



International
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► Drivers of change

Towards resilient, inclusive and sustainable supply chains in the Argentinean automotive industry



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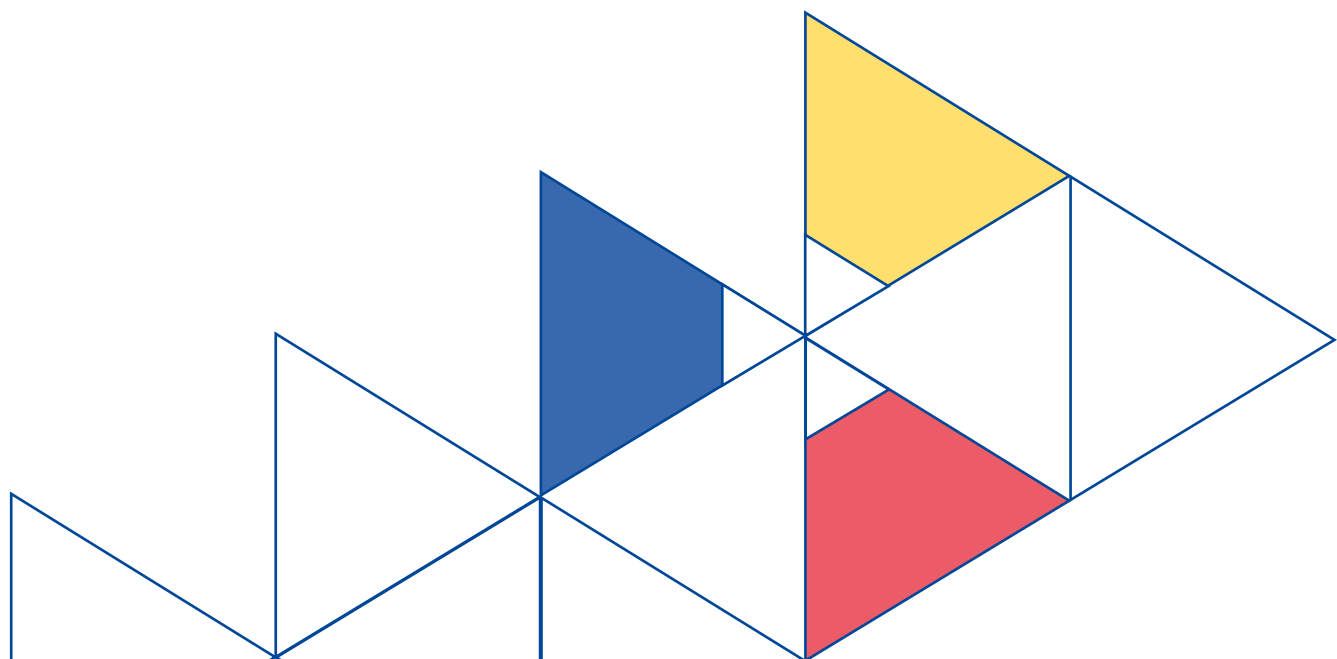
International
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ILO/Japan
Multi-bilateral
Programme

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Towards resilient, inclusive and
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Drivers of change. Towards resilient, inclusive and sustainable supply chains in the Argentinean automotive industry

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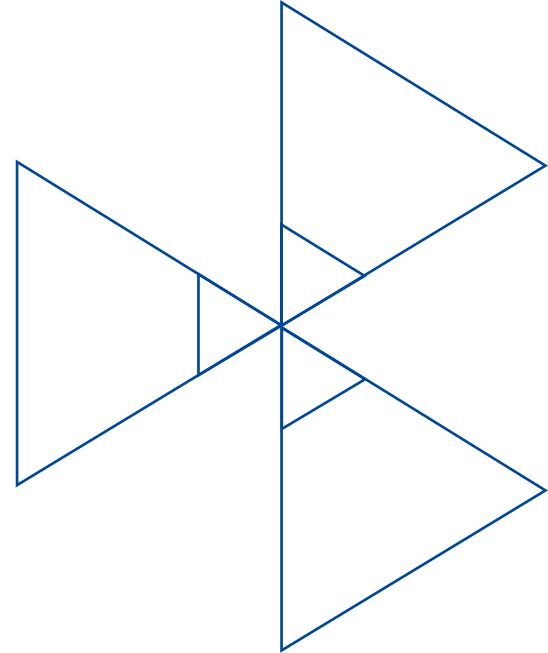
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► Contents

Foreword	5
Executive summary	7
1. Introduction	9
2. The current state of the automotive sector in Argentina	11
2.1. Employment	12
2.2. Exports	13
2.3. Specialization	13
2.4. Incentive policies for automotive investment and production in Argentina	14
3. Suggested components for a road map	15
3.1. Tripartite governance strategy	16
3.2. Productivity	18
3.3. Education and training	20
3.4. Responsible Business Conduct (RBC)	23
3.5. Transition to sustainable mobility and new technologies	24
Bibliography	27

► Foreword

This publication compiles the technical inputs and agreements reached since 2023 to define a **road map for the Argentine automotive industry**. In line with the ILO's mandate to promote decent work, this document seeks to prioritize actions that promote quality employment, competitiveness and sustainability.

The study was conducted within the framework of the project 'More and Better Jobs for Young Women and Men Through Resilient, Inclusive and Sustainable Supply Chains in the Argentinean Automotive Industry', led by ILO Argentina. This initiative aims to generate job opportunities for young people in the sector and to promote responsible business conduct (RBC) through knowledge, technical assistance and dialogue between governments, employers and workers.

The automotive industry is a key driver of the national productive framework. It generates **77,600 direct jobs** (6.2 per cent of industrial employment), contributes **13 per cent of exports**, and specializes in utility vehicles tailored to the needs of regional production. However, at the same time that it is undergoing the twofold transition toward electro-mobility and Industry 4.0 technologies, it has the added challenge of preserving and expanding decent work, particularly for young men and women.

The analysis contained in this road map identifies five broad objectives that are priorities in the country and the world: (i) **strengthening tripartite sectoral governance** to provide the sector with a long-term strategic vision; (ii) **increasing productivity** through organizational innovation and collective agreements that integrate occupational health and safety strategies; (iii) **closing talent gaps** by coordinating educational offerings with the demands of automakers and auto parts manufacturers, putting an emphasis on developing digital skills; (iv) promoting **responsible business conduct**; and (v) preparing for the expansion of sustainable mobility and new technologies.

The ILO Country Office for Argentina appreciates the commitment of the employers' and workers' organizations, automakers and auto parts manufacturers, and the national and provincial technical teams in these efforts, and thanks the Government of Japan for its financial support. It also acknowledges the contributions of the Fundar organization in producing this document, as well as the contributions of the Directorate of Studies and Statistics on Labour Relations of the Secretariat of Labour, Employment and Social Security of Argentina.

