

Jobs, jobs, jobs
The challenges of creating more and better jobs in Latin America and the Caribbean
and the role of the private sector

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This document is divided into four sections. The first describes the current situation in Latin America and the Caribbean in terms of growth, competitiveness, employment and inequality. The second contextualises the work of the ILO in those areas. The third looks back at several important lessons about what to do and what not to do in growth and development policies. The fourth and final section proposes a five-part programme for employment policies in the region, making particular reference to the role of the private sector.

I. Current situation in terms of growth, competitiveness, employment and inequality

It is well known that the economic reforms of the 1990s in Latin America and the Caribbean produced positive results with significant achievements in controlling inflation, reducing fiscal deficits and foreign debt, increasing foreign direct investment and expanding exports in some countries. But the disappointment with the reforms is linked to their mediocre or negative results in other fundamental areas of development: they have not managed to re-establish growth, increase employment, reduce poverty and inequality or correct the institutional failings and increasing corruption that there is in the region.

This is why today, in contrast with the optimism of ten years ago, and despite the great strides and progress achieved, there are new anxieties and concerns. In particular, there is a growing perception that many of the new democracies are weak and vulnerable and there is increasing disappointment among citizens that economic reforms have not entirely fulfilled the promise of delivering the benefits of democracy, such as higher growth, reduced poverty, more and better jobs and reduced inequality. There are clear indicators, from surveys of public opinion by *Latinobarómetro*, for example, that in many Latin American countries the environment has turned to being negative and even hostile towards continuing with the economic reforms.

Numerous economists and studies have indicated that the reforms have led to great benefits in many areas of economic and social development, but, in spite of those efforts, people in many countries are no longer enthusiastic about policy proposals couched simply in terms of new adjustments and more free trade, while at the same time there are still great inequalities in incomes and opportunities. From a political

point of view, statistics and rational explanations are not credible when the generalized perception is that the reform process has not led to improved standards of living, and is even blamed as a factor in the worsening of poverty and inequality.

In addition, the changes brought about by globalization, free trade agreements, new technologies, the changing patterns of comparative advantage, including the entry of China and India into the world economy, present real new managerial and financial challenges for enterprises and countries.

Therefore, it would seem that a new balance is needed: in economic matters, attention should be shifted from macroeconomics towards productive transformation and microeconomics, and, in social matters, it is important to shift the focus from aid and assistance towards policies that formalize markets, improve competitiveness and channel the abundant entrepreneurial energies of informal activities, which in many cases represent a large part of the employment and economic activity of the country. In other words, a more integrated vision of economic and social policies is needed. This dual movement is opening up a wider field than ever for the private sector to become involved in poverty reduction, incorporating the informal sector into mainstream economic activity, including innovative business models for working in low-income countries and sectors.

That is why it is appropriate that this forum is called “Delivering the benefits of democracy through job creation: the role of the private sector”. To put the challenges into perspective, here is a short description of the situation and of the main growth, employment, inequality and competitiveness trends in the region.

Growth. In 2004, after six years of low economic growth, Latin American economies showed an average growth of 5.5% – the best performance in two decades. This is good news. However, recovery is vulnerable as it is heavily dependent on a number of favourable external factors:

- growth of the United States’ economy;
- China’s demand for raw materials and food, which has benefited countries such as Brazil and Argentina;
- high oil prices, which have benefited exporters such as Venezuela and Mexico;
- the favourable effect of low international interest rates;
- in addition, there was a record level of remittances from established immigrants in the United States and Europe of over US\$30,000 million.

Most of these factors are outside the control of countries and thus the recent growth is susceptible to reversal. It is therefore important to make the most of these favourable conditions to make the necessary adjustments. Or as Enrique Iglesias said: “We must make the most of the economic bonanza to legitimize democracy.”

