

Latin America HR Challenges & Solutions

Keynote Address

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LAMERG Latin America Employee Relations Group | www.lamerg.com

I. THE IOE AND ITS ROLE

1. Founded in London in March 1920, the IOE was historically the body representing employers within the ILO.
2. The largest network of private sector in the world, with a membership of 150 business and employer federations in 143 countries.
3. The only recognized body representing the interests of employers in international, social and labor policy matters.
4. It provides experts, disseminates its recommendations through its network and promotes outputs to policy makers.

5. It advocates for a business-friendly environment at the ILO and among the G20, B20 and UN system.
6. Unemployment, red tape burden, rigidity of labour law, skills mismatches, OSH problems, migrations, supply chains, etc. are central concerns of the business community.
7. IOE is becoming more and more the voice of business in the labour and social field.

HOW IS THE IOE WORKING?

- UN System
 - ECOSOC
 - UN Human Rights
 - Global Compact
 - UNDP
- World Bank and Regional Development Banks
- IMF (International Monetary Fund).
- G20/B20/L20.
 - To promote a set of recommendations (Growth and Jobs).
 - Advocacy on implementation.
 - Follow up on effectiveness and deviations.
 - Social dialogue.

THE NEW CHALLENGES

- Supply Chain
- Informality
- Migration
- OSH
- Technology

➤ Dialogue with:

- ✓ The multilateral system and regional bodies;
- ✓ Governments;
- ✓ ITUC and global unions;
- ✓ Media and public opinion.

➤ Alliance with BIAC.

Business Priorities in the Social Field

First Priority

- Foster Job creation, elaborating especially on policies leading to an enabling business environment for companies to hire.
- Entrepreneurship and innovation are the foundations of growth for all societies and the very life blood of employment creation. 95% of small businesses account for 60% of employment.
- Remove barriers to starting, operating and growing a business increasing adaptability and mobility within and across labour markets.

Set up employment-friendly labour law:

- Reduce barriers for employment is thereby especially important to increase female employment and to bring young people into the labour market.
- Decrease the burden of non-wage labour costs.
- Reduce restrictions on diverse forms of employment (part-time and flexible hour contracts) to allow companies to hire people.

Business Priorities in the Social Field

Second Priority

Open up chances for youth and women at the labour market:

- Create attractive regulatory framework conditions which stimulate the establishment of apprenticeships systems.
- Enhance cooperation between business and VET institutions.
- Ensure that apprenticeships systems are responding to the development of new professions

- Ensure that VET institutes have at their disposal the latest technology in learning tools.
- Address obstacles to female employment.
- Focus on gender equality in education and skills training.

Business Priorities in the Social Field

Third Priority

Making labour migration a win-win situation:

- Business has an important role to play in advocating for balanced migration policies and practices.
- The need to develop predictable, efficient and flexible policies which are in line with labour market needs in order to minimise barriers to mobility.
- To improve transparency with regard to the competences and qualifications linked to different degrees in order to facilitate the mutual recognition of degrees.
- It should be made easier and cheaper for migrants to send money as remittances often play an important role for the economy and the development of the countries of origin.

Other Issues

A) OSH is an important priority for employers and we believe that particularly the G20 offers a framework in which countries can learn from each other and in which countries can commit to action and targets.

The efficient management of OSH risks is best achieved by adopting a preventive approach, utilizing risk management and control principles, aligning OSH management systems with other business operations.

Strengthening the role of the social partners in developing and implementing OSH policies and strategies and raising awareness at workplace level.

Fostering sectoral approaches on OSH by including social partners of high risk sectors, developing action plans at national level.

Other Issues

B) The Global Apprenticeships Network (GAN), is in many ways an outcome of the G20/B20 employment process.

The idea behind GAN was that business directly and concretely contributes to the implementation of G20 recommendations and commitments on youth employment and apprenticeships.

IOE and BIAC did not want to wait any longer for governments to live up to their commitments made at B20 level, but to directly start implementation by business.

With the Global Apprenticeship Network, a global company network has been developed to promote apprenticeships and to provide an international platform for the exchange of best practices.

II. LATIN AMERICA

A. GENERAL CONTEXT

LATIN AMERICA HAS “COMMON ROOTS”:

Spanish-Portuguese colonization, religion and language.

