

**Decent work in the Americas:  
An agenda for the Hemisphere,  
2006-2015**

Sixteenth American Regional Meeting  
Brasilia, May 2006

**Decent work  
in the Americas:  
An agenda  
for the Hemisphere, 2006-15**

**Report of the Director-General**

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## Foreword

1. The ILO Programme and Budget for 2006-07 was approved by the International Labour Conference at its 93rd Session (June 2005). The programme recognizes that decent work is a global objective, since men and women all over the world aspire to obtaining productive work in conditions of freedom, equality, security and dignity. The ILO believes that this global objective, which is shared by the World Commission on the Social Dimension of Globalization,<sup>1</sup> should be progressively incorporated into national development strategies, the implementation of which will be supported through the decent work country programmes developed and implemented by the Office and its constituents, as established by the Conference. The Sixteenth American Regional Meeting at which I am presenting this Report is taking place at the beginning of the period covered by this programme and therefore reflects its policies and strategies.

2. The ILO has been promoting the creation of decent work since 1999. As indicated in the Office's Programme and Budget for 2006-07, this aspiration is linked to the following four strategic objectives:

- 1) to promote and realize standards and fundamental principles and rights at work;
- 2) to create greater opportunities for women and men to secure decent employment and income;
- 3) to enhance the coverage and effectiveness of social protection for all; and
- 4) to strengthen tripartism and social dialogue.

The action taken to achieve these strategic objectives will create synergies facilitating the attainment of a set of cross-cutting objectives which are increasingly considered as priority goals for the international community: a fair globalization, working out of poverty, advancing gender equality, enhancing the influence of international labour standards in development, and expanding the influence of the social partners, social dialogue and tripartism.

3. Last year, during the United Nations World Summit, the Heads of State and Government of 150 countries made the following declaration:

We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in International Labour Organization Convention No. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work.

This declaration confirms the direction taken by the ILO member States.

<sup>1</sup> World Commission on the Social Dimension of Globalization: *A fair globalization: Creating opportunities for all* (Geneva, ILO, 2004).

4. In the Americas, the belief that the creation of decent work, as defined by the ILO, is the best way to overcome poverty and reinforce democratic governance has progressively been consolidated, especially since 2003. In the case of Latin America, this belief is reflected in the conclusions of the MERCOSUR Regional Conference on Employment (Buenos Aires, April 2004), the Andean Regional Conference on Employment (Lima, November 2004) and the Subregional Tripartite Employment Forum (Tegucigalpa, Honduras, June 2005) with the participation of delegations from Central America, Panama and the Dominican Republic. Similarly, the conclusions of the Thirteenth and Fourteenth Inter-American Conferences of Ministers of Labour, as well as the declarations of the continent's Heads of State and Government at the Ibero-American Summits (Santa Cruz, San José, Costa Rica and Salamanca), the Third Latin America and the Caribbean – European Union Summit and the Summits of the Americas held in Nuevo León and Mar del Plata (which include an action plan), all reflect the aspiration to make decent work a global objective. These documents (Appendix) acknowledge that the promotion of decent work is a strategy that can help to ensure increased participation of the poor and the socially excluded in the fruits of economic growth, the strengthening of democracy and the overcoming of poverty, inequality and exclusion within the context of fairer globalization.

5. In the light of the abovementioned declarations, I believe the objective of creating decent work should be explicitly incorporated into national development strategies. For the International Labour Office, this Sixteenth American Regional Meeting is the appropriate forum in which to examine the steps we should take to move towards achieving this global objective so as to respond to our citizens' aspirations for decent work for all with specific measures.

6. For these reasons, having heard the opinions of government officials and employers and workers of the ILO's American member States and considered how the strategic and cost-cutting objectives correspond to the particularities of the region, I am presenting you, in this Report, with an agenda for the Hemisphere of general and specific policies, the implementation of which would enable further progress to be made in promoting decent work for all. Logically, it will be for each country to determine whether or not it can raise the proposed targets, and to decide which combination of the proposed policies is better adapted to national characteristics, particularities and potential.

7. Decent work country programmes (DWCPs) are the ILO's contribution to helping countries incorporate decent work into their development strategies and policies. Throughout this Report, specific proposals are put forward for general policies which each country can adopt and adapt to its own conditions if it considers this to be appropriate, since the decision to make decent work a national objective lies with each country. Within each DWCP, ILO cooperation will be organized in a coherent manner and will respond to one or more key priorities to ensure that the country makes progress in achieving the decent work objectives. In the final section of this Report, I have put forward some thoughts regarding the DWCPs.

8. I am confident that the DWCPs can also be suitable mechanisms for focalizing and enhancing both horizontal technical cooperation between the countries of the Americas and international development cooperation, both multilateral and bilateral, within the region and beyond it.

9. We have before us a Report that takes into consideration both the technical and political progress made by the continent's ILO constituents with regard to the socio-labour dimension of development, its relevance and its fundamental role. It is a Report which seeks results through a programme that will help to prevent the dispersion of initiatives, bearing in mind that the promotion of decent work requires the integration of economic and social policies and the effective contribution of the public and private sectors in order to ensure that, in a globalized world, individuals and their work are at the centre of development.

## 1. General background and socio-economic labour trends in the Americas

**10.** The population of Latin America and the Caribbean currently stands at 563 million. Of that total, about 551 million live in Latin America, and at least 213 million of that number live in poverty (no figures are available concerning poverty in the Caribbean).<sup>1</sup> This social situation accurately reflects what is happening in the labour market, the main source of livelihoods and advancement for families. In Latin America there are 239 million economically active persons in employment or willing to work. Over 23 million of these individuals are affected by open unemployment, and approximately 103 million are employed in the informal sector, often without labour rights or social protection. There is thus a formal employment deficit of 126 million workers in Latin America (53 per cent of the economically active population). The two groups most affected by this situation are women and young people.

**11.** The regional average gross domestic product (GDP) per capita is US\$3,900, while productivity per worker is up to US\$10,100 per year, or around US\$840 per month. One fundamental problem, especially for the region's labour markets, is that, in many countries, that productivity has not risen over the past few decades. Indeed, the current average is more or less the same as that for the region at the beginning of the 1980s. Productivity per worker – or labour productivity – is a crucial element in economic and social progress, as was pointed out in a recent ILO report, because it is an important transmission mechanism between the world of production and the labour market.<sup>2</sup> The fact that it has remained at the same level for two decades explains too why current rates of poverty in the region are also similar to those for the early 1980s.

**12.** A number of initiatives have already been launched to accelerate growth in the region. Following the “lost decade” of the 1980s, the 1990s saw the adoption of a strategy based on reducing the role of the State in the economy, combining economic liberalization and structural reforms while seeking greater and better integration into the global economic order. Priority was given to policies for controlling inflation and achieving fiscal stability. Those policies were indeed successful in terms of macroeconomic governance, especially with regard to balancing public budgets and reducing inflation. However, they did not overall achieve the results

<sup>1</sup> The demographic estimates are taken from Latin American and Caribbean Demographic Centre (CELADE): *América Latina. Proyecciones de población urbana y rural 1970-2025*, Boletín Demográfico No. 76, Chile, 2005. The poverty estimates are taken from Economic Commission for Latin America and the Caribbean (ECLAC): *Panorama social de América Latina*, 2005.

<sup>2</sup> ILO: *World Employment Report 2004-05: Employment, Productivity and Poverty Reduction* (Geneva, 2005).



that had been hoped for. Growth was modest (around 0.6 per cent annually in per capita terms) and, although the region's economies are now more open than during the 1980s, the investment ratio as a percentage of GDP has not altered significantly and the debt-to-GDP ratio has increased considerably. As in the past, even during periods of growth, the region's economies continue to be highly dependent on external finance and terms of trade. Furthermore, various studies show that, following the implementation of the reforms, the economies of the region became more vulnerable to external shocks, as the international crisis in 1998 showed clearly.

**13.** The region is currently going through a significant period of recovery. According to the Economic Commission for Latin America and the Caribbean (ECLAC) (2005), production grew in 2004 by 5.9 per cent and by around 4.3 per cent in 2005; it is hoped that growth for the year 2006 will be between 4 per cent and 4.5 per cent. These high growth figures, mainly based on increased exports, do not, however, seem to be of much relevance to a large proportion of the population, whose living conditions do not appear to have improved. In fact, judging by the increasing number of immigrants leaving or moving around within the region each year, many people cannot find opportunities in the region and in their countries.

**14.** In the case of the United States, initially the current expansive phase of economic recovery was mainly based on the strength of consumer spending. However, from 2004 onwards, more of a balance was established between sources of growth, with investment playing a greater role. It is hoped that, in 2006, despite the rise in oil prices and the hurricanes, the United States economy will continue to grow (although at a slightly lower rate than in 2005), spearheading global growth, together with China. This increase will be based on investment by companies, which has been boosted by the growth in productivity and high company profits. Domestic demand should also rise thanks to higher incomes, improvements in the labour market and better credit conditions. However, this does not mean that the economy is problem-free. The budget deficit remains very high and the current account deficit is set to reach 6.1 per cent of GDP, one of the highest in the world. All this has been financed through the continuous flow of capital from all over the world, making the United States extremely dependent on foreign investment. and it is not clear whether this trend is sustainable or not.

**15.** As to the Canadian economy, it has also been experiencing growth since 2003, strengthened in the main by increased exports and the fact that the financial authorities began the gradual process of raising interest rates, while maintaining fiscal discipline. The annual average unemployment rate has fallen steadily, from 7.6 per cent in 2003 to 6.9 per cent in 2005.

**16.** The situation of the Caribbean countries is particularly complex. They are small countries, with small markets and, consequently, small economies. Nine of them are considered to be "micro-States", with populations of less than 300,000. They face enormous "development challenges in the global economy" in regard to factors beyond their control, according to a report of the Commonwealth Secretariat/World Bank Joint Task Force. These factors include: "remoteness and isolation; openness; susceptibility to natural disasters and environmental change; limited resources; diversification of production and exports; limited capacity; and limited access to international financial markets".

**17.** The economies of these small States in particular are vulnerable, given their openness to trade, their high level of dependence on exports and the adverse terms of trade for primary products. This severely limits their capacity for economic and social development. The dwindling access to the market and reduced job security that result from international trade policy have exacerbated a situation made worse by the constant risk of natural disasters. Such disasters require that a disproportionate amount of these States' limited resources be channelled towards the repair of essential infrastructure. Given these conditions, these "small States" and "small developing island States" should be given special treatment in terms of provision of resources for national development through a more equitable and fair international trade system, which would encourage social and economic justice within the Caribbean community.

**18.** The tragic events of 11 September 2001 and their effect on the economies of the Caribbean continue to have a severe impact on the entire Caribbean tourist industry. Already scarce resources have also consequently been diverted to fund new security requirements at airports and at a national level, thus placing more pressure on these economies.

**19.** Consequently, the small economies of the Caribbean require, on the one hand, special treatment by the large countries and, on the other, greater integration with one another, within the framework of openness to product and capital markets. The Caribbean Community (CARICOM) has been working towards such integration, establishing a common market in January of this year, that will allow the free movement of skilled individuals, capital and goods.

**20.** However, the less developed countries of the Caribbean face some difficulties when attempting immediately to join this common market, and so a timetable for gradual incorporation has been established. Furthermore, a Regional Development Fund (similar to the European Structural Funds), financed by the more developed members of CARICOM and aimed at assisting the less developed countries, has been set up.

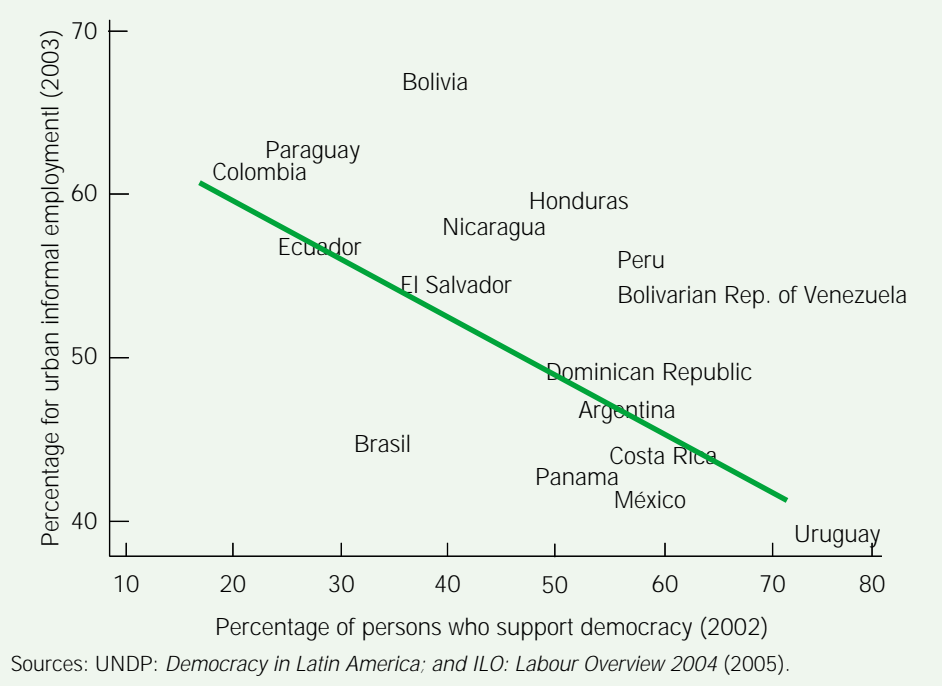
**21.** From a social and labour point of view, the results of the reforms carried out during the 1990s in Latin America and the Caribbean were somewhat disappointing. Production per worker grew very slowly (0.21 per cent annually between 1990 and 2005) and at the same time there was an increase in unemployment and informal employment. In some countries (notably Argentina, Colombia and Peru) reforms were implemented making the process of hiring and dismissing employees more flexible and, in many cases, social protection mechanisms providing pensions, health care and occupational accident and illness cover were abandoned without increasing the coverage of the system. Certain labour relations institutions were weakened, in particular those involved in collective bargaining (in terms of coverage and of content), as were traditional means of settling disputes, which proved to be inadequate and had their effectiveness called into question.

**22.** The argument used to justify these processes was that these labour institutions created “inflexibility” that must be eliminated to allow for the creation of formal employment. However, a decade later, the experience of various countries shows that, despite these reforms, what occurred was not a rise in formal employment but an increase in unemployment and informal employment. The phenomenon of precarious employment worsened and, with it, income insecurity, a decline in social protection, high labour turnover, and so on. It has been argued that these problems arose because the reforms were not carried out in full. However, there is no evidence to indicate that further reforms of this kind would improve the situation. On the contrary, recent experience suggests that such a move might even have made things worse.

**23.** Moreover, although the region has seen enormous progress over the last two decades in terms of democracy, according to the United Nations Development Programme (UNDP),<sup>3</sup> in many countries, people are deeply dissatisfied with their democratically elected leaders. The main reasons for this dissatisfaction are poverty, profound economic inequalities and ineffectual legal systems and social services. Further evidence of this disenchantment is the fact that a worrying 54.7 per cent of Latin Americans would prefer an “authoritarian regime” to a democratic one if the former could meet their demands for social welfare.

**24.** One of the keys to this dissatisfaction is undoubtedly to be found in the labour market. A simple correlation between support for democracy and the labour situation demonstrates the importance of the labour markets as necessary mechanisms for redressing the democratic balance. Figure 1.1 shows that support for democracy is lower in countries with a higher proportion of people in informal employment, mainly of low quality and productivity. This is no coincidence. The labour market is not only a place where individuals may earn a living, but also where they can find the means to fulfil their potential as individuals and as members of society. Failure of the labour market to provide that opportunity leads to

<sup>3</sup> UNDP: *Democracy in Latin America: Towards a citizen's democracy*, Buenos Aires, 2004.

**Figure 1.1. Informal employment and support for democracy in Latin America**


dissatisfaction which begins in the field of work but which rapidly spreads to other areas of life, causing people to question that society.

**25.** In the wake of the trends observed during the 1990s, the new millennium has brought significant changes at a global level which have important implications for the labour markets of Latin America and the Caribbean. The recent phase of expansion of the global economy, and the entry of China and India into this economy and their vertiginous growth, have increased the demand for goods produced in the region and clearly improved terms of trade.<sup>4</sup> Since 2002, the region has enjoyed an export boom of considerable proportions, thanks to an increase in demand for, and in the international prices of, the main export products (such as soya, crude oil, copper, gold).<sup>5</sup> Hence, growth in gross domestic product (GDP) rose from -0.6 per cent in 2002 to 1.9 per cent in 2003 and 5.9 per cent in 2004; it is hoped that in 2005 and 2006 the region will see growth of 4.3 per cent and 4.4 per cent respectively.<sup>6</sup>

**26.** The recent economic growth has stimulated the labour market, especially in those sectors which are linked to exports which also require formal workers. In Brazil, between January 2003 and the end of 2005, over 3.5 million jobs were created in the formal sector (that is to say, around 108,000 formal sector jobs on average per month). Argentina saw more than five months of continuous growth in formal employment (an average annual rate of 6.5 per cent since 2003). Peru experienced over 40 months of growth in formal sector employment. ECLAC data confirm that this trend is occurring in various countries.<sup>7</sup>

**27.** Although this process is doubtless encouraging, various questions arise with regard to the sustainability of the growth and the type of employment being created. Looking at the first issue, there are certain factors which could endanger the sustainable nature of this growth, including changes in the price of crude oil and

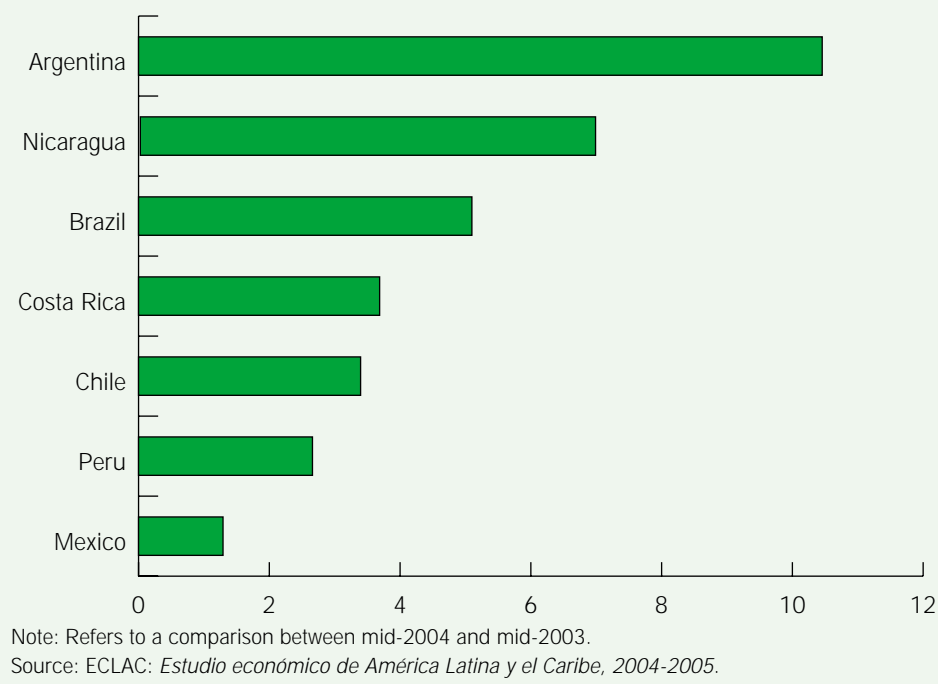
<sup>4</sup> ECLAC: *Estudio económico de América Latina y Caribe, 2004-2005*, Santiago de Chile, 2005.

<sup>5</sup> The export growth rate has been based on primary exports in the Andean countries, with manufacturing having greater weight in the MERCOSUR countries, whereas export growth in Mexico and Central America has been more modest, as these countries have been affected by growth in China's export and manufacturing sectors (ECLAC: *Estudio económico de América Latina y el Caribe, 2004-2005*, Santiago de Chile, 2005).

<sup>6</sup> ECLAC: *Estudio económico de América Latina y el Caribe, 2004-2005*, Santiago de Chile, 2005.

<sup>7</sup> *idem*.

**Figure 1.2. Latin America and the Caribbean: Growth of formal employment in selected countries (2004/2003)**



the United States deficits. However, we should also take into account China's burgeoning economy, which, it is hoped, will continue to grow, thus maintaining demand for the region's principal export products. Another source of concern is the significant pressure on some of the region's economies in terms of currency appreciation, owing to the flow of foreign currency brought about by increased exports, rising remittances from immigrants abroad and the considerable imbalances affecting the United States. Over-valued currencies could reduce the profitability of non-traditional tradable sectors or those sectors competing with imports, and thus affect the rate at which employment is being created.

**28.** As to the issue of employment, it seems that the posts being created are of a particular nature. The new workers are better educated than average; they work longer hours, but still earn the same; the jobs are short-term; and, in some ways, the labour market has become more heterogeneous and segmented, with only a certain type of worker being considered for the best jobs. In Brazil, for example, most of those who are picked for new posts created during this period of expansion have completed 11 or more years of education.<sup>8</sup> Alongside this trend, surely a cause for concern given its implications in terms of equity, we also have a more global development: the entry of China, India and the former Soviet republics into the world economy has doubled the size of the global workforce, from 1.2 billion to 2.4 billion workers (as at 2000). This has serious implications for the capital-labour relationship at a global level and for the role that labour markets can play in international competition.<sup>9</sup> This situation is further complicated by the fact that China has a high-quality, specialized workforce (engineers, for example) that is far larger than even that of the United States and certainly much bigger than that of Latin America.<sup>10</sup>

<sup>8</sup> Institute for Applied Economic Research (IPEA), 2005.

<sup>9</sup> Freeman, Richard: *Doubling the global workforce: The challenge of integrating China, India and the former Soviet bloc into the world economy* (Harvard University and NBER Centre for Economic Performance, London School of Economics, 2004).

<sup>10</sup> Idem. Furthermore, "The U.S. National Science Foundation (NSF) says that, in sheer volume, China is the world's leading producer of engineers: it graduates around 220,000 a year. By comparison, the United States graduates about 60,000 a year, Mexico 24,000, Brazil 18,000, Colombia 11,000, Chile 4,000 and Argentina 3,000." from A. Oppenheimer: "Engineers are a good fit for the presidency" in *The Miami Herald*, 14 August 2005.

**29.** It could, therefore, be said that the type of growth noted in the region over the past few years has led to encouraging results in exports of certain products and in some sectors of the labour market. However, this growth has not been sufficient to alter significantly the main structures of the labour market and to create job opportunities for all. In fact a growth strategy based on exports is unlikely, on its own, to solve the problem of employment, at least in the medium term, as export sectors often account for only a small percentage of the labour market. These sectors would require a great deal more time to absorb the remaining labour supply and this is often not taken into account in conventional analyses. When we refer to the labour market, given that we are talking about people, the time factor is extremely important. For example, at the accelerated rate of growth seen over the last few years (3.8 per cent annually between 2002 and 2005) and given that, according to ECLAC, the economically active population is increasing at an annual rate of 2.5 per cent, it would take over 50 years for production per worker to double in the region.

**30.** We cannot therefore simply depend on growth of the kind experienced in the region over the past few years to generate employment for those most in need of it and to reduce extreme poverty in the region by target dates such as those set by the Millennium Development Goals (2015). Higher and better growth is required and, given that it is the labour market that provides the linkage between production and the welfare of individuals, there is also a need for specific labour policies to reduce poverty and encourage equity in the region. This Report contains a proposal for a Decent Work Agenda for the region for the next ten years, through which we will be able to meet the challenge of reducing poverty and promoting democracy.

## 2. Main challenges to decent work in the region

**31.** Only if the major imbalances currently found within labour markets are redressed will poverty be reduced permanently. The structure of labour markets in Latin America is rather fragmented, given that almost one-third of the total labour market is located in rural areas, and half of all employment relates to self-employed workers, domestic workers, unpaid family workers or wage-earning workers in micro-enterprises with up to five employees (table 2.1). Most of the poverty, as well as most of the informal work and the decent work deficit in the region, is concentrated in these sectors.

**32.** The governments and social actors of the region must take this complex employment structure into account instead of assuming – as they usually do – that all labour markets operate similarly and include a large component of wage-earners. In such circumstances, and given the overall background described in the previous section, the region must rise to five challenges in order to create decent work and combat poverty: (1) ensure that economic growth promotes employment for all; (2) guarantee that labour rights are effectively upheld and respected; (3) strengthen democracy; (4) adopt new protection mechanisms suited to current conditions; and (5) use these procedures to combat social exclusion.

**Table 2.1. Employment structure in Latin America (2003-04)**

	Urban			Rural			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total	46	33	71	21	11	29	68	44	100
Wage-earners	29	17	41	12	4	14	40	22	55
Public sector	4	4	8	2	1	3	6	6	11
Private sector	24	13	33	10	3	11	34	16	44
Micro-enterprises (up to 5 workers)	6	3	8	3	1	3	9	4	11
Medium-sized and large enterprises	18	10	24	4	2	5	25	12	33
Non-wage earners	16	9	23	7	3	8	23	13	31
Employers	3	1	4	1	0	1	4	1	4
Self-employed workers	13	8	19	6	3	8	19	11	27
Others (domestic workers, unpaid family workers, etc.)	2	6	8	3	3	6	5	10	14

Note: Based on information from 11 countries: Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Panama and Paraguay.

Source: ILO-Labour Analysis and Information System (SIAL).

## 2.1. Ensuring that economic growth promotes decent work

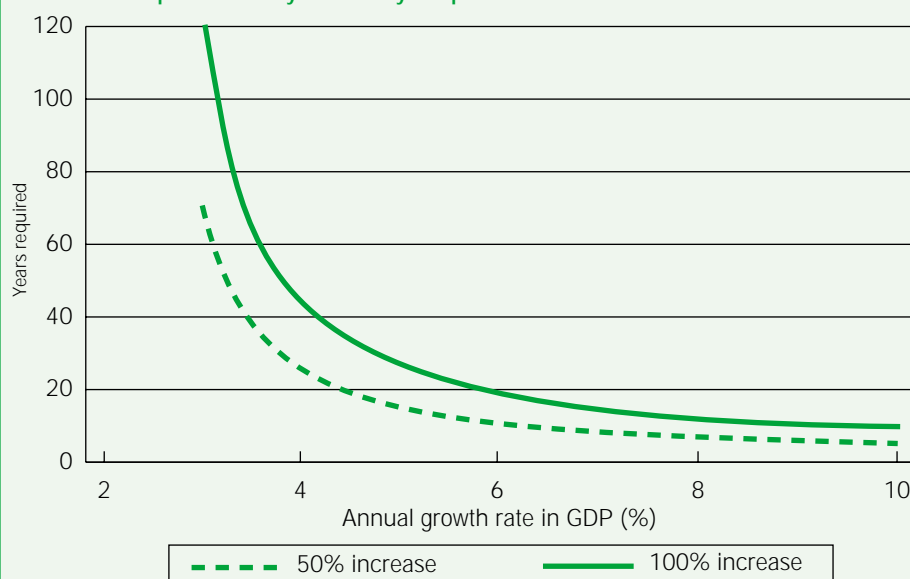
**33.** Many Latin American and Caribbean countries have problems of insufficient growth, or growth that fails to promote quality employment for all. From 1990 to 2003, output increased at an annual rate of 3.1 per cent, while aggregate employment increased at a rate of 2.5 per cent. Wage employment increased by 8 per cent during the period, equivalent to an annual increase of only 0.6 per cent. Furthermore, the percentage of workers with social protection decreased during this period from 66.6 to 63.6 per cent.

**34.** Economic growth is essential for achieving better labour market results. However, it can take a very long time for its benefits to trickle down to the population when growth rates are low. As already mentioned, time frames are important in the labour market. For example, the ILO has estimated that the region's formal work deficit will increase from 126 million workers in 2005 to 158 million by 2015 if the rate of growth observed in the region during the first five years of this century is maintained. Sustained annual growth of at least 5.5 per cent is required to keep this huge deficit down to 126 million workers.

**35.** The reasons for these problems are manifold. One of the main ones, in terms of its effects on the labour market, is the low labour productivity observed in most of the region's economies, particularly given that this figure has barely changed during the past three decades, despite the various reforms carried out. Figure 2.1 simulates the time that would be required to increase output per worker in the region by 100 or by 50 per cent. Different growth rates can lead to very different time frames.

