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Promoting productivity ecosystems for decent work

Purpose of the document

This document is submitted to encourage discussion of productivity ecosystems for decent work and their implications for decent work, employment creation and sustainable enterprise development. The Governing Body is invited to provide guidance on productivity ecosystems for decent work in the implementation of the ILO's programme and in the follow-up to the ILO Centenary Declaration for the Future of Work (see the draft decision in paragraph 37).

Relevant strategic objective: Employment.

Main relevant outcome: Outcome 4: Sustainable enterprises as generators of employment and promoters of innovation and decent work.

Policy implications: Yes. Work across the policy outcomes on issues relevant to decent work and productivity.

Legal implications: None.

Financial implications: None.

Follow-up action required: Yes.

Author unit: Enterprises Department (ENTERPRISES).

Related documents: [GB.341/POL/2](#); [GB.341/PV](#); ILO Centenary Declaration for the Future of Work.

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► I. Setting the scene: the relationship between productivity and decent work

1. At its 341st Session (March 2021), the Governing Body considered a document on decent work and productivity,¹ which recapitulated the relationship between decent work and productivity and the link to the ILO's mandate as expressed most recently in the ILO Centenary Declaration for the Future of Work.² The paper also introduced the “productivity ecosystems for decent work” approach to promote productivity and decent work in an inclusive and holistic manner. The Governing Body expressed general support for the approach while emphasizing various aspects that should be taken into account in order to ensure that productivity and decent work were mutually reinforcing. In line with the decision taken by the Governing Body at that session,³ the Office has continued to deepen its work in this area. This paper provides an update with a view to receiving further guidance from the Governing Body.
2. The relationship between productivity and decent work is a key factor in discussions on improving living standards and economic growth. Productivity growth and decent work are linked, although the nature of this link is complex. At the macroeconomic level, when robust labour market institutions and employment policy frameworks are in place, productivity growth can drive wage and per capita income growth. Higher incomes for workers feed back into the economic cycle as higher demand, which prompts further private investment and, thanks to the consequent increase in public revenue, leads to improvements in education, infrastructure, social services and governance.⁴ In some countries, the transfer of labour and capital from low value-added activities, mostly in traditional agriculture, into higher value-added manufacturing and services (structural transformation) has the potential to generate decisive decent work and productivity gains to make progress towards higher per capita incomes and decent work for all.⁵
3. Productivity and decent work are also connected at the enterprise level. For workers, increased productivity can lead to improved working conditions, including higher wages, reduced work hours, better safety and health at work and access to social protection, although the linkages are not automatic and depend crucially on the strength of labour market institutions such as collective bargaining. Improved working conditions, such as reduced work hours⁶ and higher pay,⁷ in turn contribute to productivity growth. For enterprises, productivity gains lead to lower unit costs of production, which increases profits. When reduced costs are reflected in lower pricing, this benefits consumers and can strengthen enterprises' market position. Finally,

¹ GB.341/POL/2.

² ILO, *ILO Centenary Declaration for the Future of Work*, 2019.

³ GB.341/PV, para. 649.

⁴ ILO, “Global Employment Policy Review”, 2021; ILO, *Record of Proceedings – Reports of the Recurrent Discussion Committee: Employment. Proposed Resolution and Conclusions Submitted to the Conference for Adoption*, ILC.110/Record No. 6A, 2022.

⁵ ILO, “Global Employment Policy Review”; ILO, *Record of Proceedings – Reports of the Recurrent Discussion Committee: Employment*.

⁶ Eurofound, *Organisation of Working Time: Implications for Productivity and Working Conditions – Overview Report*, 2012.

⁷ Natalia Emanuel. and Emma Harrington, “The payoffs of higher pay: Elasticities of productivity and labor supply with respect to wages”. Harvard University, 2020.

enterprises that offer better than average jobs and that invest in the skills and the long-term retention and welfare of their workers also achieve higher-than-average productivity.

4. In recent decades, many advanced economies have witnessed a decoupling of productivity from wage growth and declining labour income shares. Data from member countries of the Organisation for Economic Co-operation and Development (OECD) show a slowdown of real median wage growth in relation to productivity growth.⁸ Empirical studies have shown that this decoupling of wages and productivity and the declining labour income share can be attributed to country-specific combinations of several factors, including: declining labour shares⁹ resulting from technological innovation;¹⁰ globalization coupled with intensified competition;¹¹ and the growing divergence in wage and productivity levels between frontier enterprises (enterprises that exhibit high productivity and wages) and other enterprises and between high and low productivity sectors.¹² Against the backdrop of additional pressures stemming from the sluggish productivity growth observed since the 2008 financial crisis, a growing skills mismatch¹³ and economic inequalities¹⁴ exacerbated by the COVID-19 pandemic, collective bargaining and social dialogue remain crucial to maintaining and strengthening a positive cycle between productivity and working conditions.¹⁵
5. In many economies, the transformation of countries' production structures from low value-added to high value-added activities has slowed. As a result, rather than labour transitioning towards higher productivity in formal jobs, informal employment exhibiting lower levels of productivity has expanded. Recent years have witnessed a "de-industrialization",¹⁶ especially in Latin America and parts of Africa, where progress in structural transformation for productivity and decent job creation has slowed and, in some instances, reversed.¹⁷ Integration in global value chains, which, if managed with decent work at its core, is key to boosting technology transfers and more effective management processes at the enterprise level, has also stalled or decreased.^{18, 19}

