



International
Labour
Organization

► Building sustainable enterprises through productivity ecosystems for Decent Work in the BRICS countries

Background paper prepared for the 1st meeting of the Employment Working Group under South African presidency

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► 1. Introduction

The BRICS Labour and Employment Working Group concept note identifies productivity growth and its relationship to sustainable enterprises and employment as crucial to inclusive growth (see Priority 1). Simply put, productivity describes the ratio of the volume of output to the volume of inputs. It can be measured in terms of total factor productivity (value-added per unit of combined factors of production) and labour productivity (value-added per hours worked).¹

This report discusses the relationship between productivity and decent job creation with a view to the situation in the BRICS countries. Chapter 2 articulates key considerations regarding the complex relationship between productivity and decent work. Country snapshots in chapter 3 provide an overview of productivity and decent work dynamics in the BRICS countries. Chapter 4 reflects on how to address the complexities articulated in chapters 2 and 3 with a view to promoting a virtuous cycle between productivity growth and decent job creation. Chapter 5 concludes with key takeaways.

► 2. Productivity and decent work: An overview

Productivity and decent work are interlinked at macroeconomic, sector and enterprise levels

The relationship between productivity and decent work is a key factor in discussions on improving living standards and economic growth and to ensure social justice. 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.² 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 – also termed 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.³ Similarly, innovation capacity and entrepreneurship are important contributors to productivity and growth.⁴

At the enterprise level, productivity and decent work are also connected. For workers, increased productivity can lead to improved working conditions, including higher wages, reduced work hours,

¹ ILO STAT, 2023. [Labour productivity](#). Accessed January 23, 2023.

² ILO: Global Employment Policy Review, 2021; ILC: Recurrent Discussion on Employment, 2022.

³ ILO: Global Employment Policy Review, 2021; ILC: Recurrent Discussion on Employment, 2022.

⁴ Andrews, M., Chatterji, A., Lerner, J. & Stern, S. (eds) 2022. The role of innovation and entrepreneurship in economic growth. Chicago, IL: University of Chicago Press.

better safety and health at work and access to social protection, although the linkages are not automatic. Improved working conditions, such as reduced work hours⁵ and higher pay⁶, 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, 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. Put differently, sustainable enterprises are instrumental for productivity growth and decent work, and productivity and decent work in turn contribute to the sustainability of enterprises.

The relationship between productivity and decent work has become tenuous in recent decades

In recent decades, many advanced economies have witnessed a decoupling of productivity from wage growth and declining labour income shares.⁷ 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 shares⁸ resulting from technological innovation;⁹ globalization coupled with intensified competition;¹⁰ 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.¹¹ Pressures stemming from the sluggish productivity growth observed since the 2008 financial crisis, a growing skills mismatch¹² and economic inequalities¹³ exacerbated by the COVID-19 pandemic add to extant challenges. Collective bargaining and social dialogue remain crucial to maintaining and strengthening a positive cycle between productivity and working conditions and to ensuring that gains in terms of social justice are not undermined.¹⁴

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.

⁵ Eurofound, [Organisation of working time: Implications for productivity and working conditions – Overview Report](#), 2013.

⁶ Emanuel, N. and Harrington, E. [The payoffs of higher pay: Elasticities of productivity and labour supply with respect to wages](#). Harvard University, 2020.

⁷ OECD, "[Decoupling of wages from productivity: What implications for public policy?](#)", in *OECD Economic Outlook*, Volume 2018 (2), OECD Publishing, Paris.

⁸ Schwellnus, C., Kappeler, A., Pionnier, A.-P. [Decoupling of wages from productivity: Macro-level facts](#). OECD: Economics Department Working Papers No. 1373 (2017).

⁹ Raurich, X., Sala, H., & Sorolla, V. [Factor shares, the price markup, and the elasticity of substitution between capital and labor](#). *Journal of Macroeconomics* volume 34, issue 1 (2012), pp. 181–198.

¹⁰ ILO, [Global Wage Report 2008/09: Minimum wages and collective bargaining: Towards policy coherence](#), 2009.

¹¹ OECD, "[Decoupling of wages from productivity: What implications for public policy?](#)", in *OECD Economic Outlook*, Volume 2018 (2), OECD Publishing, Paris.

¹² OECD, [The human side of productivity: Uncovering the role of skills and diversity for firm productivity](#). OECD Productivity Working Paper No. 29, 2021.

¹³ Torres, J., Maduko, F., Gaddis, I., Iacovone, L. and Beegle, K. [The Impact of the COVID-19 Pandemic on Women-Led Businesses. World Bank Policy Research Working Paper 9817, October 2021](#).

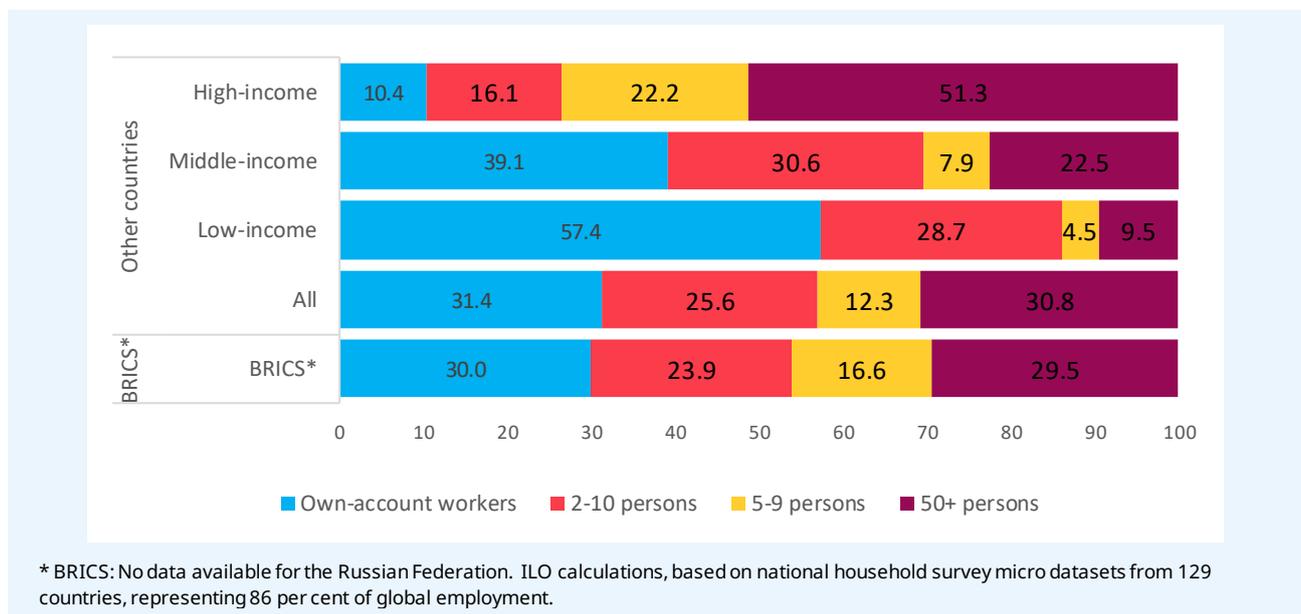
¹⁴ The role and impact of social dialogue in translating economic development into social progress, and social progress into economic development and its impact on the economic performance and competitiveness of business will be elucidated further in the 2023 ILO Social Dialogue Report (see [ILO, 2018. Resolution concerning the second recurrent discussion on social dialogue and tripartism. International Labour Conference, 107th Session](#).) Also see: ILO, 2023. [World Employment and Social Outlook: Trends 2023](#).

