

ILO and UN Resident Coordinators Dialogue on Decent Work and Economic Growth in the context of the Future of Work in Latin America and the Caribbean

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Session 2: Employment and sustainable enterprises. Key motors of sustained, inclusive and sustainable economic growth, full and productive work, and decent work for all

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“Such a future of work is fundamental for sustainable development that puts an end to poverty and leaves no one behind.”.

“Recognizing also the importance of the role of sustainable enterprises as generators of employment and promoters of innovation and decent work;...”

“...The ILO must direct its efforts...to ensuring a just transition to a future of work that contributes to sustainable development in its economic, social and environmental dimensions;...”

“...developing and enhancing social protection systems, which are adequate, sustainable and adapted to developments in the world of work;”

Centenary Declaration (ILO, 2019)

Labour income accounts for close to 80 per cent of the total income in most households; the rest comes from transfers and unearned income. Therefore, there’s no doubt about the important role that work plays in the wellbeing of households. For this reason the ILO’s Centenary Declaration For the Future of Work is emphatic about the need to harness “the fullest potential of technological progress and productivity growth, including through social dialogue, to achieve decent work and sustainable development, which ensure dignity, self-fulfilment and a just sharing of the benefits for all.”

The recent evolution of labour markets in Latin America demonstrates ups and downs. The main labour market indicators in the region have shown slight progress: the unemployment rate decreased, while salaried employment and pay increased. (ILO, 2018c). But it is important to highlight that the labour

situation in the region is marked by the need to increase the speed at which markets are able to generate more and better jobs. The region needs more robust growth and more efficient employment generation and income redistribution policies to decisively confront current and future challenges. We cannot forget that there are 25 million unemployed individuals in the region.

To get a better sense of the potential for sustainable employment generation it is important to consider the nature of employment that is generated in the region. If we imagine eight workers in Latin America and the Caribbean, five of them earn wages, two are self-employed (independent workers or employers) and one is a domestic worker or an unpaid contributing family worker. Out of the five wage earners, one works in the public sector; one in a microenterprise with up to five workers; and three work in medium or large companies with at least six workers.

It is clear that in our region there is a high rate of job creation in the self-employment and microenterprises —three of the eight hypothetical eight workers in our region— above that seen in countries of other regions with similar levels of development. For quite some time, the region has been the “land of entrepreneurs”. The generation of this kind of work has grown under the premise that it is a strategy to escape poverty. From a microeconomic perspective tightly focused on short term effects, this interpretation holds water. But from a more balanced, general and medium-term perspective, it raises some doubts about that premise.

On that respect it is important to take into account that labour productivity among independent and microenterprise workers is notably inferior to that of workers in larger firms. Larger enterprises have more capital, a better use of technology, less environmental impact, more access to continuing education, and more command of cutting-edge knowledge. From a standpoint of macro allocation of factors, the aggregated labour productivity in our countries falls for each worker who goes from working in a big, high-productivity enterprise to being self-employed or employed in a low-productivity microenterprise. We need to promote a sustainable enterprises employment agenda.

In addition to the value added problem, the excess of low productivity firms brings with it a significant social problem: informal labour. In low labour-productivity jobs, earnings are so low they don't allow for covering present and future risks. Between half and three quarters of the region's jobs fall into the informal category, exceeding those in countries with comparable per capita incomes. With some slight variations over the past few decades, the rate of informality the region has remained within these margins without significant changes.

Informality is multidimensional and needs to be addressed from multiple fronts. Recommendation Number 204 for the Transition from an Informal to a Formal Economy (R204) approved by the International Labour Conference in 2015, laid out a framework of tripartite policies that can be applied in the region. In its analysis, R204 acknowledges the multiple causes of informality and its heterogeneity. In terms of policies, it recommends a comprehensive focus of interinstitutional agreements that are mutually reinforced.