⁸ OECD, "Decoupling of Wages from Productivity: What Implications for Public Policies?", in *OECD Economic Outlook*, 2018, No. 2, OECD Publishing, Paris, 2018.

⁹ Cyrille Schwelnus, Andreas Kappeler, Pierre-Alain Pionnier, "Decoupling of Wages from Productivity: Macro-Level Facts", OECD: Economics Department Working Papers No. 1373, 2017.

¹⁰ Xavier Raurich, Hector Sala, and Valeri Sorolla, "Factor Shares, the Price Markup, and the Elasticity of Substitution between Capital and Labor", *Journal of Macroeconomics*, 34, No. 1 (2012): 181–198.

¹¹ ILO, *Global Wage Report 2008/09: Minimum Wages and Collective Bargaining: Towards Policy Coherence*, 2008.

¹² OECD, "Decoupling of Wages from Productivity: What Implications for Public Policies?".

¹³ Chiara Criscuolo et al., "The Human Side of Productivity: Uncovering the Role of Skills and Diversity for Firm Productivity", OECD Productivity Working Paper No. 29, 2021.

¹⁴ Jesica Torres et al., "The Impact of the COVID-19 Pandemic on Women-Led Businesses", World Bank Policy Research Working Paper No. 9817, 2021.

¹⁵ The role and impact of social dialogue in translating economic development into social progress, and social progress into economic development and its impact on the economic performance and competitiveness of business will be elucidated further in the 2023 ILO Social Dialogue Report (see ILO, [Resolution concerning the second recurrent discussion on social dialogue and tripartism](#). International Labour Conference, 107th Session, 2018).

¹⁶ De-industrialization describes a decline in manufacturing as a share of total employment and as a share of GDP. Fiona Tregenna, "Characterising Deindustrialisation: An Analysis of Changes in Manufacturing Employment and Output Internationally", *Cambridge Journal of Economics*, 33, No. 3 (2009): 433–466.

¹⁷ Dani Rodrick, "Premature Deindustrialization", *Journal of Economic Growth*, 21, No. 1 (2015): 1–33.

¹⁸ Rodrick, "Premature Deindustrialization".

¹⁹ ILO, "Global Employment Policy Review"; ILO, *Record of Proceedings – Reports of the Recurrent Discussion Committee: Employment*.

6. Accelerating the pace of structural transformation in order to promote productivity and decent jobs will require comprehensive and proactive national employment policy frameworks, encompassing conducive monetary and budgetary policies that balance stability and growth objectives, strong industrial development and trade policies driving private investments in key sectors, competition policies, educational policies and public investment.²⁰
7. Enterprises in the informal economy, the majority of which are small economic units, exhibit lower aggregate productivity than enterprises in the formal economy.²¹ As the ILO's latest *Global Wage Report* summarizes, "low productivity is one of the drivers of informality".²² The COVID-19 pandemic has pushed many workers and enterprises into informality and exposed the associated risks for workers.²³ Formalization is important to improving working conditions (for example, by facilitating workers' access to social insurance).²⁴ Conversely, productivity growth can facilitate transitions to formality. In a global evidence review, targeted policy interventions to promote productivity were found to have positive effects on formalization among enterprises already operating at a sufficient production scale and interacting with formal market activities.²⁵ Productivity improvements, however, take time to materialize. In addition, many factors affect the decision of informal enterprises to formalize, including: their social and educational profile; the purpose of their business activity; existing productivity levels; the prevailing labour market and economic context; inefficient credit markets and tax systems; government regulations, policies, strategies and support for enterprise formalization; and adequate enforcement capacity.²⁶ Promoting productivity growth is an enabling factor, alongside context-specific formalization measures.
8. Productivity differences also exist between women- and men-led enterprises and between women and men workers. Research finds that women-led enterprises encounter greater barriers in embracing technology, accessing foreign investment and protecting themselves against adverse business environments in comparison with men-led enterprises.²⁷ This has a negative impact on the productivity of women-led enterprises.²⁸ Furthermore, women workers are dominant in low value-added sectors such as hospitality and retail,²⁹ and because these sectors have been hard hit by the COVID-19 pandemic, women have been more vulnerable to job and income losses.³⁰ Women also carry out an estimated three quarters of unpaid care work,³¹ which is not captured in productivity measurements despite the fact that productivity

²⁰ Margaret McMillan, Dani Rodrik, Íñigo Verduzco-Gallo, "Globalization, Structural Change, and Productivity Growth, with an Update on Africa", *World Development*, 63 (2014): 11–32.

