better than the average in only two of the four sectors (wine and fruit).</li> <li>There is no clear correlation between improvement on this indicator and increased trade with Europe.</li> </ul>
<b>Proportion of indigenous workers</b>	<ul style="list-style-type: none"> <li>In two of the selected sectors (fruit and fisheries), the proportion of indigenous workers increased over time. In the other two sectors (wine and forestry), the proportion of indigenous workers dropped over time.</li> <li>There is no clear correlation between improvement on this indicator and increased trade with Europe.</li> </ul>

## Findings and conclusions from quantitative analysis

To gain a better overview of the results and linkages across trade and employment data, the summary table below assigns values to each sector, based on its performance on each of the indicators relative to the other export sectors. This type of ranking helps to compare sectoral performance across a range of indicators that are measured in different units (e.g. some indicators are measured in terms of percentages, others in years). Each sector was assigned a score out of ten for each indicator to reflect its ranking relative to the other sectors: the sector with the most positive performance on an indicator is given 10 points, the next strongest 9 points and so on. These scores were then added up to give an overall figure for each sector on trade and labour (see Table 16).

Table 16: Summary of results and rankings<sup>94</sup>

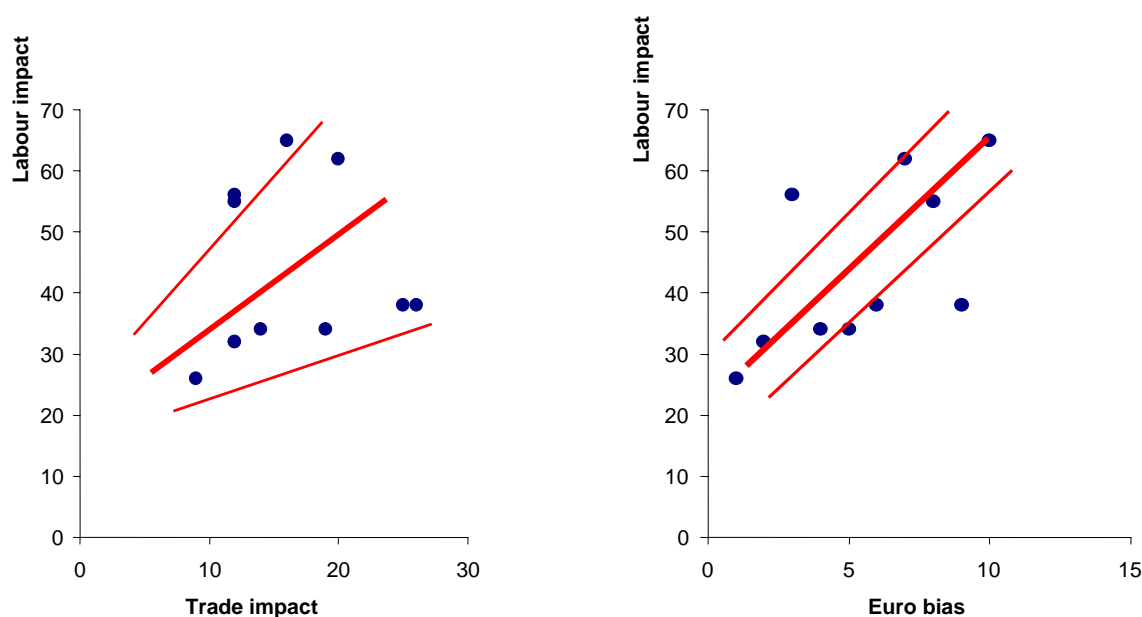
	Trade impact			Euro effect	Employment impact								Euro effect
	Bias	Product	Market		Trade	Quantity	Indefinite contract	Training	Duration	Wages	Women	Indigenous	
Wood, paper, cellulose & furniture	6	10	10	26	5	6	5	3	8	6	2	3	38
Chemicals & plastics	9	9	7	25	4	5	8	10	3	1	6	1	38
Other fruits & derived foods	7	4	9	20	7	9	7	9	6	9	9	7	63
Fishing, pisciculture & derived foods	10	1	5	16	8	10	9	6	9	5	10	8	65
Wine & grapes	8	2	2	12	1	7	10	7	10	10	1	9	55
Other agriculture & derived foods	3	3	6	12	6	8	6	8	5	8	8	6	55
Copper & its manufacture	2	6	4	12	10	3	2	2	2	4	5	5	33
Molybdenum	1	5	3	9	9	2	1	1	1	3	4	4	25
Other minerals & metals manufacturing	4	7	8	19	3	4	4	5	7	2	7	2	34
Industrial equipment & manufacturing	5	8	1	14	2	1	3	4	4	7	3	10	34

We then used these scores to create two scatter plots to show the relationship between the two variables (see Graph 3): the first graph plots total trade scores against total labour scores, while the second plots the Euro Bias (i.e. change in trade volumes) against the labour scores. The thick red lines in each graph represent the average trend line, while the thinner red lines represent the confidence interval.

<sup>94</sup>

As previously explained, the data for some sectors ('copper & its manufacture' and molybdenum; 'other fruits' and 'other agriculture') could not be disaggregated in the analysis of CASEN data, as a result of the sectoral classification system it uses (compared to customs data). Consequently, in this table, these sectors have been allocated consecutive rankings on the employment indicators; e.g. 'other fruits' is allocated 9 and 'other agriculture' is allocated 8.

Graph 3: Trade and labour impacts



Together, these graphs suggest that there is some **positive correlation between increased trade with Europe and positive impacts on employment** (bearing in mind our previous comments on the limitations of the data). This relationship is stronger in the second graph, which uses Euro Bias as the trade variable and does not take diversification into account as an indicator of increased trade. Naturally, the strength of the trend is difficult to demonstrate conclusively given the small number of points and the variation in performance on indicators between sectors, but there is nevertheless a clear suggestion that the impact of European trade is more likely to be positive than negative.

The figures in the preceding tables and graphs tentatively suggest an interesting trend, yet we note that they do not demonstrate cause and effect. In this context, it is particularly important to supplement quantitative data analysis with qualitative research. The next section outlines the perceptions of social partners and other stakeholders in the four selected sectors (wine, salmon, fruit and forestry) regarding changes in the sectoral labour markets and the extent to which these may or may not be linked to increased trade with Europe.

## 2.5 Qualitative research and stakeholder engagement

This section reflects the outcomes of our qualitative research, which was principally based on:

- Individual interviews conducted between December 2010 to April 2011; and
- Collective stakeholder workshops held on 11 January and 8 April 2011.

The discussion also draws on material that was provided by individual stakeholders and stakeholder websites and other secondary resources.

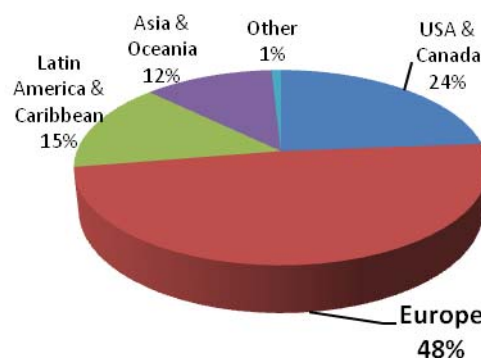
We have structured this section by sector, then by stakeholder views on industry performance on the indicators selected for the quantitative analysis. We note that the analysis does not specifically refer to the additional indicators on accident rates, gender and indigenous workers (see page 51), as these were added later in the data analysis.

### WINE AND GRAPES

#### 1: Industry context

→ **EU is the biggest export destination for Chilean wines.**

After experiencing remarkable growth over the past three decades, Chile is now one of the world's leading producers of wines.<sup>95</sup> The EU is its main export destination, accounting for 48% of exports (by value), followed by North America and Latin America and the Caribbean.<sup>96</sup> Structurally, the industry is characterised by a large number of SMEs: in 2009, there were 262 wine export companies, of which 76% were SMEs (without taking into account small, non-commercial vineyards).<sup>97</sup>



#### 2: Social dialogue

→ **No sectoral trade union confederation, although some evidence of improvements in social dialogue**

Social dialogue in the wine industry tends to be restricted to the enterprise or (occasionally) regional level. According to Sindicato Viña Montes, half of all export vineyards have trade unions; however, as yet, there is no trade union confederation for the wine sector, only enterprise unions (although some seasonal workers may belong to agricultural unions in other sectors, such as fruits). This means that there is no sectoral workers' equivalent to Vinos de Chile, the export industry association. (Vinos de Chile primarily exists to promote Chilean exports but also engages in some social dialogue.)

Despite the absence of a sectoral trade union, representatives of Vinos de Chile believe that the opportunities for social dialogue in the industry have improved:

“When I arrived, there was little social dialogue ... However, this summer, we reached an agreement between agricultural employers and workers ... we all participate in a roundtable

<sup>95</sup> See, e.g.: Vinos de Chile, *Strategic Plan: 2020 - International Market*, 2010: [www.winesofchile.org/wp/wp-content/uploads/2011/01/woc-plan-2020-eng.pdf](http://www.winesofchile.org/wp/wp-content/uploads/2011/01/woc-plan-2020-eng.pdf)

<sup>96</sup> Figures provided by Vinos de Chile.

<sup>97</sup> Vinos de Chile website: [www.vinasdechile.com](http://www.vinasdechile.com).

organised by the National Society for Agriculture with representatives of workers from different regions and sub-sectors, and we have arrived at an agreement to be submitted to the Government, regarding proposed changes.”

However, worker organisations submitted that employers often oppose efforts to boost collective organisation in the sector and that anti-union practices are common. Indeed, during interviews with employers, some expressed a clear preference to communicate with workers directly rather than through trade unions.

### 3: Quantity of jobs

→ **Stakeholders agreed that there had been a decline in manual labour due to increased mechanisation.**

The industry is an important source of employment, generating an estimated 100,000 jobs directly and indirectly (e.g. through bottling activity, tourism, fertiliser and chemical production).<sup>98</sup> However, it was clear from stakeholder interviews with employer and worker representatives that the mechanisation of the industry has increased as exports have grown, leading to a decline in the need for manual labour. Stakeholders were unable to provide statistical data in this respect, but as noted by Unión Nacional Obrero y Campesina, “If there were 10 workers working in a vineyard 20 years ago, now there would be two.”

### 4: Type and duration of contracts

→ **In contrast to the quantitative analysis, expert and worker representatives submitted that the number of indefinite contracts remains low.**

According to our quantitative analysis, the proportion of indefinite employment contracts in the wine industry is relatively high (i.e. >80%). In contrast, worker representatives and some industry experts considered that the number of indefinite contracts in the industry had remained low and this situation had not changed over recent years. The reason for this discrepancy may be that stakeholders were taking into account a broader range of workers indirectly employed in the industry. Alternatively, workers who answered the CASEN survey may perceive that they are engaged on an indefinite contract when in fact they are not.

One industry expert stated that up to 75% of employment connected to the wine industry (direct and indirect) is based on fixed term contracts. Representatives of the Sindicato Viña Montes, an enterprise-level union, suggested that there is overuse of temporary and seasonal contracts in the industry:

“There are lots of seasonal workers, but they work the whole year. And there are temporary workers who work for the whole year. They are hired for 3 months, then re-hired and re-hired. They are put on a fixed-task contract (“de faena”) and [the employers] terminate it when they want. But the truth is that it’s not a fixed-task, it’s ongoing.”

### 5: Training

→ **In line with quantitative findings, employer and worker representatives agreed that there had been clear improvements in training through the development of an industry training programme.**

One of the driving factors was the 2003 establishment of a training organisation (OTIC) by Vinos de Chile. According to Vinos de Chile, training programmes are developed on the basis of industry skills requirements, enabling better job placement and more tailored training content. The training offerings include a formal certification scheme, which provides opportunities for career progression

<sup>98</sup> Interview with Pamela Caro, expert.





and better wages. To date, 1400 workers have been awarded certificates. Vinos de Chile representatives noted that the wine industry increasingly requires more specialist skills and knowledge.

## 6: Wages

→ **Rural-urban migration means that there are labour shortages during harvest time and employers are required to pay more.**

Our quantitative analysis showed that there had been better than average performance on wages in the wine sector. One of the main reasons cited for this was the migration of rural workers to urban areas, leading to labour shortages during harvest: “So, each time [the cost of labour] is more expensive, and if it costs more each time, this means that we are obliged to pay more”. Although worker representatives did not disagree that wages have improved, they expressed a concern that wage increases were ad hoc and advocated the need to develop a more systematic approach. They also noted that wage increases were more likely to benefit permanent employees than temporary workers.

## 7: Activities related to corporate social responsibility

→ **The Chilean wine industry is paying careful attention to social standards, citing the influence of European buyers and consumers.**

The Chilean wine industry has been promoting corporate social responsibility (CSR) principles amongst its members for a number of years.<sup>99</sup> In 2010, Vinos de Chile launched a suite of CSR initiatives, including the development of guidance for its members on producing Global Reporting Initiative (GRI) reports for international buyers.<sup>100</sup>

Representatives of Vinos de Chile observed that European buyers are asking for more transparency (and ultimately improvements) on labour standards and working conditions:

“I would say that larger buyers are placing more emphasis on respect for working conditions, job quality and corporate social responsibility ... Because Scandinavia plus Finland and the big English supermarket chains have all at some point audited their suppliers with respect to labour practices and working conditions. And if you want to sell to these big chains, you have to comply with their information and transparency requirements.”