The components and proposals of this study will contribute to inspiring the collective construction of a comprehensive road map for a just transition that strengthens competitiveness and decent work throughout the automotive value chain.

Sara Luna Camacho

Director

ILO Argentina Field Office



► Executive summary

This publication presents a strategic road map developed by the ILO Country Office for Argentina within the framework of the project 'More and Better Jobs for Young Women and Men Through Resilient, Inclusive, and Sustainable Supply Chains in the Argentinean Automotive Industry', implemented with support from the Government of Japan. Over the course of several discussions, meetings and workshops with tripartite representatives of the automotive chain, five priorities were defined to ensure a just transition and the competitiveness and sustainability of the Argentine automotive sector. These are: strengthening tripartite governance (government, employers and workers); increasing productivity and job security through organizational innovations; reducing training gaps in the face of technological change; promoting responsible business conduct; and preparing for sustainable mobility. This road map aims to help steer concrete actions to address the challenges of electro-mobility and digitalization, ensuring decent and resilient jobs in a key sector for the national economy.



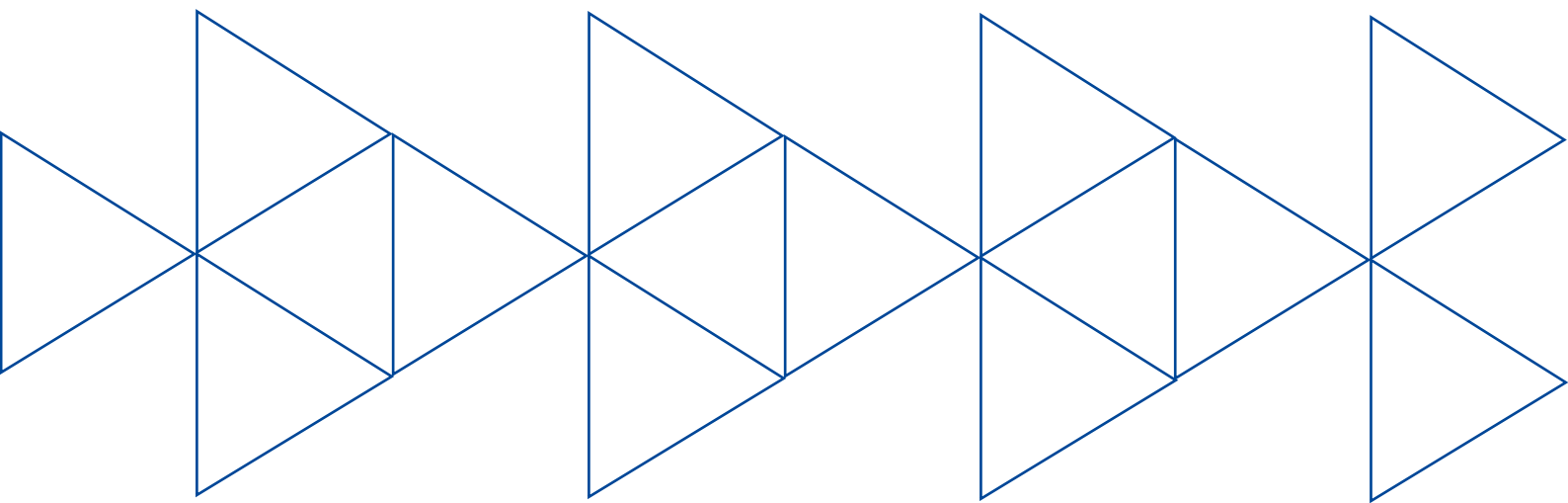
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1. Introduction



Since 2023, the International Labour Organization (ILO) Country Office for Argentina has been undertaking the project 'More and Better Jobs for Young Women and Men Through Resilient, Inclusive and Sustainable Supply Chains in the Argentinean Automotive Industry'. Within the framework of this initiative, meetings and exchanges of experiences have been held to discuss the different challenges the automotive value chain faces at the local level. As a result of these meetings, we recognized the need for a road map that prioritizes objectives and lines of action to address the challenges and opportunities in Argentina's automotive sector. This document incorporates the main issues discussed at the meetings for the purpose of developing the value chain.

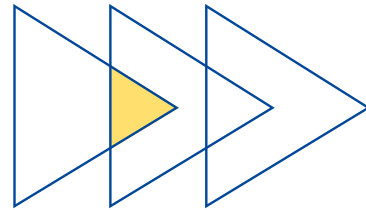


2. The current state of the automotive sector in Argentina

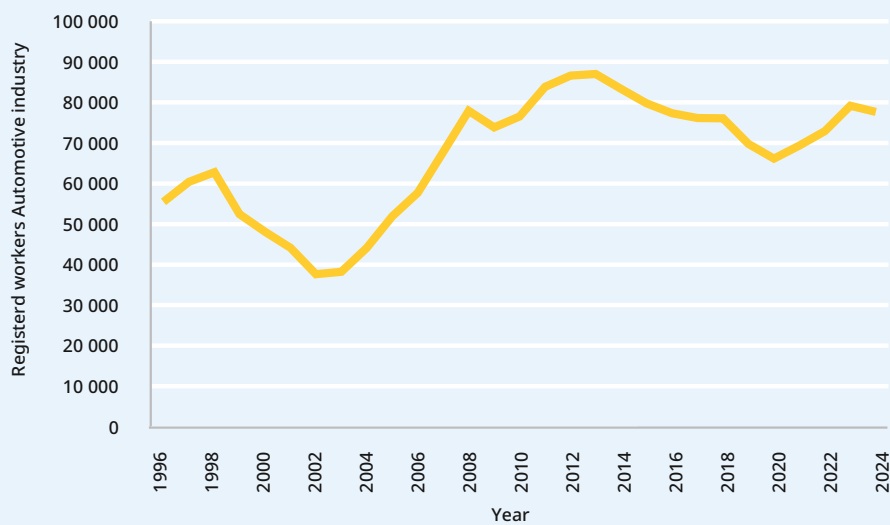


2.1. Employment

As of the first quarter of 2024, the automotive chain generated approximately 77,600 direct jobs between employment at automakers and auto parts companies. During the same period, the sector accounted for 6.2 per cent of industrial employment. At the same time, it also offers significant employment opportunities: it has the third-highest employment multiplier among industrial sectors after oil extraction and food production; wages across the chain are 44 per cent higher than the industry average; and, lastly, it is among the activities with the lowest levels of informality¹.