Recent years have witnessed a “de-industrialization”,¹⁵ 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.¹⁶ This is also the case in several BRICS countries. 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.^{17,18}

MSMEs are key employment providers in the BRICS, yet productivity and decent work deficits are more pronounced in small enterprises

Micro, small and medium enterprises (MSMEs)¹⁹ play an important role as the employment backbone of most economies. Based on household and labour force survey data²⁰, the ILO estimates that small economic units (i.e., self-employed, micro and small enterprises with fewer than 50 workers) accounted for 70.5% of total employment in BRICS economies in 2019 (compared to 77.5% in other middle-income countries and 48.7% in high-income countries, see Figure 1).²¹ A finer disaggregation shows that the self-employed accounted for 30 % of total employment in the BRICS (compared to 39% in other middle-income and 10.4% in high income countries).

► **Figure 1: Distribution of employment by firm size in BRICS and non-BRICS countries, 2019**



¹⁵ De-industrialization describes a decline in manufacturing as a share of total employment and as a share of GDP. Tregenna, F. [Characterizing deindustrialization: An analysis of changes in manufacturing employment and output internationally](#). *Cambridge Journal of Economics*, volume 33 (2009), pp. 433–466.

¹⁶ Rodrick, D. [Premature deindustrialization](#). *Journal of Economic Growth*, 21 No. 1 (2015), pp. 1–33.

¹⁷ Rodrick, D. [Premature deindustrialization](#). *Journal of Economic Growth*, 21 No. 1 (2015), pp. 1–33.

¹⁸ 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.

¹⁹ In India, the terminology self-employed and MSMEs (including micro units) is more commonly used.

²⁰ ILO estimates, which are based on national household surveys and labour force surveys, tend to include the informal sector and agriculture.

²¹ Data for the Russian Federation was not available for this report. Calculations based on International Labour Organization, 2019. [Small Matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs](#).

At the same time, MSMEs are falling behind larger enterprises in terms of productivity and working conditions. The reasons are manifold. Internal causes for lower-than-average productivity at the level of the overall economy, include below-average management capacity, more limited access to resources, skills and markets as well as lower economies of scale when compared to larger enterprises. Externally, MSMEs – when compared to larger enterprises - tend to be constrained by difficulties in accessing finance, credit and markets, and by the complexity of navigating regulatory frameworks, and difficulties in accessing markets. In addition to these constraints, weak social dialogue and collective bargaining functions can impede job quality gains in MSMEs.

Informal work is pervasive in some BRICS, and productivity gains are linked to transitions to formality and better working conditions

The BRICS have achieved a shift from vulnerable employment (own-account and contributing family workers) to wage employment by 6.6% significantly above the global average (1,6% without BRICS)²². This is an important achievement toward improved working conditions.

The informal economy remains an important employment provider in the BRICS, especially in India (88.6% informal workers), China (54.5%), Brazil (47.8%), South Africa (45%) and, to a smaller extent, the Russian Federation (21%).²³ Enterprises in the informal economy, the majority of which are small economic units, exhibit lower aggregate productivity than enterprises in the formal economy.²⁴ As the ILO's latest Global Wage Report summarizes, "low productivity is one of the drivers of informality".²⁵ The COVID-19 pandemic has pushed many workers and enterprises into informality and exposed the associated risks for workers.²⁶ Formalization is important to improving working conditions (for example, by facilitating workers' access to social insurance).²⁷ 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.²⁸ 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.²⁹ Promoting productivity growth is an enabling factor, alongside context-specific formalization measures.

²³ International Labour Organization, 2021. [Informality and the Potential for South-South Cooperation between BRICS](#).

²⁴ OECD and ILO, [Tackling vulnerability in the informal economy](#), Development Centre Studies, 2019.

²⁵ ILO, [Global Wage Report 2020-21 – Wages and minimum wages in the time of COVID-19](#), 2020.

²⁶ ILO, [ILO Monitor: COVID-19 and the world of work](#). Eighth edition, October 2021.

²⁷ ILO, [Theory of Change: Enterprise formalization for decent work](#), 2021.

²⁸ Bruhn, M. and McKenzie, D. [Entry regulation and formalization of microenterprises in developing countries](#), 2013. Policy Research Working Paper No. 6507. World Bank, Washington D.C.

²⁹ ILO, [Theory of Change: Enterprise formalization for decent work](#), 2021.

Gender dynamics and environmental sustainability are important concerns for inclusive productivity growth

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.³⁰ This has a negative impact on the productivity of women-led enterprises.³¹ Furthermore, women workers are dominant in low value-added sectors such as hospitality and retail,³² and because these sectors have been hard hit by the COVID-19 pandemic, women have been more vulnerable to job and income losses.³³ Women also carry out an estimated three quarters of unpaid care work,³⁴ which is not captured in productivity measurements despite the fact that productivity is “indirectly subsidized” by unpaid work,³⁵ as recognized in a report of the Director-General to the 95th International Labour Conference.

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.

Figure 2 summarizes the BRICS countries’ labour productivity growth and output per hour worked over the past decade. Although for some BRICS, there is a positive trend, the pace and degree of growth differ vastly. The subsequent chapter – the country snapshots – therefore provides a more differentiated picture for each country.

³⁰ Islam, A., Gaddis, I., Palacios López A. and Amin, M. [The labour productivity gap between formal businesses run by women and men](#). *Feminist Economics* volume 26, No. 4 (2020): 228–258.

³¹ Islam, A., Gaddis, I., Palacios López, A. and Amin, M. The labour productivity gap between formal businesses run by women and men. *Feminist Economics* volume 26, No. 4 (2020): 228–258.

³² ILO, [An uneven and gender-unequal COVID-19 recovery: Update on gender and employment trends 2021](#), October 2021.

³³ ILO, [Building forward fairer: Women's rights to work and at work at the core of the COVID-19 recovery](#), July 2021.

³⁴ Charmes, J. [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.

³⁵ ILO, [Changing patterns in the world of work](#), ILC.95/Report I(C).

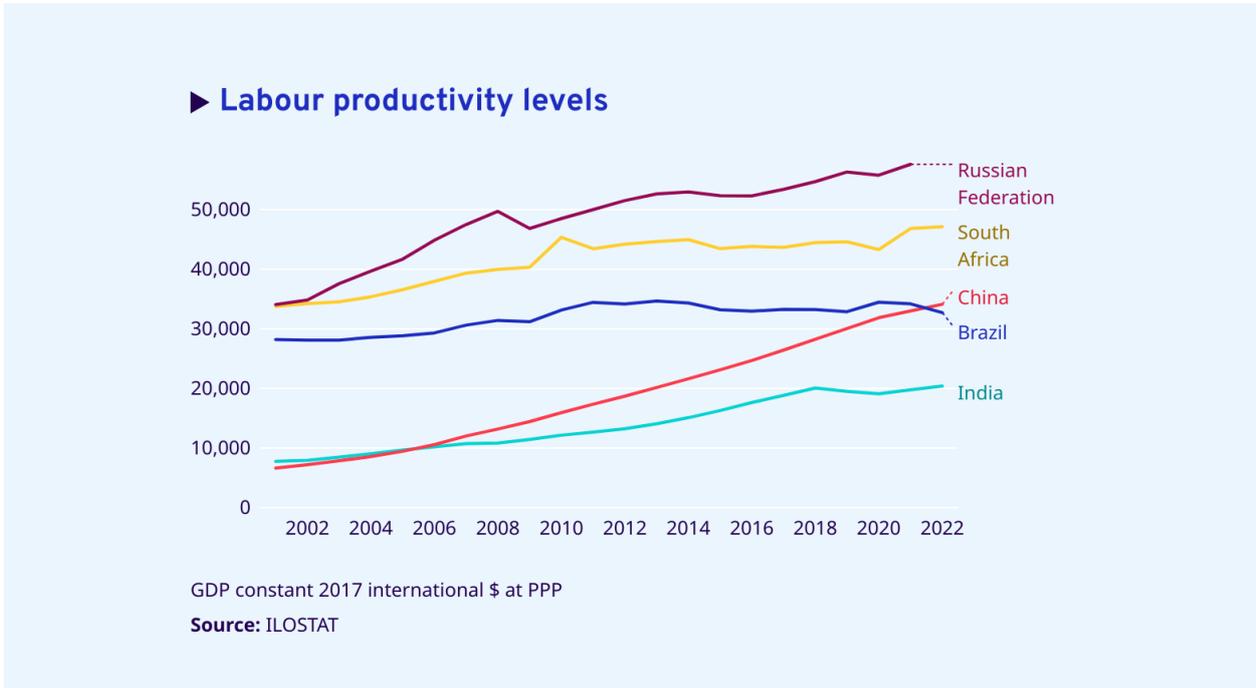
³⁶ International Trade Centre, [SME Competitiveness Outlook 2021: Empowering the green recovery](#), 2021.

