

Seminar and informal discussion with Professor Ignacy Sachs, Directeur d'Etudes Honoraire, Paris School of Advanced Social Studies (EHESS) (31st of May 2005, ILO).

Professor Sachs stimulates reflection on what “Decent Work at the Local Level” would involve from the ILO’s perspective. The aim of the seminar was to prepare the Outcome on “Decent Work through Local Development” that has been approved in the P&B 2006/2007.

◆ The elusiveness of the notion of development: a complex and multidimensional concept:

Professor Sachs first poses the question: *why Local Development?* He argues that development is coming from social and cultural heterogeneity. Thus, to overcome these diversities all the ingredients of the complexity are needed; both social and ethnological inclusiveness. He recommends considering carefully the different levels of development, as it is dangerous to say that there is nothing between local and global levels. On the contrary, there are national, regional, provincial, etc...

Moreover, he advises that the articulation between local, national, ..., global should not be understood in the economic prospective only but has to be properly coordinated between environmental, social, ethnological, cultural, political, institutional, economical dimensions. Indeed, economy is only means to achieve development.

The discussion about development does not start with how growth should be achieved but with how should we achieve full employment. Investments need growth but growth that produces work, moreover, **decent work**.

◆ Some ways to address the concept of development and some recommendations:

- We should ask ourselves about the links between local and national levels.

Some questions might be considered to address the concept of development: Where do we stand? What are the potentialities of the place, which have not been taken into account? Where are the bottlenecks? How to overcome them? How to build coordination between local

and national levels? (And more generally, between the different levels) Which kinds of policies are required?

•Professor Sachs also makes some **recommendations**: we are not going to solve issues of development only through the government. There should be a partnership between employers, workers, government and the civil society (Should we not extend the tripartite commitment of the ILO to a multipartite ones?)

Technological progress is on crucial importance concerning development. But it should not be left only to the free market. Local Development comes within nation. Local institutions should be built with a participatory principle. Also, he adds that resources have to be brought from outside when they are lacking in the country. It is of great import to adapt the policies to the country; to respond to the needs of the population; to take into account the context of the region studied; and above all not to push across a standard model in a country as it has been done already too long without success. On the contrary, we should bring together the different stakeholders and address development as a complex and multidimensional process.

By local level we mean provincial level, township or peace of town, etc...but not national. Thanks to his experience in Brazil, Professor Sachs argues that we should try to approach development through a more decentralized scale that cover the whole state. In Brazil, the entire state has been divided. If globalisation has heavy repercussions on small projects, small projects also have world repercussion. (For example, fish produced in Brazil are being sold on the French market). He also insists on the importance of education to make people more able to participate in the civil and political life.

We should take a careful look on industries that are high labour-intensive, also called *employment-led growth*¹ industries and industries that develop local resources. As we have seen, technological progress is crucial for the objective of increasing productivity and therefore development. Thus, a balance has to be found between the prospective of increasing employment and an emphasis on technological progress. We notice here that technological progress influences in two ways the production system: thanks to technological progress, either the total level of output will increase with the same amount of inputs; or by maintaining the same level of output, the level of inputs needed will decrease and therefore unemployment will increase.

¹ On this particular point, see Sachs (1999) on Kalecki's theory of development (mondes en développement).

There is also a need to overcome monoproduction. For example, it is dangerous to leave the agricultural sector out of the economy, as it is dangerous to put a too important emphasis on this sector. Professor Sachs asks the question: how far can we organize a local economy? He gives furthermore the example of the oil-countries. Their economy is oriented around the oil industry. Two points have to be clear: which supply of oil has to be driven; and how will the country make use of oil royalties to start inclusive and sustainable development. He notices the dangerous consequences of the structural economic emphasis around the oil industry only as it leads to some disadvantages: money from oil royalties can be easily put aside instead of being used to the benefice of the population. Moreover, if at the municipal level for example, the discovery of oil leads to ten times increase of the municipality's revenue, an important rise of price will take place. This makes the life more expensive for the population. Thus, there is a clear disadvantage for the main part of the population as the share in the oil's revenue is largely unequal. Furthermore, it is dangerous for the country to be too concentrated on the oil industry notably because of an eventual damaging decrease of oil prices.

Professor Sachs then focuses on the “too fashion” concept of cluster². This concept, which means that competition does not exclude cooperation, should be taken very carefully. It is a very important way of creating employment; thus its incredible rise of utilization in the recent literature given the emphasis already made on *employment led-growth* strategies. It is a particularly useful concept for public policies aimed at gradually transforming petty producers into micro-and small entrepreneurs.

Concerning the particular Brazilian case, Professor Sachs argues that the country has a fantastic scope for rural development. The context of globalization has also to be taken into account in the area of local economic development. Indeed, with these relatively new phenomena, jobs are in danger. Globalization means greater competition on the market. Professor Sachs takes the example of China and its cheap goods given its very low labour force wages, which puts many countries in danger. There, he emphasises again on the importance of taking particular attention on the labour-intensive industries.