► Figure 1. Employment trends in the automotive industry

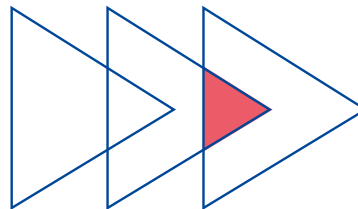


Source: Ministry of Labour, Employment and Social Security.

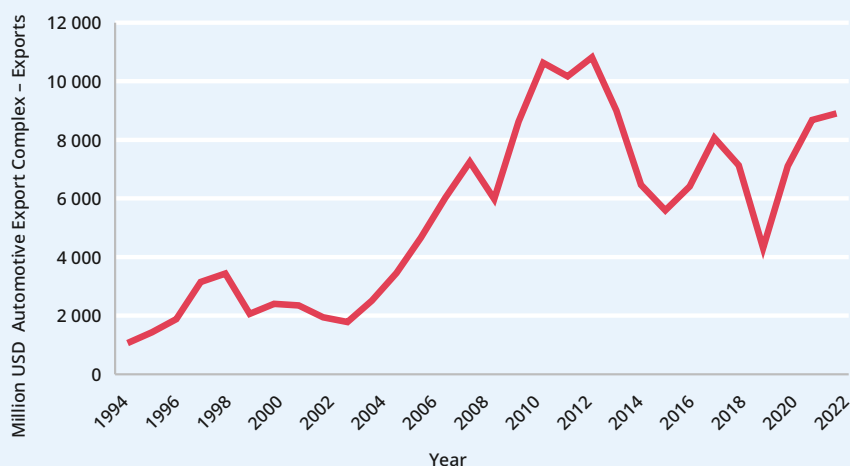
¹ Argentina, Centro de estudios para la producción, Ministry of Productive Development, *Dinámica salarial en los sectores productivos. De la convertibilidad al COVID-19 (1996-2021)*, May 2022.

2.2. Exports

The automotive industry is the second-largest generator of foreign currency in the country after soybeans. In 2023, these two sectors accounted for 13 per cent of Argentina's total exports. Foreign sales were concentrated mainly in Brazil and other countries in the region, accounting for 50 per cent of domestic production².



► Figure 2. Export trends in the automotive industry



Source: author's calculations based on INDEC data.

2.3. Specialization

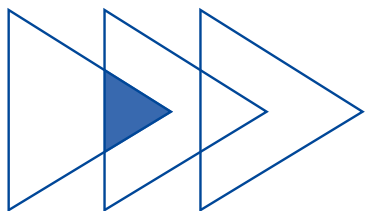
Automotive production in Argentina has tended to specialize in manufacturing utility vehicles, a segment where electrification is advancing more slowly. For 2023, this type of vehicle accounts for 50 per cent of the units produced in the country. Although utility vehicle production increased by 22 per cent between 2011 and 2023, the trend for overall vehicle production was the opposite, falling by 26 per cent after reaching a historic peak in 2011. The specialization in utility

vehicles was promoted within the framework of increasing coordination in the types of models manufactured in Argentina with respect to those manufactured in Brazil. Car and truck manufacturing is mainly concentrated in Brazil, while pick-up and mid-size truck manufacturing is concentrated in Argentina (Civetta 2022).

² INDEC and ADEFA. INDEC, "Comercio exterior Vol. 8, n° 4", 2023; ADEFA, 'Evolución de la Producción, Exportaciones y Ventas a Concesionarios', December 2023.

2.4. Incentive policies for automotive investment and production in Argentina

- ▶ [Law 27,263 Regime for the development and strengthening of the Argentine auto parts industry. Benefits and incentives \(2016\).](#) Grants tax incentives to automakers and auto parts manufacturers based on their level of domestic integration. By complying with the requirement on the use of locally-manufactured goods, both automakers and auto parts manufacturers receive an electronic tax credit voucher (between 4 and 15 per cent of the value of purchases made from local suppliers) for the payment of national taxes.³
- ▶ [Law 27,686 on the promotion of investments in the automotive-auto parts industry and its value chain \(2022\).](#) Provides tax incentives to promote investment in production platforms for new vehicle models or auto parts in the country, with minimum local integration requirements. The benefits consist of: a reduction in export duties; an accelerated depreciation scheme; and an early VAT refund. The law also establishes the Institute of Mobility as a non-state public law entity to strengthen the governance of sector policies in the context of major restructuring of the automotive industry at the global level.



- ▶ [Large Investment Incentive Regime \(RIGI\). Law 27,742 'Bases and Starting Points for the Freedom of Argentines' \(2024\)](#) establishes that projects that include "mobility based on new motorization technologies and energy transition technologies" fall under this regime. The main benefits include reductions in export duties and import tariffs; exemption from the obligation to settle export proceeds in the Single Free Exchange Market (MULC); tax benefits such as reduced income tax and accelerated depreciation; and stability in tax, customs, and foreign exchange matters for 30 years. The adopted text establishes a requirement to work on developing the supply chain.



³ Argentina, Ministry of Productive Development, [*La cadena automotriz en Argentina*](#), July 2022.

3. Suggested components for a road map



The following are some of the key areas and components for strengthening the development of the automotive sector through social dialogue. They emerged from the exchanges organized within the framework of the project 'More and Better Jobs for Young Women and Men Through Resilient, Inclusive and Sustainable Supply Chains in the Argentinean Automotive Industry', as well as from a thematic literature review and interviews with key tripartite representatives from the sector, in line with ILO guidelines.

3.1. Tripartite governance strategy

Key components

- ▶ Industry leaders have highlighted the need for **long-term sectoral strategies for competitiveness and international insertion** and the need to coordinate actions among the different actors in the chain in order to implement effective production policies.
- ▶ **Coordination between public and private actors is essential** to building a long-term sectoral vision and increasing the effectiveness of public policies, such as quality, research, development and technology transfer, regulation and trade policy (González et al. 2021).
- ▶ In 2019, the *2030 Strategic Plan for the Automotive Industry* was developed through an initiative of the business sector and trade unions, with the aim of generating agreements among all actors in the chain⁴. It is the type of plan that can serve as a guide for implementing strategic actions aimed at reorienting the sector.
- ▶ Implementing a plan requires a solid institutional framework. **Sectoral institutions play a key role**, as they can accumulate a wealth of sector-specific expertise; take a leadership role; and have the capacity to address both collective action and coordination issues that arise between companies, trade unions and public sector actors. They can also monitor progress towards the objectives of the plan.
- ▶ Certain international **experiences, such as those of Thailand and the Basque Autonomous Community** in Spain, provide interesting examples of automotive sectoral institutions⁵.
- ▶ In addition, Argentina also has a history of other sectors that have benefited from the creation of public-private sectoral institutions. For example, the Corporación Vitivinícola Argentina (COVIATR), created in 2004, played a key role in the design and implementation of the *Argentina Vitivinícola Strategic Plan* (PEVI) to help reorganize the wine production sector, promote quality improvements, establish a recognized brand and strengthen negotiating capacity abroad.
- ▶ **Law 27,686 on the promotion of investments in the automotive industry and its value chain** established the creation of the Institute of Mobility, with public-private governance; however, it has yet to be regulated⁶. Sector actors view its implementation as an opportunity for developing the chain.
- ▶ **The sector's institutional framework must be strengthened** to ensure the coherence and sustainability of actions taken by the various public and private actors and provide long-term horizons for the implementation of strategic actions. A governance framework must also be established to address the

