

Labor market institutions in a changing world of work

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The future of work – good jobs for all?

The IPSP Chapter on Employment

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THE FUTURE OF WORK - GOOD JOBS FOR ALL?

Major trends and driving forces

1. Introduction – Major trends and driving forces
2. New Technology and Globalization

Changes in the world of work

3. Changes and prospects on employment relations
4. More flexible workplaces and working time?
5. Exploring the boundaries of the labor market:
Unemployment, inactivity, exclusion

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Particular challenges

- 6. Diversity and discrimination
- 7. The impact of work and employment on health and wellbeing

Policies and institutions

- 8. Collective bargaining
- 9. Human Capital Formation
- 10. Labor market regulation and social protection
- 11. Conclusion and policy recommendations

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Our narrative, key points:

- Our challenge: ensure labor market inclusion and job quality in time of uncertainty and flexibility
- Major issue is to reconcile security and flexibility by designing suitable policies at different levels – creating “good institutions”

Globalization and technology

- Technological innovation and globalization interact and influence employment around the globe at different stages of development
- Technological progress is long-standing phenomenon, it affects structures of employment, job types, tasks performed
- Constant change, but no „end of work“
- Modern technologies need time to diffuse
- Diverse developments regarding occupations and earning potentials, distributional issues raised by automation
- Winners and losers – different trends in inequality between and within countries