The ILO has two distinct objectives in its mission of promoting decent work: first, ILO should create opportunity for new jobs; secondly, it has to set rid of jobs that are not decent. The question that Professor Sachs poses is about how to help people to move from

² For more details about clusters, see Sachs (2004), where Professor Sachs gives especially a set of measures that have been recommended by a recent Brazilian study to assist petty producers in their gradual transformation into micro-entrepreneurs and their integration into mainstream organized economy.

indecent to decent work and how to move out from the informal sector. Most of the developing countries are too weak to compete on the global market; thus, they should be helped through a set of policies that are needed in order to move quickly without too much costs and bureaucracy. Lower taxes should be implemented in this aim and if it is possible they should be reduced to one tax only. Those countries should also be advised concerning social security skills. Using subsidies (which are not really well accepted by many people), providing infrastructures, improving health and education and more are some of the policies that should be used. At the same time, they should be assisted to take advantage of *mutual aid*³ and *collective entrepreneurship*⁴ as powerful means of strengthening their individual endeavours. Professor Sachs insists on the importance of having policies of financing small producers and on giving special attention to services, potential work cooperatives, and moreover to have *across to* the market finance of credits. That will not lead to inflation if the elasticity of wages supply is sufficient.

Moreover, the maintenance of existence stocks of housing, infrastructures, etc...is of great import as it generates one of the most important sources of extra money for projects. As we all know, the decrease of the need for capital is crucial in the developing world.

To move out of poverty, associations, materials, pre-cooperatives and cooperatives, individuals should be mobilized. Professor Sachs insists here on the point that both individuals and cooperatives entrepreneurs should work together; but also on the links and coordination between national and local levels: how to see the role of the state at the local level? This question is of great import especially in the context of decentralization to push local development policy of state supports. President Lula in Brazil asks groups of people to draft project of local development at the very initial state. To give another example, Tanzania is clearly based on decentralization.

According to Professor Sachs, capital should reflect policies of a country: it is essential to put money where priorities are according to the budget. During the Neoliberal interlude, development policies were all based on privatisation instead of trying to find the right equilibrium between public and private. Professor Sachs also deplores the fact that credit

³ For the role of *mutual aid* in social evolution, see Kropotkin (1902).

⁴ Guaranteeing micro-credits, saving and credit rotation associations, and including sectoral and territorial groupings of producers and traders seeking economies of scale and better prices through joint purchases or sales and positive externalities for their businesses through collaborative action in fields of technology, design and marketing, are some of the different forms that *collective entrepreneurship* might take. See Sachs (2004).

lines in national development banks used to be utilised to public policies but now the matter is profit and not development. Thus, the main objective of development banks moved from development to profit.

Furthermore, there is a real concern concerning the prohibited administration costs both for small and huge projects. According to Professor Sachs, we should reorganize financial administration and review the level of interest rates: impossible interest rate simply prevent investment. Brazil has the highest interest rate. So if you are donors, go to Brazil! The money is overvalued. This impossible interest rate makes capital coming in and out very frequently. It is very difficult to plan under these conditions.

Also, to maximize opportunities for decent work, two questions have to be addressed:

- How to maximize opportunities for new decent jobs?
- How to eliminate existing indecent jobs?

as we have already seen concerning the two main objectives of the ILO. There, Professor Sachs adds the fact that we should furthermore know which exact role does the state has and which space is left for private sectors. What space should exist where public and private sectors will compete?

◆ **Questions asked to Professor Sachs and his replies:**

- How to iron out the problem of inequalities among regions in the decentralized context?

A good allocation of resources is probably the best way to undertake this problem. Redistribution processes are on great important in the context of decentralization. The Indian experience is a good illustration of a performance by national councils. In Brazil, after the new constitution of 1988 was adopted, considerable power was transferred from the president to the congress. But, because of great problems of misallocation, insufficient skills to redistribute and corruption the decentralization failed to obtain good results. President Lula tries to decentralize afresh. For the least developed regions, the problem of lack of money should be addressed at the central level, using the national budget.

- How governments should manage the complex trade-offs between social, environmental and economic dimensions?

The essence of planning rests on the balance between these three dimensions. Huge efforts have to be made in order to have "three plus" (improvements on the social, environmental and economic dimensions). As it is very difficult to obtain, Professor Sachs really insists on the import of addressing these trade-offs through **transparent political policies**. It is better to say the trade-offs rather than to say that everything is improving if it is not the case. It will afterwards exacerbate problems. According to Professor Sachs, the basic idea behind planning is to exercise all uncertainty.

Furthermore, planning is a flexible strategy. As planning is about continuity, the important part of a project is to convince donors to give money and to give money in a **sustainable and long-term** objective (and not only in a "quick-results" way of thinking); but also to face the project in its all entirety. Professor Sachs gives the example of the protocol of Kyoto: the decision makers will solve only 1/10 of the problem as it is needed to say that we are doing something; but not enough to say that we are actually solving the problem! Programs are not always made to face the real development projects.

Differentiations have to be made between regional, local, national levels as we have seen but also between small and large scales of production. When I am planning a project, I should look at where I am and if my vision of the future has changed. I create a context in which decisions are being taken. Professor Sachs insists on the contextual concept. I should create conditions that will push me to make the right decisions; instead of to ought which policies have to be implemented.

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