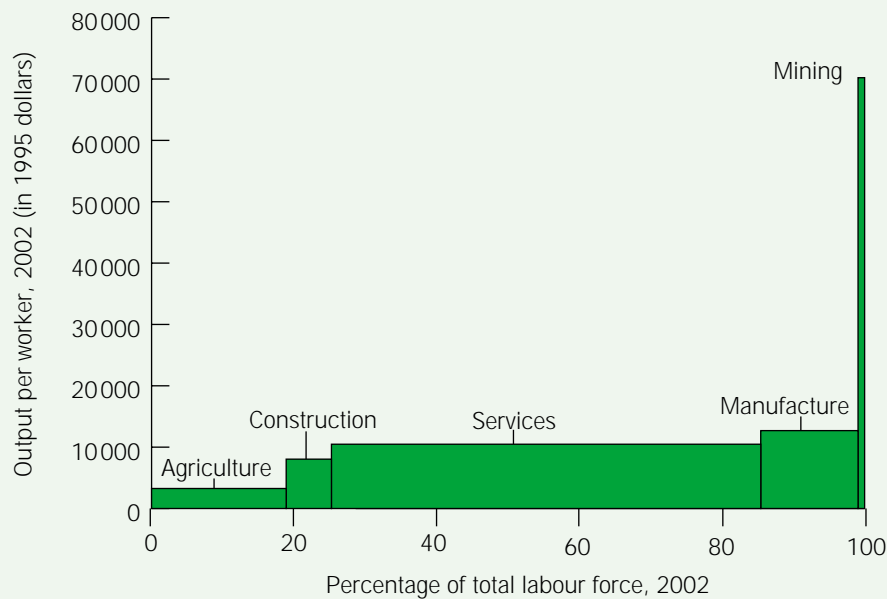
**36.** Output per worker – or labour productivity – is one of the main components of labour demand and the main determinant of conditions of work. Various studies have shown that the low productivity observed in various economies in the region is caused not only by the accumulation of productive resources, but also – and in some cases mainly – by insufficient growth in total factor productivity (TFP); this is indicative of severe restrictions at the mesoeconomic and microeconomic levels. Another major difficulty is that most economies in the region have a high level of heterogeneity in production, depending on the sector, the size of the enter-

Figure 2.1. Latin America and the Caribbean: Years required to increase output per worker by 100 or by 50 per cent



Source: ECLAC: *Statistical Yearbook for Latin America and the Caribbean, 2004* (Santiago de Chile, United Nations, 2005); and the International Monetary Fund (IMF): *World Economic Outlook*.

**Figure 2.2. Latin America and the Caribbean: Output per worker by major economic sectors**



Source: ECLAC: *Statistical Yearbook for Latin America and the Caribbean, 2004* (Santiago de Chile, United Nations, 2005); and ECLAC: Statistics and Economic Projections Division: Social Indicators Database (published on the ECLAC web site).

prise, and so on.<sup>1</sup> Figure 2.2 illustrates this problem in terms of major economic sectors.<sup>2</sup> Almost all countries in the region have a few branches with very high productivity, alongside others with somewhat below average productivity. The main problem is that the branches with the highest productivity employ a very low percentage of the total labour force.

**37.** Figure 2.2 also shows that non-transactional (non-tradable) sectors account for more than two of every three jobs in Latin America. Export sectors and sectors that compete with imports are concentrated in the most productive sub-branches of manufacturing and mining, which represent a minority percentage of total regional employment. One conclusion drawn from these data is that implementing growth strategies based exclusively on exports will not, at least in the short term, solve the huge problems of heterogeneity in production within the region, given that such strategies will apply to only a minority percentage of the region's total employment. Therefore, additional labour market policies must be developed to build on growth in the most dynamic sectors, in order to boost productivity in the least developed sectors.

**38.** Such policies would be extremely cost-effective, not only in terms of social and labour inclusion, but also in purely economic terms. Low productivity is known to be one of the fundamental obstacles to competitiveness in the region. This prevents the region from being properly integrated into the most dynamic areas of international trade and, consequently, restricts the region's opportunities for achieving long-term growth with an external equilibrium. As figure 2.3 shows, most Latin American and Caribbean countries are lagging behind in terms of the competitiveness indices established by the World Economic Forum,<sup>3</sup> and, in many cases, have actually regressed by comparison with previous years. Higher productivity thus leads to increased competitiveness, which tends to strengthen economic growth.

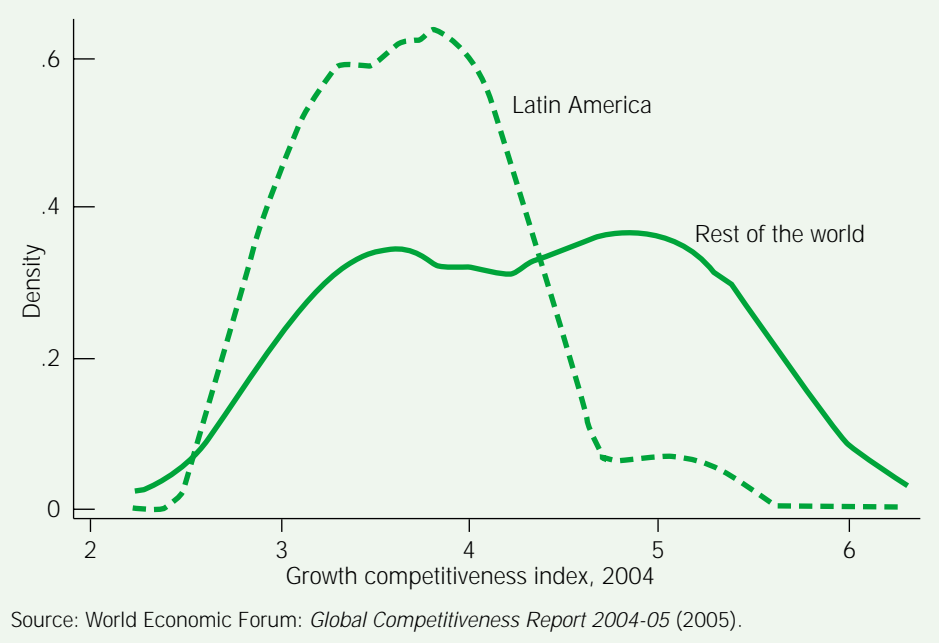
<sup>1</sup> Furthermore, it should be noted that there are vast differences in output per worker between the countries in the region.

<sup>2</sup> In fact, this figure changes according to how it is broken down. This said, even in versions where the figure is broken down to a greater extent, the conclusion is still the same: there are few branches or sub-branches with high productivity and many (especially those in which employment is concentrated) with very low productivity.

<sup>3</sup> World Economic Forum: *Global Competitiveness Report 2004-05* (2005).



Figure 2.3. Growth competitiveness index: Latin America and the Caribbean compared with the rest of the world



**39.** The Caribbean member States are facing urgent and pressing challenges, such as:

- the challenge of subregional economic integration in establishing the Caribbean Community (CARICOM) Single Market (2006) and Economy (2008);
- the challenge of establishing new relations with countries from the Americas as part of the process to create the Free Trade Area of the Americas;
- the challenge of maintaining relations, forging new ones with Europe; and
- the challenge of the global community within the World Trade Organization (WTO).

Meeting these challenges is made more difficult by global competition, trade liberalization, deregulation and privatization, which exert enormous pressure on employment and labour relations in both the public and the private sectors.

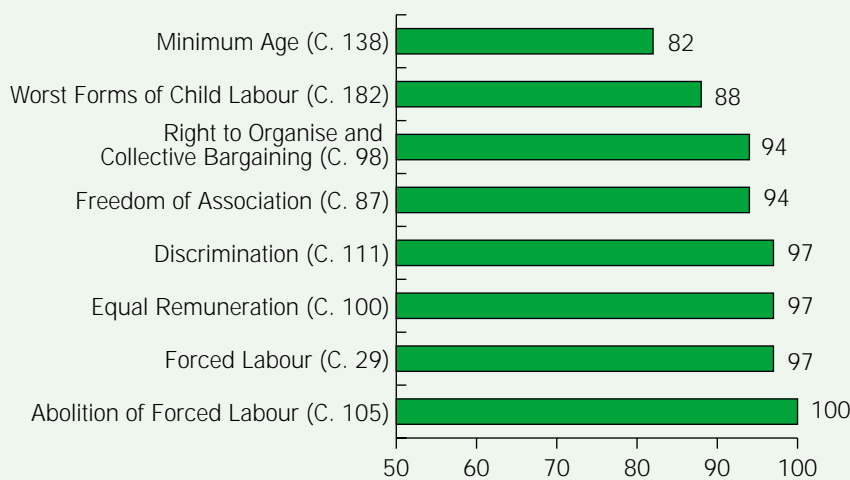
**40.** Therefore, as mentioned above, one of the main challenges in the Caribbean area, which must be addressed if the region is to achieve economic growth that promotes decent work, is the effective establishment and implementation of the CARICOM common market, as well as an increase in Regional Development Fund resources, so that the least developed countries can join this common market as soon as possible.

## 2.2. Ensuring effective application of fundamental principles and rights at work

**41.** Many countries from the Americas face serious problems with regard to the observance and effective application of fundamental principles and rights at work and of labour legislation in general. This applies not only to fundamental rights, but also to other individual and collective rights.

**42.** With regard to fundamental rights, 69 per cent of countries in the region have ratified all eight fundamental ILO Conventions (see figure 2.4). Although the

**Figure 2.4. Latin America and the Caribbean: Ratification of the fundamental ILO Conventions (percentage of total countries)**



Source: ILOLEX (database of international labour standards).

ILO Committee of Experts on the Application of Conventions and Recommendations has made a large number of observations and direct requests concerning these Conventions, the ratification rate for all the fundamental Conventions is very high when viewed in the global context.

**43.** Despite this high ratification rate, there is evidence of frequent violations of fundamental rights at work, including in countries which have ratified the pertinent Conventions. With regard to freedom of association, complaints from the region submitted to the Committee on Freedom of Association (CFA) increased from 164 in the first half of the 1990s to 194 in the first half of this decade. Furthermore, official data provided by governments show a deterioration in collective bargaining, as shown by the notable decline in coverage by collective agreements during the past 15 years.

**44.** Various official documents and the reports of the ILO's supervisory bodies indicate that there are also intolerable occurrences of non-compliance with labour standards. For example, a total of 5.7 million children aged between 5 and 14 years work, and it is estimated that 1.3 million people are subjected to forced labour. Furthermore, the persistence of serious inequalities between men and women both in income and in the level and manner of employment recruitment shows that problems of discrimination on grounds of gender persist both within and outside the labour market. Men and women do not join and participate in the labour market on an equal footing in regard to opportunities, resources and bargaining power. In addition to gender, ethnic origin, social background and age also affect the level and range of employment opportunities and income available to men and women, regardless of their aspirations, abilities and knowledge. Furthermore, there are still gaping inequalities regarding the quantity and quality of work offered to indigenous peoples and people of African descent.<sup>4</sup> Although low levels of education partly explain why these groups enter the labour market at a relative disadvantage, various studies show that labour market discrimination and segmentation also play a decisive role. People with disabilities, workers suffering from HIV/AIDS and older workers also experience labour market discrimination. The persistence of "old" forms of discrimination and the emergence of other "new" forms show that discrimination is a changing phenomenon which is linked to changes in labour market structures and tends to worsen during recessions or economic crises. Its persistence also confirms that labour market discrimination is not

<sup>4</sup> Indigenous peoples represent between 8 and 15 per cent of the total population of the region, while people of African descent make up 30 per cent of the total population. In Brazil, for example, the unemployment rate of people of African descent is 30 per cent higher than that of the white population, and their average income is 50 per cent lower. See ILO: *Labour Overview 2003* (Lima, 2003).

Table 2.2. Latin America and the Caribbean: Principle data on fundamental rights at work

Principle	Situation
Freedom of association and collective bargaining	<ul style="list-style-type: none"> <li>• 5.7 per cent of world total complaints relating to freedom of association (1951-2005).</li> <li>• 29 per cent of total dismissals violating freedom of association.</li> <li>• On average, unionization rates in the region decreased from 21 per cent in the first half of the 1990s to 19 per cent in the second half, with fairly dramatic decreases in some countries.</li> </ul>
Forced labour	<ul style="list-style-type: none"> <li>• 1.32 million forced labourers (10 per cent of the world total), of which 75 per cent are in economic exploitation, 16 per cent in State imposed systems and 9 per cent in commercial sexual exploitation.</li> </ul>
Child labour	<ul style="list-style-type: none"> <li>• 5.7 million child workers (5.1 per cent of the total number of children),</li> </ul>
Discrimination	<ul style="list-style-type: none"> <li>• The rate of female unemployment is 40 per cent higher than male unemployment.</li> <li>• Women are over-represented in the informal sector (51 per cent of non-agricultural jobs compared to 44.5 per cent for men).</li> <li>• Women earn 66 per cent of the monthly income earned by men (78 per cent of hourly income).</li> <li>• Indigenous peoples and people of African descent have the worst social, economic and employment indicators.</li> <li>• Labour market discrimination on grounds of ethnic or racial origin affects income gaps. In Brazil, for example, women earn 21 per cent less than men per hour worked. Black women earn 61 per cent less than white men per hour worked.</li> <li>• People with disabilities or suffering from HIV/AIDS experience discrimination, greater obstacles to entering employment and unfair dismissal.</li> </ul>

Source: ILO: Labour Overview 2002 (Lima, 2002); Vega (2005); Abramo and Valenzuela (2005).

the result of isolated or random actions of employers or employment agency officials, but an institutionalized practice which is deeply rooted in labour market institutions and policies.

**45.** Given the problems of non-compliance with fundamental rights at work – minimum standards that everyone should apply – it is not surprising that there are similar difficulties with regard to other, more rigorous labour standards. This has led to lively debates in the region and continues to do so. Indeed, this debate has resulted in labour reforms in a number of countries during the past decade.

**46.** Another subject that must be included in this debate is the fact that most informal employment does not correspond to wage employment models, but rather to those of self-employed, domestic or unpaid family workers, who are usually excluded from the scope of labour codes. In such cases, as with other labour market analyses, it may take some time for large groups of non-wage workers to find high-quality formal employment. Meanwhile, it should be remembered that labour market policies must target all workers, not just one group.

**47.** Naturally this does not mean that labour legislation in the region is ideal in all cases. Indeed, large numbers of informal workers – self-employed workers, workers in micro- and small enterprises, domestic workers and unpaid workers – even when they are covered by law, encounter serious problems concerning its effective implementation. For example, domestic workers are governed by special provisions which restrict their rights compared with other workers. Private protection schemes, such as health insurance or pension schemes, may be more expensive for self-employed workers than for employees, and occupational safety systems are almost non-existent. It is clear that some countries need to extend labour rights to cover the enormous numbers of workers who are currently excluded from any employment-related benefits. This problem is exacerbated by the emergence of poorly defined and unregulated triangular employment relationships (such as outsourcing).

## 2.3. Building confidence in democracy and social dialogue

**48.** As mentioned above, democracy has been weakened by the poor social results achieved by the economic growth observed thus far. Democracy and, above all, social dialogue therefore needs to be promoted in general terms and, in particular, at the labour market level. Democracy can be promoted only by applying social dialogue in processes of citizen participation, which consolidate and strengthen it.<sup>5</sup> Participatory processes must reach national and local spheres, as well as the workplace itself. Citizens' participation must go beyond the right to vote in elections for government authorities or for representatives on legislative bodies. Democratic societies need participatory processes, which require open dialogue and the commitment of society and its actors, who must be representative in order to express opinions on decisions that will affect them. The low participation level of women in social dialogue bodies must be considered as a problem of exercise of citizenship.

**49.** Using such an approach, collective bargaining can be defined as a form of social dialogue, as suggested in the Report of the Director-General to the 87th Session of the International Labour Conference (1999). The Report refers to social dialogue "in its many forms and levels, from national tripartite consultations and cooperation to plant-level collective bargaining." Furthermore, it states that by engaging in social dialogue "the social partners also fortify democratic governance, building vigorous and resilient labour market institutions that contribute to long-term social and economic stability and peace".<sup>6</sup>

**50.** Within this broad context of social dialogue and democratic practice, the first challenge is to redefine the role of the State in accordance with the wishes of society.<sup>7</sup> The dilemma is not how the State should intervene in the market, but how it should act in relation to the society of which it is the direct expression.

**51.** We must also consider how, in the era of globalization, the State adapts to the constant changes which require its institutions, policies and programmes to become more flexible. Resolving this dilemma, without returning to the model of the excessively interventionist producer State, will involve building a State that sets standards, engages in promotional and regulatory activities and establishes new systems of solidarity; a State that takes action to redress imbalances, exercises its redistributive functions and respects the voluntary action of individuals, thus guaranteeing solidarity, collective security, social justice and the common good, which are the pillars of a modern democratic State.

**52.** This requires the State to adapt constantly to the needs of the individuals it represents, which is a precondition for a modern democratic State in a global society in search of overall equity and justice. Any State wishing to resolve such dilemmas and remain at the service of all its citizens must respect the existence of a pluralist society, which can only be based on consensus building through social dialogue. This dialogue must be the channel for the participation of organizations representing the social sectors directly or indirectly involved. In other words, social

<sup>5</sup> Participation, according to the definition given by Stiglitz, includes openness to dialogue, transparency and the strengthening of representativeness in both the public and private sectors. See Joseph E. Stiglitz: Participation and Development: Perspectives from the Comprehensive Development Paradigm, in *Review of Development Economics*, 6(2), 2002, pp. 163-182.

<sup>6</sup> ILO: *Decent work*, Report of the Director-General to the 87th Session of the International Labour Conference (Geneva, 1999), pp. 38-39. Furthermore, the first Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, submitted to the 88th Session of the International Labour Conference, *Your voice at work* (Geneva, ILO, 2000), points out the need to promote collective bargaining and actively involve women trade unionists in this process, as well as incorporating gender issues into the negotiating strategies of trade unions: "The ability of women to exercise freely their rights to join trade unions and have their interests represented on a par with those of their male colleagues is vital to the achievement of both gender equality and trade union strength. Not only should women take their place at the negotiation table but gender issues will have to be made more explicit during the collective bargaining process to ensure that any agreement reflects the priorities and aspirations of both women and men." (p. 14, para. 33).

<sup>7</sup> D. Martínez and M. Luz Vega Ruiz: *La globalización gobernada: Estado, sociedad y mercado en el siglo XXI*, Colección Andaluza de Relaciones Laborales, Vol. X (Consejo Andaluz de Relaciones Laborales – Tecnos, 2001), pp. 213-272.

dialogue will be the mechanism used to take into account various interests and achieve a basic consensus on how to build the State in accordance with its citizens' wishes.

**53.** Social dialogue should also be used to shape public policies for dealing with the serious social problems referred to above. When the partners in social dialogue feel that they have been informed in a transparent manner and have played a key role in making the decisions that will affect them, they are more likely to accept changes, even those which have negative repercussions. The social legitimacy of policies backed by a consensus reached with the participation of the relevant actors transforms them into genuine state policies which go beyond the transient boundaries of government tenure. In this context, the strengthening of employers' and workers' organizations and the balanced representation of men and women within these organizations are prerequisites for productive social dialogue.

**54.** Social dialogue can be used to deal with issues such as development and poverty-reduction strategies; policies to tackle unemployment; new labour institutions; respect for fundamental principles and rights at work; the promotion of equal opportunities, regardless of gender or ethnic origin; the revision of standards which reduce worker protection, as well as those which may hinder progress in reducing unemployment and informal employment; the extension of social protection coverage; the formalization of the informal economy; protection of workers in the informal economy; and problems related to migrant workers.

## 2.4. Extending and strengthening systems for prevention and for social protection of workers

**55.** As already indicated, the changes observed in the 1990s in the goods and labour markets in the region had a profound impact on levels of social protection. Although previous levels of coverage were low, in the 1990s, the region took a major step backwards in the majority of cases. Consequently, the level of coverage is currently lower than that before the period of reforms (see figure 2.5).

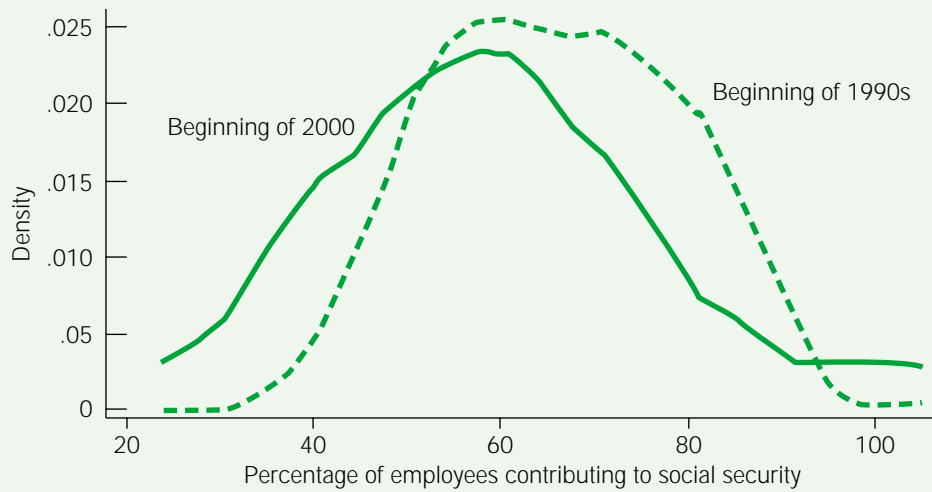
**56.** Accordingly, the main problem affecting social protection systems in Latin America and the Caribbean is their low level of coverage in terms both of the number of workers and of the range of risks and quality of protection.<sup>8</sup>

**57.** The various reasons for this situation are closely interrelated and refer not only to labour market characteristics (short-term, atypical, informal and non-wage employment relationships), but also to the characteristics of the region's protection systems, which, for the most part, suffer from problems of unstable and procyclical funding – making them financially dependent on the macroeconomic cycle – and are even regressive, given that in many cases they are not neutral with regard to job creation incentives. Furthermore, these protection systems have limited institutional success with regard to management, as well as very inconsistent and unfair results.

**58.** One of the basic issues of social protection, and one which has not been given enough attention in the past by governments and social actors, is occupational safety and health (OSH). The available data show that in 2001, 30 million work-related accidents occurred and nearly 40,000 fatalities were recorded in Latin

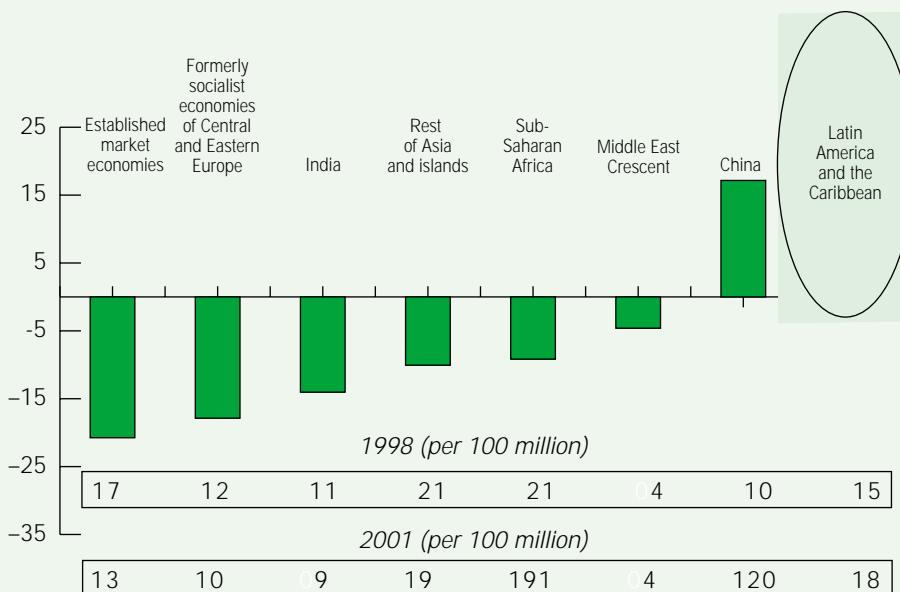
<sup>8</sup> Traditionally, the concept of *social security* encompasses all systems or programmes established by law, or other obligatory provisions, which provide protection, in the form of financial or material assistance, in the event of occupational accidents, occupational diseases, unemployment, maternity, common diseases, invalidity, old age, retirement, survival or death, and also include child and other family benefits and benefits for health care, prevention, rehabilitation and long-term care. The term can include social insurance, welfare payments, mutual benefit systems, provident funds and other special schemes. The concept of *social protection* is a more general notion even when interpreted as the set of measures taken by public and private bodies to relieve households and individuals of the burden of a series of risks and needs (Cichon et al., 2004, cited in Bertanou, 2005).

**Figure 2.5. Latin America: Distribution of countries according to contributors to social security**



Source: ILO: *Labour Overview 2004* (Lima, 2004).

**Figure 2.6. Trends in fatal occupational accidents throughout the world (1998-2001) (percentage variation)**



Source: ILO: InFocus Programme on Safety and Health at Work and the Environment (SAFEWORK): *Global Estimates of Fatal Work-related Diseases and Occupational Accidents, World Bank Regions 2005* (document published at: [http://www.ilo.org/public/english/protection/safework/accidis/globest\\_2005/index.htm](http://www.ilo.org/public/english/protection/safework/accidis/globest_2005/index.htm)).

America.<sup>9</sup> Moreover, in the period 1998-2001 (see figure 2.6), Latin America was the region with the biggest increase in fatal accidents. With the exception of Latin America and China, the global trend in recent years has been towards a reduction in fatal accidents. Workers in small enterprises and micro-enterprises in the informal economy, and in sectors such as agriculture, mining, fishing and the construction industry, have the least protection.

<sup>9</sup> Given that only 1 to 5 per cent of cases come to light because of low levels of registration and notification throughout the region, it is estimated that around 10 per cent of regional GDP is lost through lack of investment in prevention. See the InFocus Programme on Safety and Health at Work and the Environment (SAFEWORK), information on which can be found at: [www.ilo.org/protection/safework](http://www.ilo.org/protection/safework)

**59.** In most countries, OSH systems cover only employees, and occupational coverage is insufficient, as it covers approximately 12 per cent of risks. This is linked to supply restrictions – there is a limited number of OSH professionals<sup>10</sup> – but also to poor design and non-compliance with legislation. In Peru, for example, the complementary Occupational Hazard Insurance covers only 23 activities, which account for 12 per cent of jobs; that is, the legislation itself excludes 88 per cent of the labour force from protection against occupational accidents. In addition, non-compliance in the branches of activity that are covered is fairly high.

**60.** It should be noted that in the 1990s specific insurance systems emerged – such as occupational risk insurance in Argentina, Colombia and Chile – which, under state supervision, have led to increased participation by private insurance bodies in the area of occupational hazard prevention. This trend towards changing social security systems is now being observed in some Central American countries; nonetheless, a number of problems persist and these systems are still not sufficiently effective.

**61.** Another problem relating to OSH is that the social partners still do not appear to be fully aware of its importance. Indeed, with the exception of Brazil and Costa Rica, countries in the region do not have a national or sectoral policy for applying strategies to help enterprises meet their obligations concerning good OSH practices, nor have the social actors developed effective practices. The majority of employers in the region, even if active in this area, do not consider the involvement of workers to be important. In most cases (except in Brazil), trade unions have focused more on wage claims than on the protection of workers' lives and health. This means that policies aimed at reducing accidents, as well as those to improve occupational risk coverage – particularly through the establishment of joint work committees – must be given priority in efforts to promote decent work in the region, given that the health and lives of workers represent social values which, being universally recognized rights and the foundation of any sustainable social development, must be protected by the State.

**62.** In this regard, current developments in Trinidad and Tobago are of particular significance: there, workers, employers and the Government alike are encouraging Parliament to approve a new occupational safety and health act, which will help to reduce the current high accident rate.

## 2.5. Enhancing social and labour inclusion to reduce inequality

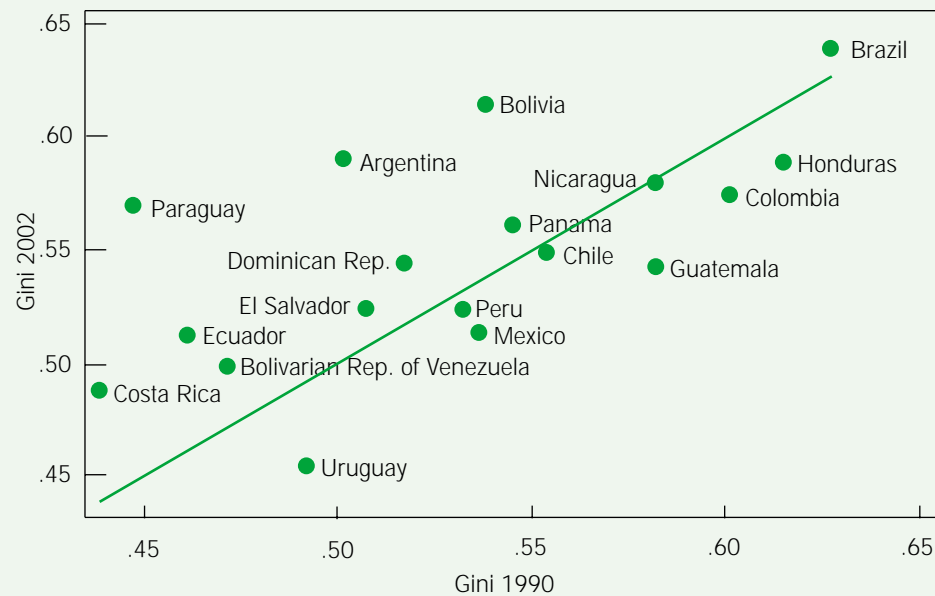
**63.** The same level of output growth and productivity can have different effects on people's living conditions, depending on the level of inequality within a society. As highlighted by Grynspan, levels of initial inequality can markedly affect the chances of growth benefiting the poorest. She cites the following example: "take two countries growing at 2 per cent per capita, with 40 per cent of the population below the poverty line, one with a Gini index of 0.30, the other with a Gini index of 0.60; the first country will halve poverty within ten years, the second within 57 years".<sup>11</sup>

**64.** Undoubtedly, Latin America (not the Caribbean) is the region with the highest income concentration in the world, and this not only affects the extent to

<sup>10</sup> According to a study conducted at the end of last century (1999), there is one hygienist for every 250,000 workers, one occupational health physician for every 100,000 workers, one safety engineer for every 14,000 workers and one inspector for every 200,000 workers. Furthermore, few health professionals are qualified to diagnose occupational diseases.