Vinos de Chile’s website specifically refers to the reporting requirements of Swedish companies as a motivating factor for developing an industry-wide reporting system on compliance with social and environmental standards.<sup>101</sup>

All of these factors are encouraging the industry to be more forward-thinking with respect to corporate social responsibility. As noted by Vinos de Chile:

“... [W]hen you realise what is going on, you have to be more proactive and say: ‘if they are going to keep on asking us for this, then we had better do something as an industry so that when these requests are made, we have all the information ready’. And this is what happened with the

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<sup>99</sup> For instance, the Chilean wine industry participated in a project on CSR for Chilean SMEs in 2003, funded by the Inter American Development Bank. The project documentation specifically refers to the CSR challenges posed by the operation of the EU-Chile AA. See Donors’ Memorandum, 2003: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=388865>.

<sup>100</sup> For an overview of sustainability initiatives in the industry, see: [www.winesofchile.org/sustainability](http://www.winesofchile.org/sustainability). See also the website for the ‘Comprehensive Sustainability Program’: [www.sustentavid.org/english](http://www.sustentavid.org/english).

<sup>101</sup> For a project description, see: [www.sustentavid.org/english/social-responsibility--gri-reports.html](http://www.sustentavid.org/english/social-responsibility--gri-reports.html).

reports on sustainability. The industry took the decision last year that all of its members will have to submit reports on how they meet GRI standards.”

## 8: Key points

→ **For the most part, stakeholder observations supported the findings of the quantitative analysis on the wine industry.**

There are a number of domestic factors shaping improvements in the industry; for example, labour shortages during the harvest season are driving up wages. However, the EU is a very important market for the Chilean wine industry and comments by the industry association suggest that European companies are exerting an influence on industry practices regarding labour standards and working conditions (at least with respect to reporting). Increased scrutiny by European companies is encouraging the industry to be more proactive about how it deals with these issues and demonstrates compliance with appropriate standards.

**Table 17: Summary of findings – wine**

Indicator	Quantitative analysis	Stakeholder comments
Trade with Europe after AA	Increase	The EU comprises a key export market, accounting for 48% of exports in 2009.
Training	Considerably stronger than average improvement	Employer and worker representatives agreed that there had been clear improvements in training through the development of an industry training programme.
Wage levels	Stronger than average performance	Rural-urban migration means that there are labour shortages during harvest time and employers are required to pay more.
Indefinite contracts	Improvement in line with average	In contrast to the quantitative analysis, experts and worker representatives submitted that the number of indefinite contracts remains low.
Duration of contracts	No change – lower than average improvement	
Number of jobs	Decline	Decline in manual labour due to increased mechanisation.

**Note on shading:** Light blue represents a stronger than average performance; no shading represents average performance and dark blue represents worse than average performance

## FRUIT

### 1: Industry context

→ **EU is a major export destination for Chilean fruits.**

The EU is one of the main export markets for Chile’s fruit sector, accounting for 31% of all exports in 2009/2010.<sup>102</sup> Changes in the industry’s structure mean that it is now characterised by a large number of SMEs (approximately 800), whereas in the past it was dominated by a small handful of large enterprises.

### 2: Social dialogue

→ **Worker representation is weak and fragmented, although there has been some progress on social dialogue following recent industrial action.**

The quality of social dialogue in the fruit industry is seriously affected by a disparity in the levels of collective organisation amongst workers and employers. Trade union representation is weak and fragmented – only 3-4% of workers are unionised – whilst employers are represented by two established organisations, FEDEFRUTA and ASOEX (the latter representing export companies). For

<sup>102</sup> Information provided by ASOEX.



this project, we chose to consult representatives of two workers' organisations: la Asociación Nacional de Mujeres Rurales e Indígenas (ANAMURI), an NGO which promotes the interests of agricultural women workers,<sup>103</sup> and the Unión Nacional Obrera y Campesina (UOC), which represents agricultural workers and small-holders ('campesinos').

Despite this disequilibrium, there has been some progress made in sectoral social dialogue over recent years. In 2007, industrial action by table grape pickers in Copiapó led to the establishment of a now permanent fruit industry roundtable, which has, amongst other things, brought about agreement on an 'Estatuto del Temporero'. The Estatuto applies to seasonal agricultural workers and paves the way for the establishment of pacts between employers and workers' organisations with respect to flexible working arrangements (a key employer interest) and a new approach to contracting that would provide greater security to workers (of interest to both parties).

Not all worker organisations support the negotiated outcomes of the roundtable; for example, ANAMURI does not agree with a number of aspects of the Estatuto. However, ASOEX representatives believe that the dialogue has vastly improved trust between workers and employers: "They didn't know the employers, nor did we know who these unions were".

### 3: Quantity of jobs

→ **Stakeholders reported labour shortages resulting from rural-urban migration.**

Consistent with our quantitative findings, our interviews suggested that there is steady demand for both permanent and temporary workers in the fruit sector. In 2010, ASOEX estimated that the industry provided employment for 270,000 people on indefinite contracts and 211,000 on temporary or seasonal contracts.

According to ASOEX, employers experience labour shortages during peak seasons, a problem which they attribute to increased labour migration to cities. As such, employers suggested that they are increasingly looking for ways to ensure the supply of labour during peak periods.

### 4: Type and duration of contracts

→ **Worker representatives and industry experts disagreed with the finding that there have been improvements in this area; however, negative perceptions may be due to the fact that levels of indefinite contracts are generally low.**

Our quantitative analysis showed that there had been a strong increase over time in the proportion of indefinite contracts offered to workers; however, worker representatives disagreed with this finding. According to ANAMURI and UOC, it is common practice for employers in the fruit sector to use successive fixed term contracts to avoid entering into indefinite contracts. ANAMURI and UOC claim that, in this way, employers avoid costs associated with holiday pay and retrenchment. In one of the stakeholder workshops, an industry expert also noted that many workers in the agricultural sector continue to be employed on short term contracts with few or no rights under the law.

However, stakeholder perceptions of negative performance on this indicator are perhaps not surprising given that our quantitative research showed that improvements started from a below-average base in 2000 (i.e. 49.4% in the fruit sector compared to the average of 54.2%) and despite a significant increase in the proportion of indefinite contracts, the figures were still slightly below average in 2006 (i.e. 59.5% in the fruit sector compared to the average of 60.8%).

<sup>103</sup> ANAMURI is not a trade union, but workers and trade unions form part of the organisation. It represents workers who trade unions have had difficulty in organising because of the temporary, informal and seasonal nature of their work. It has launched a campaign to boost wages for women workers in the agricultural sector. See: [www.anamuri.cl](http://www.anamuri.cl).

## 5: Training

→ **The training association for the export industry now offers a certification training programme and has trained thousands of workers.**

Stakeholders tended to agree that there had been an improvement in industry training levels. According to representatives of AGROCAP, a sectoral training organisation established by ASOEX, there has been a major improvement in employers' perceptions of the value of training, including the extent to which training is a mechanism to both enhance and recognise workers' value to the sector. As such, over the past 11 years, AGROCAP has trained around 120,000 workers. Since 2006, their training offerings have included a formal certification programme, scholarships for temporary workers and productivity measurement with worker participation. However, while agreeing that training had improved, some stakeholders raised concerns that increased training levels had mostly benefited permanent workers.

## 6: Wages

→ **Worker representatives were very critical of current wage levels, while employer representatives argued that shrinking profit margins are making it difficult to raise wages.**

Our quantitative analysis suggested that the number of workers earning twice the minimum wage in the fruit sector had declined relative to other sectors. This was not refuted by stakeholders.

According to ANAMURI, the median wage in agriculture has remained frozen over the past 10 years and is one of the lowest sectoral wages in the country, particularly for women. Moreover, piece rates for temporary workers are common<sup>104</sup> and the unit of pay varies considerably between enterprises. This issue was raised consistently by workers' representatives across all of the sectors. When combined with the seasonality of work and low bargaining power, low piece-rates mean that workers have to work extremely hard to earn enough to support themselves and their families. According to ANAMURI, the combined effect of all of these factors is to create vulnerable living situations for low-wage workers and their families:

“Before, seasonal workers used to work for a season and would have enough to see them through winter; nowadays, if they are lucky, they will have enough to eat for a month.”

On the employer side, AGROCAP argued that currency exchange rates are reducing industry profit margins, making it difficult to pay higher wages:

“It now costs exporters much more to produce a box of apples in terms of dollars or euros than it did before, without signifying better wages for workers.”

## 7: Activities related to corporate social responsibility

→ **The Chilean fruit industry has been proactive on CSR activities.**

Codes of conduct and other private sector regulations appear to have had a strong impact on the way the industry functions and the export industry association has been promoting CSR amongst its members for a number of years.<sup>105</sup> ASOEX has developed ChileGap, which incorporates the labour and environmental requirements of both European (GlobalGap) and US markets, and offers handbooks to members with practical guidance on how to reconcile the differing environmental and social requirements of international buyers. As ASOEX noted, larger enterprises also offer technical

<sup>104</sup> About 70% of permanent workers earn a fixed wage rate, whereas about 80% of seasonal workers earn by piece-rate (information provided by ANAMURI).

<sup>105</sup> For example, the fruit sector participated in the 2003 IADB project on CSR amongst SMEs in Chile, alongside the wine sector. See Donors' Memorandum, 2003: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=388865>.

assistance to their smaller suppliers in order to ensure compliance through the supply chain: “As an exporter, you have to be able to ensure the complete traceability of the product”.

AGROCAP noted that the requirements of European companies (and their consumers) are helping to drive improvements in working conditions in the industry:

“The requirements that are being imposed by markets, particularly the English supermarket chains, are very advanced, much more than the general terms of the AA. Nowadays, they are asking for assurances about written employment contracts, the quality of working conditions, the kind of bathrooms available for staff and how they are fed. All this is clearly a product of what European consumers are demanding from their supermarkets, which in turn impose these requirements on their suppliers.”

ANAMURI and UOC contend, however, that labour standards have still not improved sufficiently; they claim, for example, that anti-union practices remain relatively common. In one of the stakeholder workshops, ANAMURI raised the issue of ongoing breaches of health and safety rules, particularly with respect to pesticide use.<sup>106</sup>

## 8: Key points

→ **Employer and worker representatives agreed with a number of the quantitative findings.**

Our data analysis suggested that there had been improvements for workers in a number of areas in the fruit sector. However, it is difficult to attribute these changes directly to increased trade with Europe. Instead, our interviews suggested that rural labour shortages are forcing businesses to offer more attractive working conditions in order to secure the necessary labour supply. These improvements do not, however, extend to wages: despite labour shortages, high levels of temporary employment and low levels of unionisation make it difficult for workers to bargain for better wages. Nevertheless, it is possible that the export industry’s ongoing efforts to ensure compliance with international social standards such as GlobalGap may be a contributory factor to future progress on working conditions in the industry.

**Table 18: Summary of findings – fruit**

Indicator	Quantitative findings	Stakeholder comments
Trade with Europe after AA	Increase	The EU is one of the main export markets for Chile’s fruit sector, accounting for 31% of all exports in 2009/2010.
Number of indefinite contracts	Stronger than average improvement	Worker representatives and industry experts disagreed with the finding that there have been improvements in this area (i.e. employers are offering more indefinite contracts); however, negative perceptions may be due to the fact that levels of indefinite contracts are generally low.
Average duration of contracts	Stronger than average improvement	
Number of jobs	Improvement at slightly stronger than average rate	Stakeholders reported labour shortages resulting from rural-urban migration.
Number of workers trained	Improvement slightly stronger than average rate	The training association for the export industry now offers a certification training programme and has trained thousands of workers.
Wage levels	Worse than average performance	Worker representatives were very critical of current wage levels, while employer representatives argued that shrinking profit margins are making it difficult to raise wages.

**Note on shading:** Light blue represents a stronger than average performance; no shading represents average performance and dark blue represents worse than average performance

<sup>106</sup>

Worker and employer representatives agreed that rules associated with pesticide application are now much better implemented; however, worker representatives argue that there are ongoing breaches with respect to re-entry periods after spraying.

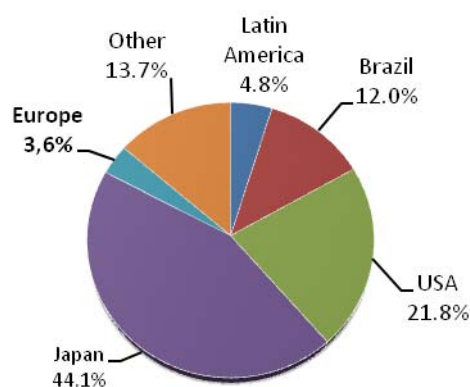
## SALMON

### 1: Industry context

→ The EU only accounts for a small proportion of Chile's salmon exports.

The EU is not a major export destination for Chile's salmon industry: in 2010, the EU accounted for only 3.6% of total exports in terms of value, in great part because of very strong local competitors (Norway and Scotland). Chile's largest export markets are Japan, the US and Brazil.<sup>107</sup> Our quantitative analysis found that trade with the EU had increased significantly after the EU-Chile AA came into operation; however, this large increase was based on very low volumes. As such, it seems unlikely that our quantitative findings regarding strong improvements on labour market indicators is attributable in any way to changes in trading patterns with the EU.

