Protecting Workers for the Benefit of Economies and Societies: The Role of Labour Market Institutions

by

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Social protection policies

Labour market regulations

Full employment policies
Main labour regulations

• Employment contract
• Wage setting
• Working time (limits, schedule notification, leave policies)
• Dismissal protection
• Occupational safety and health
• Social security entitlements and benefits
These regulations are set by:
- Collective negotiation (trade union/emp orgs)
- the State

They are monitored and enforced by:
- Tripartite committees (e.g., OSH)
- Labour inspection/administration services/labour courts
- Social norms
Too often debates have focused on ‘level’ ignoring coverage and compliance
Labour regulations spur productivity

=> When there is no risk of financial loss, there is no incentive to reorganize work to improve productivity.
Benefits for Productivity

“I would like to change how hard it is to find the jobs to work on. I often have some time to do a task, but cannot find anything to work on.” - AMT worker


-- Survey of 3500 online workers in 75 countries
-- New, unregulated jobs powering Internet 2.0 and AI
-- **20 minutes of every hour** spent on unpaid tasks
Unregulated digital labour platforms

Long hours over many days

40% work every day; 60% work 6 days per week; 25% work for 10 hours a day or more on at least 5 days per month

Low and highly variable earnings

Average pay ~$3. Spread in earnings between best and worst week is about 1.5 times typical earnings
“The enforcement of a common minimum standard throughout the trade not only stops the degradation, but in every way conduces to industrial efficiency.”

– Sidney and Beatrice Webb, *Industrial Democracy*, 1902

“The payment of high wages has the general effect of forcing employers to economise in other directions by raising the standard of management, employing more machinery, and eliminating waste. Badly run undertakings are either eliminated or forced to increase their efficiency” (p.212).

– ILO (1931): Study on impact of MW legislation around the world
Macroeconomic benefit of LMIs

• Wage-setting mechanisms (MWs/CB)
  – Increase purchasing power and aggregate demand
  – Distribute gains from productivity growth
  – Lessen need for redistribution (fiscal space)

• Automatic stabilizers (UI, but also social assistance) also increase aggregate demand.
MAKING JOBS BETTER

1. LEGISLATIVE RESPONSES

2. COLLECTIVE RESPONSES

SUPPORTING WORKERS

3. SOCIAL PROTECTION

4. EMPLOYMENT/SOCIAL POLICIES
• When earnings are too low, State has to come in and finance benefits
  – Sometimes by subsidizing income (EITC)

• Often financed from VAT
  – Perverse situation of poor financing their own benefits
Thank you!

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