Employment-Population Rates in 2014 and 1991

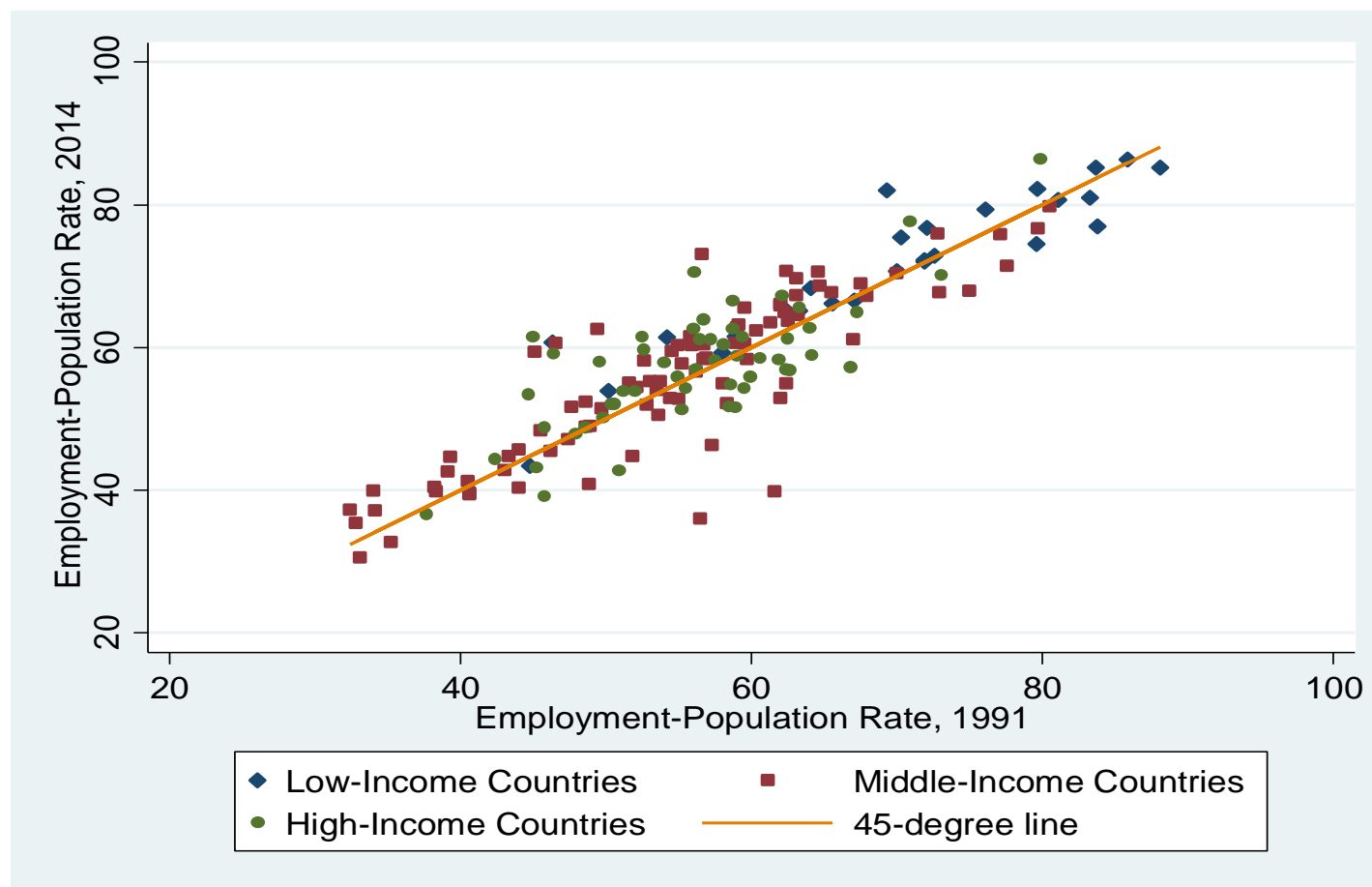
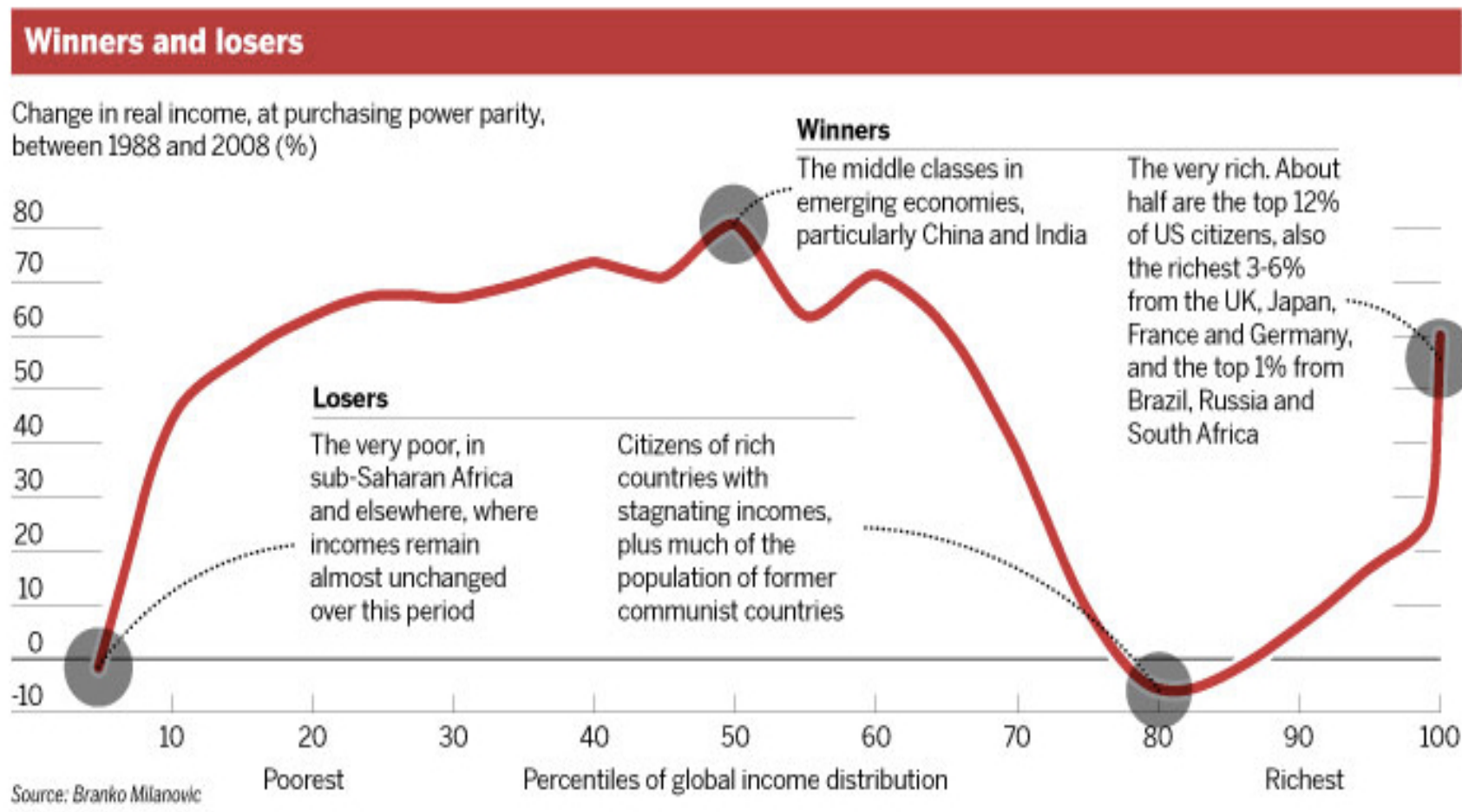


Table 1:
Estimated Decadal Changes in Employment Shares of Major Occupation Groups, 1998-2014

Notes: these are estimated changes in percentage points over a decade from an unbalanced panel for 1998-2014 in which the weights designed to add to total employment in the world and correct for the probability of data on the occupational structure of employment being observed.

	ISCO Major Groups	All Countries	Low-Income Countries	Middle-Income Countries	High-Income Countries
1	Managers	0.3	-1.9	0.1	0.5
2	Professionals	2.6	-0.1	3.2	2.1
3	Technicians and Associate Professionals	1.2	5.3	-2.0	2.1
4	Clerical Support Workers	-1.3	-8.7	0.5	-1.8
5	Services and Sales Workers	1.9	6.7	4.1	1.3
6	Skilled Agricultural, Forestry and Fishery Workers	-0.6	-0.6	-1.7	-0.2
7	Craft and Related Trades Workers	-3.3	-5.5	-3.7	-3.2
8	Plant and Machine Operators and Assemblers	-0.8	-2.1	0.0	-1.0
9	Elementary Occupations	0.1	7.0	-0.4	0.2

Winners and Losers Globally, 1988-2008 (Milanovic, 2016)



