

Annex B –The Business Technical Advisory Committee on Labor Matters (CEATAL)

XII Inter-American Conference of Ministers of Labour
XII Conférence interaméricaine des ministres du Travail
XII Conferencia Interamericana de Ministros de Trabajo
XII Conferência Interamericana de Ministros do Trabalho

"LABOUR DIMENSION OF THE SUMMIT OF THE AMERICAS"

The Business Technical Advisory Committee on Labor Matters (CEATAL)
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Introduction

In November 2001, the Inter-American Conference of Labor Ministers adopted the Ottawa Plan of Action. According to this plan, a series of meetings and seminars would take place in the course of two years with a view to preparing the approach to be taken on the Social Dimension of the Summit of the Americas Process.

It is in this context that the Canadian Employers Council (CEC) has been approached to consult with employers from all over the hemisphere to prepare and present in writing the employers/business position on such an important topic. For this purpose, the CEC, together with its sister organizations in the Americas represented in the International Organisation of Employers (IOE) has produced the present document.

In the preparation of this document, the CEC consulted 32 of the most representative employers organizations in 28 countries of the continent. It also considered the employers' positions in ILO activities such as the International Labour Conference and the sub-regional seminars carried out by the Bureau for Employers' Activities, as well as other IOE institutional positions and activities.

This document is submitted to the Governments of the region through the Business Technical Advisory Committee on Labor Matters (CEATAL) of the Organization of American States (OAS) at a meeting in Montevideo (Uruguay) and is intended to influence the definition of the Social Dimension of the Americas Summit Process.

Background

Economic integration has the ability to transform economies and imbibe them with sound economic and political structures and institutions. Countries wishing to benefit from the process of economic integration need to promote political transparency, economic openness, the necessary institutional reform and the promotion of full competitiveness. Economic integration acts as a catalyst to such reform, and is linked to greater political and economic democracy. Regional integration and democracy reinforce each other.

Economic integration has the potential to drive economic growth, create wealth, improve labor conditions and result in a better division of labor between countries based on competitive advantage.

Foreign direct investment (FDI) generates not just jobs and capital, but also increased knowledge and skills in an economy. It promotes a focus on productivity improvement, management skills and facilitates integrated links to developed markets. Attracting FDI requires creating an attractive environment for investment,

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which includes government accountability and transparency, capital mobility, labor market flexibility, human resource development and infrastructure.

Trade and FDI have a positive impact on wages in the developing world due to the demand of workers it generates, and therefore making the labor market more competitive.

Increased economic interdependence among countries creates political stability, social development and peace.

REGIONAL INTEGRATION FROM A SOCIAL DIMENSION PERSPECTIVE

- **Capacity building and strengthening market institutions.** Social benefits of regional integration require countries wishing to successfully participate in the process to put in place the political and economic conditions and institutions to create a market economy. These include access to and the respect for the rule of law, an impartial judiciary, recognition and enforcement of basic property and contractual rights, an efficient and well-regulated financial system, an effective and corruption-free democratic political system, and sound macro and micro-economic policies. These conditions and institutions should be developed by each country to fit its individual administrative and financial capacity and using a consensual approach through national social partners.
- **Education and human resources development.** Education is the key factor to creating and filling jobs with a skilled and productive workforce and providing employment opportunities, especially for vulnerable groups. People's endowment of skills and capabilities, and investment in education and training, constitute a key element to economic and social development. Skills and training increase productivity and incomes, and facilitate everybody's participation in economic and social life.