Employment. As for employment, Latin America’s high unemployment levels outpace those of other regions of the global economy. In 2004, the region’s unemployment rate stood at an average of 8 per cent, down from 8.9 per cent in the previous year. This still leaves more than 20 million workers in the region looking for but unable to find work. The size of the labour force in Latin America is 260 million people, and it

has been growing at an annual rate of 2.5 per cent (6 million people per year) in the past ten years, which is one of the highest rates of growth in the world. This means that Latin America must create 6 million new jobs each year just to satisfy the increase in the labour supply. Although wages have increased in some countries, they are still relatively low, and wage inequality in Latin America is among the highest in the world. There has also been a deterioration in the quality of jobs reflected in a higher share of employment in the informal economy and a reduction in the share of workers protected by labour laws and social security systems.¹

Inequality. In addition, Latin America remains one of the most unequal regions of the world. A recent World Bank report argues that the high level of inequality in Latin America can be a brake on growth and development.² This means that to maximize both growth and the objectives of social inclusion and of distributing the benefits of growth, the links between economic and social policies must be the focus of renewed attention. One aspect that employers should pay more attention to is the harmful effect that the extreme inequality in Latin American countries has on the perception of businesses and the market economy among the most disadvantaged sectors of society. *Latinobarómetro* surveys indicate that society's disapproval rating for private investment and the market economy is very high in Latin America and is growing, and that it is linked to the perception of severe inequality. A high rate of rejection by society of private enterprise provides fertile ground for populist politicians to benefit from criticizing private enterprise, globalization and foreign investment. Therefore, as well as for reasons of ethics and solidarity, reducing inequality should be seen as part of the policy to improve the investment and the business climates in the region.

Competitiveness. The combination of these three factors – low growth, low quality employment and high inequality – is exacerbated by clear signs that the region is lagging behind Asia and Central and Eastern Europe in the fundamentals of competitiveness and as an attractive location for international investment flows. A number of surveys and reports document different aspects of this negative trend:

- The *World Competitiveness Report*, which notes the disadvantaged position of most countries in Latin America in relation to Asia and a significant number of central and eastern European countries that have entered the European Union accession process.
- A.T Kearney's *2004 Foreign Direct Investment Confidence Index*, which is based on a survey of 1,000 leading companies in 65 countries (that are responsible for 70 per cent of global FDI flows), shows that there was a major change in global investor confidence in 2004, with CEOs being more optimistic about global economic prospects in 2005. However, the survey also shows a reduction in the relative position of Latin American countries in the Global FDI Confidence Index.

¹ See ILO (2005): *Labour Overview: Latin America and the Caribbean*, Regional Office for Latin America and the Caribbean, Lima, Peru; Inter-American Development Bank: *Good Jobs Wanted: Labor Markets in Latin America*, 2004 Economic and Social Progress Report, Washington D.C.

² David de Ferranti, Guillermo Perry, Francisco Ferreira and Michael Walton (2004): *Inequality in Latin America: Breaking with History?*, World Bank, Washington D.C.; Francois Bourguignon (2003): "The Poverty-Growth-Inequality Triangle", World Bank, mimeo.

- According to a World Bank study, *Doing Business in 2005*, Latin America tops the list as the region of the world with the most delays and the highest costs to start a business (70 days on average). Reducing these and other delays and costs should be high on the agenda for removing obstacles to growth in the region.
- A comparison of Transparency International Corruption Indexes shows that both Latin America and Asia share high rates of corruption. However, the perception of corruption is rising in Latin America, while it is decreasing in Asia.

In conclusion, Latin America has an economy characterized by a short-term rise in the growth rate, but with major doubts about its long-term sustainability. There are also a number of structural factors with negative trends, such as deteriorating competitiveness, weak job creation and persistent poverty and inequality.

This is why it is very appropriate that this Summit of the Americas is focusing on the issue of Creating Jobs to Fight Poverty and Strengthen Democratic Government.

Given the situation of poverty and the precariousness of employment in the region, it is an important step forward that job creation is now at the centre of the countries' economic and social agendas, of the inter-American dialogue at this summit meeting and of your own reflections as businessmen and women of the Americas.

II. The view of the ILO

At ILO, we are firmly convinced that job creation should be a priority both globally and locally. As Director-General Juan Somavia has indicated: "Work is more than a source of income. Work is dignity. Work is a source of self-worth, of family stability and of peace in the community. Work is at the heart of the economic, political and social concerns of people. If we look at the world economy from the perspective of the people, the biggest structural failure is the inability to create enough jobs. People see that as a lack of values (...) and that is the main cause of the anxiety and insecurity which are prevalent today." That is to say, work and employment, along with the conditions in which they are carried out, are one of the main ways in which the effects of globalization, both positive and negative, impact the population.

The ILO response to this is the Decent Work Programme – a strategy focussing on people, aiming to make job creation a global and local priority. This is also the ILO contribution to the Millennium Development Goals.

