



FIRST THEMATIC PLENARY SITTING

Preparing the future of work we want: Policies for sustainable, productive development that lead to inclusive growth with more and better jobs

— Objectives

- Analyse what should be done in terms of policies and spaces for social dialogue in order to progress towards a model of growth and development that is more sustained, inclusive and sustainable and that generates productive and decent jobs, as aspired to in Goal 8 of the 2030 *Agenda for Sustainable Development* (SDG 8).
- Analyse ways to strengthen the contribution of tripartism and social dialogue in order to promote growth and productive transformation in line with SDG 8.

— Introduction

1. SDG 8 seeks to encourage countries to leave behind the model of low, volatile growth, which lacks diversification and has little traction in labour markets. This model is characterized not only by its low productivity and a high incidence of informality but also by the promotion of environments in which major transgressions of fundamental principles and rights at work persist, such as the violation of freedom of association, the perpetuation of child labour, chronic discrimination against women, youth and other vulnerable groups, and the exploitation of people in forced labour.

— Context

2. After important economic and social progress in the decade between 2002 and 2013, Latin America and the Caribbean entered a new economic cycle characterized by a slowdown

in growth. This led to a reversal of the progress achieved in social and employment fields in the previous decade. The economic recovery between 2017 and 2018 might appear to be good news in comparison with the cycle of downturn/contraction, however, average growth of 1.5%-2% is not sufficient to reduce the scourges of poverty and informality which persist in most of the countries of the region.

3. This level of growth is insufficient to satisfy the demands of the middle classes and the vulnerable and it will not provide decent and productive jobs for the many people who have been left behind in the labour markets of the region. In addition, the recent recovery in growth is due primarily to a favourable international environment and not necessarily to efforts in the region to create new engines of growth and social development.
4. The cycle of recession and the weak recovery prove that the region cannot continue betting indefinitely on growth based on a circumstantial rise in the prices of raw materials but must face in a decisive way the challenges of productive diversification, an increase in productivity and structural transformation. These challenges are exacerbated by accelerated technological change and digitization. Only in this way will countries be able to deal effectively with the social challenges of inequality, exclusion and poverty.
5. Half of all employment in the region continues to be informal employment. It is calculated that 7 out of every 10 jobs created in the region in the past

- 15 years are informal, most of them in microenterprises and in own-account employment.¹
6. Structural transformation of the region has not resulted in the transfer of sufficient workers from sectors of low productivity to sectors of high productivity. Average productivity in Latin America and the Caribbean is half and, in the case of many countries, 30% or 20% of that of the EU. The majority of countries are not closing the gap, but allowing it to widen. The Inter-American Development Bank has called it “the tragedy of Latin America”.² ECLAC has called it “the Achilles heel” of regional development.³
 7. Low productivity growth is one of the main indicators that Latin America could be caught in the “middle income trap”. In many cases, exports are confined to a few basic commodities. The region has enormous gaps in innovation, education and workforce skills.⁴
 8. In order to escape from this trap and to initiate a process of growth and sustained, inclusive and sustainable development, it is necessary to put in place a wide and diversified base of sectors and economic activities with increased productivity, high added value and the capacity to generate the necessary volume of high quality jobs in order to reduce informality in a gradual but systematic manner and to ensure that the economy can operate at levels close to full employment.

9. In other words, the “pattern or model of growth” significantly influences or determines patterns of employment, informality, inequality and poverty. If growth is high, sustained, inclusive and sustainable, the environment is much more conducive to the promotion of decent work, the reduction of informality and poverty and to improved social justice. Thus, the question that should be asked is: What policies and policy instruments would effect change in patterns of growth and employment in the desired direction?

— Policies of productive development that promote decent employment

10. Productive development policies (PDPs) and the instruments that accompany them are the main tool used to impact structural patterns of growth and employment. Naturally, PDPs do not act alone. Their success is dependent on concurrent and coherent policies with respect to labour rights; macroeconomic policies; investment in human talent; and proper social protection coverage.
11. PDPs, which had been left to one side in the 80s and 90s, are now the subject of renewed interest, which is not surprising in view of the poor performance of the region in terms of diversification and productivity: hence the necessity to reduce informality, poverty and inequality which are endemic in many countries of the region.
12. PDPs are a key instrument for the attainment of SDG 8, as well as the mandate of the ILO and its quest for social justice. For this reason, the tripartite actors of the ILO: governments; employers; and workers, cannot remain detached from the discussion and design of this kind of policies. It is important to consider PDPs as an indispensable ingredient for achieving decent work and creating environments that support sustainable enterprises. The world of production and the world of work are two sides of the same coin. It will be difficult to build a better future of work without a better future of production.
13. For this reason, since 2015, the ILO has given high priority to the issue of PDPs in the context

1 See ILO (2015) Thematic Labour Overview 2. Small Enterprises, Large Gaps. Lima, Peru. Regional Office for Latin America and the Caribbean. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_423684.pdf

2 IDB (2010) The Age of Productivity, Washington D.C.

3 Alicia Bárcena, First Regional Meeting of the OECD Regional Programme for Latin America and the Caribbean. Santiago, Chile, 16 October, 2016.