But it is not a single unit and, in this regard, there is no “one-size-fits-all” response.

1. Increased distance from country to country, politically or by regional integration and free trade agreements or level of development and industrialization.
2. Market economy and its “social devaluation” is a fact that hampers entrepreneurship and investment environment in many countries.
3. The vindication of indigenous property: as an answer to legal property rights.
4. Populism in some countries where democracy is just formal elections.
5. Informality and divorce between law and practice.
6. Supply chains and the lack of enforcement of local law.

B. THE MAIN PATTERNS

IN GENERAL TERMS, LABOUR RELATIONS SYSTEMS IN LATIN AMERICA SHOW THE FOLLOWING CHARACTERISTICS:

1. A highly regulated employment system and hyper protection based on these historical patterns.
2. The influence of the European Continental Model.
3. A Fordist-taylorist industrial relations model.
4. Strong protection for existing employment, ignoring the need of job creation (insiders vs. outsiders).

5. Permanent divorce from law and practice because of a high level of informality, 50% as an average in general terms and above 80% for micro and small enterprises;
6. In relation to small enterprises, non-compliance with the law or the employment conditions is “tolerated” in the name of reality but many times it is negotiated through non-transparent methods;
7. Union leaders prefer to allow a “de-facto” flexibility than to discuss the legal framework from a realistic point of view.

8. For unions and politicians, “outsourcing” is a bad word.
9. High level of ratification of ILO Conventions, even with a lack of enforcement.
10. However, the systems are more diverse in relation to collective relations patterns.
 - The “strongest” model could be defined in the following terms:
 - Mexico, Brazil and Argentina differ considerably from other countries in relation to the evolution of their labour and collective relations systems.
 - In some Central American countries a very “singular” reality appears: The so-called “Solidarismo” in Costa Rica, Guatemala, etc. competing against “unions”.

11. Many workers do not value social security and prefer not to contribute because it is expensive and, in many cases, it does not provide a real service: People pay, but do not feel covered and they prefer to avoid payment.
12. As a conclusion, in Latin America, the labour paradigm resists change: Union leaders prefer confrontation to cooperation. On this matter, it is also crucial to fill the gap between education and employment.

III. ARGENTINA

REALITY AND PROSPECTS FOR THE SOCIAL AND LABOUR FIELD

CONTEXT

POLITICALLY, WE ARE FACING A “NEW” POLITICAL PROCESS AND CHALLENGES.

NOTHING WILL BE THE SAME AFTER LAST NOVEMBER 22.

1. Need to make the “alliance” strong and effective in terms of governance for Macri.
2. Realignment at the peronist party.

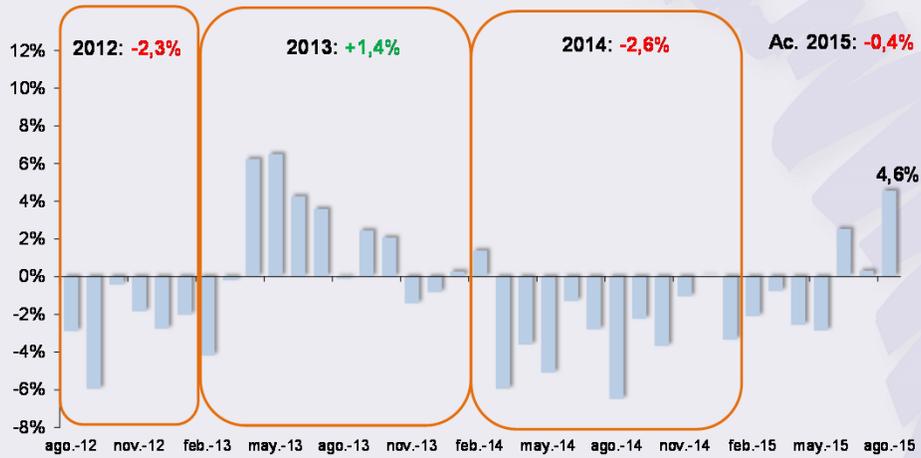
THE “HERITAGE”: “THE PERFECT STORM”

RECESSION WITH:

- Closed exchange market and many finance and trade restrictions.
- Inflation.
- Slower pace in private investment.
- No access to the international financial markets.
- Lack of new employment and increasing youth unemployment.
- Heavy tax burden and bureaucracy that jeopardize the formal economy.