As of 2006, the main vehicle of ILO cooperation with countries will be the Decent Work Country Programmes, which have four main clearly defined pillars or areas: (1) respect for fundamental labour rights and standards; (2) job creation; (3) social protection; and (4) social dialogue. This last element, social dialogue, is crucial because it is at the heart of the issues of good governance and is about the need to, and the means of, building national consensus on an inclusive strategy for growth, competitiveness and employment, including policies of international trade adjustment, in response to the increasing integration of Latin American economies in the world economy.

The ILO has been working on an agenda of job creation and decent work for Latin America and the Caribbean. Tripartite Regional Employment Forums were organized in MERCOSUR in 2004 and in Central America in June 2005. One is also planned for the Caribbean. As a result of these and other efforts, a number of elements of the Decent Work Agenda have been incorporated into the Declaration and Plan of Action of this Summit of the Americas. The ILO has also been working closely with Ministers of Labour for the Inter-American Conference of Ministers of Labour. The ILO is available to support countries in the context of the recent trade agreements that include a labour chapter, both on a normative level, regarding compliance with the fundamental labour standards, and on an economic level, regarding growth and job creation.

III. What should be done and what should not be done: Lessons from the past

When posing the question about what is innovative in matters of economic growth, competitiveness, equity and job creation, the obvious place to start is by looking at the lessons of the past. Those who do not learn from the past are doomed to repeat it or to run the risk of suggesting “new” things that have already been tried and tested.

One of the main sources of past knowledge on development is to look at the experience of countries that we could call “high performers”, such as the Asian Tigers or Ireland. A number of studies have clearly shown that all of these countries have based their development strategies around five main pillars, which bring together the common themes that have been the critical factors in the success of those countries:

- A mobilizing vision or project adopted by society
- Policies to improve the competitiveness of the country
- Policies that favour the development of the private sector, the market economy, and local capitalism in general. This includes improving the business climate for large enterprises, but also strengthening SMEs, working with clusters, promoting entrepreneurship and strengthening private sector support services
- Policies of high investment in human resource development
- Policies to give poor people access to education and employment opportunities, and to assets to ensure that the economic dynamism also leads to a fairer social and economic system.

Besides macroeconomic issues, these are the key areas. They give us clear guidance about the main issues and challenges in the next stage of development of Latin America and the Caribbean. These are also the key areas to study to understand, not only the Asian Tigers, but also the strengths of the Chinese Dragon and the Indian Elephant.

We can also learn from the economic reforms of the 1990s in Latin America. Three lessons in particular need to be mentioned.

First, there is no single big idea, miracle cure or magic formula to promote development. In order to develop an effective growth and development policy, simplistic ideas and models with few variables need to be abandoned. To grow and develop, countries need to do many things and to do them all well.

Second, even critics of the economic reforms, such as Joseph Stiglitz and Dani Rodrik, do not conclude that they should be abandoned or reversed, but rather that there needs to be a wider agenda in terms of both goals and policies. The attention that this Summit of the Americas is focusing on the issues of job creation, poverty reduction and good democratic governance is an opportunity to build a new consensus both nationally and in the inter-American system around which to mobilize resources and cooperation. Internally, this is particularly important for those countries caught in the dangerous traps of indecision and collective paralysis, partly caused by socio-economic disputes, negative and paralyzing views of globalization and the lack of a shared national vision to unite society's goals into a mobilizing project.

The third field for lessons is about the role of the State. Reducing the size of the public sector was an objective in many of the economic reform programmes. And it is true that frequently State sectors were obstacles to growth: they were inefficient, plagued by corruption and suffocated by a quest for personal gain. The trouble is that although States needed to reduce some areas, they had to strengthen others at the same time. The economic policies in the next stage should not continue making the same mistake of focusing solely on the agenda of reducing the State, ignoring the agenda of strengthening the capabilities of the State, without which making development policy is almost impossible or is ineffective, be it social or macroeconomic policy or trade negotiations. Improving the capabilities of the State to provide public services effectively and improving governance are perhaps the greatest challenges facing Latin America and the Caribbean in the next phase of their development. The idea that the State must simply "get out of the way" is wrong. It is more constructive to pose the question in the terms Europe is doing in its debate on the European social model: How to simultaneously strengthen and promote social justice and competitiveness in the context of globalization? In other words, the new consensus on the role of the State and the market in Latin America and the Caribbean should be based on the idea that we need strong, efficient and robust state institutions as well as strong and dynamic markets – and not one to the detriment of the other – to achieve good economic and social results. It will not be possible to achieve economic growth, job creation and poverty reduction, or to obtain the full benefits of free trade agreements in those countries that have discredited, corrupt or inefficient public institutions and policies. Nor will it be possible in countries that still have markets (whether for goods, finances or services) that are repressed by excessive or inadequate regulations and are plagued by fragmentation and illegality.