Chile: salmon exports by value 2010



Source: SalmonChile

More recently, sectoral labour market conditions have deteriorated as a result of the devastating effect of the 2007 outbreak of the ISA virus. Although this event occurred after the period of analysis for our study (i.e. after 2000-2006), it is nevertheless important to mention given the major consequences it has had for businesses and their workers, including a heavy toll on employment levels. Worker representatives found

it difficult to recall or discuss positive developments that arose in the past, given the pressing issues that continue to face workers and businesses as a result of the virus outbreak. The industry is now in recovery, but labour market conditions have nonetheless changed significantly.

### 2: Social dialogue

→ There are representatives of the social partners at the sectoral level and social dialogue is considered to have improved over the last decade.

There are sectoral level organisations that represent worker and employer interests. SalmonChile represents businesses, while INTESAL is an associated organisation that provides research and development advice and assistance. There are relatively high levels of unionisation: 82% of workplaces have an enterprise union and 33% of workers are unionised.<sup>108</sup>

According to CONATRASAL, the sectoral trade union confederation, anti-union practices were common until relatively recently. However, as the sector grew more prosperous and started to experience labour shortages, workers' organisations found themselves in a stronger position to initiate social dialogue and collective negotiations. CONATRASAL suggested that this happened around the same time (2002-2003) that the EU-Chile AA came into operation (2003). CONATRASAL considers that social dialogue in the industry reached a turning point in 2006, when workers made a presentation to the House of Representatives regarding environmental problems and poor working conditions, which led to a parliamentary inquiry. Bipartite and tripartite working groups were subsequently created to address a range of issues, including gender, maternity protection, collective bargaining and occupational health and safety. However, the working groups are meeting less often

<sup>107</sup> Information provided by INTESAL.

<sup>108</sup> Department of Industrial Engineering, University of Chile, *Condiciones Laborales en la Industria del Salmón 2005*, Working document, 2005: [www.salmonchile.cl/files/CondicionesLaborales\\_2005.pdf](http://www.salmonchile.cl/files/CondicionesLaborales_2005.pdf).

under the current circumstances and, for the most part, sectoral social dialogue is currently focused on unemployment levels.

### 3: Quantity of jobs

→ **The number of jobs rose over the period 2000-2006, but declined in the wake of the ISA virus crisis.**

According to INTESAL, there was a marked increase in employment in the salmon sector between 2000 and 2006 (consistent with our quantitative findings). By the end of 2006, INTESAL noted that 35,000 workers were employed in the industry (a third of which were women). However, employment levels dipped after the ISA virus outbreak in 2007, when a number of aquaculture centres closed down. INTESAL stated that 15,000 jobs were lost when the crisis was at its worst in 2009.

### 4: Type and duration of contracts

→ **There was a higher proportion of indefinite contracts over the period 2000-2006, but this has changed following the ISA virus crisis.**

Again, consistent with our quantitative findings, INTESAL stated that there was a high percentage of workers with indefinite contracts (81%) by the end of 2006. CONATRASAL noted that this has also changed since 2007, as the uncertainty created by the crisis has increased job instability. According to CONATRASAL, employers are now much more reluctant to offer indefinite contracts to workers.

### 5: Training

→ **Stakeholders agreed that training levels have improved over time.**

Both worker and employer representatives agreed that training levels in the industry have improved over the last 10 years. In 2002, SalmonChile began to develop accredited industry training programmes that provided different levels of study and recognised prior learning and also established a diving school for the sector. As a consequence, between 2002 and 2004, some 50,000 workers were trained. Following the crisis, further training measures have been put in place (RedSalmon) to assist retrenched workers and to anticipate future labour market needs. Nevertheless, whilst recognising the progress that has been made, CONATRASAL argued that a more strategic approach could be taken, as much of the current training is focused on short term needs.

### 6: Wages

→ **According to stakeholders, wages were relatively high over the period 2000-2006, but the trend is now towards lower wages.**

Our quantitative analysis suggested that wages in the sector improved relative to the national average from 2000 to 2006. INTESAL agreed with this finding, and told us that wages rose 84% over this period, driven by labour shortages in the sector. Circumstances have changed since the ISA virus crisis and CONATRASAL stated that the trend is now towards lower wages.

### 7: Activities related to corporate social responsibility

→ **The European influence on sectoral CSR activities is limited, although the whole industry is generally sensitive to international certification schemes.**

Given the small proportion of exports to the EU, it seems unlikely that European buyers would have a strong influence on CSR or other business practices in the Chilean salmon industry. However,



INTESAL emphasised that the whole industry is sensitive to international certification programmes, such as GlobalGap. Moreover, some European influence in the sector is felt through foreign direct investment, albeit not chiefly by EU Member States: on 2004 figures, Norwegian-owned companies accounted for nearly a quarter (22.8%) of the salmon sector's export production.<sup>109</sup>

For its part, CONTRASAL seems very aware of the influence that international buyers and owners have on local conditions. One trade unionist stated:

“This year, it has fallen to me to lead collective negotiations and we would like to see whether or not it is possible to negotiate with the Japanese rather than the Chileans.”

## 8: Key points

→ **There were positive developments in working conditions between 2000 and 2006, but this is difficult to attribute to increased trade with EU. Post-2007, industry circumstances have changed considerably as a result of the ISA virus.**

There were positive developments in the quality and quantity of work in the salmon industry over the period 2000-2006, but it is very difficult to attribute these developments to any aspect of increased trade with the EU, given that it accounts for such a small proportion of Chile's exports. Rather, many of these improvements may have been attributable to labour shortages in a (then) prospering industry. Earlier improvements have now been overtaken to a large extent by the repercussions of the ISA virus crisis, which detrimentally affected both the quality and quantity of work, although stakeholders suggested that the industry may now be in recovery mode.

**Table 19: Summary of findings – salmon**

Indicator	Quantitative analysis	Stakeholder comments
Trade with Europe after AA	Increase	The EU represents a very small portion of the export market for the Chilean salmon industry
Number of workers trained	Considerably stronger than average improvement	Stakeholders agreed that this has improved over time.
Number of indefinite contracts	Stronger than average improvement	According to stakeholders this improved over the period in question, but has subsequently declined following the ISA virus crisis
Number of jobs	Stronger than average rate of job creation	According to stakeholders this improved over the period in question, but has subsequently declined following the ISA virus crisis
Wage levels	Better than average performance	According to stakeholders this improved over the period in question, but has subsequently declined following the ISA virus crisis
Average duration of contracts	Slight decline	According to stakeholders this improved over the period in question, but has subsequently declined following the ISA virus crisis

**Note on shading:** Light blue represents a stronger than average performance; no shading represents average performance and dark blue represents worse than average performance

<sup>109</sup> Anne Welle-Strand and Asle Toje, *Creating Value(s)? Norwegian Aquaculture and Hydropower Investments in Chile*, Occasional Paper No 3 for the Centre for Development Studies and Microfinance, 2009, p 21: [www.bi.no/OsloFiles/MICRO/2009/Publications/creatingvalues.MICRO.BI.pdf](http://www.bi.no/OsloFiles/MICRO/2009/Publications/creatingvalues.MICRO.BI.pdf). This article includes a discussion of the economic, social and environmental impacts of Norwegian investment on the Chilean salmon industry.



## FORESTRY

### 1: Industry context

→ **The EU represents 16% of Chile's forestry exports.**

The forestry sector's main exports are cellulose, as well as paper and cardboard, board, veneers and lumber. The EU represents a modest portion (16%) of the export market, with Chile's main export markets being Asia (45%) and North America (20%).<sup>110</sup>

### 2: Social dialogue

→ **Collective negotiations have been affected by high levels of subcontracting; however, social standards are causing some renewed employer interest in social dialogue opportunities.**

On the employer side, the sector is dominated by two powerful conglomerates: Arauco and CMPC. Producer interests are represented by the Corporación Chilena de la Madera (CORMA). On the workers' side, there is a sectoral trade union confederation, the Confederación de Trabajadores Forestales (CTF), and two important federations, the Unión de Sindicatos Forestales Arauco (USINFA) and the Federación Bió Bío, which are increasingly important representatives of workers at Arauco and CMPC respectively.

High levels of subcontracting in the industry complicate social dialogue and collective bargaining at the enterprise level: those in control of workplace conditions and industry profits are often not the direct employers. Moreover, we heard from trade union representatives that unionisation is discouraged in practice and unions are commonly confronted with anti-union practices, such as management giving certain benefits to non-unionised workers and/or less favourable treatment to union members. Alternatively, parallel workers' organisations are created and offered more favourable conditions. The difficulties of collective bargaining in the forestry sector were highlighted during one of the stakeholder workshops by Mauricio Jelves, former Assistant Secretary of Labour and industry expert.

Nevertheless, there has been some progress on social dialogue. Social dialogue working groups were formed in the wake of industrial action by Arauco subcontractors in 2007. A CTF-Arauco roundtable was established in 2010, which CTF considers to have made progress on areas such as wages, food, health and safety and transport. CTF is now looking to build on this dialogue and establish a tripartite roundtable with CORMA. In addition, a social dialogue project has been designed for plantations ("Looking for a forestry model for plantations in the 21<sup>st</sup> century") and there is a CORMA-CTF programme on how to address the impact of the global financial crisis. Overall, we found that employers are showing increasing interest in participating in these groups, particularly in light of requirements for Forestry Stewardship Council (FSC) certification to show evidence of engagement with workers' organisations.

### 3: Quantity of jobs

→ **Employer representatives suggested that the number of jobs had increased over time.**

Our quantitative analysis suggested that the rate of job creation in the forestry sector was equal to the average. CORMA agreed that there was an increase in the number of jobs available, particularly over the period 2002 to 2006. Moreover, CORMA noted that, despite a severe slowdown in the

<sup>110</sup> Figures for 2009, provided by CORMA.

industry following damage caused by the devastating earthquake in Chile in 2010, employers made an effort to maintain their workforce and not make large-scale redundancies.

#### 4: Type of duration of contracts

→ Stakeholders agreed that there has been a decline in the proportion of indefinite contracts, due to the now widespread practice of subcontracting.

Given widespread subcontracting, it was not surprising that different stakeholder groups agreed that there had been a reduction in the number of indefinite contracts available in the industry. This is in great part due to the practices of Arauco and CMPC subsidiaries, which have a policy of engaging their workforces through subcontracting; for example, Arauco companies provide direct employment to only senior executives and professionals, with all other workers engaged through subcontractors. This leads to a high proportion of seasonal contracts and means that workers are much more likely to be employed on a succession of fixed term contracts.

#### 5: Training

→ Trade unions consider that the industry's record on training needs to be improved.

Our quantitative analysis suggested that there had been a slight improvement in the training levels in the industry, on par with the average rate of improvement across all sectors. Worker representatives argued that the industry's record on training was poor, except on health and safety, and contended that there is a need for stronger industry training programmes that lead to genuine professional development. However, two industry specialists stated that the industry's investment in human resources was growing, particularly for forest-related tasks.

#### 6: Wages

→ Trade unions disagreed that the industry had experienced better than average performance on wages.

Trade unions disagreed with the findings of our data analysis that wages in the sector had performed favourably compared to other sectors.<sup>111</sup> The CTF argued that the profitability of the industry had increased over time, yet workers had not been rewarded with better wages. Unions in the sector have argued for greater transparency with respect to production and productivity figures, especially for subcontractors, which would enable a more even playing field for collective negotiations. Nevertheless, trade union representatives conceded that some improvements had been made as a result of industrial action and subsequent dialogue.

#### 7: Activities related to corporate social responsibility

→ Large companies are in the process of achieving certification, but trade unions would like to be more involved.

Arauco and CMPC are in the process of achieving FSC certification, having already achieved ISO 9000 and 14000 and OHSAS 18000. However, trade unions complained in the first stakeholder meeting that workers and their representatives are excluded from the certification process and receive little information about the process.

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<sup>111</sup> The proportion of workers earning twice the minimum wage still declined over time (37.9% in 2000, dropping to 33.0% in 2006), but at a slower rate than the average sectoral rate (36.0% in 2000 dropping to 26.7% in 2006).

## 8: Key points

→ **There is evidence to suggest that high levels of subcontracting have had a negative impact on working conditions in the sector, particularly with respect to indicators on employment security.**

Of the four selected sectors, the forestry sector was the industry with the lowest performance on the employment indicators in our quantitative analysis. Interviews with stakeholders suggested that one of the main reasons for this is the widespread practice of subcontracting, which trade union representatives frequently raised as a factor that undermines decent work in the sector. Subcontracting not only has implications for individual employees with respect to the type and duration of their contracts, but also means that collective negotiations are more difficult, as unions cannot bargain directly with the actors who control the industry (i.e. the large conglomerates), as they are no longer the direct employers.

**Table 20: Summary of findings – forestry**

Indicator	Quantitative analysis	Stakeholder comments
Trade with Europe after AA	Increase	
Wage levels	Better than average performance	Trade unions disagreed with this finding.
Number of jobs	Average performance	Business representatives suggested that the number of jobs had increased over time.
Number of workers trained	Average performance	Trade unions consider that the industry's record on training needs to be improved.
Number of indefinite contracts	Worse than average performance	Stakeholders agreed that there has been a decline in the proportion of indefinite contracts, due to the now widespread practice of subcontracting
Average duration of contracts	Worse than average performance	

**Note on shading:** Light blue represents a stronger than average performance; no shading represents average performance and dark blue represents worse than average performance

## CROSS-SECTORAL TRENDS

**There is evidence of a growing investment in training by business through sector-wide initiatives.**

In each of the four sectors that we looked at in greater detail, employers and their organisations seemed to be investing more time and effort in training programmes, particularly at the sectoral level. In stakeholder interviews, employer organisations described improvements to sectoral training programmes during the period under consideration and stakeholders in most sectors agreed that progress had been made.

