

Globalization and decent work in the Americas

Fifteenth American Regional Meeting
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Report of the Director-General

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I. Introduction

The *Fifteenth Regional Meeting of the ILO Member States in the Americas* is taking place at a time when many countries in the region are facing a new and serious economic crisis, with inherent negative repercussions for the well-being of the population. Of the countries affected it is without a doubt Argentina, Brazil and Uruguay that are in the most difficult position.

In Argentina there appear to be numerous factors that have contributed to the current situation. I will refer to some of them at various points in this report. They are factors which have originated in the economic policy sphere and in the sphere of political activity itself, as well as in the organization and operation of state and provincial institutional structures. Its nature and underlying causes distinguish the Argentine crisis from the traditional crises which periodically affect the countries of Latin America. It is rather a crisis within the system itself, and overcoming it – which we all fervently hope will come about soon – will certainly mean promoting major structural change in the economic and political spheres, in social relations and in the very structure of the State.

In Uruguay and Brazil other factors led to the crisis. In Uruguay, which has followed a different economic policy from that of Argentina, with a flexible exchange rate, the crisis originated in the external sector, principally due to the withdrawal of Argentine capital and the resulting devaluation, making it difficult for the Government of Uruguay to service its foreign debt. In Brazil, and as ECLAC has diagnosed,¹ the devaluations which originated to a large extent in the uncertainties inherent in any electoral process meant an increase in the burden of servicing the foreign debt, while rises in interest rates and the indexing of public bonds raised the cost of domestic debt.

Chile, for its part, has been unable to isolate itself from the effects of the crisis in the MERCOSUR countries. Together with these and Ecuador, it was the country to suffer the greatest losses in export income during the first half of this year. Domestic demand is sluggish and GDP is predicted to reach no more than a modest 2.5 per cent in 2002. The ILO therefore considers that the rate of urban unemployment will remain at approximately 9 per cent of the economically active population.

¹ ECLAC: *Current conditions and outlook. Economic Survey of Latin America and the Caribbean 2001-2002* (Santiago de Chile, June 2002).

This crisis situation, which is also affecting other countries such as Paraguay and Venezuela, means that economic and labour forecasts for the current year are very poor. GDP in the region will contract by between 1 and 2 per cent, and the ILO estimates that the year will end with an open urban unemployment rate of approximately 10 per cent, the highest in the last 30 years. This situation, which began five years ago, has thrown into question some of the economic policy views that had gained a following in the first half of the 1990s.

Nor have the Caribbean countries been able to dissociate themselves from this general crisis in the region. While in Jamaica and Trinidad and Tobago GDP will rise between 2 and 3 per cent, according to ECLAC estimates, it will contract in the other CARICOM countries principally due to the downturn in tourism following the attacks of 11 September 2001. In Haiti, the economy will contract, in Cuba it will remain unchanged; economic growth is expected only in the Dominican Republic. The economic downturn seen in many of the countries in the area means that, just as in Latin America, enterprises are not requesting additional credit despite the expansion of the monetary base. In other words, in the Caribbean the economic optimism generated during the first half of the last decade and the consensus surrounding high and sustained economic growth is dwindling. What was that consensus?

From optimism to reality

Until the middle of the last decade, there were two major areas of consensus in the Latin American and Caribbean region. The first was that the economy was growing relatively fast, sustained by considerable foreign investment flows resulting largely from the privatization of companies and public property, with low inflation and macroeconomic stability which gave rise to the hope that the favourable economic trends would continue in the future. The second was that good economic performance was not being reflected in greater social progress, given that, among other things, unemployment levels did not fall, the employment generated was mostly of low quality, the recovery of real wages was very slow, the increase in labour productivity was low and the coverage of social protection was not expanding. Even so, there was a climate of cautious optimism about the economic and social outlook for the region and a degree of confidence that the benefits of economic growth really would soon translate into social progress.

This climate of optimism suffered a serious setback in 1997, when the effects of the crises in the countries of South-East Asia, followed by the Russian Federation and Brazil, were felt in the economies of Latin America. Foreign investment flows declined and even ceased altogether in some countries. Macroeconomic stability was shattered by the increases in fiscal deficits, domestic demand contracted and the economies went into recession. Against this background, social and labour problems became more acute. Unemployment and informal activities rose, as did poverty. Public services deteriorated, there was a rise in social malaise and political instability resurfaced in several countries on the American continent.

Many countries have now come out of the recession, or are coming out of it, while others like Argentina, Colombia and Venezuela are still struggling to restart their economies. However, even in those countries which have returned to economic growth and macroeconomic stability, the social and labour decline caused by the crisis continues.

People and families

The people suffering from this situation are individuals and their families. Accustomed to the coldness of statistics, we have been seeing people as mere numbers, forgetting that we all belong to one family. For a long time, mankind has considered the family, however much it has changed and adapted, to be the ideal institution in which to raise families, care for children, develop the personality and look after the elderly. Of course, it is true

that the State, schools and other institutions have taken over some of the family's traditional functions. The question that then arises is what will happen if the family is not able to provide care, support, socialization and security? Who then is going to bear the cost of the vacuum and perform these functions crucial to people and society? When we see that there are now millions of unemployed, underemployed and people working in the informal sector, we should not forget that, as well as individual people, we are talking about families who are facing enormous difficulties in feeding themselves and educating their children, and who are having to deal with the resulting conflicts and tensions. That is why poverty is the most corrosive force in our societies.

The crisis of the second half of the last decade, however, has also served to call our attention to other aspects on which we were perhaps not sufficiently focused. The crisis threw into sharp relief the vulnerability of both the commercial and financial external sectors in most countries in the region, the poor performance and undemocratic nature of much of the state institutional framework, the damaging effects of corruption in some countries and the undeniable and essential link – which is not always present – between freedom, democracy and economic and social development.

Likewise, we have learnt that it is not possible to live side by side with terrorism, whether national or international. The terrible events of 11 September 2001 in New York, which we condemned and will continue to condemn, and the barbarities that occur almost daily in Colombia and also formerly in Peru, to mention but a few, can be neither accepted nor allowed. Terrorism, like urban violence and corruption, not only affects countries' economic development, but also the health of our societies, the capacity to live together peacefully and the normal functioning of institutions. Differences, criticism, protest, the presentation of views that differ from the official line are welcome, always provided that they do not use terror as a method and do not endanger the foundations of peaceful democratic cohabitation.

We therefore have an obligation and a great opportunity to evaluate and review the developments of the past ten years, with a view to finding and adopting measures not only to return to high and sustained economic growth, but also to incorporate social objectives into economic policy, democratize and modernize institutions, prevent corruption and violence and – the final goal – to achieve development with freedom, equity, security and human dignity, in which the generation of *decent work* is not a mirage but an attainable goal.

If we do not do this, the current situation could get even worse, aggravating poverty and social exclusion and threatening political stability in many countries, including the very capacity to live in democratic harmony.

How can we advance this pursuit of a different kind of globalization, a controlled globalization, with *decent work* for all, in a context of strict respect for democratic freedoms and individual and collective rights?

In the first place, as set out in this report which I am presenting to the *Fifteenth American Regional Meeting*, we must start by upholding our commitment to open economies and societies, democracy and respect for people's rights, including labour rights. The ILO is not, and has never been, opposed to the process of globalization, as evidenced by our commitment to open economies and societies. However, we are convinced of the need for adequate control of this process.

Secondly, we must strive for an appropriate integration of economic and social objectives and policies. Social progress should not be seen as a consequence *a posteriori* (and, in many cases, a belated consequence which does

No to terrorism

Commitment to development in an era of globalization

Open economies and societies

Harmonization of policies

not eliminate existing social inequalities) of economic development, but as two sides of the same coin, complementing each other, in synergy, in a single, unique process. This integration of economic and social objectives and policies has undoubted institutional implications, since it requires, in each country, greater and more productive dialogue between the State and society and, as far as the government is concerned, between economic and social ministries. At the international level, it requires greater dialogue and coordination between the multilateral financial institutions and organizations within the United Nations system, such as the ILO.

International and national dialogue

As far as the ILO is concerned, I am determined to pursue the dialogue with the international financial organizations, as I was asked to do during the *Fourteenth American Regional Meeting*, held in Lima in August 1999. This dialogue should lead us to greater integration of economic and social objectives and policies and, in this way, help us to make progress in controlling globalization and generating *decent work*. Just as modern nation States were the product of the social consensus born of the seventeenth and eighteenth centuries, globalization today requires a global social contract with clear and just rules to manage this global process. Essential in managing the development of this new universal social contract is a dialogue between economic and social institutions, both national and international. That is why, since the Ottawa meeting, I have endeavoured to promote a constant dialogue between ministers of labour and ministers of the economy or treasury.

The governance of globalization is not just an abstract idea in the heads of intellectuals concerned by the present situation. It is the demand, often unspoken, of millions of people and families perplexed that the good news on investment, stability and growth has no effect on their own situation and daily life.

Core nature of work

Thirdly, we need to work together to find and adopt policies to generate good jobs, respecting ratified international standards (which presuppose a country's readiness to implement them depending on its degree of development and by sovereign decision), granting workers – both men and women – fair remuneration and adequate social protection. We cannot pursue policies where all these aspects of *decent work* follow separate and, at times, divergent paths. Social dialogue is vital in order to link the various dimensions of *decent work* into one unequivocal and integrated policy.

Affirmation of democracy

Finally, we must continue to be unyielding in our defence of democracy and its institutions, and of respect for personal rights and freedoms. We must also continue to insist that, in exercising our rights, we all wholly and effectively fulfil our obligations.

Is this process possible, and viable, against a background of globalization of the economy and information and communications technology?

Social basis of the macroeconomy

I have no doubt that not only is it possible, but, furthermore, it is essential. As I point out in my report, work performed in decent conditions, for fair wages, can also contribute to economic efficiency if, as the ILO suggests, current macroeconomic policies are reformulated, especially with respect to foreign exchange, fiscal and tax policies, and if a broader range of topics is included in the reformulation of these policies: business development, wages and incomes policies, investment in human capital and labour market institutions, and the role of job creation programmes. Many such policies are “compatible” with macroeconomic balance. In general, the sounder the social foundations of macroeconomic policies, the greater their sustainability.

A shared task

Launching a process such as I have outlined here is a task to be shared by society and the State, and not just a responsibility of governments. Both

they and civil society institutions and international organizations must play a part in this process.

As far as the ILO is concerned, more than ever before we must promote the shared task of our constituents in developing the labour dimension of the globalization process and adopting policies aimed at generating *decent work*. This will not only allow better governance of globalization and more effective action by our Organization, but it will also strengthen workers' and employers' organizations and governmental institutions, as well as ministries and secretariats of labour. In recent years we have worked hard to develop this shared task, and this is reflected in the raft of activities undertaken by the ILO in the region during the period 2000-02, which are described in the report on the ILO's activities in the region.

It is this shared task, working for managed globalization, excluding no one and with *decent work* for all, that I propose to examine at the *Fifteenth American Regional Meeting*, to be held in Lima thanks to the generous collaboration of our Peruvian constituents, to whom the Organization and I are deeply grateful.

In pursuing this goal of *decent work* for all, there are opportunities which we must grasp and encourage, which is why it is right for us to think about them at this Meeting. In this report, I refer to three of them, although they are not the only ones: development of the labour dimension of integration of the countries of the American continent and the Caribbean; the creation of more and better enterprises to generate more *decent work*; and the economic dynamism of women and young people.

Opportunities for better development in the hemisphere

The first topic is being considered by the World Commission on the Social Dimension of Globalization, and it was also discussed at the Inter-American Conference of Ministers of Labour in Ottawa last year. Complementing these initiatives, and taking a Latin American and Caribbean view, the ILO must now examine the progress that has been made and what remains to be done to build this socio-labour dimension of globalization.

The creation of more and better enterprises is a crucial goal in order to achieve our objective of generating *decent work*. To this end we need proactive policies.

The promotion of *decent work* for women and young people, especially from poor, urban, rural and indigenous families, is an obligation that we must all assume if we want freer and fairer societies. This also requires proactive policies. The ILO is committed to supporting the design and implementation of such policies.

In short, despite the crisis, the difficulties and the *decent work* deficits, I view the future with optimism if we strive together to achieve the shared task of linking economic growth with social development and if in so doing we grasp the opportunities that arise. The Office will do whatever is needed to meet this challenge.

II. Globalization and decent work

Globalization is the term increasingly used to describe the currently prevailing development model. Its distinctive features include the promotion of economic integration and the stimulation of private initiative. While it is not a homogeneous model around the world, its concrete manifestations tend to marginalize large segments of the population, even whole economies, due to factors such as knowledge and availability of financial resources and access to modern information and communication technologies.

Globalization, like any human endeavour, has its good and bad sides. The important thing is to stimulate its positive aspects and minimize its negative effects. We have to realize that change is not an ungovernable process, but can be managed and steered.

Stimulating change

Despite the economic growth recorded by the countries of the Americas during part of the last decade (1990-96), we are still faced with a series of factors of inequality and social exclusion. The greatest of these is the persistence of the ongoing problem of poverty. On our continent the economy has become globalized, but poverty and social exclusion have spread. Now, unlike in the seventies and part of the eighties, it is not only the low-income sectors that are falling into poverty, but also the middle classes.

“Why do I not have access to the benefits of globalization? Why do I feel I have no opportunities and that I am not treated the same as everyone else?” These and other questions are sowing seeds of doubt in the minds of our fellow citizens, north and south of the Rio Grande. Even the effectiveness of democracy and the credibility of the economic policies applied are being called into question.

Questions people ask

For these reasons I would like to offer some brief remarks on the globalization process and its effects, both positive and negative, and its potential to generate *decent work* and sustained social progress.

1. Economic growth, inequality and social exclusion in the Americas

In Latin America, the process of globalization based on openness and greater integration in the global economy is accompanied from time to time by a parallel structural adjustment process to restore and maintain macroeconomic equilibrium and to adjust to changes in the international economy.

Economic openness, structural adjustment and the labour market

The process of openness and economic integration is mainly based on lowering tariffs and other barriers, liberalizing the financial sector and providing guarantees for foreign investment and the repatriation of profits.

Main areas of adjustment

Structural adjustment seeks to stabilize domestic prices and restructure the national systems of production. For this purpose, the adjustment is focused on three areas: restoring and maintaining price stability by controlling growth in domestic demand through wages, tax and monetary policies; greater deregulation of markets for goods and services, capital and labour; and reorganization of the structure and activities of the State, by privatizing public enterprises and services; and sometimes a considerable reduction in employment in central government.

According to the economic theory on which both processes are based, their confluence should have positive effects on national economies and the level of people's well-being, especially of the poorest. In some countries in the region (Argentina being the case most often studied), the reforms inherent in the opening up process created conditions intended to stabilize the economy through the use of a "pegged exchange rate", and an increase in the flow of foreign capital to finance the current account deficit in the balance of payments and contain the fiscal deficit. The stabilization of the economy, based on the "pegged exchange rate" generates four kinds of effects on the labour market in general and employment in particular.¹

Labour productivity

The first is the effect of openness on labour productivity. The variations in productivity can be divided into two parts. In the face of international competition and rising exchange rates, firms react by increasing productivity either by importing new technologies which are more capital intensive (reducing employment) or by introducing new, more productive working methods. Variations in productivity also have a cyclical element. When the economy is growing, productivity tends to rise, and the converse is true when the economy goes into recession. The increase in labour productivity comes from the generation of less employment per unit produced and, if the rate of growth of the product is not enough to offset this effect, the result is a rise in unemployment.

Imports and domestic production

A second major effect is the displacement of domestic production by imported products. As these economies had been highly protected from international competition, when exchange rates rose during the stabilization process, many sectors were unable to compete with imports. Consequently, a large part of the sector producing tradable goods de-

¹ J.M. Camargo: "Apertura económica, productividad y mercado de trabajo: Argentina, Brasil y México", in *Productividad y empleo en la apertura económica*, ILO, Lima, 1999.

clined or was simply destroyed and the jobs created by those sectors disappeared.

Thirdly, increased economic competitiveness due to greater openness and productivity tends to generate a rise in exports and thus employment in the competitive sectors of the economy.

Export sector

Lastly, as stabilization generates changes in relative prices and the redistribution of income among the relatively poorer groups, the resulting increase in demand generates an increase in production and employment, mainly in the non-traded goods sector. The latter two effects tend, at least in part, to offset the negative effects of higher productivity and the substitution of imports for domestic production.

Non-tradable goods

Many of these negative effects have been seen in Argentina, as the increase in labour productivity has gone hand in hand with job losses in the sectors producing tradable goods and a rise in unemployment.

However, in other countries (Mexico, chiefly, from 1994), the pattern of openness and stabilization was different, since it was secured not by a “pegged exchange rate”, but by a flexible one, which prevented openness causing firms to become uncompetitive. Thus, openness and adjustment did not have negative effects in tradable sectors, although, due to the rise in employment, the increases in productivity were much lower than in Argentina and other countries which applied open-trade policies and a fixed exchange rate.

Other approaches

Uruguay, one of the countries currently facing a period of economic crisis, has applied a fairly similar economic policy to that of Mexico. In the case of Uruguay the crisis will not derive so much from this policy but rather from the effect on the country of the Argentine crisis, the culminating point of which was the withdrawal of Argentine capital from Uruguay's financial system last August with the resulting loss of reserves and banking crisis.

In addition to the differences in exchange rate policy, variations can also be seen in the chronological order of commercial and financial openness. Argentina and Mexico are also the most striking examples of these two policies. In the case of Argentina, the two opening up processes were simultaneous. In the case of Mexico, open trade (mainly through the assembly industry) preceded the opening up of the financial market.

The distinction between the processes of opening up and stabilization in the two countries, based on different exchange rate policies and the sequence in which the openness policy was applied, is the key to evaluating why some countries had poor results, leading us not to reject globalization,² but to redirect macroeconomic policies which have not had the desired results in terms of employment and labour.

Mix and sequence of policies

The intended and observed effects of economic liberalization and structural adjustment

Effects on employment

The result of openness and adjustment has been low inflation and a recovery in real wages. In a good many countries in the region, however, this

² Some current economic thinking suggests that globalization and openness should not be regarded as synonymous, since there may be cases (Chile is one example) of highly globalized countries, with a high share of foreign capital in total investment, which maintain a degree of protection in some sectors of their economy.

has been achieved at the cost of a strong rise in real exchange rates, which, as pointed out above, was the result of fixed exchange rate policies. However, the rise in exchange rates and the reduction of levels of protection of the domestic market led to an increase in imports and the trade deficit, and the current account balance-of-payments deficit, such that, as the flow of foreign capital prior to 1997 declined, the external constraints that lay behind the eighties' crisis re-emerged. Overcoming these new external constraints led countries to adopt policies to achieve more exchange rate flexibility, greater control of wages growth, reductions in the level of employment and even protectionist measures (although not on the scale seen prior to opening up), which ran counter to their own strategy of integrating into the global economy.

Anticipated consequences

Moreover, as indicated above, opening up to foreign trade by reducing or removing tariff and non-tariff barriers to imports should have two clear consequences:

- Cheaper imported goods.

On the production side, it should lead to a reassignment of factors to export sectors, and on the consumer side, a shift in spending to imported goods which are now cheaper than before the economy was opened up. Consequently, the increase in exports should have a positive effect on employment, while the lower prices of imported goods should have a positive effect on people's real incomes.

- An increase in the relative price of unskilled labour-intensive goods.

Employment and unemployment

This would give rise, in turn, to an increase in the relative demand for such workers, since developing countries would specialize in the production of goods and services which make more intensive use of unskilled labour (the most abundant factor), while they would import goods relatively intensive in skilled labour (the scarcest resource). Then, in the medium and long term, demand for unskilled labour would increase and demand for skilled labour would fall. In the short term, the increase in the employment of skilled or semi-skilled labour would or could be offset by a reduction in employment in sectors producing goods that compete with imports, since the very need to compete in a less protected domestic market forces them to increase productivity which, at least initially, is largely achieved by a reduction in employment in those sectors.

However, neither a significant increase in the employment of unskilled labour (compared with skilled) nor a reduction in unemployment has been observed in practice.

As to unemployment, in Latin American countries as a whole, the rate of urban unemployment, which ranged from 5.5 per cent and 6.5 per cent between 1990 and 1994, began to rise in 1995 until by the end of the decade it had reached levels close to 8.5 per cent, and 9.4 per cent at the beginning of this year.³ A different pattern can be seen in the larger economies of the Caribbean countries where unemployment rates have been falling.

Unemployment among women is about 45 per cent higher than the overall or average unemployment rate, while youth unemployment is almost double this figure.

There are many reasons for the insufficient rise in employment of unskilled labour and the increase in unemployment. However, one – if not

³ Source: *Panorama Laboral, Avance 2002* (ILO, Lima).

the – main reason is that the price of unskilled labour in Latin America is in many cases higher than in Asia, for example. Thus for many countries in the region, opening up trade, added to the rise in exchange rates, does not mean a comparative advantage for the labour factor, since labour is not as plentiful nor as cheap as in other regions. Before the opening up of trade, almost all the countries operated a fixed exchange rate and a protectionist trade policy. Once they opened up, many countries went on operating a fixed exchange rate but, obviously, with little or no trade protection. As far as labour is concerned this means that these countries are left without any instruments to protect it in the trade sector which was inherently less competitive due to the former protectionist regime. Countries like Mexico where, as indicated earlier, the use of a flexible exchange rate allowed the application of protectionist policies and the promotion of employment in the tradable goods sector, are a different case.