³⁷ OECD, [No net zero without SMEs: Exploring the key issues for greening SMEs and green entrepreneurship](#). OECD SME and Entrepreneurship Working Papers No. 30 (2021).

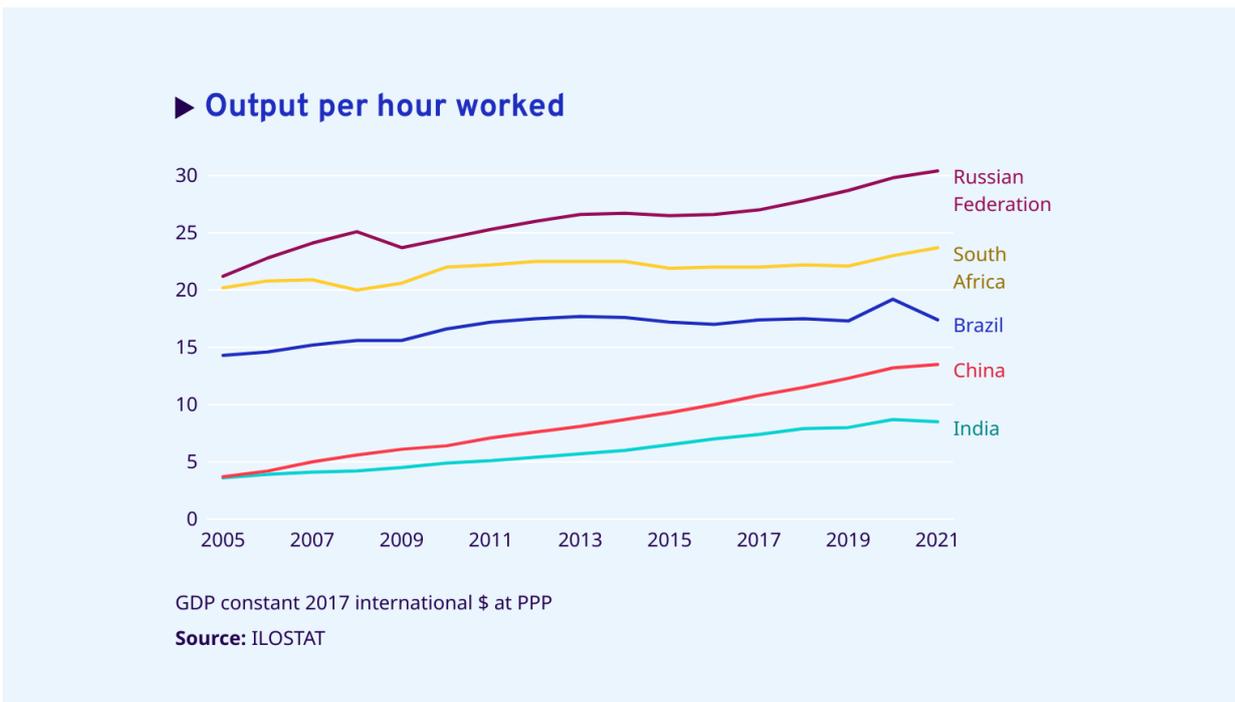
³⁸ O'Connor, S., [Not all green jobs are safe and clean](#), Financial Times, 26 October 2021.

► **Figure 2: Labour productivity**

a. Output per worker in BRICS countries, 2001-2022



► **Figure 2b: Output per hour worked in BRICS countries, 2005-2022**



Constraints to productivity and decent work interface across macro-economic, sectorial- and enterprise-levels

In short, constraints to productivity growth and decent job creation are manifold and interface across policy-, sectorial- and enterprise-levels. In addition, the relationship between productivity growth and

decent work is not automatic, as evidenced by the steady decline of labour income shares in OECD countries over the past decade³⁹ as well as the slowing down or even reversal of the gains of structural transformation in many middle-income countries⁴⁰. The complexity associated with the relationship between productivity and decent work is also apparent in the BRICS countries. The next section provides an overview of key dynamics.

► 3. Sustainable enterprises, productivity and decent work country snapshots

Section 2 of this report will give an overview of key dynamics relating to productivity and decent work in BRICS countries in light of the complexities presented in the previous chapter.

Although each BRICS economy is characterized by distinctive dynamics, some commonalities can be observed. All BRICS countries have experienced a shift of labour and resources away from agriculture toward, initially, manufacturing and, more recently, services, which contributed to productivity growth and job creation.⁴¹ In India, labour even shifted from agriculture toward services, largely bypassing manufacturing. As the pace of growth slows across the BRICS (and globally), the relationship between productivity and decent work is becoming more strained. At the macroeconomic level, concerns regarding employment creation – especially for youth and vulnerable groups – and achieving high-quality growth are becoming central as the gains from structural transformation start to slow. At the sector level, the potential for growth and decent job creation is dampened in sectors in which high degrees of informality and weak enterprise support ecosystems persist. At the enterprise level, MSMEs are the main employment providers but tend to be characterized by lower-than-average productivity and job quality. The following country snapshots give an overview of how these and other dynamics play out in each BRICS country.

³⁹ OECD, "[Decoupling of wages from productivity: What implications for public policy?](#)", in OECD Economic Outlook, Volume 2018 (2), OECD Publishing, Paris. Also see: ILO, 2022. [World Employment and Social Outlook: Trends 2021](#).

⁴⁰ De-industrialization describes a decline in manufacturing as share of total employment and as share of GDP. Tregenna, F. 2009. [Characterizing deindustrialization: An analysis of changes in manufacturing employment and output internationally](#). Cambridge Journal of Economics, 33, pg 433-466.