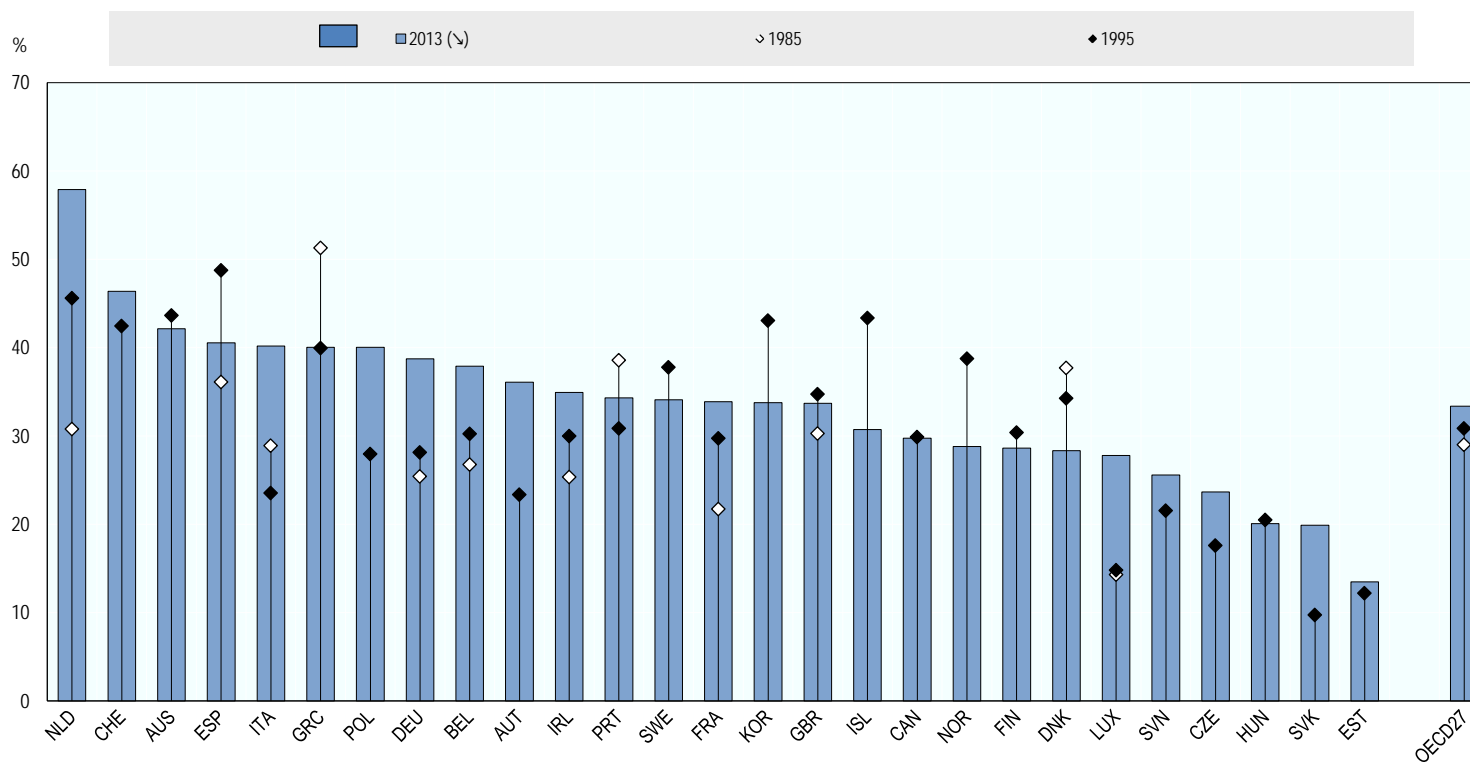
Globalization and technology

- There is a role for well-designed public policies to adjust to changes and ensure a fair distribution of gains and risks
- What can be done:
 - Recognition that new technology and globalization have losers and winners – but protectionism, slowing down change is not a good option
 - Better enable people to adapt to change, not just compensate the losers – role for social investment and redistribution
 - Globalization and regulatory issues / minimum standards