Effects on labour productivity, wages and incomes

As mentioned above, in the face of increased international competition and rising exchange rates, firms responded by increasing productivity – either by importing new more capital-intensive technologies or by introducing new more productive working methods. Increased labour productivity results from generating less employment per unit of production and, if production of the product does not rise fast enough to offset this effect, the result is an increase in unemployment.

Indeed, even though labour productivity has increased considerably in the modern sector of the economy (especially in medium-sized and large enterprises), average productivity remained stagnant in Latin America and the Caribbean as a whole during the period 1990-2001. The reason for this is that although there was a modest annual rate of growth of 0.3 per cent up to 1998, this turned negative in the last three years. This dismal performance in average productivity is no doubt affected by the fall in productivity in the informal sector, which has become one of the main bottlenecks in achieving sustained and equitable development, since it is because of low and falling productivity that incomes in the sector are particularly low, to the point that, as will be discussed more fully below, nowadays many people prefer to leave their country in search of better opportunities abroad (even working illegally there) than are offered by the informal economy in their own country.

With respect to incomes and wages, openness should give rise to an increase in people's real incomes as a result of the low level of inflation. In addition, the greater demand for unskilled or semi-skilled workers should reduce the differential between the two types of worker.

However, the reduction in incomes and wage differentials has not happened. While the employment of people with low skills levels has increased (especially in trade and services in the informal sector and micro-enterprises) wage differentials have risen rather than fallen. Theories differ as to the reason for this trend. They range from those which maintain that the informal sector is somewhat saturated and cannot absorb as many workers as it could years ago, even with a reduction in average incomes (which would explain the observed increase in wage differentials), to those which assert that rates of participation have fallen with the withdrawal of some workers from the labour market, discouraged by having the lowest levels of income and wages. Another explanation, however, as to why wage differentials have not fallen is that there was no export boom in the region, so that unskilled labour was not employed in

Productivity and informal income

Wage differentials widen

the export or tradable sectors, but in non-tradable areas (especially the informal sector), which, so the theory goes, prevented any reduction in the incomes and wages gap.

Real wages rise As to workers' real wages, in the majority of countries the purchasing power of wages improved in 2001, with industrial wages rising by an average 1.6 per cent and minimum wages by 2.9 per cent. Over the period 1990-2001, real wages in industry rose in the region by 1.8 per cent annually and minimum wages by 0.9 per cent. This growth did not, however, restore wages to their 1980 levels, as minimum wages now stand at 74 per cent of the level 20 years ago, and industrial wages at 98 per cent.

In 2001, eight Latin American countries not only did not regain the real minimum wages of 1980, but they were still 50 per cent lower than 1980. The lowest level is in Mexico (31.2 per cent), followed by Peru (32.1 per cent), Haiti (32.7 per cent), El Salvador (33.1 per cent), Ecuador (40 per cent), Uruguay (42.1 per cent), Bolivia (43.6 per cent) and Venezuela (45 per cent). Chile, Colombia, Costa Rica, Panama, Paraguay and the Dominican Republic are the countries which have managed to surpass the 1980 minimum wage.

But inequalities persist With regard to income distribution, a recent ECLAC study⁴ shows that, however it is measured, Latin America's is the most unequal in the world, a situation that is by no means new, since it was also observed in the sixties.

According to the same study, the top 5 per cent of the population of Latin America received on average 25 per cent of total incomes, while the bottom 30 per cent only received 7.5 per cent. In South-West Asia, these percentages were 16 and 12.2 per cent, respectively, in Africa 24 per cent and 10.1 per cent, and in the developed countries, 13 per cent and 12.7 per cent.

It is a known fact that income distribution is determined by access to factors of production, ownership of those factors and the interplay of supply and demand for those factors. In the case of Latin America, the scarcest factors of production are skilled labour and capital and the inequality of access to good education and capital go a long way towards explaining this unbalanced and concentrated distribution of incomes in the region.⁵

Effects on social protection

The increase in employment should allow more people to belong to social security systems and, ultimately, social protection institutions would achieve financial stability. However, the percentage of wage workers in the formal sector who contribute to social security in the region fell from 80.6 per cent in 1990 to 79 per cent in 2000, and informal wage workers from 29.2 per cent to 26.9 per cent over the same period.

Effects on poverty trends

Economic theory also suggests that reducing the inflation rate should generate an increase in the incomes of the poorest population groups and, by virtue of that fact, an increase in their consumption. This would happen

⁴ S. Morley: *The income distribution problem in Latin America and the Caribbean*, ECLAC, 2000.

⁵ S. Morley, op. cit.

in two ways: by transfer of incomes to the social groups most affected by high inflation and by a change in the relative prices in trade and non-trade goods, in favour of the latter.

This effect, coupled with more targeted government social spending, should bring about a reduction in poverty levels. However, despite low inflation and better government social policies, poverty has not fallen. The number of poor people in the world rose by almost 100 million over the last decade of the twentieth century.

The number of poor has increased

Neither has the expected reduction in poverty in the countries of the American region as a whole come about, since ECLAC data show that the percentage of families in poverty and extreme poverty increased between 1995 and 2000. Thus, over the last decade, the total number of poor people rose by 11 million, and poor households rose by rather more than 1 million. In 1999, the proportion of poor out of the total population of Latin America was 43.8 per cent and the total number of poor households was 35.3 per cent. Extreme poverty, on the other hand, fell by some 4 million people. At the end of the decade, the destitute population accounted for 18 per cent of the total. Over large geographical areas, the intensity of both poverty and extreme poverty is still higher in rural than in urban areas.

Between 1990 and 1997 (the year when growth peaked), the level of urban poverty in the region fell from 35 to 30 per cent of households, and in rural areas, from 58 to 54 per cent of homes. The levels are still high. On the other hand, the level of destitution or extreme poverty fell from 12 to 10 per cent of urban homes and from 34 to 31 per cent of rural homes over the same period.

With respect to poverty levels and trends in those levels, I would like to draw attention to two aspects which I consider important. Firstly, despite efforts by governments to expand and improve their social policies with a view to reducing poverty, all the progress they make is lost when a new crisis arises. Peru is an example of this. All the progress made in reducing poverty up to 1997 was lost with the onset of the crisis in that year, to

Focus on the rural sector

Table 1. Latin America: Poor and destitute households and population

	Poor						Destitute					
	Total		Urban		Rural		Total		Urban		Rural	
	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Households												
1980	24.2	34.7	11.8	25.3	12.4	53.9	10.4	15	4.1	8.8	6.3	27.5
1990	39.1	41	24.7	35	14.1	58.2	16.9	17.7	8.5	12	8.4	34.1
1999	41.3	35.3	27.1	29.8	14.2	54.3	16.3	13.9	8.3	9.1	8.0	30.7
Population												
1980	135.9	40.5	62.9	29.8	73	59.9	62.4	18.6	22.5	10.6	39.9	32.7
1990	200.2	48.3	121.7	41.4	78.5	65.4	93.4	22.5	45	15.3	48.4	40.4
1999	211.4	43.8	134.2	37.1	77.2	63.7	89.4	18.5	43	11.9	46.4	38.3

Source: *Social Panorama of Latin America*, ECLAC, Oct. 2001.

such an extent that current poverty levels are higher than before the crisis. Secondly, the highest rates of poverty are found in rural areas. This leads us to consider the need, firstly, for policies to stimulate private investment in these areas and, secondly, the need to develop their economic infrastructure, especially means of communication. This would allow the development of local markets and link the economy to geographical factors.

As to the link between poverty and employment, as quite rightly stated by José Antonio Ocampo, Executive Secretary of ECLAC,⁶ “employment is the most important link between economic development and social development, in that it is the main source of household income (it generates 80 per cent of the total). A significant part of the social effects of greater integration of the countries of the region into the global economy, and the process of adjustment to achieve macroeconomic equilibrium and adjust to the changes in the international environment, are transmitted through the organization and operation of the labour market, with its impacts on income, social protection and distribution of material well-being to the population. Exclusion and social division caused by lack of access to quality jobs are, ultimately, critical factors in recurrent poverty and social inequalities, reflected in the high and persistent concentration of income prevailing in the region”.

Despite progress, women are still the most disadvantaged

Furthermore, poverty increasingly affects women and children. In the case of the latter, this is due to the higher proportion of children in poor households due to a higher birth rate for women in poor households. In the case of women, it is due to the greater difficulties they encounter in finding *decent work*, in other words, jobs and alternative ways of generating income capable of meeting their basic needs. Despite a significant increase in recent decades, women’s involvement in work, especially women from poor households, has remained significantly lower than for men (39 per cent in low-income sectors and 30 per cent on average – *Labour Overview, 1999*). Their unemployment rates and participation in the informal sector are still higher. These phenomena are related to factors such as: (a) the persistence of gender-based division of labour such that women continue to be mainly responsible for domestic and family tasks, meaning that those who do not have childcare support services face great difficulty in getting paid work, especially in the formal sector; (b) the persistence of marked occupational segmentation of the labour market which, by setting a low economic and social value on the tasks mostly performed by women (which are basically associated with “care” functions), results in the lower incomes obtained in that kind of occupation; (c) the inequality in access to productive resources (credit, technology, information, training).

Child labour

There is undoubtedly a connection between poverty and child labour. In poor households, children go out to seek work, even of the most dangerous kind, to contribute to the family income. This stops them studying, which very likely means that when they grow up they will have a job with very low productivity and remuneration such that their children will have to work to contribute to the family income. It is a vicious circle of repeating poverty which uses child labour as a vector.

The fact that extreme poverty has diminished, although poverty in general has increased, is due to two factors. One is the improvement in the

⁶ *Globalization and social development*, address by the Executive Secretary of ECLAC, José Antonio Ocampo, at the Second Meeting of former Ibero-American Heads of State (Santiago, 22-23 April 2002).

real wages of the poorest as a result of low inflation. The other is the application of better conceived, targeted and administered government social policies. The increase in non-extreme poverty could, therefore, be explained by the impoverishment of the middle classes.

Effects on the structure of the State

In many countries, the processes of opening up to trade and economic adjustment have been accompanied by a reform of the State. This was confined, in numerous cases, to privatization of assets or management of state enterprises or property, but in others it also affected the structure of central government institutions. Where total or partial reforms were carried through, this redefined the role of the State (which ceased to be a producer) and increased its efficiency.

Today, however, almost no one is satisfied with the reform. Some because they regard it as not going far enough, others because they think it has gone too far. Some, because they think it undermined the nature of the State, others because they think that the reform did not change the concept of the State which, in their view, made it difficult for markets to function properly.

Probably the reality, as it usually does, lies somewhere in between. Privatization of state enterprises has undoubtedly in many cases been beneficial to the population; in those cases the privatization process was clear and transparent. However, in many other cases, the public did not see what the benefits of privatization were, since the services provided by the privatized firms were no better and prices were even higher than before. In some of these firms, moreover, the privatization process does not seem to have been as clear and transparent as it should have been, if we judge by the various legal investigations going on at present. That is why, after the first great wave of privatization of state enterprises, people are now demanding that the criteria for privatizing state enterprises should be what they were always supposed to have been: an improvement in and development of services provided by the firm, with reasonable prices, under competitive conditions and through transparent privatization processes that are above suspicion. In other words, privatizations whose ultimate objective is to serve the interests of society.

A task that still remains to be done

Concerning reform of central government institutions, although great efforts have been made to rationalize their structure and functioning, it is also quite often true that reform has consisted merely of altering the general organizational chart of the executive. Some ministries were abolished, new ones created, some were merged, programmes were moved from one ministry to another, inter-ministerial committees were set up, etc. The result – we have to say, not without regret – has been that, with a few exceptions, much changed outwardly but nothing really changed! The reason for this, perhaps, is that we did not start from the right place, which was to ask what society expected from the State – and especially the government; this would have provided us with the basis on which to determine the State's functions in relation to its citizens and the most appropriate organization to carry out those functions efficiently. We have been very busy with alterations to the house, without first paying enough attention to planning them.

To sum up, I believe that real reform of the State is still something that has to be done. Not making the State bigger or smaller, but bringing it closer to the men and women who are its citizens, so as to respond better and more efficiently to what they expect from it. It requires us to spend more time coming to an agreement on the nature and functions of the

State and not its size, since that must depend on the functions that it is required to perform and the ability to finance it.

Increasing migration

Emigration: A complex phenomenon

It is no surprise in our region that the lack of work or the poor quality of the bulk of the existing jobs is giving rise to a phenomenon which, if not new, is becoming hugely significant – and yet we have perhaps not paid it sufficient attention. I am talking about the emigration of ever larger contingents of people to countries with a higher level of development in search of new and better job opportunities. In the case of Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and Peru, to mention only those countries with the highest levels of emigration, a large percentage of the active population is outside the country.

As we know, in the receiving countries, whether in Latin America itself, the United States, Canada or countries of the European Union and the southern part of our continent, there is a degree of social opposition to this migratory flow, even if there is a growing recognition that immigration is an antidote to the increased ageing of society. There is a growing perception that economic growth is only possible with open borders, well targeted migratory movements and rejuvenation of the population. It is becoming increasingly recognized that, in order to cope with and avoid ageing of the population, the explosion of costs, collapse of the pensions system and migratory movements, attempts must be made to achieve the regulated opening of borders.

For countries exporting labour, this ever-increasing process of emigration⁷ has positive effects, such as receipt of remittances of money sent by emigrants to their families; but it also has negative effects the scale of which we still do not adequately measure. One of these effects is the loss of huge contingents of skilled and semi-skilled labour, because it is not only the least-skilled poor who emigrate, and thus the transfer abroad of expensive investment in education and training by the labour-exporting countries.⁸ We know of cases of developing countries which face the paradox of not having labour in key sectors such as construction and which are obliged to recruit workers from neighbouring countries.

Labour market adjustment

This means that, unlike in the seventies and eighties, when the labour market adjusted to economic crises by increasing the number of unemployed and informal workers in low productivity and low-income activities, in the last decade and now, the market adjusts through an exponential increase in emigrants. This phenomenon shows the depth and gravity of the crisis, since it suggests that in many countries, the informal sector, which was traditionally the “safety valve” for workers who could not find jobs in the formal sector, now operates at income levels so low that a good many of those who would previously have sought refuge there prefer to emigrate to work, even illegally, in countries with higher incomes.

⁷ In Ecuador, for example, it is estimated that emigrants account for 12 per cent of the economically active population (EAP).

⁸ An ILO study shows that, in the middle of the last decade, of the total number of Ecuadorians who emigrated to other Andean countries, some 55 per cent had completed secondary school or university studies.

Table 2. Money remitted by emigrants to their countries of origin, 2001 (millions of dollars)

Country of origin	Amount
Bolivia	103
Brazil	2 600
Colombia	670
Cuba	930
Ecuador	1 400
El Salvador	1 972
Guatemala	584
Haiti	810
Honduras	460
Jamaica	959
Mexico	9 273
Total	23 083

Source: Multilateral Investment Fund, FOMIN.

The great excluded: Indigenous and poor rural populations

Another major population group which faces serious problems of poverty, marginalization and exclusion is the indigenous groups in the various countries of the region. Despite progress in recent years in protecting their rights, indigenous populations continue to face the greatest levels of poverty; they also find it difficult to have access to landownership, protect their environment against outside economic operations, defend the intellectual property of their ancestral methods, integrate as full citizens in the life and institutions of their country and gain access, including physically, to markets. This is all despite the broad support by governments in the region to ILO Convention No. 169, the application of which in practice is a very long way, however, from what the ILO and the indigenous peoples themselves would wish. A similar situation is experienced in some countries by specific racial groups and, in general, by poor subsistence farmers. Against a general background in which the profitability of farming activities fell drastically during the last decade, all of these groups now have more difficulty, if that is possible, in integrating into a globalized market, due to the persistent and serious lack of infrastructure, finance and marketing, and limited access to market information.

For all these reasons, the majority of people in Latin America and the Caribbean do not feel that the present development process is benefiting them in any way. This is somewhat disappointing. Indeed, if the greatest possible number of citizens are involved in the development process and if the majority benefit from its results, this would undoubtedly have a positive impact on people, their families and societies – and on the whole process itself.

The great excluded

Development for all

Tackling problems, such as those listed above, while maintaining the commitment to open and free economies and societies, is crucial to progress. There is a need for expansionary macroeconomic policies that give priority to maintaining existing employment as well as job creation; at the same time they must leave room to harmonize economic and social policies within a framework of fiscal discipline and economic freedom.

In short, along with the globalization process, the region is facing problems caused by rising unemployment (especially women and young people in urban areas), informal activities, job insecurity, exclusion and poverty. The question is whether this is a product of globalization or rather due to long-standing structural problems which globalization has failed to overcome?

2. *The global economy and decent work*

Spread of precariousness and insecurity

Insecurity is growing

The fact that the benefits of economic development do not translate into social and labour progress, and the ensuing insecurity this creates among workers and their families, is undoubtedly one of the great paradoxes of modern times. People observe this situation of insecurity and precariousness with anxiety. For many of them, the only way out is to take refuge in the most precarious strata of the informal economy, or emigrate, legally or illegally, to another country in search of new and better opportunities.

Again and again I have seen how income and the satisfaction gained from work have a direct impact on family life and the quality of family relations. Indeed, behind each unemployed person there is an unhappy family. The parents' lack of work gives rise to tensions, family violence and abuse. It affects children in school, drives them to delinquency and drugs and, all too often, child labour. In a low-income economy, unemployed people and their families are virtually abandoned to their fate.

That is why workers are concerned with work and present and future security, both their own and that of their families; they want to know whether they will be able to give their children opportunities in life, education, medical and other essential care. To achieve these goals, they need their voice to be heard in the community and the world of work, they need respect for themselves and their labour rights. These different concerns are common to all individuals and encompass the many aspects of daily life: people see life as a whole.

People's legitimate doubts

Given this situation, the doubts felt by many concerning the benefits of globalization are understandable. The answer to these doubts lies fundamentally in the world of work, because that is the benchmark used by people to measure their quality of life. If the world of work does not function properly, neither do society and the family.

The world of work

Despite the fact that work lies at the heart of any political considerations, it is not sufficiently taken into account in analysing the economic situation and adopting policies to manage it. This gap needs to be remedied by placing in the centre of the development process people and the work by which they integrate or do not integrate in joint efforts to grow and progress. It is, for example, highly relevant to understand to what extent

a particular economic decision creates or destroys jobs and take appropriate precautions.

Work must be decent work

For the great majority, paid work in micro, small, medium-sized and large enterprises continues to be the principal way in which they define their own identity and position in the community. Work is still the best way of participating in society, since it aids self-esteem, leads to social recognition and economic capacity and encourages people's civic involvement. However, employment which confers dignity and allows the development of personal capacities is not just any old work.

Child labour, slave labour, work in unhealthy or informal conditions do not help to define personal identity. Neither is the affirmation of personal worth served by employment without security or adequate social protection, where free association is infringed, or where people suffer from discrimination because of their sex, race, ethnic origin, age, social or national background, political or religious beliefs.

In the ILO we have said that *decent work* is the keenest aspiration of men and women. It is work which can satisfy personal and family needs for food, health and security, and educate the children. It is work which provides income on reaching retirement age and where fundamental labour rights are respected.

In consequence, work is the mirror in which people judge the performance of the economy. Balancing the budget, structural adjustment, the information and communications technology revolution, trade, investment and the global economy are, for many, just abstract ideas whose real importance they measure by their effects in the workplace and whether or not they increase job opportunities and generate income, provide adequate protection, promote participation through social dialogue – i.e., whether they generate *decent work*.

What do I mean by *decent work*? As I have said on several occasions, the best expression of what is meant by *decent work* is how people see it. It is about their job and their future prospects, their conditions of work, the balance between work and family life, the possibility of sending their children to school or withdrawing them from child labour. It is about gender equality, equal recognition and training of women so that they can take decisions and take control of their lives. It is about personal capacity to compete in the market, to keep up to date with new technological skills and stay healthy. It is about developing business skills and receiving a fair share of the wealth they have helped to create and not to be the victim of discrimination. It is about having a voice in the workplace and the community. In the most extreme situations, it is about graduating from subsistence to living. For many, it is the basic way of escaping poverty. For many others, it is about achieving personal ambitions in daily life and expressing solidarity with others. And, everywhere and for everyone, *decent work* is a way of ensuring human dignity, which for many sectors of the population is not at present the case.

These hopes that people have are not being fully satisfied. Despite economic growth during much of the last decade, the *decent work* deficit has not only not diminished but, in many countries in the region, has become more acute.

In this respect, in last year's edition of its periodical publication, *Labour Overview*, the Regional Office analysed the seven indicators of the abso-

Not any occupation is decent work

Work and the economy

What decent work means

Indicators of decent work

lute level of *decent work* (unemployment, informality, industrial wage and real minimum wage, women/men income gap, social protection and number of working hours) for the period 1990-2000. This analysis showed that seven countries in the region had made progress in *decent work* (Chile, Colombia, Costa Rica, El Salvador, Honduras, Panama and Paraguay) and in two countries, conditions were unchanged (Bolivia and Peru). Finally, in six countries, whose economically active population (EAP) accounts for some 75 per cent of the total for the region, the indicators show a regression to the nineties (Argentina, Brazil, Ecuador, Mexico, Uruguay and Venezuela).⁹

Causes of the decent work deficit

Why has the process of economic and technological globalization failed, at least up to now, to reduce the *decent work* deficit in the world and in this region in particular? There are at least three reasons. The first has to do with imbalances present when the economy and trade were being opened up. The second is linked to the total pre-eminence of macroeconomic stability policies, without sufficient account having been taken of their objectives or social effects. The third is connected to a change in the system of political values.