The tool par excellence to reduce informality is economic growth, followed by institutional factors and targeted public policies. It is then straightforward that the countries that have been successful in reducing informality have been those that have grown the most and, additionally, have had public policy interventions on many fronts. (OIT, 2019). What we know is that some policies have already been proven effective in reducing informality. These have been monitored within the framework of the ILO's FORLAC regional programme and grouped within four big categories: productivity promotion, regulatory work, incentives creation and increased oversight. (see the image).

Vías para la transición a la economía formal en América Latina y el Caribe



Source: ILO (2014).

A variety of strategies have been tried within each category and two characteristics emerge: their impacts have been modest and sporadic. (ILO, 2014). The time for silver-bullet policies to combat informality is over. It is now time for more concerted and comprehensive interventions that put a stronger emphasis on the multidimensional nature of this problem.

It is also well known that informality is more common in certain segments of the labour market, particularly among women, youth, and low productivity workers, including agricultural workers. It's not surprising that the informal segments of labour markets are those that have higher rates of worker insecurity (contributions to health systems or pensions) and environmental impact. These characteristics of informality are notable because they are in line with some of the policy priorities included in the Panama Declaration for the Future of Work (ILO, 2018b) and the Centenary Declaration (ILO, 2019).

Informality in rural employment occurs principally in informal productive units. This means that, as opposed to informal employment within formal productive units, rural formalization requires a transformation of the productive unit itself. The rewards for directing efforts to the productive transformation in the rural setting are high. These rewards are related to the fact that much of the growth potential in many countries of the region are in these sectors (agriculture, livestock, forestry and aquaculture).

Additionally, "The emergence of new forms of organization of work and of production creates new opportunities and risks and could exacerbate existing vulnerabilities" (OIT, 2018b). On top of the structural problem of informality, there are the new challenges that technological changes and new forms of employment bring about. It is here where the challenges of the recent past and the present are closely related to the future of work. Action is needed.

A vibrant and healthy private sector is the main source of economic growth that creates wealth, employment and decent work. The role of sustainable enterprises is fundamental. However, within the region's business world, not all firms have the potential to generate the kind of decent jobs that the region needs. The smallest companies are most prone to operating informally. Considerable challenges

remain for decent work and promoting a transition toward formalization in the informal sectors. While many of the informal companies have the potential to grow and increase productivity there are barriers to their access to productive factors and business development services.

Big firms have the opportunity to use their buying practices and broader commercial relationships within the supply chain to promote a more inclusive economy. In that sense, the promotion of “transitional” enterprises with sufficient capacity to make progress in productivity and labour conditions is one of the keys to creating a strong network of mid-size enterprises.

Firms operate within market systems and national regulations, but also they are part of global supply chains through their network of business relationships. As such, the macroeconomic context and the sector in which these supply chains operate are important. The nature and the functioning of the markets and supply chains can facilitate the sustainability of enterprises.

But beyond labour markets, it is important to highlight that informality transcends labour relations. It is present in many of the transactions that Latin Americans carry out in a variety of markets. It is not hard to find informality in a large part of many markets---educational, editorial, musical, culinary, and the list goes on.

To a certain extent, economic agents find it cheaper or easier to carry out their transactions ignoring the state presence. This fractures the social contract. Economic agents prefer to ignore a state that has problems in fulfilling its promise of being a large provider of public goods (infrastructure, safety, justice, health, education, etc). This creates a vicious circle of precariousness in which, on the hand, there is a limited provision of services, and on the other, weak construction of cohesive societies.

One issue of great concern to the ILO is the labour situation among youth. For a region that is still undergoing a demographic boom, this represents a broad series of challenges and opportunities. It is difficult to be a young person in the region’s labour market. The youth unemployment rate is triple that of the adult population. Out of every five youth in the region, one is looking for a job and can’t find it, and another is in an even more complicated situation in which the youth is neither working nor studying (OIT, 2018c), in part because the first insertion of young people without work experience into the labour market becomes an obstacle to the transition from school to work. For those who do find work, the labour conditions tend to be less beneficial than those for adults, and generally in informal labour conditions. This should sound an alarm because it is present and is also a threat to the aspirations of millions of young people between 15 and 24 years of age who are unable to find work opportunities and whose dreams of social mobility are dashed.