Types of employment

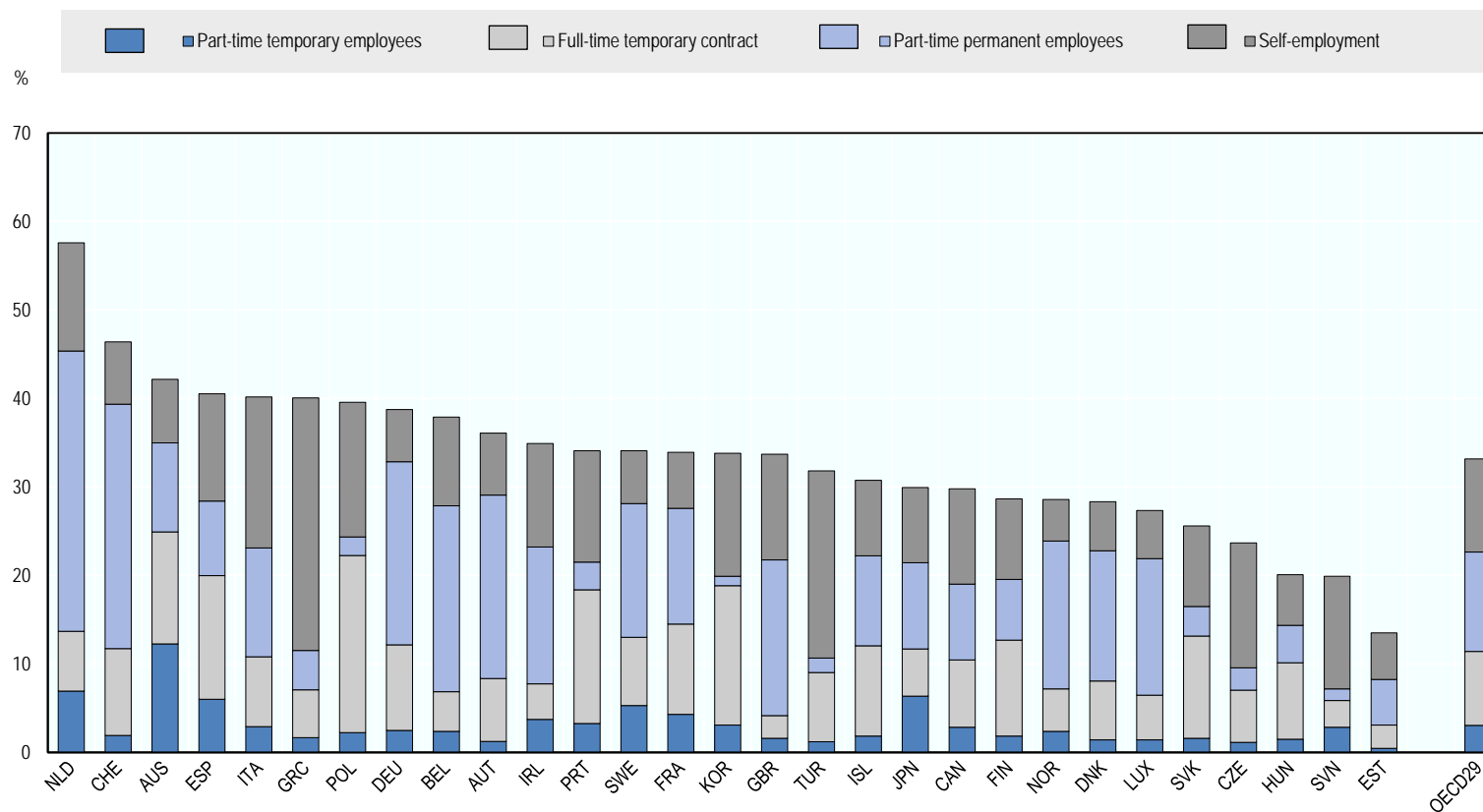
- Diverse types of employment, forming concentric circles on the labor market – in an age of flexibility
- Standard employment relationship (full-time, open-ended) as a benchmark
- Non-standard forms of work (fixed-term contracts, agency work, self-employment, part-time work, crowd working/“gig economy”)
- ... as well as informal employment, child labor, forced labor
- Major differences across countries and world regions, also in terms of directions of development
- Explanatory factors: technology, global competition, institutional framework, company practices ...

Shares of Non-Standard Employment in Total Employment, 1985-2013



Source: *OECD (2015)*: Figure 4.6, page 144

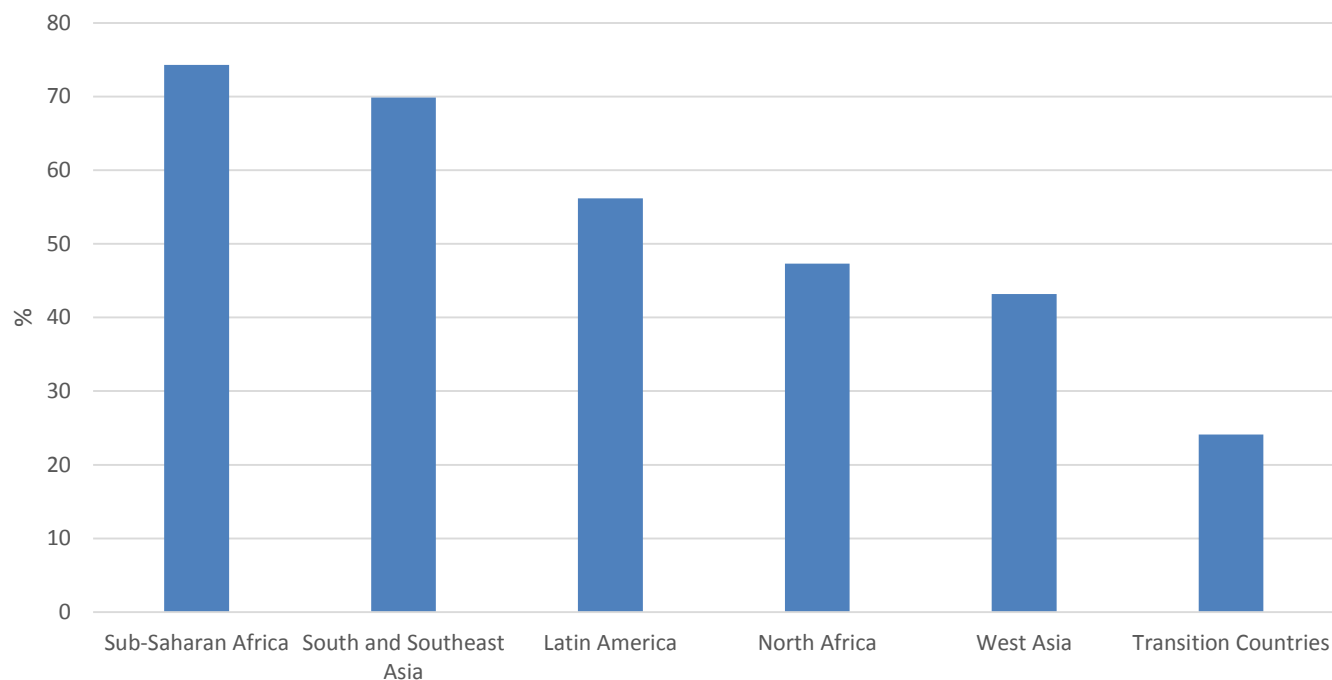
Shares of Non-Standard Employment by type (% of total employment), 2013