IV. Directions for employment policies

Taking these experiences and lessons into account: What are the priority areas for employment policies in the region and what is the role of business?

The ILO's integrated approach to job creation takes into consideration policies and methods on macro and micro levels, supply side and demand side, and both the quantitative aspect – more jobs – and the qualitative aspect – better jobs that respect the fundamental rights of workers.

Based on the approach developed with contributions from governments, workers and employers, in the context of the Global Employment Agenda, the important

interventions and actions for a strategy of job creation can be grouped, for operational and programmatic purposes, into five main areas.

1. Economic policies. These include macroeconomic policies, the investment climate, trade policies and regional integration. All these are key areas for expanding markets and effective demand and, therefore, for increasing the demand for labour. No matter how much is done on the supply side, if there is not enough demand via the expansion of markets or the corresponding dynamism in the private sector, it will be difficult to create more and better jobs. The other policies are measures aimed at the supply side and include the following.
2. Improving productivity and competitiveness through vocational training, education, life-long learning and technology.
3. Developing enterprises, including from the strengthening of the rule of law to promoting entrepreneurship, and from upgrading supply chains to technological innovation policies.
4. Specific labour market policies
5. Policies to improve governance, strengthen institutions and build coalitions to encourage the necessary changes.

The following sections comment on each of these programmatic areas.

1. Macroeconomic policies and issues

With regard to economic and structural policies, some of the important issues to consider include:

- (a) The employment-elasticity of growth. The relationship between growth and job creation is not necessarily one to one; there are a series of factors that intervene. In a number of countries there is an increase in growth without there being a significant increase in employment; that is to say, a weakening of the link between economic growth and job creation. For example, in the United States there have been periods of “jobless growth”.³ And, on the contrary, in other countries, there has been significant job creation even though there has only been a relatively modest increase in growth. This is one of the areas that we are studying in the ILO and one of the areas that we must learn more about. One practical implication is that employment strategies must have a sectoral dimension. For example, in order to ensure job-rich growth, it is important to achieve a balance between growth in labour-intensive sectors and growth in capital-intensive sectors. It is also important to strengthen the link between export growth and job creation.

³ Jobless growth occurs when employment productivity grows more rapidly than growth in gross domestic product (GDP).

- (b) Access to external markets through trade negotiations is one of the most direct forms of expanding markets and creating a better climate for increasing in exports, investment and creating jobs. The Doha Round of trade negotiations and regional trade agreements can make a valuable contribution to an integrated job-creation strategy. However, trade agreements also lead to adjustments and cutbacks in uncompetitive economic sectors. It is important that in defining the sequence and evolution of liberalization trade negotiations take into account employment impacts and labor market adjustments. The complementary agenda to trade agreements should also include adjustment policies to facilitate the training and reintegration of workers who have lost their jobs.
- (c) The regional market and the internal market should not be neglected. Regional integration and local monetary and fiscal policies have a significant influence on economic stability and the sustainability of growth.
- (d) Employment policies should also deal with structural adjustments among the agricultural, manufacturing and service sectors. In the modern, global economy many new employment opportunities are being created as a result of “outsourcing” in service sectors such as “call centres”, and back-office processing (BOP) services (administrative, financial, insurance, etc).⁴ National employment policies should incorporate sectoral strategies for services sectors.
- (e) One of the most important economic obstacles for private sector development and competitiveness are the restrictions on access to credit. Various studies have shown that there is a significant demand for credit that is unsatisfied and that there are considerable regulatory disincentives for the financial system to lend to the private sector, particularly to SMEs.⁵

These and other “demand side” issues are important for the private sector, both for its competitive strategies and for its policy dialogue with governments.