4 The Plan set a target of US\$22 billion in investments by 2030. To do so, it aims to quadruple production from 330,000 to 1.8 million units, employ 1.3 million Argentines and achieve a 14 per cent share of the Industrial GDP (currently 6.6 per cent), in addition to generating US\$46 billion in exports. SMATA, *Plan Estratégico de la Industria Automotriz 2030*, July 2019.

5 In Thailand, the sectoral institution is primarily state-led, though it includes companies in its governance. In the Basque Country, it is mainly led by the private sector through the automotive cluster, with participation from public sector actors.

6 The law defines the missions and functions of the Institute, which include some of those proposed here. At the same time, the Institute could support and promote all of these proposals.

technological transition the industry is undergoing globally.

Possible actions

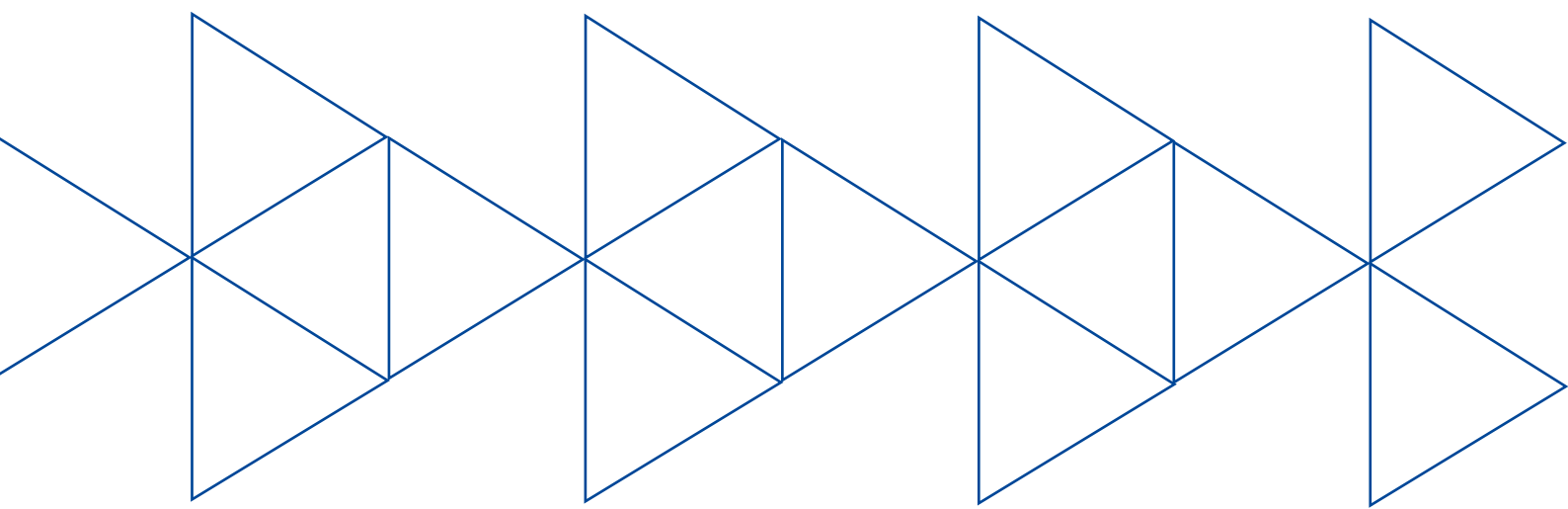
The profile and organization of sectoral institutions depend on the functions they perform to drive businesses forward. Some of the functions that similar automotive institutions perform in other countries include:

- agreeing on and advancing the automotive industry's development agenda by aligning and coordinating existing and disjointed capabilities under a clear, long-term strategic vision;
- directing financing needs towards the provision of strategic public goods for the sector (for example, testing services);
- assisting small and medium-sized companies to improve processes and components and develop sustainable business models with a focus on exports, generating knowledge bridges between automakers and local suppliers;
- coordinating and complementing the offer of professional training for the sector, based on the needs of companies and technological developments.

To ensure a high level of professionalism and independence, it is important to clearly define the institutions' governance and financing structures. In this regard, some of their common characteristics include:

- a public-private governing body whose members have the sufficient representation and authority to comply with the policy agreements reached;
- an advisory board, made up of honourable and recognized industry professionals and leaders;
- a chief executive responsible for overall management, selected on a competitive basis and who serves a term that extends beyond a single government term;
- operational and financial autonomy, and professionalization based on private employment contracts that ensure low staff turnover, thereby promoting an accumulation of organizational knowledge and the retention of highly skilled technical personnel.
- professionalization based on private employment contracts that ensure low staff turnover, thereby promoting an accumulation of organizational knowledge and the retention of highly skilled technical personnel.

A survey should be conducted of the **main functions that the automotive sector's institutional framework must focus on strengthening**, based on evidence drawn from both international and Argentinean experiences.



3.2. Productivity

Key components

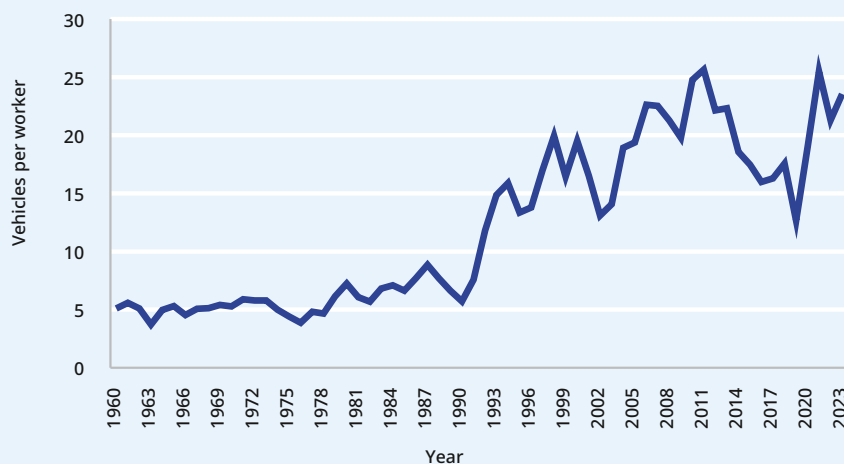
- Productivity is key to sustainable economic and social development. Increased productivity enables simultaneous **growth in production, employment and real wages**. For the automotive industry, as a tradable sector, the possibility to export and/or place production in the domestic market depends on the ability to compete against production from the rest of the world.
- Productivity is determined by **multiple factors, ranging from macroeconomic to meso- and microeconomic factors**. These variables impact productivity trajectories in the medium and long term, and affect the depth and persistence of productivity gaps between companies (Correa et al. 2018).