Source: *OECD (2015)*: Figure 4.1, page 140

Informal employment is pervasive in the developing world

Shares of Informal Employment in Total Non-Agricultural Employment (%), 2009



Source: *ILO (2012)*

Flexible workplaces and working time

- „Internal“ flexibility with respect to the organization of work (time, place etc.) as opposed to „external“ flexibility (type of contract)
- Dynamism in terms of an increasing variety of working time arrangements at different levels of development and regulation
- Tension between flexibility in favor of firms and/or workers
- Full-time and part-time work, atypical schedules > work-life balance, health implications
- Negotiated flexibility at different levels – but strong divergence in bargaining power and work arrangements across groups of workers
- Role of company and public policies to promote reconciliation
- Mobile work and work from home using modern technology

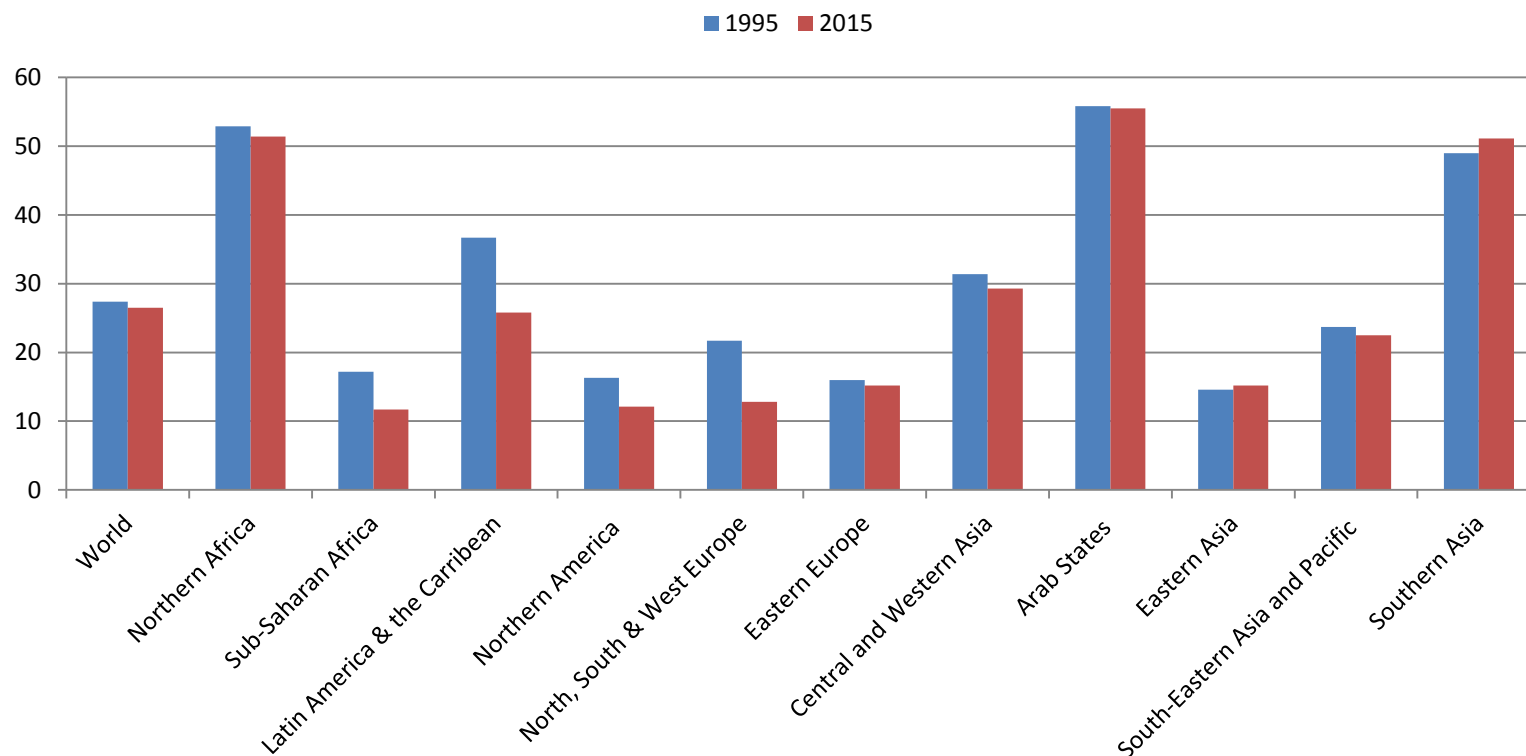
Boundaries

- Continuing the model of concentric circles on the labor market
- Different categories at the boundary of the employment system
 1. Underemployed
 2. Unemployed, long-term unemployed
 3. Discouraged workers
 4. Inactive / out of the labor force
- Categories and boundaries defined through institutional rules, e.g. status of being unemployed refers to unemployment benefits and jobsearch requirements
- Measuring unemployment through the unemployment rate is not an appropriate instrument in many cases and only gives a partial picture of lack of employment