2. Improving competitiveness and productivity through education and technology

One of the main causes of the slow economic growth in Latin America and the Caribbean, and of the region’s stagnation in the area of competitiveness, is the low productivity of the labour force. It is estimated that this is 30 per cent lower than the average productivity of the United States. Productivity depends on two main factors: the skills of the labour force and the extent of technological progress in enterprises. Therefore, policies for increasing productivity should include, among other aspects,

⁴ See McKinsey Global Institute (2005): *The emerging global labor market*, McKinsey and Company.

⁵ Inter-American Development Bank (2004): *Unlocking credit: The quest for deep and stable bank lending*, Report on Economic and Social Progress, Washington, D.C.

the following, although the relative priority of these policies depends on the specific conditions of each country:

1. First and foremost, improving the qualifications and opportunities of workers through renewed efforts and new approaches on skills, training, life-long apprenticeship and adult education. Globalization and trade integration have made investment in training and skills a key area. Reforms in this area should include, but should not be limited to, improving public training institutions and ensuring that skills are better suited to the requirements of the market. Employers should play an essential role in identifying specific training needs. But, reforms should also involve changes in taxes, regulations, collective bargaining and they should improve incentives for enterprises, workers and training service providers to fund, seek and provide high-quality training
2. Second, an explicit and sustained policy designed to move the private sector to the technological frontier. This involves increasing innovation, investing more in research and development, developing the information and communications technology infrastructure and legal framework, and stronger private sector–university partnerships.
3. Third, linking education policy with technological policy. Latin American countries have generally invested a lower percentage of their per capita income in education than other countries with similar per capita income levels. Education is a critical complement to technological advance because only with a qualified/skilled labour force will companies be able to drive through the technological frontier, and societies able to advance towards the knowledge economy.

As the list shows, the “productivity” component of a growth, employment and competitiveness agenda is very broad. Increasing productivity is not about replacing people with machines, but about improving people’s capabilities to do a better job that will allow enterprises to compete successfully. The main focus should be a new and more integrated vision of education, skills and technology policies, along with improvements in worker well-being and in labor standards. These are areas that should be given greater attention in national policy efforts and international cooperation initiatives.

3. Developing the private sector

Developing the private sector, creating enterprises, innovation, support for SMEs, and upgrading supply chains are policies at the heart of any successful strategy to promote employment. Enterprises create productive employment, and if there is insufficient private sector initiative or if enterprises are faced with obstacles to their growth and expansion, it is not possible to accelerate the creation of more and better jobs.

Important policies and measures for enterprise development include:

1. Respect for the rule of law, property rights, clear and stable rules, strong judicial system, absence of insecurity, violence and corruption, are some of the

fundamental conditions of good governance, a business friendly investment climate and job creation.

2. Companies cannot compete in an environment of deficient infrastructure, high cost of basic services such as energy, transport and telecommunications. These factors determine the so called “country cost” and determine exogenous or systemic competitiveness (endogenous competitiveness is the in-firm efficiency of management and productive processes).
3. Reducing bureaucratic obstacles to business, reducing the time needed for registration and establishment of enterprises, reducing obstacles to access to credit, and simplifying red tape (one stop shops) are some of the priority areas of regulatory improvement.
4. SMEs constitute the majority of total enterprises in many countries and a high percentage of total production and employment. However, they face many obstacles and weaknesses. Therefore, support policies that target SMEs are an important component of a national enterprise development policy. This involves strengthening business development services (BDS) such as: market intelligence, developing financial and administrative consultancy markets, policies to accelerate the use of information and telecommunications technologies in SMEs, measures to promote partnerships and to improve supply chains, etc. Some of these services can be provided by the State, but many of them are the responsibility of the employers’ associations themselves. There is ample opportunity here for improving the services that employers’ associations provide to their members, through new models of services and their funding.
5. Experience and economic studies show that most innovation takes place within a sector or a group of enterprises. Therefore, technological innovation and productivity policies should not only involve measures at the general level of the economy but should also have a sectoral or cluster focus. Lead enterprises in specific sectors that help organize supply chains, promote technology transfer and improve specialized skills, and policies of association for SMEs, are examples of cluster-specific upgrading policies that need to be strengthened.
6. Workers and employers in informal activities should be subject of special interventions by public policy and of new business strategies by companies. There is already abundant international experience with good practices in this respect. In terms of public policy they include from very straightforward measures formalizing certain aspects of informal activities, such as providing certification of skills and abilities of informal workers, to defining property rights of micro-enterprises such as suggested by Hernando de Soto, to the proliferation of technologies providing micro-credit and a wide variety of financial instruments allowing poor people to have access to credit.