**In rural sectors, there has been some improvement on employment indicators as a result of labour shortages caused by rural-urban migration**

Three of the industries that we considered in this study are based in rural areas (fruit, wine and forestry), with the fourth being a maritime industry with ports located in a relatively remote region (salmon). We found that labour shortages caused by rural-urban migration is a domestic development that is helping to drive some of the improvements that we uncovered in these industries (e.g. wages in the wine industry, proportion of indefinite contracts in the fruit sector), quite independently of any external trading or commercial factors.

### **There is some evidence of steps towards stronger social dialogue**

Across all of the selected sectors, there was some evidence to indicate a trend towards stronger dialogue between employers and workers. In particular, a number of roundtables seem to be appearing in recent years, providing more opportunities for worker and employer representatives to discuss issues that are affecting them. This trend is relatively recent and has been prompted by different factors, including industrial action and protests. It was also suggested that social standards and certification schemes may be playing a role, as they encourage companies to show signs of engagement with workers and their representatives.

However, we note that there are still a number of obstacles towards stronger social dialogue, including a disparity between the strength of employer organisations compared to trade unions. Trade union representation was particularly weak in the fruit sector and the wine industry still lacks a sectoral trade union confederation. We also heard anecdotal evidence of anti-union sentiment (e.g. wine) and weakened collective bargaining power as a result of the fragmentation of employment relationships through subcontracting (forestry). It remains to be seen how social dialogue will continue to evolve in each of the four sectors.

In this context, we note that any technical cooperation or initiatives to improve social dialogue in these industries would help to build a stronger foundation for future dialogue on monitoring the impact of trade on employment and decent work.

### **Workers and their representatives are concerned about the growing precariousness of employment.**

Across all sectors, worker representatives, NGOs and others raised clear and insistent concerns about the negative impact of the trend towards precarious employment. Worker representatives emphasised that workers in precarious jobs were the least likely to benefit from improvements in working conditions, such as increased training or wages, and that benefits were more likely to accrue to a smaller nucleus of permanent workers. In wine and fruit, this issue was raised in relation to low-income seasonal agricultural workers, while widespread subcontracting remains an issue of key concern for workers in the forestry sector. This high turnover of employment contracts is consistent with broader trends in the Chilean labour market towards less permanent forms of employment (see discussion on page 54).

### **European ethical trade standards and certification schemes appear to be playing an increasing role in placing labour standards on the business agenda in Chile**

Stakeholder interviews suggested that the growing emphasis on ethical trade in Europe is translating into greater pressure for Chilean exporters to take social and environmental standards more seriously. Business representatives in the fruit and wine sectors made particular mention of the influence of Scandinavian and UK companies and the fact that this has helped to motivate Chilean industries to launch their own initiatives on social and environmental standards. In the salmon and forestry sectors, international standards and certification schemes were having a similar effect, although European companies were not identified as having such a prominent role.

We emphasise that there is no conclusive evidence to suggest that any given sector's improved performance on employment indicators can be attributed to European companies' requirements for transparency on supply chain conditions. Business perspectives put forward in stakeholder interviews suggested that European buyers may be helping to create the right conditions for improvements in labour and environmental issues; however, the scope of this project did not allow for investigation or verification of this suggested trend. As such, we consider that this area is worthy of consideration for future research.



We note also that, despite a number of positive developments in this area, it appeared that more work could be done to more actively involve or inform trade unions about industry CSR initiatives. Despite evidence pointing to increased industry activity on CSR, worker representatives do not appear to participate strongly in these initiatives and provided little comment on this theme during interviews.

## 2.6 Synthesis of findings from quantitative and qualitative analysis

Considered together, the findings of our quantitative and qualitative research provide some tentative evidence of a link between improved performance on employment indicators (quantity and quality) and increased trade with Europe. We note that it is very difficult to draw definite conclusions about the impact of the EU-Chile as a result of data and methodological limitations, including the inevitable issue of attribution.<sup>112</sup>

Our quantitative findings suggested that, on the whole, sectors that had experienced increased trade with Europe over the period 2000-2006 were more likely to show improvements on the selected employment indicators than sectors whose trade with Europe remained steady or decreased following the introduction of the EU-Chile AA. The three sectors which showed the highest rate of improvement on employment issues over the period under consideration – fisheries, wine and fruits – also ranked amongst those sectors that had experienced the highest increases in trade to Europe (first, third and fourth respectively).<sup>113</sup> When we used a scatter plot to depict the relationship between increased trade with Europe and performance on labour standards across ten sectors, the trend suggested a positive correlation.

Not unexpectedly, our interviews with stakeholders in the wine, fruit, salmon and forestry sectors indicated that it is difficult to make a direct link between the improvements on employment indicators and increased trade with Europe. In particular, one of the key factors identified by stakeholders as driving improvements in some sectors (wine and fruits) was labour shortages in rural areas. Also, stakeholders in the salmon sector noted that the influence of trade with Europe was limited by the fact that it represents a very small proportion of their overall exports (although they noted that European companies have had a positive influence on the sector through foreign direct investment).

There was some inconsistency between the findings of our quantitative and qualitative studies. For example, our quantitative analysis suggested very positive trends in the fruit sector, which did not emerge so clearly from the stakeholder interviews. Similarly, while worker representatives voiced concerns about the increasing precariousness of employment, our quantitative analysis suggested that there had actually been an rise in indefinite contracts in each of the four sectors (although at a slower than average rate in forestry and wine), while the average duration of contracts had remained relatively stable in wine, fisheries and fruits (although it had dropped in forestry). There are a number of reasons for this, not least of which is the fact that the sectoral classifications used in the quantitative and qualitative analyses did not entirely overlap. In addition, where worker representatives do not have access to empirical studies, their perceptions may focus on the worst tendencies in the sector (i.e. the workers who are suffering most), while employer representatives may put the most positive spin on employment practices in a sector.

One positive finding was that both quantitative and qualitative analyses indicated that there had been increased levels of employer interest and investment in training. Our quantitative analysis showed that in two of the four selected sectors (wines and fisheries) there had been an improvement in training levels that was significantly higher than the average and an improvement in two others (fruits and forestry) that was slightly above average. This development is not attributable

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<sup>112</sup> See 'Methodology' chapter for a discussion of the methodological limitations, including attribution and sectoral categories used for quantitative and qualitative analysis.

<sup>113</sup> Note that these rankings refer to Euro bias and do not take market and product diversification into account.



to the EU-Chile AA alone,<sup>114</sup> but given the opening of Chile's economy over the past ten years, it is possible to surmise that increased interaction with global markets (including the EU) and the consequent need to maintain competitiveness by maintaining and enhancing the industry skills base is one of the factors driving this development.

In addition, there was some tentative evidence to suggest that ethical trade and certification schemes have encouraged export industries to be more proactive on social and environmental standards in their supply chain. In particular, business representatives in the fruit and wine sectors stated that European buyers were placing increasing pressure on Chilean exporters to demonstrate compliance with certain social and environmental standards in their supply chains. These ethical trade initiatives are not directly linked to the EU-Chile AA or associated technical assistance; however, they may be indirectly linked to the extent that the AA may have facilitated greater trade between Chilean and EU companies. We consider that further research would help to ascertain the extent of the influence of EU social and environmental standards in Chile.

A six year period is a relatively short time to assess the employment impacts of the EU-Chile AA, given that some impacts may take a longer period to materialise. However, the broad findings of this study – qualified as they are – suggest that this may not always be the case. In any case, we consider that the findings of this study are sufficiently noteworthy to justify further monitoring in Chile – both analysis and dialogue – of the type carried out in this study. Moreover, following the second workshop, a number of stakeholders expressed their interest in participating in further dialogue on trade and employment. Further work of this kind in Chile could build on the lessons learned in this project, in terms of methodology and process, to build an even stronger platform for monitoring. In this context, the next section highlights some of the lessons learned from this study and what the implications might be for future monitoring exercises in Chile, Latin America and elsewhere.

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<sup>114</sup> Training levels have increased generally over the past 20 years, in part because of tax incentives that have been in place to encourage employer investment in training. See page 55.

## 2.7 Key lessons learned from Chile exercise

A number of practical lessons emerged from issues and challenges that we confronted in carrying out the ex-post monitoring study in Chile, particularly with respect to *process and consultation*.

Issue	Challenge	Lessons learned
<b>Low awareness of EU-Chile AA and of the possible employment and decent work impacts of international trade agreements</b>	<p>Social partner representatives have relevant information to share, but may not understand the debates or what their contribution might be. In Chile, this was particularly a problem amongst sectoral trade unions, whose resources are limited and their experience and knowledge were (understandably) more focused on domestic issues in their industry.</p> <p>Also, it was not expected that stakeholders would be in a position to provide us with empirical or other evidence that would allow us to link changes in their sector conclusively to the operation of the EU-Chile AA. One of the main reasons for this was the well-known difficulty in attributing any labour market changes to the EU-Chile AA (as discussed above) as well as the lack of capacity amongst some stakeholder (particularly trade unions and NGOs) to gather labour market data.</p>	<p>Interview questions and workshop agendas need to be crafted to take this into account, so that specialist knowledge is not assumed and discussions can be pitched at the right level.</p> <p>It should be made clear to the participants that the key aim is to obtain information about general trends that could be related to trade changes, rather than specific outcomes which can be directly linked to the text of the agreement.</p> <p>Holding more than one collective workshop gives stakeholders an opportunity to reflect on the ideas and preliminary findings from the first workshop. This is particularly important where stakeholders are not familiar with issues regarding international trade and the possible impacts of FTAs.</p> <p>Looking to the future, this issue means that it may be difficult for social partners to provide detailed inputs on the design of monitoring schemes.</p>
<b>Keeping the interviews and multi-stakeholder workshops focused</b>	<p>Not surprisingly, advocacy organisations such as trade unions and NGOs may wish to bring their own agenda regarding domestic issues to group workshops. However, this can have a detrimental impact on workshops if it is not planned for. Discussions may drift away from the central aims of the workshop. It also means that certain issues that are particularly emotive – especially those regarding freedom of association, collective bargaining and wage-setting – may be brought up in such a way as to create tension in the room.</p>	<p>This makes it particularly important to ensure that workshops are conducted by an experienced facilitator. Using specific questions to direct discussions may also help, as may breaking the workshop down in to smaller groups.</p> <p>If possible, early quantitative findings should be produced and disseminated amongst key stakeholder groups. There should always be two meetings related to any phase of quantitative analysis, with at least 3 months between. The stakeholder questions should be structured to seek to explore the preliminary or anticipated quantitative findings.</p>
<b>Engaging with employers and their</b>	<p>Business representatives were considerably more reluctant to attend</p>	<p>Greater than anticipated effort and follow-up may be required to involve</p>





<p><b>representatives</b></p>	<p>collective workshops and undertake interviews with our research team than other stakeholders. We consider that this is partly due to the entrenched wariness of Chilean employers regarding social dialogue and partly due to the lack of clear incentives for business to take part in this type of research study when there are many competing demands on their time from business requirements. In this context, employer and business representatives may be reluctant to attend workshops if they feel that they might be confrontational and there is not obvious tangible benefit for business arising from participating in the workshop.</p>	<p>employer representatives in this type of exercise or other monitoring. The local dynamic of social dialogue needs to be taken into account at the beginning of the project and additional time for delays in stakeholder consultation should be planned for at the outset of the project and built into the project timeframe.</p> <p>Eventually we carried out a series of interviews with Chilean employers and their representatives, with formal letters from the Delegation helping to persuade business of the legitimacy of the exercise. However, there was still limited attendance by employers at the workshops. In this situation, the role of individual interviews assumed a much greater importance for gathering viewpoints.</p> <p>For future exercises, we would suggest that it could be helpful to invite the participation of European companies who have source from the country and have a defined interest in ethical trade in one or more of the selected sectors. European buyers, who have commercial leverage, can then encourage the participation of their suppliers. Discussion could also be integrated in meetings organised by those European companies with their suppliers.</p>
<p><b>Obtaining information from government agencies</b></p>	<p>We had considerable difficulty in obtaining relevant statistical information from the Dirección del Trabajo and, disappointingly, had to submit a formal legal request for the information under the Ley de la Transparencia. This process took considerable time. When the information was finally provided, only days before the final stakeholder meeting, it did not correspond to the time period that we had requested and are using for the comparisons of trends under the study and was therefore not useable. Following the change in government in 2010, we understand that other Chilean researchers and international organisations are having similar difficulties obtaining information from the Dirección del Trabajo and other government ministries.</p>	<p>Where possible, it is quicker and more efficient to use publicly available information (e.g. household surveys) that doesn't rely on the cooperation of an intermediary. Where government processes must be involved, it's wise to allow more time in the project timeframe. The formal participation of the EU Delegation from the outset, in the form of letters and meetings with ministries, may help address potential difficulties.</p> <p>In general, the Delegation is a key partner and target audience for the study. Some involvement by the local Delegation will help to persuade some stakeholders – particularly national government and business – to participate in the study. Similarly, international or local partners (such as the ILO) may provide important</p>



		assistance and give the exercise greater legitimacy or neutrality in the eyes of stakeholders.
<b>Geographic spread of stakeholders</b>	Chile's unique geography means that industries are widely dispersed across the country and some areas are either difficult or expensive to travel to and from. This had certain logistical implications for project organisation; in particular, some of our interviews needed to be conducted outside Santiago and stakeholders needed to be flown in for the workshop.	<p>The geographical spread of stakeholders needs to be mapped at an early stage, and taken into account as a possible issue from the outset.</p> <p>We found that it was helpful for the research team to make a small number of regional visits to speak directly to stakeholders in a concentrated series of interviews.</p> <p>Some stakeholders either will not or cannot pay for their travel to Santiago for a half-day meeting, therefore it needs to be determined whether there should be satellite meetings or whether there should be funds available to pay for the travel of participants to capital or major cities for stakeholder meetings.</p>
<b>Asking for stakeholder views about events that happened in the past</b>	In this project, our data collection focused on developments that arose between 2000 and 2006. However, in interviews, many stakeholders were more focused on more pressing recent events; for example, in the salmon industry, stakeholders were focused on the devastating effects of the ISA virus on employment and decent work in the salmon industry and the effect of the global economic crisis on some parts of the forestry sector.	Where possible, ex-ante monitoring exercises should be an ongoing process of information collection from the outset of the trade agreement.