Imbalances present when economies were opening up

As mentioned above, countries “enter” the process of globalization with various types of imbalance:

- (a) a highly heterogeneous pattern of production, employment and productivity;
- (b) high foreign debt;
- (c) accumulated social debt;
- (d) macroeconomic instability (high inflation);
- (e) incapacity of institutions to solve social and political problems.

Economic and financial opening up put pressure on and undermine existing structures and, more than that, subject them to a violent process of uncertainty when they absorb the impact of crises at global level (Asian and Russian) and regional (Mexican, Argentinian and now Brazilian).

The pre-eminence of macroeconomic stability policies and the foreign debt burden

Monetary policy

During the past two decades, central banks have adopted monetary policies intended to control rises in prices (for which many countries have amended the central bank’s constitutional act) and the government has used the national budget as a means of encouraging investment, with the argument that by eliminating the fiscal deficit, country risk is reduced, which generates confidence among investors. In general, there is more emphasis on macroeconomic topics (such as the extent of the public debt) than structural issues (such as efficiency and competitiveness in industry). It is thus not surprising that many countries lack sectoral policies on investment, incentives to generate jobs or clearly proactive macroeconomic policies.

⁹ ILO: *Labour Overview: Latin America and the Caribbean, First quarter progress, 2001* (ILO, Lima), Dec. 2001.

In the majority of non-industrialized countries, monetary policy is still formulated in terms of targets for controlling inflation. Frequently, little attention is paid to fiscal and social costs incurred when these policies cause an increase in unemployment and underemployment. Defining specific targets for employment has the advantage that it allows open discussion of possible formulas for compromise between inflation control targets and priorities in employment and the financing of social protection.

In addition, the problem of foreign debt has not been solved and countries have to go on allocating a considerable part of their capacity to paying it back. In some countries the situation is even getting to the point where it is unsustainable. Argentina is a good example of this. It cannot pay its debts and, thus, it does not get the foreign credit that it needs to climb out of the pit of recession, essential if it is subsequently to be able to meet its obligations to its creditors. It is a vicious circle which must be broken – and doing this requires governments and international financial institutions to make a great leap of imagination and commitment to the future of the population, especially the poorest among them.

Foreign debt

Unfortunately, not much progress has been made in restructuring public debt, which continues to be mainly foreign debt rather than domestic borrowing. Colombia is perhaps one of the few exceptions to this rule, since it has been restructuring its debt since 1998. Conversely, in many of the other countries, central banks do not seem to have been interested enough in using debt paper as part of monetary policy, which explains, in addition to the heavy burden of total public debt, why in many countries of the region there has been no progress in developing capital markets.

Domestic borrowing

The result of all this is that a good many countries have to devote a large part of their resources to paying back these debts, thus limiting and even reducing the availability of resources for social investment.

In the majority of the countries, the current difficulty in reconciling disciplined macroeconomic policy with the financing of social investment is due, in addition to the debt burden, to the fiscal policy pursued during the economic growth years, especially during the period 1990-97. During those years, fiscal policy was pro-cyclical: the higher the level of economic activity, the higher the budget expenditure. There was no question of an anti-cyclical policy to allow saving (through stabilization funds or the like) for a “rainy day”. Now we are in the position that fiscal constraints and the lack of resources saved during the good years prevent governments from financing the social and employment policies demanded by the public. Fiscal policies should therefore be revised, giving them an anti-cyclical approach as described above.

Fiscal policy

Clearly, as Stiglitz¹⁰ points out, “Some level of fiscal discipline is required. Most countries would be better off with governments focusing on providing essential public services rather than running enterprises that would arguably perform better in the private sector, and so privatization often makes sense. When trade liberalization – the lowering of tariffs and elimination of other protectionist measures – is done in the right way and at the right pace, so that new jobs are created as inefficient jobs are destroyed, there can be significant efficiency gains. The problem was that many of these policies became ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were pushed too far, too fast, and to the exclusion of other policies that were needed. The results have been far from those intended. Fiscal austerity

¹⁰ J.E. Stiglitz: *Globalization and its discontents* (London, Allen Lane, The Penguin Press, 2002).

pushed too far, under the wrong circumstances, can induce recessions, and high interest rates may impede fledgling business enterprises.”

A prerequisite for the application of anti-cyclical fiscal policies is developing a neutral tax system, without discrimination or privileges, and which prevents tax evasion. That is because it is only with such a tax policy, coupled with domestic borrowing, that these fiscal policies can be financed.

A change in the concept of individual and collective security

Is insecurity a value?

A second reason why I think that the *decent work* deficit has not reduced in the majority of the countries in the region is that both the pre-eminence of the policy of macroeconomic equilibrium and many of the social reforms, including labour reforms in recent years, reflect a change in values which until not long ago were regarded as cast in stone.

While one of the pillars of the social state or the welfare state was the pursuit of security for individuals, society and the State itself against the various dangers and adversities that might surface, nowadays many people and institutions consider individual and collective insecurity as a new ethical-social “value”, asserting that this insecurity forces people and groups to choose “the best” and thus make every effort to avoid wrong choices. Risk, it is argued, demands greater efforts to achieve personal success and that success should ensure the efficiency of the system. In this way, insecurity and, up to a certain point, precariousness are perceived as a driving force of the market in the broadest sense of the term and linked to its efficiency.

As Ulrich Beck indicates,¹¹ “this economic policy of insecurity has a domino effect. What in the good times complemented and mutually reinforced each other – full employment, guaranteed pensions, high fiscal revenues, wide margin for government policy – is now a mutual threat. Work is becoming precarious. The bases of the social State are trembling. People’s normal lives are crumbling”.

Clearly the welfare state has limitations which need to be overcome, just as it is true that individual initiative can be a positive force. However, what is missing is a proper balance between security and uncertainty in the socio-economic and political pattern prevailing in the region.

As a result, among other factors that I have just mentioned, there are still at present high levels of *decent work* deficits in most of our countries.

3. Decent work deficits in the Americas

In order to realize people’s aspirations, we must begin by tackling the global *decent work* deficit. This deficit is reflected in an insufficient supply of jobs for men and women, inadequate social protection, denial of labour rights and failure of social dialogue. This gives us a measure of the great divide between the world in which we work and people’s hopes of attaining a better life.

Let us examine some of the main deficits in the American continent.

¹¹ U. Beck: *Freedom or capitalism: The uncertain future of labour*, Feb. 2002.

Deficits in legislation

It is important to analyse the existence of possible deficits in gender equality in each and every dimension of the Decent Work Agenda. One of the central ideas of this Agenda is that all people who work, men and women, have rights which must be respected. However, a greater proportion of women face the problem of *not being recognized as entitled to those rights*, since they are over-represented in the unprotected and “invisible” areas of the world of work.

Ensuring the same legal status for men and women is thus the first and necessary, but not sufficient, step. Making progress in the Decent Work Agenda, taking into account the gender dimension, also means advancing towards actual equality between men and women. This introduces the theme of the necessary link between respect for men and women workers’ rights and the ILO’s other strategic objectives (promotion of quality jobs for men and women, extension of social protection and promotion of social dialogue).

Convention No. 100 (equal remuneration for work of equal value) and Convention No. 111 (discrimination in respect of employment and occupation) are among the Conventions defined as fundamental in the ILO Declaration on Fundamental Principles and Rights at Work. However, there are some other ILO Conventions which are also essential to the objective of making non-discrimination a reality, among them Convention No. 183 (maternity protection) and Convention No. 156 (workers with family responsibilities).

Conventions Nos. 100 and 111 have been widely ratified in Latin America (see table 4 further on). However, differences in remuneration are still one of the most persistent forms of inequality between men and women at work. In Latin America, women’s incomes currently average three-quarters of those of men per hour worked.

Special attention should be given to maternity protection, since the fact that women are mothers – or likely to become mothers – and are primarily responsible for home and family life is still the main cause of discrimination at work. There can be no equality of opportunity between men and women at work without adequate protection of maternity and the right of women not to suffer discrimination on account of factors connected to their reproductive capacity. Despite the relatively advanced legislation in this respect in the majority of countries in Latin America, it is an area where the rights laid down in law are very frequently not observed. It is a matter of priority: (a) to strengthen national maternity protection legislation, especially mechanisms to prevent dismissal of pregnant or nursing mothers, and to finance-related medical and financial benefits which currently exist in most Latin American countries and which seek to ensure the non-discriminatory character of these protective measures; (b) to improve the mechanisms for ensuring compliance with maternity protection legislation; and (c) to endeavour to extend this protection to the broad segments of women workers engaged in precarious and atypical employment, and who are currently excluded (in the spirit of the Maternity Protection Convention, 2000 (No. 183), adopted by the ILO in June 2000).

Another aspect is that gender equality in the world of work is closely associated with gender equality in the sphere of home and family care (social reproduction). In this respect, it is important to promote changes to allow better distribution of family responsibilities in the domestic sphere and improve and extend childcare facilities which can overcome one of the main difficulties encountered by women in entering work, especially the poorest – a difficulty which is linked to their gender.

Gender equality

Maternity protection

Family responsibilities

***Discrimination
and enforcement
of fundamental labour
rights***

But we do not only find deficits in non-discrimination on the grounds of gender. Racial discrimination, discrimination against people affected by HIV/AIDS, cultural and even religious discrimination are also common currency.

There are also many serious problems concerning the application of ILO Conventions, including those referring to fundamental rights. Despite efforts by governments, workers, employers and international organizations to reduce child labour, over 17 million boys and girls in Latin America still work.

Concerning the failure to respect freedom of association, it should be recalled that Latin America has accounted for over 52 per cent of all cases submitted to the Committee on Freedom of Association since 1990. Forced labour is another concern that commonly figures in the observations of the Committee of Experts on the Application of Conventions and Recommendations and Global Reports on the ILO Declaration on Fundamental Principles and Rights at Work.

The priority Conventions, such as those on employment policies (No. 122), labour inspection (Nos. 81 and 129) or tripartism (No. 144) are a fundamental contribution to overcoming the problems of application and implementation of policies to support *decent work*.

Deficits in employment and incomes

***Seventeen million Latin
Americans unemployed***

At the end of the first quarter of this year, 9.4 per cent of the urban EAP in Latin America was unemployed.¹² Given the low economic growth expected in 2002, it is estimated that total urban unemployed will rise to 9.8 per cent, the worst in the region for 30 years. This represents about 18 million people. In the Caribbean, where a different measure of unemployment is used, unemployment rates range from 9 per cent (Barbados) to 16 per cent (Jamaica). These figures are not good, especially when they reflect a rise in unemployment going back to 1995 (prior to then, the average rate in Latin America was around 6 per cent), and so far attempts to reverse the trend have been without success.

As indicated earlier, urban unemployment particularly affects women and young people. In the case of the former, unemployment is usually 45 per cent higher than the average. In the case of the latter, it is almost double the general rate.

Women heads of household

Women at present account for 40 per cent of the urban EAP in Latin America. Some 30 per cent of households in the region have a woman at their head and, in 25 per cent of two-parent homes, women contribute at least 50 per cent of the family income. These figures show that the possibility of earning an income is an increasingly vital factor in the personal autonomy of women and contributes towards overcoming poverty in a growing number of homes. Rates of participation of women in work have been growing consistently over the last three decades. In the nineties, they rose even faster among poorest women. However, the gap between men's and women's participation in work is still very wide (30 percentage points, i.e. the rate of women's participation is 45 per cent and men's 75 per cent).

At the same time, employment opportunities for women have increased. Their rates of occupation rose in the nineties faster than men's, implying

¹² ILO: *Labour Overview*, op. cit.

that they occupied a higher proportion of the new jobs generated during the decade. However, this increase was not enough to absorb the rise in the number of women actively seeking work, resulting in significant levels of female unemployment, especially among the poorest women.

To those people without jobs may be added those whose job is of inferior quality, with low levels of productivity and incomes. The vast majority of these people work in the informal or unstructured sector of the economy. ILO estimates suggest that approximately 47 per cent of employed urban EAP in Latin America work in the informal sector (45 per cent of men employed and 50 per cent of women), i.e. 4 per cent more than in 1990. These men and women working in the informal sector are also found in the branches or sectors with the lowest productivity, such as retail trade and personal services, including domestic service. As indicated earlier, this expansion of the informal sector has slowed down in some countries – not because of the modernization of the country's productive structure but on account of the low incomes in the sector. Thus, many of the people who traditionally sought refuge in the informal sector now prefer to emigrate.

The degree of informalization of women's work, i.e. the percentage of women employed in the informal sector, is higher than men's – and this increased in the 1990s. Furthermore, the quality of women's jobs in the informal sector is inferior to that of men's jobs. The proportion of men in micro-enterprises is higher, a segment characterized by rather better employment than women working on their own account, unpaid family workers and domestic service.

However, the process of informalization of employment in the 1990s was more marked for men than for women. For every 100 new men's jobs, 70 were created in the informal sector, while for women, the proportion was 50.

But it is not just amongst the unemployed and in the informal sector that we find deficits in employment and gender equality. They also exist in the formal sector. This phenomenon has been assuming special importance since the beginning of the last decade, when it could be observed that there were wage earners in the formal sector who were employed on very short-term contracts with legal rights which did not automatically give them social protection and wage workers without a written contract who were paid low wages without any social protection at all. While the percentage of employees in this situation varies from country to country, there is no doubt that this group of workers has grown in size in recent years and on a scale such that in countries like Peru they account for two-thirds of all wage employees.

Generally speaking, about seven out of every ten people economically active in urban areas of Latin America do not have a job or have a poor quality job.

In rural areas, irrespective of whether they are primarily given over to farming or not, unemployment rates are perceptibly lower; however, the bulk of jobs are known to be of poor quality, especially among small farmers, indigenous or otherwise, engaged in subsistence agriculture or livestock husbandry with little connection to the market.

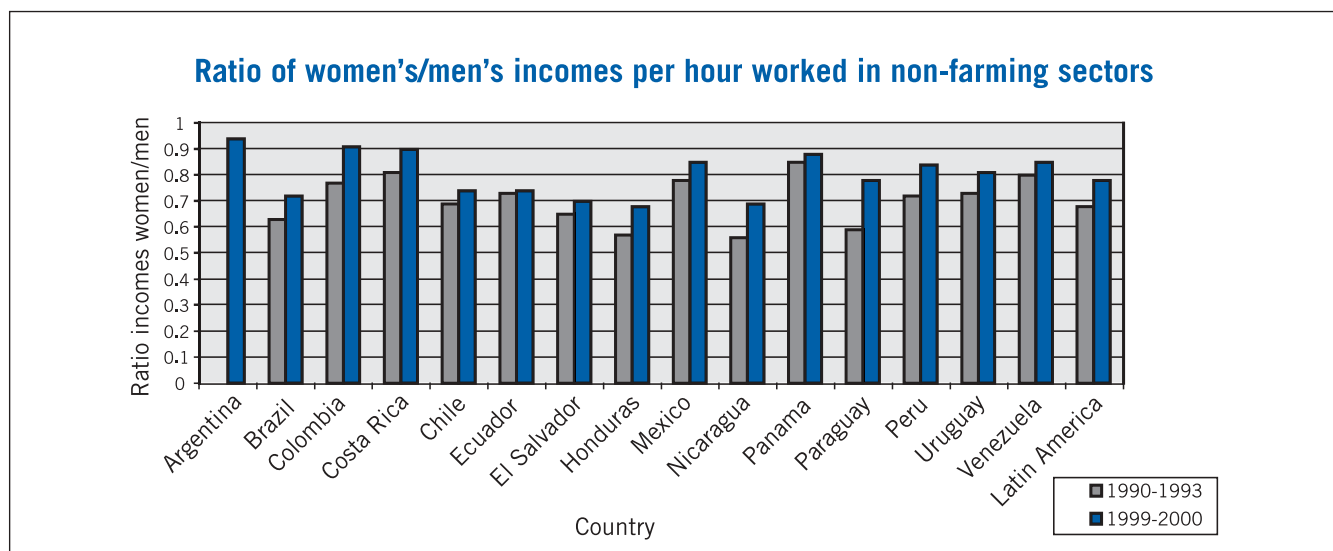
In the last ten years, wages and incomes from work have been gradually recovering in the majority of countries in Latin American and the Caribbean. On average, real industrial wages rose by an annual 1.8 per cent between 1990 and 2000, and minimum wages, by 0.9 per cent annually. However, industrial wages are now equivalent in real terms to those of 1980, and minimum wages only 74 per cent of the minimum wage of 20 years ago.

Surviving in the informal sector

Uncertainty in the formal sector

Seven out of ten people have employment problems

Incomes and wages



The trend in women's incomes also shows positive signs, since they have grown more rapidly than men's, and this has reduced the wage differentials between them noted at the beginning of the decade. However, the average income per hour worked for women is still only 78 per cent of that of men, and the gap is tending to widen instead of narrowing with the rising levels of education of employed people.

Moreover, as mentioned above, wage differentials between low-skilled and highly skilled workers have increased rather than narrowed, contradicting the theory suggested by international trade.

Likewise, the pattern of income distribution has become concentrated, with Latin America becoming the most unequal in the world. This has a decisive influence on the contraction of aggregate demand which, as well as preventing increased production, explains the low demand for the output of micro- and small enterprises, and hence the low incomes in the sector and their meagre contribution to job creation at the present time.

Deficits in social protection

Two-thirds of the EAP may be outside the social security system

At present, a little over a third of urban men and women wage earners do not pay social security contributions for health in some countries and health and pensions in others. The situation is particularly serious in the informal sector, where some 73 per cent of the total wage earners in the sector do not pay contributions. If the self-employed, workers in domestic service and the unemployed are added to the 36 per cent of workers who do not pay contributions, we find that in Latin America some two-thirds of the active population is outside the social security system, whether health-care provision or pensions. However, this does not mean that they do not have access to other health-care systems. Indeed, a good part of the population excluded from social security is cared for by public health institutions.

Women are particularly affected by this lack of access to social security benefits. They are doubly disadvantaged compared with men. Firstly, as they are over-represented in the informal sector and other precarious forms of work, they are excluded to a greater extent than men from social protection systems due to the patterns of employment in those sectors. Secondly, they have a greater need than men for social protection since,

as well as contingencies common to both sexes (old age, disability, health, unemployment, occupational accidents and diseases), they need protection specific to their reproductive function (maternity). Exclusion from social protection thus means that women have no maternity protection, with all the adverse consequences that implies, in terms of access to and stability at work, and the health and physical and mental security of the children.

ILO data suggests that some 38 per cent of women workers do not contribute to social security (72 per cent in the informal sector). With respect to economically active women as a whole in the Latin American region, the ILO estimates that 80 per cent are not protected by social security institutions.

80 per cent of women workers are not protected by social security

With respect to occupational accidents, the figures are worrying, both for this region and the world generally. Every year, 350,000 people lose their lives in accidents at the workplace and over a million and a half die from diseases contracted at work. On average, 5,000 people a day die from work-related accidents or diseases. The costs of these occupational accidents and diseases is equivalent to some 4 per cent of global GDP – much higher than it would cost to apply proper occupational safety and health legislation. In Latin America and the Caribbean, 27,000 people a year die as a result of accidents at the workplace, which is 13.5 for every 100,000 people employed.

In Latin America and the Caribbean, 27,000 deaths a year are caused by occupational accidents

Protection from unemployment, or unemployment insurance, exists in only a few countries in the region, and its coverage is very limited. However, other countries are beginning to consider the creation of unemployment insurance. Peru is the most advanced in this field. Thus, although income protection in the event of unemployment is not much developed in the region, I note with satisfaction the good new prospects opening up in this area.

Unemployment insurance

Deficits in organizational development and social dialogue

Regrettably, trade union membership fell during the past decade by percentages ranging from 1 to 29 per cent depending on the country. This

Trade union membership and collective bargaining

Table 3. Latin America: Percentage of wage workers not contributing to social security

		Informal sector			Formal sector	Overall total
		Informal total	Domestic service	Micro- and small enterprises		
1990	Total	70.8	82.4	65.3	19.6	33.4
	Men	65.5	64.5	67.5	20.9	31.6
	Women	73.0	83.4	60.5	17.2	34.9
2000	Total	73.1	76.9	70.7	21.0	35.8
	Men	73.5	68.1	73.5	22.4	34.4
	Women	72.2	77.4	62.5	18.8	37.5

Source: ILO: *Labour Overview*, op. cit.

decline has many causes, from the exponential rise in the number of workers on short-term contracts to the increase of work in the informal sector. It goes without saying that these factors are compounded by the harassment of the trade union movement and the violence to which it was subjected in some countries in the nineties, or the movement's own difficulties in modernizing and expanding its representation to the informal sector.

Against this background, it is not surprising that in 13 countries of the continent and the Caribbean analysed, the coverage of collective bargaining improved in only three during the past decade, declined in four and was unchanged in the rest.