Companies should also explore new business models for working with the poor, such as those referred to by C.K. Prahalad.⁶

7. In many countries and in certain sectors, cooperatives play a very significant part in economic activity and employment. Cooperatives are increasingly showing that they can combine the values and principles of the cooperative ideal with successful business models. In various countries, the largest enterprises are cooperatives. Moreover, cooperative organization and other forms of joint social capital for buying consumer goods, channelling credit and organizing the promotion and marketing of products is essential to improving the sustainability of small and micro-enterprises, and the quality of employment in these, as part of support for the informal sector. Therefore, promoting and strengthening cooperatives should be an important part of employment strategies in the region.

4. Labour market policies

The fourth critical area in an employment strategy is, of course, specific policies to improve the functioning, the institutions and the infrastructure of labour markets. Labour markets are very imperfect and segmented in most Latin American countries. For instance, services for seeking employment are often unsatisfactory or totally non-existent. Moreover, there is a basic dualism among formal and informal activities. And, there is a trend towards a deterioration in the quality of jobs reflected in a higher share of employment in the informal economy and a reduction in the share of workers protected by labour laws and social security systems. The segmentation and discrimination in employment opportunities particularly affects women, a fact that calls for the incorporation of a whole range of gender-based labor market policies.

Policies and measures for the labour market, based on the objectives of job creation and improving conditions of work should include, among other things:

Informal sector: Informal sector workers require special interventions and policies to make their work more productive and profitable.⁷ Some vital activities to tackle issues in the informal sector include programmes promoting the organization of informal workers in various branches of activities, programmes aiming at improving productivity and entrepreneurship, promoting registration of micro-enterprises, giving

⁶ C.K. Prahalad (2005): *The fortune at the bottom of the pyramid: Eradicating poverty through profits*, Wharton School Publishing.

⁷ The conditions of workers in this sector are characterized by lack of economic means (poverty), lack of professional qualifications, low levels of productive development, “illegality” (in the sense that their activities are not registered, or are not covered by law because the law is not applicable or its application would be inadequate or costly), lack of organization, among other things. These conditions mean that informal workers are a particularly vulnerable group, not covered by social protection systems and therefore with a high level of insecurity compared to workers in the formal sector of the economy. This is one of the main differences between the world of work of informal and formal workers. Poverty and labour informality are closely linked because poverty eliminates opportunities for decent work by making it difficult for people to invest in training and skills to improve their employability and productivity. Poverty also prevents people from contributing on an ongoing basis to social security systems.

micro-enterprises greater access to productive resources (credit, simple technologies, marketing channels, certification of quality, ownership of land or property), strengthening the links between informal micro-enterprises and modern and formal sectors, expanding social protection to cover workers in the informal sector, and other measures to facilitate the growing formalization of informal activities.⁸ In every one of these areas, the ILO has identified a series of good practices and is working on these with Ministries of Labour. In this field, there are broad opportunities and numerous entry points for the private sector to increase its participation in these various projects and initiatives.

Employment services: Employment services programmes increase the efficiency of the process of supply and demand of labour by providing assistance in job searching, guidance in planning a career or support for the transition from school or college to the world of work. An important part of these services consists of skills training that increases the “employability” of people. Skills that increase employability include business skills, financial knowledge, information handling, project planning, use of computers, language skills, etc.⁹

Youth employment: A particularly serious unemployment and precarious employment problem in Latin America and in developing countries in general affects those aged between 14 and 24 years. In Latin American countries, young people make up a large percentage of the active population. However, while in the past decade adult employment grew at a yearly average rate of 3.4 per cent, youth employment grew at only 0.8 per cent. Currently, youth unemployment rates in the region are more than double adult unemployment rates. More than one in five young people are unemployed in Argentina, Colombia, Chile, Brazil, Peru and other countries in the region. Even more serious, the proportion of young people in informal work exceeds that of the unemployed young people. Therefore, it is urgent to strengthen or begin employment programmes that target young people between 14 and 24.