## 2.8 Monitoring sustainability impacts and the role of social partners

One of the objectives of our work in Chile was to reflect on best practices for designing and supporting effective mechanisms to monitor the sustainability impacts of the EU's FTAs. This is particularly important in view of commitments in the EU's recent agreements – with the Cariforum countries, Korea, Central America and Colombia and Peru – to monitor their impact on sustainable development and DG Trade's intention to 'carry out ex post evaluation on a more systematic basis' in order 'to help monitor the impacts of existing EU trade agreements'.<sup>115</sup>

### Monitoring arrangements and trade agreements

The EU adopts a promotional or non-sanctions-based approach to monitoring the sustainable development provisions of its free trade agreements.<sup>116</sup> This approach emphasises dialogue to promote compliance and monitor implementation and contrasts with the conditional approach adopted by the US, which relies principally on sanctions or positive incentives.

We do not intend to enter into an extended discussion of the different approaches taken by the EU and the US to compliance with labour provisions in trade agreements: these discussions have been ably dealt with elsewhere, including in recent reports to the Commission.<sup>117</sup> However, it is important to note that monitoring takes on different shades of meaning and emphasis in each context. In an incentive- or sanctions-based system, there must be strong evidence-based foundations to any monitoring of labour standards, which will often also involve a complaints-based mechanism. Monitoring assumes a more sensitive role and higher prominence in these circumstances, where there may be economic penalties attached to non-compliance. In contrast, the EU has always rejected a sanctions-based approach and mechanisms recently introduced by the EU (see below) emphasise monitoring through institutional arrangements for dialogue at the intergovernmental and civil society level. Labour and sustainable development provisions in EU trade agreements are generally excluded from formal dispute resolution clauses that could lead to trade sanctions.

This report is principally focused on monitoring through ex-post assessments; i.e. studies which retrospectively measure the employment and decent work impacts of a given trade deal, but are not linked to enforcement. These studies may take place on an **ad hoc basis** or as part of an **ongoing monitoring scheme** that provides reports at regular intervals. In both cases, there should be strong links to any monitoring that takes place through civil society dialogue mechanisms.

### Monitoring provisions in EU agreements

Monitoring arrangements with respect to sustainability impacts have assumed a more prominent role in the EU's recent trade agreements, as part of an increasing emphasis on promoting and monitoring the role of trade in sustainable development. Whereas earlier agreements (such as the EU-Chile AA) did not make specific provision for monitoring sustainability impacts or civil society dialogue mechanisms, such concepts have become a standard inclusion in more recently concluded agreements: Korea, Cariforum, Central America and Colombia and Peru. In line with the EU's

<sup>115</sup> DG Trade, *Trade, Growth and World Affairs. Trade Policy as a Core Component of the EU's 2020 Strategy*, 2010.

<sup>116</sup> Although we note that the EU does take an incentive-based approach in its GSP+ scheme.

<sup>117</sup> See: Florence Arestoff-Izzo, Rémi Bazillier, Cindy Duc and Clotilde Granger-Sarrazin (supervised by Jean-Marc Siroën), *The Use, Scope and Effectiveness of Labour and Social Provisions and Sustainable Development Aspects in Bilateral and Regional Free Trade Agreements*, report for DG Employment, 2008; Jacques Bourgeois, Kamala Dawar and Simon Evenett, *A Comparative Analysis of Selected Provisions in Free Trade Agreements*, report for DG Trade, 2007; ILO, *World of Work Report 2009: The Global Jobs Crisis and Beyond*, 2009, pp 63-96.

promotional approach, the focal point for monitoring sustainability impacts in each agreement is a clear commitment to establish intergovernmental and civil society mechanisms. Alongside dialogue mechanisms, there are also more general commitments to monitoring sustainability impacts (although no precise specifications regarding ex-post monitoring).

### EU-Korea FTA

The EU-Korea Free Trade Agreement, which entered into force on 1 July 2011, contains a stand-alone Sustainable Development chapter (Chapter 13), which is not intended to lead to the harmonisation of labour or environmental standards, but rather to ‘strengthen ... trade relations and co-operation in ways that promote sustainable development’. Article 13.4 reaffirms the parties’ commitment to the Decent Work Agenda and the ILO’s core labour standards, including their intention to make continued and sustained efforts towards ratifying all of the fundamental ILO conventions.<sup>118</sup>

Sustainability impact monitoring is based on public scrutiny through civil society involvement in both Korea and the EU.<sup>119</sup> Chapter 13 provides for the establishment of **Domestic Advisory Groups (DAGs)** in the EU and Korea, to be comprised of a balanced mix of independent representatives of environment, labour and business organisations. The DAGs will meet annually at a joint EU-Korea **Civil Society Forum** to discuss sustainable development aspects of trade (Art 13.13.1) and may be called on by the government parties to provide advice or can make submissions at their own initiative (Art 13.13.3 & 13.14.4). Cooperation activities and monitoring will also be undertaken in a high-level inter-governmental Committee on Trade and Sustainable Development. This approach has been welcomed by civil society groups in the EU, including the social partners, as presenting an important opportunity to test and develop dialogue-based monitoring mechanisms on the employment effects of trade.

Article 13.10 establishes a broader commitment on the part of Korea and the EU to monitor sustainability impacts, but provides flexibility in the format and role that this monitoring might take:

“The Parties commit to reviewing, monitoring and assessing the impact of the implementation of this Agreement on sustainable development, including the promotion of decent work, through their respective participative processes and institutions, as well as those set up under this Agreement, for instance through trade-related sustainability impact assessment.”

### EC-Cariforum

Sustainable development has a particularly high profile in the EC-CARIFORUM Economic Partnership Agreement (EPA), in provisional application as of 29 December 2008, as one of the explicit objectives of the agreement is to contribute to:

“the reduction and eventual eradication of poverty through the establishment of a trade partnership consistent with the objective of sustainable development, the Millennium Development Goals and the Cotonou Agreement” (Art 1(a)).

According to the terms of the EPA, the goal of sustainable development should be “applied and integrated at every level of their economic partnership” (Art 3).

Chapter 5 of the EPA (“Social Aspects”) affirms the parties’ commitment to the Decent Work Agenda and the ILO’s core labour standards (Art 191).<sup>120</sup> The main mechanism for monitoring the

<sup>118</sup> Korea has not yet ratified ILO Conventions 29, 87, 98 and 105.

<sup>119</sup> There is no recourse to the general dispute resolution mechanism with respect to labour and sustainability issues (Art 13.16), but rather Chapter 13 establishes a self-contained mechanism involving a panel of experts.

<sup>120</sup> The 15 CARIFORUM EPA countries are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts

implementation of this commitment (Art 195) is the **Consultative Committee**, a joint EC-CARIFORUM body which is designed to assist in the promotion of 'dialogue and cooperation between representatives of organisations of civil society, including the academic community, and social and economic partners' (Art 232). The government parties may consult each other and the Consultative Committee on decent work and sustainable development issues (Art 195). Members of the Consultative Committee may make oral or written recommendations to help ensure effective monitoring of the EPA (Art 195). Other monitoring mechanisms include a joint **Parliamentary Committee** (Art 231) and the **Trade and Development Committee**, comprised of senior officials from both parties, which meets at least once annually (Article 230).

The dialogue mechanisms for the EPA are taking time to put in place. At the time of writing, the Trade and Development Committee was due to meet for the first time and the Consultative and Parliamentary Committees were yet to meet (with representation on the CARIFORUM side yet to be decided). Nevertheless, we understand that the EESC will play a key coordinating role in European civil society participation in the Consultative Committee and has already met with European social partners to agree on the composition of the EU representation.

As with the EU-Korea FTA, there is a general commitment to monitoring the operation of the Agreement through 'respective participative processes and institutions' (Art 5). Given the explicit development aims of the EPA, we understand that there is a particular motivation to establish an ongoing ex-post monitoring mechanism that is likely to be more ambitious and broad-ranging than monitoring arrangements for other trade agreements. This will enable the trading partners to measure the impact of the EPA on poverty reduction and sustainable development over a number of years. We understand that proposals for this mechanism are still under discussion.

### EU-Central America

The promotion of sustainable development is a 'guiding principle' for the EU-Central America agreement (Art 1). Title VIII of Part III (Trade) sets out the parties' commitments on trade and sustainable development, including their commitment to the core labour standards and the promotion of decent work (Art 286). There is a general commitment to 'review, monitor and assess' the contribution of the trade agreement to sustainable development (Art 293) and the agreement sets up a range of institutional and monitoring mechanisms related to sustainable development.

Commitments under Title VIII of Part III are specifically overseen by an inter-governmental **Board on Trade and Sustainable Development** (Art 294). As with the EU-Korea FTA, the parties are required to establish and consult civil society **Advisory Groups**, which are responsible for 'expressing views and making recommendations on trade-related aspects of sustainable development and advising the Parties on how to better achieve the objectives of [Title VIII]'. The Advisory Groups should be comprised of a balanced group of independent representatives of business, labour, environmental and other civil society organisations. Moreover, a **Civil Society Dialogue Forum** will meet once a year to discuss sustainable development aspects of trade relations between the parties (Art 295).

More generally, institutional mechanisms with oversight of the whole agreement include a ministerial level Association Council (Art 4), an inter-governmental Association Committee (Art 7), a joint Parliamentary Committee (Art 9) and a **Joint Consultative Committee** (JCC) (Art 10). The JCC will be comprised of civil society representatives from the EU and Central America will have two main responsibilities: submitting civil society opinions to the Association Council and contributing to

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and Nevis, Suriname, and Trinidad and Tobago. The EU worked with Haiti in order to adjust some of Haiti's tariff commitments in the light of its specific needs as least-developed country (LDC). This made it possible for Haiti to sign the EPA in December 2009. Cuba is also a member of CARIFORUM but is not part of the ACP group and did not participate in negotiations. DG Trade, *Introduction to the CARIFORUM-EC EPA*, December 2009: [http://trade.ec.europa.eu/doclib/docs/2010/march/tradoc\\_145879.pdf](http://trade.ec.europa.eu/doclib/docs/2010/march/tradoc_145879.pdf)

the promotion of dialogue and cooperation between the organisations of civil society in the EU and Central America. The JCC will be composed of an equal number of representatives of EU civil society (drawn from the EESC) and Central America (drawn from the Comité Consultivo del Sistema de la Integración Centroamericana (CC-SICA) and the Comité Consultivo de Integración Económica (CCIE)). Article 11 states that the parties shall also promote meetings of EU and Central American civil society, including academics, social partners and NGOs, with a view to ‘informing them about the implementation of the Agreement’ and ‘gathering their suggestions in this respect’.

Alongside civil society dialogue monitoring mechanism, there seems considerable scope within the agreement for cooperation on building data-based monitoring mechanisms. Article 63 of the EU-Central America Association Agreement provides for cooperation – ‘technical assistance, training and capacity building actions’ – on, *inter alia*:

‘facilitating exchange of views on the development of methodologies and indicators for sustainability review and supporting initiatives to jointly review, monitor and assess the contribution to sustainable development of Part IV of this Agreement’ (Art 63(2)(f)).

Part III also specifically provides for cooperation on statistics cooperation, “including gathering, processing, quality control and dissemination of statistics, aimed at generating indicators with enhanced comparability between the Parties” (Art 28).

### EU-Peru & Colombia

The final text of the EU-Peru and Colombia FTA was initialled in March 2011. One of its objectives is ‘promote international trade in a way that contributes to the objective of sustainable development’ (Art 5(1)(j)). To this end, Title X of the agreement sets out the parties’ commitments on ‘Trade and Sustainable Development’, describing ‘international trade, employment and decent work as key elements for managing the process of globalisation’ (Art 268). As in the Central America agreement, the parties commit to the ‘promotion and effective implementation in their laws and practice’ of the core labour standards (Art 268). Article 275 specifically refers to the importance of promoting equality of treatment amongst workers, particularly with respect to migrant workers.

The implementation of sustainability commitments will be monitored by a **Council on Trade and Sustainable Development**, comprised of high level government representatives from each of the parties, to oversee the implementation of Title X (Arts 15, 279).<sup>121</sup> The Council is obliged to convene an annual consultation event for civil society groups and the general public, for which summaries will be made publicly available (Art 281).