<sup>11</sup> R. Grynspan: *La Desigualdad en Latinoamérica*, a presentation given at the forum *Desigualdad en América Latina: las reformas necesarias*, held in Mexico City from 14 to 16 March 2005. This study also states that, in Latin America, the richest quintile of the population accounts for 57.9 per cent of total income. Furthermore, it estimates that "a 2 per cent increase in the average income of households can reduce poverty by 1 to 7 per cent", depending on the existing level of inequality.

Figure 2.7. Trends in inequality in Latin America (1990-2002)



Source: ECLAC: *Social Panorama of Latin America, 2004* (United Nations, 2005).

which the benefits of growth are passed on to the population, but can also affect governance and even have negative effects on growth itself. Furthermore, inequality has recently increased in most countries, while decreasing only very slightly in those countries where it has done. Figure 2.7 shows the development of the Gini coefficient for a sample of countries from the region for which information is available, and compares this development with a 45-degree line (representing no change). In this sample of 18 countries, inequality increased in ten countries and decreased in eight, in three of which (Chile, Nicaragua and Peru) the reduction was negligible.

**65.** There are various causes of inequality in Latin America. The labour market is one of the areas where most of this inequality is generated. One of the major challenges for the region is therefore to reduce levels of poverty and social exclusion in the labour market, in order to create the conditions for greater civic awareness and social justice. The labour market plays a significant role in spreading inequality and social exclusion; however, it can also help build more equitable societies. There is a close relationship between the various forms of labour market exclusion (unemployment, underemployment and low wages) and poverty and discrimination. In Latin America, the dynamics of economic growth and development policies have been unable to create the necessary conditions for bringing a significant proportion of the population into the formal economy and more productive, higher quality employment. Poverty is the reason why most people create or accept a job in the informal economy. The low wages associated with these jobs, as well as the precariousness and lack of social protection, creates a vicious circle of poverty which is very difficult to break. At the same time, not only does a larger percentage of the female labour force, compared with the male labour force, work in the informal economy, but, within the informal economy, women – and especially indigenous and black women – are concentrated in the sectors with the lowest incomes, lowest levels of protection and least opportunities to organize and represent their interests.

**66.** Women face structural obstacles to entering and remaining within the labour market and suffer discrimination which prevents them from achieving their full potential. Although recent decades have seen a sustained increase in the presence of women in the world of work (from 43 per cent in 1990 to 49 per cent in 2002 in urban areas), there are fewer of them in the labour force than there are men and the percentage varies greatly according to the income band to which they



belong.<sup>12</sup> For many women, entering the labour market has facilitated their social integration and enabled them to acquire social rights and a sense of self-worth and dignity. Nevertheless, these new opportunities have not had equivalent results in terms of their social and economic empowerment, and the challenge remains of attaining equal remuneration for work of equal value, overcoming occupational gender segmentation and achieving a fair distribution of household responsibilities.<sup>13</sup>

**67.** With regard to the wage gap, various studies show that women earn substantially less than men, even though the gap appears to have been closing in recent decades. According to an ILO study conducted in 2004, women in 1990, received 59 per cent of the monthly earnings of men (68 per cent per hour worked) and, in 2000, these figures reached 66 and 78 per cent respectively. Furthermore, the study found that education does not guarantee equal pay, since women require an additional four years of schooling to reach the same levels of pay as men. The challenge for gender policies is to acknowledge that there is an asymmetry in the situation of men and women in the labour market, and that any “neutral” measures that do not have the explicit objective of achieving equality will further increase existing inequalities.

**68.** Discriminatory practices against women, indigenous peoples and people of African descent operate as processes of division and hierarchization in which “the other” is considered to be both different and inferior. These practices still persist, despite progress made with legislation establishing equality before the law. Inequalities and discrimination on grounds of gender or ethnic origin interact with one other and with other social determinants, generating structures of social exclusion that strongly influence patterns of labour integration and poverty. In Latin America and the Caribbean, about 40 per cent of the region’s population is indigenous or of African descent,<sup>14</sup> but these groups present the worst economic and social indicators and are, to a large extent, the poorest people of the region.<sup>15</sup> In Honduras, illiteracy among indigenous peoples stands at 87 per cent. In Brazil, the population of African descent is concentrated in informal and precarious employment.<sup>16</sup> In Peru, mixed race workers earn 70 per cent less than white workers, and indigenous workers 40 per cent less than mixed race workers, which is clear evidence of discrimination within the labour market.<sup>17</sup> There is evidence that indigenous groups suffer acute levels of poverty and social exclusion, in the broadest sense of those terms.<sup>18</sup>

<sup>12</sup> L. Abramo and M.E. Valenzeula: Women’s labour force participation rates in Latin America, in the *International Labour Review* (Geneva, ILO), Vol. 124, No. 4 (2005).

<sup>13</sup> Gender inequalities have their origin in a division of labour whereby household chores and family care, which are considered to be areas of no economic value, are almost exclusively assigned to women. The varying importance given to different forms of employment (remunerated compared with non-remunerated, productive compared with reproductive) is transferred onto the people who carry out the work; this leads to unequal gender relations which can be seen in various sectors of society.

<sup>14</sup> According to ECLAC figures, Latin America has between 33 and 35 million indigenous peoples divided into some 400 ethnic groups. The black and mixed race Afro-Latin American and Afro-Caribbean population in the region is some 150 million people.

<sup>15</sup> G. Psacharopoulos and H. Patrinos: *Los pueblos indígenas y la pobreza en América Latina: un análisis empírico, in Estudios sociodemográficos de pueblos indígenas*, No. 40 (Santiago de Chile, CELADE, 1994); R. Plant: *Issues of Indigenous Poverty and Development* (Washington D.C., Inter-American Development Bank, 1998).

<sup>16</sup> According to 2001 data for Brazil (PNAD/IBGE, prepared by the ILO), 59.9 per cent of the population of African descent was in informal or precarious employment (salaried workers, domestic workers, self-employed workers, except professionals and technicians, and unpaid workers), whereas this figure was 49.8 per cent for the white population and 66 per cent for black women (ILO: *Labour Overview 2003*, Lima, 2003). See also Martín Hopenhayn and Álvaro Bello: *Discriminación étnico-racial y xenofobia en América Latina y el Caribe*, Social Policies Series No. 47 (Santiago de Chile, ECLAC, Social Development Division, 2001).

<sup>17</sup> H. Ñopo, J. Saavedra and M. Torero: *Ethnicity and Earnings in Urban Peru*, IZA Discussion Papers, No. 980, 2004.

<sup>18</sup> According to the World Bank (2005), poverty among indigenous peoples in Ecuador is around 87 per cent, and reaches 96 per cent in rural mountainous areas. In Mexico, the incidence of extreme poverty in 2002 was 4.5 times higher in predominantly indigenous municipalities compared with other municipalities. In Peru, 43 per cent of poor households are indigenous. Furthermore, the study found that, in the five countries included in the report, being indigenous significantly increased an individual’s probability of being poor by between 13 and 30 per cent, depending on the country.

**69.** Young people are beginning to make up an increasingly large proportion of the labour force. Given that job creation in the region is insufficient, young people find themselves in the most precarious of the available jobs. Their unemployment rate is significantly higher than that of adults, and young women face high levels of exclusion. Although various policies have been suggested to favour the labour market integration of young people, most of them have focused on reducing recruitment costs, for example, through training or apprenticeship agreements.

**70.** In this context, the challenge of combating exclusion is twofold. On the one hand, it is essential to combat all forms of discrimination that prevent individuals from entering the labour market on a basis of equality and from gaining access to productive resources. At the same time, given the existing asymmetries, neutral policies tend to reproduce inequalities; labour market policies and positive action in favour of particular population groups are therefore of great importance.

### 3. Objectives of a regional decent work strategy in the Americas

71. As indicated in the introduction to this Report, the ILO Programme and Budget for 2006-07 focuses on four strategic objectives and five cross-cutting objectives aimed at creating decent work. They all have universal validity, even if, as is the case in the Americas, the emphasis varies in each country in the light of the specific characteristics of the region. Achieving these objectives will be the best indicator of success in meeting the major challenges referred to in the previous section of the Report.

#### 3.1. Strategic objectives

72. In Latin America and the Caribbean, implementing standards on labour rights and, in particular, on fundamental principles and rights at work (*Strategic Objective No. 1*) is a key objective of all policies to generate decent work. As the ILO has indicated on a number of occasions, the region has made significant progress regarding ratification of these Conventions; unfortunately, however, this does not always mean that national legislation is in conformity with the Conventions or, even when it is, that it is actually applied.

73. Creating greater employment opportunities for men and women (*Strategic Objective No. 2*) is the highest priority objective in the region. Although there have been efforts and achievements made in the area of job creation over the past 15 years, this is still not enough, as demonstrated by the rise in the unemployment rate; there has also been an increase in poor-quality employment, as indicated by the fact that seven out of ten jobs created during that period were in the informal economy.

74. The situation in regard to social protection (*Strategic Objective No. 3*) is similar to that of employment. In most countries there is no system of income protection in the event that a worker becomes unemployed. Both the health and retirement and pension branches of social security are often beset by management problems, in particular low coverage, with the exception of countries such as Canada, Costa Rica, Cuba (whose social security system differs from that in the other countries), the United States and Uruguay. Accordingly, improving the quality of social security systems and broadening their coverage is a third strategic objective in the Americas region.

75. Promoting social dialogue and strengthening the organizations of the social partners involved (*Strategic Objective No. 4*) is a challenge for the ILO in

this region and throughout the world. In recent years, many countries have succeeded in rebuilding a culture of dialogue, usually tripartite, that was severely weakened in the 1990s. This is the case in Argentina, Peru and Honduras, to cite only a few examples. Efforts must continue in this direction, seeking not only to remove any obstacles to the free establishment and functioning of employers' and workers' organizations, but also to develop the institutional capacity needed for social dialogue.

### 3.2. Cross-cutting objectives

**76.** The cross-cutting objectives are all particularly important in this region, suffering as it does from severe poverty, inequality and social exclusion. Tackling poverty and exclusion and seeking greater equality, particularly gender equality, are objectives that must be pursued relentlessly in order to construct fair globalization and strengthen democratic institutions.

**77.** Whatever the advances achieved in the areas of equality and rights, however, no progress can be made towards fair globalization unless quality employment is made a global objective at the centre of economic policy at all levels and additional efforts are made towards better integration of economic, social and labour policies.

## 4. *A Decent Work Agenda for the Hemisphere*

**78.** Meeting the enormous challenges set out in the previous chapter and achieving the abovementioned strategic and cross-cutting objectives will require a Decent Work Agenda for the Hemisphere, which includes a detailed strategy with policies that combine action in the areas of the economy, regulation, institutions and labour markets.

**79.** As shown in figure 4.1, the proposed regional agenda comprises three basic elements: (a) general policies in four areas (labour standards, employment and income opportunities, social protection, and tripartism and social dialogue) whose implementation, in accordance with national particularities and specificity, would enable significant progress to be made towards achieving the strategic and cross-cutting objectives underlying the ILO's decent work strategy; (b) policies in specific intervention areas, which support the policies proposed in the four general areas; and (c) mechanisms for implementing these policies.

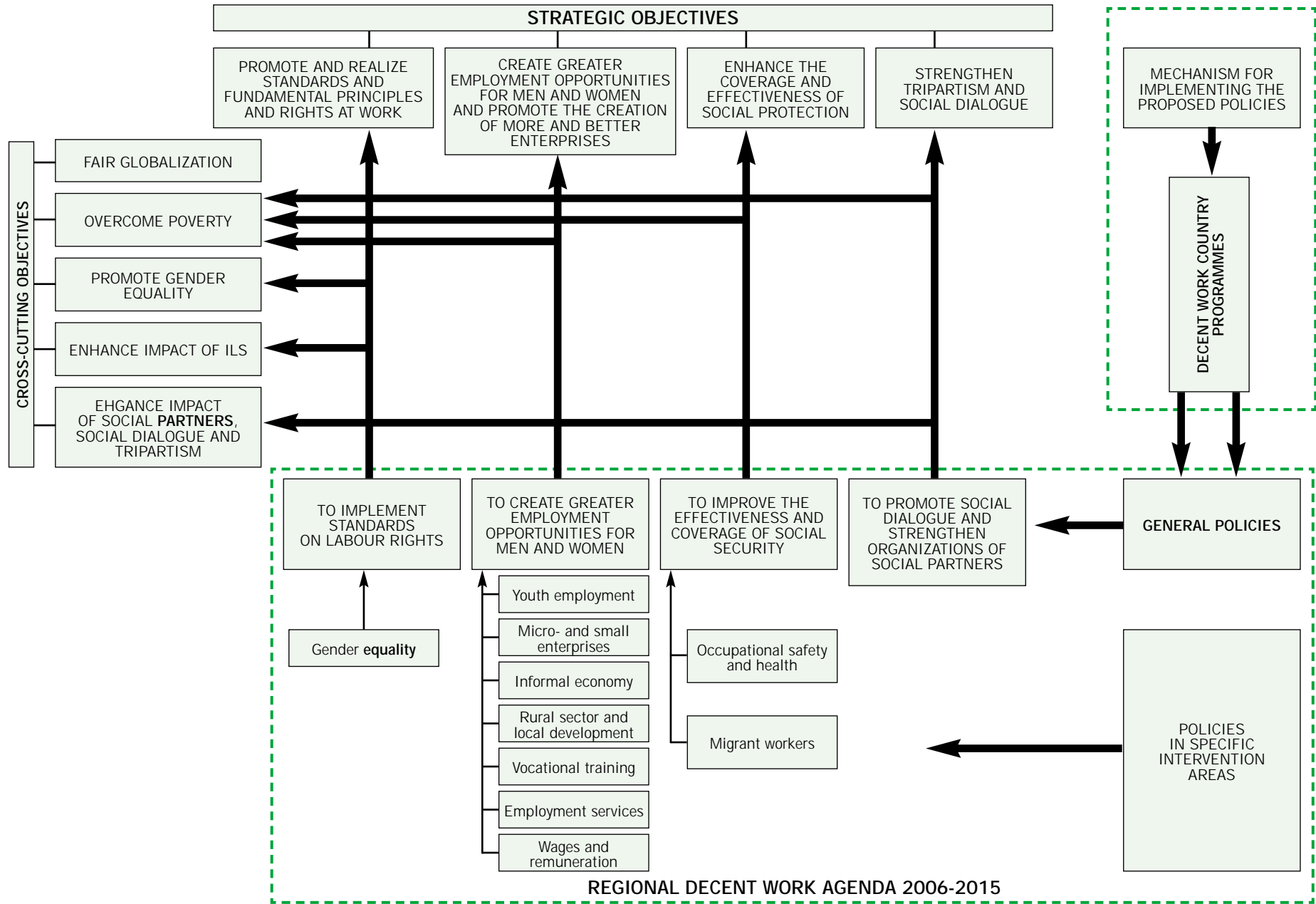
**80.** As may be seen from figure 4.1,<sup>1</sup> each general policy area corresponds to one of the ILO's strategic objectives, and each specific intervention area corresponds to one of the general policy areas. Regarding the institutional mechanisms for implementation, the intention is to focus on two specific aspects: first, the necessary modernization, development and strengthening of the labour administration and integration bodies in the labour field; and secondly, national decent work strategies and the role of the decent work country programmes (DWCPs) promoted by the ILO, governments and social partners.

### 4.1. *General policies to achieve the main objectives of the decent work strategy*

**81.** Achieving the objectives of the decent work strategy in the region, as outlined in the previous chapter, requires policies to be adopted in four areas: (a) sustained economic growth that promotes quality employment; (b) effective implementation of labour rights, particularly fundamental rights at work; (c) increased effectiveness and coverage of social protection systems; and (d) promotion of tripartism and social dialogue as a means of ensuring social legitimacy of the policies. Any effort made in other directions will have only a marginal effect on the amount of decent work that needs to be created in the region.

<sup>1</sup> The proposals to be presented during the Sixteenth American Regional Meeting are indicated by dotted lines in in figure 4.1.

Figure 4.1 A Decent Work Agenda for the Hemisphere



### 4.1.1. Economic growth as a generator of employment

#### Objective

Creating greater employment opportunities should be considered as a key objective of economic policy (corresponding to Strategic Objective No. 2).

#### Target

Over the next ten years, achieve sustained and steady annual economic growth of at least 5 per cent as a prerequisite for significantly reducing the current decent work deficit.

#### Rationale

**82.** A change is needed in the nature of growth currently seen in many economies in the region, which register very low product growth that is not sustained and occurs mainly in sectors that do not generate much employment. As mentioned above, growth rates similar to those observed at the beginning of this millennium will not suffice to deal with a problem of this magnitude: there are 126 million workers without formal employment, a figure that is growing by more than 3 million per year.

**83.** Integrated economic measures are therefore needed at the macroeconomic, mesoeconomic and microeconomic levels, to ensure that growth generates more employment. When economic policy is focused solely on short-term macroeconomic stability, and hence on controlling inflation and the fiscal deficit, job creation and wages are often treated as “adjustment variables”. Therefore, when States adopt an agenda for growth and employment in open economies, they should make a commitment at the outset to creating decent work for all and to promoting long-term sustainable growth, rather than focusing principally on tackling inflation.

#### Policies

**84.** To accelerate growth with quality employment, high rates of economic growth are needed, which require a sustained increase in private and public investment and more dynamic involvement in the international economy. As regards the necessary investment, it is estimated that for GDP in Latin America and the Caribbean to increase by one percentage point, an average growth rate of approximately 2.2 per cent is needed in gross fixed capital formation (private and public investment in active capital). In other words, a 5.5 per cent GDP growth rate, such as that needed to curb the increase in the decent work deficit in the region, would require an annual growth rate of productive investment of 12 per cent.<sup>2</sup> This calls for drastic changes, as average annual growth in gross capital formation in Latin America and the Caribbean between 1990 and 2003 was just 2.2 per cent.

**85.** Stimulating private investment requires a stable macroeconomic environment, but specific measures such as fiscal incentives to investment are also needed, for example, fast depreciation of purchased assets and tax credits proportional to investment in productive assets. Governments could also provide incentives to encourage foreign investors to work with domestic enterprises, to promote the modernization of production lines and to invest in the development of human capital. In order to finance capital accumulation without causing inflationary pres-

<sup>2</sup> This is an estimate based on the behaviour of these two variables since the mid-1990s, across the Latin American and Caribbean countries. The estimate does not take account of other important factors such as the type of investment, its effects on productivity, or the economic sector, etc. The relationship is therefore a static one. However, it does serve to illustrate that sustained high growth in GDP requires even higher and equally sustained growth in productive investment.

sure or external disequilibrium, adequate rates of domestic saving must be ensured. Raising domestic saving is crucial for increasing investment and achieving sustained growth in GDP and hence in quality employment. Reinvesting company profits and promoting family saving through compulsory methods (social security, education, housing, health, etc.) are good ways of raising private saving, which, together with public saving, increases the possibilities for internal financing of productive investment. Lastly, it is worth highlighting the fundamental role of developing the financial system through strengthening institutional venture capital channels and instruments in order to promote productive investment and transform the most sluggish sectors. The credit market currently favours large enterprises, while micro- and small enterprises (which employ a significant portion of the labour force) are relatively marginalized. Remittances from migrants, which currently constitute an important source of finance in the region, could be better integrated into the financial system of receiving countries, to stimulate domestic investment and develop the domestic market.

**86.** In large part, the low level of investment in the region is associated with the lean and volatile growth in GDP between 1990 and 2003: weakness and volatility in economic growth affect investment decisions, stimulating defensive micro-economic strategies to the detriment of productive development and productivity growth. However, the pattern of accumulation also has an effect. Accordingly, what is needed is a shift from a model of comparative advantage that is intensive in natural resources and cheap labour to one that is based on innovation and skills, generates greater added value in natural-resource-intensive products and is environmentally friendly.

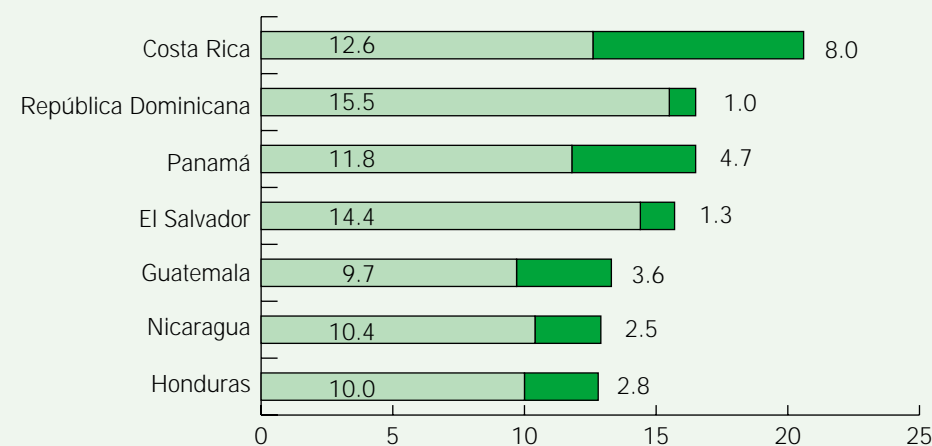
**87.** The ILO has recently discussed various policies that could be used to this effect, placing emphasis on combining policies at the macroeconomic, as well as the mesoeconomic and microeconomic levels.<sup>3</sup> The focus is on policies promoting exports, since recent experience in international development has nearly always gone hand in hand with policies to boost countries' international competitiveness and policies to enhance total factor productivity.

**88.** The sharp increase in exports over the past decade – and consequently of imports – has undoubtedly been assisted by the large number of trade agreements, both multilateral and bilateral. Trade can boost production growth, and hence investment, with the resulting potential positive effects on employment. However, and in spite of these potential positive effects, trade agreements and treaties have been and remain the subject of much debate, particularly with regard to their effect on employment (including business relocation), and on labour relations and working conditions. The ILO is following these debates with interest and, while noting that they are sometimes heavily tinged with ideological considerations, also concludes that, even assuming the general principle of the global positive effects of trade, trade agreements must be considered on a case by case basis to determine the extent to which these effects depend in each case on: (a) the productive structure of each State party; (b) the level of asymmetry between States parties, particularly with regard to productivity, commercial services, and fiscal and taxation policy relating to external trade; and (c) the actual content of the agreement. In short, for the ILO, a trade agreement can be favourable or detrimental to one party depending on whether the particularities of the productive structure and the nature of existing asymmetries were taken into account during its negotiation. That is why the acknowledgement by the Government of the United States, at the last Summit of the Americas held in Mar del Plata, that such asymmetries did exist and needed to be taken into consideration was an important step towards fair trade and fair globalization.

<sup>3</sup> This proposal takes account of the studies carried out by the ILO Regional Office for Latin America and the Caribbean for the MERCOSUR Regional Employment Conference (Buenos Aires, April 2004) and the Andean Regional Employment Conference (Lima, November 2004), entitled respectively: *Generando Trabajo Decente en el MERCOSUR. Empleo y Estrategia de Crecimiento: el enfoque de la OIT* (Creating Decent Work in MERCOSUR. Employment and Growth Strategy: The focus of the ILO) and *Crecimiento, competitividad y empleo en los países andinos* (Growth, competitiveness and employment in Andean countries), as well as the studies produced for the Subregional Tripartite Employment Forum (Tegucigalpa, Honduras, June 2005), in which delegations from countries in Central America and from the Dominican Republic participated.



Figure 4.2. Central America: Actual and potential fiscal pressure, selected countries



Note: The figures on the right represent the difference between the actual and the potential tax burden.

Source: M. Agosin, R. Machado and P. Nazal: *Pequeñas economías, grandes desafíos – Políticas económicas para el desarrollo en Centroamérica* (Small economies, big challenges – Economic policies for development in Central America) (IDB, 2004), cited in L. Garnier: “Las políticas económicas en los países centroamericanos y República Dominicana y su efecto sobre el empleo. Desafíos y propuestas de políticas” (“Economic policies in Central American countries and the Dominican Republic and their effect on employment: Challenges and policy proposals”), in G. González and M. del Cid: *Políticas para fomento del empleo y trabajo decente. Un proceso con los actores sociales en Centroamérica y República Dominicana* (Policies to promote employment and decent work: A process involving the social partners in Central America and the Dominican Republic) (San José, Costa Rica, ILO, 2005).

**89.** However, recent experience clearly shows that rapid growth based on exports alone is not always sufficient to create decent work for all. The main reason is that most countries in the region are highly heterogeneous in their productive structure, with highly productive sectors – most of which are primary or semi-primary – alongside extremely sluggish sectors that do not export or compete with imports. The main problem is that most employment is concentrated in the sluggish sectors – sometimes more than half. Any strategy based on developing one sector, in the hope that its dynamism will then spread to the rest of the economy, must take two things into consideration: (a) how much employment those sectors can absorb; and (b) how long it will take for non-employment-intensive sectors to affect the rest of the economy.

**90.** Therefore, in the current context, when exports are growing principally because of external stimuli (a chief one being growth in the Chinese economy), it is necessary to prioritize and implement policies to boost the productivity and capacity for economic integration of the least developed sectors. In that regard, the emphasis should be on the role of fiscal policy in macroeconomic policy, which should remain prudent without placing constraints on growth. This means promoting greater equity in tax collection in order to augment the resources available for development. In particular, some countries will need to reconsider whether growth based on natural or semi-natural resources is providing the resources that it should, in accordance with national legislation. The fact that there is already an important regional agenda on tax revenue can be seen in figure 4.2, on Central America, which clearly shows that there is room to increase taxation. In this regard, priority should be given to increasing the tax base while avoiding overburdening existing taxpayers.

**91.** However, it is as important to spend fiscal resources prudently as it is to increase them; care should always be taken to preserve fiscal equilibrium, using the concept of “intertemporal equilibrium” to avoid unnecessary constraints that sometimes impede the implementation of projects that give very good results in the short term. In general, any fiscal policy aimed at promoting quality jobs should focus on developing sectors with a high concentration of employment, such as agriculture or services. An interesting example is the mining bonus provided in Chile, where such resources are essentially used for innovation. It is thus important not only to

increase spending, but also to improve spending, particularly in activities that have a strong impact on productivity.

**92.** On the other hand, under this proposal, monetary policy needs to be focused on preserving price stability while ensuring that interest rates do not restrict growth. It is important to have instruments for the prudent management of capital flows, making monetary policy more efficient and free to influence interest rates. Exchange rate policy should aim to maintain exchange rate bands that are concordant with inflation bands and, where possible, to avoid shocks and losses of competitiveness caused by abrupt changes at the international level. In dollarized economies, like many of those in Latin America and the Caribbean, exchange rate policy should aim to maintain low exchange rate volatility while the economy is de-dollarized, so as to avoid affecting the balance of payments or inflation and, generally, to avoid altering the fundamental exchange rate trend.<sup>4</sup>

**93.** Alongside these macroeconomic policies, mesoeconomic and microeconomic policies are also needed, with the express aim of stimulating productive investment and raising total factor productivity. The latter, as well as the ratio of capital to labour (K/L ratio), are the final determinants of productivity per worker. This is the indicator that needs urgently to be improved in the region and in general in the productive sectors where there is the highest concentration of employment.

**94.** The objective of *mesoeconomic* policies is to improve the investment climate and increase aggregate demand, particularly in the tradable or saleable sectors. They include policies aimed at productive networks, promoting exports, strengthening integration and trade relations, providing state incentives to investment, developing a framework of legal security, as well as the financial system and capital market, and developing productive infrastructure, the service sector, the social economy and the internal market.

**95.** At this level, it is also important to have policies aimed at developing a favourable environment for the creation of more and better enterprises, and to that end guaranteeing legal security (including the right to own, operate and manage an enterprise), equality before the law and administrative neutrality.

**96.** *Microeconomic* policies affect the profitability and productivity of enterprises, and they include, notably: access to technological innovations and their dissemination; improving access to and quality of basic education and occupational training; promoting labour institutions and developing the collective bargaining system; supporting the inclusion of micro- and small enterprises in productive networks; and promoting strategies to increase productivity and improve the quality of employment in small and medium-sized enterprises.

**97.** Among these mesoeconomic and microeconomic policies, two stand out because of their importance in promoting labour productivity: investment in innovation and investment in infrastructure. In the case of technological innovation, the gap is currently very wide, so much so that according to World Bank calculations,<sup>5</sup> more than half the growth registered in the rich countries was due to their having developed increasingly productive technologies. While industrialized countries invest between 2 and 3 per cent of GDP into research and development, in Latin America and the Caribbean average investment is only 0.5 per cent of GDP. Total investment throughout the region in research and development represents about 1.6 per cent of the world total. As for infrastructure, the region currently spends less than 2 per cent of its GDP on this, whereas it would need to invest between 4 and 6 per cent of GDP per annum (for 20 years) to catch up with countries that used to be at the same level, such as China and the Republic of Korea; this explains why 55 per cent of employers complain about the economic infrastructure in Latin America and the Caribbean, compared to only 18 per cent in East Asia. In both cases, the State has a key role: in innovation, because there are problems with regard to property rights that have to be established and enforced, and in infrastructure, because there is a correlation between public and private infrastructure.

<sup>4</sup> This fundamental trend is determined by the terms of trade, the productivity differential between tradable and nontradable sectors, the degree of trade openness, the fiscal position and direct foreign investment or long-term capital.

<sup>5</sup> World Bank (2005).