Diversity and discrimination

- Increasing diversity of the global labor force in terms of gender, age, ethnicity, birthplace/migration
- Costs and benefits of diversity, e.g. some evidence for positive effects of birthplace diversity on economic dynamism and firm-level productivity
- Measuring discrimination through different methods -> empirical evidence of discrimination in the labor market regarding gender, age, ethnic background, religion, sexual orientation, disability
- Policies to combat discrimination: legislation, affirmative action and equal employment policies, diversity policies at firm level, awareness raising

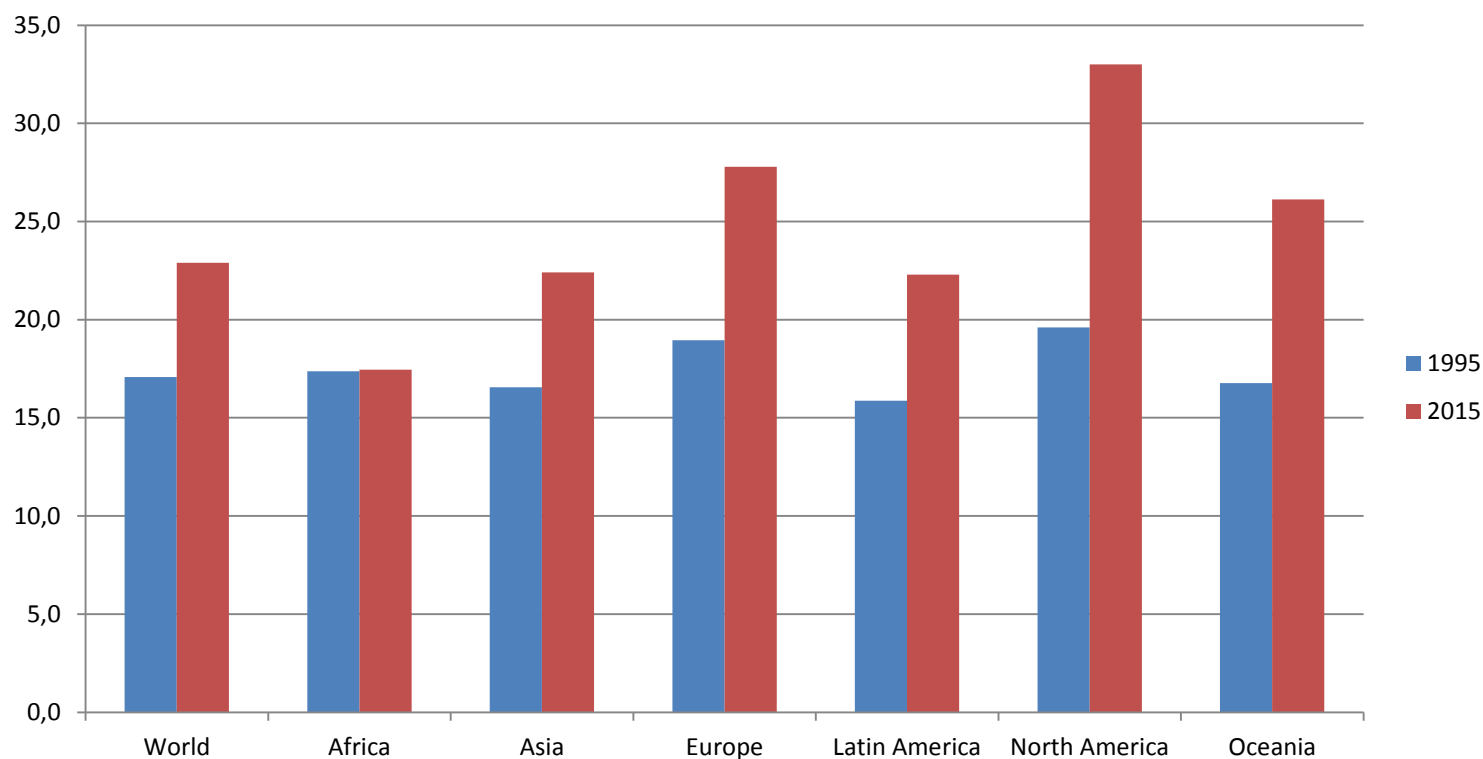
Gender gaps in labour force participation rates by world region, 1995 and 2015



Note: The gender gap is measured as the male participation rate minus the female participation rate. The data cover 178 countries.

Source: *ILO Key Labour Market Indicators*, derived from Trends Econometric Models, November 2015.