²¹ OECD and ILO, *Tackling Vulnerability in the Informal Economy*, Development Centre Studies, 2019.

²² ILO, *Global Wage Report 2020–21 – Wages and Minimum Wages in the Time of COVID-19*, ILO Flagship Report, 2020.

²³ ILO, "ILO Monitor: COVID-19 and the World of Work. Eighth Edition", 2021.

²⁴ ILO, "Theory of Change: Enterprise Formalization for Decent Work", 2021.

²⁵ Miriam Bruhn, and David McKenzie, "Entry Regulation and Formalization of Microenterprises in Developing Countries", World Bank Policy Research Working Paper No. 6507, 2013.

²⁶ ILO, "Theory of Change".

²⁷ Asif Islam, et al., "The Labor Productivity Gap Between Formal Businesses Run by Women and Men", *Feminist Economics*, 26, No. 4 (2020): 228–258.

²⁸ Islam, et al., "The Labor Productivity Gap Between Formal Businesses Run by Women and Men".

²⁹ ILO, "An Uneven and Gender-unequal COVID-19 Recovery: Update on Gender and Employment Trends 2021", ILO brief, 2021.

³⁰ ILO, "Building forward fairer: Women's rights to work and at work at the core of the COVID-19 recovery", ILO brief, 2021.

³¹ Jacques Charmes, *The Unpaid Care Work and the Labour Market: An Analysis of Time Use Data Based on the Latest World Compilation of Time-Use Surveys*, ILO, 2019.

is “indirectly subsidized” by unpaid work,³² as recognized in a Report of the Director-General to the 95th International Labour Conference.

9. The pandemic has accelerated the adoption of new technologies and remote forms of work, which may promote aggregate productivity growth but with unclear effects on working conditions. The adoption of new technologies has the potential to reduce operational costs, facilitate market access and improve working conditions (for instance, by enabling responsible digital wage payments).³³ At the same time, in some instances, new technologies also carry risks such as job replacement, algorithmic management and worker surveillance.³⁴ In some sectors, the adoption of telework and flexible work arrangements in response to the pandemic is transforming work practices. While these practices may enhance labour productivity, the effects on the quality of employment, as well as on inclusion and equality, are less clear.³⁵
10. Meanwhile, the already complex dynamics associated with productivity and decent job creation are playing out against a backdrop of accelerating climate change. Efforts to promote productivity must therefore not advance at the expense of the environment. At the enterprise level, adoption of green business practices is of the utmost importance, particularly among micro and small enterprises.³⁶ Although the move to greener production processes may boost enterprise productivity in the medium to long-term, this transition requires access to substantial capital, clean technologies, affordable renewable energies, know-how and adequate skills in the short term.³⁷ It is also important to recognize that while certain environmental practices may boost productivity, they do not automatically generate decent jobs. For example, millions of people in developing countries work in the circular economy and waste management industry under informal and poor working conditions.³⁸ This illustrates the importance of addressing the triple nexus of the environmental, economic and social implications of productivity growth through a just transition, in which enterprises and their workers are adequately supported and opportunities for the creation of decent, green jobs are fully considered.
11. This highlights the importance of the “productivity ecosystems for decent work” approach, the underpinnings of which were presented to the Governing Body in March 2021. It proposes that governments and employers and workers’ organizations should come together to identify and address productivity and decent work bottlenecks jointly and in a systemic manner.

³² ILO, *Changing Patterns in the World of Work*, Report of the Director-General, ILC.95/Report I(C), 2006.

³³ Specifically, digital payroll services, including payment of wages on mobile money accounts, lead to greater efficiencies at enterprise level and – when provided responsibly – enable workers to have better control over their wages and easier access to formal financial services. ILO, “*Research and Learning Agenda on Digital Wages for Decent Work – ILO Global Centre on Digital Wages for Decent Work*”, 2021.

³⁴ ILO, *World Employment and Social Outlook: Trends 2022*, ILO Flagship Report, 2022.

³⁵ ILO, *Social Dialogue Report 2022: Collective Bargaining for an Inclusive, Sustainable and Resilient Recovery*, ILO Flagship Report, 2022.

³⁶ International Trade Centre, “*SME Competitiveness Outlook 2021: Empowering the Green Recovery*”, 2021.

³⁷ OECD, “*No Net Zero without SMEs: Exploring the Key Issues for Greening SMEs and Green Entrepreneurship*”, OECD SME and Entrepreneurship Working Paper No. 30, 2021.

³⁸ Sarah O’Connor, “*Not All Green Jobs are Safe and Clean*”, *Financial Times*, 26 October 2021.