Women often find it more difficult to organize in trade unions because of their patterns of employment. Indeed, they are over-represented in the most vulnerable and unprotected forms of employment and occupation, and are frequently outside the scope of trade union organizations and collective bargaining.

This does not mean that women necessarily have less ability to organize and engage in collective bargaining. On the contrary, trade unions in the region are increasingly recognizing that they must increase the presence of women in their membership and include gender issues on their agendas, not only due to the need to respond to the demands of a numerically growing category of workers but also as a way of expanding their representation base.

In turn, the topics of working women's rights and promotion of equality of opportunities are not absent from collective bargaining in Latin America. Although concentrated in a few basic subjects (such as protection of maternity/paternity), collective bargaining has been an important instrument in promoting the application of rights guaranteed by law and extending them.

The role of working women

The effective presence and representation of women in the structures and processes of social dialogue is vital to ensure that topics relating to the rights of working women and gender equality in the world of work become part and parcel of the social agenda. Likewise, strengthening those concerned in participating in social dialogue means involving women in its organization and representative structures and including gender issues on their agenda. The experience of tripartite committees for equality of opportunities in employment, created in the countries of southern Latin America from 1995 onwards, is an important example of this.

We must take it upon ourselves to do away gradually with these deficits in *decent work*, but this must be achieved in the context of globalization. The ILO neither opposes nor rejects the process of globalization. However, we believe, as I shall describe in greater detail below, that greater control of the process must be achieved, so as to harmonize its economic and social objectives.

Globalization, yes, but what kind of globalization?

The difference between the expected effects and the actual effects of liberalization of markets and structural adjustment, as well as the enormous deficits in *decent work*, many of which have increased over the last ten or 11 years, are seen by a growing number of people to be a consequence of globalization – albeit that, as I indicated above, opening up trade is not necessarily synonymous with globalization. Are these problems peculiar to globalization itself, or are they rather the consequences not of globalization as such, but of the form in which it has developed? If

so, should the process be modified to make it more manageable and inclusive? These questions require us to take a position concerning the current process of globalization.

The ILO is not opposed to globalization. On the contrary, I find it almost impossible to imagine a return to an economic world of high tariff and non-tariff protection, excessive controls (including prohibition) of foreign capital flows, an over-regulated labour market, high fiscal deficits and exorbitant rates of interest, and a fixed exchange rate system which proved unstable during the eighties crisis, the notorious lost decade. No one, I believe, wants to go back to that.

However, the fact that we refuse to rule out globalization of economic and financial activity and the movement of people and technology does not mean that we totally accept this process of globalization as it stands. Not only is it unable to overcome the economic distortions (now and when economies were opening up) and *decent work* deficits described above, but it helps, in my view, to aggravate them in some ways. We must not forget that nowadays a third of world trade is between multinational companies and their subsidiaries, another third between multinationals themselves and only the remaining third of trade is in a genuinely competitive market. Moreover, of this last third, a major part consists of purchases and sales on behalf of the State itself.

Furthermore, the most developed countries have encouraged the liberalization of trade in products that they themselves export, while at the same time protecting those sectors of their economies which might be threatened by competition from developing countries. This is quite clear in the case of agriculture. The developed countries maintain subsidies on their farm products and close their markets to imports of such goods, as well as of textiles where developing countries have a competitive advantage. Something akin occurs in the services sector, where markets continue to be relatively closed to maritime and construction services, in which developing countries have or could have a certain comparative advantage.

In an article published in 2001, I wrote the following:¹³ “Can we perceive of globalization which benefits the poor and the excluded, a globalization that reduces uncertainties and increases opportunities for all – a fair globalization? Certainly not with the present model. But this process can be modified if we admit that we can apply a social cement to the world economy so that its benefits reach the bulk of the population, and the costs of adjustment do not fall on the weakest in society. It is possible to adapt or modify the purely economic focus which sustains globalization.”

What I am suggesting is, thus, globalization, yes, but a different globalization. I do not advocate abandoning the ship of globalization, but changing its course. As I shall describe below, we need a globalizing process in which opening up to trade also includes goods and services produced by poor countries (mainly agricultural), a process which is governed by rules which are clear and fair to all, with supranational institutions able to govern the process and macroeconomic policies which integrate and make their own the social and political objectives desired by the people. What I propose, then, is greater governance, a greater integration of policies and a fundamental revision of macroeconomic policies, in order to surmount the present dichotomy in which economic policy follows one path and its own pace and patterns, and social policy and politics follow a different route, and a different pace and pattern.

Globalized economy

Social cement in the global economy

The need to change pace

¹³ J. Somavia: “Pour l’instauration de règles du jeu équitables”, in *Le Monde Diplomatique* (Paris), Sep. 2001.

4. The premises for generating decent work

Principles in support of the policies

The progressive reduction of *decent work* deficits requires the adoption of both general and specific policies. However, it also means supporting these policies with a series of principles to ensure that we all have equal opportunities on the path to generating *decent work*. These principles are basically three: restoration of solidarity within the system, respect for human rights and fundamental labour rights as the foundations on which to build a better future for all and, in this framework, the preservation and development of democratic liberties. As Amartya Sen¹⁴ points out, freedom is the ultimate goal of true development.

Restoring solidarity to provide security

Both individuals and firms nowadays face many uncertainties. Numerous companies plead for flexibility in their pursuit of competitiveness. Many workers, however, consider flexibility as being synonymous with insecurity.¹⁵ Workers need a certain degree of security in order to be able to work productively and invest efforts in developing their own skills, while firms need stable and sustainable labour markets to supply them with productive and skilled labour. How to harmonize the flexibility required by firms to be competitive with the security required by workers to be productive is a challenge addressed by the Decent Work Agenda. If the institutional framework is right, a balance can be struck between these different needs, for there is nothing incompatible about solidarity and competitiveness.

Basic protection

The need for the State to provide citizens with basic security and protection is not an ideological reasoning based on more or less debatable premises, but one which arises from a demand emanating from society based on the daily experiences of its members. More and more people are wondering about the point of economic growth and institutional modernization if it does not provide them and their families with more security. These people, who are the majority, do not demand a return to the past, but a minimum of security now and in the near future, and this will only be achieved by restoring the system of solidarity as the State's and society's basis of action to achieve social progress with justice and equity.

Human security

There is a growing understanding that security is not just a military or strategic issue but that it also has economic, social, cultural and environmental dimensions. This may be attributed to the fact that security is a basic human need. People look for this security both in their family and working life; they seek non-material protection (affection) as well as material protection (financial resources) to provide this security.

In the changing – indeed rapidly changing – world in which we have to live, uncertainty and a feeling of insecurity are even more understandable in those who do not feel they are benefiting from the changes. Insecurity at work can be socially and economically destructive if people do not acquire sufficient levels of employability, if firms do not achieve adequate levels of productivity and if economies are not sufficiently dynamic to be competitive. All this needs a framework of social dialogue.

¹⁴ A. Sen: *Development as freedom* (Madrid, Ed. Planeta, 2000).

¹⁵ For a more detailed analysis, see G. Standing: *Global labour flexibility: Seeking distributive justice* (Basingstoke, Macmillan, 1999).

The efforts we have been making in line with the new conceptual framework of social and economic security are well known. It is a fact that globalization has reorganized production and distribution systems throughout the whole world, as a result of which various forms of economic insecurity and inequality have emerged. That is why the ILO is working to define financially sustainable policies and institutions which provide social and economic security to a growing proportion of the population.

The family first

I want to draw attention to a subject which requires serious consideration, namely the role of the family in the face of change, and in particular to the fundamental role that this institution plays in the formation of a community's social capital.

Humanity has long found in the family, despite the many outward changes it has undergone, the institution which provides a proper setting for human reproduction, bringing up children, personal development and support for the elderly. Of course, the State, school and other institutions have taken over some of the family's traditional functions. The question that has to be asked then is what would happen if the family were not able to provide care, support, a social environment and security. Who then will step into the breach and undertake these functions vital to individual people and societies? Realities such as child pregnancy, child labour, family violence, juvenile delinquency, the growing number of children and adolescents in the care of the authorities or abandonment of old people show how difficult the situation is.

The number of single-parent families with a woman head of household is on the increase and must be properly addressed, especially if the woman is head of a poor household or has to survive working in the informal sector. The "people's canteens" or community nurseries which have emerged in Latin America are an expression of the solidarity among the very poor, and force us to reflect on ways to contribute more effectively to finding comprehensive and not merely palliative solutions.

Women heads of household

Clearly new ways of accommodating the organization of work and the family are needed to allow men and women to combine satisfactory work with being a father or mother. This is not just good for them, but also for their children and society. In Latin America, men work an average of 47 hours a week and women 40 hours, which reflects their efforts to obtain enough money to live decently (*Labour Overview, 2001*). In some countries and firms, measures have been discussed and introduced to reduce working time, create opportunities for part-time work for men and women, establish the same parental leave and permissions and improve childcare services. Such measures have been driven by legislation, the adoption of management policies designed to help employees reconcile working and family life, or collective bargaining. There is no doubt that these constitute considerable progress and are in the spirit of ILO Convention No. 156. However, given the scale of the problem, a broader approach must be taken to tackle this pressing reality – an approach that includes integrated government policies (some even mention fiscal measures) and appropriate private solutions.

The *decent work* approach seeks to tackle the pressing problem of the family as an area of security and social promotion, vital to the normal development of individuals and the sound functioning of the economy and society.

Building blocks of the future: Fundamental labour rights

One of the benefits of the reflection on development has been an understanding of the reciprocal implications of the various aspects involved. Legislative bodies, as well as political, economic and social institutions and mechanisms are to some extent autonomous, but they also influence each other. The so-called institutional economy, for example, has called attention to the impact of law-making decisions, institutional arrangements and the culture of a particular society on economic transaction costs.

There are some aspects of progress which the economy alone cannot resolve, although they are perceived as strictly economic questions. Social insertion, family stability, gender equality, for example, are development indicators, even if they are frequently overlooked when it is time to take economic policy decisions.

Institutional labour – A driving force of development

In the ILO we have been collecting data which show that labour as an institution is a driving force in economic progress and human development. That is why labour standards cannot be viewed simply as costs. Labour legislation is part of a social policy which can and must stimulate firms' productivity and the competitiveness of countries.

By this I do not mean that labour law is a rigid discipline. While it has led to various social victories, one must be realistic and weigh up the benefits provided by specific laws, in the light of a socio-economic analysis of the conditions that generate more and better jobs in specific settings. New initiatives which surface in the world of work must be duly examined.

The scope of the labour reforms in Latin America has been one of the central themes of the doctrinal and political debate in recent years. There has been much discussion and research on indexes of flexibility – their scope, magnitude and importance – as well as their impact on job creation and conditions of work – to determine the importance of labour reform legislation for the economic and social development of the countries of the region.

The ILO Declaration

Inter-American Democratic Charter and the ILO Declaration

Amidst all this debate, it is worth recalling that there are some issues concerned with an individual's dignity at work for which there can be no room for concessions. The Inter-American Democratic Charter, recently approved by the OAS, recalls that: "The promotion and strengthening of democracy requires the full and effective exercise of workers' rights and the application of core labour standards, as recognized in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and its Follow-up, adopted in 1998, as well as other related fundamental ILO Conventions. Democracy is strengthened by improving standards in the workplace and enhancing the quality of life for workers in the Hemisphere." (Article 10.)

The ILO Declaration, approved by the International Labour Conference, is a global initiative which seeks to respond to the challenges of globalization to human development. As the Director-General of the ILO stated in the preface to the first edition, the Declaration stems from the conviction "that growth must be accompanied by a minimum of social rules based on common values, to enable the persons concerned to claim their fair share of the wealth which they have helped to generate".

The member States of the ILO thus formally expressed their commitment to respect, promote and implement freedom of association and the right

to collective bargaining, elimination of forced labour, abolition of child labour and the elimination of all forms of discrimination in employment and occupation.

The Declaration, it should be recalled, is a corollary to the commitments and plan of action adopted by the Heads of State and Government at the World Summit on Social Development (Copenhagen, 1995). It was made possible by the support for the ILO's role in promoting the international labour standards recognized by the States participating in the ministerial conferences of the World Trade Organization in Singapore in 1996 and ratified by the Doha Conference in 2001.

The universal building blocks for *decent work* already exist in the obligation of all member States, recognized in the Declaration of 1998, to promote and to realize, in good faith, the principles concerning the fundamental rights which are the subject of those Conventions. It also seems reasonable to hope, however, that each country that undertakes to apply a policy of promoting *decent work* will also want to extend this obligation and progress as far as possible in encouraging other aspects of *decent work* which I have mentioned, and which are the goal or subject of the various ILO Conventions ratified by the member States.

It is gratifying to note that in these last years the ILO Members have promoted the effective application of the principles and rights under these fundamental standards. Evidence of this is the large number of ratifications of these Conventions achieved in the region and the incorporation of their provisions in political decisions of particular importance, such as the Declaration of Lima.

Application and extension of international labour standards

However, we still face serious problems in the area of standards. Firstly, the implementation of ILO standards is not always very effective in practice. Special attention should be paid to the application of the standards on freedom of association and organization of labour, collective bargaining and non-discrimination, as well as the eradication of child labour and the remnants of forced labour (i.e. those concerning the fundamental Conventions).

The inadequate application of ratified international standards is manifest in the large number of observations and direct questions of the Committee of Experts on the Application of Conventions and Recommendations concerning all the ratified Conventions, as well as the number of complaints submitted to the supervisory bodies under articles 24 and 26 of the ILO Constitution.

The failure to implement fundamental rights is especially widespread in the region. As mentioned earlier in the text, complaints relating to freedom of association and collective bargaining account for 52 per cent of the world total. The minimum age requirement is violated frequently, especially in the most hazardous forms of work, and there are increasing numbers of complaints about failure to apply equal treatment.

As I have mentioned on many occasions, fundamental rights at work are essential to generate *decent work* and constitute a minimum base. The central core of social dialogue consists of collective bargaining (and thus freedom of association), since it is by this means that the parties can define the conditions for increasing productivity, improving competitiveness and distributing fairly the benefits of those improvements. Likewise, it is impossible to generate *decent work* while there are still children working, human slaves or discrimination against individuals or groups. A

International support for the ILO Declaration

Effective application of fundamental rights

Table 4. Ratification of the fundamental Conventions in the Americas

	Forced labour		Freedom of association		Discrimination		Child labour	
	C. 29	C. 105	C. 87	C. 98	C. 100	C. 111	C. 138	C. 182
Antigua and Barbuda	02/02/1983	02/02/1983	02/02/1983	02/02/1983	-	02/02/1983	17/03/1983	-
Argentina	14/03/1950	18/01/1960	18/01/1960	24/09/1956	24/09/1956	18/06/1968	11/11/1996	05/02/2001
Bahamas	25/05/1976	25/05/1976	14/06/2001	25/05/1976	14/06/2001	14/06/2001	31/10/2001	14/06/2001
Barbados	08/05/1967	08/05/1967	08/05/1967	08/05/1967	19/09/1974	14/10/1974	04/01/2000	23/10/2000
Belize	15/12/1983	15/12/1983	15/12/1983	15/12/1983	22/06/1999	22/06/1999	06/03/2000	06/03/2000
Bolivia	-	11/06/1990	04/01/1965	15/11/1973	15/11/1973	31/01/1977	11/06/1997	-
Brazil	25/04/1957	18/06/1965	-	18/11/1952	25/04/1957	26/11/1965	28/06/2001	02/02/2000
Canada	-	14/07/1959	23/03/1972	-	16/11/1972	26/11/1964	-	06/06/2000
Chile	31/05/1933	01/02/1999	01/02/1999	01/02/1999	20/09/1971	20/09/1971	01/02/1999	17/07/2000
Colombia	04/03/1969	07/06/1963	16/11/1976	16/11/1976	07/06/1963	04/03/1969	02/02/2001	-
Costa Rica	02/06/1960	04/05/1959	02/06/1960	02/06/1960	02/06/1960	01/03/1962	11/06/1976	10/09/2001
Cuba	20/07/1953	02/06/1958	25/06/1952	29/04/1952	13/01/1954	26/08/1965	07/03/1975	-
Dominica	28/02/1983	28/02/1983	28/02/1983	28/02/1983	28/02/1983	28/02/1983	27/09/1983	04/01/2001
Dominican Republic	05/12/1956	23/06/1958	05/12/1956	22/09/1953	22/09/1953	13/07/1964	15/06/1999	15/11/2000
Ecuador	06/07/1954	05/02/1962	29/05/1967	28/05/1959	11/03/1957	10/07/1962	19/09/2000	19/09/2000
El Salvador	15/06/1995	18/11/1958	-	-	12/10/2000	15/06/1995	23/01/1996	12/10/2000
Grenada	09/07/1979	09/07/1979	25/10/1994	09/07/1979	25/10/1994	-	-	-
Guatemala	13/06/1989	09/12/1959	13/02/1952	13/02/1952	02/08/1961	11/10/1960	27/04/1990	11/10/2001
Guyana	08/06/1966	08/06/1966	25/09/1967	08/06/1966	13/06/1975	13/06/1975	15/04/1998	15/01/2001
Haiti	04/03/1958	04/03/1958	05/06/1979	12/04/1957	04/03/1958	09/11/1976	-	-
Honduras	21/02/1957	04/08/1958	27/06/1956	27/06/1956	09/08/1956	20/06/1960	09/06/1980	25/10/2001
Jamaica	26/12/1962	26/12/1962	26/12/1962	26/12/1962	14/01/1975	10/01/1975	-	-
Mexico	12/05/1934	01/06/1959	01/04/1950	-	23/08/1952	11/09/1961	-	30/06/2000
Nicaragua	12/04/1934	31/10/1967	31/10/1967	31/10/1967	31/10/1967	31/10/1967	02/11/1981	06/11/2000
Panama	16/05/1966	16/05/1966	03/06/1958	16/05/1966	03/06/1958	16/05/1966	31/10/2000	31/10/2000
Paraguay	28/08/1967	16/05/1968	28/06/1962	21/03/1966	24/06/1964	10/07/1967	-	07/03/2001
Peru	01/02/1960	06/12/1960	02/03/1960	13/03/1964	01/02/1960	10/08/1970	-	10/01/2002
Saint Kitts and Nevis	12/10/2000	12/10/2000	25/08/2000	04/09/2000	25/08/2000	25/08/2000	-	12/10/2000
Saint Vincent and the Grenadines	21/10/1998	21/10/1998	09/11/2001	21/10/1998	04/12/2001	09/11/2001	-	04/12/2001
Saint Lucia	14/05/1980	14/05/1980	14/05/1980	14/05/1980	18/08/1983	18/08/1983	-	06/12/2000
Suriname	15/06/1976	15/06/1976	15/06/1976	05/06/1996	-	-	-	-
Trinidad and Tobago	24/05/1963	24/05/1963	24/05/1963	24/05/1963	29/05/1997	26/11/1970	-	-
Uruguay	06/09/1995	22/11/1968	18/03/1954	18/03/1954	16/11/1989	16/11/1989	02/06/1977	03/08/2001
Venezuela	20/11/1944	16/11/1964	20/09/1982	19/12/1968	10/08/1982	03/06/1971	15/07/1987	-
United States	-	25/09/1991	-	-	-	-	-	02/12/1999

second problem consists of extending the principles and rights contained in the standards of an organization to all members of society. The best known case is the informal sector; any attempts to regulate this sector must also involve the application of international labour law. In a similar or worse situation, for example, are indigenous peoples and workers in small family farms and subsistence farming. Effective application of ILO standards and their extension to the entire population of the protective framework provided by these standards is the great challenge facing the Members of our Organization and the International Labour Office in relation to legislation.

Preservation and development of democratic freedoms

A number of economic crises and the ensuing social upheavals experienced in some countries in the region in recent years have been closely linked to serious shortcomings in the functioning of democratic institutions and the spread of corruption to an extent never before seen; as a result of all this, society and investors have lost confidence in the independence of those in power, their institutions and the judicial system – all of which should be worthy of their confidence. That is why we have once again reaffirmed something that we learned during the era of the dictators in Latin America – that freedom and democracy are not an *a posteriori* effect of development, but a prerequisite for economic and social development.

More democracy

There is a link between democratic freedoms and economic results. Even though there are examples of good and poor economic results in both democratic and authoritarian political environments, the data nevertheless show that economic stability is more likely in systems with a higher degree of democracy. This is because they have built up the human and social capital needed to mitigate the social conflicts often caused by external upheavals and because they have dialogue mechanisms to reach consensus concerning the policy changes needed to restore macro-economic equilibrium.¹⁶ Recently, Amartya Sen returned to the subject,¹⁷ stressing democracy as a factor in economic development and the universality of democratic values. These values, because they are universal, cannot and must not be relativized or curtailed on the grounds of cultural differences between countries. In any case, to make progress in achieving *decent work*, it is not necessary to wait for economic progress. According to a comparative analysis of countries around the world, there are many opportunities for promoting *decent work*, even in low-income countries.

5. Generating decent work

What we must and can do: Policies to generate decent work in the context of a different globalization

While the theories of globalization are criticized for their dogmatic ideas, which are sometimes presented as the “only way of thinking”, I would not

Different options

¹⁶ D. Rodrik: *Democracy and economic performance*, document prepared for the Conference on democratization and economic reform in South Africa, Cape Town, 1998; and idem: *The new global economy and developing countries: Making openness work* (Washington, DC, Overseas Development Council, 1999).