3.1 Brazil

Brazil's structural transformation from agriculture to industry and services between 1950 and 1980 contributed to an average growth rate of 7.4% per year. After less stable and slower growth for the subsequent two decades Brazil again experienced a steady rise in GDP per capita income in the 2000s. This was primarily driven by the expansion of employment with a large number of youths entering the labour market, with labour productivity growing an average 3% between 2005 and 2011.^{42 43} Due to the population aging, the trend of expanding employment and subsequent growth has been slowly reversing since 2011⁴⁴, as reflected in declining labour productivity growth (average 0%, 2012 – 2021).⁴⁵ Other factors could explain Brazil's challenges regarding productivity growth, such as the business environment to, compounded by gaps in terms of business support and coordination.^{46 47}

In 2020 and 2021, Brazil faced unprecedented challenges as one of the countries with the highest death rate globally during the COVID-19 pandemic. The poverty rate jumped from 18.7% in 2020 and 28.4% 2021⁴⁸ and unemployment increased from 11.9% in 2019 to 14.4% in 2021.⁴⁹ The government implemented an emergency cash transfer program to address the negative impact of income and job losses.⁵⁰ Following the initial recession in 2020, the economy rebounded in 2021 and GDP per capita slightly increased from 2020 to 2021.⁵¹

To address the root causes of poverty and inequality, Brazil has undertaken a series of measures since its Constitution was established in 1988.⁵² The Constitution encourages social participation in public policies and serves as a foundation of the country's social security system. The revision of the Constitution in 2003/04 has expanded the social protection system which consist of four main elements: social insurance including contributory pensions, maternity benefits; national health system; social assistance through distributing cash benefits; and food security through distribution of food. Some of the key measures taken include increase in the minimum wage, expanded coverage of monetary benefits particularly for elderly or disabled poor people, introduction of conditional income-transfer programmes and the Child Labour Eradication Programme.⁵³ Cash transfer policies have been critical in reducing poverty and inequalities, most notably through the conditional cash transfer programme, *Bolsa Familia*, which covers 25% of the total population⁵⁴ and contributed to poverty reduction by 36.5% from 2003 to 2009, lifting 27.9 million people out of poverty.⁵⁵ Brazil has made significant progress in reducing poverty and inequality over the years. From the early 1990s to 2008, the percentage of

⁴² World Bank, 2018. [Brazil's Productivity Dynamics](#).

⁴³ World Bank, 2018. [Jobs and Growth: Brazil's Productivity Agenda](#).

⁴⁴ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BR>

⁴⁵ ILO STAT, 2023. Brazil: Output per hour worked (GDP constant 2017 international \$ at PPP). Accessed January 23, 2023.

⁴⁶ World Bank, 2018. [Jobs and Growth: Brazil's Productivity Agenda](#).

⁴⁷ Ibid.

⁴⁸ World Bank, 2018. [Country Overview: Brazil](#). Accessed January 20, 2023.

⁴⁹ ILO STAT, 2023. [Brazil Unemployment Rate](#). Accessed January 20, 2023.

⁵⁰ Barberis, M. 2021. [Tackling poverty: Brazil's COVID-19 emergency cash transfer](#). *Social Protection Blog*.

⁵¹ World Bank, 2023. [GDP per capita – Brazil](#). Accessed January 20, 2023.

⁵² Overseas Development Institute, 2011. [Social protection in Brazil: Impacts on poverty, inequality and growth](#).

⁵³ Beghin, N, 2008. [Notes on Inequality and Poverty in Brazil: Current Situation and Challenges](#). Oxford: Oxfam.

⁵⁴ World Bank, 2014. [How to reduce poverty: A new lesson from Brazil for the world?](#) *World Bank Blog*.

⁵⁵ ILO, 2010. [Measuring decent work in Brazil](#).

households living below the poverty line halved from 36.0% to 17.2%⁵⁶, while the Gini index has fallen drastically from 60.5 in 1990 to 48.9 in 2020.⁵⁷ Nonetheless, Brazil remains one of the world's most unequal countries.

Despite Brazil's success in reducing poverty and inequality, social protection programmes have increased households' reliance on cash transfers.⁵⁸ The COVID-19 pandemic exacerbated pre-existing productivity and decent work deficits, with the unemployment rate remaining high at over 14%.⁵⁹ Inflation has reduced household incomes and increasing food prices pose additional burdens on already vulnerable households.⁶⁰ Finally, the poverty rate is expected to rise with the reduction in cash transfers.

Furthermore, informality continues to prevail in Brazil, with informal workers representing close to half (47.8%) of total employment.⁶¹ Informal workers are predominantly found in smaller economic units and 43% of informal workers are own-account workers.⁶² The prevailing informal sector presents barriers to productivity growth, as smaller, informal firms tend to be less efficient than formal firms.⁶³

3.2 The Russian Federation

Between 1998 and 2007, Russia's economy experienced significant growth, with an average annual GDP growth rate of 7% and an increase in disposable income of 26% annually.⁶⁴ With the redistribution of excess capacity to more productive sectors of the economy, strong total factor productivity growth – which outpaced the average of advanced economies – was a key driver of economic growth between 2000-2009. Over this period, Russia's total factor productivity growth averaged at 2.9%, which was considerably higher than that of advanced economies (0.7%).⁶⁵ Although Russia's economy entered into recession during the global financial crisis in 2008, labour market trends remained overall positive: Unemployment rate steadily decreased from 8.3% in 2009 to 4.5% in 2019⁶⁶, while labour force participation remained stable despite the diminishing population at working age.⁶⁷ One of the factors that account for relatively stable labour market indicators is the substantial share of employment in the public sector and in state-owned enterprises, which has decreased throughout the years but remains significant.⁶⁸ Productivity growth, however, slowed to an average 2% in the aftermath of the financial crisis (2009 – 2021).⁶⁹ Following the COVID-19 pandemic, Russia's GDP fell by 3% in 2020 and quickly

⁵⁶ Overseas Development Institute, 2011. [Social protection in Brazil: Impacts on poverty, inequality and growth](#).

⁵⁷ World Bank, 2023. [Gini Index - Brazil](#). Accessed January 20, 2023.

⁵⁸ World Bank, 2018. [Country Overview: Brazil](#). Accessed January 20, 2023.

⁵⁹ World Bank, 2018. [Jobs and Growth: Brazil's Productivity Agenda](#).

⁶⁰ <https://www.worldbank.org/en/country/brazil/overview>

⁶¹ International Labour Organization, 2021. [Informality and the Potential for South-South Cooperation between BRICS](#).

⁶² *Ibid.*

⁶³ McKinsey Global Institute, 2014. [Connecting Brazil to the world: A path to inclusive growth](#).

⁶⁴ McKinsey & Company, 2009. [How Russia could be more productive](#).

⁶⁵ World Bank, Potential Growth: Outlook and Options for the Russian Federation. Policy Research Working Paper 8663. December 2018.

⁶⁶ ILO STAT, 2023. [The Russian Federation Unemployment Rate](#). Accessed January 20, 2023.

⁶⁷ ILO, "[Inclusive Future of Work: The Russian Federation](#)". Country brief prepared for the 1st EWG under the 2019 Brazilian presidency of the BRICS, 2019.

⁶⁸ World Bank, 2019. [State-Owned Enterprises in the Russian Federation: Employment Practices, Labor Markets, and Firm Performance](#).