► II. Renewed attention to productivity and decent work among ILO constituents

12. ILO constituents have historically recognized the role of productivity as a driver for economic growth, employment creation and sustainable development. As the previous report to the Governing Body on decent work and productivity³⁹ recapitulates, the role of productivity for growth and social reform is recognized in the Declaration of Philadelphia⁴⁰ and is reiterated in the ILO Centenary Declaration for the Future of Work, which calls on the ILO to “[harness] ... the fullest potential of technological progress and productivity growth, including through social dialogue, to achieve decent work and sustainable development, which ensure dignity, self-fulfilment and a just sharing of the benefits for all”.⁴¹
13. Across the regions, ILO constituents have emphasized the importance of the relationship between productivity growth and decent work. The Bali Declaration⁴² references the importance of gainsharing, especially in the context of the substantial productivity growth in the region of Asia and the Pacific in recent years. The Panama Declaration for the ILO Centenary⁴³ establishes that “increased productivity and productive diversification are key to sustained, inclusive and sustainable growth” and also emphasizes the importance of linking productivity and wage growth.
14. Constituents in the Africa region have highlighted the role of productivity growth in accelerating the transition towards more productive and formal employment. The 2015 Addis Ababa Declaration⁴⁴ recognizes the slow progress in “diversifying productive capacity” in most of the continent’s economies, which is linked to increasing inequality and poverty. The Declaration also recounts the importance of promoting productivity growth overall and in the agricultural sector. An ILO report that examines the implementation of the Addis Ababa Declaration⁴⁵ states that “low productivity is one of the root causes of the “working poor” phenomenon”. It also stipulates that “raising productivity – and ensuring that the productivity gains are equitably shared between business owners and investors ... and workers (higher wages and better working conditions) – is, therefore, of critical importance in efforts to reduce poverty”. The report concludes that “greater productivity is the primary source of improvements in living standards [and] is key to charting a sustainable route out of working poverty and informality”. It also calls for strategies to facilitate “the gradual transfer of labour from low-paying, unproductive occupations into gradually more productive and formal *wage* employment”.

³⁹ GB.341/POL/2.

⁴⁰ According to the Declaration of Philadelphia, the ILO has the “responsibility ... to examine and consider all international economic and financial policies and measures in the light of th[e] fundamental objective” of social justice. The Declaration also recognizes productivity as a key driver of economic growth, employment creation and social reform. ILO, [Declaration of Philadelphia](#), 1944.

⁴¹ ILO, ILO Centenary Declaration for the Future of Work, Section II, para. A(ii), 2019.

⁴² ILO, [Bali Declaration](#), 2016.

⁴³ ILO, [Panama Declaration for the ILO Centenary: The Future of Work in the Americas](#), 2018.

⁴⁴ ILO, [Addis Ababa Declaration – Transforming Africa through Decent Work for Sustainable Development](#), 2015.

⁴⁵ ILO, [Advancing Social Justice – Shaping the Future of Work in Africa: Report of the Director-General](#), 2019.

15. The Abidjan Declaration⁴⁶ reiterates the importance of productivity growth. Its implementation plan⁴⁷ states that “regarding productivity, the ILO takes an integrated approach that addresses productivity and decent work deficits at three distinctive but interrelated levels”. The plan indicates that productivity growth and decent work should be addressed at the national, sectoral and enterprise levels, echoing the “productivity ecosystems for decent work” approach as outlined and discussed at the March 2021 session of the Governing Body.⁴⁸ As part of the policy priorities, it suggests that productive development policies applicable to all sectors of the economy are essential to generate sustained, inclusive and sustainable growth as well as more and better jobs.
16. Although these declarations from regional meetings predate the COVID-19 pandemic, recent International Labour Conference discussions affirm that productivity growth should play a role in an inclusive recovery from the pandemic. The Global call to action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient, adopted by the Conference in 2021, calls upon the Office to strengthen its support to Member States through approaches that “boost productivity through diversification and innovation”.⁴⁹ Similarly, the conclusions of the discussion on employment at the 110th Session of the Conference⁵⁰ encouraged the Office to “strengthen the focus on addressing inequalities, including wage inequalities”; to strengthen its work on “research, policy advice and capacity-building, including on productivity ecosystems” with a view to supporting enterprises in improving productivity and creating decent jobs; and to build the capacity of constituents on “policies to enhance productivity” to strengthen the relationship between inclusive growth, productive employment, labour income and productivity. The conclusions also emphasize that such policies must ensure fair gainsharing, including through social dialogue and collective bargaining across all levels.