Variables include size and the competitive environment, capacities for technological absorption and adoption, training, skills, and job competencies, as well as innovation, work organization and institutional context (ECLAC and ILO 2022).

- In the automotive industry, productivity in recent years has shown **periods of growth and decline**, but it has not been able to maintain sustained growth⁷.

Productivity in the sector increased significantly during two periods: the first significant increase took place in the early 1990s, while the second was at the beginning of this century.

► Gráfico 3. Trends in automotive industry productivity (vehicles per employee)



Source: author's calculation based on ADEFA and Ministry of Labour, Employment and Social Security.

⁷ Surveys conducted by the Ministry of Economy's CEP XXI indicate that gross value added per worker in the industry fell by 24.7 per cent between 2004 and 2019, while it increased by 1.1 per cent across the economy as a whole.

- **Social dialogue** has the potential to boost productivity improvements by working on the organization of work, production process management and professional training. It is also important to set performance and productivity targets to track the evolution of this key variable⁸. There are examples in Argentina's automotive sector of agreements between companies and workers' representatives at union level and/or internal committees that incorporated clauses on productivity.
- Over the last few decades, automakers have entered into **various agreements with the Union of Automotive Transport Mechanics and Allied Workers (SMATA)**. One of the most widely publicized agreements was [Collective Bargaining Agreement No. 449/01 between SMATA and Toyota](#). The agreement establishes that operators work in "cells" or teams; workers or cells can be assigned to other duties; they can be paid an additional 13 per cent of the basic remuneration, provided they meet 100 per cent of the set target; it also establishes the number of delegates and their activities, among other issues. Another precedent in the sector is the 2004 agreement signed between [SMATA and Volkswagen](#), which takes into consideration the launch of a new model and a new work system, new forms of work organization and production processes, as well as the training of both workers and future new employees, to increase the company's productivity and competitiveness.
- The possibility of **signing individual agreements between the union and auto parts companies** presents challenges given the large number of auto parts companies⁹. Industry leaders highlight the importance of updating the Collective Bargaining Agreement with the auto parts industry in order to better reflect the trades, tasks, duties, and activities currently being performed.

Although the agreement includes provisions for multi-skilled and multi-functional workers, one of the main demands of auto parts companies concerns the organization of the working day. This issue has been discussed at length by global auto parts manufacturers with a view to taking into account the just-in-time production logic of automakers, which at the same time requires adaptation by relatively smaller companies.

- **Industrias Guidi**, a nationally-owned company that mainly supplies Toyota, provides an example of a precedent for an agreement signed between the Metallurgical Workers' Union (UOM) and an auto parts company (Rubio et al. 2022). With the aim of improving competitiveness and productivity, the company and the workers agreed to incorporate changes to work organization to better meet Toyota Argentina's requirements. The three central aspects of these changes were:
 - Categories are concentrated into four levels (multi-skilled operator, journeyman, multi-skilled journeyman and team leader), allowing workers to perform multiple tasks and jobs.
 - Selective benefits are granted to workers performing robotic tasks in order to retain them.
 - Pay incentives are linked to productivity improvements through framework conditions that promote a better productivity performance by the company.

⁸ Diego Schleser, Matías Maito and Jorge Trovato, *Agenda de las trabajadoras y los trabajadores para la productividad* (Fundación Friedrich Ebert, 2020)

⁹ Bonnanote et al. (2022) states that of the 4,712 direct suppliers to automakers, 3,712 are MSMEs. The paper also clarifies that 30 per cent of suppliers are registered in the trade sector, 24 per cent in manufacturing, 10 per cent professional services, and the rest in other activities.

Possible actions

- ▶ Promote social dialogue mechanisms that incorporate the challenges involved in improving productivity. In this regard, it would be advisable to **define guidelines for establishing negotiations and agreements that promote productivity improvements, taking into account the specific characteristics of each productive segment**. These guidelines should be aimed at strengthening the capacities of both unions and employers to monitor these negotiations and to formulate general non-binding criteria for their subsequent application – given the heterogeneity of products in the Argentine auto parts network – according to each company's specific production characteristics, forms of integration into the chain and capabilities. **It is recommended to move forward with defining the variables for measuring productivity trends in various segments of the industry, as well as for analysing performance trends (quality, customer satisfaction, absenteeism, turnover, talent retention, hours worked, and so on)**. To advance this agenda, we suggest analysing the agreements signed between automakers and SMATA, as well as those reached between UOM and auto parts companies.
- ▶ The organization of the workday in the automotive industry takes on different characteristics in each vehicle manufacturing country that depend on several factors: the country's history, the development of the value chain, current labour policies, and relations with automakers, among other key characteristics. In this regard, **understanding how the workday is organized at Tier 1 auto parts manufacturers in developed or developing countries with automotive industries may provide useful insights that are applicable to the local situation**. Investigate the different experiences driven by manufacturers to adapt to the demands of automakers that usually operate with just-in-time strategies, requiring auto parts manufacturers to also take these characteristics into account.
- ▶ At the beginning of the decade, auto parts workers and employers promoted an agenda

to evaluate the possibility of opening up Branch No. 4 of the Collective Bargaining Agreement for auto parts manufacturers, in order to identify the specific realities of Tier 1 supplier companies, differentiating them from the rest of the metalworking companies in the auto parts sector. The sector has a dynamic environment and established spaces for dialogue that can be leveraged to advance agreements of this nature.