However, the commitments for civil society monitoring with respect to the sustainability impact of the agreement appear to be much broader and less institutionalised than those under the agreements previously discussed in this section. Title X states that the parties shall consult ‘domestic labour and environment or sustainable development groups or establish new ones where they do not exist’, and that these groups may submit opinions or recommendations through the parties’ internal channels (Art 280). Procedures for the constitution and consultation of the groups must be in accordance with domestic law and there should be balanced representation (Art 280). In addition, under Article 278, both parties commit to monitoring the labour and environmental impacts of the FTA through their ‘respective domestic and participative processes’.

<sup>121</sup> Where the issue under consideration relates to either Colombia or Peru specifically, the composition of the committee will be adjusted to include only representatives of that country and the EU: Article 279.

## A role for the European social partners

In the course of our research for this project, we spoke to a number of EU social partner representatives about the potential role for social partners in monitoring mechanisms.<sup>122</sup> On the basis of our interviews, it is clear that European social partners and civil society groups are very keen to participate in dialogue-based and other forms of monitoring of trade impacts, although they have limited resources to participate in detailed data-based monitoring. In general, there is strong support for the development of mechanisms both to monitor commitments on labour and decent work and to evaluate the impact of trade agreements on sustainable development more generally, particularly within the EU.

Some sectoral social partners in the EU are relatively well-equipped to provide more concrete forms of evidence to inform dialogue on trade and employment. In particular, the social partners in the sugar sector have good information about labour market trends and have developed useful tools that could be adapted to monitoring the employment and decent work effects of trade deals. The social partners in this sector have also been working together to monitor labour market shifts in the context of extensive industry restructuring following reforms to the EU sugar market.<sup>123</sup>

Other relevant activities by the sectoral social partners in Europe relate to:

- **Textiles:** According to our interviews, Euratex and ETUF are developing a network of social observatories for employment in the textiles sector,<sup>124</sup> as well as tools to enable better sectoral adaptation to change and restructuring.
- **Shipbuilding:** CESA told us that they had developed tools in response to industry restructuring, although these have never been published.

As noted above, the EESC is set to play a key role in participating in and coordinating the involvement of EU social partners and other civil society representatives in the mechanisms established by the Korea, Cariforum and Central America agreements. In addition, in the context of the EU-Mercosur FTA, the EESC and the Economic and Social Consultative Forum (FCES), its Mercosur counterpart, issued a joint declaration on the EU-Mercosur trade negotiations, which referred *inter alia* to the need for the creation of a joint civil society committee to monitor the effect of the trade deals.<sup>125</sup> However, the EESC emphasised that they and their extra-EU counterparts would need further resources and support if they were to play a defined role in monitoring.

## Building the capacity of the social partners to engage in monitoring

Social partners' enthusiasm for participating in monitoring was tempered by a general recognition that there was a need to build social partner capacity to fulfil this role, particularly in developing

<sup>122</sup> See Annex 1 for a list of our interviews with social partners and Annex 2 for an outline of their views on monitoring.

<sup>123</sup> For further information on the joint work that has been carried out by CEFS and EFFAT, including tools and sectoral monitoring, see: [www.eurosugar.org](http://www.eurosugar.org).

<sup>124</sup> This does not necessarily entail the creation of new observatories, but rather the development of more formal links between existing observatories. This builds on earlier joint work by Euratex and ETUF to map existing sectoral and regional observatories. (For a description of the earlier project, see: [www.etuf-tcl.org/index.php?s=3&rs=home&uid=564&lg=en](http://www.etuf-tcl.org/index.php?s=3&rs=home&uid=564&lg=en)). The structure of the proposed network on observatories is in line with the activities foreseen for the Sectoral Skills Councils, as outlined in Annex 7 of the 2010 *Commission Staff Working Document on the functioning and potential of European sectoral social dialogue* (see: [www.lex.unict.it/eurolabor/en/documentation/com/2010/sec%282010%29-964en.pdf](http://www.lex.unict.it/eurolabor/en/documentation/com/2010/sec%282010%29-964en.pdf)).

<sup>125</sup> See Joint FCES-EESC Declaration on the prospects for resuming the negotiations for an EU-Mercosur Association Agreement: [www.europarl.europa.eu/meetdocs/2009\\_2014/documents/dmer/dv/eu\\_mercosur\\_agreement\\_ces9478\\_2009\\_decl/eu\\_mercosur\\_agreement\\_ces9478\\_2009\\_decl\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/dmer/dv/eu_mercosur_agreement_ces9478_2009_decl/eu_mercosur_agreement_ces9478_2009_decl_en.pdf)



countries. On the basis of our experience in Chile, it was clear that social partners outside the EU, especially sectoral trade unions, would benefit from capacity building activities to enhance their contribution to dialogue on trade and labour impacts.

In this section, we have highlighted what we consider to be some of the most interesting initiatives that have been carried out to build social partner capacity on international trade and monitoring. All three of these projects are being run by the ILO and two out of three are being funded by the EU. We uncovered very few examples of international projects or programmes that aimed to build the capacity of social partners to participate meaningfully in dialogue and monitoring schemes related to trade, decent work and sustainable development. This is not necessarily surprising, given that technical cooperation related to social dialogue attracts considerably less funding and interest from most donors than other pillars.<sup>126</sup> Generally speaking, large technical cooperation projects on social dialogue tend to be implemented by the ILO and are likely to focus on social partner participation in domestic processes.

We note that technical cooperation and support for labour administrations is also a critical issue, not only with respect to supporting the collection of relevant data but also for promoting compliance with labour laws. Relevant technical cooperation for labour administrations may include advice on labour law reforms and training for labour inspectors.<sup>127</sup> This is a very specific focus of a number of the programmes related to CAFTA-DR.<sup>128</sup>

### ILO: Trade, development and decent work in the Caribbean

For the past two years, the ILO's Caribbean office has been working to improve the capacity of the social partners on trade, particularly in the context of the EC-Cariforum EPA. Importantly, the impetus for this project was a direct request from the Caribbean social partners. In June 2008, in response to the trade union movement's concerns about the potential impact of the EPA, a joint ILO-Caribbean Congress of Labour (CCL) Round Table was held in Barbados on the social and labour dimensions of the proposed EPA. Regional trade union representatives formally called for:

... meetings with workers and employers to make them aware of the implications of the measures contained in the EPA; and to develop with the technical assistance of the ILO and other regional and international institutions, materials on the EPA and other external trade agreements for the purpose of awareness-raising.

Trade union representatives also requested the ILO's support for "... Caribbean social partners for capacity building, research and education in the area of external trade agreements."<sup>129</sup>

Major outputs for the project have included:

- **Website:** The development of a dedicated website on trade and development in the Caribbean, with a range of resources on the EPA and other trade negotiations;

<sup>126</sup> In an earlier study of development cooperation on decent work for DG Employment, we found that only 1% of funding was devoted to activities on social dialogue. Ergon Associates, *Bilateral relations and co-operation activities in the area of employment and decent work between EU Member States or relevant international organisations, on the one hand, and selected emerging economies, neighbourhood countries and strategic partners of the EU on the other*, Report to DG Employment, 2008, Contract reference no. VC/207/0595, p 28: <http://ec.europa.eu/social/main.jsp?catId=323&langId=en&newsId=479&furtherNews=yes>

<sup>127</sup> See, for example, the projects carried out by the ILO under a cooperation agreement with Norway to strengthen the capacity of labour inspectorates: [www.ilo.org/labadmin/what/projects/lang--en/WCMS\\_116963/index.htm](http://www.ilo.org/labadmin/what/projects/lang--en/WCMS_116963/index.htm)

<sup>128</sup> For example, Comply and Win projects II and III for Inspection, which were implemented by Foundation for Peace and Democracy, and aimed to train inspectors.

<sup>129</sup> This statement is set out in a meeting outcome document, "The Caribbean Congress of Labour Declaration and Plan of Action on Regional Integration and the Economic Partnership Agreement and their Social and Labour Dimensions": [www.ilocarib.org.tt/trade/documents/ccl-declaration-plan-of-action.pdf](http://www.ilocarib.org.tt/trade/documents/ccl-declaration-plan-of-action.pdf).





- **Guidance material:** Two plain-English guides to the EPA for workers and employers, including guidance on how the social partners may participate in monitoring;<sup>130</sup> and
- **Training:** A series of training and workshops in the 13 Cariforum countries on the EPA and the potential role for the social partners, with the direct participation of Cariforum negotiators.

In addition, the ILO has begun talks with the University of the West Indies to explore possibilities for cooperation on ongoing monitoring research.

In our view, the project provides an interesting precedent, given that the project is specifically related to an EU trade agreement. The ILO emphasised that the project outcomes were easily replicable in other contexts, although flagged that one of the key success factors was the participation of Cariforum negotiators and other skilled presenters who had an intimate knowledge of the issues at stake and could communicate technical concepts in laymen's terms. (In this context, the ILO observed that capacity building could be conceived of as a two way process: teaching social partners to speak the language of trade, but also teaching economists and negotiators how to speak to civil society about trade.)

In connection with the project, the ILO carried out an analysis of the specific capacity building needs of the social partners in the region with respect to the EPA. These included the need to develop:

- **Research capacity**, including the ability to collect detailed labour market information, the ability to analyze this data, the ability to link it to changes in trade policies, and to disseminate and use these findings;
- **Capacity to negotiate on economic and trade policies**, including understanding economics, understanding international trade, and understating the language used in these areas.
- **Understanding of the implications of regional integration** and the obstacles to it.
- **Capacity to deal with a rapidly increasing number of regional multinational companies or conglomerates**, including;
  - Information technology;
  - Information sharing;
  - Joint training of trade union representatives from different countries;
  - Knowledge of framework agreements;
- **Project management capacity**, including project development, resource mobilization, project implementation, accounting and reporting; and
- **The capacity of the Caribbean Congress of Labour** and its ability to function effectively as the regional trade union body.<sup>131</sup>

One of the lessons arising from this project is the practical difficulty in securing funding for activities directed at the social partners. The EU does provide funding for civil society in the Caribbean through the European Development Fund, but decision-making on allocation of funding is made by the CARICOM secretariat. In order for this money to be channelled to activities involving the social partners, there needs to be consensus amongst Cariforum heads of state: in practice, this appears to be very difficult to achieve. To date, this project has been funded from the ILO's regular budget and a small contribution by the Caribbean Development Bank.

<sup>130</sup> The booklets and other resources can be accessed at: [www.ilocarib.org.tt/trade/epa\\_booklets.html](http://www.ilocarib.org.tt/trade/epa_booklets.html).

<sup>131</sup> Information shared by the ILO Caribbean office.

### ILO: Assessing and Addressing the Effects of Trade on Employment project

The central goals of the ILO's project on "Assessing and Addressing the Effects of Trade on Employment" (the 'ETE project') relate to building the capacity of social partners and labour administrations to monitor the effects of trade.<sup>132</sup> These include:

- Developing global knowledge tools to support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners; and
- Building the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.

The ETE project is running from 2009 until 2013, with substantial support from the EU. It will provide important lessons on best practices for capacity-building through its work to establish pilot programmes to strengthen the capacity of ministries, national statistical agencies and the social partners to engage in monitoring exercises in selected countries (Benin, Bangladesh, Indonesia and Guatemala).

### ILO: Monitoring and Assessing Progress on Decent Work

Through the **Monitoring and Assessing Progress on Decent Work (MAP) Project** (2009-2013), the ILO is working with government agencies (including labour ministries), national Statistical Offices, social partners and research institutions to strengthen the capacity of developing and transition countries to monitor and assess their progress towards decent work. Amongst other things, the project aims to identify the most useful indicators for measuring decent work at the national level, conduct in-depth country studies and produce a manual on a global methodology to measure decent work.

This project provides interesting lessons both in terms of methodologies for measuring decent work and involving the social partners. The project is now halfway through and has already resulted in four comprehensive decent work country profiles for Brazil, Ukraine, Tanzania and Austria.<sup>133</sup> In each of these countries, the ILO has held workshops with government officials and social partner representatives, which have helped to raise awareness of how to measure developments in decent work. Like the ETE project, the MAP project is receiving funding from the EU.

### Monitoring trade-related co-operation on labour - DR-CAFTA

In general terms, the US approach to monitoring is closely linked to the way in which labour provisions are included in trade agreements. Labour provisions in US trade agreements tend to include a mutual agreement to enforce labour legislation, introducing the possibility to impose sanctions where one of the trading partners fails to enforce internationally recognised labour standards through its legislation and practice. However, given that the US approach rarely results in the imposition of sanctions in practice, it has been suggested that the basis of its approach could more accurately be described as cooperation, as extensive cooperation activities have been conducted under a number of its agreements.<sup>134</sup>

<sup>132</sup> See project website at: [www.ilo.org/employment/Whatwedo/Projects/lang--en/WCMS\\_118053/index.htm](http://www.ilo.org/employment/Whatwedo/Projects/lang--en/WCMS_118053/index.htm)

<sup>133</sup> These documents are available on the MAP project website at: [www.ilo.org/integration/themes/mdw/lang--en/WCMS\\_123804/index.htm](http://www.ilo.org/integration/themes/mdw/lang--en/WCMS_123804/index.htm).

<sup>134</sup> ILO, *World of Work*, op cit, p 66.