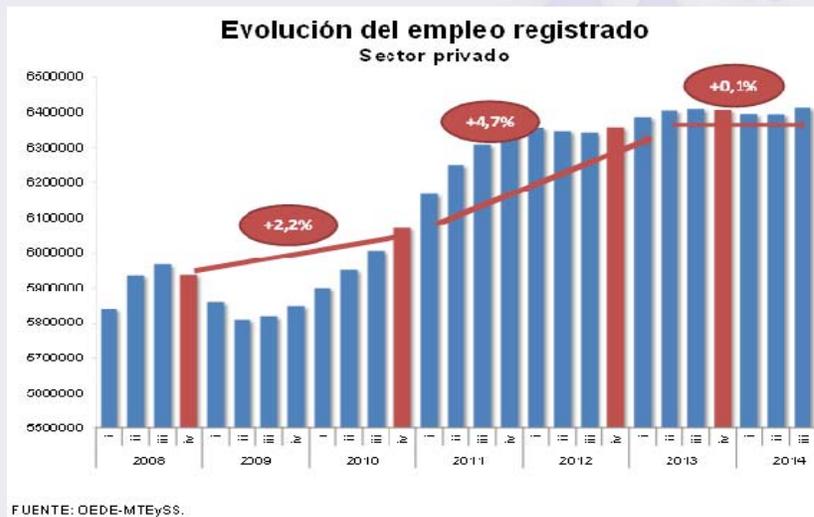
Interannual evolution of the industrial activity

Evolución interanual de la actividad industrial



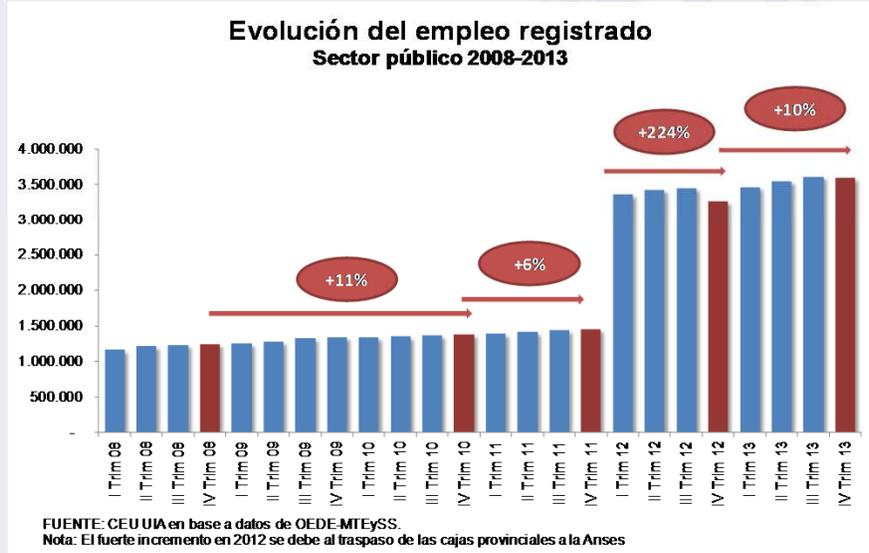
Fuente: CEU-UIA en base a datos de cámaras empresariales y organismos del sector público y privado

Evolution of formal employment
Private Sector



FUENTE: OEDE-MTEySS.

Evolution of formal employment
Public Sector 2008-2013



Workers and worktime in the industry
Interannual variation

Obreros y horas trabajadas en la industria
Variación interanual

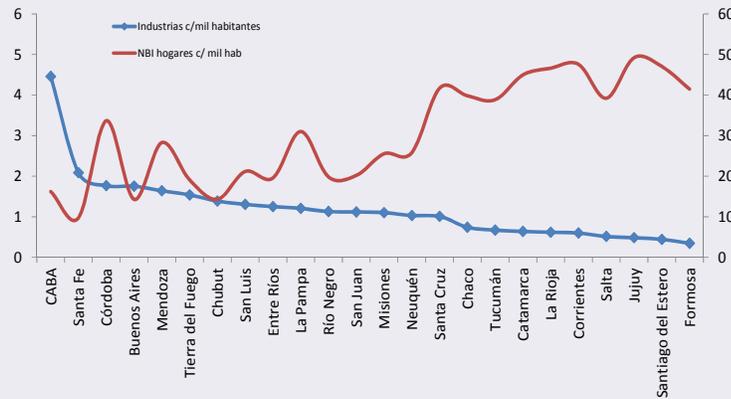


Fuente: CEU-UIA en base a datos de la EIM-INDEC.