- ▶ Any discussion about improving productivity must take into account the working conditions under which these production systems – which involve demanding processes in terms of timing, targets and productivity controls – are implemented. To support this process, the consensus reached within the framework of the joint workplace health and safety committees is essential. **Identifying the best practices promoted in this agenda will allow for a more systematic understanding of the scope, objectives, work dynamics and other relevant aspects of the industry.**

3.3. Education and training

Key components

- ▶ The quality of vocational training systems affects both innovation and industrial scaling processes. Due to the speed at which new technologies are currently evolving, **education and training are crucial in the automotive sector in order to have a higher level of technically qualified personnel** to execute these new production processes, as well as to remain updated and be able to respond to market demands.
- ▶ The records of the **National Institute of Technological Education (INET)** enable the identification of institutions that are specifically geared towards the automotive industry at the following educational levels (Dragún, Ernest and García 2020):
 - 66 secondary education institutions
 - 9 specializations
 - 613 professional training institutes
 - 3 university institutions

- The **geographical locations of these institutions** mirrors the national distribution of the industry, with 35 per cent located in the province of Buenos Aires and 24 per cent in Córdoba (Dragún, Ernest and García 2020).
- Education and training opportunities for sector workers are promoted by multiple institutions: unions, universities and business chambers, as well as the national and provincial public sector. However, this fragmentation leads to problems, **as training opportunities are duplicated in some geographical regions while they remain unavailable in other locations** where they would be especially relevant due to their proximity to companies.
- **Gaps can be observed in the training content for topics** such as electro-mobility¹⁰, artificial intelligence, augmented reality, and active/passive safety. Industry leaders point to a disconnect between the vocational training offered and the needs and demands of the productive sector. The mismatch between the training available and the training needed impacts the scope and usefulness of the existing programmes.
- **Automakers have a greater capacity than auto parts companies to promote worker training**, which reflects the differences in their available resources. Automakers have better tools for training workers in different disciplines and skills, as well as for identifying the segments where they will have the greatest needs. The situation is different for auto parts companies that have a presence throughout the entire value chain. The discrepancy between the training that is available and what is needed can adversely affect companies' productivity.
- The **heterogeneity** between automakers and auto parts manufacturers **is also evident in their ability to provide training spaces within their companies**. In many cases, large companies have in-house training centres, or even promote [specific technical schools](#) and offer subsequent job placement capabilities. On the other hand, the auto parts manufacturers — mainly domestically-owned and relatively small in size — do not have these types of institutions. Any coordination with technical schools in the area is more likely determined by the personal characteristics of the members and management of the educational institution than by an institutionalized approach. One exception among the auto parts training centres is that of the German company [Bosch](#), which has its own training centre.
- **The SMATA and UOM unions have more than 35 training centres** that are financed both with their own resources and via direct or indirect contributions from the national and provincial governments. These training centres aim to train both union workers and those seeking to enter the labour market by learning specific skills related to these processes.
- Although there are several pedagogical strategies and innovative approaches that help educational and vocational training institutions overcome budgetary constraints without compromising the quality of learning, the **scarcity of resources** for acquiring up-to-date infrastructure to be able to keep pace with technological changes (for example, an autonomous vehicle simulator cockpit) or licenses to provide certain types of training (simulation software for different elements, augmented reality and so on) **limits the potential for advancing the training of workers**. The lack of resources affects both public and private training centres.

¹⁰ At the Instituto Dr. Ferdinand Porsche of UTN Pacheco, the most important emerging topics in the industry – such as electro-mobility – are currently taught as electives, although they will likely be integrated into the regular curriculum in the future. Meanwhile, SMATA created an advanced technical qualification in hybrid and electric engines, and is planning to set up an electro-mobility laboratory so that different centres can train their students there.

- ▶ In many cases, training activities promoted by both provincial governments and unions are partially financed by **programmes promoted by the national government**. The sustainability of these agendas will depend on resources being available to maintain these activities, which are being promoted throughout the country. According to industry leaders, these activities cannot be sustained solely through the fees paid by participants, who in some cases are employed, while others are taking these courses as a gateway into the labour market.
- ▶ Training is not exclusively conducted within each company, but also between automakers and auto parts manufacturers. **Training leading suppliers** is a key for boosting business productivity, and there are successful cases in the industry of SME suppliers that receive ongoing training from automakers (Civetta 2022). One example of this initiative is Toyota's "Environmental, Social and Governance (ESG) Development Programme", through which it works with its Tier 1 industrial and service suppliers, as well as with vehicle dealerships.
- Take into account the education and training needs at each stage of the automotive chain to ensure the training provided is well-integrated.
- Define the mechanisms for monitoring, evaluation and certification in order to guarantee the quality and effectiveness of the training provided.
- ▶ Carry out a skill gap analysis across the value chain to **map the existing training offered at different levels and identify demand by qualification level**. This exercise will allow quantitative and qualitative deficits to be identified, as well as recommendations to strengthen current offerings and to expand training to areas where it is lacking.
- ▶ Disseminate and promote **the training programme supported by the unions** to increase engagement with the private sector.
- ▶ Promote **training initiatives** that encourage **trade unions** to present their main lines of action, while encouraging **automakers** do the same with their supplier training programmes, and **auto parts manufacturers** do so with technical schools. The relationship between the productive sectors and the education system must be based on a continuous and dynamic collaboration that takes into account the particularities and changes within each sector while also anticipating future challenges.
- ▶ Promote coordination between the employer and employee sectors so that collective bargaining agreements incorporate **various incentives for workers who participate in training and education programmes**.

Possible actions

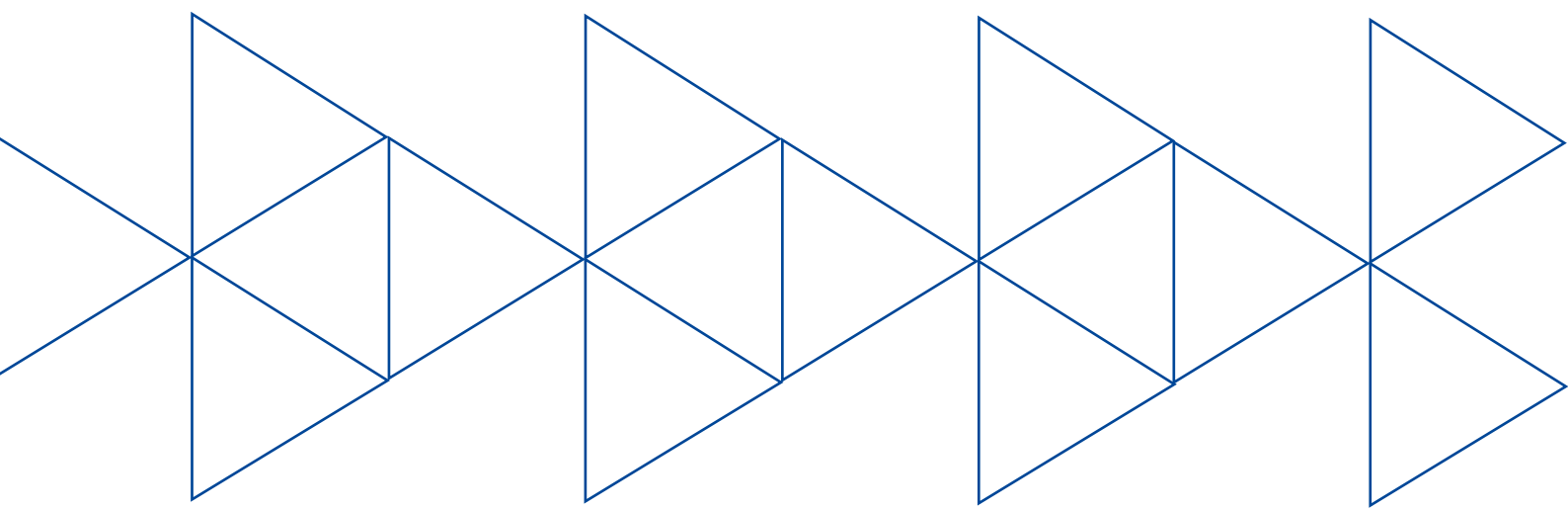
- ▶ **Develop a coordinated vocational training system** for the sector in which companies, unions and the State collaborate to improve skills in the industry. When designing a system of this nature, it is advisable to:
 - Identify financing mechanisms to ensure the system receives public and private contributions.
 - Ensure that training opportunities are aligned to production needs by using tools to identify and anticipate the demand for skills. This will allow in-demand skills to be updated regularly, as well as bottlenecks in specific job profiles to be identified. In addition, this will allow curricula to be designed according to the latest industry trends.