⁶⁹ ILO STAT, 2023. The Russian Federation: Labour Productivity. Accessed January 23, 2023.

rebounded in 2021, owing to Russia's considerable fiscal buffers and supportive monetary policy, as well as a large public sector.⁷⁰

The slowdown in productivity growth is due to a combination of factors: slower investment growth, population aging, maturing global value chains and changing composition of investment from machinery to construction.⁷¹

Russia's transition to a market economy since the 1990s was characterised by reforms to labour legislation, improved labour relations, and strengthened labour market institutions.⁷² The concept of social partnership was introduced in the 1990s, and the Labour Code was established in 2001 to regulate employment relations and employment-related issues, including social dialogue.⁷³ Russia's social protection system has been changing and adapting over the past four centuries towards an expansion to universal social protection coverage.⁷⁴ Among the BRICS countries, Russia has the highest coverage of unemployment benefit and the largest share of the population covered by at least one social protection benefit (i.e., 90.1% in 2017).⁷⁵ A minimum wage was established by federal law⁷⁶ and maternity benefit is available to most of the workforce.⁷⁷ 88% of the labour force have access to employment injury coverage, while social assistance schemes and conditional cash transfers were implemented from 1995 onwards targeted at poor and vulnerable groups.⁷⁸

Despite the improvements in labour relations and social protection system, decent work challenges remain.

Wage inequality has been growing alongside an increase in low-quality and low-wage jobs, which has tended to take place in low productivity and informal sectors of the economy.⁷⁹ Furthermore, own-account workers, individual entrepreneurs and their employees are less likely to be covered by labour regulations and were not entitled to the regular unemployment benefit until 2010.⁸⁰

3.3 India

Following India's independence, its economy maintained a moderate growth rate of 3.5% per year over a 30-year period.⁸¹ Annual average GDP growth rose to 6% in the 1990s and continued to increase further to 7.8% between 2001 and 2008.⁸² This was accompanied by significant improvements to living

⁷⁰ World Bank, 2021. [Russia Economic Report: Amidst Strong Economic Rebound in Russia, Risks Stemming from COVID-19 and Inflation Build](#).

⁷¹ World Bank, [Potential Growth: Outlook and Options for the Russian Federation](#). Policy Research Working Paper 8663. December 2018.

⁷² ILO, "[Inclusive Future of Work: The Russian Federation](#)". Country brief prepared for the 1st EWG under the 2019 Brazilian presidency of the BRICS, 2019.

⁷³ ILO, "[Social Dialogue and Industrial Relations: Global Trends, Challenges and Opportunities](#)", 2018.

⁷⁴ ILO, "[Historical development of social protection in Russia](#)", 2019.

⁷⁵ Ibid.

⁷⁶ ILO, "[Social Dialogue and Industrial Relations: Global Trends, Challenges and Opportunities](#)", 2018.

⁷⁷ ILO, "[Historical development of social protection in Russia](#)", 2019.

⁷⁸

ILO, "[Historical development of social protection in Russia](#)", 2019.

⁷⁹ OECD, 2015. [Boosting Productivity in Russia: Skills, Education and Innovation](#). Economic Department Working Papers No. 1189.

⁸⁰ OECD, 2011. Reviews of Labour Market and Social Policies, Russia Federation, OECD Publishing.

⁸¹ Centre for Development Economics, 2022. [India Productivity Report](#). Delhi School of Economics, University of Delhi.

⁸² Ibid.

standards and poverty reduction. Despite the East Asian financial crisis in the late 1990s, India became the world's second fastest growing economy as a result of its manufacturing and expanding services sector. During and after the 2008/2009 global financial crisis, India's growth rate maintained an average of 6.8% (2009-2019).⁸³ In 2020, India was severely impacted by the COVID-19 pandemic, which caused a drop in economic growth to 3.7%.⁸⁴ In response, the government introduced fiscal policies and a relief package that expanded benefits and social protection for the poor and vulnerable population.⁸⁵ India's "agile" COVID-19 response strategy has resulted in a rapid recovery of the economy.⁸⁶ For 2023, estimates predict 6.1% growth for India (compared to an anticipated 2.7% growth globally).⁸⁷

India's growth trajectory is unusual as primarily driven by the services sector and specifically the information technology sector. Productivity growth in the services sector continually outpaces that in the manufacturing and agricultural sectors.⁸⁸ The country's growth is sustained by various factors including urbanization and technology-led productivity improvements.⁸⁹ India's impressive economic growth over the years has not been matched by comparable employment growth due to largely jobless growth in manufacturing and services sectors since the 1990s.⁹⁰ The country's employment to population ratio was at 54-55% between 1990 to 2005 and has been falling since 2005 to the lowest rate at 41% in 2020.⁹¹ Work is concentrated in low productivity sectors and only 2% of workers are employed in the economy's most productive sectors such as finance, insurance, real estate, IT-related services and telecommunications.⁹² Informal and self-employment in rural areas is expanding, especially among woman (63% of workers joining the work force in 2020).⁹³

Informality remains pervasive. India has the highest share of workers in the informal economy (88.6%) among the BRICS countries.⁹⁴ In 2020, 90% of additional workers joining the workforce took up informal employment.⁹⁵ In addition, the majority of informal workers are confined in low-paid jobs with poor working conditions and also struggle to access social security benefits.⁹⁶ In response, the Government increased allocations to rural employment guarantee schemes and has launched a series of policy initiatives to incentivize formal job creation.⁹⁷

⁸³ Ibid.

⁸⁴ Rangarajan C. P. G. Babu (ed.): economic policy in COVID-19 times: Orient Black Swan, 2021. Indian Econ Rev. 2022 Nov 30:1-3.

⁸⁵ Ibid.

⁸⁶ Government of India, 2023. [Economic survey 2021-22](#).

⁸⁷ IMF, 2023. Global Growth Forecast. January 31st, 2023. Also see Reuters, 2023. [IMF chief expects to keep 2023 global growth forecast steady at about 2.7%. January 13, 2023](#).

⁸⁸ Mitra, Arup, 2016. [Productivity growth in India: determinants and policy initiatives based on the existing literature](#). MPFD Working Paper WP/16/08. Bangkok: ESCAP.

⁸⁹ McKinsey, 2016. [India's ascent: Five opportunities for growth and transformation](#).

⁹⁰ ILO, 2016. [Macroeconomic policy, employment and decent work in India](#). EMPLOYMENT Working Paper No. 205.

⁹¹ ILO STAT, 2023. [India: Employment-to-population ratio](#). Accessed January 20, 2023.

⁹² ILO, 2016. [Macroeconomic policy, employment and decent work in India](#). EMPLOYMENT Working Paper No. 205.

⁹³ Government of India, 2023. [Economic survey 2021-22](#).

⁹⁴ International Labour Organization, 2021. [Informality and the Potential for South-South Cooperation between BRICS](#).

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Government of India, Ministry of Labour and Employment, 2021. [Measure to formalize the informal sector](#).

Moreover, rural-urban and gender gaps have been on the rise.⁹⁸ Workers in rural areas struggle with low wages, poor working conditions, limited job opportunities and inadequate access to social security benefits. Rural-urban migration has been induced by disparities in wage and employment opportunities between rural and urban areas.⁹⁹ On the other hand, the low labour force participation rate among women has been a major concern. In recent years, female labour force participation rate has been declining from 26.2% in 2010 to 19% in 2020¹⁰⁰ due to a combination of socioeconomic factors including increasing access to and enrolment in education among young women and limited job creation in female-dominated sectors.¹⁰¹ The Government has been investing into revolutionizing the education ecosystem by enabling higher vocationalization and greater multi-disciplinary research. These efforts are beginning to show results, with enrolment levels rising, drop-out rates decreasing and gender parity in education improving.¹⁰²

Finally, India has many social protection schemes serving various population segments. Nonetheless, the population covered by social protection remains low due to widespread informality and heterogeneity of the workforce.¹⁰³ To establish a national framework for a universal social security system, a code on Social Security was enacted in 2020. It streamlines existing legislations with the objective to extend social protection to all workers, including those in the informal economy.¹⁰⁴ An exclusive digital portal called e-Shram has also been established in 2022, which to date has electronically registered 285 million informal economy workers including domestic workers, migrant workers, construction workers and gig and platform workers for the purpose of extending social security.¹⁰⁵

To achieve sustainable and inclusive economic growth, there is a need for pro-employment policies that address structural causes of informality and the rural-urban divide. Increasing women's labour force participation would also be key to unlock the country's unrealised productivity potential. Finally, balancing compliance with labour regulations and incentives for such compliance will be important to translate productivity improvements into better labour market outcomes, which in turn would contribute to further productivity improvements.