► III. Productivity ecosystems for decent work: an approach to promote inclusive growth

1. A holistic solution to a complex problem: the underpinnings of the “productivity ecosystems for decent work” approach

17. The ILO is proposing a systemic and holistic “one ILO” approach to addressing barriers to better jobs and productivity growth: the “productivity ecosystems for decent work” approach. Enterprises and their workers are embedded in an “ecosystem” in which the drivers of productivity growth and decent work are interlinked across three levels: national (macro), sectoral (meso), and enterprise (micro). The “productivity ecosystems for decent work” approach works across these three levels to strengthen key productivity and job creation drivers. The approach comprises the following levels:

⁴⁶ ILO, *Abidjan Declaration – Advancing Social Justice: Shaping the Future of Work in Africa*, 2019.

⁴⁷ GB.340/INS/8(Rev.1) (see Appendix III).

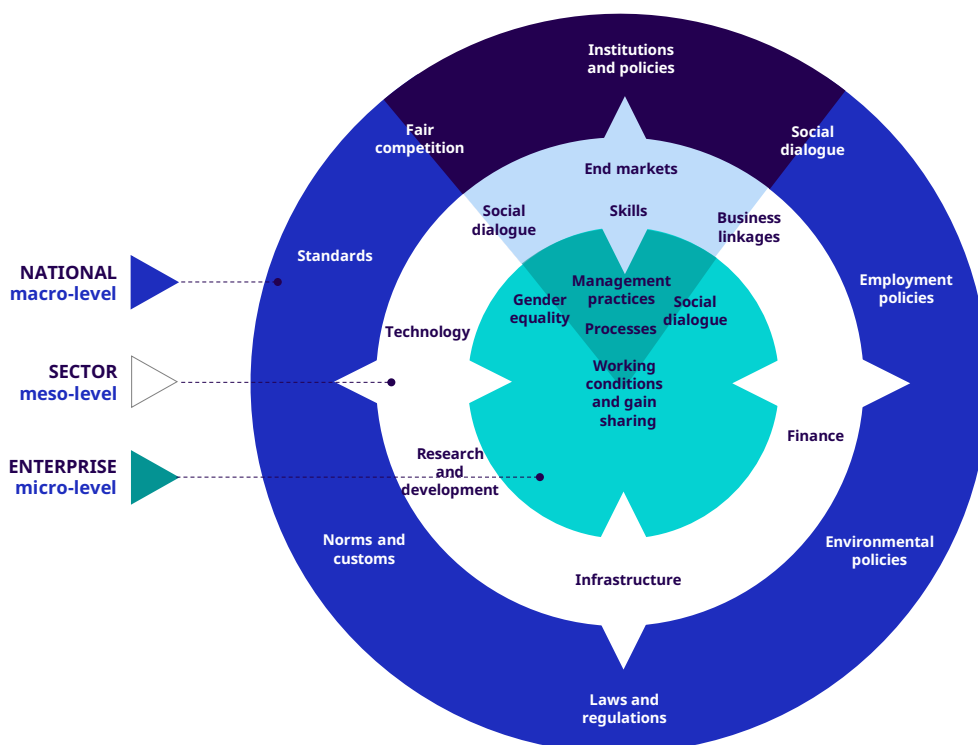
⁴⁸ GB.341/POL/2.

⁴⁹ ILO, *Global Call to Action for a Human-centred Recovery from the COVID-19 Crisis that is Inclusive, Sustainable and Resilient*, International Labour Conference, 2021.

⁵⁰ ILO, *Record of Proceedings, Reports of the Recurrent Discussion Committee: Employment*.

- **Macro level:** assessment of the policy environment to identify structural barriers to productivity growth, decent work and sustainable enterprise development in the context of the dual transition (digital and green). Development of comprehensive strategies and policy reforms to support national development plans to enhance productivity, skills development, decent job creation, working conditions, entrepreneurship, innovation and the transition to the formal economy. Strengthening meaningful social dialogue on productivity and decent work.
 - **Meso level:** sectoral assessments and policy recommendations to promote structural change towards higher productivity and better jobs and to increase the economic complexity of production systems. Sector-specific interventions to address challenges relating to productivity and working conditions in high-priority sectors by improving the functioning of value chains, rules and support functions in target sectors and by strengthening meaningful social dialogue on sector-level productivity and decent job creation.
 - **Micro level:** enterprise-level assessments and recommendations to upgrade management practices; improve working conditions; strengthen meaningful social dialogue; increase resource efficiency; accelerate the transition to sustainable production; enhance business resilience and continuity; and support micro and small enterprises in transitioning to formality and achieving and maintaining a minimum efficient scale and economic viability.
18. In the target country, analyses and consultations with key stakeholders will identify the sub-sectors of the economy, or “slice” of the ecosystem (see figure below) with the highest potential for interventions aimed at creating decent work through sustainable and inclusive productivity growth for the benefit of enterprises and their workers.

