

Training in the inland freight transportation sector in Latin America

This issue of the FAL Bulletin covers training in the inland freight transportation and logistical operations sector in Latin America and its role in productivity and competitiveness. It was prepared by Graciela Guidobono. For more information, please contact trans@cepal.org

1. INTRODUCTION

This paper examines current workforce training policies and actions in the inland freight transportation and logistical operations sectors of Argentina, Chile, Colombia and Paraguay, both public and private. It draws upon a number of interviews and surveys conducted between February and May of 2009 in public agencies responsible for transport and employment policies, as well as industry associations and companies¹ selected for their experience implementing training plans (company-cases).

Starting from the premise that the creation and management of knowledge is one of the keys to boosting the sector's productivity and competitiveness, this bulletin explores aspects of the work performance of human resources in this sector and the existence of mechanisms for measuring the impact of training on current and projected performance levels.

The efficiency, productivity and competitiveness of a business are functions of the professionalism of its management and its human resources in general. However, the degree of professionalism in management depends not only on internal factors within organizations, but also on external issues affecting them, such as institutional, political-economic and cultural characteristics as well as the specific characteristics of the industry.

¹ To protect the confidentiality of the data provided, the name, sector and size of the business is omitted, and it is referred to merely as the "company-case".

Although the inland freight transportation sector is relatively important, it appears to be professionalizing less markedly and more slowly and unevenly than related sectors. It also seems to have limited access to training systems. Part of this can be explained by the fact that it comprises a vast, complex, extremely fragmented group of companies characterized by the diversity of services and the heterogeneity of components. Nevertheless, the sector has made important advances in the quality of services offered. It has overcome both external and internal obstacles, spurred primarily by the demands of its customers.

Against this backdrop, the professionalization mechanisms implemented by the sector and those that should be put in place are analysed, not only because training influences productivity and competitiveness but also because it has repercussions in the overall system in which the activity takes place: the environment, health, safety, quality of life, wage levels, employability, profitability, etc.

2. KEY WORK PERFORMANCE ASPECTS FOR SECTORAL DEVELOPMENT

At the management level, the abilities considered essential for the development of the sector can be divided into two groups: strategic aptitudes and those related to adaptability in the face of change. Another very important aspect² is the training of small business owners in general management skills: traffic, human resources, costs, business administration and management, etc.

In addition, at the operational level, a fundamental consideration is the ability of drivers to operate their vehicles responsibly in terms of safety and efficiency. This is the only area in which there are at least some requirements or regulatory guidelines for training.

3. ARGENTINA

Interviewees said that Argentine businesses in this sector have improved the quality of services, largely because of their customers' insistence on better services.

In Argentina, there is a lack of coordination of policies and actions among public and private actors in this sector with respect to the overall development of human resources and the goal of boosting productivity.

Through the Single Registry of Automotive Transport (RUTA), the State has encouraged small business owners or individual proprietors to participate in the formal economy, but this requirement applies only to those who provide services in more than one jurisdiction or internationally. Provincial traffic is not governed by national law, since Argentina has a federal form of government.

² This need has been identified both by the public agencies in charge of transport policies and by the trade associations of all the countries.

As far as regulations are concerned, small business owners are required to train drivers who haul general freight and hazardous goods. In general, the law provides that workers have a right to professional development, but it is up to their employers to provide the training within the limits of their capabilities or by requesting support from government agencies (in the latter case, the relevant mechanisms are those offered by the Ministry of Labour, Employment and Social Security, and because of the prevailing culture in the sector, they are used only in a few exceptional cases).

Business associations are actively involved in training. Among the initiatives taken is the establishment of a Professional Foundation for Transportation (FPT), which primarily trains drivers but also has a virtual campus designed to provide management tools for business owners and employees.

The company-case analysed takes a broad, multi-level approach to employee training that includes assistance for completing formal education, scholarships for higher education, mid-level management training courses in technical subjects as well as personal or inter-personal skills, instruction in equipment operation, safety and health, and training in the use of various operational systems.

The subjects covered in the training offered by private entities are in line with the general priorities that have been identified for optimum performance in the sector.

It should be noted that no mechanisms have been established for measuring the impact of training; neither the Foundation nor the company-case has the comparative statistical data necessary to evaluate the impact of training activities. Nevertheless, at the Foundation there is a perception that they reduce costs and accidents and improve management, especially in small and medium-sized businesses. In the company-case the impression is that the annual qualitative evaluation performed by the supervisors has a positive impact on employee motivation and participation and improves processes.

In the large sub-group comprising those who work in the informal economy and are not associated with any labour union or trade association, there is no access to training or other benefits that might improve their situation and therefore the quality of their services and their productivity. Distance or isolation, both geographic and institutional, is a key factor in this respect.

To improve the competitiveness of the sector, then, some critical issues need to be addressed. First, public agencies and their policies must focus on the strategic, coordinated development of the activity and foster the relevant capacities in their officials and managers.