3.4 China

Over the past four decades, China's economy has transformed from an agricultural to an urban industrial one, with GDP per capita (adjusted for inflation) increasing 24-fold.¹⁰⁶ A large part of this development was driven by China's sustained productivity growth, which averaged 10% over the past decades. This growth can be attributed in part to a reallocation of factors of production from low value-adding activities and sectors to high value-adding activities and sectors (structural transformation) as well as, at the enterprise-level, a reallocation of resources from state-owned enterprises to private

⁹⁸ Moktan, A, 2016. [Decent Work Deficit in India: A Disaggregated Trend over the Three Post-Reform Decades](#). World Review of Political Economy, Vol. 7, No. 4.

⁹⁹ ILO, 2017. [Executive Summary: India Decent Work Country Programme 2018 - 2022](#).

¹⁰⁰ ILO STAT, 2023. [India: Labour force participation rate](#). Accessed January 20, 2023.

¹⁰¹ ILO, 2014. [Women's labour force participation in India: Why is it so low?](#)

¹⁰² Government of India, 2023. [Economic survey 2021-22](#).

¹⁰³ ILO, 2023. [Social Protection Overview: India](#). Accessed January 20, 2023.

¹⁰⁴ Ibid.

¹⁰⁵ <https://eshram.gov.in/>

¹⁰⁶ World Bank, [China's Productivity Slowdown and Future Growth Potential](#). Policy Research Working Paper 9298. June 2020.

firms.¹⁰⁷ Since 2008, China's growth has been slowing, as evidenced by a substantive decline in total factor productivity (TFP) growth from an average 2.8% (2000-07) to an average 0.7% (2010-17).¹⁰⁸ This deceleration is the result of a combination of factors: the economic climate following the global financial crisis, the country rebalancing its economy toward domestic consumption and the service sector¹⁰⁹, and a slowdown of productivity growth in the manufacturing sector due to declining new firm entry, which is the sector's main source of growth.¹¹⁰ Since 2020, the COVID-19 pandemic and subsequent restrictions to movement disruptions of demand and global supply chains have further dampened China's economic growth trajectory. Macroeconomic COVID-19 relief policies including tax rebates and increased public spendings eased the most severe effects.¹¹¹

China's substantive economic growth has led to rapid improvements in standards of living over the past decades, lifting an estimated 700 million people out of poverty.¹¹² Real wages have steadily increased, although not in full alignment with productivity growth.¹¹³ Investments into social security and education have also been substantive. As of 2021, health insurance and pension schemes are nearly universal, 71% of the population is covered by at least one social protection cash benefit¹¹⁴, and 84% of the labour force are covered under an injury protection scheme.¹¹⁵

Nonetheless, decent work concerns remain. First, informality continues to be pervasive in China's economy. Just over half of the labour force is employed in the informal economy, with most informal employment (88%) found in the informal sector. Three quarters of all enterprises in China are informal sector units.¹¹⁶ Informality is of concern as informal work tends to be marred by decent work deficits and occur in low value-adding segments of the economy. Informal enterprises tend to be less productive than their formal counterparts.¹¹⁷

Second, women and rural migrant workers continue to face disadvantages in gaining productive employment. In 2012, as per the National Bureau of Statistics, the annual income of employed women was 60% less than that of men.¹¹⁸ More recently, improvements have been made with the enactment of a domestic violence law, inclusion of an anti-discrimination clause in the labour law, improvements to the provision of statutory maternity leave, and the promotion of gender equality at the enterprise level.¹¹⁹ Although the rate of women employed in tertiary and secondary industries has been increasing, so has the proportion of women working in the informal economy. Moreover, data from 2018 shows that employed women on average still spend 2.5 times as much time on unpaid work compared to

¹⁰⁷ Bosworth, B., and Collins, S. M. 2008. Accounting for Growth: Comparing China and India. *Journal of Economic Perspectives*, 22, 45-66.

¹⁰⁸ World Bank, [China's Productivity Slowdown and Future Growth Potential](#). Policy Research Working Paper 9298. June 2020.

¹⁰⁹ Fukumoto, T., and Muto, I. 2012. Rebalancing China's Economic Growth: Some Insights from Japan's Experience. *China and World Economy*, 1, 20, 62-82.

¹¹⁰ World Bank, 2020. [China's Productivity Slowdown and Future Growth Potential](#). Policy Research Working Paper 9298. June 2020.

¹¹¹ World Bank, 2022. [Between Shocks and Stimulus, special topic: real estate vulnerabilities and financial stability in China](#). *China Economic Update*, June 2022.

¹¹² World Bank, 2020. [China's Productivity Slowdown and Future Growth Potential](#). Policy Research Working Paper 9298. June 2020.

¹¹³ International Labour Organization, 2016. [China Decent Work Country Programme 2016-2020](#).

¹¹⁴ Moving towards a universal and sustainable social security system in China Prepared for review at the BRICS EWG, May 2018, for submission to the BRICS LEMM, August 2018

¹¹⁵ International Labour Organization, 2021. [Informality and the Potential for South-South Cooperation between BRICS](#).

¹¹⁶ International Labour Organization, 2021. [Informality and the Potential for South-South Cooperation between BRICS](#).

¹¹⁷ OECD and ILO, [Tackling vulnerability in the informal economy](#), *Development Centre Studies*, 2019.

¹¹⁸ National Bureau of Statistics of China, 2012. [Women and men in China: Facts and Figures 2012](#).

¹¹⁹ International Labour Organization, 2016. [China Decent Work Country Programme 2016-2020](#).

men.¹²⁰ The number of workers migrating from rural areas to urban centres in search of better jobs and incomes has been steadily increasing as surplus labour in agriculture transitions to jobs in services and manufacturing. Since 1992 the Government has introduced policies designed to integrate rural and urban labour markets and support rural migrant workers' transition.¹²¹ Although progress has been made, rural migrant workers continue to work longer hours (plus 5%) and earn less (minus 22%) than their urban counterparts.¹²²

Third, significant efforts have been made to improve occupational safety and health through policy, awareness-raising and enforcement of occupational safety and health standards. China's commitment is also evidenced by the ratification of key ILO OSH Conventions. Fatality rates in the most hazardous industries are consistently falling and indicators about awareness and enforcement of work safety and health are improving.¹²³ Nonetheless, major industrial accidents still occur, and non-fatal accidents and occupational diseases continue to be under-reported. SMEs and micro-enterprises, especially when they employ a large proportion of rural migrants, tend to struggle to appropriately report fatalities, injuries, illnesses and diseases arising from work.

