

1919

Preamble to ILO Constitution

Whereas universal and lasting peace can be established only if it is based upon social justice; And whereas conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required; as, for example, by the regulation of the hours of work, including the establishment of a maximum working day and week, the regulation of the labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures;

Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries;

The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, and with a view to attaining the objectives set forth in this Preamble, agree to the following Constitution of the International Labour Organization:

1944

Declaration concerning the aims and purposes of the International Labour Organisation (Declaration of Philadelphia)

The General Conference of the International Labour Organization, meeting in its Twenty-sixth Session in Philadelphia, hereby adopts, this tenth day of May in the year nineteen hundred and forty-four, the present Declaration of the aims and purposes of the International Labour Organization and of the principles which should inspire the policy of its Members.

The Conference reaffirms the fundamental principles on which the Organization is based and, in particular, that:

- (a) labour is not a commodity;*
- (b) freedom of expression and of association are essential to sustained progress;*
- (c) poverty anywhere constitutes a danger to prosperity everywhere;*

(d) the war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare.

2019

ILO Centenary Declaration for the Future of Work

The ILO marks its Centenary at a time of transformative change in the world of work, driven by technological innovations, demographic shifts, environmental and climate change, and globalization, as well as at a time of persistent inequalities, which have profound impacts on the nature and future of work, and on the place and dignity of people in it.

It is imperative to act with urgency to seize the opportunities and address the challenges to shape a fair, inclusive and secure future of work with full, productive and freely chosen employment and decent work for all.

Such a future of work is fundamental for sustainable development that puts an end to poverty and leaves no one behind.

The ILO must carry forward into its second century with unrelenting vigour its constitutional mandate for social justice by further developing its human-centred approach to the future of work, which puts workers' rights and the needs, aspirations and rights of all people at the heart of economic, social and environmental policies.

REFLECTIONS ON WORK

Perspectives from the South Cone of Latin
America on the occasion of the ILO Centenary

Fabio Bertranou
Andrés Marinakis
Editors

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14 | Poverty, inequality, and the phenomenon of the “poor worker”

Luis Beccaria and Roxana Maurizio

The distribution implications of the labour situation has traditionally been a concern of the ILO as it analyzes labour markets in developing nations, particularly those in Latin America. As early as the first writings of the *Regional Employment Programme for Latin America and the Caribbean* (PREALC, for the acronym in Spanish), published in the seventies, emphasis was placed on the concentrated distribution of income – more accurately, the distribution of pay – in the region. That was due, in part, to a marked differentiation in occupational structure that reflected, with varying degrees of intensity, the levels of underemployment characteristic of the region’s economies.

This characteristic of the labour situation not only broadened income gaps between employees in different occupational groups, but also helped explain the significant presence of those with earnings too low to meet their own or their households’ basic needs for goods and services. Absolute poverty and inequality relative to work income are associated with structurally unsatisfactory labour markets. The phenomenon of the “poor worker” evidences that, in the region, having a job is no guarantee against poverty.

Developing countries are not the only ones struggling with the lack of occupational homogeneity. Industrialized nations are also characterized by discontinuities between different subsets of workers in terms of level of productivity, as well as between types of labour relationships and occupational categories. There are significant differences between developing and

industrialized nations, however, in terms of the size of those gaps and the weight of non-salaried employees, in other words, of atypical wage workers.

The ILO's perspective of analysis on labour markets is tightly bound to the Latin American structuralist tradition. Focusing on the postwar period and through the seventies, the structuralist approach detected marked differences in productivity both between and within sectors (Prebisch, 1949; Pinto, 1970). That was associated with the fact that the region's economies were not capable of sustained growth or of generating high-productivity jobs in the face of the growing labour supply, particularly in urban areas. One consequence of this was that wide sectors of the active population of cities had to generate their own occupations, establishing small productive units with low levels of efficiency and few wage employees (sometimes they were just one-person operations). Awareness of the importance of disguised underemployment in these occupations did not mean that, in the case of Latin America, the PREALC failed to consider the high rate of open unemployment in the region (PREALC, 1974).

These small units, characterized not only by low efficiency but also by the minimal division between capital and labour, were the basis for what the ILO called the *informal sector of the economy*.

As early as the seventies, a number of PREALC reports showed the tie between poverty and work in the informal sector. On the basis of evidence on a group of cities in the region, it was concluded that "the work of the poor in urban areas is concentrated in activities that constitute the informal sector" (Souza and Tokman, 1978).

Wage workers employed in informal units are rarely covered by labour regulations or social security, since evasion of those systems is among those units' survival strategies. That means that most workers in the *informal sector are informal workers*.

Furthermore, in a context of inadequate labour demand, firms in the formal sector have the de facto ability to hire wage workers without complying with labour regulations in what amounts to *informal* wage workers in the *formal* sector. Precarious dependent workers are, in Latin America, a large group. They receive less pay than formal wage workers and face some of the same drawbacks as those working in the informal sector. The ILO drew this difference between *formal workers* (covered by labour regulations) and *informal*

workers (not covered by labour regulations) within the formal sector more recently, and it helps explain why workers in the formal sector form part of poor households.