Second, public policies must be devised to incorporate the 'informal' sub-group into the system for developing capacities, knowledge, technology, etc. It appears that the most appropriate way to do this is to provide information on the programmes of the Ministry of Labour, Employment and Social Security, to simplify procedures for participating in the tax system or provide technical support for such participation, and to set up a specific programme for measuring and updating the skills of these workers.

Another challenge in the management of productivity is to change the culture to make social dialogue more acceptable, thereby fostering consensus-building on the sector's development objectives and the responsibilities of the parties involved.

In general, the lack of statistical information or the difficulty in accessing existing data, and the lack of mechanisms for measuring the operational impact of training on all levels are factors that militate against a strategic and forward-looking approach to developing this activity.

One aspect that seems to be relegated to a secondary role in training is environmental protection. Although the training of drivers hauling hazardous material certainly should have a beneficial effect in this regard, the issue does not appear to be on the sector's agenda.

4. CHILE

In Chile it is also believed, especially among businesses, that the sector has made progress in terms of competitiveness. This has been achieved even though there are no strategic, forward-looking, coordinated development policies at the national or regional level to set goals and recommend actions for the players involved.

There is an institutional concern in Chile about the level of professionalization in the sector, but there are no immediate public plans to address the situation. The Under-Secretariat of Transportation is currently developing studies that could produce the bases for such plans.³

There are legal requirements for training in health and safety, but there is nothing specifically oriented towards this sector. It is odd that there are no continuing education or skills maintenance requirements for drivers.

Although the Training and Employment Act aims to spur national productivity and provides tax incentives for ongoing training activities, it is up to individual companies to make use of the available mechanisms in accordance with their capacities (know-how, access to information, resources) and to set their own objectives. The sector appears to be well short of achieving this national objective, given that in 2008 only 13% of its employees received any training (registered with the National Training and Employment Service). Companies could be using other means to train their personnel, but in any case it can be concluded either that the interviewees are right in citing a lack of general awareness of the benefits of tax exemptions, or that the level of participation in training activities is indeed low.

³ Work is currently under way on two studies, *Analysis and improvement of competitiveness in international freight transportation* and *Analysis of regulations on urban freight transportation and their impact on the logistical chain*.

On the other hand, given that the sector has a large number of sole-proprietor, small and medium-sized companies, it is to be expected that most of them will not focus on professionalization or strategic management approaches as tools for advancement, which represents an imbalance that the country's institutions have not addressed.

As far as the Under-Secretariat of Transportation is concerned, the key performance factors that businesses must develop coincide with the subjects in which the National Training and Employment Service offers training. The company-cases do plan to devote a significant number of hours and budgetary resources to operational training in 2009.

The fact that several large enterprises recently formed a trade association is evidence of the disparity of interests among the companies in the sector and the difficulty they face in forging strategic alliances.

The cases analysed have demonstrated the ability to identify their training needs and take corrective action, and to use the resources made available by the State. They are still investing in the middle of a recession, which attests to the value they place in training. One of the companies keeps a record of training effectiveness measurements performed by supervisors, which cover factors such as 'attitude towards the job' and 'motivation'. The results show a positive trend over the past two years. In the other organization surveyed, the training of drivers has yielded positive results, as shown in the decline in accidents and the increase in fuel savings. Factors such as perceptions of 'motivation' and 'communication' provide further evidence of the beneficial impact.

With respect to boosting productivity in the sector, as yet there has been no evaluation of the maintenance of skills and knowledge among other employees in the sector who have not participated in activities subject to government incentives.

Given that improving productivity and competitiveness on the part of workers, companies and the nation as a whole has been identified as an explicit public ambition, it would appear that the country must set more comprehensive minimum requirements for drivers in the areas of safety, fuel efficiency and environmental protection.

Since there are efficient training resources such as the Intermediate Technical Training Organizations and the National Training and Employment Service, and companies do not seem to know how to make use of them, it is important to provide technical support so that the businesses in the sector that do not formally offer regular training will have some incentive to take advantage of these programmes.

5. COLOMBIA

Colombia seems to have taken certain steps to coordinate efforts and develop a strategic vision, both at the institutional level and with the participation of private actors, for crafting national plans and policies (such as the National Competitiveness and Logistics Policies). In all of these areas, there has been a concern for job training, the quality and relevance of education and the adoption of good business practices, and actions have been taken accordingly. In addition, care has been taken to provide the

information needed for decision-making. Given that these are very new policies, their real effectiveness cannot yet be evaluated.

On the other hand, since there are no data from the agency responsible for providing government job training services, it is impossible to determine the extent to which this sector is participating in that agency's programmes.

The Ministry of Transportation is carrying out some training activities, which at this time are oriented primarily towards operational issues.

Information obtained from the Ministry and from institutional publications of trade associations suggests that most professionalization efforts are aimed at developing and updating legal tools (since legislation governing this sector is amended frequently) and at providing management tools for small and medium-sized businesses and mechanisms for operational safety in all kinds of companies. These plans may not appear very ambitious, but if the plans are any indication of the actions to be taken, Colombia will soon see a quantitative leap in the competitiveness of this sector.