¹⁷ A. Sen: “Democracy as a universal value” in *Journal of Democracy* (Johns Hopkins University Press), 10 Mar. 1999.

wish to challenge this real or supposed “only way of thinking” with an “alternative only way of thinking”, since I am convinced that the answer to dogmatism is a plurality of thinking. What I mean is that I think that *decent work* can be generated in different ways, depending on a country’s level of development, its degree of integration in the global economy, the soundness of its institutions, the characteristics of its political and social system and its cultural features. However, whatever approach is chosen, I think that it must satisfy certain conditions and characteristics common to all.

In this respect, there are certain aspects of how to tackle existing deficits of *decent work* which I regard as important, these being the ones which determine the policies required to generate *decent work*.

Commitment to economic and social openness

The first aspect concerns the need to uphold our commitment to open and free economies and societies open to the world. One of the most important lessons bequeathed us by the seventies and eighties is that countries cannot turn in on themselves in pursuit of a self-sufficiency that can protect them from the crises that occur in the rest of the world. Whenever a country resorts to extreme protectionism, the results are well known. It gives rise to spurious competitiveness based on the lower competition faced by firms in their own national markets; exports fail to take off; and, in the final analysis, it is domestic consumers, including the poor and the middle classes, who have to pay high prices for goods and services of lower quality than those available on the international market.

Rules of the game fair to all

As I indicated in the article to which I referred earlier,¹⁸ there should be no throwing overboard open economies and open societies if we “establish fair rules of the game for all that allow real equality of opportunity. Present rules are seen as discriminating against the weakest, whether countries or individuals. That is why people react against the institutions that symbolize them. Fairness, as perceived by individuals, families and developing countries is the cornerstone of legitimacy. In the absence of social legitimacy, current policies will continue to be very fragile”.

I know that those who argue for a return to high levels of protection maintain, contrary to what I have just indicated, that greater protection of domestic markets guarantees higher levels of employment and even full employment. However, there is no evidence, at least in the West, that this is true or has ever been true in the past. Although unemployment rates were lower in past decades, we must not forget that the growth of the informal sector as a refuge for those who could not find a good job began to occur halfway through the last century, when protectionist and import substitution policies were at their peak.

But neither do I believe that unrestricted and totally unregulated openness is a proper answer for our peoples. We know that the less developed countries need incentives, such as the preferential tariff schemes operated by the United States and the European Union, in order to integrate fully into the global economy, and that they must open up gradually in a way that suits the conditions under which their own productive base is developing. In fact, the countries of America themselves have established a special group to take account of the special situation of the smallest economies in the negotiations for the Free Trade Area of the Americas (FTAA).

¹⁸ J. Somavia, *op. cit.*

Revision of monetary, exchange, fiscal and tax policies

However, to generate *decent work*, as well as a commitment to open economies, we must revise some of the elements of current macro-economic policy.

In terms of monetary policy, as Stiglitz points out:¹⁹ “austerity programs often entailed such high interest rates – sometimes exceeding 20 per cent, sometimes exceeding 50 per cent, sometimes even exceeding 100 per cent – that job and enterprise creation would have been an impossibility even in a good economic environment such as the United States. The necessary capital for growth is simply too costly ... If a country raised interest rates, it would make it more attractive for capital to flow into that country. Capital flows into the country would help support the exchange rate and thus stabilize the currency. [However], at very high interest rate levels, a highly leveraged company goes bankrupt quickly. Even if it does not go bankrupt, its equity (net worth) is quickly depleted as it is forced to pay huge amounts to creditors ... The high interest rates increased the number of firms in distress, and thereby increased the number of banks facing nonperforming loans. This weakened the banks further. The increased distress in the corporate and financial sectors exacerbated the downturn that the contractionary policies were inducing through the reduction in aggregate demand ... [there was] a simultaneous contraction in aggregate demand and supply ... [it was] argued that if interest rates were not greatly increased, the exchange rate would collapse, and this would be devastating to the economy, as those who had dollar-dominated debts would not be able to pay them. But the fact was that, for reasons that should have been apparent, raising interest rates did not stabilize the currency; the countries were thus forced to lose on both accounts.”

Furthermore, I mentioned earlier that one of the two main ingredients of the expansionary macroeconomic policies proposed by the ILO are anti-cyclical fiscal policies.

Anti-cyclical fiscal policies

The international financial crisis and its adverse effects on levels of activity and employment and the fiscal accounts of Latin American economies with high external debt accentuated the volatility of their public finances and threatened both the sustainability of public borrowing and the value of fiscal policy in tackling the recession crises. The general reaction to these crises was to implement a pro-cyclical policy of adjusting expenditure to income patterns, thus sacrificing the value of fiscal policy in combating the recession to ensure medium-term fiscal sustainability, i.e. maintain a percentage of debt at constant GDP.

Experience has shown, however, that pro-cyclical policies accentuate economic fluctuations rather than reduce or stop them. In recessions, expenditure cuts, when income falls and in the absence of other exogenous factors to stimulate growth (for example, a positive external shock), exacerbate the fall in the level of activity, thus creating a vicious circle. Government revenues fall, spending is cut, levels of activity decline, incomes fall, spending is cut further, and so it goes on.

As government revenues fluctuate in tandem with the level of activity, the corresponding fiscal deficits do not exactly reflect fiscal policy decisions, since production and employment are affected by phenomena which are beyond the ability of the fiscal authority to determine. In other words, the deficit is not necessarily the result of a deliberate expansionist policy.

¹⁹ J.E. Stiglitz, op. cit.

Neither is it possible to ascertain directly, in the case of a pro-cyclical fiscal policy, the magnitude of the effect of the fall in spending on the deficit. In the absence of changes in spending, the deficit might only be the result of the decline in tax revenues due to factors beyond the control of the fiscal authority.

It is necessary, therefore, to identify which part of the budget balance (deficit or surplus) is cyclical and which is a response to more permanent or structural changes resulting from intervention by the fiscal authority. The structural balance – it is well known – responds to levels of incomes and expenditure determined by the potential or long-term economic output. A negative structural balance reflects the presence of a fiscal stimulus with anti-cyclical effects. Thus, in the short term, fiscal policy has no reason to destabilize the economy or limit economic growth. In order not to exacerbate the negative effects of external and internal shocks, this policy must build in an automatic stabilization mechanism or a counter-cyclical fiscal policy arrangement. In other words, in periods of high growth, fiscal resources must be saved (stabilization funds) to be used in a recessionary cycle. Chile is a good example of the merits of such a policy.

Control of public finances

A lack of confidence in the sustainability of fiscal policy, i.e. the perception that public finances are out of control, undeniably reduces the scope of the automatic stabilization mechanism. The application of the counter-cyclical fiscal policy rule requires the existence of an indicator which provides for a fiscal policy sustainable in the long term. For this reason, together with the automatic stabilizer, the fiscal rule must include an indicator of medium or long-term fiscal sustainability.

Flexibility, credibility and transparency

Thus, responsible fiscal policy does not consist of setting an arbitrary level of fiscal deficit, but of reconciling the goal of long-term fiscal sustainability with short-term stabilization. This means that the medium- or long-term fiscal position must be determined in such a way that it does not eliminate a flexible fiscal response during the economic cycle, in particular during the period when economic growth is slowing down. This reconciliation prevents the recurrence of fiscal deficits which have an adverse effect on the private sector and which, at the same time, can lead to drastic adjustments which erode any real chance of sustainable growth. To avoid these adverse extraneous factors, fiscal policy should as a rule be formulated to allow fiscal management which does not affect the objectives of macroeconomic stability, fiscal sustainability and economic growth. The rule should allow a degree of *flexibility* to ensure an automatic and non-discretionary anti-cyclical response. Likewise, it should be practicable for long periods to achieve credibility. Lastly, it must be transparent, i.e. it must be simple and easy to operate and define in quantitative terms.

Structure of public debt

Equally, we need to progress toward a change in the structure of public debt, substituting foreign debt with domestic debt, which would allow the development of domestic capital markets.

Tax policy

It has escaped no one's notice, moreover, that a sustainable fiscal policy cannot be separate from a fair, flexible and transparent tax policy, to obtain the resources which, added to those generated by domestic borrowing, can finance this fiscal policy.

In short, we need an expansionary monetary and fiscal policy and a neutral tax policy, reflecting the economic cycle and with instruments that can help enterprises in difficulty at times of recession. Such expansionary policies are compatible with low inflation. China is currently a good example that such compatibility is possible.

Emergency policies to deal with crises

Nevertheless, despite the need to apply anti-cyclical fiscal policies, today's reality is that there is no prospect of a new period of prosperity to accumulate fiscal resources for the bad times. The serious crisis affecting a number of countries in the region requires the immediate application of emergency social policies to prevent an explosion of poverty, hunger and despair among millions of unemployed (Argentina and Colombia) and those displaced by violence (Colombia).

It means investing in rural areas, especially economic and social infrastructure, and creating safety nets for the poorest, undertaking emergency job-creation programmes, providing subsidies to the extremely poor to ensure their physical survival, and applying any other programmes that can support populations in despair. I use the expression "in despair" advisedly for populations who cannot understand how their own countries can have come to such a pass and who in many cases feel themselves to be the true pariahs of globalization. For many reasons, but especially for moral ones, we cannot stand aloof from this situation.

Non-discriminatory employment and incomes policies

It is crucial to consider the need to incorporate the gender dimension in policies to combat poverty and generate employment and incomes. Policies that do not consciously include that dimension in a planned manner (at the design, implementation, monitoring and evaluation stages) will most likely not only be unable to reduce the existing equity gaps between the genders, but could even widen them.

This means making a conscious and concerted effort to eliminate the main barriers which prevent women's access to the labour market on equal terms as men. Measures which could be taken in this respect include the following:

- promote measures to encourage better distribution of domestic and family responsibilities;
- expand childcare support services, especially for the poorest mothers;
- promote women's access on equal terms to opportunities for vocational education and training, especially in "non-traditional" jobs and occupations;
- strengthen national legislation on maternity protection, especially mechanisms to prevent dismissal of pregnant women and nursing mothers, and mechanisms to provide financial and medical benefits related to childbearing to ensure non-discrimination;
- expand women's opportunities to access productive resources: credit, capital, technology, information, landownership.

Productive alternatives and challenges

The need for a positive alternative to the current *decent work* deficits requires the promotion of enterprise creation, increased productivity and, thus, better training. To that end, we must actively stimulate the adoption of sectoral policies which give incentives to invest in more labour-intensive sectors of the economy, as well as investment in infrastructure, especially in the area of rural communications, and active labour market policies, including investment in the development of the most valuable assets: people's abilities and skills.

Responding to the crises

Women working on equal terms

Sectoral policies to stimulate investment

I know that sectoral policies in Latin America summon up bad memories because of their extremely protectionist character in the past, which ultimately helped to generate inefficiencies and spurious competitiveness which mainly harmed the consumer. Those policies are not what I am talking about; I am referring to those which take the form of investment incentives rather than protection from foreign competition. These incentives, tax incentives or other kinds, must be applied transparently to prevent them becoming mere instruments to privilege the interests of a minority, and they must also be fixed-term to avoid firms becoming accustomed to them.

With respect to active policies, alongside the current and very positive programmes to formalize and develop micro- and small enterprises in the informal sector, we will also have to work harder to promote the development of indigenous populations, respecting their customs and culture; we must also strive to improve the terms on which women enter the labour market and stimulate employment of specific population groups with difficulties in entering the labour market, such as young people, the unemployed over the age of 50 or 55 years and the disabled.

Positive response

The hemisphere needs a positive response to deal with its structural and cyclical crises and to make better use of its opportunities and resources. A development model is needed that will stimulate the creation of enterprises and generate jobs, investment and growth in demand.

Harmonization of policies

This positive response presupposes a comprehensive analysis of the prevailing situation, as well as integrated policies and mutually complementary strategies to improve the development model and enlarge the number of beneficiaries. For a continent wishing to take up the challenges facing it and to join in the benefits of globalization, it is vital that socio-economic policies and institutions be harmonized.

Harmonization is an integral part of the *decent work* concept promoted by the ILO to improve the governance of globalization and democratize the well-being that it should produce. This concept starts from the premise that conditions of employment and labour market institutions are not the same in all countries.

The ILO has been reviewing and rethinking its policies to try and respond to its constituents' demands concerning the challenges of economic and social progress in today's world. One of the fruits of this is its *decent work* concept which has been yielding new initiatives and has been taken up in the worldwide debate on globalization. The ILO is seeking an appropriate balance between its traditional role as regulator and one of stimulating and promoting modernization.

Decent work and economic policy

Employment is not, as often thought, a by-product of macroeconomic policies (fiscal, monetary and exchange), let alone the subject of just another sectoral policy. Employment, i.e. generating productive work, must be a core goal of economic policy.

Decent work fuels dynamic and sustainable economies, in that it is recognized as a global policy which helps to coordinate government and structural policies to generate productive employment and enterprise development. Policies are needed that promote growth; at the same time, the pattern and structure of that growth must be directed at a high demand for labour, in stable macroeconomic conditions, since recent experiences are a dramatic illustration of the consequences of inflation or so-called "growth without jobs".

Stimulating productive employment

Nowadays, it is not enough to combat unemployment, but to encourage the generation of more and more jobs, since labour productivity is of

paramount importance not only for growth but also to check inflationary pressures.

We have been talking about the challenge of reducing the *decent work* deficit to highlight the importance of integrated public policies to encourage the generation of productive employment and thus simultaneously bring about economic progress and social well-being. The political rationale for this is self-evident.

The enterprise and the entrepreneurial spirit are fundamental to the strategy for developing *decent work*. That is why in the context of efforts to stimulate progress in the hemisphere, small and medium-sized enterprises which generate employment can and must play a key role – a role that can be enhanced if they are linked productively with large enterprises.

Nobody observing the strength of the informal economy in Latin America can fail to be impressed by the spirit of initiative of our men and women. However, this vitality is totally divorced from the effort of their respective societies to move forward. Many of these men and women merely survive in the informal sector. The productivity of their work is very low – and the work cannot be described as “decent”. Harnessing this vitality is a great opportunity we must not pass over. We must therefore continue our current efforts to bring these informal productive units into the formal sector and even increase them.

Power of initiative

The ILO is working to promote a virtuous circle: more enterprises creating more work, better quality employment and thus greater productivity and competitiveness in the economy giving rise to enterprises which generate more wealth and employment opportunities. We believe that this option is highly relevant, especially for micro- and small formal enterprises which, as we know, are the greatest generators of good jobs.

A virtuous circle

Today there is an awareness that economic growth has to be achieved by investing in human resources. Nations which have been successful in development terms are those in which the economically active population has enhanced its knowledge, capacities and skills from its own resources and efforts, thanks to investment by enterprises and also public investment policies. Employability is a reality which must be expanded in the Americas; the decisions of social actors and authorities must continue to be guided, especially if the region seeks to participate profitably in the “knowledge economy”.

Human resources policies are another example of how the way to competitiveness lies in the strategy of *decent work*, which places the person at the centre of the development model. In this respect, the ILO/CINTERFOR work in the field of vocational training is widely recognized by our constituents in Latin America and the Caribbean.

Human resources at the core

Work is undeniably the best way for men and women to enter productive life and thereby contribute to their own progress and that of their families. This requires enterprises that are socially responsible as well as generating wealth and creating jobs.

In the ILO, we believe that *decent work*, as an objective, is a factor of productivity that facilitates change and the management of change, and promotes conditions of security in the process of modernization.

Social protection for all

In the countries of the region, the social protection dimension has not been sufficiently evident in the labour policies adopted during the last decade. While it is recognized that certain levels of labour flexibility are

necessary, there is no doubt it should be accompanied by greater levels of protection against the possibility of unemployment, illness, occupational accidents, old age and maternity. However, in the majority of cases, this has not occurred. The labour relationship has become more flexible, sometimes to excess, but has failed to provide adequate levels of protection. This is the worst of all possible worlds; and for this reason, the ILO once again stresses that we should not return to the past but seek a fair balance in the employment relationship – a balance that would involve, as a highly desirable objective, flexibility. This flexibility should be agreed through social dialogue – at macro level – and in collective bargaining – at micro level – but with systems of social protection based on the principle of solidarity, i.e. protection for all.

Informal sector and lack of protection

Half of the workers in Latin America and the Caribbean, men or women, work in the informal economy, and almost all of them lack adequate protection, security, organization or a say in their work. Indigenous peoples are in a similar situation, as are, generally, workers in small and subsistence farms. I consider that the principles of *decent work* are just as important in the informal economy as in the formal sector, among indigenous and non-indigenous peoples, in the urban as well as the rural sector.

We must review our concept of social protection so that it satisfies the new concerns about socio-economic insecurity that have emerged – especially concerns about those who work in the informal economy and are excluded from coverage. We must seek innovative solutions, based on social protection and promotional policies, with the participation of potential beneficiaries, who, moreover, provide the economic dynamism.

In many countries, a large proportion of workers and their families do not have access to basic protection. One of the ILO's prime objectives, therefore, is to help countries extend social protection to all sectors of society and improve occupational safety and health conditions.

Efficiency and universality

The ILO's participation in the debates about and changes in pension systems and health-care provision in Latin America and the Caribbean is well-known. Our position seeks to match efficiency in the administration of these systems with increasingly universal and viable benefits, in line with international standards. Both actuarial and statistical studies are useful in tackling modernization in this area in a more appropriate way, which is so vital to the security of people who work – and for sustainable economic development itself.

Occupational safety and health, as well as conditions of work, are other areas of action in which our cooperation is welcomed in the region. Our commitment to the fight against the AIDS pandemic at the workplace is a strategy that will allow the active participation of social actors in checking and controlling the spread of this disease, as well as tackling its social and economic consequences and protecting the rights of infected workers and their families.

For their part, social entrepreneurship initiatives which, like microfinance institutions, have a major impact on excluded segments of the population are essential to ensure that markets serve people. Such initiatives are beginning to have a serious impact. With respect to social security, for example, official institutions are taking an interest in “popular initiatives”, and are more disposed to conceive new services to satisfy the needs of other segments of the population, and to link their services to emerging schemes.

Occupational safety and health

Social protection of workers includes not only health care for them and their families and the real possibility of having an income when they reach retirement age, but also protection of workers' safety and health at the

workplace. The right to life is the most fundamental of rights, and over a million workers are deprived of life every year throughout the world, most of them in developing countries. We in the ILO do not believe, as we sometimes hear, that “injuries and illnesses are the wages of labour”. As Kofi Annan, Secretary-General of the United Nations said,²⁰ “As we look to the future, we must always remember that human beings are not servants of economies. Rather, economic development and production must serve men and women. Occupational safety and health is a crucial means towards that end.”

Social dialogue for the governance of globalization and the generation of decent work

A truly pluralist society requires dialogue as a channel and means of dealing with varying social interests (many of them contradictory) to achieve basic consensus on how to build the State that citizens want and generate supranational standards and institutions to govern integration and globalization.

Social dialogue, therefore, will be the vehicle to harmonize all levels of interests, objectives and cultures (especially in the context of globalization), the new technological changes, demographic change and workers' individual lifestyles. It will also allow social actors to be society's true representatives and spokespersons who serve to protect the interests of those they represent.

This pooling of different interests will reconcile the demands of participatory democracy and the rule of law, since the participation of the social actors in the elaboration of public policies will guarantee respect for fundamental principles of the State and the specific competencies of the various authorities.

Lastly, national dialogue will be the essential basis for creating national and supranational ground rules which are clear, balanced and stable; it will pave the way for equity and social cohesion within each country and prevent perverse competition between countries.

The social dialogue in which these actors participate is vital to democracy and development. And I am not just talking about the great efforts made for dialogue at macro level, such as the Argentine Dialogue at the height of the crisis experienced by our sister Republic, but also about the specific efforts at micro level which are so important in improving the productivity of enterprises and the conditions of workers. There are many forms of cooperative relationships which express this dialogue – for example, collective bargaining, consultations and exchange of information, both formally and informally.

The formulation, launch and day-to-day management of a development policy to generate more and better jobs, together with economic growth, require the active participation of productive agents and public authorities.

Bipartite or tripartite dialogue is an extremely useful mechanism for this purpose, given the socio-economic and political importance of the participants.

***Social dialogue:
A democratic exercise***

***Macro and micro levels of
social dialogue***

²⁰ K. Annan: *African newsletter on occupational health and safety*, Vol. 7, No. 3, Dec. 1997.

***Social dialogue:
Source of governance***

I consider that social dialogue can and must be the principal source of governance of socio-economic change in the framework of globalization, as well as the expression of the civil participation required by representative democracy. An example of this is the Programme for the Promotion of Management-Labour Cooperation (PROMALCO) project, financed by the United States Department of Labor, in the context of our cooperation related to the Declaration on Fundamental Principles and Rights at Work to improve competitiveness in the Caribbean through human resources management. During the tripartite meeting in Kingston (November 2001), aware of the new challenges which globalization and trade liberalization present to their small and vulnerable economies, the participants indicated that they were united in their determination to contribute to the growth and development of the Caribbean by strengthening enterprises and providing *decent work*. They also invited the ILO to support their efforts to promote social dialogue at national and enterprise level, and to contribute to developing policies and tools to enhance productivity and competitiveness.