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- **Technology.** Bridging the 'digital divide' is a key to guaranteeing that more countries have the necessary tools to participate in and benefit from regional integration. Improved human resource development, investment in education and skills, and infrastructure development are part of the policy framework needed to address this important deficiency. A country that has established the appropriate environment for the absorption of information and communication technology will find international assistance more helpful in making the transition quicker.
- **Inter-regional trade.** The process of regional integration must ultimately encompass all trade in all industries and commodities if it is to fully benefit all countries equally. The current trading climate is not always conducive to developing countries benefiting from trade. These countries must be able to operate in a trading environment that allows them to fully benefit from trade across all sectors of the economy. Existing tariff and specially non-tariff barriers, as well as subsidies in important sectors such as agriculture need to be revisited, as does access to all markets in developed and developing countries alike. The disadvantaged position of developing countries in relation to trade has an impact well beyond trade. It deprives them of the capacity to create jobs, find the resources for technology and infrastructure development and improve terms and conditions of employment.
- **Open markets.** To fully realize the social benefits of integration, developing countries need to be assisted in adapting their procedures and opening their markets at an appropriate pace suitable to existing constraints in their economies. This will often help to prevent adverse effects on domestic productive sectors, which could result in political and social instability and reduce a country's capacity to give effect to social strategic objectives. Requests for flexibility coming from developed and developing countries sometimes differ. This could be due to the fact that developed countries count with the means and the social safety nets that are yet to be woven in the developing world. This is why special and differential treatment should be considered as a part of the approach to be taken towards hemispheric integration, specially taking into account the introduction of new technologies that require flexible labor system.

THE EMPLOYERS' POSITION

THE SOCIAL DIMENSIONS OF REGIONAL INTEGRATION: GENERAL STATEMENT

1. The employers' organizations of the Americas, represented in the **Business Technical Advisory Committee on Labor Matters ("CEATAL")** reiterate their resolve and commitment to make efforts so that the process of regional integration is conducive to social development for all people in the hemisphere. Increased access to, and sharing of, accurate labor market information is a key factor to a meaningful discussion on how to address social issues in the context of hemispheric integration.

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2. Regionalization involves a high degree of integration in respect of economic related factors such as markets, aspects of macroeconomic policies and sometimes even currencies. Integration in these areas is relatively easier than in the case of social policies, especially those related to labor relations. The reason is that labor relations systems are – far more than economic systems – embedded in historical and cultural factors. There is therefore far less scope for a regional system of labor relations. These obstacles are enhanced where different types of legal systems, for example, common law and code law, characterize a region.
3. In this regard, members of the CEATAL reiterate their full commitment to the Declaration of Fundamental Principles and Rights at Work of the International Labour Organization. The Declaration should be the common response to the development and framework of the labor dimension of regional integration. The Declaration is an important new promotional and practical tool to promote social progress in the context of regional integration.
4. The ILO is the only international organization with the mandate to seek to improve worldwide working conditions through standard-setting, technical cooperation, dialogue and dissemination of experiences and examples. As one of the ILO's tripartite constituents, employers' organizations in the region have contributed actively to these efforts, including through support for its supervisory machinery.
5. Cooperation between the Organization of American States (OAS) and the International Labour Organization (ILO) should be strengthened 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, duplication of ILO functions should be avoided at a regional level, as it would not be making optimal use of time and resources as well as creates confusion.

THE SOCIAL AGENDA SHOULD BE CONSIDERED TOGETHER WITH ECONOMICS

6. Socio-economic challenges cannot be faced exclusively by social means, and adequate regard must be given to the political and economic policies necessary to create the capacity to introduce and sustain the social agenda. A social and labor agenda are a natural appendage to economic growth and are one means of securing the fair distribution of such benefits. A diverse range of factors such as political instability and conflict, poor policy and institutional frameworks, corruption, absence of health programs, lack of infrastructure and access to technology changes, and poor investment climate are conducive to poverty and inequality.
7. An integrated policy framework combining economic and social policies must take account of the economic realities countries face in sustaining the cost of a social agenda.

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SOCIAL CLAUSE

8. Labor standards should not be used for commercial protectionist purposes, nor should the comparative advantage of a country based on its labor costs be questioned. In this regard, employers from the Americas confirm once again their support to the ILO Declaration of fundamental principles and rights at work.
9. Labor standards in most countries improve progressively with the rising standard of living which results from economic development. Therefore, employers in the American hemisphere firmly oppose the introduction of any kind of social clause in the rules of the regional trading system to permit the application of coercive measures to enforce labor standards. Linking labor standards to the regional trading system would imply introducing new barriers to trade, negating the objective of economic growth through open hemispheric trade.
10. Investors are not attracted by low labor standards in a given country, as poor labor conditions are obstacles to a productive and skilled labor force. Key factors such as an attractive business and safe environment, sound infrastructure and market supporting institutions are key drivers in encouraging not only national but also foreign direct investment. It is the two reinforcing processes of democratization and regionalization working in tandem that will lead to a wider recognition of labor rights.