3.5 South Africa

Following the end of apartheid in 1994, South Africa experienced a 14-year period of relatively high economic growth until the financial crisis of 2008. This was coupled with advancements in the general population's living standards through extensive housing, welfare, social protection, and education programmes, lifting millions of South Africans out of poverty.¹²⁴ Since then, the country's growth trajectory has slowed down substantially, and some gains have in fact been reversed. GDP growth slowed from an average of 3.2% (1995 – 2011) to less than half (1.4%) between 2012 and 2019.¹²⁵ Income per capita declined by 5.6% during the same period (2012 – 2019).¹²⁶ The downward economic trend has also affected improvements to standards of living which were made since the mid-1990s: the percentage of the population living above the poverty line fell from 66% in 2006 to 53% in 2011, though is trending slightly upward in recent years.¹²⁷ Unemployment (expanded definition) stands at 43.1% in 2022 (Q3) and is significantly higher than in comparable upper middle-income countries.¹²⁸

South Africa's trajectory is the product of several interfacing challenges. First, the country's economic growth at the end of the 20th century was primarily driven by a highly protected manufacturing sector. As the economy opened itself to international markets and competition, the sector began its steady

¹²⁰ National Bureau of Statistics of China, 2018. [Women and men in China: Facts and Figures 2018](#).

¹²¹ ILO, 2011. [Promoting decent employment for rural migrant workers. Employment policies report – China](#).

¹²² Cheng, H., Hu, D. & Li, H. 2020. [Wage differential between rural migrant and urban workers in the People's Republic of China](#). *Asian Development Review* 37(1).

¹²³ National Bureau of Statistics of China, 2015. [Statistical Communiqué of the People's Republic of China on the 2014 National Economic and Social Development](#), Feb 26, 2015. International Labour Organization, 2012. [National Profile Report on Occupational Safety and Health in China](#).

¹²⁴ World Bank, 2018. [Republic of South Africa Systematic Country Diagnostic An Incomplete Transition Overcoming the Legacy of Exclusion in South Africa](#).

¹²⁵ [World Bank, 2022 data](#) and author's calculations

¹²⁶ World Bank, 2022. [South Africa Overview](#). (accessed January 11, 2023)

¹²⁷ Republic of South Africa, 2018. [Decent Work Country Programme 2018 – 2023](#). June 2018

¹²⁸ Stats SA, 2022. Quarterly Labour Force Survey.

decline¹²⁹, with manufacturing's share of GDP dropping from 19% in 2000 to about 12% in 2021.¹³⁰ Whereas segments of the sector such as retail and fast-moving consumer goods are integrated into global and regional value chains, similar integration in other manufacturing sectors lags, often due to productivity deficits among the sector's companies, especially SMEs¹³¹ and to regulatory barriers that impede competition.¹³² Today, the country's economic growth is primarily driven by extractives, their export, and related development of heavy and chemical industries.¹³³ Taken together, this results in largely job-less growth. Over the past years, policy efforts have focused on promoting exporting and manufacturing sectors and supporting SME development as an avenue for more employment-intensive growth.¹³⁴ But infrastructural deficits, high regulatory burdens, policy uncertainty, and limited market access continue to limit these efforts: entrepreneurial activity and small business participation relative to other countries in the African region remains persistently low¹³⁵ and employment in manufacturing continues to decline.¹³⁶ The country's prolonged energy crisis since 2007 has also put a strain on economic activity. Load shedding negatively impacts real GDP growth with the effects most pronounced in the mining and manufacturing sectors.¹³⁷

Second, inequality is among the highest globally, also owed to a legacy of exclusion in land, labour, capital, and product markets.¹³⁸ Unemployment and poverty continue to disproportionately affect the black African population, in particular black African women, youth, and other vulnerable segments. Inequality also manifests geographically between provinces and municipalities, with Gauteng Province (34.5%) and urban centres such as Johannesburg (14%), eThekweni (10.7%), Cape Town (9.9%), Ekurhuleni (8.7%), and Tshwane (8.2%) accounting for significant portions of national GDP (see parentheses), and other provinces and municipalities trailing behind significantly.¹³⁹ These differences are also inversely reflected in poverty levels and standards of living between different provinces and analyses. There is, however, evidence that geographic inequalities may slowly be decreasing as some provinces are beginning to catch up.¹⁴⁰

A further important indicator and driver of inequality is wage inequality. Inequality between earners in the 90th percentile and the 50th percentile (i.e., the middle of the income distribution) rose by 86% between 1995 and 2014.¹⁴¹ This suggests that earnings have not only been redistributed upwards but

¹²⁹ Borat, H. & Khan, S. 2018. [Structural change and patterns of inequality in the South African labour market](#), *Development Policy Research Unit*, Working Paper 201801, March 2018.

¹³⁰ World Bank, 2023. [Manufacturing, value added \(% of GDP\) - South Africa](#). Accessed January 20, 2023.

¹³¹ Sources and more detail: McKinsey, 2020. *How South African SMEs can survive and thrive post-Covid-19*. International Trade Centre, 2018. *Promoting SME Competitiveness in Africa: Data for de-risking investment*

¹³² OECD, 2021. [South Africa Country Note: Going for Growth 2021](#).

¹³³ Ndhabinde, S. & Heshmati, A. 2020. [The extractive industry's impact on economic growth in SADC countries](#). *Institute of Labour Economics*.

¹³⁴ See for example the Medium-Term Strategic Framework 2014-2019 and the National Development Plan (Vision 2030). Also see World Bank, 2018. [Republic of South Africa Systematic Country Diagnostic An Incomplete Transition Overcoming the Legacy of Exclusion in South Africa](#).

¹³⁶ ILO STAT, 2023. [Employment by economic activity – South Africa](#). Accessed January 20, 2023.

¹³⁷ Government of South Africa Reserve Bank, 2019. [Electricity load shedding and economic activity](#).

¹³⁸ World Bank, 2018. [Republic of South Africa Systematic Country Diagnostic An Incomplete Transition Overcoming the Legacy of Exclusion in South Africa](#).

¹³⁹ Southern Africa Labour and Development Research Unit, 2018. [Spatial poverty and inequality in South Africa: a municipality level analysis](#). Working paper series 221, version 1.

¹⁴⁰ Burger, R., Van der Berg, S., van der Walt, S., & Yu, D., 2017. The long walk: Considering the enduring spatial and racial dimensions of deprivation two decades after the fall of apartheid. *Social Indicators Research*, 130(3), 1101-1123.

¹⁴¹ Borat, H. & Khan, S. 2018. [Structural change and patterns of inequality in the South African labour market](#), *Development Policy Research Unit*, Working Paper 201801, March 2018.

that inequality around the median has also become more pronounced with an erosion of wage growth in median roles such as contract cleaning staff, divers, protective services workers, manufacturing, assembly as well as retail and hospitality staff. The recent introduction of a new national minimum wage – though not a living wage – is intended to protect the country's most vulnerable workers.¹⁴²

Third, informality, albeit lower than in other most other middle-income countries, remains an issue. 17% of total non-agricultural employment is informal and contributes an estimated 5% to GDP.¹⁴³ The South African informal economy is characterized by decent work deficits that include work that is largely unregulated and often characterized by inadequate and unsafe working conditions, poor or no access to social security benefits that are designed around standard work, precarious employment, low pay, long working hours, little or no inspections to ensure compliance with labour law, an absence of collective bargaining and representation rights and often ambiguous or disguised employment relationships. Within the informal sector, the bulk of informal economic activities are survivalist in nature and rarely graduate towards sustainable and growth-oriented enterprises. Part of the challenges faced by informal business operators and SMEs in the informal economy emanate from an inhibitive legal and regulatory environment including complex and costly registration and licensing requirements, the absence of business incentives to facilitate compliance, insufficient access to appropriate financial services, markets, and support services as well as the lack of adequate entrepreneurial skills.¹⁴⁴

South Africa holds significant potential to achieve inclusive, high-quality growth. The country has vibrant tripartism plus and social dialogue mechanisms. At the national level, social dialogue finds significant expression through the National Economic Development and Labour Council (Nedlac), which was instrumental in the introduction of a National Minimum Wage and a number of additional interventions to promote labour relations stability in 2017.¹⁴⁵ Meaningful social dialogue and collective bargaining at all levels will also be important to strengthening the relationship between productivity and decent work especially as productivity has grown more rapidly than wages since the mid-1990s.¹⁴⁶

► 4. A productivity ecosystem for decent work in BRICS countries

Although the BRICS countries each face distinctive challenges regarding building sustainable enterprises and enhancing productivity growth, they also share similarities. All grapple with declining returns from structural transformation, disparity between productivity and wage growth, as well as challenges regarding informality and unemployment. The following considerations are relevant to all BRICS countries:

¹⁴² Republic of South Africa, 2018. [Decent Work Country Programme 2018 – 2023](#). June 2018.