► **Figure. Productivity ecosystem conceptual framework with a “slice” of the ecosystem selected.**



19. Above all, this approach is demand-driven, context-sensitive and rooted in social dialogue. At the heart of the “productivity ecosystems for decent work” approach is the importance of promoting the role of government and social partners as agents of change for improvements in productivity and decent work. Activities associated with the approach should then be aligned with the policy and sectoral priorities of governments and build on existing policy frameworks and social dialogue infrastructures.
20. The “productivity ecosystems for decent work” approach builds on the ILO’s expertise and experience in linking decent work with productivity. At the macro level, it is anchored to the ILO’s mandate and credibility in supporting national-level dialogue and policymaking on employment, small and medium-sized enterprises and decent work. The approach is based on the experience of the ILO Employment Policy Department on national employment policies and the work of the ILO Enterprises Department in delivering policy solutions and support services to foster decent work in sustainable enterprises. This also includes the support provided by the Bureau for Employers’ Activities to employers’ organizations to improve their capacity to assess the business environment and to design public policy proposals aimed at accelerating economic growth, increasing productivity and developing sustainable enterprises that can generate more and better jobs. The work of the Bureau for Workers’ Activities is also instrumental in this regard, by building capacities of trade unions on productivity improvement and the role of trade unions, for instance.⁵¹ At the meso level, the ILO’s systemic approach adopts a decent work perspective, allowing the ILO to make the case for the integration of decent work objectives into sectoral plans (for example, through a “market systems development for decent work” approach) while strengthening institutions to address decent work deficits. At the enterprise level, the approach builds on the ILO’s experience of linking productivity enhancement to the creation of better work, including through social dialogue (such as through the Sustaining Competitive and Responsible Enterprises and Better Work programmes).

2. An update on the ILO’s work on productivity and decent work since the March 2021 session of the Governing Body

Piloting the “productivity ecosystems for decent work” approach

21. Thanks to the support of the Governments of Switzerland and Norway, a development cooperation programme has been created to pilot the “productivity ecosystems for decent work” approach in Ghana, South Africa and Viet Nam. The programme commenced in January 2022 and will run until 2025. It is implemented in collaboration between the Enterprises and Employment Policy Departments and will serve as an important opportunity to test the approach and generate best practices regarding its implementation. In each country, the concrete implementation strategy is carefully being crafted with government and social partners in order to ensure impact and sustainability. Following the launch of the programme earlier this year, analytical work to identify key sectors, productivity bottlenecks and decent work deficits is being undertaken in the three countries. The programme will be monitored by a global strategic advisory committee, which will provide overall strategic guidance. National programme steering committees in the three countries will bring government and social partners together to ensure continued alignment of programme activities with national priorities.

⁵¹ ILO, *Productivity Improvement and the Role of Trade Unions*, 2015.

The role of productivity organizations in promoting productivity and decent work

22. National productivity organizations (NPO's), workers' organizations and employers' organizations with a mandate to promote productivity growth and decent work are important vehicles for promoting collaboration, knowledge generation and dissemination, and capacity-building across countries and regions. The implementation plan of the Abidjan Declaration concludes that the "productivity ecosystems for decent work" approach "should be adopted by the national Productivity Centres, though these currently exist in only eight African countries. In addition to strengthening the capacity of the existing centres in Africa, it would be important to establish such centres in other African countries".⁵²
23. Regional structures such as the Asian Productivity Organization and the Pan-African Productivity Association (PAPA) can facilitate the creation of NPO's and promote collaboration on productivity and decent work across countries. Many productivity organizations have tripartite structures. An ILO study exploring the different modalities through which such organizations have been set up and how they work concludes that tripartite representation in boards and councils is one important success factor, especially "where members can devote sufficient time to the NPO, and whose member networks and skillsets can be leveraged for partnerships and access".⁵³ The study also emphasizes the importance of aligning productivity organizations and similar structures with the strategic priorities of government and social partners and affording them the mandate and resources to establish themselves as conveners, capacity-builders and thought leaders on productivity and decent work together with employers' and workers' organizations.
24. In this context, the ILO is supporting the establishment and capacity-building of national and regional productivity organizations. The ILO is collaborating with PAPA and the African Union (AU) to undertake an assessment of the status of national productivity ecosystems for enterprises in AU Member States. The aim of the study is to analyse the role of productivity organizations and their work across these countries with a view to identifying best practices on how national productivity structures and PAPA's regional structure can promote a productivity ecosystem for decent work. The ILO is also strengthening PAPA's capacity to reach current and potential member countries and to promote more membership among countries in Northern, Western and Central Africa. The work includes developing a communications vision and strategy and supporting its implementation, as well as organizing knowledge-sharing events on the PAPA-ILO-AU joint work on productivity ecosystems for decent work. The long-term goal is to strengthen national productivity centres across the Africa region to reach small and medium-sized enterprises with practical productivity interventions in line with the priorities of the Abidjan Declaration.
25. In a similar vein, the ILO has also been supporting the Government of Suriname in its efforts to launch a centre for productivity and innovation, which was founded in 2019 and is expected to become operational in 2022. The Office conducted an Enabling Environment for Sustainable Enterprises assessment with a focus on external constraints to productivity in Suriname⁵⁴ and is currently working with the Government, social partners and the centre for productivity and

⁵² GB.340/INS/8(Rev.1).