A common theme, however, is the possibilities available for financing to bridge the enormous gaps with regard to these factors between the countries in the region and the most developed countries. Hence the need to focus on introducing fairer tax systems that also promote development, concessions for the private sector and various forms of public-private association, and developing a stable regulatory framework.

**98.** To sum up, the following mesoeconomic and microeconomic policies are proposed to promote growth with quality employment.

Mesoeconomic policies:

- develop production clusters and networks;
- promote exports and tourism and strengthen integration and trade agreements;
- develop a legal framework, tax incentives for investment and productive infrastructure;
- develop the financial system and capital markets;
- develop the service sector;
- develop the rural and agroforestry sector.

Microeconomic policies:

- promote the adoption of innovations;
- improve the quality of basic education and occupational training;
- develop labour institutions and the collective bargaining system;
- increase coordination, productivity and development of micro- and small enterprises;
- modernize enterprise strategies.

**99.** It should be emphasized that, on the one hand, growth needs to be sustained while, on the other, Latin America and the Caribbean should, as far as possible, avoid periods of intermittent growth, with a few years of growth followed by long periods of crisis. Periods of intermittent growth aggravate exclusion and inequalities in the labour market, as the hardest-hit groups are the ones whose rights are not recognized or respected. When the economy grows, the first to benefit are those with the most human and social capital. Conversely, when there is a crisis, the first to lose their jobs or businesses are those at the other end of the scale. Most families and individuals prefer to have a secure flow of income and avoid drastic changes in their levels and patterns of consumption. Thus, since people with low employability earn highly variable incomes in wage employment or formal jobs, they are forced or encouraged to start their own businesses or activities without preparation and often without any technical or financial support (in the informal economy). Some succeed, but many do not. Highly variable growth rates could thus also be a main contributory factor to the large share of the informal economy in the region (this issue will be addressed again, in section 4.2.5). Of the policies aimed at avoiding fluctuations that have been suggested in various studies, those that stand out advocate strengthening of saving in periods of expansion and using stabilization funds<sup>6</sup> that increase tax expenditure during periods of recession; in other words, improving the capacity to pursue counter-cyclical fiscal policies.

**100.** These national policies need to be accompanied by more aggressive regional integration policies – the Andean Community of Nations (CAN), MERCOSUR, the Central American Integration System (SICA), CARICOM – to expand markets and thus avoid increasing disparities (or rather reduce them); as stated above, this broadening of markets is particularly important in the Caribbean countries.

<sup>6</sup> ECLAC: *The Millennium Development Goals: A Latin American and Caribbean perspective* (Santiago, Chile, 2005).

### 4.1.2. *Effective application of fundamental principles and rights at work*

#### Objective

Achieve effective respect for fundamental principles and rights at work (corresponding to Strategic Objective No. 1).

#### Target

Fundamental rights at work are a minimum, universally accepted body of labour law incorporated into national legislation and the labour culture of the various countries in the region.

#### Rationale

**101.** Fundamental principles and rights at work have to be applied effectively under any proposal aiming to promote decent work; hence the target is to ensure that fundamental rights at work become a minimum, universally accepted body of labour law. There are two main groups of measures that need to be taken in order to effectively implement fundamental rights at work. The first consists of measures to promote the ratification of the relevant ILO Conventions where this has not yet been done. The second comprises measures to establish and implement national or regional mechanisms enabling the fundamental principles and rights at work contained in those Conventions to be implemented effectively.

**102.** Measures to promote ratification should have a dual purpose: first, to analyse and establish an accurate picture of the legal and practical obstacles to ratification, as well as the potential benefits (political, economic, etc.) and the value of ratification; and secondly, to raise awareness throughout the population of fundamental principles and rights at work and the need to implement them.

**103.** However, a high level of ratification is not enough. These principles and rights need to be effectively implemented. Accordingly, for each principle, two levels of action are proposed: first, action at the regulatory/institutional level, which requires laws that are in conformity with international standards, accompanied by fair and effective procedures and sound institutions to implement them; secondly, at a more promotional level, requiring action in the sphere of education (for example, including the subject of fundamental rights at work in secondary education and vocational training curricula) and raising awareness of the value and desirability of those rights. Fortunately, there is already sufficient consensus, knowledge and experience to give the expectation that some of the fundamental rights can be fully respected in the region within a reasonable time frame.

#### Policies

**104.** To sum up, the following policy measures (table 4.1) are proposed to promote the effective application of fundamental principles and rights at work:

Table 4.1. Effective implementation of fundamental principles and rights at work

Policy measures	Description
1. Complete ratification of the Conventions on fundamental rights at work	<ul style="list-style-type: none"> <li>• Draw up a map of the situation with regard to fundamental rights in each country. Ratification and pending observations of the Committee of Experts on the Application of Conventions and Recommendations and other supervisory bodies. In cases of non-ratification, under article 19 of the ILO Constitution, assess what is needed for better implementation.</li> <li>• Raise public awareness of the principles and the need to apply them.</li> </ul>
2. Implement a strategy for effective application of standards on fundamental	<ul style="list-style-type: none"> <li>• For States that have ratified all or most of the Conventions, bring national legislation into conformity with international standards.</li> <li>• Develop and implement a programme for effective rights at work implementation covering legal and practical aspects, including: <ul style="list-style-type: none"> <li>(i) public awareness campaign on the usefulness/desirability of fundamental rights;</li> <li>(ii) include the subject in national school (secondary education) and vocational training curricula;</li> <li>(iii) provide training to the authorities and officials responsible for implementing the principles, trade unions and employers' organizations;</li> <li>(iv) carry out research to show the link between fundamental rights and poverty (especially in terms of the Millennium Development Goals).</li> </ul> </li> </ul>
a) Freedom of association:	<ul style="list-style-type: none"> <li>• Ensure that the principle is recognized and made binding in national constitutions and laws</li> <li>• Improve union registration</li> <li>• Implement strategies to increase unionization among women and include sectors with less coverage, such as the agricultural/rural sector, the informal sector, migrant workers or domestic workers (starting with a specific sector)</li> <li>• Draw up a plan for effective implementation and full coverage of the principle on a voluntary basis for all waged workers</li> <li>• Carry out action in the public administration</li> </ul>
b) Forced labour	<ul style="list-style-type: none"> <li>• Raise awareness of the problem among governments and social partners</li> <li>• Provide information (research and diagnostics) to support the design of public policies</li> <li>• Amend legislation to provide that forced labour is a "serious offence". Increase sanctions and make them specific and effective</li> <li>• Undertake focused action to prevent recruitment into forced labour and to rescue and rehabilitate victims</li> <li>• Train the main parties involved in stopping and punishing offenders (labour inspectors, public prosecutors, judges, etc.)</li> <li>• Raise consumer awareness about the origins of products made using forced labour</li> <li>• Involve employers and workers in identifying the sectors that use forced labour</li> <li>• Establish follow-up mechanisms</li> </ul>
c) Non-discrimination and equality	<ul style="list-style-type: none"> <li>• Revise the regulatory frameworks so that they comply with the principle of non-discrimination at work</li> <li>• Strengthen mechanisms and procedures to improve their efficiency in applying the law regarding non-discrimination and equality</li> <li>• Implement anti-discriminatory policies and affirmative action to influence both labour supply and demand, as well as labour intermediation systems</li> <li>• Mainstream the principle of non-discrimination and equality into all employment policies</li> <li>• Establish a system of indicators to monitor inequality</li> <li>• Include clauses on non-discrimination and the promotion of equal opportunities in collective agreements</li> </ul>
d) Child labour	<ul style="list-style-type: none"> <li>• Establish a national authority responsible for coordinating efforts by officials and the social partners in the framework of a national plan, with the capacity to implement and monitor it through a clear system of indicators, inter alia</li> <li>• Adapt national laws to the provisions of ILO Conventions No. 138 and No. 182 and promote training of the authorities and officials responsible for implementing the relevant national legislation</li> <li>• Draw up an agreed list in each country of hazardous jobs and identify areas where the worst forms of child labour occur in order to tackle the issue urgently and, inter alia, to rescue and rehabilitate the children found in these situations</li> <li>• Incorporate the elimination of child labour into social and economic policies and programmes and, among other measures, promote the development of conditional transfer programmes, to improve children's access to, continued attendance and reintegration in the education and/or vocational training system.</li> </ul>

### 4.1.2.1. Child labour

#### Objective

Progressive elimination of child labour

#### Targets

1. Eliminate the worst forms of child labour within ten years (by 2015).
2. Eliminate child labour completely within 15 years (by 2020).

#### Rationale

**105.** In the case of child labour, the research done and experience gained through the ILO's IPEC project have made it possible to envisage the goal of eliminating child labour for the 5 to 17 year age group in the region by 2020, by implementing measures costing approximately US\$106 billion, which, spent over a period of 20 years, is relatively little compared to the huge benefits of these actions.<sup>7</sup>

**106.** It is estimated that in Latin America<sup>8</sup> there are currently 5.7 million children between 5 and 14 years old (5.1 per cent of the total population of Latin America in that age group) who are engaged in economic activity. To understand these figures, it should be recalled that children working in jobs that should be abolished are all economically active children under 12, all children between 12 and 14 who work more than 14 hours per week, and all children under 18 exposed to the worst forms of child labour.

**107.** Nevertheless, this is a worthwhile investment, as eliminating child labour will yield benefits totalling more than US\$341 billion. Specifically, these benefits will derive from the improved productivity and higher incomes the children would achieve later because of their higher level of education (US\$339,035 million), to which should be added the economic benefits of their improved health (US\$2,144 million). Additional benefits would include the direct impact on poverty in the communities affected and, although it is difficult to quantify, there is no doubt about the positive effects that social investments like this would have on various aspects of the social situation of the countries in the region, such as improved social cohesion, better opportunities for personal development and effects on population movement or crime. A comparison of the benefits and costs shows that the rate of return (net economic benefit) of the proposed programme is 6.5 per cent.

#### Policies

**108.** Considering the volume of child labour that needs to be abolished in the region, the level of regional and national commitments achieved, the advances made in the various areas of political, institutional and legislative activity, and the practical tools available, the whole region will be able to continue to strengthen the fight against child labour and eliminate it within a specific and reasonable time frame.

**109.** Projects and programmes aimed at specific categories of working children, although necessary and positive, are too limited to successfully achieve the progressive and effective eradication of child labour in general and the urgent elimination of the worst forms of child labour in particular. For the eradication of child labour to be successful, it must be a continuing priority in national development

<sup>7</sup> ILO-IPEC: *Construir futuro, invertir en la infancia. Estudio económico de los costos y beneficios de erradicar el trabajo infantil en Iberoamérica* (Building the future, investing in children: An economic study of the costs and benefits of eradicating child labour in Latin America) (San José, Costa Rica, 2005).

<sup>8</sup> Including Belize. There are no data available for the other Caribbean countries.

**Table 4.2. How much will it cost to eradicate child labour in Latin America?**

Action	Cost (in millions of US\$)	Details
Improving education (coverage and quality)	56 502	<ul style="list-style-type: none"> <li>Includes expanding infrastructure, hiring and training teaching staff, providing educational materials, etc.</li> <li>In accordance with the Millennium Development Goals, the goal was set for universal primary education within 15 years and secondary education within 20 years</li> </ul>
Interventions outside school	14 904	<ul style="list-style-type: none"> <li>Direct actions to rescue and rehabilitate 5,539,000 children trapped in the worst forms of child labour</li> <li>To be carried out over a period of ten years</li> </ul>
Transfer programme (to cover opportunity cost)	28 468	<ul style="list-style-type: none"> <li>This is the household income lost because the children no longer work</li> </ul>
Implementation of transfers	5 852	<ul style="list-style-type: none"> <li>Direct compensatory transfer could cost US\$23.5 billion</li> <li>Administration of transfer programmes</li> </ul>
Total	105 727	

Note: Estimated on the basis of children and adolescent workers between 5 and 17 years old of which a large number are aged between 15 and 17 years and are engaged in the worst forms of child labour.

Source: ILO-IPEC: *Construir futuro, invertir en la infancia. Estudio económico de los costos y beneficios de erradicar el trabajo infantil en Iberoamérica* (Building the future, investing in children: An economic study of the costs and benefits of eradicating child labour in Latin America) (San José, Costa Rica, 2005).

strategies. Therefore national and international action should focus on a number of political and practical issues.

**110.** The policies can be summed up as follows:

- Strengthen a national authority responsible for coordinating efforts by officials and the social partners in the framework of a national plan, with a mandate and the capacity to implement and monitor it through a clear system of indicators, among others.
- Ensure coordination between the ministries of economy and social affairs, and between the latter and ministries of labour, education and health.
- Adapt national laws to the provisions of ILO Conventions No.138 and No.182 and promote the training of the authorities and officials responsible for implementing the relevant national legislation.
- Draw up agreed lists of hazardous jobs and identify areas where the worst forms of child labour occur in order to tackle the issue urgently and, inter alia, to rescue and rehabilitate the children found in these situations.
- Incorporate the eradication of child labour into social and economic policies and programmes, particularly those focused on childhood and adolescence and on poverty reduction.
- Pay particular attention to the rural environment and promote productive development for unemployed and underemployed workers in the rural sector by creating active labour market policies, among other measures.
- Improve education and vocational training provision.
- Promote policies to support the formalization of sectors employing a large number of working children.
- Among other measures, promote the development of conditional transfer programmes to improve children's access to, continued attendance and reintegration in the education and/or vocational training system.
- Consolidate and extend periodic assessments of the situation with regard to child labour, to assist decision-making and evaluate impacts.

**111.** It should be noted that this is not just a theoretical exercise. In some countries in the region, such as Brazil, the proportion of children and adolescents between the ages of 10 and 17 years in work was reduced by 36.4 per cent between 1992 and 2003 through specific actions such as those put forward here. Other countries have, likewise, made significant progress in reducing child labour and in raising the public awareness with regard to the seriousness of the problem. For instance, since ratifying Convention No. 182, a number of countries, including Antigua and Barbuda, the Dominican Republic, El Salvador, Grenada, Guyana, Jamaica and Trinidad and Tobago, have made progress in establishing “lists of hazardous occupations”, and are currently drawing up policies in this area. In 2000, Brazil established a list of 82 prohibited hazardous activities, which is currently under review in accordance with ILO Convention No. 182 and Recommendation No. 190.

**112.** Both the trade union movement and the employers have joined in this effort to eradicate child labour. The Inter-American Regional Organization of Workers has set up a Continental Work Group for the prevention and eradication of child labour, in which trade union organizations from 19 different countries take part. As an example of employers’ action in this area, the Colombian National Association of Entrepreneurs (ANDI), has been promoting a programme combating child labour for many years.

#### 4.1.2.2. Forced labour

##### Objective

Progressive eradication of forced labour.

##### Target

Within ten years, reduce the number of workers in forced labour by between 20 and 35 per cent.

##### Rationale

**113.** According to ILO estimates, some 12.3 million workers in the world today are victims of forced labour. In Latin America, approximately 1,320,000 workers are subjected to the practice – 10.7 per cent of the world total. This is a sizeable number, but does not constitute an insuperable problem if we have the will to overcome it.

##### Policies

**114.** In countries where there is evidence of forced labour, governments and the social partners must be made aware of the problem through national diagnoses (involving the social partners) to determine its scale and nature, paying particular attention to the profile of the workers caught up in forced labour, the conditions in which they live and are recruited, the type and geographical distribution of enterprises that are guilty of this practice and what position they occupy in the production chain. Likewise, legal measures need to be adopted to make penalties more severe, more specific and more effective and to combat impunity relentlessly. To this end, there is a need to implement special programmes focused particularly on the rural sector, which has the highest concentration of forced labour, and to conduct a national and regional awareness-raising campaign among workers and employers to eradicate forced and compulsory labour completely. It is especially important that employers participate, as there is nothing more detrimental to honest employers than other employers who compete with them by using forced labour. In addition, more labour inspection is needed, although, in this case, it must be accompanied by police action, as these activities are manifestly unlawful. Likewise, train-



ing measures are needed for the actors involved with a view to ending impunity, as are campaigns to inform workers of the risk of being recruited for forced labour.

**115.** To achieve the proposed target, the priority for action must be the countries mentioned in the Report of the Director-General of the ILO to the 93rd Session of the International Labour Conference in June 2005, A global alliance against forced labour – that is, Bolivia, Guatemala, Paraguay and Peru. These are also countries where a considerable proportion of the population consists of indigenous peoples and where, with ILO support, the compilation of data and drafting of preliminary reports on the problem have begun. It is also important to ensure that the efforts made in Brazil are continued and the positive outcomes achieved there are consolidated. The experience gained in recent years, particularly in successful cases such as that of Brazil, shows that an iron determination to take action, coupled with dialogue and participation by workers, employers, local government and the wider authorities, really can put an end to these practices.

**116.** Broadly, the policies proposed are as follows:

- make governments and the social partners aware of the problem;
- amend legislation to class forced labour as a “serious crime”;
- make penalties more severe, more specific and more effective (combat impunity);
- adopt focused measures to rescue and rehabilitate victims of forced labour;
- make consumers aware of the provenance of products manufactured using forced labour;
- involve enterprises and workers in identifying the sectors where forced labour exists;
- set up follow-up mechanisms.

**117.** As already mentioned, one example of policies of this kind can be found in Brazil, where a number of measures have been taken – not without some opposition – to identify the geographical areas, sectors and enterprises where forced labour is used, and where rescue action has taken place involving not only labour inspectors but also police, judicial and other authorities. One very important change has been the fact that forced labour, apart from being a serious criminal offence, is now also considered a grave violation of human rights, since, as well as requiring submission to a deeply degrading work situation, it is also associated with the deprivation of liberty.<sup>9</sup> This has provided an opportunity for many other actors apart from the labour inspectors (including the Ministry of Justice and the Special Secretariat on Human Rights) to become actively involved in fighting for the eradication of forced labour. Another important advance has been made by the court decisions on moral damages confirmed by the labour tribunal, as a result of which employers have had to pay large sums of compensation to workers. A national campaign, undertaken in October 2003, received more than US\$11 million in donations. The Brazilian State, for its part, has been very active, establishing the National Commission for the Eradication of Slave Labour (CONATRAE) and drawing up a National Plan for the Eradication of Slave Labour. In addition, the Ministry of Labour has drawn up a list naming companies using slave labour and barring them from receiving public resources henceforth. Since 2003, workers rescued from slavery have automatically been entitled to unemployment benefit for a period of three months and, since December 2005, have also been entitled to “family allowance” benefits. Another significant fact is the involvement of the private sector – which is also a victim, as it suffers unfair competition through forced labour. May 2005 saw the conclusion of the National Covenant against Forced Labour, coordinated by the ILO and the Ethos Institute of Business and Social Responsibility, by which a large number of public and private enterprises undertook not to buy products made using slave labour and to contribute to eradicating all forms of forced and degrading labour from the production chain. In December 2005, the Brazilian Federation of Banks (FEBRABAN) decided to recommend to all its members that they suspend

<sup>9</sup> Forced labour has been a criminal offence in Brazil for over 50 years.

loans to enterprises included on the list. However, all these endeavours still need to be consolidated and advanced until forced labour is eradicated from Brazil. The data show that between 25,000 and 40,000 Brazilians are subject to forced labour. For some enterprises, there are economic reasons – and, for the workers involved, reasons of survival – which allow this problem to persist. The greatest challenge is therefore to reinforce measures for prevention, to rescue workers subject to forced labour and to punish offenders, while also guaranteeing access for vulnerable populations to both basic social services (health and education) and income-generation and work opportunities.

**118.** Another example of progress in regard to the eradication of forced labour is the recent establishment in Peru of an Interministerial Commission for the Eradication of Forced Labour, which has been given a time limit for drawing up a policy and an action plan on the issue and presenting it to the Government for approval and implementation.

### 4.1.2.3. Freedom of association and collective bargaining

#### Objective

Improve observance of fundamental rights by improving safeguards for the various components of freedom of association, in particular, the prevention of anti-union discrimination, and by increasing the number of workers and the range of issues covered by collective bargaining.

#### Target

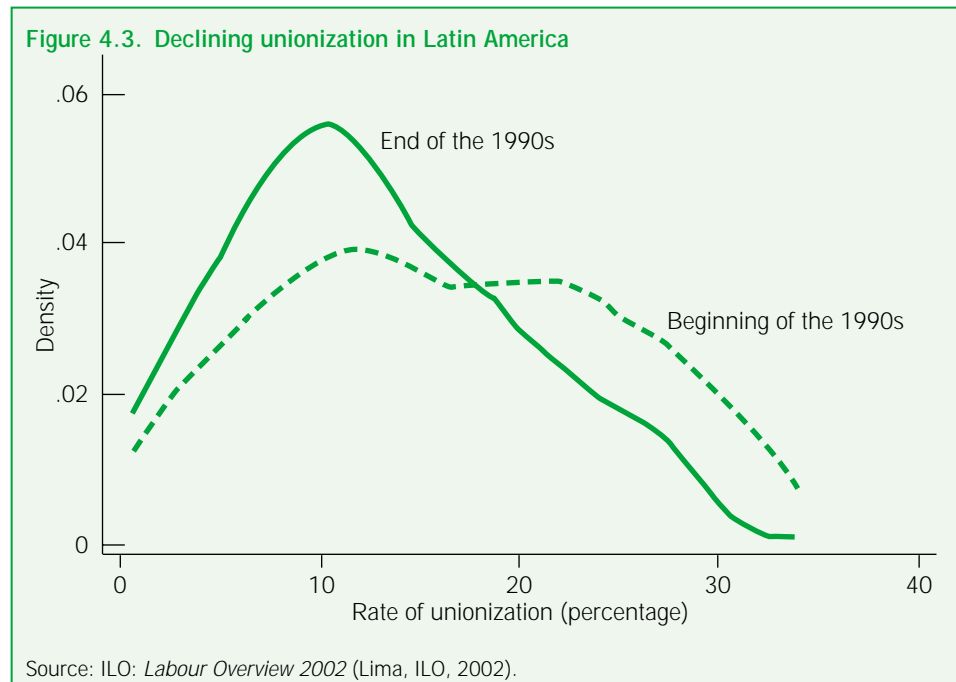
Improve legislative provision for trade union protection, in particular with regard to effective and speedy administrative and judicial appeals and procedures in cases of violations of those rights; improve the quality of accords and agreements in terms of the number of workers covered (to rise by at least 10 per cent at national level), the scope (for instance, by including provisions on productivity) and the autonomous settlement of disputes.

#### Rationale

**119.** The objective of the policies proposed is to restore the fundamental role of these rights as a means by which the social partners can regulate wages and other labour conditions in order to promote productivity at enterprise level and to prevent conflicts. The foundation will be a scrupulous observance of the various aspects of freedom of association as set out in the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), to allow the social partners to operate with full guarantees for their rights and without any outside restrictions being placed on either party. One direct outcome of this objective would be a rise of 20 per cent (on today's levels in each country and **on the basis of free consent by the parties**) in the inclusion in agreements of productivity clauses, and a 10 per cent rise in the use of clauses promoting the autonomous settlement of disputes.

**120.** Labour relations must be regarded as a basic building block of economic and social progress and rely on the fulfilment of a number of conditions. Good labour relations will:

- respect the principles and rights of freedom of association and collective bargaining;
- promote positive adaptation of workers and employers to the working environment and encourage attitudes of cooperation and mutual assistance;
- establish effective measures for settling disputes;



- generate open dialogue: agreements, information and consultation between the enterprise and workers' representatives;
- promote economic development or agreed measures to improve economic output at every level;
- are part of an environment which includes an appropriate internal training policy to enhance workers' capabilities.

**121.** From the perspective of labour relations, and with regard to these principles, it is not enough to guarantee freedom to join a trade union, the development of freedom of association and collective bargaining, and the right to the free use of dispute settlement mechanisms in order to claim that progress is being made in upholding those rights in practice. An effort must be made to ensure that, with certain specified exceptions,<sup>10</sup> legislation on collective labour relations applies to all workers and does not exclude particular categories, such as agricultural and rural workers. Solutions must also be sought to the legal and practical problems of collective bargaining in the public sector. In addition, administrative rules and regulations must not be restrictive or impede the development of law – for instance, in the areas of legal personality and registration of organizations. This can happen when there is no physical register, when excessive conditions are imposed or very lax time-limits are given for granting registration or legal personality, or when very onerous formal requirements are laid down. Likewise, the absence of sufficient legislative guarantees for judicial and/or administrative monitoring would hinder the exercise of freedom of association.

**122.** The collective agreement, being the instrument that shapes the labour relations system, has certain well-known and socially accepted functions. These have evolved in a particular way in countries with advanced labour relations systems, as in Europe. In Latin America, on the other hand, recent years have seen a weakening of collective bargaining as a mechanism for regulating labour conditions at all levels (see figure 4.3).

**123.** Despite this decline, however, there are countries in the region where collective bargaining is fully developed and plays a fundamental role in three different ways. First, where the provisions of a collective agreement are considered binding, collective bargaining has an important role in determining working conditions in conjunction with labour legislation, and is becoming the main mechanism

<sup>10</sup> These include the armed forces and the police, owing to the special nature of those bodies.

by which minimum wages, wage increases and working conditions are established in many countries. What is more, bargaining entails the democratization of the decision-making process, as decisions are made by agreement between all the parties, rather than unilaterally by the employer or the public authorities. Finally, collective bargaining has often proved an effective mechanism for settling disputes between workers and employers (as well as between them and the government) and for regulating labour relations. Collective bargaining thus contributes to stability and peace within the labour relations system.

**124.** Governments can and must play a central role in creating the framework in which collective bargaining can develop – for instance, by laying down procedures for the recognition of unions and the obligation for parties to bargain in good faith, creating administrative mechanisms that support bargaining, prohibiting certain practices that hinder bargaining, or setting out measures aimed at giving the parties access to the information they need to bargain effectively.

**125.** In this context, collective bargaining is an appropriate instrument for defining and setting the criteria for a wage structure appropriate to the conditions in each sector and each enterprise, taking into account productivity incentives, the enterprise's results and other factors. As regards the model used to calculate wages, the approach most promoted in recent years has been a combined formula where one component of the wages is fixed (basic wage plus bonuses) and another, variable component is linked to productivity.

## Policies

**126.** For these reasons, specific measures are required to apply the principles of freedom of association and collective bargaining. In the first place, this will mean reforming the law, where necessary, to bring it into line with the international framework formed by the principles and rights at work established by the ILO. This legal framework must cover all workers and provide measures to further the promotion of these principles and rights in usually forgotten sectors (the informal sector, the rural sector, domestic workers). Promotional and educational initiatives regarding these rights is of fundamental importance for the creation of a satisfactory labour relations culture.

**127.** Likewise, the social partners must be encouraged to bargain on a voluntary basis and must receive adequate information and training, where necessary.

**128.** In addition, the following measures are required:

- a) the creation of functioning and accessible registers of trade unions and of collective bargaining;
- b) the implementation of specific strategies at all levels to cover excluded sectors;
- c) the formulation of a policy/programme to raise awareness of rights and their component parts;
- d) the development of an effective system of support through mechanisms for the application of these rights (administrative procedures);
- e) the institution of pilot programmes, in sectors freely chosen by the social partners themselves, to conduct wage bargaining on the basis of productivity criteria and of internal committees for resolving collective disputes.

**129.** An example of how it is possible to improve labour relations is Panama's "decision and conciliation boards", an administrative mechanism set up in 1975 to settle individual disputes, claims relating to unfair dismissal, and any claim for compensation of up to 1,500 balboas, or any claim for any sum of money made by domestic workers. The boards consist of a workers' representative, an employers' representative and a representative of the State (a Ministry of Labour official) who acts as chairperson. The boards were created to overcome the backlog at the local labour courts. Workers and employers then expressed interest in creating a faster system than ordinary labour proceedings to rule on compensation claims brought by workers for unfair dismissal, which is now the main competence of these tribunals, whose decisions have force of law. There are currently 19 such boards throughout the country.

#### 4.1.2.4. Non-discrimination and equality at work

##### Objective

Progressively eradicate discrimination mechanisms on the labour market.

##### Target

A 50 per cent reduction in segregation indices and of the earnings gap by gender and ethnic and racial origin (based on today's levels) within ten years.

##### Rationale

**130.** The eradication of discrimination at work is crucial to the achievement of more efficient and equitable growth and a prerequisite for consolidating democracy. Discrimination at work involves differing treatment on the basis of characteristics – such as sex, colour, ethnicity or social class – that are irrelevant to the job to be done and which result in disadvantages in respect of working conditions, promotion, occupational training, remuneration or dismissal. Discrimination can take various forms, either through procedures that blatantly exclude members of particular social groups, or more subtle, indirect mechanisms that appear impartial but work to the detriment of a large number of members of a particular group. Prejudices and stereotypes concerning the roles, ambitions and abilities of men and women and the assigning of lower value to tasks carried out by women give rise to gender discrimination and hold society back from making the best use of its resources. This is why, along with Conventions Nos. 100 and 111, two other ILO Conventions – the Workers with Family Responsibilities Convention, 1981 (No. 156), and the Maternity Protection Convention, 2000 (No. 183) – are crucial to the attainment of gender equality.