Proportion of the labour force aged 50 or over, 1995 and 2015

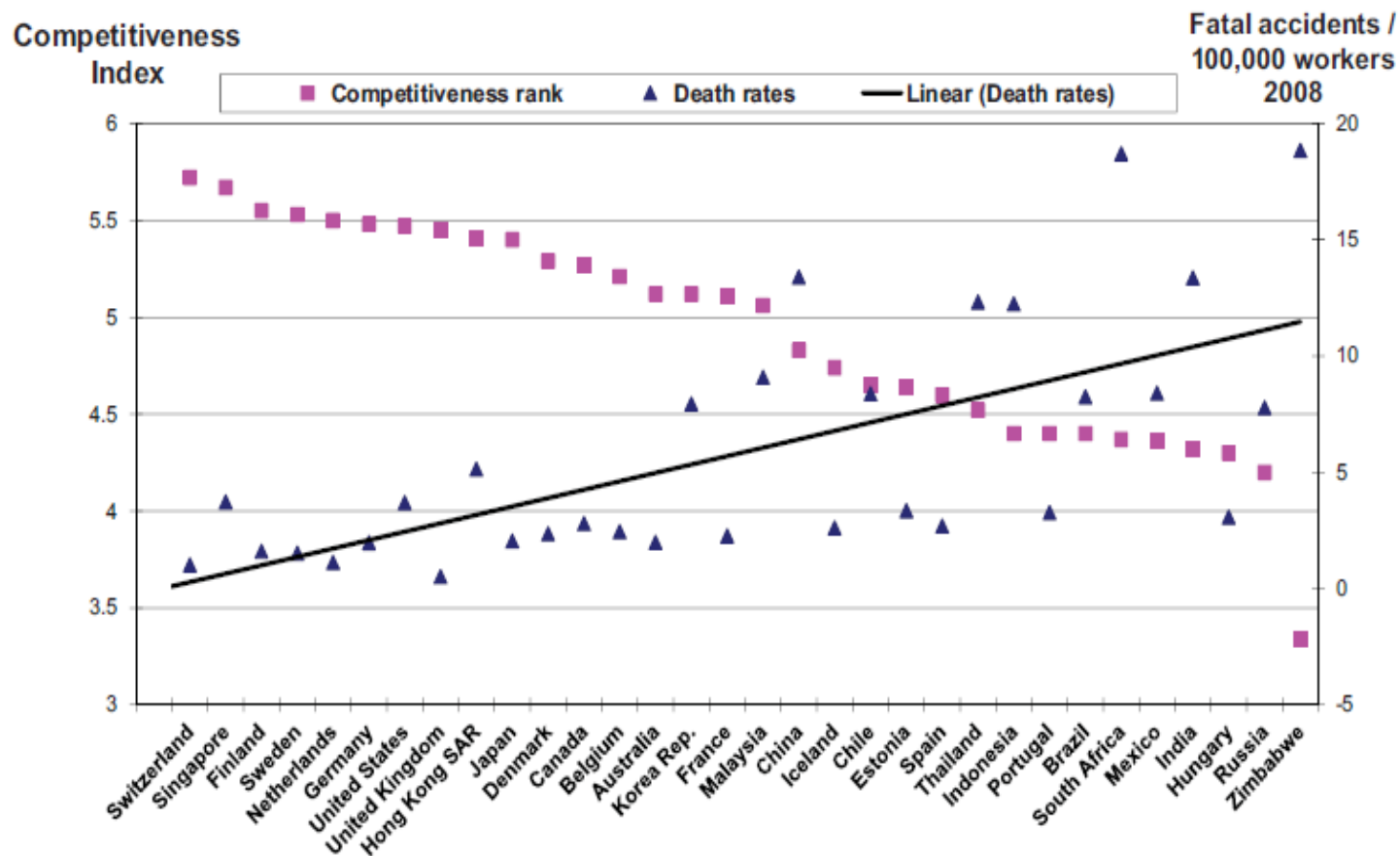


Source: Own calculations from the ILO dataset EAPEP World Regions 1990-2020. These data cover 191 countries.