— Proposal for joint work

It is time for the establishment of a new era in the construction of more cohesive societies, with a social contract of renewed importance. For this to become reality we need short- and long-term actions that embrace the multidimensional nature of the problem of informality. As Salazar-Xirinachs and Chacaltana (2018) point out, it is time to try concerted strategies. It is clear that there is no silver bullet for informality.

At the same time, the current situation presents an interesting opportunity. The required skills for many jobs are being redefined. Technology is redefining not only the use of skills within jobs, but also the dynamic between the supply and demand in labour markets. These redefinitions in the world of work present many challenges, especially for job formality, but at the same time should be seen as opportunities. The challenges of informality and the creation of new forms of work that distance themselves from formal, salaried relationships necessitate renewed solutions. (OIT, 2018b).

It is well known that the space for creation of decent, sustainable and formal jobs is in sustainable enterprises. That is, those with higher productivity and size. They are, par excellence, the generators of decent work. Within the ILO framework, there are 17 pillars for improving the environment for business activity, which are identified in the ILO's Tripartite Resolution, "Creating Enabling Environments for Sustainable Enterprises." Chief among these pillars are social dialogue based on free association, good governance (transparency and the fight against corruption), respect for human rights, rule of law and secure property rights, and investment in physical infrastructure, among others. This platform constitutes a solid foundation for the design of effective long- and medium-term solutions.

It is time to embrace a new battle for ideas in which informality has a renewed importance. For that purpose, we need to design and implement productive development policies in strategic and collaborative processes that include the public and private sector and worker organizations. In the discussion about the future of work, some ideas get more attention, like automation, productivity, equity (gender, especially) and sustainability. The task at hand is to make formality one of them too. In order for this to happen a key strategy needs to be linking formality to each of them, with short- and medium-term actions.

1. The short-term actions will be oriented toward achieving early wins, paving the way for the longer term interventions. The long-term interventions par excellence are those with children and youth. Elementary, secondary and higher education systems are the ideal spaces for these to occur. It is necessary to reach the educational and university systems with the clear message that we all benefit from a better social contract.

Along these lines it may be particularly relevant to pay attention to the interventions of the past two decades that have successfully integrated environmental messaging into society. The lessons learned from these kinds of interventions could be useful in the design of the messages that should be promoted for the issue of informality.

2. To obtain results faster, strategies that have been proven effective should be employed in the four broad areas listed above: productivity, regulations, incentives, and oversight. Complementary to this, there is a need for concerted productive development policies that highlight the importance of the sectors (and their supply chains) with most potential. The novelty of this will lie in the integrated approach of the interventions. This calls for the preparation of intervention packages to be jointly implemented. One segment in which results can be achieved in the near term is with youth. With integrated policies combining productivity and incentives we can achieve early successes in employability.

This joint effort can be built on the foundation of collaborative actions that we have been undertaking recently. The following is a partial list of examples of recent collaborations:

Youth employment

- Buenos Aires. Together with the UNDP and ONU Women, the ILO provided technical assistance to the prominent Argentine think tank CIPPEC for a study on the situation of women in the world of work in Argentina. The ILO supported the process with a technical review of the book and technical assistance in the measurement of informality using the ILO's definitions and standards. This study generated the knowledge needed to increase the visibility of women in the Argentine labour market and to determine the gaps that remain in order to get this issue on the agenda of the government and the public in general. Based on the results of this study, a memorandum was drafted with policy recommendations to reduce the labour gender gap. Taking into account the results of the study and the proposals in the memorandum, numerous meetings were held with key public policy decision makers with the goal of exchanging ideas, disseminating the results and the suggestions and recommendations for the studied policies.