**131.** The Latin American and Caribbean region is marked not only by its ethnic and racial diversity but also by an unequal distribution of opportunities and wealth. In most countries of the region, the indigenous populations and populations of African descent suffer the greatest poverty, have the lowest education levels and are the most concentrated in precarious and low-paid jobs. This is due to the marginalization, social exclusion and discrimination from which they suffer. Within these groups, women face even worse conditions than men.<sup>11</sup> According to Bello and Rangel (2002), the indigenous population is currently estimated to make up between 8 and 15 per cent of the region's total population, but there are also large numbers of indigenous migrants to the cities, who no longer speak their traditional languages and have lost many of their customs.<sup>12</sup> In addition, around one-third of the population of Latin America and the Caribbean is of African descent: their skin colour is frequently used as a pretext for exclusion and racism, which is generated and perpetuated by cultural mechanisms and prejudices according to which people of African descent are inferior and excluded from education and from the best jobs. This gives rise to a vicious circle of poverty and subordination.<sup>13</sup>

<sup>11</sup> The concept "ethnic group" refers to a population with a shared language, territory and cultural background as expressed in a particular world view. In Latin America, the term is used of the descendants of the peoples who inhabited the region before the arrival of Europeans in the fifteenth century.

<sup>12</sup> See: A. Bello and M. Rangel: "Equity and exclusion in Latin America and the Caribbean: The case of indigenous and Afro-descendant peoples", ECLAC Review (Santiago, ECLAC), No. 76, Apr. 2002. This regional average hides a broad diversity: it is estimated that in countries such as Bolivia, Guatemala and Peru over half the population is indigenous. The same authorities say that "the 'Indian category' is the ultimate reflection of the cultural domination to which a particular group of people has been subjected. The category encompasses both biological (racial and racist) and cultural aspects. To be an Indian is to reflect a condition of subordination and negation of one people group by another, which self-defines and self-projects as superior." (p. 40.)

<sup>13</sup> In a number of countries, such as Brazil, Colombia and Venezuela, half or more of the population is of African descent.

**Table 4.3. Policy measures to promote the elimination of discrimination at work**

Objectives	Policies
Obtain a deeper understanding of the scale and nature of ethnic and racial discrimination in the labour market.	<ul style="list-style-type: none"> <li>• Produce statistics and surveys to visualize and monitor developments with regard to the various forms of discrimination at work and provide tools to help groups suffering discrimination.</li> <li>• Develop measurement tools for use in national censuses and household and establishment surveys, with a view to obtaining reliable information on the size of the indigenous and African-origin populations in the Americas and on the socio-economic and labour conditions in which they live.</li> <li>• Develop indicators of ethnic or racial and gender equality at work that will make it possible to measure their effects on one another and the positive or negative developments in this area.</li> </ul>
Advance the effective application of ILO Conventions Nos. 100 and 111.	<ul style="list-style-type: none"> <li>• Review the labour culture to identify and correct any discriminatory practices.</li> <li>• Undertake awareness-raising campaigns aimed at key actors to promote ethnic or racial and gender equality.</li> <li>• Create and/or strengthen institutions that exist to combat discrimination, including labour inspection services.</li> <li>• Establish a regional observatory to monitor positive or negative developments in the fight against ethnic or racial and gender discrimination and debate public policy in this area.</li> </ul>
Reduce the obstacles that exist to the inclusion of indigenous peoples and people of African descent in the labour market under conditions of equality.	<ul style="list-style-type: none"> <li>• Mainstream the issues of ethnic or racial and gender equality in labour market institutions and policies.</li> <li>• Promote employment programmes focused in areas with a high concentration of indigenous or African-origin populations.</li> <li>• Draw up and promote active employment policies that take account of the socio-economic and cultural situation of the groups in question, and ensure that such policies give these groups access to the labour market on equal terms.</li> <li>• Promote anti-discrimination and affirmative action policies in the field of labour and in respect of access to productive resources.</li> <li>• Promote the inclusion in collective bargaining of anti-discrimination and equal opportunities clauses.</li> </ul>

## Policies

**132.** In this context, it is acknowledged that the rights of indigenous peoples with regard to their ancestral lands and the exercise of their citizenship and fundamental labour rights have not been sufficiently recognized and respected. That is why the mechanisms of discrimination, wherever they persist and however they manifest themselves – including on the labour market – must be eliminated. To this end, three areas of action must be given priority. These are: efforts to obtain a deeper understanding of the scale and nature of ethnic and racial discrimination in the labour market; efforts to advance the effective application of the relevant ILO Conventions; and efforts to bring down barriers to the inclusion of indigenous peoples and people of African descent in the labour market on conditions of equality. The most relevant tasks here include: creating national institutions to promote ethnic and racial equality and strengthen those that already exist; ensuring equitable and long-term integration of these groups in formal education that respects ethnic and racial diversity; increasing these groups' access to new communications technologies and to financial markets; and increasing their participation and representation in political life in order to safeguard their territorial and land rights.

**133.** In short, the progressive eradication of discrimination at work requires, at the very least, that the policy measures shown in table 4.3 be adopted.

**134.** Brazil has implemented a policy that combats sexual and ethnic or racial discrimination through the Tripartite Commission for Racial and Gender Equality of Opportunity and Treatment at Work. The Commission was set up on 20 August 2004 and is based on the network of Tripartite Commissions for Equal Opportunities in Employment in MERCOSUR, but with the addition of tackling the areas of gender and race jointly. The Commission is a consultative body, whose objectives are to promote public policies for equal opportunities and treatment and to combat all forms of sexual and racial discrimination at work. Its mandate is:

- to discuss and present proposals for public policies on equal opportunities and treatment and combat all forms of discrimination at work on the grounds of gender or race;
- to promote the mainstreaming of gender and race issues in the planning, implementation, monitoring and evaluation of the activities of the Ministry of Labour and Employment;
- to support and promote parliamentary initiatives in these areas;
- to support and promote the adoption of initiatives by institutions, including civil society;
- to promote and disseminate relevant legislation in this sphere.

The members of the Commission are: for the Government, the Ministry of Labour (chair); the Ministry of Planning, the Budget and Management, the Special Secretariat on Policies for the Promotion of Racial Equality, the Special Secretariat on Policies for Women, and the Special Secretariat for Human Rights; for workers, representatives of the six major trade union confederations – the Single Central Organization of Workers (CUT), Força Sindical, the General Confederation of Workers (CGT), the General Confederation of Workers of Brazil (CGTB), the Autonomous Confederation of Workers (CAT) – and the Inter-American Institute for Racial Equality (INSPIR); and for employers, representatives of the five employers' confederations, representing industry, agriculture, commerce, transport and finance respectively.

### 4.1.3. Enhancing social security cover and effectiveness

#### Objective

Extend and strengthen social protection systems for workers  
(Corresponds to Strategic Objective No. 3)

#### Target

To increase social security coverage by 20 per cent within ten years.

#### Rationale

**135.** As has already been pointed out, the main problem with social security systems in Latin America is their limited coverage in terms of the number of workers and family members protected, the range of risks covered and the quality of protection (in some countries, coverage has decreased even further over the past 15 years). In this case, the policy objective is to extend and strengthen social protection mechanisms using a modern approach with three basic pillars: (a) promotion of opportunities, (b) access to goods and services and (c) traditional prevention and protection.

**136.** This limited coverage is due partly to the structure of the region's labour markets, with a high informal component and *atypical* patterns which hinder the development of traditional protection systems, such as contributory social security systems. This inevitably leads to considerable inequalities, which must be counteracted. One example is what is termed the "social protection paradox", whereby workers who are best positioned in the labour market receive more and better protection. Low coverage can also be ascribed to the nature of the protection systems themselves which, for the most part, are dependant on the economic cycle and frequently based on regressive financing mechanisms, and usually suffer from short-

comings with regard to institutional management (for example, they collect very little, contributions are often evaded, and the quality of service is poor).

**137.** Consequently, creative initiatives are needed to increase social protection in the region. Such initiatives must be cautious from the fiscal and financing point of view, since it has been observed that the parameters usually defining protection systems do not appear to be neutral in terms of employment-generating incentives.<sup>14</sup> Accordingly, a feasible global target that might be set by governments and the social partners could be to increase social protection by 20 per cent of the region's total population between 2006 and 2015.

**138.** Strictly speaking, the targets must be fairly specific in terms of the population group they are aimed at, the type of risk covered and the protection instrument used. An approach based on the *life cycle* of individuals and the risks that arise in each phase of the cycle enables more specific targets to be set which would have to be determined in each country:

- The target for health coverage should be a specified percentage of the population covered by a guaranteed package of minimum benefits for a certain number of risks and illnesses. In some countries, the act of legislating and putting into practice a mechanism of this type would constitute a desirable objective.
- The target for old-age pensions should be an established percentage increase in the elderly adult population with access to these benefits. Non-contributory pensions can play an important role in achieving this target, particularly in countries where such programmes already exist, while in other countries the target should be to establish this type of programme.
- The target for unemployment protection should be that a specified percentage of the unemployed population has access to benefits. Given the differences in employment structures (formal/informal), both contributory and non-contributory instruments should be involved in reaching the targets.

## Policies

**139.** How can the proposed target be achieved? There are three strategies which governments and social partners should take into account. First of all, very clear priorities must be identified in each country. One initial way of prioritizing work in this area is to take into account the target population, as in many countries significant sectors of the population are extremely vulnerable to risks and do not currently enjoy any protection. Therefore, the idea here would be to design and implement protection systems for these traditionally unprotected groups, particularly workers and their families in the informal economy and the rural sector. Another way of prioritizing is according to the type of risk to be covered. Thus, based on the evolution and development of the various protection systems, medium- or high-income countries in the region could focus on unemployment protection, while low-income countries could emphasize general and occupational health coverage in particular.

**140.** Secondly, cost-effective protection mechanisms must be devised which take into consideration the heterogeneous characteristics of the region's labour market. One viable strategy would be to offer non-contributory assistance programmes for the more informal sectors, while contributory mechanisms would be more appropriate for the more formal sectors of the labour market. There are also people who alternate frequently between the formal and informal economy; for this group, semi-contributory schemes are proposed, with suitable incentives and subsidies to encourage formal sector work and payment of contributions, thus minimizing any possible economic distortions in the labour market.

**141.** Thirdly, action must be taken to strengthen the institutions involved in existing protection systems, in order to optimize social protection management. The idea is to support policies aimed at improving the contribution collection process

<sup>14</sup> Although the links between employment and contributions (impact on employment) and their effects on crucial aspects such as efficiency and equality have not been fully identified.



**Table 4.4. Policy actions to promote greater effectiveness and coverage of social protection**

Policies	Actions
Define priorities for coverage in terms of target population and priority risks to be covered	<ul style="list-style-type: none"> <li>• Design policies to increase coverage by extending protection to unprotected and vulnerable groups.</li> <li>• Promote the integration of labour and social protection policies.</li> <li>• Prioritize technical support for a selected set of protection policies that address the demographic, social and labour situation of the countries concerned: <ul style="list-style-type: none"> <li>– In medium/high-income countries: emphasis on unemployment protection through unemployment benefits (insurance and conditional and unconditional transfers), direct employment programmes, employment services, vocational training, etc.;</li> <li>– In low-income countries: emphasis on health coverage;</li> <li>– In all countries: prioritize policies providing transfers to households with children and adolescents in order to eradicate child labour and promote new opportunities for parents.</li> </ul> </li> </ul>
Identify the most cost-effective social protection instruments which take into consideration the heterogeneous nature of the labour market and demographic structure	<ul style="list-style-type: none"> <li>• Promote the design and management of social protection while taking into consideration the existence of three categories of workers: <ul style="list-style-type: none"> <li>– those entirely excluded from the formal economy: the most effective instruments are non-contributory and assistance programmes;</li> <li>– those fully within the formal economy: strengthening of social security;</li> <li>– those who alternate between the formal and informal economy: semi-contributory systems with appropriate incentives and subsidies to encourage formal sector work and contributions, thus minimizing any possible economic distortions in the labour market.</li> </ul> </li> </ul>
Strengthening institutions to optimize social protection management	<ul style="list-style-type: none"> <li>• Support policies aimed at improving the contribution collection process and reducing social security contribution evasion, by adopting administrative reforms and improving the information provided for insured persons, as well as the quality of services and care.</li> <li>• With the support of the social sectors, limit discretionary political intervention in programmes so as to prevent the use of resources for arbitrary policies with objectives that are not directly related to social protection.</li> </ul>

and reducing social security contribution evasion, by adopting administrative reforms and providing better information for insured persons. At the same time, discretionary political intervention in the programmes should be limited in order to prevent resources from being used for arbitrary policies with objectives that are not directly related to social protection.

**142.** None of this action will be possible without the participation of the social partners through social dialogue. To this end, an additional measure would be to promote social dialogue on social security reform processes. It is important to ensure the transparency of this process, and it is therefore essential to ensure that the social partners have access to statistical and qualitative information concerning the different social protection programmes and schemes, and to set up systems to disseminate information and provide training to the social partners so as to improve the technical quality of the proposals and discussions on public policy reform in this area.

**143.** In short, the proposed policy-related actions are shown in table 4.4.

**144.** One example of a new measure taken to extend protection coverage is that of “Rural pensions: Old-age insurance in Brazil”. In 1995, action was taken to introduce a State and municipality decentralization process, with new schemes for financing pensions through tax and the presence and regulation of private health service agents. The Social Assistance Act (Act No. 8742) added tripartite participation in the design and financing of the social assistance programme to decentralization at the local level. In addition, the contributory and non-contributory budgets were consolidated and indexed to GDP in 2000. Old-age pensions have had a qualitative and quantitative impact. In August 2001, 6,638,711 people in rural areas benefited from such pensions. They alleviate poverty, covering 88 per cent of elderly people who receive less than twice the monthly minimum wage and contributing at least 50 per cent of the monetary income of poor rural households.

### 4.1.4. Effective social dialogue

#### Objective

Promote the institutionalization of social dialogue on a voluntary basis  
(Corresponds to Strategic Objective No. 4)

#### Target

Encourage all countries in the region to take action to strengthen social dialogue, and ensure that within ten years they have institutionalized social dialogue mechanisms that operate on a voluntary basis.

#### Rationale

**145.** Building sound labour market institutions will be one of the most important challenges facing the region in the next few years. The region's labour markets are imperfect and essentially asymmetrical, and institutions which balance them will therefore help to achieve positive results for all. A more symmetrical and fairer labour market will, for instance, make it easier for the benefits of growth to result in opportunities for all and a reduction in exclusion. Social dialogue is in fact one of the most important institutions in the labour market, while also being associated with the broader concept of participation, namely with public participation processes which consolidate and strengthen democracy. Within this framework, the ILO resolution concerning tripartism and social dialogue is an excellent guide that can help governments and the social partners to promote social dialogue in their own countries.

**146.** In this broader context, one of the main challenges facing social dialogue is to redefine the role of the State since, although the current accumulation model based on State withdrawal has generated growth, it has also led to inequality and dissatisfaction among the population. It is therefore important to promote social dialogue not only on the public sector, but also in the public sector.

**147.** Another challenge is that public policies to deal with the serious social problems affecting the region should be developed through social dialogue. Most importantly, workers' and employers' organizations need to be strengthened (see section 5.2.2 of this Report) and dialogue extended to include all those, such as informal economy workers, rural workers, indigenous peoples and migrants, who currently have no means of expressing their views. In this respect, while an appropriate legal framework is important, it is also essential to promote representative and democratic organizations that are in touch with the reality on the ground. Moreover, the State needs to recognize the role of these organizations in policy development and in the implementation of programmes at national and local levels, and to promote contact between them and existing employers' and workers' organizations, as well as collective bargaining and other forms of social dialogue.<sup>15</sup>

**148.** Meeting these challenges is no easy task. There is a certain amount of distrust and often a lack of conviction regarding the constructive role of dialogue and its use as a mechanism to strengthen public participation and hence democracy.

#### Policies

**149.** In addition to the "macro social" function of contributing to the design of public policies referred to above, social dialogue also exists at the micro social level in the form of collective bargaining, which is in fact a participatory process and thus strengthens democracy. An in-depth look at existing forms of collective bargaining highlights the diversity of the mechanisms used by employers' and

<sup>15</sup> ILO: *Decent work and the informal economy*, Report VI, International Labour Conference, 90th Session, Geneva, 2002, p. 75.

workers' organizations to overcome their differences and promote cooperation. A varied and flexible system has been developed to adjust to change by mutual agreement. Collective agreements can be concluded at different levels: that of the national economy, a sector or industry, an enterprise or group of enterprises, or a workplace or establishment. They can vary in geographical coverage and address varying issues at different bargaining levels. The choice of bargaining level must depend on the specific situation and the will of the parties themselves, expressed without political or ideological preconceptions, bearing in mind that the different levels are not mutually exclusive and that, on the contrary, there are ways of combining centralized negotiation with decentralized negotiation. The most important thing is that the social partners agree on the bargaining level and the type of communication that would enable them to reach an agreement beneficial to both parties.

**150.** Another important aspect is the inclusion of new subjects in collective bargaining. Collective bargaining can no longer be limited to working conditions in general or to wages in particular: in the current socio-economic climate it would lose its value as a mechanism of social dialogue and public participation. New issues such as labour productivity, and worker-related aspects, such as training, health, safety and labour regulation flexibility, can be addressed in a sustainable manner through negotiation. However, in order to make this possible, cooperation between employers and workers is required. Challenges therefore include creating an appropriate framework for negotiation and obtaining commitments from the social partners that are consistent with the need to promote regular and sustained productivity growth and to improve working conditions and wages for workers.

**151.** This will undoubtedly mean that trade unions have to take on a new proactive role in the process of increasing productivity in the region, without abandoning their activities related to worker protection. There is little doubt that in today's world, consultation to increase productivity is a win-win approach. However, the law must establish the general framework for collective bargaining, as this will give the parties legal standing and confidence, while leaving broad scope for collective autonomy. In countries where such regulation does not exist, it should be established by consensus reached through dialogue between governments and the social partners, and governments should maintain their negotiating and consultation capacity in regard to mechanisms for implementing the regulations. It is vital that governments have the capacity to ensure that laws are enforced. If these laws result from a consensus reached by the parties concerned, fewer difficulties will arise.

**152.** It should be borne in mind, however, that collective bargaining cannot produce results without strengthened, responsible and educated social partners who are able to face reality and change to use them for their own benefit and that of their society, while at the same time effectively recognizing rights, valuing participation and consensus and realizing that, in order to deal with the current circumstances, confrontation must give way to cooperation.

**153.** Lastly, the State itself must be strengthened in these dialogue processes. Dialogue on labour issues usually involves ministries of labour, which often lack the capacity to make commitments to the social partners on behalf of the State as a whole, so that the process loses credibility. Another negotiating process can then be observed within the State itself, with the ministry of labour trying to convince primarily the ministry of the economy, congress or parliament to fulfil the commitments made. If this fails to achieve a satisfactory outcome, the social actors tend to resort to congress to solve these problems directly. Dialogue must therefore be undertaken by a strengthened State, represented, at the very least, by the ministry of labour and the ministry of the economy. This would be a first step towards putting employment on the economic agenda, on a par with other economic policies.

**154.** One recent and particularly important experience in social dialogue is the "dialogue with the productive sectors" currently taking place in Mexico. In February 2001, the President of the Republic established the Council for Dialogue with the Productive Sectors, in which public sector agencies, workers' and employers' organizations, academic institutions and the agricultural sector participate. Given the importance and success of this form of social dialogue, the state authorities and agencies have formed *State Councils for Dialogue*, making use of technological

progress and the nationwide technical secretariat network. While these State Councils are familiar with and participate in the national development agenda and development policies, they also determine their own agenda in accordance with the development needs of each of their entities. Encouraged by the success of this initiative, the sectors represented in the Council for Dialogue with the Productive Sectors signed, on 30 August 2004, the “Competitiveness commitment for employment and social justice”, affirming the Council’s status as the permanent body bringing together the different social actors to seek consensus on competitiveness, skills training, employment stability and social justice, at national, regional and state levels. Its objective is to optimize resources to secure competitive advantage while ensuring respect for the dignity of workers and their work as an indispensable requirement for establishing harmonious and sustainable labour relations in the long term.

**155.** Other examples of successful experiences (although not without certain problems) include the National Labour Council of Peru, and the social dialogue taking place through the Programme for the Promotion of Management-Labour Cooperation (PROMALCO) in Antigua and Barbuda, Bahamas, Barbados, Belize, Grenada, Saint Lucia, Suriname and Trinidad and Tobago. The option adopted by the Government and social partners of Barbados is also an excellent model for national consensus on economic and social issues and has resulted in the conclusion of a series of national social partnership agreements and protocols since 1993. These protocols provide a sound basis for economic growth and development in Barbados. This is what the Caribbean States aspire to in their efforts to seek a balance in social, economic and human development, while defending the fundamental principles and rights of workers.

## 4.2. Policies in specific intervention areas

**156.** Policies in specific intervention areas are aimed at ensuring that economic growth generates decent work and quality jobs (with all sectors of the population reaping the benefits), while at the same time meeting the cross-cutting objectives previously mentioned. To this end, three main focus areas for such policies are proposed:

- Policies to combat exclusion, with gender policies playing an essential cross-cutting role. Categories such as young persons and migrants also require particular attention.
- Policies promoting quality employment, including
  - promoting sectors that are usually overlooked and where most low-quality employment and poverty are concentrated, such as the micro- and small enterprise sector or the rural sector;
  - encouraging formalization of the informal economy;
  - improving instruments for labour market intervention, prioritizing vocational training policies and employment services;
  - a prudent and consistent wage policy, aimed at low inflation.
- Policies to improve social protection for workers, mainly on occupational safety and health (a general social security policy was discussed above in section 4.1.3).

### 4.2.1. International labour standards

#### Objective

Establish and implement in full labour legislation and practices that are in line with the international labour standards ratified by countries and which guarantee the rights of both workers and employers.

#### Targets

1. Achieve progress in the ratification of not only the Conventions on fundamental rights at work, but of all ILO Conventions considered by governments and social partners to be essential to improving working conditions and securing the health and life of workers; bring national legislation and labour practices into line with the abovementioned ILO Conventions.
2. Ensure that all countries have balanced labour legislation and practices which respect the rights of workers and employers within the framework of international labour standards.

#### Rationale

**157.** The region has made significant progress regarding the ratification of the ILO Conventions on fundamental rights at work. Considerable advances have also been made in bringing labour legislation into line with the content of these Conventions. However, as pointed out in Chapter 3 of this Report, an enormous amount remains to be done in the region with regard to the effective application of these standards.

**158.** Despite the achievements regarding ratification of the Conventions concerning fundamental rights at work and bringing legislation into line with them, the region still faces many challenges in the field of standards. The ILO has adopted other important international standards on employment, working conditions, wage policy, occupational safety and health and social protection, among others; these standards certainly provide valuable guidance, both for the development of national legislation and the design of national strategies and policies for generating decent work. Throughout the region much remains to be done, both in these areas and with regard to the effective application of the standards on fundamental rights at work.

**159.** Some of the sections below in this chapter refer to specific policy intervention areas and propose policies related to the ILO Conventions on those particular areas. However, the aim in this section is to put forward general policy recommendations for the promotion of international labour standards and their effective application (in particular, the eight fundamental Conventions and the four priority Conventions), including bringing national legislation into conformity with these standards.

**160.** The rights and principles which apply not only to workers but to employers are enshrined in the international labour standards laid down in ILO Conventions. The right of workers to form trade unions is no less important than the right of employers to form organizations. In the same way, workers and employers alike have the right to collective bargaining. The right of workers to freely chosen employment is inseparable from the employer's right to hire workers freely. The right to a fair wage has as its corollary the right to make a fair profit, and so on. This is why the ILO has always maintained that the only truly efficient form of employment flexibility is one that is freely agreed between workers and employers and respects the rights of both.

## Policies

**161.** The countries of the region need to examine why certain ILO Conventions, in particular the priority Conventions and those held by the social partners to be necessary for national progress and to guarantee labour rights, have not been ratified or, following ratification, have given rise to observations by the supervisory bodies of the ILO on their application. Should they deem it appropriate, the countries concerned may request ILO technical cooperation in order to eliminate obstacles that might be hindering the ratification of these Conventions, or the application of ratified Conventions.

**162.** In the same way, the countries of the region could examine, with the assistance of the Office, if necessary, whether national legislation and practice are in line with the content of ILO Conventions already ratified or to be ratified. The observations and recommendations of the ILO supervisory bodies provide an essential frame of reference in this regard.

**163.** There is an urgent need to encourage bipartite and/or tripartite social dialogue allowing progress to be made on agreed labour flexibility which fully respects the rights of both workers and employers.

**164.** Although the differences in productivity levels between informal micro-enterprises and small and medium-sized and large formal enterprises may justify differing legal treatment, this does not mean that labour rights can be infringed or, even worse, that certain categories of worker can be granted greater or lesser protection than others.

**165.** Fortunately, much has been achieved over the past five years to bring national legislation into greater conformity with international labour standards. Examples include the amendment of Peru's Industrial Relations Act, the result of a tripartite agreement concluded in 2000 in the National Labour Council, and the recent revision of the Labour Code in Guatemala, carried out in 2003. Other examples include attempts and plans to carry out tripartite revision of general laws, such as the Federal Labour Act in Mexico, or the amendment of freedom of association legislation in Uruguay. As to employment flexibility based on agreement between workers, employers and governments, there are some negotiated models showing that it is possible to conclude such agreements and that they make a significant contribution to growth and the generation of quality employment. This is the case of the flexible working hours agreements ("hours bank") signed in the *ABC paulista* (the most highly industrialized area of Brazil, consisting of the cities of Santo André, São Bernardo do Campo and São Caetano do Sul, all located in the State of São Paulo), or, indirectly, of the tripartite discussions and consultations held in Argentina prior to the enactment of the Labour Organization Act of February 2004.

**166.** A review of Caribbean labour laws reveals that sound bodies of legislation are laid down in the labour codes of the member States. These would seem to provide an adequate framework for labour relations if used positively and appropriately by government and the social partners. Among other issues, Caribbean legislation covers the following: protection of trade unions, employment protection, fundamental rights, labour institutions, and different methods and arrangements for the settlement of disputes. Consensus-based mechanisms other than conciliation and intermediation still need to be widely promoted and institutionalized or incorporated into legislation.

### 4.2.2. Gender equality

#### Objective

To apply public policies aimed at reducing inequality between men and women in the world of work, by applying cross-cutting dual strategies, as well as those specifically for women.

## Target

Over a ten-year period, increase the participation rate of women by 10 per cent and raise the employment rate by a similar proportion, while reducing the current gender gap in informal work and wages.

## Rationale

**167.** Over the past few decades, the role of women in the region's labour markets has changed significantly. Moreover, legislative amendments aimed at guaranteeing equality between men and women have been introduced. Despite this, the gender gap persists. While certain indicators show signs of improvement although others do not, a high percentage of women, especially the less educated, are still in poorly paid occupations and enjoy little in the way of protection. Furthermore, despite clear progress, the benefits are unevenly distributed among women.

**168.** Public intervention is therefore essential if inequality is to be addressed. The policies proposed recognize that there is inequality between women and men in the labour market and that any "neutral" measures which do not focus specifically on equality will only maintain, and perhaps even widen, the gender gap. What is needed is thus a dual strategy which combines gender mainstreaming with specific actions targeting women, which must include positive action measures. Equal opportunity policies in general and the dual approach in particular are key elements in increasing the employment rate, improving the quality of jobs and promoting a labour market that takes into account the rights of women workers.

## Policies

**169.** The necessary resources should be provided to design and implement an articulated set of policies promoting equality and the reduction of sex discrimination in the labour market, namely:

- Apply effectively the principle of non-discrimination.
- Promote access for women to active labour market policies in a proportion not less than their share in the labour force.
- Encourage participation and employment of women, eliminating barriers preventing them from entering and remaining in the workforce. This should include specific measures to promote the rights of women workers with regard to collective bargaining.
- Improve the quality of women's jobs in the informal sector, through training and access to productive resources. Special attention should be paid to highly feminized groups of workers which suffer discrimination, such as female domestic workers. This entails a review of legal standards, improved exercise of rights and social security coverage, and encouraging women to organize.
- Narrow the wage gap, eliminating discriminatory factors and reducing occupational segregation. Apply the principle of "equal wages for work of equal value" by developing methodologies allowing the design and implementation of policies based on this principle, alongside systems for monitoring developments concerning the wage gap.
- Promote balanced representation of men and women in social organizations and dialogue frameworks, including through programmes for training female leaders and negotiators. Demands for equality should be included in the agendas of workers' and employers' organizations, as well as in collective bargaining and agreements.

**170.** The adoption of these policies requires at least that the following specific and concrete action be taken (table 4.5).

Table 4.5. Policies and measures to promote equality and reduce discrimination at work

Policies	Action
Effective application of the principle of non-discrimination	<ul style="list-style-type: none"> <li>• Develop national plans (including positive discrimination policies) to address the problem of inequality and employment-related discrimination against women.</li> <li>• Establish legal frameworks and strengthen the stakeholders involved in combating sexual harassment.</li> <li>• Include in collective bargaining measures to prevent discrimination against women.</li> </ul>
Encourage participation of women in the world of work (60 per cent by 2010) and employment of women (eliminate obstacles preventing them from entering and remaining in the workforce)	<ul style="list-style-type: none"> <li>• Access for women to active labour market policies in a proportion not less than their share in the labour force (training, intermediation, special employment plans, etc.).</li> <li>• Adopt measures to promote the rights of women workers with regard to collective bargaining.</li> <li>• Include specific measures for women in youth employment programmes.</li> </ul>
Improve the quality of women's jobs in the informal economy	<ul style="list-style-type: none"> <li>• Implement training policies targeting less-educated women so they can have access to new niches in the labour market and non-traditional occupations.</li> <li>• Implement programmes granting women access to productive resources (information, technology, credit).</li> <li>• Improve working conditions and eliminate discrimination against female domestic workers (which implies the review of laws and regulations, improvements in the exercise of rights and social security coverage, and encouraging women to organize).</li> </ul>
Reduce the wage gap, eliminating discriminatory factors	<ul style="list-style-type: none"> <li>• Monitor developments concerning wage gaps.</li> <li>• Introduce programmes to combat occupational segregation.</li> <li>• Develop methodologies to implement "equal pay for work of equal value" policies.</li> <li>• Include clauses in collective bargaining agreements ensuring transparency in recruitment and promotion of women.</li> </ul>
Achieve a gender balance in social organizations and dialogue frameworks, and give more attention to demands for equality	<ul style="list-style-type: none"> <li>• Implement programmes promoting balanced representation of women workers (including training of female leaders and negotiators and the establishment of quotas).</li> <li>• Include demands for equality in the agendas of workers' and employers' organizations and in collective agreements and bargaining.</li> </ul>

### 4.2.3. Youth employment

#### Objectives

Promote better training and job access for young people.