POVERTY IS ALSO A SERIOUS PROBLEM

The density of the productive structure and the extension of the SMEs network is one of the core axes of the regional and social development.

Industrial density and structural poverty
Densidad industrial y pobreza estructural



The higher the industrial density, the lower the number of households with unsatisfied basic needs.

Fuente: Departamento PyMI - UIA en base a Obs. Empleo y Dinámica Empresarial, MTEySS y EPH - INDEC

THE LEGAL SYSTEM

- Too much legislation and a very strong union system.
- Collective agreements: Conditioned by the centralization of trade unions and collective labour relations (by branch of activity).
- Employment regulation: it is high, rigid and expensive in terms of labour cost and productivity.
- Health coverage: The union that exclusively signs up the collective agreements provides health coverage on a compulsory basis.

THE FUTURE

- Political change with better governance and transparency
→ the key question is the level of conflict (political, social and economic) because of this change of paradigm.
- Populism is a drug, it requires a cultural change.
- When and how?
- At the labour field:
 - Confrontation or cooperation?
 - Private public partnership or unilateral policies?
 - One or more Peronism and one or more CGT or union structures?

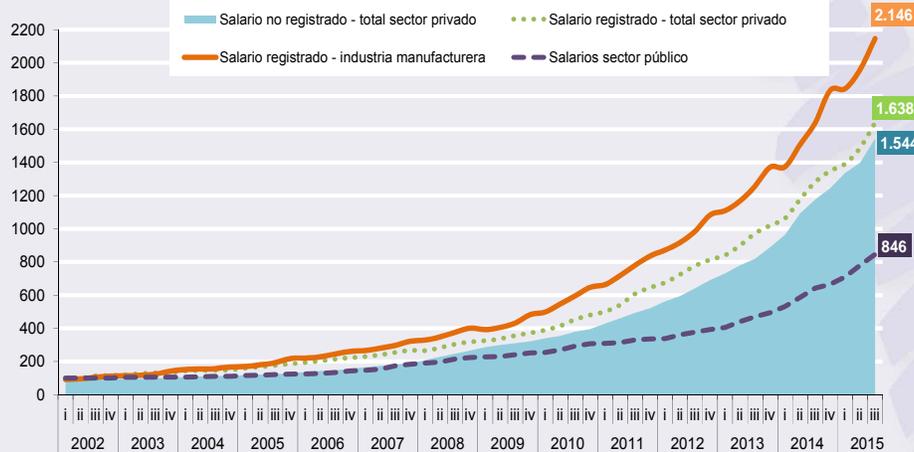
THE REAL CHALLENGE

- An economic program with budgetary and trade superávit, more market-oriented, business-friendly and macroeconomic stability.
- To promote market economy with growth and jobs: productivity - competitiveness and employability are new central concerns for the new administration
- To reduce inflation and inequitable subsidies without creating social unrest.
- To reduce the tax burden and bureaucracy.

Wage evolution in the industry and the economy

Evolución salarial en la industria y en la economía

Base IV trim 2001=100



Fuente: CEU-UJA en base a datos de INDEC.

UNIONS AND THE NEW GOVERNMENT

1. Unions are essentially “PERONISTAS”. This could imply “political confrontation”.
2. There are five “umbrella organizations”.
 - However, the CGT-Moyano (led by teamsters) and the CGT-Caló (led by the industrial sector) look stronger than others including the two CTAs (that mainly represent public employees, nurses and teachers).
 - Besides, pressure on wages to compensate inflation but in the end, they are in fact stimulating it.
3. Inter and Intra-union conflicts.
4. Activists do not respect the union structure and the number and impact of activists-driven conflicts will continue being relevant or will even increase.

CONCLUSION

In the short term, inflation plus the stagnation of job creation will accelerate tensions and boost conflicts in the private sector, unless a political deal (Economic and Social Pact) could be reached to reduce inflation and increase labour productivity but granting a “social floor” for workers and political power to the unions.

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