If we consider that the concept of *decent work* serves as a global policy to shape macroeconomic, structural and sectoral policies to promote more and better jobs through enterprise development, we must review the current organizational division of public administrations and replace this thinking with an integrated approach that generates a new form of organization in which it is possible to interact more effectively for personal development.

Strengthening ministries of labour requires special consideration to reinforce the benefits of social dialogue in the Americas and ensure that the vision of *decent work* is paramount in public and private decision-making.

Better ministries of labour

At the present stage, it is very important to have better ministries of labour, which fulfil their functions with respect to the world of work and which, moreover, participate actively in formulating public policies to harmonize economic and social objectives based on *decent work*.

These ministries must be stronger so that they can benefit from the contributions that the principal actors make to the economy.

The need for consensus to give continuity and support to economic and social reforms is one of the clearest lessons of recent decades. The building of consensus through social dialogue is a concrete expression of the principles of democracy and a condition for governance of the process of modernization on which the countries of the Americas are embarked.

The integration of economic, social and labour policies

Generating *decent work* to satisfy people's overall needs requires integrated policy approaches. An approach is needed which more systematically integrates social and economic goals, whether at local, national or world level. That is why I expect so much from the work of the World Commission on the Social Dimension of Globalization, established by the ILO Governing Body. I am sure that this Commission will be able to present innovative ideas to ensure that the process of globalization will integrate more and better the economic and social objectives pursued by countries and allow the benefits generated by the process to be shared better.

An integrated vision

There are several reasons why we must move towards the elaboration and integration of economic and social policies to generate *decent work*.

In the first place, each element of *decent work* fulfils a function in achieving broader objectives, such as social inclusion, eradication of poverty and personal development.

Secondly, the various aspects of *decent work* are mutually reinforcing. The right to freedom of association, a basic democratic right, allows people to express their aspirations and pursue them collectively and, in this way, contributes to the achievement of all the other objectives. Social dialogue broadens the options with respect to employment policies. The right and obligation to eradicate child labour is essential if all members of society are to have the opportunity to develop fully their capacities. Freedom from discrimination is also crucial if everyone is to have the same opportunities. At the same time, economic growth and job creation make it much easier to guarantee other rights, whether related to eradication of child labour, greater income security or safety at work.

Thirdly, an integrated strategy for *decent work* can provide a basis for creating associations with other bodies. For example, they may create a bridge to achieve a broader objective of sustainable development.

The need for an integrated approach to promoting *decent work* is of particular significance for women in relation to the inequalities they face. Analysis of practical experience in different continents clearly shows that the most effective initiatives for reducing poverty and gender inequality involve measures at four different levels: employment promotion and improving productivity; legislative action, especially elimination of formal barriers, together with information campaigns on the law; promotion of participation through organization; and provisions of effective social protection measures.

However, it is not just a question of moving towards greater integration of economic and social policies, including labour policies. We must also make strenuous efforts to achieve better interlinkage between individual labour policies or, to put it another way, the different dimensions of labour policy. Recent experience shows us that it is not enough just to generate employment, as this employment may be of poor quality. It is necessary to generate work of value, with appropriate remuneration and social protection for workers, be they men or women. Likewise, although it is important for countries to ratify international labour standards enshrined in the ILO Conventions, such ratification is of little avail if we do not ensure that these standards are applied effectively. Equally, it will be pointless to promote social dialogue if, at the same time, ILO standards are routinely violated, especially those relating to freedom of association, collective bargaining and non-discrimination.

As I said earlier, the different aspects of *decent work* are mutually self-reinforcing. But such reinforcement will not really be effective unless these aspects are properly integrated in labour policy.

6. *Is decent work viable in the new globalized economy?*

While the success of an economy is normally measured by indicators of growth of production or incomes, the calculation of social progress is based on the satisfaction of basic necessities and enjoyment of certain rights and freedoms, of security and social protection. Hence the need for policies and institutions to maintain the balance between economic growth and social progress. However, it is necessary to consider this from the perspective that work performed in decent conditions, for fair wages, can

Multiple implications of decent work

Productivity and social justice

also contribute to economic efficiency. If the issue is financial viability, i.e. the fact that greater resources are needed to improve the quality of employment or social protection, the answer, very often, is that *decent work* is cost-effective. Of course, it does not always happen like that and progress in achieving *decent work* will sometimes involve costs. But I believe that these costs are frequently exaggerated, or the benefits underestimated. *Decent work* is an objective in its own right, but it can also have a positive effect on productivity and economic growth. Neither productivity or social justice are “taboo subjects” for the ILO. On the contrary, they are concepts which can be successfully combined.

Decent work, competitiveness and productivity

The increasing pressure of competition in the global economy means that firms are less inclined or less able to allocate funds for social protection. The ability of States to collect taxes and finance social policy is also under pressure. At the same time, achieving economic objectives depends on pre-existing social conditions. The question that then arises is whether governments should give priority to market-driven economic growth and deal with the social consequences afterwards, or whether, on the contrary, effective economic systems need to be set within a social framework of rights, participation, dialogue and protection. Many are those who claim that it is possible to find a compromise between quality and quantity of jobs, and between social expenditure and investment, and that protectionist regulation undermines flexibility and entrepreneurial productivity. On the other hand, *decent work* can be successful in increasing productivity. These relationships must be examined more thoroughly in order to evaluate the true costs and benefits of *decent work*.

The objectives of *decent work* are part of an optimal strategy to achieve competitive businesses. When firms are faced with ever increasing pressure from competition, they may react by cutting costs, including labour costs. On the other hand, improvements in skills, proper working conditions and contented workers can raise productivity in the workplace and enhance firms’ competitiveness.

Social dialogue for consensus

The common denominator of all these different experiences is the search for a balance between the interests of the people affected by structural change and those who seek increased productivity and innovation. Social dialogue is the key to forging a consensus and compromise on common objectives, while providing the means of reconciling conflicting goals and settling disputes in a satisfactory manner.

As well as its contribution as a factor of production, and as a means of balancing the different policy goals, progress in each of the four dimensions of *decent work* can also give rise to more equitable and sustainable patterns of growth.

Dialogue and consensus

Social dialogue can contribute significantly to consensus on the way macroeconomic policies can help to achieve this broader set of objectives. It is often asserted that in this age of globalization, countries no longer have a wide enough range of macroeconomic options. Of course, it is true that the scope of national macroeconomic policies depends increasingly on factors inherent in the international economy and the degree of international policy coordination within the global economy. Nevertheless, the experience of some countries shows clearly that integration in world

markets is compatible with successful social policies, provided that there are appropriate national social security systems, effective mechanisms of social dialogue and a relatively low level of disparities between incomes.²¹ Several European economies are good examples of this, but one can also point to some successes in developing countries.

More stable labour market conditions can offer considerable advantages of location for foreign investment. Frank Vargo, Vice-President for International Economic Affairs of the United States National Association of Industry, says “firms do not look for investment opportunities in countries which are inclined to lower labour or environmental standards. That is not what attracts investment [...]. Firms worldwide all gladly accept demanding legislation. It is not an obstacle to business”.²²

The macroeconomic perspective

An important aspect of any integrated approach is the need for any analysis to include the macroeconomic perspective. Macroeconomic policies can help to promote *decent work* in different ways; growth and jobs being the most obvious areas. But these policies can also reduce the insecurity caused by economic instability or inflation, and can help to reduce poverty and inequalities by providing resources to support social policies in general.

In general, job creation depends on increasing investment levels, which is why one of the top priorities for macroeconomic policy is to strike a balance between short-term stabilization and longer term objectives of growth and structural change. Although today there is sufficient evidence and a general consensus that macroeconomic equilibrium is a precondition for sustained growth, opinions still differ as to the degree of stabilization needed before this stability begins to produce negative longer term effects on investment and growth. Moreover, it must be borne in mind that incentives to both domestic and foreign investment depend not only on macroeconomic equilibrium, but also on political and social stability.

The explicit mention of the goal of *decent work* could help to enrich these policy debates. In particular, it could serve to introduce a wider range of topics into the formulation of macroeconomic policies: enterprise development, wages and incomes policies, investment in human capital and labour market institutions, and the role of job-creation programmes, such as those organized in the public works sectors. Many of these policies are compatible with the macroeconomy. Tax policies must also take account of their impact on *decent work*. In more general terms, it can be stated that the sounder the social base of macroeconomic policy, the more sustainable it will be.

The voice of the ILO

As I have indicated above, I am convinced that the ILO must become a voice that is listened to in the various international economic forums and institutions. From the moment I became Director-General, I reiterated this conviction to the highest authorities of the International Monetary

The importance of investment

A message in the international context

²¹ W. Van der Geest and R. Van der Hoeven: “Africa’s adjusted labour markets: Can institutions perform?”, in *Adjustment, employment and missing institutions in Africa* (Geneva, ILO, and Oxford, James Currey, 1999).

²² Bureau of National Affairs (BNA): *Daily Labor Report* (Washington, DC), 1 Feb. 2001.

Fund, the World Bank and, in the case of Latin America, the Inter-American Development Bank. This work must be continued, both by me and the ILO's constituents. The objective that we must pursue is clear: the creation of an appropriate link between economic and social policies, and the development of a genuine social and labour dimension in the process of globalization, all with the aim of generating *decent work* and thereby ensuring a fair share of the benefits of economic progress for all and not just certain sectors.

I know, however, that at the national level governments do not necessarily possess the tools they need to meet all needs of people, at least in the short term. The reason is that in a globalized world governed by certain rules, some of these rules are not very equitable and, in practice, ultimately restrict what governments can do. However, far from discouraging us, this fact shows us precisely what we need to look at in the current process of globalization with a view to seeking greater equity, not only between individuals but also between countries.

A message in national contexts

That is why I believe that the ILO and its constituents must step up their efforts to make their voice heard in world economic institutions, and why it is also necessary to work harder within countries to link economic and social policies in an appropriate way. For this there are at least two approaches or strategies. The first is social dialogue, to enable government, employers and workers to reach agreement on policies that are genuine state policies, not just of particular governments concerning the economic criteria that will govern long-term development policies as well as social and labour policies within that general development policy. The second, specifically a task for government as such, is a more open dialogue and permanent coordination between ministries of labour, economic affairs and treasuries. Sadly we must recognize that it is the latter, very often, that actually determine a country's labour policy, since the economic, fiscal, monetary and exchange policies that they adopt have effects on employment that ministries of labour can no more than note, with little or no possibility of objecting when those effects are detrimental to the level or quality of employment, the coverage of social protection or even the application of international standards on fundamental labour rights.

7. Governance of globalization and development of the social and labour dimension of that process

International ground rules

We needed a socially legitimized international system duly based on rules that are fair to all. Equity, as perceived by individuals and their families, is the cornerstone of legitimacy. This means that new ways must be found to govern globalization. This is not just a matter for governments; it has to do with the way in which society as a whole manages its affairs. It includes the way in which social values and goals influence people's behaviour, as reflected in new rules and objectives for investors, new goals for firms and new instruments of social dialogue. The tripartite structure of the ILO is a crucial element in tackling these challenges, since legitimacy is enhanced when policies, standards and recommendations are based on tripartite consensus. We must all be ready to change our attitudes and methods of work.

Dialogue: A way and a means

Thus, in a context of equity and social respect, there is a perception in many quarters of the need to move towards a new social consensus. This,

today, can be built only on the foundation of social dialogue with the active participation, through their representative organizations, of those involved in the productive process. Such consensus must be reached at both international and national levels, and even within the firm itself. It is such consensus that prepares the way for the formulation and application of just rules for the governance of globalization.

The pursuit of such consensus on long-term economic, social and environmental policies, and the commitment of States to respect that consensus in the international sphere, will enable social dialogue to achieve its full potential as a way and means of dealing with different social and national interests, many of which conflict.

There is no doubt that the pooling of interests can reconcile the demands of participatory democracy and the necessary constraints of the rule of law, since ensuring that the social actors are involved in defining public policy guarantees respect for the fundamental principles of the State and for the sphere of responsibility specific to each government organ.

In this approach, which is common in the poorest countries, dialogue will permit social inclusion through integration, balancing protection and decision-making capacity, and establishing the principles of the balances which underpin freedom and uphold the State.

Lastly, national dialogue will be the essential basis for establishing clear, balanced supranational ground rules which guarantee equity and social cohesion within each country in the near future and prevent unfair competition between countries.

International ground rules

In order to avoid such unfair competition, and in accordance with the wishes of the Presidents participating in the Summit of the Americas Process, the fundamental rights at work enshrined in the 1998 ILO Declaration on Fundamental Principles and Rights at Work and the respective Conventions should be the foundations on which to build equitable and balanced labour policies. I know that some sectors regard these rights as too basic, and that the social and labour dimension which they want to build should be much more ambitious in its scope. I have no doubt that this should come about as the process of integration takes hold and the development gaps between the countries of the continent narrow. However, we should not undervalue the principles enshrined in the ILO Declaration. As well as forming the foundations on which we must continue to build to ensure that the benefits of globalization and integration in the hemisphere are reflected in social progress, they embody values which lie at the root of a democratic society: freedom to work, to organize, to express oneself and to negotiate, equality between people and protection of children. The fact is that these principles and values, basic though they may be, are violated more or less systematically in many countries of the world. Ensuring that they are respected, therefore, is no mean goal.

III. *The common task*

An important aspect of this common task is the central place occupied by the labour issue, that of *decent work*, which is not taken sufficiently into account in preparing and adopting economic policies. This explains the deficit of *decent work* in the region, a deficit which can be tackled. There are policies for this, there are ways of tackling the problem and there are changes that need to be introduced if we want to restore economic growth and social progress.

8. *In pursuit of a positive response: Employment, protection and social dialogue*

After experiencing all kinds of highs and lows in the region, with huge inflation rates and all this means for people in the world of work, we have learned what fiscal responsibility means. These are experiences which we do not want to repeat. The lessons learned are gains that we must protect.

As I have already pointed out, we are going to need expansionary macroeconomic policies which expressly give priority to the protection of existing employment and the creation of new jobs, leaving room to strike a balance between economic and social policies, just as we need policies to stimulate sectoral investment. Why do I keep labouring this point? Because these macroeconomic policies were not the ones put forward in the region when we had crises in the past. I think that the countries of Latin America and the Caribbean cannot stand any more structural adjustment, at least not of the kind that has been proposed and not in the way in which it has been implemented. On the contrary, they desperately need expansionary policies which respond positively to the crisis of economic stagnation, a fact recognized by the Board of Governors of the Inter-American Development Bank (IADB) in Fortaleza, Brazil, earlier this year.

Balancing economic and social needs

A crucial point is worth stressing here: we need a positive solution, a solution involving enterprise creation, investment, job creation and measures to stimulate demand. In other words, we need a solution that gives people opportunities to work and to consume and the desire to consume. However, to achieve these objectives we need more investment – hence the need for sectoral incentives policies – but we also need to take decisive steps towards

better income distribution. In this report, I have already indicated some of the paths we should follow in order to achieve this: anti-cyclical fiscal policies, active employment policies and investment in education.

Revitalizing development policies

These are extremely fundamental themes, because they imply the need to modify the approach taken by recovery and development policies at international level. In reality, if we look at what is happening at present, we can see signs that this process of change has already begun. Indeed, some of the decisions taken months ago in the United States, precisely for the purpose of tackling the downward cycle, show that faced with a crisis of this kind, it is possible to make the type of investments that are needed or to look after certain sectors of special importance to the economy of each of our countries. We all know, when it comes to our own circumstances, what are the best means for promoting growth and a policy of expansion, and what are the most affected sectors. There is no single policy, but an overall concept, it seems to me, is essential. In a global perspective, I think that one of the main risks – and we need to be aware of these risks in order to avoid them – is that in the developed world expansionary policies may be applied in response to a crisis, while in the developing countries adjustment policies are proposed. We must adopt a consistent position and a single unifying concept, so that we can all put forward and implement a positive solution.

The positive solution

One aspect that I want to highlight is the meaning of “positive solution” and the need to apply it to small enterprises, the domestic market and the informal economy. Among the possible policy options available to us, we again see this conjunction of small enterprise, domestic market and informality which, handled imaginatively and creatively, has the potential to generate employment and stimulate consumption. This is one area where the ILO must work very intensively. I therefore want to make it clear that the institution which I head wants to make its capacities available in this area in particular.

Social protection systems

However, the positive solution also involves strengthening social protection networks. We know that in many of our countries, and probably all of them, particularly in Latin America and the Caribbean, formal employment provides both income and social protection, so that when individuals lose their jobs, in practice they lose both. Since, as the figures show, we face a crisis of inadequate growth, the action of social support mechanisms and the creation of social support and protection systems is going to be crucial. This does not mean that huge systems or new forms of institution have to be created, but urgent economic measures must be taken to provide effective guarantees that governments are committed to precautionary measures so that when crises strike, people in difficulty are not abandoned to their fate. I am convinced that social protection goes hand in hand with the promotion of productive employment. In short, what people will really value is that even when there is no possibility of getting a job, they will at least have some form of support.

Crisis and dialogue

Social dialogue is an essential factor in finding a positive solution through employment and social protection, and I believe that it will be absolutely crucial in the future. Yet we have to understand that this kind of dialogue will have to pass a very stiff test, since at times of crisis, individuals, industries and countries tend to close ranks in defence of their own immediate interests. Periods of expansion are always more propitious for dialogue; conversely, times of crisis are more difficult, as those involved in politics know only too well. Normally, crises faced by governments are seen by opposition parties as an opportunity to attack them, not as difficult situations which the nation as a whole must overcome. I am convinced, therefore, that the call to dialogue at such moments is even more crucial. Despite the difficulties, I believe that without social dialogue there is no way of meeting

the challenges facing our societies, whatever their stage of development. There is no solution without social dialogue or, I might add, without national unity. Crisis situations are comparable to conflicts of external origin; they are circumstances to which a country must respond, and respond with one voice.

Many of these themes, and especially the theme of finding a positive solution to the crisis, come up in my frequent conversations with Horst Köhler, of the International Monetary Fund, and James Wolfensohn, of the World Bank. I believe it is crucial that they, too, should have a favourable attitude to the pursuit of a positive solution that is not circumscribed by purely monetary solutions. I have stressed very clearly that I see it as essential to achieve all this within a framework of fiscal equilibrium and that we should not go back to those situations which we know all too well in Latin America, and which nobody wants to repeat. I share this vision with the Secretary-General of the United Nations and, in this respect, we are working within the framework of the *United Nations System Chief Executives Board (CEB) for Coordination*.

I attach great value to the Joint Declaration¹ signed in Ottawa last year by Mr. Funes de Rioja and Mr. Yusuff, the Presidents of the Business Technical Advisory Committee on Labour Matters (CEATAL) and the Trade Union Technical Advisory Council (COSATE), and find in it a guide for our common task.

Bipartite initiatives

9. National decent work programmes: More and better jobs

One of the tasks we envisage in the framework of the Decent Work Agenda to overcome the deficit is to develop a set of policies that can be used to

¹ During the XIIth Inter-American Conference of Ministers of Labour of the Organization of American States (OAS), the employers and workers of the Americas represented by CEATAL and COSATE, met to engage in an exchange of views on the social and labour dimensions of regional integration and agreed on the following:

Declaration

- Cooperation between the OAS and the International Labour Organization (ILO) should be established to ensure that consensus with respect to employment creation, rights at work and social protection reached by social partners at regional and/or international level are duly taken into account in the American integration process. In this regard, the members of CEATAL and COSATE reiterate their full commitment to the Declaration on Fundamental Principles and Rights at Work. The Declaration, as adopted by the ILO, should be the common response, with the Decent Work Agenda, to the development and framework of the labour dimension of regional integration.
- Within this context, labour administrations should play an innovative and active role, in collaboration with employers' and workers' organizations, with regard to the promotion of an environment conducive to the creation of productive and sustainable employment through enterprise development. Labour administrations must strengthen their capacity so as to be able to take up their remit and participate effectively in the formulation of the policies within their remit and to promote through labour inspection the observance of labour legislation of each country.
- Governments should make real efforts to consult with social partners regarding the social and labour dimension of regional integration and work with them towards achieving decent work based on the principles of freedom, equality, security and human dignity. The stability and legitimacy of the changes in the world of work will depend to a large extent on the degree of consensus achieved between the social partners and governments.

CEATAL and COSATE reiterate their commitment to make every effort to fully perform their important role in the regional integration process, as well as the need for the OAS and governments to contribute to strengthening both Advisory Councils. CEATAL and COSATE, taking into account the ILO area of competence and acknowledging the presence for the first time of the ILO's Director-General in this meeting, make an appeal to the ILO to support and provide technical assistance within the context of the Working Parties set up by the *XIIth Inter-American Conference of Labour Ministers* to implement its Plan of Action.

advance the Agenda in different national settings – the policies to which I referred in section 4 of this report.

Policies for action To this end, we should like to work with our constituents in countries and with institutions which are considered relevant, to implement *decent work* strategies at national, company or local level, after identifying the principal issues for each country, company or local conditions. We should like to help in defining clear, precise and shared objectives as a basis for agreeing policies and programmes to achieve them. The ILO can advise countries on the application of the policies and programmes identified and, if appropriate, share in monitoring and documenting progress.