#### Target

Within a ten-year period, halve the percentage of young people over the age of 15 who are neither studying nor in employment.

#### Rationale

**171.** Today's 15- to 24-year olds were born between 1980 and 1990, making them the children of Latin America's "lost decade". A sizeable total of 19 per cent (around 102 million inhabitants) of the population of Latin America and the Caribbean is concentrated in two five-year cohorts. Although it is estimated that this percentage will have fallen by 2015, even so the total number of young people will still exceed 105 million.

**172.** There are currently about 57 million young people at work or wanting to work, of whom around 9.5 million are unemployed (accounting for 42 per cent of total unemployment in the region). However, it is not possible to obtain a real picture of the true magnitude of the problem of youth employment simply by look-



**Table 4.6. Youth employment situation in Latin America and the Caribbean**

	1993	2003
Number of young people (millions)	92.1	104.2
Youth EAP	52.8	57.0
Youth employment	46.2	47.5
Youth unemployment	6.6	9.5
Not in work	39.3	47.2
Indicators (in percentages)		
Participation rate	57.3	54.7
Employment-to-population rate	50.2	45.6
Youth unemployment rate	12.4	16.6

Source: ILO: *Global employment trends for youth* (Geneva, 2004).

ing at open unemployment (which is double the average unemployment rate) (table 4.6). To give a broader picture, 21 per cent of young people, or 22 million people, “neither study nor work”.<sup>16</sup> Two out of three in this group are women, many of whom became mothers at an early age. These young people are clearly at risk socially, given that they are not employed at all and are at an age when they have to take certain decisions (concerning work and even reproduction) which will have consequences affecting them for the rest of their lives.

**173.** Young people in employment are also faced with specific problems. Owing to their lack of training and work experience, they generally end up accepting the most precarious jobs. In Peru, for example, people aged between 15 and 24 years make up only 10 per cent of all individuals registered with the social health insurance system (despite the fact that they make up more than 40 per cent of the workforce) and two out of three of these young people are working without a contract. The situation is very similar in other countries in the region.

**174.** However, the situation is paradoxical in that, nowadays, many young people have more years of education than their parents owing to the wider spread of education over the past few decades in the region. They also have greater access to the modern world through information technology. In theory, this makes them more attractive on the labour market. Nevertheless, if they do find work, it is poorly paid and they enjoy little in the way of job stability or protection.

**175.** Various mechanisms have been established in the region to help generate employment for young people. Among the best known of these are the special hiring schemes introduced in some countries, which are usually linked to training. Such “special contracts” allow enterprises to cut young people’s employment benefits in return for training. Theoretically, this should be in a young person’s best interests, as an investment that would give them access to training and experience which would be of benefit to them for the rest of their lives.<sup>17</sup> Nevertheless, concern has been voiced that, in certain cases, these contracts are being used not really to train a young workforce but only as a mechanism to cut costs.<sup>18</sup> There are also examples of programmes being designed and implemented which target young people from low-income backgrounds.

<sup>16</sup> Of these 22 million, 25 per cent are seeking employment, although not actively.

<sup>17</sup> This issue is currently being discussed in certain countries, especially where changes in the world of production and work, along with increased labour market flexibility, have meant that young people’s career expectations have been lowered. However, adults who would normally embody such expectations find themselves in a very similar situation.

<sup>18</sup> In Peru, for example, only 7 per cent of young people in job training schemes state that they are receiving training (see J. Chacaltana: *Políticas de empleo para jóvenes en Perú* (Lima, ECLAC-CEDEP, 2005), (forthcoming).

## Policies

**176.** Two main groups of policies are required to achieve the proposed targets. The first comprises policies aimed at reducing the number of young people expelled from the education system (school and post-secondary education). These are put forward and described in the sections of this Report on the eradication of child labour and the development of vocational training.

**177.** The second group of policies is directed at increasing employment opportunities for young people. The following measures are recommended:

- Measures aimed at facilitating the link between young jobseekers and the demand for labour. Staff turnover rates among young people are quite high, since they are often employed in short-term jobs.<sup>19</sup> Traditional “first job” policies are therefore insufficient. When a jobseeker repeatedly has to look for employment, the cost of the credentials required of young people may become a problem and, thus, policies aimed at bringing down such costs (using modern information technology) may be useful. There is also a need to consolidate policies regulating private employment agencies, which tend to focus on job placement for young people.
- Incentives to encourage formal employment. In this case, there is a need to review the effectiveness of the various existing forms of training contract and to ensure that training is in fact being provided. Programmes aimed at democratizing the labour market are also important in this context.
- Measures aimed at encouraging youth entrepreneurship. This would essentially mean changing basic education curricula, since in most cases education in Latin America (though not in the Caribbean) almost inevitably prepares the individual for life as an employee, even though the market for this is quite small. On the other hand, entrepreneurship requires a high degree of perseverance, and very few successful business people have succeeded with their first company. This being the case, States and, in particular, policies supporting young entrepreneurs, should establish “awards for perseverance”, for example, providing access to credit to any young person who, after a failure, wishes to try again with a better idea for a business.
- Promote the accreditation of training and experience. The issue of training is dealt with in the relevant section of this Report. With regard to experience, few countries in the region possess mechanisms for accrediting the experience acquired by young people during their early years in the labour market.<sup>20</sup>

**178.** Lastly, turning the exclusion faced by young jobseekers into an opportunity would require specific efforts in the field of information and communications technology (ICT). The coming decades will see a dramatic increase in the use of information technology in the region, and therefore the ability to use ICT will become a fundamental skill. If large numbers of young people are excluded from these new developments, they will also be excluded from the labour markets in the future.

**179.** Although various types of policy have been put forward to promote youth employment, the most successful tend to be those aimed at enhancing vocational skills and qualifications, thus improving young people’s chances of finding quality jobs. Accordingly, training institutions and labour ministries are seeking to improve and adapt their approach to young people. Over the past five years, vocational training and skills programmes for disadvantaged young people have improved both in quality and in quantity. They include the following:

- In **Argentina** the Ministry of Labour, Employment and Social Security is developing a strategy aimed at integrating technical education and training in the provinces with training under programmes for unemployed young people. An effort is being made to coordinate this with existing regional educational programmes.

<sup>19</sup> J. Weller: *La problemática inserción laboral de los y las jóvenes* (Santiago de Chile, ECLAC, 2003).

<sup>20</sup> States could promote public, private or joint systems for work experience accreditation, taking into account the specific characteristics of each labour market.

- **Brazil** launched the National Programme for the Inclusion of Youth (*Pro-Jovem*), using national budget funds, with the aim of facilitating access to better education, vocational qualifications and digital technology. The programme complements a range of training options offered mainly by the Ministry of Labour and Employment which include the *Plano Nacional de Qualificação* (National Qualification Plan) and the *Consórcio Social da Juventude* (Social Partnership for Youth).
- **Chile** provides computer literacy programmes as a part of the development of employability skills under youth training programmes financed by the Ministry of Labour National Training and Employment Service (SENCE). This provides a basic skill which improves employability in the information society.
- In **Colombia**, the *Emprender* (Start-up) fund, administered by the National Service for Training (SENA), was established to finance business initiatives put forward by young trainees participating in vocational training programmes, either during their training or as members of associations along with young university students. The fund provides selected business projects with money which does not have to be reimbursed.
- The Technical Institute for Training and Productivity (INTECAP) in **Guatemala** and the National Apprenticeship Service (SENA) in Colombia have extended their opening hours to include evening and early morning schedules for people whose working hours do not allow them to attend courses during the day.
- In **Uruguay**, the Ministry of Labour, supported by CINTERFOR-ILO, is developing a vocational training programme aimed at female heads of household who are especially vulnerable to unemployment. The programme, which promotes equal opportunities, makes use of both public and private training provision.

**180.** These or other policies to generate employment for youth should, furthermore, result from a wide-ranging consultation process with young people themselves, as recommended by the International Labour Conference at its June 2005 Session.

#### 4.2.4. Micro- and small enterprises

##### Objective

Improve the quality of employment in micro- and small enterprises (MSEs).

##### Target

Within ten years, significantly increase the percentage of workers employed in MSEs which are covered by business services and enterprise policies aimed at raising productivity and which have access to markets and minimum levels of protection in all the countries of the region.

##### Rationale

**181.** This section of the Report focuses on an analysis of the situation and proposals related to small and micro-enterprises. This is not to discount the important economic and social role played by medium-sized and large enterprises. In order to grow, the latter need a conducive economic, social and legal environment, which could be fostered by applying the policies put forward in section 4.1 of this Report. It is MSEs which, given their usually low productivity, need specific policies for promotion and development.

**182.** Micro-enterprises play an essential productive and social role in the Americas and, in some cases, share many of the characteristics of small enterprises (hence they comprise a sector, referred to in this Report as MSEs). Policies in this field should have a dual focus, aiming on the one hand to improve productivity and access to productive and competitive resources and, on the other, to ensure that the workers in these enterprises are included in social and labour agendas.<sup>21</sup> Meeting these challenges requires a specific policy aimed at creating conditions enabling urban and rural MSEs to become genuinely competitive within an equitable framework.<sup>22</sup> In concrete terms, this entails significantly increasing the percentage of workers in MSEs who are covered by business services and enterprise policies aimed at raising productivity and who have access to markets and minimum levels of protection in all the countries of the region. In operational terms, agencies would need to be established for the promotion of MSEs (such as the Brazilian Support Service for Micro and Small Businesses (SEBRAE), Chile's Technical Cooperation Service (SERCOTEC) or the Small and Micro-Enterprise Development Commission (PROMPYME) in Peru), bearing in mind that these agencies can achieve results only if they are allocated substantial budgets and are properly managed.

### Policies

**183.** Action is proposed in three priority areas. First, priority should be given to initiatives focusing on the problems of poor social protection and lack of representation. This requires changes in legislation on MSEs, new social protection schemes for the workers concerned and the development of bargaining and coordination capacity within workers' and employers' organizations. Such steps are necessary because, although several countries have implemented policies to encourage competitiveness which cover MSEs, policies on their workers' rights and social protection have not kept pace.

**184.** Secondly, there is a need for policies allowing MSEs improved access to markets and services. MSEs could increase their market presence and share and their productivity, as well as creating and maintaining quality jobs, if they were provided with appropriate productive services in, for example, finance, training, marketing, quality and information. In this context, it is especially important to design and implement policies which encourage micro- and small enterprises to join together in production conglomerates. One particularly effective way of achieving this would be to offer enterprises that are core members of existing conglomerates incentives for including MSEs.

**185.** Thirdly, these measures will not have the desired effect unless the regulatory and policy environment is conducive to the development of MSEs. An ILO study has shown that there is an underlying paradox in the promotion of MSEs: whereas specific programmes to support such enterprises are being set up and implemented, the regulatory framework is generally hostile to small enterprises.<sup>23</sup> Adverse conditions include registration systems for new enterprises, as well as trade, finance and export regulations which severely curtail the competitiveness of MSEs. In addition, there are the problems facing enterprises of all sizes in the region in what the World Bank<sup>24</sup> calls the "business environment".

**186.** However, except in the few countries that have already taken the necessary steps, MSE support policies require sustainable institutions and programmes which apply best practices in the various spheres of promotion. Policies in this area need to be linked to the economic development policy of the country in question.

<sup>21</sup> According to ILO estimates, 75 per cent of workers are involved in the informal economy, which accounts for 40 per cent of GDP. Of these, 55 per cent are in this situation for reasons linked to low productivity and another 20 per cent owing to the flexibilization of formal and public employment.

<sup>22</sup> To be viable, these proposals are subject to certain conditions applicable to most of the countries of the region: (a) improved coordination between agencies offering support to MSEs; (b) specialized functions to be assigned to regulatory and implementing bodies; (c) participation by beneficiaries and their trade unions; and (d) decentralization of executive power and establishment of national coverage.

<sup>23</sup> G. Reinecke; S. White: *Policies for small enterprises: Creating the right environment for good jobs* (Geneva, ILO, 2002).

<sup>24</sup> World Bank: *Doing business: Benchmarking business regulations* (2005). Database available at <http://rru.worldbank.org/DoingBusiness>

**Table 4.7. Policies and measures for micro- and small enterprises (MSEs)**

Policies	Actions
Promote legislation on MSEs	<ul style="list-style-type: none"> <li>Identify registration regulations that should be removed, simplified or changed. Draft a plan (in line with local regulations) to simplify the administrative aspects of registration and the issuing of permits and licences.</li> <li>Harmonize national and local regulations.</li> <li>Improve the system for registering assets, equipment and premises.</li> </ul>
Extend social protection coverage to include MSEs	<ul style="list-style-type: none"> <li>Enact structural reforms to extend the social security system to MSEs and make possible links with micro-insurance and private enterprise.</li> <li>Provide information and implement programmes on social security systems and benefits targeting workers in MSEs.</li> <li>Ensure participation of MSE representatives in the supervision of social security agencies.</li> <li>Disseminate occupational health and safety information and techniques.</li> </ul>
Increase representativity and dialogue for workers in MSEs	<ul style="list-style-type: none"> <li>Promote changes in legislation and trade union regulations to facilitate the inclusion of MSE workers in workers' organizations.</li> <li>Facilitate relations between MSEs and trade union confederations and employers' organizations.</li> <li>Enhance the ability of MSEs and their workers to organize and develop networks and associations.</li> </ul>
Develop financial services and access to them for MSEs	<ul style="list-style-type: none"> <li>Take action to involve private banks in microfinance, reducing discrimination on grounds of perceived higher risks of MSEs.</li> <li>Improve the financial regulatory environment (contracts, intermediation, registration of assets).</li> <li>Make technological improvements for better access to financial services, (including information, new products, customer service, information systems, regional databases, credit bureaus, etc.).</li> <li>Make guarantees more flexible.</li> <li>Train on the use of credit.</li> </ul>
Business development services (BDSs) for MSEs	<ul style="list-style-type: none"> <li>Improve availability of BDSs, including developing providers.</li> <li>Develop business management skills on a huge scale, based on trade unions, municipalities, universities, etc.</li> <li>Improve quality.</li> <li>Subsidize demand for BDSs (vouchers, etc.) to ensure sustainability.</li> </ul>
Access to internal and external markets	<ul style="list-style-type: none"> <li>Promote access for MSEs to public tendering and to state procurement, by: <ul style="list-style-type: none"> <li>setting up agencies to coordinate public tendering and procurement;</li> <li>providing information.</li> </ul> </li> <li>Facilitate access to services for exporting MSEs, through better information and the elimination of obstacles based on size.</li> </ul>
Forster a regulatory framework for the promotion of MSEs	<ul style="list-style-type: none"> <li>Design and implement policies for the promotion of MSEs.</li> <li>Formulate and monitor policies.</li> </ul>
Promote a culture of productivity within MSEs	<ul style="list-style-type: none"> <li>Promote total productivity culture.</li> <li>Promote corporate culture and initiative through: <ul style="list-style-type: none"> <li>a business initiative fund;</li> <li>pilot projects;</li> <li>national innovation competitions;</li> <li>media campaigns and awards;</li> <li>reform of secondary and technical school curricula;</li> <li>entrepreneurial training for teachers and school staff.</li> </ul> </li> </ul>

**187.** The policies and actions proposed for micro- and small enterprises are shown in table 4.7.

**188.** The natural place for these policies to be developed is the local level but obviously they must be coordinated at national and sectoral levels. This requires development and support policies for local productive systems which include, for example, action to strengthen public and private stakeholders through the provision

of training and technical assistance to municipalities; encouragement of productive association through the establishment of productive networks; and the integration of the social economy into local development through the promotion of conglomerates.

**189.** Lastly, it should be pointed out that there is evidence that the most cost-effective initiatives are those which focus on MSEs with relatively higher growth rates, since intervention is more effective financially when targeted at selected enterprises rather than an entire sector.<sup>25</sup> However, it is important to bear in mind that all MSE units, without exception, should be deemed to be subject to labour law.

**190.** One fairly successful programme which incorporates many of the proposals contained in this Report is the regional programme for sustained employment that has been implemented in Bolivia, Peru, Honduras and Nicaragua and has had repercussions at local government level, raising awareness within municipalities, institutions and national ministries with regard to the economic importance of MSEs for local development. The programme conducted studies and provided technical assistance to municipalities concerning conglomerates and production chains; it helped streamline administrative procedures and offered economic planning and training programmes for various publics on issues such as the quality of work in MSEs (Central America), business management, employment-intensive technologies adapted to local conditions and incorporating a gender equality perspective; a network of BDS providers who received training on ILO working methods was established for MSEs. The programme subsequently focused on the creation of more and better jobs in MSEs through the development of business initiative and skills among young persons, improved employability among vulnerable groups with low levels of education (in particular, women and young people of indigenous origin) and the improvement of the abilities and skills of MSE employers.

**191.** In the Caribbean, the development of MSEs has been promoted through the use of ILO methodologies such as the Improve your Work Environment and Business (I-WEB) programme, especially in countries belonging to the Organisation of Eastern Caribbean States (OECS). The Start and Improve Your Cooperative (SIYC) programme was adapted to develop cooperatives, in collaboration with the Caribbean Confederation of Credit Unions (CCCU) programme. Work has also been carried out with the Caribbean Development Bank (CDB), the InFocus Programme on Boosting Employment Through Small Enterprise Development (IFP/SEED) and the International Training Centre (ITC) of the ILO, in order to promote the development of MSEs in 15 Caribbean States.

#### 4.2.5. *The informal economy*

##### Objective

Progressive formalization of the informal economy

##### Target

Elimination, within not more than ten years, of the main legal and administrative factors that encourage the existence of the informal economy.

<sup>25</sup> M. Robles et al.: *Estrategias y racionalidad de la pequeña empresa* (Lima, ILO Subregional Office for the Andean Countries, 2001).

## Rationale

**192.** The issue of informal work has been generating a wide-ranging debate in the region for more than three decades, which has been so intense that even today opinions continue to differ over the definition of “informal”. On the one hand, there are those who view this sector as comprising production units with limited access to productive resources and hence low productivity and income. Conversely, there are those who define it on the basis that the sector operates on the fringes of legality, without legal or administrative registration and without paying tax. It is claimed that the high transaction costs generated by state regulation are responsible for this state of affairs.<sup>26</sup> In practice, these two types of informal work coexist and are extensively interlinked. However, not all low-productivity units are legally problematic and not all enterprises outside the sphere of regulation have low productivity. Common to both is the fact that employment is relatively precarious. In this regard, a noteworthy innovation for the labour force is the new definition of the informal economy approved by the ILO,<sup>27</sup> which includes self-employed workers involved in subsistence activities, home workers and sweatshop workers passed off as wage-earning employees, as well as independent workers in micro-enterprises.<sup>28</sup>

**193.** The above definitions of the informal economy are not mutually exclusive. In reality, each refers to a different scenario. Clearly, there are self-employed workers operating with extremely limited capital who have very low productivity and income as a result. The same could be said of family-run micro-enterprises. This cohort of workers is informal not only because it is faced with high transaction costs but also because it lacks access to capital and business services, with workers having to “invent” employment in which the overriding factor is work. Between this type of production unit and the formal sector there are grey areas: micro-enterprises with medium productivity, high mortality rates and poor working conditions for workers.

**194.** The definition of these enterprises, referred to as the “urban informal sector” by the ILO World Employment Programme – in the region, the Regional Employment Programme for Latin America and the Caribbean (PREALC) – is somewhat similar to the concept of Total Entrepreneurial Activity (TEA) introduced by the London Business School. A recent report published by the School<sup>29</sup> found that, in 34 of the countries studied, 9.3 per cent of people of working age had started their own business during the previous 42 months. Interestingly, the rate of entrepreneurship in developed countries stands at between just 1.5 per cent (Japan) and 8.8 per cent (Canada), while for the developing countries, typical figures are 27 per cent (Ecuador), 32 per cent (Uganda) and 40 per cent (Peru). The explanation offered in the report is that these high rates are the result of unemployment, under-employment and insufficient demand for labour amongst consolidated enterprises, which obliges people to start their own businesses as the only way of surviving. If this definition were also to include the fact that new entrepreneurs experience restricted access to productive resources (particularly credit) and that low-productivity and low-income employment is generated, the London Business School’s definition would be practically identical to that coined by the ILO in the late 1960s and early 1970s.

**195.** A different situation is faced by micro- and small enterprises that remain in the informal sector because they cannot cope with high start-up costs, high taxes (levied by both central and local government) and social charges.

**196.** Finally, there are the enterprises which, although they could cope with such costs, choose not to do so because they prefer to operate on the fringe of the law and thus enjoy higher profits than their legally operating competitors, despite

<sup>26</sup> V. Tokman endorses the view of A. Portes and L. Benton, who link informal employment with the international distribution of work. See V. Tokman: *Una voz en el camino. Empleo y equidad en América Latina: 40 años de búsqueda* (Santiago de Chile, Fondo de Cultura Económica, 2004). See also A. Portes and L. Benton: “Desarrollo industrial y absorción laboral: Una reinterpretación”, in *Estudios Sociológicos de El colegio de México*, Vol. 5, No. 13, Jan.-Apr. 1987.

<sup>27</sup> This modification was approved at the 90th Session of the International Labour Conference in June 2002.

<sup>28</sup> Tokman. op. cit.

<sup>29</sup> London Business School and Babson College: *Global Entrepreneurship Monitor (GEM) (2004)*.

the risk of discovery and sanctions. As a result, the policies to be applied differ depending on the type of informal labour in question.

## Policies

**197.** With regard to production units established and remaining within the informal economy as a result of restricted access to productive resources, the policies required are the same as those set out in the previous subsection in reference to micro-enterprises. One additional consideration is that in the case of family subsistence enterprises, whose members generally fall within the demographic group living in extreme poverty, the basic policy of most benefit to them would be a social policy of income transfer to the most vulnerable sectors, rather than a productive services policy (although the latter should not be dismissed). It should also be borne in mind that it is in this type of family enterprise that child labour is most often found.

**198.** As for informal enterprises that do have access to productive resources, even though scarce, but which are unable to meet the transaction costs arising from legal and administrative regulations, an analysis of the impact of such regulations is obviously required. It is clear that highly restrictive regulations, particularly those relating to the operation of businesses, can influence the size of the informal economy. It should not, however, be assumed from this that those operating in the informal economy are deliberately evading their obligations (which can lead to strategies of deregulation or prosecution). Rather, it should be recognized that the main reason for the failure of informal workers to comply with their obligations is their inability to afford the costs involved, given their current production levels. The challenge is, therefore, to draw up strategies which create the conditions to enable those in the informal economy to meet the costs of compliance with administrative and fiscal obligations.

**199.** Finally, for those enterprises which, although in a position to meet the costs of legal operation, choose to operate illegally in order to gain an advantage over their competitors who remain within the law, the policy must be to identify perpetrators and impose appropriate sanctions, in addition to providing education and preventive measures.

**200.** Depending on the cause and nature of the informal work in question, examples of such policies can be seen in the region. The Regional Programme for Sustainable Employment referred to in the previous section is a good example of a policy directed at micro-enterprises. There are also numerous examples of successful policies aimed at reducing transaction costs (by simplifying the taxation system and administrative procedures, for example) in Chile, Mexico, Panama, Peru and elsewhere. It has been observed that the problem with such policies lies not in their design or application, but rather in their durability since, in many cases, a change of government leads to a review of administrative processes and the loss, at a stroke, of the progress achieved over a number of years. Finally, with regard to prevention and punishment of business practices that infringe labour legislation (such as clandestine employment in certain formal sector enterprises), tax law or legislation on business registration, the best examples from Latin America, showing that the State can and must successfully apply such a policy, include those in Chile, Colombia and Peru. Outside the region, countries such as Italy, Portugal and Spain, have also had positive experiences.



## 4.2.6. The rural sector and local development

### Objective

Improve the working conditions and productivity of economic activities taking place in rural areas, including work done by indigenous peoples.

### Targets

1. Within ten years, double the productivity and income of poor farmers and bring about substantial improvements in their working conditions.
2. Governments in the region should implement local development plans for small towns within ten years.
3. Make significant progress on ratification and effective application of ILO Convention No. 169, particularly with regard to aspects relating to consultation with indigenous peoples.

### Rationale

**201.** On average, the rural sector comprises one-third of the Latin American and Caribbean working populations. In the absence of World Trade Organization (WTO) agreements on trade in agricultural products, this is one of the sectors most affected by globalization and recent free trade treaty initiatives. Furthermore, the greatest concentration of poverty, child labour and forced labour is in the rural sector, which also exhibits the most acute gender inequalities.<sup>30</sup>

**202.** In the region, almost all proposals relating to the functioning of labour markets have assumed that they are comparable to urban economies. This is erroneous and needs to be rectified. Labour markets in the countryside function differently: wage employment is less common than in urban areas; family work is widespread; spot-type labour markets may exist (that is, labour markets established for a specific period and purpose); employment is highly dependent on agriculture and husbandry; and the state and conditions of “land” assets (agricultural property) tend to be the most important considerations, even more so than employment. Distance from centres of consumption, and hence the matter of territorial integration, is also a key issue given that, by definition, rural zones are made up of small population centres.

**203.** In rural areas, agriculture and animal husbandry are the dominant activities and account for 60 per cent of income.<sup>31</sup> Certain sectors within agricultural activity are modern and prosperous, generating employment, reasonable wages and multiplier effects within the rural economy. In the vast majority of cases, however, agriculture is traditional, with low productivity, few links to agroindustry, and dependent on low-capital technology and an unqualified workforce, all of which partly explains the low wages and the limited income among producers dependent primarily on this type of farming.

**204.** Particular attention should be paid to the situation of indigenous populations, most of whom are settled in rural areas. The invasion of their lands and the major obstacles they face in gaining access to productive resources, along with lack of recognition of their ancestral rights, are among their main problems.

<sup>30</sup> According to the ILO, less than 10 per cent of paid agricultural workers worldwide are organized in trade unions or rural workers' organizations. Approximately 70 per cent of child workers are employed in the agricultural sector.

<sup>31</sup> Reardon, Berdegue and Escobar. *Rural non-farm employment and incomes in Latin America: Overview and policy implications* in *World Development*, Vol. 29 (3), (United Kingdom, Elsevier Science Publishers, 2001), pp. 395-409.

## Policies

**205.** Although the agricultural sector in the region has shown marked development of modern enterprises, mainly agroexporters, generating relatively high-quality paid work, a significant portion of rural employment continues to be associated with very small-scale family agricultural units. Underemployment is clearly a dominant defining feature in this case. Low workforce productivity is generally associated with low levels of education, although it should also be recognized that serious lack of investment, tools and equipment prevents rural workers from increasing their productivity. In order to remedy this situation, it will be necessary to implement policies aimed at injecting new value into rural activities, with the aim of:

- diversifying agriculture and land use by seeking to move towards more productive activities and more knowledge- and capital-rich technology;
- making technological innovation and management the basic components of increased productivity and better quality produce;
- creating greater added value on farms and in rural areas generally, with better links to markets, particularly the most dynamic ones;
- promoting a greater number of non-agricultural productive activities in rural areas, including agroindustry, crafts, micro-enterprise service providers and agrotourism and ecotourism;
- consulting indigenous peoples on projects affecting their lands; designing and implementing policies to open up access to productive resources for these populations.

**206.** In order to achieve these objectives, it will be necessary to formulate and implement specific policies covering four main areas: *a)* creation of suitable conditions to encourage productive investment; *b)* development of personal capacity in enterprises and organizations; *c)* implementation of specific agriculture and husbandry policies; and *d)* in consultation with indigenous populations, implementation of development policies for indigenous areas in conformity with ILO Convention No. 169. The first group includes rural infrastructure and service policies, and policies to attract rural investment, given that lack of adequate agricultural finance is currently one of the most serious problems.

**207.** With regard to policies for developing capacity, it is essential to have in place a human resources development policy, since special skills are required of people involved in activities traditionally practised in the countryside (crop production, animal husbandry, aquaculture, fruit growing, forestry and crafts). However, it is equally important to undertake activities aimed at promoting entrepreneurial and business skills in rural areas, given that the better educated section of the population tends to have migrated to urban areas and that there are few people wishing to go into agricultural, agroindustrial or service sector management, or showing any interest in starting a business in rural areas, where profits tend to be low or unpredictable.