- Buenos Aires. The ILO is interested in generating a more profound analysis of the working conditions for delivery people contracted by digital platforms, which have a big impact on the labour market. For this reason, ILO office in Argentina is conducting research on this topic, The ILO also provided technical assistance for the National Director of Oversight (Director Nacional de Fiscalización) survey of 250 workers in the sector with the goal of drafting measures to improve their working conditions. In August 2019, the Ministry of Production and Labour proposed regulations for the home delivery digital platforms that are informed by the ILO analysis. Since a large percentage of the people working in this sector are Venezuelan migrants, the ILO is working with the IOM to design an action strategy for migrant workers in this sector within the framework of the national platform on Venezuelan migration.
- Buenos Aires. Since 2017 we have been working with the FAO on the issue of bioenergy and labor, which we first worked on with the Ministry of Agroindustry. We did three studies on the issue in three Argentine provinces (Santa Fe, Salta, Misiones). As a result of this work the FAO headquarters in Rome asked us to create a manual on the issue. We have finished this work and the publication will be out soon. There are plans to translate it into English and use it in Africa. We also have the PAGE Alliance Project for a Green Economy in Argentina which we have been working on since 2019. The theme is “The Transition to a Green Economy that leaves no one behind.” At a sector level we Will work on the circular economy and renewable energy. We are still in the first year, which begins with a series of analyses.
- Paraguay. The ILO conducted an analysis of the critical segments of informality. This analysis was the basis of the Integrated Employment Formalization Strategy, which was adopted after tripartite consultations in which the which the ILO served as the facilitator and advisor. In December 2018, this strategy was adopted as policy by Presidential Decree. It will be implemented over the course of five years (2018-2023) and it brings together the policies of 16 public institutions. The ILO is currently executing a project to support the implementation of the Strategy, which includes increasing social security coverage, strengthening labour inspections through better procedures and tripartite workshops on labour statistics. The ILO is also supporting the formulation of a National Employment Plan which includes providing examples of international experience and facilitating the systematization of internal contributions from the Ministry of Labour, Employment and Social Security as well as inter-institutional and tripartite contributions.
- Caribbean. The virtual network for policies on youth education and employment. The network developed in the context of the implementation of the UN Sustainable Development Goals and, more specifically, within the UN Framework for Sustainable Development, in many countries in the Caribbean. The ILO and UNESCO, along with CARICOM and the Caribbean Confederation of Workers (CCA) called for the creation of the network in 2017. Since then, its goal has been to guarantee that child labor has a central place in national policy debates, through intense study and the promotion of well-informed and evidence-based practices. Since then there have been eight web-based seminars that we jointly organized and over 300 users registered on the network’s knowledge exchange platform.
- Mexico. We have a refugee labor insertion project with UNHCR. In these projects, the ILO intervention is focused on strengthening the Employment Service and intervening in the professional training system to recognize capacities, certifications and others. We also plan to strengthen already existing programs for enterprise creation using ILO tools (IMESUN, My COOP, among others). We are also working hard with social protection systems to guarantee a lasting labor and social integration.

- Andean Region. We have joint work in progress with other agencies with regard to providing attention to Venezuelan migrants. In Colombia, we have complementary actions with IOM and UNHCR-Andean Region; in Ecuador and Peru with IOM. In these countries the activities are associated with labor inspection and information generation. In the three countries, we also have the Working Group on Migrants and Refugees (GTRM for its Spanish initials); and co-leading the subgroup for socioeconomic labour integration.

→ Suggested discussion points

- Key opportunities and challenges facing Latin America and the Caribbean for the creation of sustainable enterprises by 2030.
- Frameworks and international and regional mechanisms that influence employment and sustainable enterprises in the LAC region.
- Opportunities for urgent actions using UN frameworks for cooperation for sustainable development.

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