An important model for development cooperation on trade and labour was established by arrangements associated with the US-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), in connection with which the US has provided US\$20 million annually to build capacity on labour standards issues since 2006.<sup>135</sup> This money was pledged on the basis of challenges and recommendations identified in a document drafted jointly by DR-CAFTA vice-ministers of trade and labour called “The Labor Dimension in Central America and the Dominican Republic — Building on Progress: Strengthening Compliance and Enhancing Capacity” (commonly referred to as the ‘White Paper’).<sup>136</sup>

In consultation with national social partners, action plans were developed by the US and the DR-CAFTA states, including mechanisms to measure progress on the White Paper objectives. As part of these arrangements, US\$3 million was earmarked for an ILO regional monitoring programme,<sup>137</sup> called ‘Verification of the Implementation of White Paper Recommendations’ and implemented by the ILO Regional Office in Costa Rica. One of the first tasks of the project was to publish a baseline study for each country, setting out details on the operationalisation of each White Paper Recommendation, including indicators and goals.

Subsequently, country and regional verification reports assessing performance against the identified indicators and performance targets have been published covering 6-monthly periods from August 2007 to July 2010. Each verification reports set out:

- A summary of the most important results obtained from the implementation of the White Paper;
- Actions carried out in the time period under consideration; and
- Suggestions to accelerate the implementation of the White Paper.

This regime must be distinguished from the type of ex-post monitoring on labour that may be carried out by the European Commission, as it does not aim to assess the sustainability impacts of the trade agreement itself, but rather to monitor DR-CAFTA States’ progress on improving labour law enforcement and working conditions in accordance with the White paper commitments. In essence, reporting and verification under the White Paper framework is against self-certified Government actions and processes outcomes; for example, it looks at the number of labour inspections and associated budgets, rather than examining changes in the statistics related to violations of defined rights. Nonetheless, it is an interesting approach to monitoring the implementation of trade-related co-operation measures in order to support the capacity of national government to promote and enforce labour standards. Further, it is a significant effort to devise and monitor indicators which are meaningful in the context of policy responses.

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<sup>135</sup> Ibid, p 80.

<sup>136</sup> However, there is no legal relationship between the DR-CAFTA and the White Paper commitments.

<sup>137</sup> For the project website and related documents, see: <http://verificacion.oit.or.cr>.

## 2.9 Recommendations for developing and supporting effective mechanisms for monitoring

### Introductory remarks

This chapter sets out our recommendations for future arrangements to monitor the impact of EU free trade agreements on decent work and employment. In the context of this study, we use the term ‘monitoring’ to refer to ex-post evaluation studies rather than the monitoring that takes place through institutional platforms for dialogue between government or civil society representatives. However, we note that dialogue forms the basis for the EU’s approach to monitoring sustainable development provisions and any ex-post monitoring should have strong links to any formal civil society dialogue mechanisms that are established by the relevant trade agreement. Moreover, ex-post monitoring studies should always include both quantitative analysis and comprehensive stakeholder consultation.

As previously noted, a number of the EU’s recent agreements include a commitment to monitor their impact on sustainable development and DG Trade has expressed an intention to carry out more systematic ex-post monitoring. However, as yet there are no monitoring schemes in operation – dialogue- or research-based – and the precise details of how these schemes will function are yet to be confirmed. In many ways, this makes the formulation of recommendations more germane, but also more difficult. We expect that there may be differing emphasis on monitoring between different agreements; i.e. there may be more interest in monitoring the EU impacts of certain agreements (versus sustainability impacts in the trading partner) than others and the sectoral focus of this interest may also vary across agreements.

As such, we have tried to include both general and specific recommendations, many of which are relevant to different forms of monitoring. Building on our practical experience in Chile, we have sought to include recommendations that would apply to both ad hoc studies (such as ours) and studies which would form part of ongoing monitoring schemes, as anticipated in recent EU trade agreements. It seems likely that both will continue to be carried out in the future, given that some trade agreements make specific commitments on monitoring, whilst others do not (e.g. EU-Chile AA). Also, we note that the recommendations may inform discussions between the EU and its trading partner(s) on how to design aspects of ongoing monitoring schemes that they will each implement themselves; or may be applied to ad hoc (such as ours) or semi-regular studies launched by the Commission regarding sustainability impacts in their trading partners.

While our recommendations focus on labour and decent work issues, they must be considered in the context of the need to monitor sustainability impacts more broadly. As such, the practical application of the recommendations will vary depending on whether a monitoring exercise relates to labour issues alone or is a broader process that includes consideration of labour issues.

### Establishing ongoing ex-post monitoring schemes

#### Committing to ongoing monitoring

Ex-post monitoring is considerably more likely to yield meaningful results and foster constructive dialogue where it takes place regularly over a long period of time, compared to ad hoc studies that are carried out at irregular intervals. As such, where possible, the EU’s trade agreements should be accompanied by a firm commitment to carry out monitoring studies at designated, regular intervals over a number of years. The feasible intervals for such studies could be identified as part of an initial baseline study (see below), as this may depend on certain country-specific factors, such as the

regularity with which certain statistical data is produced (e.g. household surveys may be produced every 3 to 4 years). Ideally, ex-post monitoring commitments should be made early in order to ensure that arrangements are put in place (such as a baseline study or awareness raising amongst stakeholders) as close as possible to the commencement of the operation of the trade agreement.

**Recommendation 15** In order to obtain the most meaningful results, monitoring to assess the impact of free trade agreements should be carried out at regular intervals over a long term (rather than on an ad hoc basis).

### Tailored to the local context

There is no one-size-fits-all solution to designing ex-post monitoring studies and there should be flexibility in how each scheme is designed. The structure of each monitoring regime will depend significantly on a range of variable factors, such as the type of commitment that is included in the free trade agreement (or the absence of a specific commitment, as in Chile), the availability and reliability of data, the strength of regional or local institutions, the capacity of regional / local stakeholders and the civil society dynamic. These factors should be taken into account early in the planning phase.

**Recommendation 16** The structure of an ex-post monitoring scheme should be tailored to the circumstances of each country / region.

### Baseline study and methodology

Where it is intended that there will be an ongoing monitoring regime, a baseline study should be conducted as early as possible. This is important with respect to building a statistical snapshot of the trade, labour market and environmental conditions at or around the time that the trade agreement comes into operation, as well as gathering the views of social partners and other civil society representatives, as this is difficult to do retrospectively. Where the trade agreement provides for a civil society dialogue mechanism, a baseline study could potentially be carried out in advance of the formal convening of the dialogue (especially if there are likely to be delays associated with this process).

A baseline study also plays an important role in designing the terms of reference and an appropriate methodology for the ongoing monitoring. Considerations should include:

- The availability, reliability and representativeness of statistical sources and the regularity of their publication;
- The type of indicators that it will be feasible to monitor over time;
- Information gaps that may need to be addressed; and
- Relevant stakeholders and any gaps in their capacity that could be addressed.

**Recommendation 17** Where it is known that there will be an ongoing monitoring scheme, a preliminary study should be carried out as early as possible to design a methodology for the monitoring regime and provide a baseline.

## Actors involved in monitoring

### An institutional home for monitoring

In the case of ongoing monitoring schemes, it is important to find a 'home' for the ex-post monitoring; i.e. identify an organisation that will be primarily responsible for conducting or coordinating ex-post monitoring over a long period. This should be an independent institution, such as a university, think tank or other independent organisation, which is not perceived as aligned to any particular set of interests and is therefore both credible and neutral in the eyes of different

stakeholder groups. Ideally, the responsible organisation would be responsible for the baseline study and should, therefore, have direct input into the design of the framework and process for monitoring. Although government bodies should be involved in the monitoring process, a government agency is not a neutral home for ex-post monitoring.

**Recommendation 18** There should be a long-term coordinator with responsibility for ongoing ex-post monitoring schemes, ideally an independent local institution that is perceived as a relatively neutral actor (such as a respected university or research institution).

### The role of the EU Delegation

The Delegation is an important actor in ex-post monitoring and a major target audience for the results. However, the Delegation is likely to play a different role depending on whether the ex-post monitoring is of an ad-hoc nature (commissioned by Brussels) or part of an ongoing scheme that is implemented by national government. In either case, the Delegation should appoint a specific liaison officer with responsibility for trade and sustainability issues and, perhaps in larger delegations, an official with specific responsibility and knowledge on labour market issues.

Where the Commission is responsible for the study, the Delegation should be involved in the appointment of the ex-post monitoring contractor, given its knowledge of local issues. Case-by-case consideration should also be given to the capacity of the Delegation to contribute to the coordination or management of any ex-post monitoring studies. In Chile, the assistance of the EU Delegation was particularly important with respect to making more formal contact with government and employer stakeholders when there were miscommunications or delays.

**Recommendation 19** The Delegation should be involved in the monitoring study from the outset and, as appropriate, provide guidance and support to the contractor.

### Other partners / supporting institutions

There are a number of other organisations who may not, for various reasons, be in a position to carry out the whole ex-post monitoring study, but could be approached to play a supporting or partnership role, such as:

- Sharing existing work on monitoring the impact of trade flows;
- Sharing or facilitating contacts with key stakeholders and advising on the dynamic between stakeholders; and/or
- Providing a neutral hosting space for stakeholder meetings.

Certain partnerships can also assist by potentially adding extra credibility or legitimacy to the ex-post monitoring in the eyes of some stakeholder groups.

In the context of monitoring decent work impacts, it is logical to explore the possibility of cooperation with the local ILO office, particularly with respect to social partner consultation. Our experience in Chile was very positive in this regard. The ILO hosted both of our stakeholder workshops and ILO officials who had carried out previous studies on the impact of trade on labour issues were very supportive. Not all ILO offices have the same resources that we encountered in Santiago; however, many will be in a position to provide some level of cooperation and, at the least, should be able to share knowledge of local decent work issues and social partner contacts. As such, we would recommend that the design of any ex-post monitoring studies that include consideration of employment and decent work impacts should anticipate a possible role for the local ILO office.

Possibilities for broader partnerships with other relevant UN organisations such as UNDP, ITC or one of the regional Economic Commissions (e.g. ECLAC in Latin America) should also be explored. These partners may assist in different ways: providing information and expertise to researchers and/or

facilitating contacts with important stakeholder groups. Such organisations may also play a useful role in hosting stakeholder meetings and discussions

**Recommendation 20** Relevant supporting partners for ex-post monitoring studies should be identified and approached by the contractor as early as possible to discuss their possible role.

## The role of stakeholder engagement

### Consultation as an integral part of monitoring

Consultation with government and civil society must be an integral part of any monitoring process, as it fulfils a number of important roles, including:

- Obtaining relevant information;
- Ensuring that the process of monitoring is transparent; and
- Building civil society capacity and understanding on issues related to international trade.

It is difficult to overemphasise this point, as there is a real risk that specialists with the necessary expertise to undertake the data collection and quantitative analysis may not have experience on how to conduct an effective stakeholder engagement process or have a full understanding of how best to reflect stakeholder contributions in the ultimate study.

Where a trade agreement establishes a civil society dialogue mechanism, it is essential that the design of any ex-post monitoring takes account of that dialogue, in terms of ensuring that:

- There is early and appropriate consultation with stakeholders who are involved in the dialogue mechanism about the objectives of and the planned approach to the ex-post monitoring; and
- Outputs from the ex-post monitoring are appropriately designed so that they can feed into and enhance the dialogue process.

Where there is no such mechanism, researchers should consider consulting with existing tripartite bodies and/or national inter-sectoral trade unions and employer organisations.

In addition, it is vital to formulate effective strategies for disseminating the results of the monitoring amongst the broadest possible range of government, social partner and civil society representatives.

**Recommendation 21** Ex-post monitoring studies should be understood as an important opportunity to engage with government and civil society on issues regarding the impact of free trade agreements and should not be conceived of solely as pure research / data collection exercises. This should be taken into account at each stage of the monitoring exercise, including dissemination of results.

### The role of social partners

Consultation with social partners is important in the context of any ex-post monitoring – ad hoc or ongoing – given that workers and employers are amongst those groups who are most likely to have been directly impacted by a free trade agreement. This gives them a direct interest in the results of ex-post monitoring, and also means that they are likely to be in possession of relevant, on-the-ground information that will help to construct a more complete analysis of the impact of a trade agreement, including verification or explanation of any quantitative findings. The involvement of social partners at the sectoral level is particularly important in studies with a sectoral focus.

A defined role for social partners is particularly relevant in the context of ongoing ex-post monitoring schemes, but also applies to ad hoc monitoring. In both cases, in order for social partners to be involved effectively, it is important that there is early contact with representatives to discuss the

timeframe and outcomes for the study. This could be done, for example, in a preliminary meeting involving the ILO or by direct interview at a sectoral and national level.

**Recommendation 22** The social partners (including sectoral organisations) should have a recognised role in any ex-post monitoring studies.

### Capacity building for government agencies

Long-term monitoring arrangements in developing countries should always include a needs assessment for technical assistance for government statistical agencies to improve the collection and availability of relevant data. Where there is a lack of reliable data on trade and / or employment, this not only makes it very difficult to carry out data collection for monitoring studies, either ad hoc or ongoing, it also means that local policy-makers have poor information on which to make decisions about trade and sustainability over the longer-term. As such, technical assistance in this area not only contributes to more effective monitoring processes, but also to more informed policy-making in general.

In some circumstances, it may also be appropriate for the Commission to conduct dialogue or exchange best practices with government ministries and agencies on data collection, civil society dialogue and stakeholder engagement. The benefits of this type of dialogue should also be considered more broadly for industrialised countries.

**Recommendation 23** The design of ongoing monitoring schemes in developing countries should always include a needs assessment for technical assistance for government agencies and consideration of the possibilities for dialogue or exchange of best practice on data collection, civil society dialogue or stakeholder engagement.