SOCIAL SECURITY

11. Social security is broad, complex and inextricably linked with the well-being of humankind. Job creation is the best solution for an adequate social security system, and this in turn requires a flourishing economy that promotes business growth.
12. A flexible approach is needed to extend social security to new groups and reforming existing schemes. No single model or solution could be replicated in all countries. Social security has to be structured to take specific national conditions into account, which include not only economic development and demographic factors, but also social and cultural norms. Around the world, many social security schemes are facing financial difficulties and efforts to create new schemes, where none exist, are proving to be very difficult. These problems call for flexibility in looking for new directions and solutions.
13. Economic development and job creation are the surest forms of social security for workers. Adequate benefits cannot be financed in the absence of these prerequisites. Given employers' central role in job creation, there is a need to avoid imposing an excessive burden on them for financing social security, as well as to target benefits effectively so as to keep costs affordable. These are linked to the relationship between social security and job creation and to finding new approaches to extend social security to the informal sector without overburdening the formal sector. All recent innovations have to be duly taken into account, including those that involve privatization, and best practices have to be identified. Social partners need

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to coordinate their policies on social security, as together they may help build the political will to make realistic improvements to the social security system.

14. Whether or not social security invariably contributes to economic growth depends on national circumstances and on the design and cost of a social security scheme. For example, while health insurance could be useful in improving living standards, it could also become too costly. If social security is well managed, it could enhance productivity; but if its costs are too high, it has a negative impact on the competitiveness of enterprises and on employment levels.
15. Extending social security coverage is a difficult challenge that may not be dealt with simplistically. The targeted population is heterogeneous, including the self-employed, small entrepreneurs and legal and illegal migrants. The diversity of excluded individuals, their needs, conditions of work and ability to make contributions, requires tailored-made solutions that should be devised and implemented at the national level in consultation with national social partners.
16. Over time it might be possible to develop special systems for collecting contributions so that social security coverage may be extended to persons who are outside the formal economy. However, it is critical to avoid placing an extra financial burden on employers and workers in the formal sector to finance benefits for the informal sector.
17. Gender equality is of great importance for the healthy development of society. Equal treatment of men and women in social security is crucial in so far as universal schemes are concerned. However, the issue is more complex regarding schemes established by employers or where employers make contributions. In those cases, entitlement often depended on how long a person has worked or even how many hours per week. Women may find themselves in disadvantage with regards to their pensions due to periods of absence related to family responsibilities. Nonetheless, that is an issue that should be left to national debate and any decision should take into account of the impact on enterprises. It is not preferential treatment but equality that should be sought when considering regulations aimed at dealing with real or perceived discrimination. Any changes that might be suggested to these regulations should be discussed in light of fiscal spending priorities at the national level.
18. All types of social security financing have their strengths and weaknesses. The challenge is to find the system which best matches national conditions, needs and preferences. Governments have a key role to play in whatever type of system is chosen, but social partners should be closely involved in scheme governance.
19. In this respect, CEATAL members express their support to the Resolution concerning social security adopted by the 89th Session of the International Labour Conference, in 2001.

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UNEMPLOYMENT INSURANCE SCHEMES

20. In principle, it could be said that it would be desirable for countries to put in place social safety nets for workers to be applied or be useful in times of unemployment. However, such safety nets should take into account the national realities, be affordable, sustainable over time and efficiently and properly managed. This calls for efficient (i.e. not spending all the money in management of the system) and corruption-free administrations of the system.
21. The question of income in the context of unemployment insurance schemes must be examined with care. It is important to situate the debate in terms of job loss in the formal sector. The first principle is that, in order to receive benefits, a worker who loses his or her job must have contributed to the system. A well-planned and well-managed system is only possible if funding is secured. However, in some instances, high benefit levels may contribute to encourage an abuse of the system.
22. The overall economic environment has to be considered in devising an approach to deal with the problem of unemployment. There are enormous differences between industrialized, middle-income and developing countries. Measures to respond to the problems raised by unemployment should be tailored to the circumstances of each country. Responses depend on national social policies and government budgets.
23. Insurance schemes are not the only answer to unemployment. In some cases, labor intensive employment projects could provide jobs to ensure survival for those who would otherwise be unemployed. Ultimately, the problem of unemployment could be solved only by creating jobs and preparing unemployed workers to return to active working life. Individuals must recognize their obligation to society and prove themselves willing and able to look for work. Training should aim to prepare workers for the new jobs that society would need. Education, training and retraining are key to improving the quality of the workforce. There is a need to improve vocational training programs and employers may play a key role in such improvement.
24. The best way to give relief to an unemployed worker is by creating an environment in which other productive jobs are available. Therefore, policies to promote productive employment creation are essential. In addition, training of workers is a key factor for enhancing the employability of any worker. Unemployment insurance schemes need to keep the unemployed worker connected to the labor market and look to get them back into employment as soon as possible. This kind of systems should not create "welfare dependence". This would require an interventionist approach from both, public and private employment agencies, as to provide adequate training and skills to beneficiaries.
25. Most developing countries are not in a position to put in place unemployment insurance schemes, not because they do not want to, but because their economic situation prevents them. Attempts to put in place unemployment insurance schemes in most developing countries could be very limited for the