¹⁴³ Statssa QLF5 Q1 3 2017 available at <http://www.statssa.gov.za> 18 latest Survey of Employers and the Self Employed (SESE) by StatsSA, in 2014

¹⁴⁴ Republic of South Africa, 2018. [Decent Work Country Programme 2018 – 2023](#). June 2018.

¹⁴⁵ Ibid.

¹⁴⁶ Wakeford, J. 2004. The productivity–wage relationship in South Africa: an empirical investigation. *Development Southern Africa* Vol. 21, No. 1, March 2004.

- A strong and mutually reinforcing link between productivity growth and decent work is imperative to achieving inclusive and sustainable growth.
- Productivity and decent work dynamics interface across macroeconomic, sectorial and enterprise levels.
- The barriers that impede productivity growth and decent work in the BRICS countries span economic, social and political domains. Private, public and civil society actors therefore all have a role to play in overcoming these barriers.

A holistic solution to a complex problem: The productivity ecosystems for decent work approach

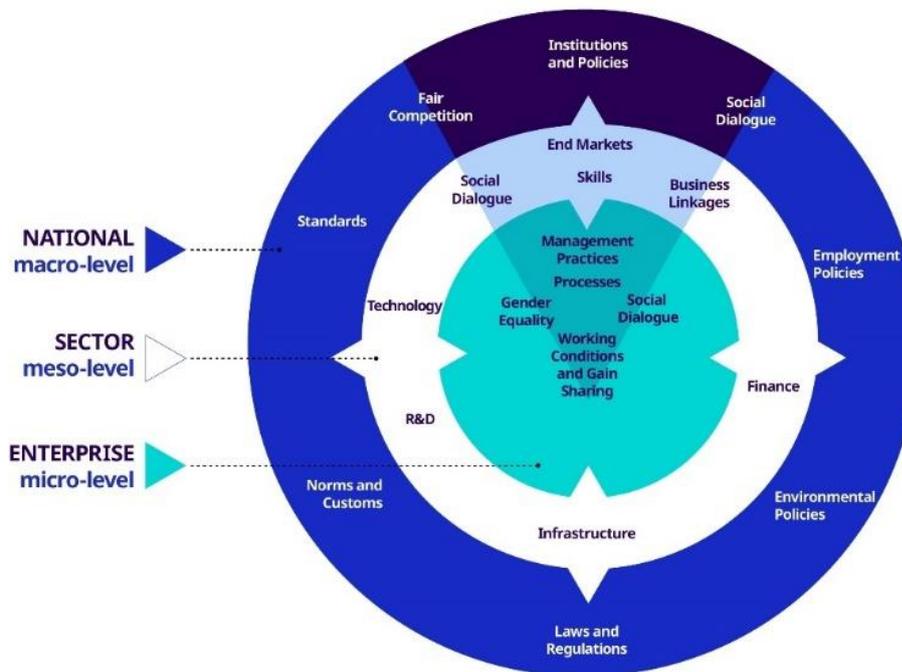
Given the above considerations, a systemic approach to tackling productivity and decent work deficits and their root causes is needed. An ecosystem approach, which recognizes that enterprises, workers and their environments are deeply interlinked and that the drivers of productivity growth and decent work interact at the national (macro), sectoral (meso), and enterprise (micro) levels, would constitute such a holistic approach.

- **At the macro level**, the policy environment can result in structural barriers to sustainable enterprise development, productivity growth and decent work and. National development plans, employment policies, laws and regulations. Social dialogue should aim to enhance entrepreneurship, innovation and productivity (Figure 3).
- **At the meso level**, skills, finance, technology, infrastructure influence the business environment for the creation and support of MSMEs and productivity outcomes (figure 3). Sector-specific interventions to address challenges relating to productivity and working conditions by improving the functioning of value chains, rules and support functions in target sectors and by strengthening meaningful social dialogue and collective bargaining on sector-level productivity and decent job creation.
- **At the micro level**, interventions to upgrade management practices, improve working conditions, strengthen meaningful social dialogue and collective bargaining, 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 are key policy interventions (Figure 3).

Zooming in and identifying key productivity and decent work drivers

The Productivity Ecosystems for Decent Work approach proposes an action-oriented framework to zoom in on priority segments of the economy, i.e., on a metaphorical “slice” of the ecosystem (see Figure 3). Rather than attempt to address all productivity and decent work constraints across an entire economy, the approach emphasizes focus on key strategic areas that have high potential to create decent work through sustainable and inclusive productivity growth for the benefit of enterprises and their workers. Within a selected “slice” of the ecosystem, the approach then emphasizes the role of rigorous empirical analysis to identify key barriers to productivity and decent work and how to intervene to address them.

► **Figure 3: Selecting a “slice” of the overall ecosystem**



Working across Government, social partners, and private sector

The approach is, above all, 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 productivity and decent work improvements. Subsequently, activities associated with the approach need to be aligned with policy and sectoral priorities of government and build on existing policy frameworks and the social dialogue infrastructures.

Partnerships are at the heart of the productivity ecosystems for decent work approach. Productivity and decent work cut across the domains of several Government Ministries. Subsequently, strengthening productivity and decent work drives in a sustainable manner requires strong coordination and alignment across Government Ministries. Similarly, social partners play an essential role in ensuring that the gains from productivity are shared between enterprises and their workers through meaningful social dialogue and collective bargaining. Finally, public-private partnerships at the macro, sector, and enterprise levels can facilitate joint and effective action to strengthen productivity and decent work drivers.

▶ 5. Main Takeaways

1. A positive, mutually reinforcing link between productivity and decent work – where the gains from productivity growth are shared with enterprises and workers and where decent work improvements contribute to productivity growth – is an important determinant of inclusive growth.
2. All BRICS have made significant strides regarding productivity growth and decent work creation. Over the past decade, a global slowdown regarding the gains from structural transformation and productivity growth has also affected the BRICS. As a result, productivity growth has decelerated with implications for productive employment creation.
3. Although each BRICS country faces distinctive dynamics, all are characterized by a complex constellation of productivity and decent work constraints that interface across the macroeconomic, sectorial and policy level.
4. Promoting productivity growth in MSMEs with a view to achieving inclusive growth and decent work requires an integrated and holistic approach, where productivity and decent work constraints are addressed across macroeconomic, sectorial, and policy levels.
5. Productivity Ecosystems offer an action-oriented approach to tackling productivity and decent work deficits in a holistic and systemic manner across the three levels. The approach emphasizes the importance of collaboration within and across government, social partners, private sector, and civil society and is currently being implemented in South Africa in collaboration with the Government of South Africa and social partners.