4 ILO (2017) *The future of vocational training in Latin America and the Caribbean: overview and strengthening guidelines*. ILO Regional Office-CINTERFOR, Lima and Montevideo. http://www.oitcinterfor.org/en/publications/future_vt

OECD, CAF, ECLAC (2015) *Latin American Economic Outlook: Education, Skills and Innovation for Development*, OECD, United Nations, CAF.

of SDG 8 in the region.⁵ Furthermore, this area of work is also essential in tackling the reduction of inequality and improving social justice (SDG 10), because inequality is rooted in the very diverse pattern of productivity that combines a few sectors with high productivity and high salaries with the majority of sectors and activities with low productivity and low salaries.

14. The ILO provides a wide range of technical assistance and methodologies in two well-defined areas within the scope of PDPs: (i) the promotion of environments that are favourable to sustainable enterprises; and (ii) the promotion of vocational training in order to improve productivity and employability.⁶ The work in these two areas has been accompanied by guidelines begun in 2015 by the ILO which has been seeking to improve knowledge generation within the scope of the PDPs, linking the subject with SDG 8 and with the role of institutions and social dialogue in the governance of PDPs.⁷ In view of the enormous experience of the ILO in promoting tripartite social dialogue on the issues related to employment and governance of the world of work, it is considered relevant to focus also on the active participation of social actors in the design and implementation of PDPs.⁸

5 ILO (2016) *Productive development, transition to formality and labour standards. Priority areas of work for the ILO in Latin America and the Caribbean*. ILO Americas Technical Reports, 2016/4 Regional Office, Lima, Peru.

6 The wide range of services provided by the Cinterfor Network.

7 With respect to publications, see the series of ILO/Americas Technical Reports: https://www.ilo.org/americas/sala-de-prensa/WCMS_605088/lang-en/index.htm With respect to activities on training, conferences, meetings and concrete examples of assessments on policies, see sections III to V of Part II of the Report of the Director General to the 19th American Regional Meeting in https://www.ilo.org/global/meetings-and-events/regional-meetings/americas/19amrm/WCMS_638702/lang-en/index.htm

8 Salazar-Xirinachs, J.M. (2017) “La hora del diálogo social para el desarrollo productivo” presentation at the International Seminar Chilevalora, ILO, Cinterfor, SENSE. Santiago, Chile, March. Available in Spanish at https://www.ilo.org/americas/oficina-regional/direccion-regional/WCMS_549384/lang-es/index.htm

— New approaches on PDPs

15. PDPs can be defined as leading actions derived from public policy that are intended to improve the business environment and increase the general productivity of the economy (horizontal policies), or that of certain sectors, clusters, regions or enterprises (vertical policies) in order to bring about a change in the sectoral composition of the products, accelerate learning and promote linkages or in order to enter new industries or new markets.
16. Within the framework of the ILO, improving the environments for business activity includes the 17 pillars identified in the Tripartite Resolution of the ILO on the “Promotion of environments conducive to sustainable enterprises”.⁹ Of particular note among these pillars are: social dialogue based on freedom of association; the necessity to maintain good governance (transparency and combating corruption); respect for human rights; respect for the rule of law and secure property rights; investment in physical infrastructure, among others. In addition, within the scope of the PDPs there are policies in three areas: at enterprise level; at sector level (for example, clusters with territorial vision and policies with respect to value chains), and at the macroeconomic level or of the economy as a whole.
17. Perhaps the most relevant characteristic of modern PDPs is their emphasis on the coordination between the different relevant actors, the ways of organizing the necessary social dialogue and their new concept of market governance or “experimentalist governance” as explained below.

— How are PDPs made?