The company-case involved in the survey gives priority to training on operational safety, and it has achieved positive results in terms of its performance evaluation and the number of industrial accidents.

To ensure that the proposed policies do indeed enhance competitiveness, it is important to move quickly to establish the desired levels of efficiency, safety and environmental protection, and therefore the minimum training requirements (or certification of competency) for drivers and operators to achieve those levels. Furthermore, it must be decided how the State will encourage employment and activity in the sector to become part of the formal economy and gain access to professionalization activities.

6. PARAGUAY

This country has few requirements for the training of workers in general or for those in this sector in particular. There is a demand for training of drivers who haul hazardous goods. The authorities believe that the requirements should cover the entire transportation chain, although there are no concrete plans to put them in place. Officials in this area are most concerned about operational, environmental and management issues.

As for trade associations, the fact that they do not have an institutional presence on the Internet and could not provide information sought for this study can be interpreted to mean that they have given priority to other aspects of their activity. In fact, an Internet search revealed that officials of these associations participate in working meetings with the National Directorate of Transportation and in international organizations, so it is apparent that they actively represent their constituents, but they probably do not yet have an established practice with respect to training.

It should be noted that the training policy of the company-case lists motivation as one of its primary training objectives and highlights the economic value of improving performance through training. Activities in 2008 placed equal emphasis on all the

subjects identified, although leadership and administrative-financial matters were given slightly more attention. The company has no data on training results.

The key subjects addressed in the company's training, and those identified as necessary by company officials, are in line with those generally recommended in this paper.

The information reveals that Paraguay is sorely lacking in the coordination of public and private training activities and policies.

From an institutional standpoint, international activity is clearly valued more than domestic activity, undoubtedly because of MERCOSUR requirements. In terms of the country's competitiveness, however, even though training does not occupy the position it does in other countries studied, an effort should be made to equalize perceptions.

Thus, it would also be advisable to implement mechanisms to incorporate business and employment activity into the formal economy as a first step towards promoting the professionalization of the sector.

It is also necessary to impose training requirements for general cargo haulers to guarantee minimum levels of efficiency, safety and environmental protection.

This can probably be implemented in conjunction with some kind of incentive or facilitation of training through tax exemptions and agreements with training institutions.

7. CONCLUSIONS

The inland freight transportation businesses in the countries analysed in this study, at least those operating in the formal economy with a certain degree of corporate structure, have been able to overcome internal and external difficulties efficiently and provide sufficient quality of service to meet the demands of the market. In their own view and in the opinion of experts, they have been able to keep pace with the growth of production and of foreign trade. It is apparent that they will be able to continue doing so.

In view of the lack of regulation and strategic policies in this area and the disparity of perceptions and actions among the players involved, it must be concluded that if there have been any improvements in productivity and services in the region – or at least in a sub-group – they can be attributed to a reactive approach rather than a strategic, forward-looking, coordinated effort by all parties. This means that an expensive lesson has been learned in the short term, based on market demands rather than practical-concrete considerations, and it has benefited only part of the sector. Unfortunately, the lack of records and statistics on this activity in the countries analysed makes it impossible, even for experts, to determine to what extent the companies in the sector have devised strategic plans for human resources development and training.

What is clear is that if public policies were more forward-looking and less prone to neglect private actors with little or no corporate structure, and instead they incorporated these actors into the value-added chain and the formal economy and professionalized them, the sector could boost its productivity even more. And if these public policies became part of a coordinated regional development strategy, the sector's competitiveness would be enhanced considerably.

In this context, there are a number of skills that businesses should develop in the future for the sake of their organizational growth. At the executive level, strategic capacities and those related to adaptability must be augmented (and so should specific aspects of business management in the case of small business owners). Drivers should improve their skills in the areas of safe and efficient vehicle operation. With regard to human resources management in particular, businesses should learn what resources are available on the market to enable them to address their training needs and learn how to measure the results of their actions.

In conclusion, this study reveals that future increases in productivity and competitiveness for businesses in the sector depend on the extent to which certain specific actions and approaches can be implemented.

1. Institutional leveraging: achieve coordination among public agencies and between them and the parties involved in the sector; impose uniform legal requirements for driver training; turn concerns into actions; foster social dialogue.
2. Support for businesses and workers to join the formal economy.
3. Transparency in management and information, including the creation of comparable and up-to-date databases and a culture of sharing information.
4. Facilitation of high-quality, relevant training: dissemination of available training opportunities, easier access to tax benefits, development of training plans that meet the specific needs of the sector and/or allow for the certification of the competency of those operating outside framework of the trade associations, incorporation of environmental protection into the subjects covered, adoption of the practice of establishing specific objectives linked to training, and quantitative and qualitative measurements of the achievement of those objectives.