**208.** With regard to rural agricultural development policies, it is proposed that production and associative chains be promoted, since one of the main problems faced by the rural economy is a lack of interconnection in agricultural chains and the absence of high-quality rural agroindustry. At the same time, it is essential to have in place a policy to promote technological innovation and diversification, with a view to updating the traditional policy approach of research and technology transfer on which the public institutions in this sector have based their work and moving towards an approach based on “promotion of technological and managerial innovation”, which could include innovation chains at every point on the production chain. Such a policy would be coupled with recognized cross-cutting policies for improved water management (with the explicit aim of seeking a more continuous year-round pattern of land use in order to overcome the current seasonal nature of agriculture, and thereby to contribute to uninterrupted agricultural job creation) and policies on land access and capitalization through special funds aimed at facilitating the acquisition of equipment and tools to increase productivity, particularly among small farmers. This should involve a competitive fund with preferential

financing, which could be offered in the form of vouchers for the purchase of tools and machinery. Programmes in which the State offers handouts of cash or tools, and particularly of buildings and machinery, should be avoided. Each country will also require financial support programmes in order to fund small-scale infrastructure projects on farms and in communities, including wells, drinking troughs for livestock, feed storage facilities, and so on.

**209.** It should not, however, be forgotten that at least 30 per cent of rural income is dependent on non-agricultural activities, a figure which moreover appears to be increasing.<sup>32</sup> For this reason, policies seeking to diversify activities through the promotion of production capacity outside the farm should also be taken into consideration.

**210.** The specificities of employment in rural areas mean that policies in this area are best suited to implementation at a local level. With this in mind, a proposed priority target for developing better working conditions in the countryside and an effective reduction in poverty is for governments in the region to begin implementing local development plans for small population centres within ten years.<sup>33</sup> Such local plans should include actions aimed at promoting investment in infrastructure, especially where this involves labour-intensive construction, and should select a combination of appropriate policies from among those set out above.

**211.** With regard to indigenous populations, the most relevant areas for action, as mentioned above, involve the following initiatives: create or strengthen national institutions working to promote social inclusion; ensure access to formal education of a kind relevant to their culture, and the opportunity to remain in education; ensure access to productive resources, particularly credit and new communications technologies; and increase their political involvement and representation in order to safeguard their territorial and land ownership rights.

**212.** Given the particular conditions of rural areas and indigenous populations, it is difficult in the countries of the region to design a single “model” for rural development that could be applied in every country. Nevertheless, when it comes to local development programmes, one of the main strategies for rural sector development, it would be advisable to study the experiences gleaned from the PRODERE programme conducted in El Salvador, Guatemala, Honduras and Nicaragua during the first half of the 1990s, since this is possibly the most advanced experiment in local development to be carried out in the region during the past 20 years.

### 4.2.7. Vocational training

#### Objective

To make human resources more competitive and broaden coverage of vocational training among vulnerable groups.

#### Target

Within ten years, increase the percentage of countries’ investment allocated to training by at least half a percentage point (as a percentage of GDP) and double current returns on investment in training.

<sup>32</sup> ILO: *World Employment Report 2004-05: Employment, productivity and poverty reduction* (Geneva, 2005).

<sup>33</sup> A target of this type draws on the fact that economic growth has typically followed an economic development model based on urban-industrial growth led by large enterprises, in which rural areas have a residual role or act as adjustment mechanisms. The objective in this case should be to seek new growth pathways and transformations that will enable local bodies to make the best use of their resources and thereby contribute to the creation of enterprises, employment and prosperity for the community.

## Rationale

**213.** The rapid transformation taking place in the world of work means that training and human resources development has become the key issue linking the economic and social dimensions. Inclusive growth strategies, like the ones proposed in this Report, are those that seek to use human resources development as a means of facilitating access to better employment and income, as well as increasing productivity and competitiveness.

**214.** Today, the question of public vocational training policy has regained its place at the heart of the political agenda for governments (particularly labour ministries) and the social partners. There is an awareness, both of the need to establish regulatory frameworks that will link existing resources and capacity (the only means of ensuring provision that is sufficiently broad, diverse and flexible to address the challenge of lifelong learning), whether these derive from the public sector, private sector, public-private partnerships or social institutions, and of the importance of strengthening mechanisms for social dialogue on the design, management and financing of public policies.

**215.** Training and skills development are no longer considered to be isolated and auto-referential, but rather as activities comprising parallel labour-related, technological and educational aspects. The labour dimension is clear from the fact that these activities are a subject of interest and negotiation for the social partners and are increasingly being incorporated into labour law and collective bargaining. At the same time, there is a close and functional link with all the issues comprising labour relations systems (including productivity, competitiveness, employment, wages, occupational safety and health, working conditions and environment, equal opportunities, and career development). It is equally true to say that training is important as a central and strategic component in processes of innovation, development and technology transfer. Many vocational training institutions and other bodies that have recently begun to operate in this sector do not restrict themselves to imparting training alone (which itself implies a form of technology transfer), but rather are seeking to develop a wide range of technological services for enterprises, economic sectors and communities, thereby helping to enhance the relevance, quality and up-to-date nature of the training offered. Finally, the educational component of training that has always existed has been progressively enhanced, both through what is provided by the specialist institutions and through efforts to establish closer links and cooperation with other bodies, organizations and educational providers working in the area of lifelong learning.

**216.** During this process, it has become clear that current investment in training within the region is low in comparison with international benchmarks (taking into account the contribution of society as a whole, i.e. workers, employers and the State) and that at the same time, the scant resources allocated to vocational training and skills development by societies do not necessarily yield the anticipated returns, whether in terms of better jobs or working conditions. Various problems come into play with regard to these two issues. Local training and skills development systems suffer from a number of shortcomings. These include difficulty of access for certain sectors of the population leading to labour exclusion; a lack of transparency with regard to supply and demand requirements; and even problems related to training incentives, stemming from the nature of the human capital in question. The goal here is therefore twofold: first, it is hoped that the percentage of investment channelled into training by the countries of the region will increase by at least half a percentage point (expressed as a percentage of GDP) by 2015 and, secondly, that the average returns on such investment will double in comparison with current figures.

## Policies

**217.** To achieve these goals, work will need to focus on two main areas. The first concerns the need for clearly thought out institutional development as a prerequisite for any proposal in this area. In the case of Latin America and the Caribbean, during the 1990s, a certain degree of dynamism was shown by labour ministries in the design, management and implementation of new mechanisms for financing training policies (often within a broader framework of active policies), as

well as frequent questioning of classic institutional training models (essentially those of national and sector-based institutions). The region has now entered a new phase and institutions are once again being viewed positively as part of a process that has clearly benefited from the modernization and restructuring efforts undertaken by many such bodies between the late 1990s and the beginning of the current decade. Furthermore, participation by labour ministries in defining public policies on employment and training has come to be a key element in national development strategies.

**218.** It is therefore suggested that public employment and training policies now need to be linked to stable institutional blueprints ensuring investment and accumulation of funds in areas such as focus strategies, identifying skills requirements, pedagogical innovation, and training of trainers. As a result, and given that provision of training services cannot continue to be based on a labour market that no longer exists, but must respond to present and future requirements, actions such as the following are proposed:

- Design and implement vocational training programmes which, in tandem with employment policies, focus on the needs of persons vulnerable to unemployment (young people, unemployed women, adults with few qualifications) and on local, sectoral and enterprise development requirements.
- Promote opportunities for social dialogue on vocational training with employers' and workers' organizations and ministries of labour and education, making use of instruments such as ILO Recommendation No. 195, and increase their involvement in the drafting of institutional replies and the design and management of new training programmes.
- Drawing on the experience and capabilities of both national training institutions and private providers, adopt measures with a view to broadening provision and generating innovation in terms of management (quality, environment) and training activities (competencies, modular training, project-based training, ICT), by improving coverage, quality and relevance.<sup>34</sup>
- Implement measures to support employment policy makers (technical assistance, seminars, training, training materials and manuals), with a view to improving their capacity to formulate solid and durable policies.
- Design and construct national qualifications systems that enable education and vocational training to be more closely dovetailed and promote a culture of lifelong learning. These frameworks should cover issues such as skills development, recognition of prior training and quality assurance for training.

**219.** The other focal area concerns the development of an approach whereby vocational training and skills development are viewed as part of a system involving the social partners (employers, workers), governments and society at large. Against this background, public policy plays a key role in creating conditions conducive to investment and to participation in training by enterprises and workers. To this end, two groups of priority policies should be considered:

- Policies to promote the development of systems that provide information to employers and workers in order to make the market more transparent and qualifications more readily understood, thereby ensuring that the limited resources put towards vocational training yield the intended results. Measures such as the definition of occupational assessment and certification processes, recognition of prior training and the creation of a national quality accreditation register for public and private providers of vocational training and skills development, would prove extremely useful and would entail no cost to society.
- Policies to enable greater and more diverse investment in training. This would include encouraging the various stakeholders to invest new funds both in initial training and in efforts to meet the increasing need for on-the-job refresher training. A key point regarding investment in training is that not only does the

<sup>34</sup> National specialist institutions exist in almost all the countries in the region and have undergone profound processes of modernization and transformation, and increasing use is being made of the opportunities they offer for human resource development.

investor (enterprises, workers, the State) benefit. Rather, the benefits are shared, hence the suggestion that, in some cases, mechanisms could be established to ensure that the costs can also be shared, by means of contributions or deductions, in order to increase the incentives for such investment. At the same time, bipartite finance mechanisms are also a useful means of encouraging investment.

**220.** It should be stressed once again that it is important to move away from short-term vocational training programmes of limited coverage towards the development and implementation of state policies with a longer-term vision. Programmes are a useful source of institutional experience from which to draw lessons, but they require clear and robust institutional linking in order to resolve the major problems facing the training and skills development market as a whole. It will therefore be necessary to put in place appropriate incentives for investment in training and in the development of new means and strategies for access, as well as increased coverage, relevance and quality of vocational training.

**221.** These focal areas of current vocational training and skills development are a response to ILO Recommendation No. 195, the content of which has been accepted by many countries. This facilitates the mainstreaming of the concept of lifelong learning through recognition of knowledge acquired in the workplace, a notion on which workers and employers are in agreement and which they discuss very readily. In addition, the Recommendation provides ministries of labour with a useful focus for their employment and training policies:

- In **Argentina**, a specialist section within the Ministry of Labour has been set up to develop approaches aimed at enhancing the quality, recognition and certification of skills acquired through experience in the workplace.
- In **Brazil**, an Inter-Ministerial Commission has been created and given responsibility for preparing a proposal for the establishment of a national skills certification system. The Commission is headed by the Ministry of Labour and Employment and carries out its work in consultation with the social partners. Its purpose is to enable skills acquired through experience to be recognized.
- **SENAI**, the Brazilian National Industrial Training Service, is developing and implementing a process to achieve recognition of skills acquired through experience in the workplace and to that end is establishing the SENAI certification system. The Ministry of Labour and Employment is supporting the development of several pilot applications relating to this subject.
- In the Caribbean, **CANTA** (Caribbean Association of National Training Agencies) was created to promote leadership, identify deficits in the area of training and formulate recommendations.
- In **Chile**, a project on education and lifelong learning is being developed jointly by the Ministries of Education and Labour; this includes education and training measures, including standardization in education and skills and recognition of prior training.
- In **Colombia**, a process aimed at recognition of skills acquired through experience is being undertaken under the leadership of the National Training Service (SENA), along with improvements in the quality of private training provision.
- In **Costa Rica**, the National Training Institute (INA), in collaboration with the Government, has launched the “University for Work” programme, which seeks to establish links between vocational training and formal education via mutual recognition and student mobility.

## 4.2.8. Employment services

### Objective

Improve the capacity and quality of employment services provision.

### Target

Within ten years, double the number of workers placed through public or private employment services.

### Rationale

**222.** One of the problems observed in the region's labour markets relates to the way in which workers look for jobs. In many countries, the most contacts between jobseekers and job suppliers take place via personal relationships. A labour market functioning on the basis of such personal mechanisms may be efficient, but is unlikely to be fair, since it will provide opportunities, particularly with regard to good jobs, for a select few (those people who have such personal relationships), while a large section of the working population will be excluded. The problem is even more acute in the case of low-income women, who generally enjoy far less access to this type of personal network than men.

**223.** Employment services are one of the institutionalized mechanisms for establishing contact between enterprises and workers in the labour market. Such services may be public, usually taking the form of ministry of labour or local government offices, or private labour intermediation or placement agencies. The importance of these mechanisms is greater still when labour markets become more volatile, employment is short term and people are constantly looking for employment.

**224.** Public employment services in the region tend to suffer problems of restricted coverage and limited services, a fact that tallies naturally with the limited budgets generally allocated by States to labour ministries. In most countries, these services cover only one per cent of the workforce and no more than ten per cent of jobseekers. The majority concentrate solely on the question of job placement, without taking on the other roles seen in services elsewhere, such as dissemination of information on the labour market, direct job seeking assistance (such as self-help support, job fairs or job seeking techniques), promoting greater contact and interaction with other training and public employment programmes, and even support for the implementation of labour market adjustment and unemployment protection programmes.<sup>35</sup>

**225.** Private employment services may have broader coverage than public services, although this coverage has traditionally been concentrated in particular occupations, with a high degree of variability in terms of quality, solvency and transparency, the very criteria that such bodies are required to fulfil. These private bodies include so-called "headhunters", as well as local or even neighbourhood agencies that essentially exchange vacancy announcements. Intermediary agencies can also be found in countries where the law provides for direct supply of labour to enterprises. The problem is that in some countries, many placement agencies function without any sort of regulation or control. Private agencies often charge excessive fees to jobseekers, who may even have to agree to hand over their first wage packet if they are placed in employment. In other cases, agencies may offer "promises of employment" that are often not honoured. In countries where jobs are scarce, "promises of employment" can become commodities (with profit clearly in mind), particularly where little control is exercised over the activities of such agencies.

<sup>35</sup> P. Thuy, E. Hansen, D. Price, ILO: *The public employment service in a changing labour market* (Geneva, ILO, 2001).

**226.** The challenge for governments and the social partners is therefore to ensure that employment services effectively carry out their work of “democratizing” opportunities in the labour market, that is, opening them up to the entire population. In the modern world, it is hard to imagine the public employment service carrying out this work alone; there will of necessity, be input from private services.<sup>36</sup>

## Policies

**227.** It is clear that an undertaking of this kind will not be achievable solely by the public employment service and that collaboration from other bodies is therefore required. To this end, countries in the region could promote mechanisms for establishing links between public and private services, based on cooperation rather than competition, with a clearly defined promotional and regulatory role for the State. One possibility for putting this two-pronged role into practice is to supply information to the public on the solvency and credibility of private agencies operating in the labour market. This suits training organizations because they are provided with a quality-based goal to work towards; it is also helpful to workers, who will no longer simply receive “promises of employment”, and to employers, who will know from the outset which agencies are most reliable.

**228.** Secondly, given that private services operate only in profitable labour markets or those where there is a high concentration of demand for labour, public employment services clearly face greater challenges. One relates to their decentralization and effective operation in locations where workers can be found but where there is a lower level of demand. In such cases, the sphere of action of these services clearly needs to be widened. Public employment services also need to move into other roles, at the very least by providing labour market information, which is useful both to workers and to employers, who are constantly in search of information on jobseekers, good quality vocational training providers for their enterprises, and even on the reliability of firms operating in this market. Finally, greater linkages should be sought between public employment services and other services provided by labour ministries themselves, in order to achieve the comprehensive coverage that is sometimes lacking in public employment policy.

**229.** An example of how employment services can be more than just a traditional job placement system is provided by the Labour Information Centres Network (*Red CIL*) in Peru. This network coordinates the country’s labour information and placement centres, offers employment brokerage, job seeking assistance and vocational guidance, as well as operating information mechanisms for workers and employers and coordinating its activities with the Employment Promotion Directorate and the Intermediation and Vocational Guidance Subdirectorates. In 2002, some 18,396, out of a total of 87,366 applicants, were placed through these centres. There were 25,094 vacancies offered by enterprises.

### 4.2.9. Wages and remuneration

#### Objective

Revive the minimum wage as an instrument of wage policy and progressively link increases in remuneration to changes in productivity and the increased cost of living.

<sup>36</sup> If this objective is to be achieved, it is essential that managers of these employment services be aware of two aspects: the risks of certain forms of discrimination in the labour market (on grounds of gender, race, ethnicity, social class, age or disability). This can occur, for example, when factors such as age, sex, or “appearance” are included as job requirements, despite bearing no relation to the qualifications necessary for the post in question. Secondly, they should be aware of the potential contribution that employment services can make to reducing such inequality, provided that they can reach out to sectors suffering the worst discrimination and help to place their members in employment.



## Targets

1. Effective use of mechanisms for consulting the parties concerned on the minimum wage, pursuant to the ILO Minimum Wage Fixing Convention, 1970 (No. 131).
2. Promotion, within the framework of collective bargaining, of productivity clauses and wage adjustments linked to productivity and changes in the cost of living.

## Rationale

**230.** It should first of all be recognized that labour markets represent a paradigm case of contact between large macroeconomic entities and the microeconomic level of households. Thus, if poverty and inequality are truly to be overcome, income transfer policies are not enough; wages and remuneration policies are also required.

**231.** The subject of wages is highly controversial, but important nonetheless. Were Latin American and Caribbean labour markets to function in textbook economic fashion (that is, in conditions of perfect competition), this question would be irrelevant. The key problem is that labour markets are highly asymmetric, yielding results which may mean efficiency for one of the parties, but are not necessarily fair. Under such conditions, wages cease to reflect the conditions of supply and demand alone and come to be determined by factors such as patently unequal bargaining power. Even when this takes place under conditions of growth in the economy and in labour productivity, wages and remuneration in general do not necessarily grow at the same rate or over the same periods of time.

**232.** Recent experience in the region has shown that during the period of relatively closed economies before the 1990s, wage policy was used by countries essentially as a means of compensating for loss of purchasing power, by means of diverse and sometimes complex indexation mechanisms. Minimum wage policies were in fairly active use and profit-linked compensation mechanisms were in place. However, various key indicators within the economy (such as interest rates or public service charges) were also subject to intervention rather than being fixed by the market. By the 1990s, the opening up of economies and the need to implement policies to reduce inflation meant that minimum wage policy decreased in importance. Essentially, the minimum wage became increasingly irrelevant and collective bargaining less frequent. The pressure for greater competitiveness as economies opened up led to proposals to link wages with productivity. This could not be achieved because currency appreciation precluded any effective link between wages and productivity. Against the current background of economic growth in the region, in which the “macroeconomic bonanza is accompanied by clear microeconomic malaise”,<sup>37</sup> there is a need for wage policy once again to be brought to the discussion table, since it is clear that transfer policies are an extremely limited substitute for the results the labour market can yield when left to its own devices.

**233.** Under current conditions, wage policy in the majority of countries simply amounts to the application of the minimum wage, although even this is generally on a discretionary and irregular basis. The minimum wage should therefore be revived as an instrument of wage policy and evaluated regularly. The key point is that the minimum wage has in the past been used as a tool for purposes as diverse as control of inflation, fiscal policy and even social policy (income redistribution) because it was linked to certain social benefits. It is clear that the minimum wage should play a simple and clearly defined role: as the bottom rung of the private sector wage ladder.

<sup>37</sup> A phrase taken from J. Schuldt: *Bonanza macroeconómica y malestar microeconómica* (Lima, Centro de Investigaciones de la Universidad del Pacífico, 2004).

## Policies

**234.** Other measures in this area could include: *a)* a review of cases in which minimum wages are linked to social benefits, since this has not worked as a social policy in the past; and *b)* a review of examples of more complex mechanisms based on occupation-specific minimum wages, which tend to be highly rigid.

**235.** A further component of wage policy appropriate to the current time is the linking of wages and productivity. In this area, there are proposals to introduce variable components into remuneration. One mechanism used to establish this connection includes linking remuneration to enterprise profits. Such mechanisms exist on paper in a number of countries in the region, although where they are applied, they tend to become an invariable element of wages. Such systems clearly need to be reviewed. One example that could be considered here is that of Brazil, where a requirement to engage in negotiation is combined with absolute freedom in terms of the outcome of such negotiations.

**236.** Another mechanism for linking pay and productivity is collective bargaining. As mentioned earlier in reference to social dialogue, the ILO has for some time been in favour of including such a link among the subjects for collective bargaining, so that wage adjustments would include a fixed component proportional to wages, to compensate for increases in the cost of living, and a variable component, which would depend on productivity figures.

**237.** Possibly the clearest example of a sound minimum wage management policy is that followed by Chile between the 1990s and the present. Wage adjustments, which are sometimes announced for the forthcoming two years, are proportional to increases in GDP, thereby ensuring that the poorest segment of the population also feels that it is benefiting from growth. With regard to negotiating the formula for participation by workers in enterprise results, the best known and possibly most successful example is that of Brazil. There, the percentage share is not set down in law, but is established by negotiation between the parties. Furthermore, negotiation does not concern the participation in profits (which would entail divulging information to workers), but rather in overall results, including reductions in waste, energy savings and so on. Finally, the link between remuneration and productivity has been included in certain collective agreements in some countries, although this practice is unfortunately not yet widespread in the region.

### 4.2.10. Occupational safety and health

#### Objective

Occupational safety and health to become a priority for the social partners in the region.

#### Target

Within ten years, bring about a 20 per cent reduction in the number of occupational accidents and diseases and double occupational safety and health protection in sectors and groups with limited coverage.

#### Rationale

**238.** Occupational safety and health (OSH) needs to become a priority for governments, employers and workers. There are two targets to aim for. First, the incidence of occupational accidents and diseases must be cut by 20 per cent across the region, with efforts targeted at strategic sectors, i.e. those which are most important to the economy but also the most hazardous or involve the most vulnerable groups. Secondly, steps must be taken to extend OSH protection to sectors that have

not traditionally been covered. In the light of current coverage, which stands at 12 per cent on a regional level, the figure could be increased to 25 per cent by 2015 through actions ranging from legislative reform (to prevent exclusion of specific groups from protection schemes) to specific programmes.

## Policies

**239.** There are two priorities when it comes to the target of reducing the incidence of accidents and disease. First, national *safe work/decent work* programmes should be established, with efforts focused primarily on the most hazardous sectors and the most vulnerable categories of worker in each country. Secondly, national OSH information systems should be set up and should include recording and notification of occupational accidents and diseases, with a view to improving enterprise-level prevention, as well as occupational risk schemes within social security systems.

**240.** Any OSH policy should define the priorities, overall approach and specific action needed to guarantee a safe and healthy working environment and suitable working conditions. This national policy, which should be reviewed in the light of the most recent technological developments, should identify key problems, develop effective methods for addressing them, formulate and set out priorities for action in the light of problems identified at a national and sector level, and evaluate the results achieved.<sup>38</sup>

**241.** However, it is not enough simply to define policy. Specific measures must be adopted to ensure the effective application and implementation of the policy. Such measures could include the following:

- Policy implementation measures must be closely coordinated by labour ministries and relevant bodies, through interinstitutional commissions, national OSH councils and other relevant mechanisms for interinstitutional and intersectorial coordination at national level.
- A strategic OSH plan should be drawn up for each country. This should include a national diagnostic system enabling the occupational risks amongst priority sectors and groups to be assessed, particularly for young, disabled, rural and migrant workers, self-employed workers and those in the informal economy.
- A single nationwide statistical information system should be established for the recording, notification and processing of OSH statistics and indicators to provide an overview of the situation in the country for each region and sector, either in terms of risk levels (in order to set priorities) or from the standpoint of the effectiveness of preventative measures and controls aimed at reducing occupational risks.

**242.** In terms of the target of extending the coverage of occupational accident prevention systems, the measures required range from a review of legislation in order to prevent any form of exclusion, to the design and implementation of mechanisms combining contributory and solidarity-based elements in order to achieve broad coverage. In general, the cost of safety measures to prevent occupational accidents is considerably lower than that of health care.

**243.** Throughout this process, social dialogue and consultation between stakeholders is required. This is crucial not only for the formulation, but also for the implementation and review, of national policy. The application of measures at an enterprise level also requires tripartite action. Social protection against occupational accidents should be viewed as the first, or fundamental, level of social protection mechanisms for workers.

<sup>38</sup> There are structural determining factors in the countries of the region that must be addressed as a whole if such a policy is to be effectively implemented. Among these factors, it is worth highlighting the repercussions on the labour market, workers' rights, national bodies with responsibility in this area and their institutional organization, high-risk industries, working conditions in small enterprises, the relationship between OSH and productivity in the face of international trade and the promotion of good labour practices and standards, the complexity of the informal economy, gender implications and new challenges posed by globalization.

**244.** All countries (governments, employers and workers) are anxious to improve OSH conditions and thereby prevent accidents and illness. However, the scarcity of technical and financial resources, coupled with the informality under which some enterprises operate, hinders progress towards that objective. Nevertheless, countries are continuing their efforts and seeking to make best use of available resources. To this end, the creation of national OSH systems is being promoted in Argentina, Mexico, Peru and the countries of Central America.

### 4.2.11. Migrant workers

#### Objective

Enhance the level of protection for migrant workers through managed migration.

#### Targets

1. By 2010, put in place a system of statistical data on migrant workers to provide input for policies formulated in this area.
2. Make progress on the use of the general framework to be formulated by the ILO at the request of the International Labour Conference (ILC) and achieve ratification of Conventions Nos. 97 and 143, also advocated by the ILC. The aim of these actions is to facilitate the orderly management of the migration process.
3. By 2010, ensure that all migration origin and destination countries have in place a strategy and plan of action for the orderly management of migration.

#### Rationale

**245.** Despite recent economic growth, emigration in the region continues to increase suggesting that, in many countries, opportunities are not being created at the same rate as elsewhere in the world, or that the benefits of economic growth are not being distributed fairly among different socio-economic groups. There are also non-economic factors leading to a decision to emigrate. These include armed conflict, hunger, racial discrimination and political persecution in the country of origin, as well as falling transport and communications costs and the increasingly intense interactions between societies.

**246.** It is estimated that more than 20 million people in Latin America and the Caribbean live outside their country of birth,<sup>39</sup> a trend that has accelerated markedly in recent years.<sup>40</sup> An indirect indicator of this trend is the ever-increasing value of remittances, which amounted to US\$45 billion in the region in 2004<sup>41</sup> and US\$236 billion worldwide. In regard to labour, most migrants are from non-professional occupations (in the case of men) and domestic service (in the case of women).

<sup>39</sup> Emigration to places outside the region focuses on the United States, where at least three-quarters of emigrants from the region are to be found, although new flows of migration to Europe have recently emerged, particularly to Spain, the second most popular destination for migrants, which is followed by Canada. At the same time, there has been an increase in the Latin American and Caribbean presence in Australia, Israel, Italy, Japan and the United Kingdom. Intra-regional migration also takes place, with Argentina, Costa Rica and Venezuela showing the highest concentrations of immigrants from countries within the region.

<sup>40</sup> In some countries, such as Peru, this trend has reached dramatic proportions since, according to official figures, the negative migration balance for the period 2000-05 amounts to more than one million people, nearly 5 per cent of the population.

<sup>41</sup> IDB: *Se buscan empleos: Los mercados laborales en América Latina* (2004).

**247.** Emigration has direct impacts on the region's labour markets, although these are not all in the same direction. One result of emigration is reduced demographic pressure on labour markets, reducing unemployment in countries where there is excess supply of labour. Emigration also generates an increase in remittances, helping certain sectors of the population to make ends meet. Conversely, if those who leave their country of origin are better qualified or educated than average, emigration can reduce long-term prospects for growth and hence limit the creation of decent work in the long term.<sup>42</sup>

**248.** The most serious problems concern the working conditions of migrants in their country of destination. Despite the positive experiences of certain groups of migrant workers in countries outside the region, who have enjoyed upwards social mobility as a result of their decision to migrate, a large number work for low wages and suffer a lack of social protection, denial of freedom of association, discrimination and social exclusion.

**249.** It is these migrants who are currently causing concern among governments and social actors in the region. However, little is known about them and, in reality, the action that can be taken is naturally limited by the fact that any undertaking in this area requires coordination with the authorities in the receiving countries.

## Policies

**250.** What can be done about this by the Latin American and Caribbean countries? Governments and social partners could formulate policies in the following areas:

- Improving knowledge, measurement and analysis of migration since, despite an increasing amount of data on remittances, there is no high-quality up-to-date statistical information either on the flows and number of migrant workers or their demographic, economic and social characteristics. A specific measure to be undertaken by 2015 would therefore be to develop a statistical information system on migrant workers in the Americas, enabling studies to be conducted that could contribute to the formulation of managed migration policies and enhance the benefits of migration in both origin and destination countries.
- Strengthening of standards and their application. For this, steps should be taken to ensure that by 2010, every country in the region has ratified Conventions Nos. 97 and 143, which call for cooperation between States and the adoption of measures to facilitate and control migration flows. They also include the underlying principle of equal treatment for regular migrants and national workers and minimum protection standards for all migrant workers, while also providing for participation by the social partners in the formulation of national policies. If these standards are to be applied effectively, strategic alliances are required. For example, a working party dedicated to this issue could be set up, with civil society participation, in order to promote ratification of ILO Conventions Nos. 97 and 143, the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, and the Vienna Convention on Consular Relations.
- At the request of its constituents, the ILO is formulating a general voluntary framework for States, which will facilitate the orderly management of the migration process by taking into account the effects of migration on origin and host countries, as well as the rights and obligations of migrants themselves. The governments of the region, as well as workers' and employers' organizations, should support the dissemination of these rules once they have been presented to the ILC in 2007 and, where possible, incorporate them into their own migration policies.