- Promote **coordination between business chambers and trade unions in defining vocational training**. Social dialogue between unions, companies, the State and civil society organizations is crucial for the creation of effective policies and strategies for vocational training. Dialogue allows for a deeper understanding of the needs and challenges being faced by the different productive sectors, while ensuring that proposed solutions are inclusive, equitable and aligned with the interests of all stakeholders. For example, SMATA and the Association of Automotive Manufacturers (ADEFA) established a dialogue channel to define the guidelines for the training to be provided. In addition, they systematized and unified the different existing training initiatives, and identified the needs and direction of the industry. This space and coordination could be strengthened and formalized through regular meetings, ensuring the participation of all the most relevant actors in the value chain. In turn, by encouraging the coordination of existing capacities and consolidating the training on offer (in terms of topics, geographical coverage and other aspects), it will be easier to identify areas that need further development.

3.4. Responsible Business Conduct (RBC)

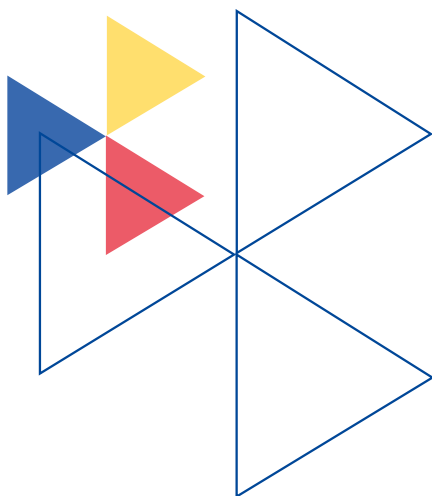
Key components

- Companies have the capacity to **promote smart, sustainable and inclusive growth**, encouraging responsible business conduct practices and contributing positively to the promotion and respect of fundamental principles and rights in the workplace in their area of influence. International guidelines and instruments on responsible business conduct focus on companies developing a preventive approach to ensure respect for people and the environment.
- **Incorporating the labour dimension of RBC into company policies and operations** contributes to improving productivity in the short term, reducing risks and increasing sustainability, while improving the ability to respond to more demanding markets and integrate global value chains. In recent years, a growing number of national regulations and action plans to ensure the respect for human rights in value chains have been extended to numerous countries of origin of major automotive manufacturing plants and destinations of automotive production.
- All companies, regardless of their location, size, operating context and structure, must act responsibly, and **identify and manage the risks of impacts related to their operations**, products or services, including their supply/value chains and other business relationships. Automakers play a key role in the governance of the value chain and can drive positive changes towards suppliers, especially SMEs.



Possible actions

- ▶ A necessary first step in the integration of RBC is the development of a **self-diagnosis by companies in the sector to identify the critical dimensions** that need to be addressed in the supply chain.
- ▶ Promoting a better **understanding of the scope of regulations and plans regarding RBC and due diligence** for the local automotive value chain can help to identify the actions and adjustments needed in operations, such as in the systematization of information.
- ▶ Within the framework of RBC, **implementing due diligence processes** in human rights (particularly with respect to the labour dimension) into internal company policies and procedures, management systems, codes of conduct and ethics, and contracts with suppliers, distributors, and partners enables companies to prevent, mitigate, and remedy potential negative impacts of their operations.
- ▶ **Increasing exchanges with other international sectoral experiences** to learn in detail about good practices in the incorporation of RBC and due diligence in human rights; their characteristics, modes of implementation and governance mechanisms.



3.5. Transition to sustainable mobility and new technologies

Key components

- ▶ **The steady global increase in sales of electric vehicles (VE) shows that technological change is inevitable.** Although they still account for less than 15 per cent of total annual global auto sales, EV sales have tripled since 2020. Sales of electric vehicles are projected to account for 35 per cent of the global total by 2030¹¹. The transition in Latin America is still in its early stages in terms of the sales volume, but its current growth rate is high and increasing year by year (Rubio et al. 2024).
- ▶ **Technological change in the automotive industry is transforming the organization of global value chains and production methods, as well as the role of labour within companies in the sector.** The transition from internal combustion engines to hybrid and electric engines means traditional components and technologies are losing importance while, at the same time, other technologies and new players — such as the electronics and software segments — are gaining prominence (Baruj et al. 2022). **Argentina faces several challenges in the transition to sustainable mobility:**
 - its auto parts production is focused on low-complexity components, making it difficult to move towards more sophisticated technologies;
 - the domestic market is small, and the electric vehicle segment even smaller;
 - the country specializes in manufacturing pick-up trucks, a segment in which electrification is advancing more slowly;
 - few local companies figure among Tier 1 suppliers, limiting their capacity for innovation and adaptation;
 - the challenging and volatile macroeconomic environment affects private sector investment decisions.