18. Currently, the need to rely on modern industrial policies or productive development policies is widely recognized. The conversation today is no

9 Adopted in a tripartite manner at the 96th Session of the International Labour Conference, 2007.

- longer around whether or not to have PDPs, but how to make them.¹⁰
19. There is also a widely recognized need to develop appropriate forms of public-private and public-public collaboration with all the relevant agents. The purpose is to reach a wide definition of collective action.
 20. There are three important reasons for this:
 - a. No stakeholder has all of the information on the problems, nor on the solutions. Dialogue must be created between the public sector, employers' organizations and workers' organizations in order to reach a full diagnosis. This can be done through bodies that promote dialogue (committees) that involve: business membership organizations and trade union organizations from different sectors (clusters), the public sector, training centres and other relevant stakeholders;
 - b. Productive development is a sphere characterized by "strategic uncertainty": no one knows what to do on an individual basis, it is rather a question of taking collective action; and
 - c. Long-term government policies must be set up. One thing that has harmed the development of countries in the region is the short-term visions that are typically used in government agendas, often for electoral purposes.
 21. This new PDP concept is linked to a new concept of "market governance" which focuses on the practical. The aim is to solve problems, promote "discovery" processes and accelerate productive learning and an increase in productivity. This new concept of market governance is called "experimentalist governance".¹¹
 22. In this way, Latin America has experimented with a wide range of Productivity or Competitiveness Councils at various levels (national, provincial, local, sectoral) in order to develop strategies for economic transformation and productivity development, skills and job creation. However, there has been little systemization of these experiences. For this reason, the ILO Office is conducting studies to generate knowledge in this area.¹²
 23. In addition, PDPs today are not only connected to industrial policy: the new technologies have generated a new paradigm of production and have removed the borders between agricultural, industrial and service sectors.
 24. Government-led coordination of efforts is promoted through PDPs, enabling employers' and workers' organizations, with different national stakeholders (universities and research centres) to accelerate processes of productive transformation and productivity growth. This definition of PDPs highlights the key role of **social dialogue** in the modern approach to PDPs.
 25. The concept of productive development is not simple: it is multidimensional. The aggregate productivity of an economy is the product of productivities measured on at least three levels: (i) at the enterprise level; (ii) at the level of the sector, cluster or value chain; and (iii) the level of the economy as a whole.
 26. In addition to productivity gaps with leading countries, the productive matrix within the countries of the region presents an internal productivity profile

Productivity, productive development and jobs

10 Chang, H.J. (2010) "Industrial Policy: Can we go beyond an unproductive confrontation" *Annual World Bank Conference on Development Economics*; Cimoli, M.; G. Dosi; J.E. Stiglitz (2009) *Industrial Policy and Development: The Political Economy of Capabilities Accumulation*, (Oxford, Oxford University Press); Rodrik, D. (2007) *One Economics, Many Recipes: Globalization, institutions and economic growth*, (Princeton University Press; Mazzucato, M. (2013) *The Entrepreneurial State: Debunking public vs private sector myths*, (London, Anthem); IDB (2014) *¿Cómo repensar el desarrollo productivo? Políticas e instituciones sólidas para la transformación económica*, Washington D.C.; Salazar-Xirinachs, J.M., I. Nübler, R. Kozul-Wright (2017) *Transformando Economías. Haciendo que la política industrial funcione para el crecimiento, el empleo y el desarrollo*, Plaza y Valdés, Madrid, España.

11 See Jorge Cornick: "Charles Sabel's experimentalism and other iterative methods of public policy governance" in Salazar-Xirinachs, JM and J. Cornick (editors) (2017) *The Lima Brainstorming Sessions. Productive development policies, inclusive growth and job creation* (ILO Americas, Technical Reports, 2017/9) Lima, Peru. https://www.ilo.org/americas/sala-de-prensa/WCMS_601667/lang--en/index.htm

12 See the series of Technical Reports on Social Dialogue Councils and PDPs in Latin America.

characterized by large gaps, the so-called “structural heterogeneity”.

27. Productivity is higher in urban areas than in rural areas. It is also higher in sectors that have more intensive capital and technology than in less intensive sectors and in enterprises that export rather than in non-exporting enterprises. Productivity is higher in formal enterprises than in informal enterprises and in medium and large enterprises rather than in small or microenterprises.
28. Specifically, one of the main objectives of PDPs is to prompt the economic transformations that contribute to reducing these gaps. This is the essence of virtuous structural change, which leads to higher levels of productivity and causes people’s living standards to rise.
29. In accordance with the above, the avenues to promote productivity growth include the following measures:
 - a. Improving productivity within sectors and enterprises, investing in physical infrastructure, human resource development, technological learning and innovation,¹³ all with a view to scaling up within sectors and in value chains;
 - b. Policies to promote the birth of new companies and industries (enterprise ecosystems, entrepreneurship, incubators, attracting investments);
 - c. Policies to promote virtuous productive transformation, that is towards activities with higher and not lower productivity;
 - d. Policies to promote more jobs in medium and large enterprises; and
 - e. Promoting formalization policies.
30. It is often said that increasing productivity means “producing more with less”, so that products are cheaper, and it is associated with a low-wage policy. But it is important to differentiate between

a policy for increasing productivity which is not the same a policy for producing at low cost.