The activities of national programmes could be undertaken in the following order: rapid review of the *decent work* situation; statement of priorities; definition of objectives (including quantification, if possible); development of policies to achieve the objectives; and design of a monitoring and documentation system.

A strategy of this kind can fuel a national debate to identify the key themes and formulate policies to promote *decent work*. This will require the establishment of certain institutional mechanisms so as to derive the most benefit from the debate. The nature of the mechanisms (consultative, deliberative or advisory) is something that each country will have to decide. Obviously, we are thinking of a tripartite body in which government participation is not confined to ministries of labour.

A strategy The policies that are formulated should have a degree of continuity and commitment to their application, within a framework of clearly defined priorities. It is important to establish a monitoring strategy to evaluate the results of these policies based on established indicators or surveys.

I want to take this opportunity to point out that economic, social and labour policies are not the responsibility of government alone. It is true that the public sector is the principal player, but other institutions also play a part. There are supranational bodies, especially in the integration processes which are proliferating in the region, which have an impact on conditions of production and labour. Large local and multinational companies sometimes have a more immediate effect in determining employment and working conditions than the State. Local government is also beginning to have an impact on labour and productive processes and the design and implementation of public policies, especially those aimed at generating jobs and incomes. In one sense, *decent work* is going to depend more on company than government policies. Furthermore, for the application of policies, companies can be more effective than the coordinating activities of national governments.

Likewise, the role of trade unions, employers' organizations and the processes of collective bargaining is extremely important in creating *decent work*, that is, in improving conditions of work, respecting rights at work and extending social protection.

National decent work programmes A task on which we are working to make these national programmes really effective is the definition of indicators to measure *decent work*. Defining objectives and monitoring the results is very important in making the methodology we suggest effective.

When working on indicators, it is important to match the information that is sought to what is available. It will thus be necessary to identify for each country a group of indicators which can give an idea of the situation of labour rights, employment creation, how the labour market works, what the predominant conditions of work are, coverage and sustainability of social protection and the level of dialogue between the social actors and the public

authorities to achieve more and better jobs. All these indicators must be broken down by sex and age, as an essential condition for gender analysis and identifying possible deficits in each of these areas, since the theme of equality is a fundamental and cross-cutting dimension of the Decent Work Agenda. These indicators must also be compiled at company level. Combining data, like the pattern of public investment and its impact on human resources training, can provide revised estimates. The region has advanced in this aspect, as can be seen in our annual publication *Labour Overview* which covers Latin America and the Caribbean.

All this will imply better cooperation within the ILO so that the various departments and units involved, and services in the field, begin to provide the integrated response required by the need for progress in our countries. This is something, I have to confess, that we have not yet fully achieved. Sometimes, for example, our staff responsible for employment promotion lose sight of the other dimensions of *decent work*, be it social protection, application of standards or tripartite dialogue, those concerned with standards confine themselves to the application of procedures established by the control organs. Those who promote social protection policies forget that if occupational health and safety standards are to be applied, companies and workers in employment are needed to finance such insurance. And those who are responsible for promoting social dialogue do not always incorporate social dialogue in the various dimensions of *decent work*. The recently formed Policy Integration Department and the elaboration and implementation of *national decent workplans*, which as Director-General I firmly support, will certainly help to improve the linkages between different ILO sectors, departments and services. I am sure that these plans will find in Latin America and the Caribbean a field conducive to their rapid application and serve as a benchmark for ILO actions at global level.

The ILO must be capable of facing up to current challenges

10. Some opportunities

When one looks at the region's contrasting realities, especially the vitality of the working people who are striving to survive in the informal sector, and thus claiming their right to work and develop, it is important for an institution like the ILO and its constituents to seek out opportunities to respond to the needs of men and women in the American continent and the Caribbean.

I have the impression that the new generation of strategies for economic integration, both within the hemisphere and at subregional and even bilateral level, provides opportunities to move forward with the Decent Work Agenda. Particularly important in that respect is the role that can and should be played by private enterprises, irrespective of their size, in delivering the positive solution that is seen as the only response to the poverty in which so many of our fellow citizens live. One sector where there is such an opportunity is youth. Over and above the commonplace of seeing it as hope for the future, I believe that investment in our young people is a wager that we must accept. Our young men and women, for a variety of reasons, are especially susceptible to the new reality of the knowledge economy taking hold based on technological progress, especially in the field of information and communication. Making our young people employable and competitive to allow them to enter the new economy is both an opportunity and an obligation, which economic, social and labour policies must reflect.

Integration, productive organizations, women and young people

Another important opportunity is the economic dynamism and energy of Latin American women. As I have indicated in this report, women currently form 40 per cent of the urban economically active population in Latin

America. Their levels of education have risen significantly and, in some countries in the region, they account for over 50 per cent of all professional and technical staff. I also believe in their entrepreneurial drive. All of this is a store of human resources fundamental to the development of our societies, from which we will benefit all the more as we succeed in overcoming the persistent inequality of opportunity and treatment based on a person's sex. We have also indicated that approximately one-third of households in Latin America are headed by women, adding further to the contribution of women to family incomes in the likewise growing number of homes where there is more than one provider. This means that women are contributing more and more to overcoming poverty. This aspect of the role of women, and their fundamental commitment to the well-being of their families, especially their children, is increasingly recognized in the countries of Latin America by those who design and implement public policies to combat poverty and create jobs, who identify them as the main beneficiaries of such programmes.

I would like to dwell on the four issues of integration, productive organizations, women and youth, in order to identify prospects for renewed ILO action to promote employment, based on national economies integrated in the global economy which may generate synergies that promote development; on enterprises which truly generate well-being, and young people who participate actively and creatively in joint efforts to achieve progress and integrate our societies in the world economy in a beneficial way.

The social and labour dimension of integration

Integration: An old ideal

In recent times, two periods could be highlighted in the efforts in this hemisphere to seek development through economic integration. One, which lasted almost three decades until the eighties, was based on the transition from protected national economic areas to protected subregional areas. It was a time when the vision driving growth was inward-looking, based on industrialization through import substitution, and led by the State. In the eighties, there was a transition to initiatives such as ALADI or PICE (Programme of Integration and Economic Cooperation between Argentina and Brazil) which sought to remedy the mistakes. However, they failed to do so fully or promptly. The second period is characterized by exploiting the opening up of economies and free trade as the engine of economic growth, and has an outward-looking vision, which recognizes the fundamental role of private initiative.

In the sixties and seventies – a time when ECLAC, the Andean Pact, the Central American Common Market and CARICOM emerged – integration on the continent was influenced by the import-substitution model. The eighties, with the emergence of ALADI and PICE (Argentina-Brazil), was a period of transition, while in the nineties – when the Americas Initiative was announced, the Free Trade Agreement was signed, the System of Central American Integration, the Andean Community and CARICOM began to be effective and the G3 (Colombia, Mexico and Venezuela) and MERCOSUR came into being – the development paradigm was quite different.

It would probably be fair to say that until the nineties, the various Latin American integration models did not adequately respond to the crises faced by the countries of the region. These crises were characterized by financial insolvency, external debt, scientific and technological backwardness and progressive impoverishment of the population. In the early stages of Latin American economic integration, appropriate use was not made of mechanisms to stimulate investment, and no common policies were formulated to

improve productive capacity and scientific and technological development, which are – among other things – fundamental components of successful economic growth.

In the nineties, Latin American economic integration shifted from an isolationist and protectionist philosophy to a model of total liberalization of trade, which, in order to work properly, required policies designed to improve the productivity of national economies in an increasingly competitive and interrelated international environment.

International competitiveness

Is economic integration only about trade policies, or is there a “mix” of economic measures that must be implemented? Is integration merely an economic issue, or must it go further and embrace political, social, labour and cultural policies if it is to succeed? How does globalization in its current phase determine efforts to achieve integration?

An important topic in the context of integration in the hemisphere is that of asymmetries. Ultimately, questions arise such as the following: What is the possible or desirable future for the smallest economies? What are the real conditions for integration on a basis of equality, given the enormous differences in productive capacity and technology in the countries of the Americas?

The “Americas Initiative” (1990) proposed by former President George Bush to strengthen growth and political stability in Latin America has three basic pillars: stimulating trade flows (through a continental zone using “framework” agreements to gradually open up markets); increasing foreign investment in the region (by changing legislation and promoting an investment fund aimed at renewal); and reducing the external debt of countries in the western hemisphere (accelerating the Brady Plan and supporting debt reduction programmes through debt rescheduling, as well as conditional cancellation of debt owed by governments in the region to the United States Government, in the context of economic liberalization).

Subsequently, the process leading to the integration, under a single free trade agreement, of the western hemisphere economies began with the Summit of the Americas in Miami in 1994. After that, a series of events and meetings took place which resulted in the process moving rapidly forward.

The Summits of the Americas

However, free trade is not the sole objective of the Summits. In Quebec last year, the Heads of State and Government affirmed: “We seek to create greater prosperity and expand economic opportunities while fostering social justice and the realization of human potential”. Within this project, free trade in the hemisphere is seen as a key element in generating economic growth and prosperity in the hemisphere, and will help to achieve the Summit’s broad objectives.

In reviewing the Miami, Santiago and Quebec plans of action, it is clear that the Summit process is an ambitious project intended to promote development in the hemisphere. If it is to take concrete shape, certain requirements must be met and this requires much work in different areas.

What was first seen as a free trade agreement has evolved into something rather bigger. In the words of the Heads of State and Government in Quebec: “We are united in our determination to leave to future generations a Hemisphere that is democratic and prosperous, more just and generous, a Hemisphere where no one is left behind.”

We all know the importance of standards in promoting labour development, but labour is not just a matter of standards. Ultimately, our future action must take into account that the vision of *decent work* fulfils a purpose only if *decent work* is seen as a factor in harmonizing regional development policies.

More and better productive organizations with decent work

The productive organization, be it a public, private or cooperative enterprise, is a key factor in economic growth. In the light of this, and of the fact that the process of development must be integrated to achieve real progress, the enterprise must be recognized as a place of choice for achieving social and economic objectives, especially today, when the main challenge seems to be integration of both these aspects of development in order to shape globalization in such a way that it responds to the needs of the great majority.

The importance of enterprises

In my first Report to the International Labour Conference, I pointed out that “Enterprises are the key to growth and employment in open economies. Their activities have an impact on all the areas of ILO concern and have a crucial bearing on future patterns of industrial relations, skill development and employment. A focus on the enterprise is essential if the ILO’s work is to be informed by workplace practices and realities. ... In many ways, the ILO is uniquely placed to tap the potential of enterprises and the business community. They are directly represented in the Organization.”

In a sense, enterprises are where the principle economic mechanisms for generating wealth, employment and well-being are located, and it is these mechanisms that determine whether men and women enjoy a greater or lesser share of the benefits of progress. Enterprises thus have a role to play in combating economic discrimination and its social and political consequences.

The enterprise in Latin America and the Caribbean is no abstract concept. There are enterprises of different sizes (large, medium, small or micro) which are capable of engaging in productive activities in one or more sectors, generating goods and services for the domestic or export markets. These enterprises may be formal or informal, national or transnational, and may originate from within the region or outside. All these variations have an impact on the social commitment and economic behaviour of the private sector, and thus on progress in Latin America and the Caribbean, given the predominance of this sector in our economies, especially in recent decades.

Women’s participation

In the majority of countries of the region, women are creating enterprises and contributing new management styles and innovative methods. However, women are still a minority of all entrepreneurs and are concentrated in the smaller businesses, because they face serious constraints, owing to their gender, in developing their business potential and economic initiatives. Various studies have shown that they have a limited range of options in choosing the sector in which they are going to do business, because they lack access to productive resources (financial and non-financial), the time and opportunities available to men for developing contacts, as well as the necessary education and experience needed for entrepreneurial activities. That is why the ILO is promoting the development of an environment conducive to the development of entrepreneurial activity by women, by incorporating a gender dimension in policies aimed at this sector.

Globalization and the opening up of economies have left their mark on the economic affairs of the countries of the region and their businesses. In almost all of them, the average size of enterprises has diminished considerably, not only due to the smaller scale of operations resulting from the new technologies and flat organizational structures, but also to the increasing loss of competitiveness of regional economies. The direct consequence has been that business strategies have been adjusted to reduce operating costs as much as possible, which has had an impact on labour relations.

Conditions of work and productivity

In proposing the *decent work* paradigm, the ILO is trying to put into practice a set of principles designed to strengthen the link between quality and conditions of work and business productivity. The ILO does not accept that it is an indisputable imperative to achieve competitiveness simply by reducing costs in absolute terms. Instead, the ILO suggests that increasing labour productivity is the best and most sustainable way of increasing competitiveness. This will be possible so long as there is a regulatory framework conducive to business development, better labour relations and conditions of work, vocational training systems which provide for continuing development of the human and social capital of enterprises and encourage new initiatives to improve productivity and competitiveness.

Combining flexibility for enterprises and security for their workers can strengthen business productivity, contribute to economic growth and improve the competitiveness of countries.

Understanding social policies as a factor in economic productivity is part of the *decent work* response to achieve a more inclusive globalization and promote development that can truly be called “human”. The key to this is more and better enterprises.

This is a conviction that I have seen growing and firmly establishing itself in my meetings with the members of the growing community of innovative businessmen and women which is expanding all round the world. It is a community which includes not a few Latin American and Caribbean employers. I have also seen this conviction in meetings with representatives of that modern trade unionism that is beginning to establish itself in different regions of the world.

As this global trend suggests, and as can be seen in quite a number of enterprises in the region, there is a growing number of documents and initiatives regarding the social responsibility of corporations to ensure that global production chains apply labour standards.

The social responsibility of business

There is growing evidence that socially responsible enterprises are more profitable in the medium term. In Latin America, the ILO has long been promoting a social balance in enterprises as an effective tool of modern management.

The modern enterprise, the basic labour and production unit, has developed a sense of social solidarity, and is concerned about collective well-being. This is not mere philanthropy or marketing strategy, nor merely a matter of isolated cases. There are corporate strategies which take account of the impact of businesses on their workers, customers, suppliers or creditors, and on the community and society in which they operate.

The modern enterprise not only understands that its objective is not confined to making profits, which is good and important for the general well-being to the extent that it helps to create wealth. It also recognizes a commitment to the development of its employees and the wider community in which it operates. This, as various examples around the world show, can and must help it to be a better competitor in markets, as well as a good employer and good neighbour.

The economic dynamism of women and young people

Four out of every ten economically active persons in urban areas of Latin America and the Caribbean are women. While many of them are engaged in low-productivity work, especially in the informal sector, there has been obvious progress in recent years in terms of women finding work. This does not mean, however, that there are not still considerable problems of

unemployment and discrimination, among other things, as the figures and data cited earlier show.

Women and the labour market

According to a recent ILO study,² Latin America has in recent decades undergone profound demographic, cultural and social change which has caused a major transformation in the pattern of age groups in the population and the composition and size of families. These changes, combined with the expansion of education, especially for girls, and a new system of values and attitudes that is more open to women exercising non-traditional roles, have had a significant impact in increasing their participation in the labour market and economic activity. This trend has accelerated over the past decade, in the face of the growing need for families to have more than one breadwinner to meet their basic needs and improve their quality of life. The greater inclusion of women in the labour market is therefore a long-term trend which is structural in character. The growth in the number of economically active women is likely to continue at a rapid rate during the present decade, as young women, with clearer work ambitions and identities than earlier generations, enter the labour market. Hence the importance of keeping a close watch on where and how women enter the labour market.

These changes are taking place in a world scenario characterized by globalization, a new organization of work and restructuring of production which has led to a decline in the most protected forms of employment and a sharp increase in unemployment in the region – phenomena which, nevertheless, have not stopped the rise in women's employment in Latin America. The upward trend in women's involvement in the labour market has continued, with contrasts and paradoxes, advances and setbacks, but without any real breakthrough in addressing the processes and structures which give rise to gender inequalities.

A comparison of the various indicators of the equity gaps between men and women shows modest but positive progress. Wage differentials have fallen, women's participation in some occupations has increased without them becoming devalued, more women have been successful in their careers and in rising to managerial positions. However, some reverses can also be seen, such as the rise in unemployment rates for women, and unemployment gaps between men and women. In addition, with respect to the progress made by women in education and training, the advances (reduction in the gender equality gaps) should have been greater. Women workers in Latin America are on average better educated than men, but are still worse paid, and concentrated in a small number of women's occupations. Women are more numerous among the unemployed and in highly precarious occupations (such as domestic service) and continue to bear most, if not all, the domestic and family responsibilities.

Institutional strengthening for gender equality

Hence the importance of public policies to promote equality and decisive action by the organized social sectors associated with these objectives. These undoubtedly include trade unions and employers' associations in Latin America, whose concern and commitment to gender equality has grown significantly in the region. The ILO is making increasing efforts to collaborate with and support its Members in this respect. Its main activities include the *Programme of institutional arrangements for strengthening gender equality, employment promotion and eradication of poverty*, which is being implemented in various countries in the region.

² L. Abramo and M.E. Valenzuela: *Latin America: Equality gaps and the progress of women at work in the 90s* (Santiago de Chile, ILO, 2001).

In turn, in the majority of Latin American countries, the various forms of discrimination are based on gender overlap, and are reinforced by discrimination and major racial and ethnic equity gaps. The superposition of these various forms of inequality and discrimination has not been sufficiently considered up to now in labour market analyses in our countries, or in the formulation of public policies to combat poverty, promote employment and equal opportunities. This is certainly another task which will have to be increasingly addressed, not only by governments, but also by trade unions and employers' organizations in Latin America.

In order to move forward in elaborating these policies and action strategies, it is becoming increasingly necessary to generate new bases of knowledge which can help to identify and solve the increasingly complex problems facing men and women in the world of work. Making the gender dimension part of any analysis of the world of work helps not only to shed light on the problems experienced by women workers and improve our understanding of the factors that cause them, but also to identify the structural dynamics which have governed the changes in the active population and the social factors behind these changes. Analysing differences of sex and gender relationships in the labour market in greater depth not only leads to a better knowledge of the status of women, their problems and potential, but also to a better understanding of the dynamics and functioning of the world of work as a whole.

Need for new knowledge bases

In addition to these trends, one in five people in the world is aged between 15 and 24 years. By 2020, 89 per cent of young people will be living in developing countries. At present, it is estimated that some 66 million young people in the world are unemployed, accounting for just over 40 per cent of total unemployment. The majority of these young people are women. The rate of youth unemployment is double the average. In many countries, over half the inhabitants are young people. This poses a challenge for democracy, the world economy, and for the sustainable model of human development.

The youth employment issue

By way of example, in the nineties, the youth employment situation in Latin America did not improve. Worse still, the quality of youth employment deteriorated. And that was a decade of economic growth in the region! In this segment of the population, surprisingly, higher levels of education do not seem to guarantee more employment opportunities (*Labour Overview, 2000*).

A worrying feature is the fact that employment opportunities continue to be differentiated by socio-economic level. The employment rate of the poorest young people (43 per cent) is lower than for the wealthiest (53 per cent).

ILO statistics show that most new youth employment is in the informal sector, and there is evidence that social protection for young workers diminished during the last decade of the last century, while the majority of new jobs were part time.

One of the most urgent priorities, therefore, that the countries of the region must address is to reduce the growing levels of youth unemployment. The rate of youth participation in the labour market has stagnated, primarily as a result of greater access to education, but the youth employment rate is also falling because employment is expanding more slowly than the population is growing.

If we want a better future for our peoples, and a better present, we need to create more and better employment opportunities for young people. Just to maintain the unemployment rate of the end of the nineties (16 per cent) will require annual GDP growth in the region above 7 per cent, a target difficult to achieve in the light of current forecasts. Efforts must therefore be

directed at creating the right conditions to allow young people to enter the labour market and take on the risks inherent in becoming entrepreneurs.

To this end, the education system should concentrate on enhancing the employability of young people, providing employment-oriented training and encouraging entrepreneurial initiative, as well as offering work experience.

Following the Millennium Summit (2000), the United Nations Secretary-General, the President of the World Bank and the Director-General of the International Labour Office decided to work together to help promote productive *decent work* for young people. For this purpose, they invited leaders of the private sector and civil society, together with eminent economists, to form a high-level commission. They were represented for the region by Mrs. Ruth Cardoso (Brazil) and Mr. Hernando de Soto (Peru). The aim is to establish a network of networks, with the participation of young people, with emphasis on action intended to facilitate the entry of young people into work and channel their energy and creativity into promoting development.

It is a paradox that the technological progress which offers unprecedented opportunities for education, innovation and production and opens up opportunities for progress, creates uncertainty and insecurity for millions, and widens the gap between young people with good jobs and high incomes and those with low-quality jobs and low wages. It is therefore not surprising that there is a sense of frustration and hopelessness among those who feel marginalized from the so-called knowledge economy.

Experience tells us that if young people have appropriate opportunities, they can be bold innovators, productive workers, go-ahead businessmen, active labour leaders and responsible consumers. That is why, in my view, young people must be seen not as a problem but as the social “assets” of our countries.

Acting now

The challenge for the Americas is to generate sufficient opportunities to allow young people to obtain decent and productive jobs where they can fully develop their talents, skills and aspirations. The choice is simple: either we take appropriate action now, or we go on paying the human, social and economic costs that will mortgage our future.

I believe that the ILO’s member States in the continent share the objective of generating job opportunities for the young men and women in our societies, and of eliminating the prevailing unemployment and underemployment. A renewed sense of urgency is needed with the vision and resolve to translate words into action.