⁵³ Marina Ramkissoon, *National Productivity Organizations: Repositioning for Relevance and Impact*, ILO, 2020.

⁵⁴ ILO, *The Enabling Environment for Sustainable Enterprises in Suriname – An Assessment with a Focus on Productivity Drivers*, 2020.

innovation to translate the findings from the assessment into an actionable strategy to promote productivity, innovation and decent work in the country.

Capacity-building of Government and social partners

26. Social partners play an integral role in promoting a positive cycle between productivity and decent work and in promoting a structural transformation towards higher productivity and productive employment. For example, an ILO survey found that members perceive the provision of relevant information on wage and productivity developments as a key service offered by employer and business membership organizations.⁵⁵ It is therefore essential to build capacities relating to concepts associated with productivity and decent work and on concrete actionable approaches, such as productivity ecosystems for decent work. The ILO has also issued practical guidance for employer and business membership organizations⁵⁶ and workers' organizations on productivity and decent work.⁵⁷
27. In May 2022, ILO and the International Training Centre of the ILO (Turin Centre) conducted a two-week online course on the "productivity ecosystems for decent work" approach with a view to building the capacities of governments, social partners and other practitioners. The course covered the assumptions and objectives underlying the "productivity ecosystems for decent work" approach and built participants' capacities on the approach itself. Thirty-nine attendees participated, including representatives of governments and workers' and employers' organizations. The course will be offered on an annual basis by the Turin Centre. The course complements other courses on productivity and decent work, such as courses on learning to measure and boost productivity⁵⁸ and on macroeconomic and sectoral policies for job recovery.⁵⁹
28. A 2021 report published by the ILO Regional Office for Latin America and the Caribbean⁶⁰ distils best practices and operational guidance on leveraging public-private roundtables to resolve coordination deficits within governments and between governments and social partners with a view to promoting productivity development and decent work. Such public-private roundtables implemented at the sectoral or national level can contribute to the operationalization of social dialogue and cooperation to improve productivity and create more and better jobs in the formal economy.
29. Since the March 2021, Governing Body discussion on productivity and decent work, the Office has been analysing regional productivity and decent work trends. Using the "productivity ecosystems for decent work" framework, the ILO has published reports that elucidate productivity trends and identify challenges and opportunities for productivity growth, sustainable enterprise development, decent job creation and structural transformation in selected countries in the regions of the Arab States⁶¹ and Latin America and the Caribbean.⁶²

⁵⁵ ILO, *Social Dialogue Report 2022*.

⁵⁶ ILO, *Driving up Productivity: A guide for Employer and Business Membership Organizations*, 2020.

⁵⁷ ILO, *Productivity Improvement and the Role of Trade Unions*.

⁵⁸ International Training Centre of the ILO, Turin, "[Why Productivity Matters? Learning how to Measure and Boost Productivity](#)", 2022.

⁵⁹ Turin Centre, "[Macroeconomic and Sectoral Policies for a Sustained Job Recovery](#)", 2022.

⁶⁰ ILO, *Las Mesas Ejecutivas para la productividad y el trabajo decente: enfoque y metodología*, 2021.

⁶¹ ILO, *Productivity Growth, Diversification and Structural Change in the Arab States*, 2022.

⁶² ILO, *Regional Productivity Report: Digital Transition, Technological Change and Productive Development Policies in LAC: Challenges and Opportunities*, 2022.

3. Looking ahead

The environment, productivity, and decent work

30. The effects of climate change are negatively affecting job quality and productivity and will do so even more markedly in the near future.⁶³ The ILO estimates that by 2030, 2 per cent of working hours globally will be lost as a result of heat stress, one of the most immediate effects of climate change on the world of work.⁶⁴ The most vulnerable workers, namely “workers from lower-income countries and Small Island Developing States, rural workers, people in poverty, indigenous and tribal peoples and other disadvantaged groups” will be most acutely impacted by climate change.⁶⁵ The urgency and importance of a just transition for all is therefore without question.
31. Productivity growth cannot come at the expense of the environment. This implies that linear models of economic growth will need to be revisited, with implications for how we view productivity. According to the ILO report *World Employment and Social Outlook 2018: Greening with Jobs*, it is “striking that in a context of scarce resources and limited ability to absorb waste, current patterns of economic growth rely largely on the extraction of resources, manufacturing, consumption and the generation of waste”.⁶⁶ It will be imperative to move towards circular models of economic growth in which resources are reused and the extraction of new resources and the generation of waste are limited. Circular models also imply that not all productivity growth is equal, as they consider the degree to which resources are exploited and waste is generated in order to achieve productivity growth.⁶⁷ Sustainable industrial policies and improvements in resource efficiency (meaning more efficient use of energy and materials in production processes) will be instrumental to the achievement of environmentally sustainable productivity growth.