11 International Energy Agency (IEA), *Global EV Outlook 2023. Catching up with climate ambitions*, 2023.

- In addition, Argentina faces the prospect that the two largest vehicle manufacturers in the region (Brazil and Mexico) are actively advancing this agenda and receiving the lion's share of industry investment¹². Furthermore, electric and hybrid vehicles are beginning to gain greater market share in countries in the region, where Argentina has an export presence¹³.
- **Automakers play a key role in the governance of the value chain and can drive positive changes towards suppliers, especially SMEs.** However, the production of electric vehicles is leading automakers to insource components that were previously transferred to suppliers (ILO 2023).
- Middle-income countries comparable to Argentina, with traditional automotive industries, are **defining their strategies for the industry and implementing active policies to promote the transition of their industries**. Five types of public policy instruments appear repeatedly in their strategies:
 - technology transition targets
 - economic incentives for EV production
 - economic incentives for EV demand
 - development of charging infrastructure
 - development of cell and battery chains (Rubio et al. 2024)

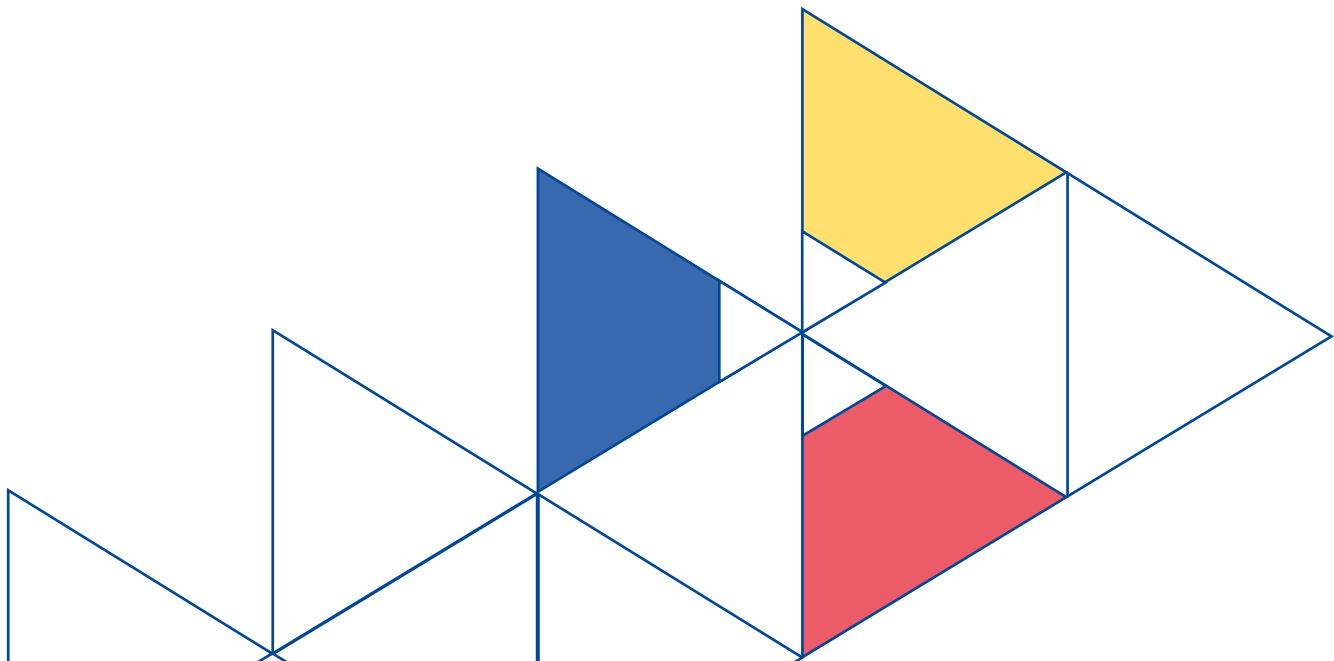
Possible actions

- Define a **specialization strategy** that takes into account the differences between the characteristics of the transition to sustainable mobility in the domestic market and that in the countries in the region that are the destination for the sector's exports. Identify concrete measures based on existing (or feasible) trade instruments with these countries.
- Identify the main electro-auto parts and components for electric and hybrid vehicles that are not currently produced locally, as well as the capacities needed to manufacture them in the country. This analysis will make it possible to take advantage of concrete opportunities for local development, highlighting the existing capacities of the national industry for the production of these electro-auto parts, including infrastructure, technical know-how and human resources. **To ensure a comprehensive approach, it is recommended that a coordinated survey be conducted via the national and provincial industrial chambers, together with the provincial governments, in order to obtain a clear picture of regional capacities.** In addition, this analysis must be aligned with the medium- and long-term production plans of domestic automakers to ensure that emerging opportunities are synchronized with the industry's evolving needs. Finally, this information should serve as a basis for bringing manufacturing companies together with the automotive sector for a working round table, to foster the synergies and collaborations that promote the local production of strategic components for electric vehicles.

¹² For example, the Chinese company BYD bought a former Ford plant in Brazil in 2023. The plant has the capacity to produce 150,000 vehicles per year. Toyota, General Motors, Stellantis, Volkswagen, Great Wall Motors and others have also announced investment plans. (*Informe Trimestral de Exportaciones Argentinas*. DESIP-IIEP, 2024).

¹³ In Brazil, Colombia, and Chile, electric and hybrid vehicles have substantially increased their share of imports in recent years, accounting for 26 per cent, 21 per cent, and 8 per cent, respectively, of total vehicle imports in 2023.

- Research which companies and workers in the automotive value chain in Argentina are at risk due to the technological transition of vehicles towards sustainable mobility. **Develop a classification system for all the modules and parts that make up internal combustion and electric vehicles, assigning them a degree of risk depending on how exclusive their use is in internal combustion vehicles; this can provide important evidence to identify the companies and jobs that might be affected.**
- Analyse the experience of Brazil and Mexico (the largest vehicle manufacturers in Latin America) in aligning their automotive industry's transition to sustainable mobility with the interests of companies and workers. Brazil, for example, is promoting this agenda through the São Paulo Technological Research Institute (IPT), the Foundation for the Support of Teaching, Research and Extension (FUNDEP) and the Brazilian Metalworkers' Union, among other entities. **It is advisable to contact key actors with knowledge of the experience of these countries in order to systematize their experiences and lessons learned, so that they can serve as input for discussions and action plans for the sector at the local level.**



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This publication presents a strategic road map developed by the ILO Country Office for Argentina within the framework of the project 'More and Better Jobs for Young Women and Men Through Resilient, Inclusive, and Sustainable Supply Chains in the Argentinean Automotive Industry', implemented with support from the Government of Japan. Over the course of several discussions, meetings and workshops with tripartite representatives of the automotive chain, five priorities were defined to ensure a just transition and the competitiveness and sustainability of the Argentine automotive sector. These are: strengthening tripartite governance (government, employers and workers); increasing productivity and job security through organizational innovations; reducing training gaps in the face of technological change; promoting responsible business conduct; and preparing for sustainable mobility. This road map aims to help steer concrete actions to address the challenges of electro-mobility and digitalization, ensuring decent and resilient jobs in a key sector for the national economy.