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time being. Furthermore, rise of unemployment in developed countries is putting constrains on their systems as well.

26. It is a fact that a high rate of unemployment necessarily means high cost and sustainability problems for any unemployment insurance scheme. This fact cannot be ignored by countries –specially developing ones- when assessing the possibility of putting in place this kind of systems. In any case, the private sector should be involved in the whole decision making process with regards to this subject as it would have an impact in the functioning of companies.
27. The establishment of unemployment insurance schemes would imply additional labor costs to the formal economy/companies. Therefore, countries with large informal economies would find difficulties financing this kind of systems due to existing fragile situation of formal enterprises. Moreover, levels of education in developing countries could have an impact on the cost of sustainability of system as unskilled workers have more difficulties finding their way back to the labor market.
28. Cost of any unemployment insurance schemes should be approached in an equitable manner, meaning that contributions to the system should not come from only one of the parties involved (government, employers, workers). Also, the duration of the assistance provided, as well as the entitlement of benefits from such schemes, should be in accordance with the economic possibilities of the country concerned.

SOCIAL PARTNERS PARTICIPATION

29. In many countries of the region, employers' organizations are faced with internal and external difficulties to follow the evolution and negotiation rounds of the social and labor aspects of the integration process. Internally, it is not always easy for the main national employers' organization to harmonize the positions of the different productive sectors with regards to labor policies. Sometimes this is due to a lack of knowledge of labor and social issues of certain business sectors.
30. Main employers' organizations –which in most cases are overwhelmed with activities and commitments derived from their daily agendas at national level- have difficulties to have specialized technical staff, as well as the necessary financial resources, to follow the international negotiations of the integration process.
31. Tripartite collaboration through a constant and constructive communication with the most representative employers' and workers' organizations is an essential element in the integration process. With regard to social and labor topics, workers and employers' organizations are better placed to rightfully represent enterprises and workers, which are the main actors in the world of work. Interference from other kind of organizations could cause distortions in the negotiation process.

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32. Governments should make real efforts to consult with social partners regarding the social and labor 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.
33. Social dialogue and tripartism are fundamental to advance in the search for appropriate and lasting solutions to the challenges of integration. It is necessary to strengthen the capacity building and the participation of employers' and workers' organizations with views to improving working conditions at the national level.
34. The Resolution on Tripartism and Social Dialogue approved by the 90th International Labour Conference should be implemented with regard to the regional integration process.
35. Governments should make efforts to keep employers' organizations informed of progress achieved in the different negotiations rounds taking place with regards to the integration process (i.e. ILO, OAS, regional and subregional integration processes, bilateral agreements, etc.) All of these debates are interlinked, and therefore decisions taken in one forum will impact the other forums.
36. Developing countries in the hemisphere, and within them, their respective business communities, must get ready to successfully face the challenges of the integration processes and the global economy. Therefore, technical cooperation programs should be put in place well in advance to promote enterprise competitiveness and efficiency.

Final remarks

37. National realities differ widely. Hence, each country needs to find its own solutions based on its own circumstances. Through social dialogue, governments and organizations of employers and of workers can create social consensus and the political will to act. Tripartism is the basis of good governance and efficiency. The capacity of the social partners should be strengthened to engage in tripartite and joint discussions.