### Capacity building for social partners

In some cases, targeted technical or financial assistance may help to ensure that social partners play an effective role in monitoring. This is particularly relevant in relation to ongoing monitoring, as the engagement of social partners will need to be of a much more significant and sustained nature. However, the nature of capacity building and support that is required or appropriate will vary considerably depending on the country / region (e.g. the type of support requested by EU social partners in relation to monitoring within the EU is likely to be somewhat different from that requested by CARIFORUM social partners) and should be the subject of a needs assessment, including consultation with the relevant social partners and government agencies. Depending on the local context, the ILO may also be a useful source of information on capacity-building needs and a potential implementation partner.

Capacity building for sectoral social partners is a particularly important consideration, given that ex-post monitoring is most likely to focus on changes that have arisen at the sectoral level. These sectoral organisations are often weaker than their national counterparts and are often overlooked in terms of capacity building from a development perspective. (The same may apply to regional social partner organisations.) Initial activities may concentrate on building technical understanding of the issues involved in the monitoring process so that all stakeholders can actively participate and contribute.

We note that the timing of any technical or financial assistance is an important consideration: it is important that extra resources or capacity building programmes are delivered well in advance of the commencement of any monitoring studies (with the possible exception of the baseline study). In this way, stakeholders are in a stronger position to contribute to monitoring studies early on. It is possible that there may be existing programmes (e.g. existing ILO programmes) or institutions (e.g. worker training institutes) that could be used as the starting point for capacity building exercises.





**Recommendation 24** Part of the planning for long-term monitoring should include an early assessment and consultation to determine whether there is a need for targeted technical or financial assistance for the social partners and other civil society stakeholders. Particular consideration should be given to the needs of the sectoral and (as appropriate) regional social partners.

### The ILO as a vector for capacity building

A key issue is to ensure that social partners can access funding for capacity building where it is needed, particularly with respect to long-term monitoring schemes. The Commission has already provided funding to the ILO to build the capacity of the social partners in developing countries on assessing and addressing the effects of trade,<sup>138</sup> as well as on monitoring progress on decent work.<sup>139</sup> To date, this support has been provided through the Investing in People instrument, the Commission's main thematic instrument for supporting human and social development over the period 2007-2013. Depending on the outcome of any needs assessment made in connection with long-term monitoring (as per Recommendation 24), ILO capacity building projects could be launched specifically in connection with individual trade agreements, with funding from the EU, potentially building on the lessons learned through the CARIFORUM project.<sup>140</sup> Consideration could also be given to whether it is possible to build on or add an extra component to existing ILO programmes that are supported by the Commission or Member States.

It is preferable for the EU to provide this funding to the ILO directly, rather than making it available through competitive tendering or other similar mechanisms in which social partners in developing countries may find difficult to compete or through the European Development Fund, which is jointly administered by ACP national governments (as in the case of CARIFORUM). The ILO provides a more apolitical or neutral mechanism for capacity-building programmes (as opposed to funding from government).

### Building the awareness and resources of social partners

In order to ensure that social partners start to take note of impacts or changes that are happening post-FTA, they should be sensitised to issues regarding the possible impacts of trade on employment as early as possible. This may be possible prior to the agreement coming into effect if there are capacity building activities attached to the SIA exercise. At the very least, where there is an intention to carry out ongoing ex-post monitoring, there should be early dialogue with stakeholders as soon as possible after the agreement comes into effect regarding the possible contours of their and the type of information they could consider gathering.

We think that it is important that stakeholders, including social partners, are encouraged to carry out their own studies to feed into civil society dialogue and ex-post monitoring mechanisms. This helps to ensure that dialogue and research mechanisms take into account a range of different information sources (in addition to econometric analysis) and, perhaps more importantly, that civil society participants are encouraged to play an active role in generating their own information and analysis about trade and sustainability impacts.

**Recommendation 25** Early awareness-raising on the possible impacts of a trade agreement can encourage stakeholders to start recording or taking note of developments that are relevant to later monitoring or dialogue.

<sup>138</sup> For a description of the Assessing and Addressing the Employment Effects of Trade project, see p 97.

<sup>139</sup> For a description of the Monitoring and Assessing Progress on Decent work (MAP) project, see p 97.

<sup>140</sup> For a description of the ILO's capacity building work in relation to the EC-CARIFORUM EPA, see p 95.

**Recommendation 26** Consideration should be given to providing social partners (and other stakeholders) with funding to carry out their own studies to accompany the broader monitoring regime. This can be used to fuel debates in the civil society dialogue forum (where this is provided for in the trade agreement) and can also complement / inform the more general monitoring studies.

## Methodology

As previously noted, the structure of each monitoring study should be shaped according to the local context. Consequently, we have chosen not to provide a prescriptive template for the methodology for all monitoring studies, but rather have set out a series of thematic recommendations on key aspects of the monitoring process, ranging from the team composition, through the selection of indicators and data through to the ways to make best use of stakeholder information and inputs to any study.

### Balance of methodology and team

There is a danger, as in the SIA process, that an econometric analysis of the ‘proven impact’ of the trade agreement drives ex-post monitoring studies. As important as it is to have quantitative analysis, it is equally important that sufficient weight is given to stakeholder views and discussion. As such, it is important that the composition of the research team is not unduly weighted to data analysis. Based on our experience in Chile and review of SIA practice, we consider that the team should contain members with complementary skills and that the resources available for their work reflect the importance of stakeholder engagement.

**Recommendation 27** Stakeholder engagement must be explicitly identified as being of equal importance to econometric analysis in the monitoring methodology. This must be underlined at each stage of the process.

**Recommendation 28** With respect to both long term and ad hoc studies, there should be a balance of expertise in the research team and the composition should not be weighted towards economic analysis. There should be expertise on social and environmental issues, as well as experience in stakeholder engagement.

### Sectoral selection

There are significant methodological challenges associated with attributing changes in employment or decent work to a single trade agreement, regardless of the methodology used. The starting point for any monitoring study, however, should be to identify those sectors which are likely to have been either positively or negatively affected by changing trade patterns with the EU. Amongst other things, this helps to focus the stakeholder engagement process. We recommend that an initial assessment of trade flows and consultation with those officials responsible for trade issues at the EU Delegation should lead to a preliminary evaluation of the sectors most likely to be affected. This can be confirmed by way of more detailed modelling, using techniques such as the Euro Bias indicator devised in the Chile exercise.

While initial sectoral selection is important to provide focus to the study, in the case of ongoing ex-post monitoring there should be a continual review of the sectors under consideration, as trade patterns may well change. Early indicators of change may be derived from econometric analysis or as a result of information provided by stakeholders. Further, in ongoing monitoring, it may make sense to rotate the sectors under consideration to avoid repetition of findings across years.

**Recommendation 29** Significant consideration should be given to the initial sectoral selection in the study in order to ensure that there is an early focus on sectors most likely to have been affected by changes in trade flows. In the case of long-term ex-post monitoring, the selection of sectors under consideration should be continually

reviewed.

### Selection of decent work indicators

The selection of indicators for the measurement of decent work is an important step at the outset of the project and should be considered prior to, or as part of, the baseline study. However, it is not something which should be approached on the basis of a template to be applied in every monitoring exercise. In Chile, our initial set of indicators – based predominantly on the ILO’s decent work indicators – had to be revised as a result of data gaps, inconsistencies in classification and, in the case of labour standards information, delays in receiving information from the Labour Ministry.

With this in mind, we would suggest that the study team, in close discussion with the EU and national stakeholders, consider a broad menu of decent work indicators and agree the best and most practical indicators in the national circumstances. This should include consideration of data on:

- Quantity of employment in each sector;
- Quality of employment (e.g. duration of employment, wage levels and training);
- Gender; and
- Labour standards compliance as recorded by the labour inspectorate.

**Recommendation 30** As far as possible, indicators on decent work and employment should seek to cover a broad range of areas, including job quantity and quality and labour standards, but there should be some flexibility in the choice of indicators, given that the breadth of analysis will depend on the availability of data.

### Use of data

We consider that there were a number of benefits associated with the data sources and methodology that we used, including:

- Using only publicly available information meant that our model could be easily replicated for future monitoring exercises at relatively low cost and we were not reliant on the delivery of information by other parties; and
- Using a relatively simple model of analysis meant that the process was more transparent and the information was more easily digestible for a range of civil society stakeholder groups with differing levels of expertise on trade issues.

**Recommendation 31** In order to ensure the sustainability and transparency of the monitoring process, indicators should be primarily selected on the basis of information that:

- Is in the public domain;
- Is the subject of regular and representative statistical surveys; and
- Can be collected without disproportionate cost or effort.

### Process for stakeholder engagement

We consider that a stakeholder engagement plan should be prepared at the very beginning of each monitoring study. This should include:

- Preliminary stakeholder mapping (to be verified with EU Delegation as appropriate and other key stakeholders);
- Provision for at least two collective workshops for stakeholders and a series of individual stakeholder interviews (including plans for involving stakeholders from regional areas);

- Plans for engaging with government agencies, including the labour ministry, for the purpose of data collection;
- Identification of key risks and associated mitigation strategies, e.g. delays in arranging interviews, unwillingness of certain stakeholders to participate or low levels of stakeholder knowledge of the agreement and international trade issues;
- Identification of existing platforms for dialogue (e.g. social partner forums) that could be used to publicise the study whilst it is in train; and
- Dissemination strategies for presenting the study outcomes.

Factors that should be taken into account include:

- Whether there is representation of both workers and employers at the sectoral level and if not (or if the representation is weak), which organisations are most representative / active in those sectors; and
- The dynamic of social dialogue in the country / region and whether there are any associated factors that will influence the decision of stakeholder groups to participate in collective workshops.

We note that there is an important role for individual, specialised interviews. While the stakeholder meetings are important forums for the discussion of preliminary and final findings from studies, they do not allow for an in-depth exploration of individual stakeholder perspectives. Individual interviews are particularly important for where certain stakeholders are reluctant to participate in collective workshops. We would recommend that stakeholder interviews should take place once there are preliminary findings to discuss, thus focusing the interview and providing an opportunity to test the preliminary findings against stakeholder perceptions and opinions.

It is important to hold more than one collective civil society workshop in connection with any monitoring study. As a matter of transparency, a second workshop enables follow-up by the study team to reflect back to the stakeholder how their points of view (from both the first workshop and individual interviews) have been integrated into the study findings.

Where there is a formal civil society dialogue mechanism established by a trade agreement, the collective workshops should not be restricted to that group of formally involved stakeholders but should seek to engage with a broader range of stakeholders. This is particularly relevant with respect to the participation of sectoral social partners. Nevertheless, where there is a formal civil society dialogue mechanism, the organisation of the collective workshops should be sensitive to the timing of these meetings.

Budgets and timescales for stakeholder engagement should take into account the need for engagement with regional stakeholders; i.e. research visits to regional areas and regional stakeholders trips to central workshops.

**Recommendation 32** At the beginning of each monitoring study, there must be a clear plan for stakeholder engagement, including the conduct of collective workshops, use of individual stakeholder interviews and consultation with sectoral social partners.

### Leveraging CSR influence and information

Many European companies that source from countries outside the EU, particularly in the agribusiness, food, clothing and footwear sectors, are signed up to a range of initiatives to promote labour and sustainability standards. Their engagement with local export companies on social standards was a significant finding in the Chile study. These European buying companies, and their standards-setting and implementation operations, are important sources of both influence and

information and, as such, should be integrated into any monitoring process where possible both as stakeholders and as a source of information.

Any monitoring study should at least carry out interviews with a selection of suppliers to European companies with social and environmental standards and, if possible, the European buying companies. Where monitoring is being carried out institutionally and on an ongoing basis, it may be sensible to approach the company and their European Works Council. Expectations as to the amount of information which may directly be derived from such companies should be managed, however, as much of the audit and other information will be confidential and unable to be shared with researchers or a wider public audience.

**Recommendation 33** Where possible, any monitoring exercise should seek to involve European companies sourcing from the third party country in sectors that are known to be heavily influenced by corporate social responsibility (CSR) and responsible supply chain trends.

## Reporting and dissemination strategies

### Reports and outcomes

The outcomes of ex-ante and ex-post monitoring exercises can be notoriously inaccessible to a range of stakeholder groups, as a result of their length and the complexity of the issues and analysis. While capacity building can help to ensure that stakeholders understand and engage in ex-post monitoring studies, thought should also be given to presenting monitoring reports in such a way that it is accessible to a broad range of stakeholders. For example, the use of short summary reports and PowerPoint presentations may be sufficient at preliminary stages and also will allow more efficient use of time and faster project outputs.

In relation to the final monitoring reports, it is also important that the views and positions of stakeholder organisations are clearly signposted (except where anonymity is requested or considered appropriate).

**Recommendation 34** As far as possible, monitoring reports and other outputs should be prepared in a format that is easily understood and digested by a broad range of stakeholders. The presentation of the findings of monitoring studies should not be restricted to formal studies, but should also take the form of shorter focussed reports and presentations delivered during the course of the monitoring process. These may be disseminated directly to stakeholders, or through electronic means such as dedicated websites or discussion groups and social media.

**Recommendation 35** Any monitoring studies should include a chapter in the body of the report that highlights the views of stakeholders in order to ensure that the outcomes of stakeholder engagement are adequately reflected and that the report is not overly focused on data analysis.