Attaining this goal requires political will, long-term commitment and macroeconomic policies which stimulate intensive employment and measures to encourage social and political equity.

Policies and programmes must be based on the needs of young people, as well as the strengths which they can bring to enterprises, their communities and societies. For this I suggest that young people should be seen not just as a group in need of support, but as partners in this task which will help them to mould their own future and that of their countries. I believe that initiatives to promote youth employment must involve young men and women themselves if they are to succeed.

International workers’ and employers’ organizations

In generating youth employment, enterprises have a very active role to play. The International Organisation of Employers (IOE) has formulated proposals in this respect which can be implemented through appropriate public policies, especially in the dynamic services sector. Enterprises set up by young people with young workers should, among other measures, be encouraged. Trade unions have included the issue of youth employment in

their policy and actions and undertaken positive actions in that direction. The International Confederation of Free Trade Unions (ICFTU) has an ambitious plan in this area.

It is worth highlighting some elements that should be considered by States and societies in the Americas in formulating a policy and undertaking actions to stimulate job creation for young people. They include:

Suggestions

- (a) incorporating youth employment in employment policies, taking into account the need to stimulate growth based on the intensive use of human resources;
- (b) supporting initiatives in favour of youth employment with sound public or private institutions;
- (c) ensuring that all girls and boys have access to quality education which creates a clear path for the transition from school to work; and developing vocational training policies which facilitate entry into the knowledge economy;
- (d) narrowing the gap between the informal economy and the modern sector through productive links;
- (e) harnessing the creativity of youth, and using the employment potential of the new information and communication technologies;
- (f) exploiting new opportunities opened up by the rapid expansion of the services sector;
- (g) helping young people to access the information they need on labour markets and on setting up small businesses;
- (h) promoting the entrepreneurial spirit and development of small enterprises as additional ways of creating jobs for young people;
- (i) responding to young people's expectations of a better future through social protection and rights at work;
- (j) providing an international environment for the mobilization of resources and actions to promote youth employment;
- (k) creating associations and networks to promote youth employment at the local and international levels.

I believe that, if the twenty-first century is to be more prosperous for our societies in terms of development and progress, democracy and freedom, it is essential to recognize the priority of bringing women and young people into the world of work. In this task, the ILO wants to cooperate with the countries of the Americas, given the great strategic importance of action in this area.

11. The responsibility of the International Labour Office

The ILO's comparative advantage is its tripartite constitution, not only because it is the only agency in the United Nations system which includes representatives of civil society, including in its governing bodies, but because the combined presence of workers, employers and government representatives, member States can strengthen actions in favour of integrated development.

The practical dimension of this comparative advantage in Latin America and the Caribbean can be better appreciated in the second part of this report. By harmonizing our provision of technical services around *decent work* and the requirements of our constituents, we have been able to prioritize areas of action with a view to developing an increasingly coherent strat-

egy and improving the delivery of concrete results for people. One field in which the development of the Office's internal awareness is clear is the promotion of equality of opportunities for men and women at work, as a fundamental dimension of *decent work*. Not only have we increased our technical cooperation activities on this theme but, in addition, we are working very hard to incorporate the gender dimension in all the Office's activities.

Institutional management

I am aware that there is still much room for improvement, but we have begun a restructuring of institutional management which emphasizes better use of resources as the basis of results which will help to overcome the *decent work* deficit in different contexts. In the framework of this restructuring, a Director of Operations was appointed in the Office of the Director-General, and a Department of Policy Integration was set up to develop synergies between the Organization's different areas of action, based on the comprehensive vision of *decent work*.

Results-based management

For the ILO, results-based institutional management seems to be the most appropriate method of defining what needs to be done and of formulating a coherent set of measures to meet the challenges ahead. Results-based management is not an automatic mechanism, but a set of criteria and techniques which combine to generate a comprehensive plan for the institution's work, based on those involved having a stake in the mission, their commitment to excellence, a spirit of service to constituents and readiness to work together.

The *mission* is crucial to such institutional management, since from it flow the *goals* which define the fundamental long-term direction and, by extension, the future desired by the Organization. The *objectives* are specific and measurable expected achievements. The *budget* commits resources for their implementation. *Actions* are detailed activities and plans which lead to the attainment of the objectives producing *results*, which must be evaluated to feed back into the decision-making process of the Office.

The principal goal is the promotion of *decent work*. This is the updated institutional mission which, under our Constitution, is the promotion of social justice with a view to achieving universal peace. It is embodied by the four strategic objectives which define the ILO's actions:

- Promotion of the principles and fundamental rights at work, which I call the ILO's *historic mandate*.
- Creation of employment, the *political mandate*, which comes from the grass roots, the people.
- Social protection, the *ethical mandate*.
- Social dialogue, the ILO's *organizational principle*.

12. The ILO's constituents

Achieving the objective of *decent work* is not just a task for the International Labour Organization, or for labour departments, ministries and secretariats. It is an individual and collective responsibility of the ILO's constituents and their associates.

The challenges for workers' organizations

Many people have urged workers' organizations to set new objectives and seek new methods of work. The economic, social and political environment in which trade unions organize and represent workers is changing radically throughout the world, which means that trade unions must re-examine their function and strategies. The era of mass production is coming to an end and, in the future, trade unions will have to operate in a large number of much smaller workplaces, increasingly concentrated in the private services sector. Consequently, it is likely that collective bargaining will be more dispersed.

Those most in need of trade unions are workers in the informal economy in developing countries, because they do not have the possibility of resorting to the protection of the law or social security. However, there are major obstacles to organizing these workers, in some cases resulting from the inability of the public authorities to protect trade union leaders and also because much informal labour is temporary. Nevertheless, all kinds of community and occupational organizations are being formed, many of which deserve the support of established trade unions, the public authorities and the international community. People who live from hand to mouth need help in organizing themselves, in becoming more productive, and in obtaining greater protection from judicial and institutional bodies. Otherwise, owing to the size of the informal economy, the gap between the formal and the informal sector will continue to be a major source of division in society and an obstacle to equitable development.

Workers in the informal sector

The challenges for employers' organizations

The challenges for employers and their organizations are no less important. Indeed, they are similar to those facing the workers. Employers' organizations also face the problem of defining and developing services that meet business needs in the new global economy. This increasingly has a dimension that transcends borders. They often have to compete with other business service providers, such as commercial consultants, and for this reason they constantly have to raise the information content and technical quality of their services. In a context of liberalization and globalization, firms and jobs, as well as the incomes that they produce, depend for their survival on their competitiveness. Employers' organizations are no exception to the rule.

In their representative function, the majority of employers' organizations are still mainly concerned with the largest companies in the formal sector. Some have developed services for smaller enterprises, which have thus been motivated to join. However, there is still much to do. Increasing the membership of micro- and small enterprises, providing services appropriate to that type of productive organization, achieving greater links between large and medium-sized enterprises and micro and small businesses, are all challenges which still face employers' organizations.

Small enterprises and micro-enterprises

However, just as workers' and employers' organizations need to confront the challenge of progressively incorporating workers and productive units in the informal sector, an equal or greater effort is needed to involve agricultural and indigenous entrepreneurs and workers, while respecting their wishes, their particular forms of organization, their customs and culture.

In considering this challenge of developing and modernizing the social partners' representative organizations, the need for greater involvement of women in these organizations, as members and leaders, must be taken into account.

Achieving broader and more effective organization is vital for both workers and employers. It is a precondition for constructive social dialogue designed to find solutions to disputes and to determine the areas in which results could be improved. It is the key to improving conditions of work, obtaining a good return on investment and increasing employment.

The challenges for ministries of labour

Modernization Ministries of labour, for their part, also face great challenges. In the first place, even though they have made every effort to modernize, they must improve still further the services they provide to their users. Rather than the pointless discussion about whether ministries should be big or small, with many or few staff, we believe it is important that ministries should adapt their organization and functions in the light of an accurate analysis of what is expected of them and demanded by their users: businessmen, workers and the public at large. What is important is to be useful and efficient. Satisfying users' needs and determining the functions that ministries should perform to satisfy their public is much more important than the organizational chart of the ministry or its size.

Civil service career structure Secondly, ministries should take steps to establish a civil service career structure, where this does not already exist. Countries can have excellent state policies, but since civil servants are responsible for implementing them, the policies will be of little use if every change of government or minister results in the bulk of the civil service changing. There will be no stable policies without a stable civil service. In the ILO, sadly, we have considerable experience of investing in training for public servants in ministries of labour who, once trained, are dismissed because a new minister arrives. This is something we must avoid, and there is no better way of doing this than enacting legislation which, as in many countries in the region, provides for stability in the civil service, except for positions of trust.

Linking labour issues and economics Thirdly, ministries of labour must be the vehicle for linking labour and economic policies. Ministries cannot go on being mere receptacles for people's complaints about the effects of recurrent structural adjustment policies. They have much to contribute when economic policy is formulated, and must be prepared to do so. As René Cortazar, the former Minister of Labour of Chile, put it bluntly,³ "Faced with ministries which in many cases are on the fringes of the work of the economic cabinet (which allows them to keep discreetly aloof from economic policy and preserve a certain, but not very effective, ability to engage in dialogue with those who oppose that policy), ministries of labour should involve themselves more closely in all government action and, in many cases, take back ownership of labour policy. This will mean a different relationship with the sectors that oppose the policies, but it will give the ministry of labour greater influence and political effectiveness, both in relation to its social interlocutors and the rest of the government. On the one hand, its capacity for dialogue with occupational sectors is legitimized and, on the other, its contribution to the formulation of the government's economic policy will become more active."

³ R. Cortazar: "Ministries of labour in the new economic and social environment", in *Labour administration and ministries of labour in the 21st century* (Lima, ILO, 1997).

IV. Conclusions

The expected positive effects of economic stabilization and structural adjustment have not always been evident in all the countries of the region (especially effects such as increased employment of unskilled workers and reductions in wage differentials). Furthermore, in many cases, there has been increased unemployment, informal work, precarious employment, lack of protection, poverty and social exclusion. A growing *decent work* deficit has thus been generated and is the main concern of men and women in the region.

Are the difficulties currently being experienced in the region the product of globalization? Or are they due rather to long-standing structural problems which globalization has not only failed to solve but has even aggravated?

The answer to these questions is a complex one. Nevertheless, we have tried to find a few clues in this report. The first has to do with the economic imbalances that existed just when economies opened up, and which, in large measure, countries have not overcome. The second concerns the absolute priority given to policies of macroeconomic stability which, combined with the heavy burden of external debt in many of our countries, means that insufficient consideration has been given to the objectives and social effects of those macroeconomic policies. The third concerns a change in the system of political values.

The present difficulty in reconciling macroeconomic discipline with financing of social investment is due, to a large extent, to the measures taken during the past decade. During that time, interest rates were excessively high, and this, although helping to attract foreign capital (much of it volatile), prevented adequate financing in many businesses, led to the failure of others which were highly indebted and, as a consequence of bad debts, threatened the viability of the financial system itself. The present situation in Argentina is a good example of this. Moreover, in many countries, the currency drag caused by operating a fixed exchange rate made export sectors uncompetitive.

Fiscal policy, for its part, was pro-cyclical. The higher the level of economic activity rose, the more spending increased. No thought was given at that time to an anti-cyclical policy that would allow savings to be made (through stabilization or similar funds) to help us through possible lean times in the future. And that is what we are facing now. Fiscal constraints and the lack

Solving the problems

Anti-cyclical fiscal policy

of savings during the good years prevent governments from financing the social and employment policies demanded by the public. With regard to this shortage of resources, it should not be forgotten that corruption, both public and private, is also a heavy financial burden.

Implementing an anti-cyclical fiscal policy is a medium- and long-term task and presupposes a fundamental reform of tax systems, to make them more neutral and prevent evasion. However, the crisis now facing several countries in the region is forcing them to adopt emergency policies to alleviate the worst effects, without waiting to establish stabilization or social compensation funds. In many cases, this will require the budget to be restructured as well as a commitment of international solidarity.

As I indicated earlier, we need an expansionary monetary and fiscal policy and a neutral tax policy that are tuned to the economic cycles and with mechanisms for rescuing firms in difficulty in times of recession. Such expansionary policies are compatible with low inflation. Against this background, it is also necessary to give a decisive impetus to policies which encourage investment in sectors which generate high levels of employment.

One of the reasons for the present *decent work* deficits is the change in values. While one of the pillars of the social State was the pursuit of security for individuals, society and the State itself against the various dangers and adversities which might arise, many people and institutions now consider that insecurity and the related risk is a value in itself. It is suggested that insecurity forces people and groups to choose “the best” and thus make every effort to avoid wrong choices. Risk, it is claimed, leads to the success of individuals and that success ensures the efficiency of the system. Thus, insecurity, and up to a point, precariousness, are seen as the basic elements of the market, as defined in the broadest terms and on the basis of the effectiveness of its operation.

General and specific policies

The progressive reduction of *decent work* deficits, in the context of a reoriented globalization process, requires both general and specific policies. These policies must be underpinned by principles which ensure that, in generating *decent work*, we all have equal opportunities. These principles are basically three in number: respect for human rights and fundamental labour rights as the foundations on which to build a better future for all; restoration of solidarity within the system; and the preservation and development of democratic liberties.

There is a link between democratic freedoms and economic success. Even though there are examples of good and poor economic results in both democratic and authoritarian political environments, the data nevertheless suggest that economic success is more stable in democratic systems. This is because those systems have built up the human and social capital needed to mitigate the social conflicts often caused by external and domestic upheavals, and because they have mechanisms for reaching consensus on the changes needed to restore macroeconomic equilibrium.

Alongside these principles, there are certain aspects which I believe should be emphasized, such as the need to uphold our commitment to open and free economies, outward-looking societies, an integrated approach to policies and the integration of the countries of the region.

Integrated policy approaches

To generate *decent work* which satisfies people’s overall needs requires integrated policy approaches. Approaches are needed which more systematically integrate social and economic goals, whether at local, national, regional or world levels. However, it is not just that we must move towards greater integration of economic and social policies, including labour policies. We must also make strenuous efforts to achieve better interlinkages between labour policies as such or, to put it another way, the different

dimensions of labour policy. Recent experience shows us that it is not enough just to generate employment, since it can happen, and indeed has happened, that this employment is of poor quality. It is necessary to generate work of value, with appropriate remuneration and social protection for workers, be they men or women.

My impression is that the new generation of strategies for economic integration, both within the hemisphere and at subregional and even bilateral levels, provides opportunities to move forward with the Decent Work Agenda.

It is taking these principles and commitments as a starting point, or based on them, that we must give an impetus to new policies (and we know how this can be done). In the first place, some of the content of current macro-economic policy must be reviewed, especially in relation to monetary, exchange and fiscal policy, and sectoral policies must be promoted to encourage investment in the most labour-intensive economic sectors. In other words, it is necessary to move from an economic policy like the present one, with limited monetary and financial scope, to a truly productive and structural policy.

Secondly, a positive alternative is needed to promote the creation of more workplaces, increase productivity and enhance the skills of men and women. This demands active labour policies, especially those that develop people's capacities.

As regards active policies, alongside the current and very positive programmes to formalize and develop micro- and small enterprises in the informal sector, we will also have to work harder to promote the development of indigenous populations, respecting their customs and culture, to improve the terms on which women enter the labour market, and to stimulate employment of specific population groups with difficulties in entering the labour market, such as young people, the unemployed over the age of 50 years and the disabled.

Active employment policies and policies to combat poverty must consistently and at all stages (design, implementation, monitoring and evaluation) incorporate the gender dimension and the objective of promoting gender, racial and ethnic equality. Policies that do not include these criteria will most likely not only be unable to reduce the existing equity gaps but could even widen them.

The individual enterprise and the entrepreneurial spirit are fundamental to the strategy for developing *decent work*. That is why in the context of efforts to stimulate progress in the hemisphere, dynamic small and medium-sized enterprises which generate employment can and must play a key role; this can be enhanced if they are linked productively with large enterprises. The ILO is working to promote a virtuous circle: more enterprises generating more work, better quality employment and thus greater productivity and competitiveness in the economy giving rise to enterprises which generate more wealth and employment opportunities. We believe that this option is highly relevant.

It should be borne in mind that the objectives of *decent work* are part of an optimal strategy to achieve competitive businesses. When firms are faced with ever increasing pressure of competition, they may react by cutting costs, including labour costs. On the other hand, intelligent investment to improve skills, working conditions and job satisfaction can increase productivity and enhance competitiveness.

Thirdly, in the countries of the region, the social protection dimension has not been sufficiently evident in the labour policies adopted during the past decade. While it is recognized that certain levels of labour flexibility are

Active policies

Importance of the entrepreneurial spirit

Labour flexibility and social protection

necessary, there is no doubt that this should be accompanied by greater levels of protection against the possibility of unemployment, illness, occupational accidents and old age. Flexibility for firms and security for workers is an equation for which a satisfactory solution has yet to be found.

The majority of workers in Latin America and the Caribbean, men or women, work in the informal economy, without adequate protection, security, organization or a voice at work. Indigenous peoples are in a similar situation, as are, generally, workers in small and subsistence farms and, in some countries, certain racial groups.

Occupational health and safety, as well as conditions of work, are other areas of action where our cooperation is welcomed in the region. Our commitment to the fight against the AIDS pandemic from the workplace is a strategy that will allow the active participation of the social actors in checking and controlling the spread of this disease, as well as in tackling its social and economic consequences.

Dialogue for consensus

Fourthly, a truly pluralist society requires dialogue as a channel and means of reconciling different social interests (many of them conflicting) to achieve basic consensus on how to build the State that citizens want and generate supranational standards and institutions to govern integration and globalization. The tripartism which is a feature of the ILO is of special relevance at the present time.

The potential of women and young people

Given that the theme of equality is a fundamental and cross-cutting dimension of the Decent Work Agenda, it is necessary to examine, in each of the areas indicated, the disadvantages frequently faced by women and the existing deficits in terms of gender equality, in order to contribute actively to overcoming these inequalities.

In pursuing these policies, we must place special emphasis on the potential of young people and women. Young men and women, for different reasons, are especially open to the new realities of the knowledge economy which is now becoming established. Making our young people employable and competitive to allow them to enter the new economy is both an opportunity and an obligation which must be reflected in economic, social and labour policies. Another important opportunity is offered by the economic dynamism and energy of Latin American women, which represent a fundamental force for the development of our societies and from which we will benefit all the more as we succeed in overcoming the persistent inequalities of opportunity and treatment based on gender. Improving the conditions in which women enter work and explicitly including the objective of promoting equality of opportunities in policies to combat poverty and generate employment is a fundamental task which calls for collaboration between all the ILO's constituents.

Revitalized international system

Finally, we need a firmly legitimized international system, which means one founded on rules that are fair to all. Equity, as perceived by individuals and their families, and the developing countries, is the cornerstone of legitimacy. This means that new ways must be found to manage globalization. It is not just up to governments, but concerns the way in which society as a whole manages its affairs. It includes the way in which social values and goals influence people's behaviour, which is reflected in new rules and objectives for investors, new goals for firms and new mechanisms for social dialogue.

We believe that implementing these policies is not just a task for the International Labour Organization or the department, ministry or secretariat of labour in each country. It is an individual and collective responsibility of the ILO's member States, and especially of its constituents.

Achieving a broader and more effective organization is vital for both workers and employers. It is a precondition for constructive social dialogue, designed to resolve disputes and determine the areas in which results could be improved. It is the key to improving conditions of work, obtaining good returns on investment and increasing employment.

Ministries of labour, for their part, also face great challenges which require them to adapt their organization and functions, based on an accurate analysis of what is expected of them and demanded by their users: businessmen, workers and the public at large.

Bearing in mind our proposal of *decent work*, as an overall policy to guide macroeconomic, structural and sectoral policies to promote more and better jobs through enterprise development, it is clear that it is essential to overcome the current organizational divisions of public administrations through the intellectual process of integration needed to make these separate compartments communicate with each other and generate a new form of institutional organization in which it is possible to interact more effectively for personal development. In this context, strengthening ministries of labour requires special consideration to enhance the benefits of social dialogue in the Americas and ensure that the vision of *decent work* is paramount in public and private economic decisions. At the present stage, it is very important to have improved ministries of labour, which fulfil their functions with respect to the world of work and which, moreover, participate actively in formulating public policies to harmonize economic and social objectives based on *decent work*.

In line with the conclusions of the Fourteenth Regional Meeting, we would like to work with our constituents in the countries and with relevant institutions, in order to implement *decent work* strategies at national, company or local level, after identifying the principal issues for each country, company or local circumstances. We should like to contribute to defining clear, precise and shared objectives as a basis for agreeing policies and programmes to achieve them. The ILO can advise countries on the application of the policies and programmes identified and, if appropriate, share in monitoring and documenting progress. The policies formulated in this context should have a degree of continuity and political commitment to implement them. To formulate actions for the short, medium and long term is crucial if our efforts are to be sustainable.

I view with optimism the future of the region, despite the difficulties which seem to have proliferated during recent months. I trust in the ability of our peoples to find a solution through *decent work* and consolidate democratic institutions in the region. The ILO will do whatever is necessary to meet the challenge of helping the American States to build a fairer and freer hemisphere.

Modernization of public administrations

To summarize, a positive solution with decent work