<sup>42</sup> At the beginning of the 1990s, some 300,000 technical and professional workers in Latin America and the Caribbean (around 3 per cent of the regional total) were living in countries other than the one they were born in. More than one third of that total figure was concentrated in the United States. See M. Villa and J. Martínez: *Tendencias y patrones de la migración internacional en América Latina y el Caribe*, paper presented at the Symposium on International Migration in the Americas organized by ECLAC and IOM in San José (Costa Rica), 4-6 September 2000.

- Promoting social dialogue. By 2008, there should be a regional network dedicated to promoting decent work for migrant workers, made up of tripartite working parties in destination countries within and outside the region. The network would include representatives of documented migrant workers. It is hoped that interest will be shown in such an initiative because, on the one hand, employers find themselves faced with numerous political and practical obstacles to taking on migrant workers and, on the other, migration also affects workers' organizations, as migrant workers have difficulty in exercising their right to freedom of association. Workers' organizations in the countries of origin can, through peer contacts in destination countries, help migrant workers to obtain information on employment opportunities and the rights and obligations of workers in destination countries. It is suggested that a regional working party be created in order to engage in social dialogue on migrant workers with the aim of reaching agreement on policies concerning decent work and migration and development, and formulating clear recommendations on ways forward.
- Promotion of policies to maximize the contribution of migration to development is another key element. Of these policies, it is worth highlighting the need to seek incentives to encourage the productive investment of remittances as a means of combating poverty, injustice and social exclusion among vulnerable groups. Consideration should be given to mechanisms for allocating resources to the development of projects and programmes to generate or increase job creation (for example, through collective remittances). Other options that could be promoted involve capital and technology transfer by migrant professionals and business people and transnational business initiatives. Although remittances charges have decreased, there is a need for additional technological and structural solutions to reduce them still further, since such charges are higher than the actual cost of sending the remittance.
- Promoting the mainstreaming of the migration issue in integration processes, with a target for 2007 of preparing a plan of action to promote the inclusion of the topic of labour migration in the integration processes taking place in the Americas. It can be observed that the extent to which the question of migration has been included in the integration processes within the region has varied.<sup>43</sup> Although progress has been achieved and declarations made in this regard, the challenge still remains of putting those recommendations into practice, something which requires cooperation from receiving countries. To this end, it is proposed that countries of origin and destination enter into bilateral and multilateral agreements covering various aspects of migration. A further proposal would be to harmonize migration provisions, laws and labour codes during the integration processes, as well as improving the exchange of information on vacancies and qualification requirements for foreign workers.

**251.** Another major challenge involves formulating decent work and development policies in collaboration with host countries. In this regard, there are good examples of commitment to respecting the labour rights of migrant workers and improving their working conditions. In the Mexico-United States Joint Ministerial Declaration on the Labour Rights of Migrant Workers of April 2002, the Ministers of Labour of the two countries enshrined their commitment to promoting, within the limits of their competence, the utmost compliance with labour laws in order to protect all workers.<sup>44</sup> In April 2005, the federal Government of Canada announced the so-called Internationally Trained Workers Initiative, thereby demonstrating its

<sup>43</sup> Some instruments addressing this question do exist: in Central America, the Tegucigalpa Declaration of June 2005; in the Caribbean, the agreements resulting from the Eleventh Meeting of the CARICOM Council for Human and Social Development, 2004; in the Andean subregion, Decision 545, or Andean Labour Migration Instrument of June 2003; and finally, the MERCOSUR Socio-Labour Declaration of December 1998. These instruments are useful for intra-regional migration, but contain only declaratory mechanisms concerning migration out of the region, the predominant type.

<sup>44</sup> The rigorous application of such laws includes basic protection measures guaranteeing payment of the minimum wage and a safe, healthy working environment for all workers, migrants or otherwise. Furthermore, in July 2004, the United States Secretary of Labor and the Mexican Minister of Foreign Relations signed a joint agreement to improve working conditions for Mexican workers. In this agreement, the Wage and Hour Division and the Occupational Safety and Health Administration of the United States Department of Labor signed two Letters of Intent with the Mexican Ministry of Foreign Relations.

commitment to greater integration of immigrants in the Canadian labour market.<sup>45</sup> In the same spirit, it is proposed that, by 2010, the governments of the main migrant worker countries of origin in the region should have a strategy and plan of action aimed at generating decent work for migrants, in collaboration with the principal destination countries. These plans of action should include: provisions for the prosecution of those involved in illegal activities; protection and assistance for victims; coordination between national and international investigations; and action to address the causes of the problem in the countries of origin and ensure access to regular labour migration channels and decent work in those countries. Gender and ethnic dimensions need to be taken into account. There is also a need for policies to promote social integration and inclusion and to eliminate discrimination against migrant workers, including action to promote access to health services for migrant workers and their families to combat cases of discrimination and xenophobia where necessary.

**252.** The design of policies for managed migration and to provide support to migrants abroad is still in its infancy in the countries of the region. The exceptions, as mentioned above, are Canada, Mexico and the United States, countries with a certain tradition of both research into the migration process and support for migrant workers.

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<sup>45</sup> This initiative focuses on improving integration of internationally qualified health-care professionals, establishing the Foreign Credentials Recognition Program, developing a language teaching initiative for immigrants, creating a web site providing information for people interested in emigrating to Canada, and drawing up a plan of action to combat racism.

## 5. Decent work country programmes

### Objective

Promote decent work as an objective of the development strategies of countries in the region, contribute to the development of a decent work plan and conduct a specific ILO programme of action in each country to support implementation of the national plan.

### Target

The development and implementation as from 2006 of national strategies to promote decent work in all countries of the region, and of decent work programmes supporting the national strategies.

### Rationale

**253.** The national decent work plan should not only meet the needs deemed by the key actors in each country to have the highest priority, but also take into account the feasibility of the solution proposed, on the basis of an analysis of the strengths, weaknesses, opportunities and risks encountered in each national context. The ILO is already committed to putting its knowledge, instruments and advocacy at the service of its tripartite constituents through decent work country programmes (DWCPs) to support the development of national plans for the promotion of decent work.

### Policies

**254.** Decent work country programmes form a coherent framework for organizing the cooperation the ILO will give in each country. They are implemented by the ILO in consultation with governments and the social partners, and must be based on one or more of the priorities contained in the national plans for the promotion of decent work, provide a clear framework of complementary policies and measures, be aimed at practical, measurable outcomes and detail the specific activities through which the ILO will contribute to attaining the objectives laid down in the national plan.<sup>1</sup>

In so far as employment and decent work for all are a key means for reducing poverty as well as attaining each country's broader development objectives, DWCPs are the channel through which the ILO's contribution flows into more

<sup>1</sup> Circular No. 599, "Decent work country programmes", ILO, 2004.



general national development efforts. DWCPs must therefore be incorporated in existing national development plans and national and international programming frameworks to reduce poverty and promote development (including the United Nations Development Assistance Framework, the Millennium Development Goals reports and poverty reduction programmes) and establish synergies with them.

DWCPs are therefore the ideal, preferred mechanism for ILO involvement in international cooperation for development in each country. They are a tool that informs and allows full ILO cooperation in the coherent development assistance initiatives currently being introduced within the reform process of the United Nations system.

DWCPs are the framework linking, in a complementary and convergent manner, the various ILO support initiatives in each country, funded both from the ILO regular budget and, in particular, from extra-budgetary technical cooperation resources. To this end, DWCPs are the preferred means for attracting and channelling extra-budgetary funds from various sources, both from the country itself and from external donors or other international organizations and agencies, which will be added to the seed funding obtained from the regular ILO budget. Extra-budgetary resources to support DWCPs will be mobilized at both local and central levels.

**255.** DWCPs should help to define a decent work promotion strategy in keeping with the particular features of each country and with the collaboration of key actors (governments, workers' and employers' organizations). The policies and activities set out by the ILO in this Report provide a frame of reference for determining how decent work is to be incorporated in national development strategies and, once adopted at national level, form a basis for the development of DWCPs. The process of formulating and implementing DWCPs entails six important steps:

- a comprehensive analysis of the situation regarding decent work or its absence in a country, determining the most relevant labour and social issues, in the context of national plans and strategies and those to be carried out through international cooperation;
- the establishment of priorities that reflect broad agreement among the constituents and other key actors;
- a definition of the objectives and strategies of the DWCPs, analysing and evaluating countries' strengths and weaknesses, and the potential (including possibilities for international cooperation) and risks involved;
- the establishment of a system of resources, both national and from cooperation, for the attainment of the objectives and priorities identified;
- the implementation of the programme and development of a pertinent management plan;
- the design and implementation of a DWCP follow-up system to monitor and report on achievements and results.

**256.** The formulation of DWCPs is the responsibility of the ILO, in consultation with governments and the social partners. Hence the content of the programmes will depend on the particular features of each country and the priorities it establishes. The specific ILO activities for supporting any of the public policies backed through the national decent work plan will have to be detailed, as will strengthening of the institutions involved in designing or implementing the policies.

## **5.1. Public policies and decent work country programmes**

**257.** The policies outlined in this Report involve a number of factors that should be analysed and evaluated by each country in order to determine its priorities and lay down specific programme objectives and strategies. As mentioned above, selection of these proposals, together with others determined by each coun-

try, should result in a national decent work plan as part of the national development strategy.

**258.** The policies discussed in this regional agenda comprise a reference list for drawing up national decent work plans. The ILO will support national governments in the region to formulate such plans, with the active participation of employers and workers, to select the policy priorities in them and to determine the specific areas for which ILO technical assistance will be required through the country's DWCP.

## 5.2. *Institutional aspects of decent work country programmes*

### Objective

To build the institutional capacities needed to implement the policies contained in the decent work country programmes.

### Target

In the next ten years, efforts will be made:

1. to enhance capacity for managing labour policies;
2. to strengthen and develop social partners' organizations and reinforce social dialogue;
3. to establish a stable labour authority which has a potential violation detection rate 50 per cent higher than at present;
4. to improve knowledge of the workings of the labour market and of working conditions using modern, integrated labour statistics systems.

### Rationale

**259.** One institutional aspect of decent work country programmes should undoubtedly be to strengthen and modernize the labour administration. In this regard, the need to strengthen employment services, both public and private, was mentioned in section 4.2.8. The following sections in this chapter will deal with policy proposals for four more aspects of the labour administration, namely: the integration and coordinated management of policies; the labour authority; research, reporting and the enhancement of knowledge on the structure and workings of the labour market and working conditions; and the best possible use of the institutions established through regional and subregional integration processes.

**260.** Moreover, as reiterated throughout this Report, there can be no real social dialogue at national, sectoral, local or enterprise level unless it includes strong, well-organized and well-trained social partners who can assess the situation, promoting changes which they use for their own benefit and that of society, and who recognize at the same time the rights that give meaning to the concepts of participation and consensus and who know that, to deal with current circumstances, confrontation must give way gradually to cooperation, in the framework of labour legislation and the rights enshrined in it.

## Policies

### *5.2.1. Integration and sound and coordinated management of policies*

**261.** With regard to strengthening the institutional system for designing and implementing the policies contained in the decent work country programmes, it is important for ministries of labour to assess their own political and technical capacities for formulating and applying policies and for them to obtain greater resources and technical capacity. In some circumstances, the lack of an adequate institutional system means that some important programmes or policies give less positive results than expected or are used for purposes other than those for which they were intended. In such cases, it is necessary to encourage stability and continuity in the public institutions which achieve significant results and in their technical personnel. For instance, reforms in public sector careers could be made.

**262.** Furthermore, the effectiveness of long-term public policies will depend not only on their content but also on their continuity, which requires stability in public institutions and their personnel, both technical and administrative. Many countries in the region, however, have a high turnover of such personnel. This is one of the chief obstacles, in the public institutions of a large number of countries in the region, to effective promotion of a programme of economic growth with decent work. Thus, it is essential for the effective and efficient development of this agenda that public service careers be institutionalized.

**263.** Another important issue is the scope of the policies. More often than not, they are restricted to small-scale programmes or initiatives. In these cases, the challenge for governments is to link efforts in one long-term approach and to convert the initiatives into genuine state policies that change or remove the restrictions on expansion of their benefits.

**264.** The greatest potential of States for promoting this agenda is in their own political capacity and technical competence to formulate and implement public policies in the various fields and areas discussed in this Report. That may well involve admitting that the “market versus State” debate of the early 1990s is over. In the past 15 years, experience has shown that both are equally necessary. A larger and better market is needed, but so is a larger and more efficient State: this does not necessarily mean, however, a more cumbersome State with a greater number of institutions and civil servants. Public policies are needed if markets are to function properly, but without efficient markets and appropriate public policies, the cost of running the State places a heavy burden on society.

**265.** Furthermore, it must be stressed that the State has both the duty and the power to coordinate and integrate the various policies. Even appropriately formulated and efficiently applied public policies will lose much of their effectiveness unless they are integrated into a long-term approach and coordinated. Experience has shown that good public policies are not enough in themselves to make a good long-term policy for economic growth with decent work.

**266.** The integration and coordination of public policies with a view to inducing growth and decent work requires at least the following measures to be considered at state level. First, ministers of labour and ministers of education must be included at high level in economics ministries. Secondly, forums need to be established for social dialogue – be it tripartite or broader – on these policies, if short-term government policy is to be transformed into long-term state policy. Similarly, the academic world must be more closely involved than it is now in the process of public policy conception and formulation. Both in enhancing the political and technical capacities of ministries of labour and in integrating policies, some progress has been made in the region. Horizontal cooperation between countries should therefore be encouraged, so that those which have achieved greater development in these areas can share their experience with the others.

### 5.2.2. Organizations of the social partners

**267.** The strengthening of workers' and employers' organizations will depend on the organizations themselves, and also on state action and the willingness of both sectors to enter into dialogue.

**268.** It is important for both employers and workers to step up their campaigns to attract new members and to further institutional decentralization.

**269.** However, this will not be enough to strengthen workers' and employers' organizations. The State must also remove any existing administrative and legal obstacles that might obstruct the establishment of trade unions or employers' associations. In this regard, it should be recalled again that the independence and autonomy of workers' and employers' organizations are a fundamental ILO principle that must be scrupulously observed by all its member States.

**270.** Equally important are the measures adopted by employers' organizations to eradicate any kind of anti-union practice that exists at enterprise level, whether to impede the establishment of trade unions or to hinder collective bargaining. Workers' organizations, for their part, must make every effort to improve their technical capacity in order to ensure that social dialogue is as fruitful as possible.

**271.** One major aspect in strengthening the social partners' organizations is the funding for their activities – in particular, for technical teams to allow them to provide their members with appropriate consultancy and support services. Clearly, the primary source of revenue must be financial contributions from members and affiliated institutions, along with income generated by the latter's activities. However, this does not appear to be sufficient given the weakness of the organizations – especially the unions. Therefore, certain schemes such as the salary deductions made in Panama for workers' training, and other similar schemes, should be evaluated and, where appropriate, adapted and adopted in the various countries of the region.

### 5.2.3. The labour authority

**272.** The labour administration is (or should be) a single, integral, harmonized system. This Report will not, however, attempt to deal with the whole of the labour administration, but will concentrate on two of its most important components: the labour authority and labour statistics and studies.

**273.** One of the major institutions of the labour administration is the labour authority, which facilitates and ensures the effective application of rights, laws and other pertinent standards. Sadly, for many of the countries in Latin America, this has not been a government priority. Indeed, one worrying statistic indicates that there is only one [labour] inspector for every 200,000 workers in the region.<sup>2</sup> Moreover, the weaknesses in the labour authorities extend beyond [labour] inspection. The overall likelihood of detection for labour law violations is fairly low, and the ability of the labour authority to impose penalties is restricted by procedures that should be modernized, as they are currently inconsistent.<sup>3</sup>

**274.** To solve this, an integrated dispute-settlement system that is transparent and fair for both parties to the labour relation will have to be implemented. A simple dispute-settlement scheme can be established in three stages. In the first, policies must be implemented that will consolidate the preventive role of the system, to provide awareness of legislation and consultation for the parties. This entails ensuring that all parties involved are familiar with labour standards and penalties for non-

<sup>2</sup> Strictly speaking, the figures should be for "inspectors per x enterprises" but, given the situation of statistics in Latin America, where information on enterprises is insufficiently developed, the number of "inspectors per x workers" is a good substitute.

<sup>3</sup> In Peru, it was found that the likelihood of detection by the Ministry of Labour was 4 per cent, while that of detection by the tax administration was 67 per cent; figures were similar for the local municipalities. Chacaltana, Lima, 2003.

compliance, as well as with inspection procedures. For the system to work, this awareness-raising stage must be targeted using constantly updated business registers.

**275.** Stage two comes into practice when a dispute has arisen between parties to a labour relationship: there are two possible paths to a solution.<sup>4</sup> One is a conciliation mechanism between the parties which may be compulsory, but takes into account the fact that conciliation cannot modify rights but can only provide a way of negotiating approaches or methods for exercising the rights. The outcome may be satisfactory terms for both parties or else lack of agreement resulting in the case coming before the judicial authority. The second path is when a dispute remains latent until a labour inspection takes place, at the instigation of one of the parties or automatically. Two outcomes are then possible: either a violation is identified, in which case the labour inspection system has to impose a penalty, or there is no violation and the enterprise is shown to be complying with all its labour obligations. In the first case, where there is a violation, there are two possibilities: either the enterprise makes the payment required or the system provides an alternative, as in the case of small businesses in Chile, for instance, where fines for labour law violations may be “paid” by attending information courses on labour rights; the other possibility is for the enterprise to contest the penalty for any reason, and then the case goes before the judicial authority.<sup>5</sup>

**276.** At the third stage, action must focus on the outcomes of judicial proceedings, which are generally unpredictable. Given the importance of the judicial aspect to the success of a good inspection, measures are required to ensure independence, consistency and speed in labour-rights cases.

**277.** One further aspect is the inspection process itself, which requires strengthening. Here, three types of measure are suggested. First, steps must be taken to consolidate state inspection systems in a single inspection system. It is untenable for countries with scarce resources to operate several types of inspection – tax, occupational safety and health, other labour standards, etc. – which are not integrated to enhance their results.<sup>6</sup> Secondly, labour inspection systems must be coordinated with the efforts made by the social partners: workers, who have an interest in seeing their rights upheld, and employers who uphold them, who have an interest in seeing that other enterprises that are competing unfairly are penalized. Finally, improvements are needed in inspection procedures (databases, very clear definitions, etc.), which are not normally standardized. The chief aim is for inspections to be transparent and consistent, while being thorough.

**278.** One fairly successful example is Chile, where the general criteria in the preceding paragraphs have been followed. Since late 2003, Chile has operated a programme for the replacement of fines by training, which allows [an employer] to undergo training in lieu of paying a fine for a labour law violation, once the cause for the violation has been rectified. The programme is aimed at micro-enterprises (with a maximum of nine employees), where employers tend to be unfamiliar with labour standards. The programme makes it obligatory for the firm’s legal representative to respond to the ministry’s summons. The procedure is simple. Once a fine has been imposed, the employer can make application for it to be replaced, which can be accepted or rejected by the labour directorate, on the basis of the firm’s history (one requirement is that the enterprise cannot have made application for another fine to be replaced in the same year). The course comprises mainly labour standards issues and business management tools and lasts for two sessions totalling six hours or one four-hour session (depending on the case). An employer who applies for a course but fails to attend it is charged double the initial fine. The

<sup>4</sup> These two alternatives are presented separately here as a theoretical exercise although, in practice, they may well overlap.

<sup>5</sup> An important point arises when the inspection finds that the business has committed no violations. Generally, action is taken only when an inspection shows that there has been a violation but it may be asked whether firms that meet their objectives should be given some kind of commendation to that effect by the inspector. This matter was discussed recently in Peru in connection with a system of good labour relation practices but, for various reasons, it was not applied.

<sup>6</sup> In Argentina and Peru, steps have been taken in this direction and agreements signed between the ministries of labour and the taxation authorities. The results are interesting.

results are interesting. In 2004, 126 sessions were held, providing training for a total of 1,368 micro-employers (including 464 women). The programme has been operating in all regions of the country and has trained over 100 employers during each month of operation. The figures are encouraging, given the complexity of coordinating all the different aspects of the service. In future, it is intended to improve the system on the basis of both users' and supervisors' experience.

#### **5.2.4. Enhancing knowledge of markets and working conditions**

**279.** Alongside a strengthened labour authority, another essential ingredient for advancing the Decent Work Agenda for the Hemisphere is the presence of a comprehensive database of all the factors determining the size and remuneration levels of the labour market, as well as working conditions in the region. In the past decade there has been positive progress in this area in the region thanks to programmes that have significantly improved the quality of household surveys. It has thus been possible to better describe the situation with regard to workers' entry into the labour force, remuneration, working conditions, access to protection and even, in some cases, hiring arrangements.

**280.** While this effort has been enormously important, it is clearly insufficient to obtain a complete picture of the world of work, primarily because, while households may exhibit the symptoms of labour problems, they do not necessarily show their causes. At best, in households only those causes that are rooted in the work can be seen, such as poor education levels, and some personal, family or even community characteristics of the workers themselves. These, however, are not the central problems, which, as we have seen, have to do with the structure of the economy and its low productivity. For example, productivity cannot be judged solely in terms of the workers' characteristics; equally or even more important are the production methods used, and even macroeconomic trends. Thus, in order to measure these variables properly, an integrated system of labour statistics is required, combining information from both households and enterprises, as well as from administrative registers.

**281.** Priority areas for action on this score should be to ensure that all governments in the region have indicators on decent work enabling policies to be monitored (coverage, effectiveness and impact), as well as labour productivity indicators (for which surveys need to be drawn up by means of a programme similar to the MECOVI one currently used for household surveys) and indicators for specific communities such as migrants, ethnic and racial groups and the rural sector.

**282.** In conjunction with this statistics programme, a process for analysing and monitoring policies is needed. Almost all the discussion on employment policy in the region – including proposals for labour reform – has been conducted on the basis of information from household surveys. However, an essential element in any policy is that the costs involved in applying it must be less than the potential benefits; therefore forecasts are needed on the costs and benefits of the policies proposed. Thus, systems for structured analysis (publications, analyses, etc.) and general equilibrium analysis will be established (such as those currently being set up in Argentina, with a specialized office for macroeconomic analysis within the Ministry of Labour), which are extremely useful in measuring and analysing all the variables involved in the policy measures usually discussed. It is essential that the policies proposed go beyond the traditional partial equilibrium analysis which is their usual basis.

#### **5.2.5. Institutionalizing integration processes**

**283.** In a globalized world, many policies implemented by countries rapidly encounter natural limits to their potential effect. There are therefore some areas where regional integration in general and policy harmonization in particular are

imperative. In the region, there is increasing interest in integration processes, some of which go beyond the field of commerce, and even the economy, to embrace political and social objectives also. This is not a simple process. A highly important point for discussion is whether these processes, in addition to contributing to wealth creation and the generation of greater investment and business opportunities, should also be linked to an explicit social and labour component and, if so, what form it should take. One avenue that could be explored is to incorporate the implementation of the Agenda for the Hemisphere proposed here into the institutions set up under the various integration processes.

**284.** One aspect of integration in which the countries of the region have shown great interest is the creation of a labour administration cooperation system. In this context, and at the request of the Inter-American Conference of Ministers of Labour (IACML), the ILO has drawn up a proposal, in conjunction with the Organization of American States (OAS), for the establishment of an inter-American labour administration network, which should be set up as soon as possible and be supported by countries in the region.

## *Afterword*

**285.** I shall conclude this Report by reminding Members of the ILO in the Americas of my firm conviction that it is time to include decent work as one of the objectives of national development, which requires us all to formulate national strategies to this end. The Agenda for the Hemisphere proposed here and the related targets and policies recommended, once they have been adapted to the particularities of each country, provide an ideal framework for developing national strategies. The International Labour Office is at the service of ILO member States to implement decent work country programmes in support of these strategies. Much remains to be done, but we are on the right road.

**286.** I would like to thank all delegations for attending this Sixteenth American Regional Meeting and to express my gratitude, and that of the ILO, to the President of Brazil for offering to host the Meeting, as well as to the Brazilian Minister of Labour and the various authorities that have assisted us throughout. Many thanks to you all.

Juan Somavia



## Recent declarations on decent work in the Americas

Year	Event	Held at	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
2003	XIII Inter-American Conference of Ministers of Labor (IACML) <sup>1</sup>	Salvador de Bahía, Brazil									24-26			
	XIII Ibero-American Summit of Heads of State and Government <sup>2</sup>	Santa Cruz de la Sierra, Bolivia											14-15	
2004	Declaration of Nuevo León: Extraordinary Summit of the Americas <sup>3</sup>	Monterrey, Mexico	13											
	Declaration of Guadalajara: Third Latin America and the Caribbean – European Union Summit <sup>4</sup>	Guadalajara, Mexico					28-29							
	MERCOSUR Regional Conference on Employment <sup>5</sup>	Buenos Aires, Argentina				15-16								
	14th Ibero-American Summit <sup>6</sup>	San José, Costa Rica											19-20	
	ANDINA Regional Conference on Employment <sup>7</sup>	Lima, Peru											22-23	
2005	Subregional Tripartite Forum for Employment – Subregional Office for Central America, Panama and the Dominican Republic <sup>8</sup>	Tegucigalpa, Honduras						28-30						
	XIV IACML <sup>9</sup>	Mexico City, Mexico									26-27			
	15th Ibero-American Summit <sup>10</sup>	Salamanca, Spain										14-15		
	IV Summit of the Americas <sup>11</sup>	Mar del Plata, Argentina											4-5	

<sup>1</sup> [http://www.oas.org/documents/ConferenciaTrabajoBrazil/DeclaracionSalvador\\_eng.pdf](http://www.oas.org/documents/ConferenciaTrabajoBrazil/DeclaracionSalvador_eng.pdf); [http://www.oas.org/documents/ConferenciaTrabajoBrazil/PlanAccionSalvador\\_eng.pdf](http://www.oas.org/documents/ConferenciaTrabajoBrazil/PlanAccionSalvador_eng.pdf).

<sup>2</sup> "We are convinced that welfare assistance programmes are no solution to poverty. Even if they provide a necessary palliative until an effective cure for the problem is found, we cannot allow society to crystallize into two separate groups – those in work and those on benefits. For this reason, we intend to promote all the measures necessary to reduce the high unemployment rates plaguing our societies by creating the right conditions for the development of businesses and profitable investment and through capacity-building and job-creation programmes to enable those without work to be placed into gainful employment. We likewise reaffirm our conviction that decent work, as conceived by the ILO, is the most effective way to improve the living conditions of our peoples and to enable them to share in the fruits of progress, both material and social. (23)"; <http://www.cumbresiberoamericanas.com> (available only in Spanish).

<sup>3</sup> "We recognize that overcoming poverty, hunger, and social inequality are major challenges facing many countries of the Hemisphere in the twenty-first century. We are convinced that coordinated and integrated economic and social policies are a prerequisite for success in combating inequality of opportunity and marginalization and such policies are fundamental pillars for constructing a more just society. We underscore that work, employment, and income are essential for an inclusive social policy (...) We are committed to the principles of decent work proclaimed by the International Labour Organization, and we

will promote the implementation of the Declaration on Fundamental Principles and Rights at Work in the conviction that respect for workers' rights and dignity is an essential element to achieving poverty reduction and sustainable social and economic development for our peoples (..."; [http://www.ftaa-alca.org/Summits/Monterrey/NLeon\\_e.asp](http://www.ftaa-alca.org/Summits/Monterrey/NLeon_e.asp)

<sup>4</sup> "We are committed to the principles of decent work proclaimed by the International Labour Organization, in the belief that respect for workers' rights and dignity is vital for achieving poverty reduction and sustainable social and economic development for our peoples. (60)"; <http://www.trabajo.gov.ar/crem/contexto.htm> (available only in Spanish).

<sup>5</sup> <http://www.trabajo.gov.ar/crem/contexto.htm> (available only in Spanish).

<sup>6</sup> "We reaffirm that efficient investment in education will be the key to successfully combating the unemployment that hampers growth and development in our countries and results in social exclusion for large sections of our populations. Lifelong learning and other initiatives offering opportunities to improve technical and vocational qualifications constitute an essential tool for securing decent jobs. (18)"; <http://www.oei.es/xivcumbredec.htm> (available only in Spanish).

<sup>7</sup> <http://www.comunidadandina.org/documentos/actas/act23-11-04.htm> (available only in Spanish).

<sup>8</sup> [http://portal.oit.or.cr/dmdocuments/foro/declaracio\\_tripartita.pdf](http://portal.oit.or.cr/dmdocuments/foro/declaracio_tripartita.pdf) (available only in Spanish).

<sup>9</sup> [http://www.oas.org/udse/english/cpo\\_trab\\_14minist.asp](http://www.oas.org/udse/english/cpo_trab_14minist.asp)

<sup>10</sup> "We reaffirm our commitment to conditions conducive to the creation of more and better jobs. To this end, we accord a central place in the Ibero-American agenda to decent work as a human right, because of its significant contribution to economic and social development and as a means of promoting a more equitable distribution of the benefits of economic growth that favours social inclusion, respect for workers' rights and an improvement in the standard of living of our peoples. (23)"; <http://www.cumbre-iberoamericana.org/cumbrelberoamericana/ES/Prensa/comunicadosPrensa/15-10-2005-60.htm> (available only in Spanish).

<sup>11</sup> [http://www.summit-americas.org/NextSummit\\_eng.htm](http://www.summit-americas.org/NextSummit_eng.htm)