The ILO has wide-ranging experience in these matters and is working on national youth employment plans in various countries, including in Latin America and the Caribbean. An assessment of these programme shows that those that have had positive results contain a range of instruments, such as training, entrepreneurship, enterprise development, support for the transition from school to work, support for gaining work experience and improving the “employability” of young people, guidance for seeking employment and planning a career, and in some cases the initial work placement is also subsidized. Moreover, these strategies usually involve various government agencies working with employers’ and workers’ organizations and other agencies.¹⁰

⁸ See Daniel Martinez (2004): “Las políticas hacia segmentos informales y empresas asociativas”, in ILO: Regional Office for Latin America and the Caribbean: *Generando trabajo decente en el Mercosur: Empleo y estrategia de crecimiento*, [Creating decent work in MERCOSUR: Employment and growth strategy], Volume II, July.

⁹ Phan Thuy, Ellen Hansen, David Price (2001): *The public employment service in a changing labour market*, ILO, Geneva.

¹⁰ For an analysis of the situation of youth employment in the world and a review of the national approaches and programmes, see ILO (2005): *Youth: Pathways to decent work: Promoting youth employment – tackling the challenge*, Report VI, International Labour Conference, 93rd Session, Geneva.

It is of interest to the private sector to know that the ILO is about to launch an important project to promote youth employment in Latin America funded jointly by a group of Spanish private enterprises and the Government of Spain. The enterprises include Fundación Telefónica, Adecco, Fundación Real Madrid, Grupo Endesa, Grupo Santander and Grupo Prosegur, as well as the Spanish Employers' Confederation. Business leaders at this meeting might find it worthwhile to study this public-private sector partnership to consider supporting other similar projects in the region. The ILO is prepared to work with you in this type of initiatives.

5. Promoting good governance for employment creation

Finally, one of the most important results of the development debate in recent years has been the finding of a large and direct causal relationship between good democratic governance and better economic performance.¹¹ Recent research has developed a conceptually rigorous notion of governance and a framework to measure it that includes but goes beyond the consideration of corruption. In addition to the recognition of the intrinsic value of democracy to promote freedom and human rights, there is now a recognition that there is an “economic development dividend” from better governance. Therefore, it is clear that concerted efforts to improve governance and social dialogue are required as an essential part of the growth, competitiveness and employment agendas of Latin American countries.

From this perspective, the key political and economic challenge of Latin American countries today is the modernization of the State, the strengthening of social dialogue and the consolidation of democratic governance.

The private sector can play an important role in improving the different dimensions of good governance, working with the public and other sectors. The private sector can contribute much by strengthening corporate social responsibility, and there is an ILO department working specifically on that. However, the contribution of employers and the organized private sector can and should go further than this, with active participation in social dialogue and in the processes to form coalitions and improve the conditions of economic and political governance.

Because, ultimately, this is the question of the Political Role, in capitals, of the private sector. Given the frailties, curbs and difficulties of governance that currently affect, in one way or another, the majority of Latin American countries, it is now more important than ever for the private sector to consider its role in the modernization and development of countries. On this subject, it is important to recall one of the lessons of the high-performing countries: that *societies think themselves* and that, in all cases of high-performing countries, there is a process of discussion and formalization of a *national social project* in which society provides itself with objectives and aspirations to improve its own development and its quality.

In this process, the private sector, along with other sectors, has an important role in working with governments in formulating and articulating the national objectives that

¹¹ Daniel Kaufmann (2003): “Rethinking governance: Empirical lessons challenge orthodoxy”, World Bank Institute, March.

will motivate the social sectors; in discussing and preparing action programmes around these motivating objectives; in achieving the agreement of the key players and sectors in society to guide joint action; in creating the institutions and processes to ensure adhesion to and permanent strengthening of the vision adopted.

This does not mean that the private sector or other sectors replace the State. Clearly, there is a division between the responsibilities of the State and those of the private sector. Nevertheless, correcting the negative tendencies in growth, competitiveness, inequality and poverty in Latin American and Caribbean countries calls for the private sector to give serious thought to its contribution to the development process and to its role in articulating the international alliances of countries.

This is the reason why you are gathered here today, for the second time this year, and the fact that you are having this dialogue and are taking up the challenge of good hemispheric governance for employment creation and poverty reductions is in itself a reason of hope for the future for the citizens of the Americas.

Thank you very much for your attention.

Employment Strategies for Decent Work Outcomes: Basic Concepts, Approach and Tools