31. The fact that productivity gains are passed on to the consumer is a benefit for the consumer but this should not be synonymous with the worker losing out. The negotiation of the distribution of the benefits of productivity growth is facilitated in a context of productivity growth and not in the context of stagnant productivity or slow growth. Countries that are developed today and, more recently, Asian countries, have experienced high productivity growth and, at the same time, they have made great improvements in people’s living conditions.¹⁴ This is also the way to build a better future of work in the region.
32. Finally, it should be noted that the rate of economic growth matters: a country that grows at 1.5% takes more than 100 years to double its GDP. If the countries of Latin America and the Caribbean were able to grow at 5% or 6% in a sustained manner, they could double their GDP in 20 years or less.
33. Evidently, it is not a case of “growth for growth’s sake”. What matters is how a pattern of growth develops so that, in addition to having high and sustained growth in the economic sphere, it is also inclusive growth in social terms and with respect to decent and productive work that is also environmentally sustainable. The participation of social actors in the design and implementation of PDPs should influence this type of growth.

— Social Dialogue for Productive Development

34. If PDPs are to be truly effective, they require institutional spaces in which to develop and to implement widely shared long-term visions. It is a type of social dialogue and strategic and cooperative governance that can be used to solve problems of collective action and coordination. The experiences recently documented by the ILO concerning the Autonomous Community of the

¹³ Innovation is not necessarily a case of inventing new products and processes in the world; in lagging economies it is mainly a case of the speed of adoption of technologies which already exist in the world but which are not applied in practice at local level.

¹⁴ Which means that the equation “produce more with less” = “low wages” is not correct. There are more elements in play.

Basque Country in Spain,¹⁵ the State of Jalisco in Mexico,¹⁶ as well as some specific clusters in Argentina, Brazil, Uruguay and Mexico,¹⁷ confirm this view.

35. However, there is a serious problem in the countries of the region today with respect to the lack of capacity on foresight, dialogue and long-term planning. The deficit in this respect is immense. The design and execution of public policies in Latin America and the Caribbean is characterized by shallow strategies and insufficient long-term perspectives (short planning horizons).
36. For example, in 2011 the Asian Development Bank published a study entitled “*Asia 2050: realizing the Asian Century*” with the objective of taking action to maintain momentum for the next 40 years. The pessimistic scenario is that Asia will follow the path taken by Latin America and the Caribbean over the past 30 years and fall into the middle income trap. Latin America and the Caribbean are presented as a region lacking in dynamism, with low levels of investment, modest increases in productivity, an inability to complete long-term projects, excessive inequality and lacking in pragmatism in debates concerning the role of governments and markets, where ideology predominates.
37. The lack of space and the lack of capacity with respect to foresight, strategic thinking, planning and execution of long-term programmes - is one of the main obstacles to overcoming the long-term structural trends that characterize Latin America and to progressing towards a better future of production and work.

38. One of the best contributions that tripartism can make in the region is to aim to fill this gap with dialogue and, above all, with strategic action on the major, long-term transformations that the region needs. If this is not done, it will be difficult to build a better future for work in the region.
39. In order to address this challenge, it is critical that institutional strengthening of employers’ and workers’ organizations is undertaken. Only with knowledge and technical skills can social actors fill the spaces for dialogue with a view to designing strategic actions on the major long-term transformations needed by the countries of the region.

— Suggested discussion points

- 1) **How important is the issue of productivity gaps and low productive diversification and its link with decent and productive work in their respective countries and for the region?**
- 2) **Can the countries of the region create a better future of work without a better future of production/productivity and a better distribution of its benefits?**
- 3) **Is there a culture of social dialogue among the social actors of the region for tripartite participation in institutions, such as the Competitiveness and Productivity Councils, capable of providing solutions to the challenges the region faces on these issues? Is this important for tripartism? What is lacking?**
- 4) **What actions could be taken by the ILO Office in terms of institutional strengthening of social actors, social dialogue, research and policy advice beyond what is already being done in terms of the promotion of environments that are conducive to sustainable enterprises and to vocational training?**

15 Monge-Gonzalez, R. y J.M. Salazar-Xirinachs (2016) Cluster and Development Policies in the Autonomous Community of the Basque Country. Lessons for Latin America and the Caribbean (ILO Technical Reports, 2016/3). https://www.ilo.org/americas/publicaciones/WCMS_565266/lang--en/index.htm

16 C. Ferraro (2018) *La experiencia de Jalisco y sus políticas de desarrollo productivo e innovación. Estudio de caso y lecciones para América Latina*. OITAmericas, por publicarse.

17 See the latest editions in the series of Technical Reports of the ILO Regional Office for Latin America and the Caribbean at https://www.ilo.org/americas/sala-de-prensa/WCMS_605088/lang--en/index.htm