The role of skills and human capital

Emphasis on the characteristics of the productive unit as a factor that explains unequal pay has been questioned widely. It is argued that income gaps are the result of gaps in “human capital.” Workers with few skills are concentrated in low-productivity establishments and in precarious jobs in the formal sector. In the end, then, greater inequality in the developing world is tied to greater differentiation of labour supply in terms of productivity due exclusively to the human capital endowment. The widespread poverty associated with the low pay received by a large group of employees in the informal sector and by precarious wage workers (as shown in, for instance, Souza and Tokman’s study, 1978) is simply the result of those workers’ low skill levels.

There is, indeed, an association between income and human capital in the region. The distribution of the human capital endowment is more unequal in Latin American countries than in the developed world (see, for instance, Castelló-Climent and Doménech, 2014). At the same time, low-skill employees are overrepresented in the informal sector and amongst formal precarious wage workers. That evidence is not grounds per se to support an argument based on the human capital theory. The ILO and others offer perspectives that emphasize the dynamic nature of Latin American economies, and its impact on labour demand. It argues that such economies impede continual improvement in the skill profile of the region’s workers and lead to a degree of inflexibility in distribution before reductions in the concentration of skill levels.

This analytic perspective has questioned the more traditional perspective by emphasizing the significant influence of occupational variables in determining income. The PREALC/ILO has, more specifically, contributed to recognition of the independent effect of these traits. From a conceptual point of view, the low productivity of informal units is understood not solely, or mainly, as due to the fact that the workers in them are less productive, but rather that, for a series of reasons, those units are not very efficient or profitable. Those reasons include low or nonexistent capital use, inadequate

or obsolete technology, poor access to supplies, and competition from formal establishments. For all those reasons, these units can generate only low incomes for those who work there, owners and employees alike. These firms are created and subsist because those who work in them have little or no chance of finding employment in the formal sector, where they would earn more. While there has been debate on the degree to which informality is involuntary, with the resulting questioning of the meaning of the monetary income gap, there seems to be evidence to support the existence of a segment of independent workers who find “refuge” by working in an informal establishment.

The heterogeneity of productive units

But the importance of the characteristics of the productive unit in determining income has not only been argued conceptually. In Latin America, the PREALC has been a pioneer in providing direct empirical evidence on income gaps between people with the same level of human capital but who work in firms of different characteristics. A key point of reference along these lines is the article by Souza and Tokman (1978) cited above. It concludes that “labour markets are segmented. Income gaps cannot be explained solely by differences in the characteristics of workers. At play as well are differences in the productive units where they work.”

In its original contributions to the region, the ILO has also emphasized that the informal sector is heterogeneous. It includes productive units with varying degrees of underemployment, that is, with differences in efficiency/productivity levels. That difference in productivity gives rise to heterogeneous incomes as well: not all workers in the informal sector receive pay so low that they fall into poverty. More recent studies have shown, though, that, generally speaking, their pay is at the lower end of the distribution curve.

Other factors: macro-economic stability, social protection, and atypical employment arrangements

While the entire postwar period was characterized by occupational differentiation and widespread informality in the employment structure, the ILO was also aware of changes in distribution in the region due to

macroeconomic dynamics in the individual countries and on a broader level. Relevant factors included the debt crisis of the eighties, market-oriented policies starting in the middle of that decade (Klein and Tokman, 2000), and redistribution policies in a number of countries in the early twenty-first century. Beyond a long-term distribution matrix influenced by the occupational structure, levels of inequality were also affected by the evolution of economies and the resulting aggravation or reduction of concentration. The dynamics of informality in the context of shifts in the economy may or may not be a factor that captures, if only partly, variations in levels of inequality and poverty.

The limitations resulting from social protection policies are another significant aspect in the influence of informality on distribution – that because in Latin America, like in most other regions, social protection mechanisms are largely contributory. Formal wage workers are, generally speaking, the beneficiaries of policies to address periods of unemployment or the loss of a job, an assured minimum wage, and the right to receive an income after the end of one’s working life. It was not until the past two decades that some countries enacted non-contributory mechanisms that provide coverage in some of those situations to non-salaried workers and to those who do not have or have not had social security coverage – that is, most workers in the informal sector. While those devices have increased the wellbeing of informal workers and their households, their impact on inequality and/or poverty is usually minimal.

More recently, the ILO has focused its efforts on the growing relevance of occupations associated in some way with medium-sized and large companies that, though not strictly informal, have more and less marked traits of precarity. Those traits range from more traditional atypical employment arrangements (employment for a fixed period or part-time employment) to more novel ones (especially in developed countries, for the time being) such as zero-hour contracts and platform-economy jobs. These jobs tend to be sporadic. There are no set working hours, and coverage of labour risks is low or nil. Workers working under these arrangements receive less pay than their formally employed counterparts with the same skill level. Those traits, and others characteristic of these occupations, generate, together, greater income insecurity for the workers who perform them, making those workers more likely to fall into very-low income levels or poverty.

While these new arrangements are still not widespread in Latin America, the region's labour panorama is expected to grow and become even more heterogeneous. They will likely become another source of precarious and low-income work, though more traditional arrangements associated with informality will continue to be the largest source of low-quality jobs. This is one of the primary challenges to reducing poverty and improving the distribution of labour and household income in the region.

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