Measuring productivity

32. Measuring productivity and unpacking the contributions of capital, labour and intermediate inputs to economic growth is crucial for informed policymaking. Productivity measurements should inform the development and adjustment of national development plans and economic policies, and should provide important input to social dialogue and collective bargaining, including on adequate wages and benefits. Productivity measurement is a standardized area of national accounting statistics throughout the world.⁶⁸ These standards ensure quality and comparability across countries. Several methods are recommended within these standards, and there are different technical and data availability requirements. Labour productivity measures gross value added per hour worked during a given time period. Multifactor (or “total factor”) productivity measures the variable contributions of capital, labour and other inputs to growth, and can account for residual productivity (“disembodied technical change”). Of particular relevance are methods that not only account for the number of persons employed

⁶³ Intergovernmental Panel on Climate Change (IPCC), *Summary for Policymakers of the Working Group II Contribution to the Sixth Assessment Report of the IPCC*, 2022.

⁶⁴ ILO, *Working on a Warmer Planet: the Impact of Heat Stress on Labour Productivity and Decent Work*, 2019.

⁶⁵ ILO, *World Employment and Social Outlook 2018: Greening with Jobs*, 2018.

⁶⁶ ILO, *World Employment and Social Outlook 2018*.

⁶⁷ ILO, *World Employment and Social Outlook 2018*.

⁶⁸ UN Statistics Division, *System of National Accounts 2008*; UN Statistics Division, *Handbook on Supply and Use Tables and Input-Output Tables with Extensions and Applications*, 2018; OECD, *Measuring Productivity: Measurement of Aggregate and Industry-Level Productivity Growth*, 2001.

or hours worked but also the contribution of skills and education, as well as labour force demographics and participation, to economic growth. The ILO can support Member States in improving the quality of their productivity measurements, with a view to also unpacking the contribution of capital and labour quantity and quality to aggregate growth. This can in turn inform high-level policy dialogues that include employers' and workers' organizations.

33. Measuring productivity at the national, sectoral, and enterprise levels requires appropriate capacity. Small and medium-sized enterprises in particular struggle with limited capacity and resources, preventing them from reliably measuring productivity and working conditions. At the sectoral and national levels, large informal economies and shallow markets in some segments of the economy can compound technical and data collection challenges. Therefore, capacity to implement reliable measurements is crucial. In this regard, the ILO, together with PAPA and the AU, has taken the first steps to support the adoption of the International Institute for Management Development World Competitiveness Yearbook indicators⁶⁹ across a wider range of African economies, with a view to also supporting systematic data collection as well as evidence-based policymaking on productivity and decent work.
34. Widely used measures of productivity can struggle to reflect the relationship between productivity and the environment. Measures of labour productivity and total factor productivity neither capture the associated depletion of natural resources and waste generation nor efforts to mitigate environmental damage in their measures of capital and labour inputs. As a result, sectors or countries that rely on primary resource extraction may show productivity growth without consideration of the environmental effects. Similarly, investments into pollution reduction, for example in manufacturing industries, can wrongly be interpreted to reduce productivity because the related environmental gains are not taken into consideration. The adaptation of extant productivity measures to include pollution abatement efforts or the degree of natural resource exploitation has already been proposed.⁷⁰ However, constituents' capacities in this area must be strengthened to enable them to implement such adapted measures and interpret the results for policy decisions.

An ecosystem for productivity and decent work

35. The relationship between productivity and decent work is an important factor for economic growth and poverty alleviation. A virtuous cycle between productivity growth and the creation of decent jobs is not automatic, as the uncoupling of productivity from wage growth in advanced economies and the decline in labour income shares as well as the slow-down of structural transformation and the subsequent expansion of informal jobs in emerging economies show.
36. Demand from constituents confirms that the Office has an important role to play in strengthening a virtuous cycle between productivity and decent work. The ILO proposes the "productivity ecosystems for decent work" approach as a pathway to promoting economically, socially and environmentally sustainable productivity growth for decent job creation. By bringing together Governments, social partners, and other key actors, this approach provides an actionable way forward in identifying and strengthening the success factors for a triple win of decent jobs, sustainability, and economic growth.

⁶⁹ Institute for Management and Development (IMD), "World Competitiveness Center", 2022.

⁷⁰ OECD, *Greening Productivity Measurement: Environmentally Adjusted Multifactor Productivity Growth*, Policy Perspectives, 2016.

▶ Draft decision

37. **The Governing Body took note of the update on the Office's work on productivity ecosystems for decent work and requested the Director-General to take into account its guidance when implementing the approach.**