Health and wellbeing

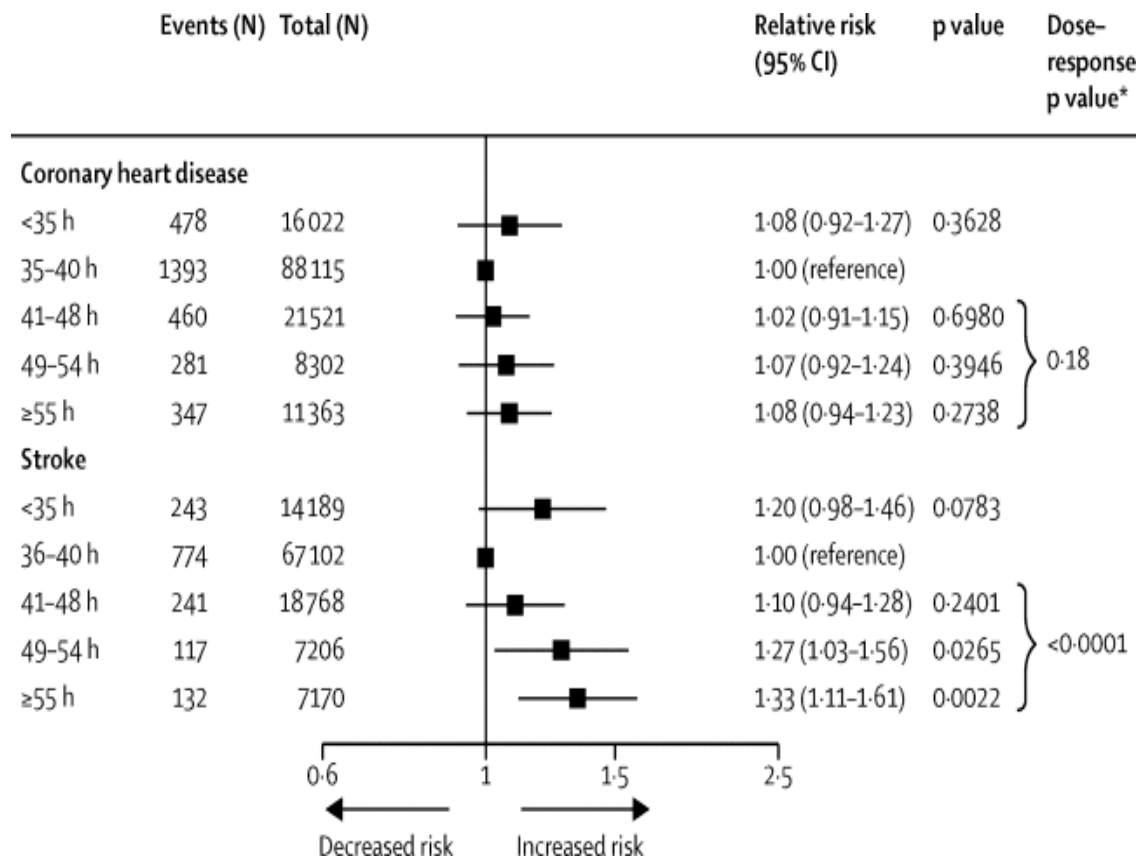
- Impact of employment and unemployment on health outcomes
- While work can promote individual health and wellbeing in many ways, precarious, unsecure employment and unemployment tend to be associated with health issues
- Unhealthy work conditions both regarding occupational accidents and diseases (due to physical strain, dangerous materials etc.), working time patterns as well as stressful and psychologically challenging work environments (demand/control, effort/reward imbalances)
- Room for company level and (national and supranational) public policies to enhance occupational health and safety, both with respect to physical work environment and psychological aspects, work culture

Inverse association of economic growth (Competitiveness index) and occupational safety (Fatal accidents)



Source: Takala et al. (2014).

Association of categories of weekly working hours with incident coronary heart disease and stroke. Estimates adjusted for age, sex, and socioeconomic status.



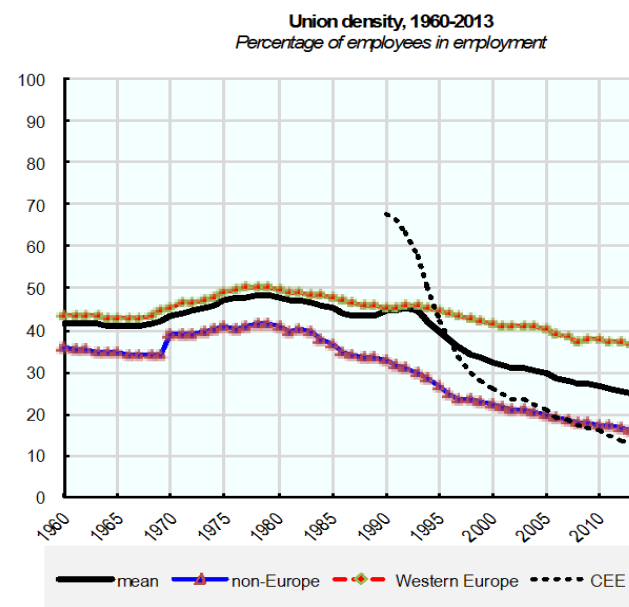
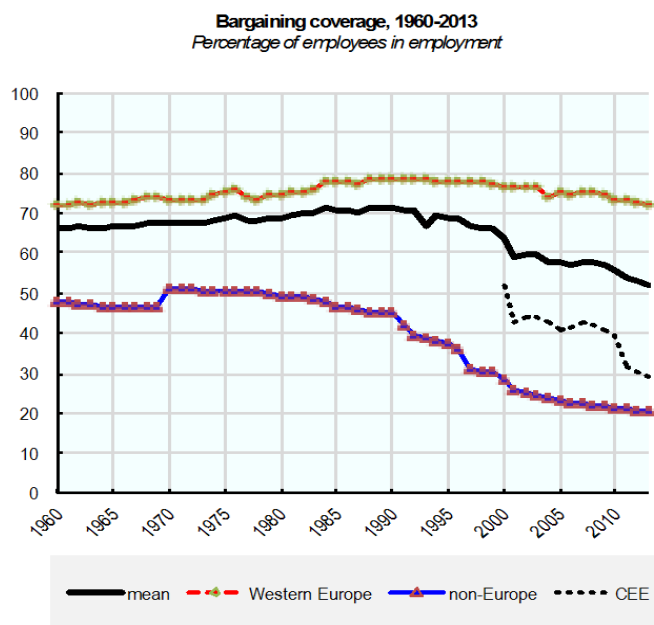
*For trend from standard to long working hours. Source: *Kivimaki et al. (2015)*.

Collective bargaining

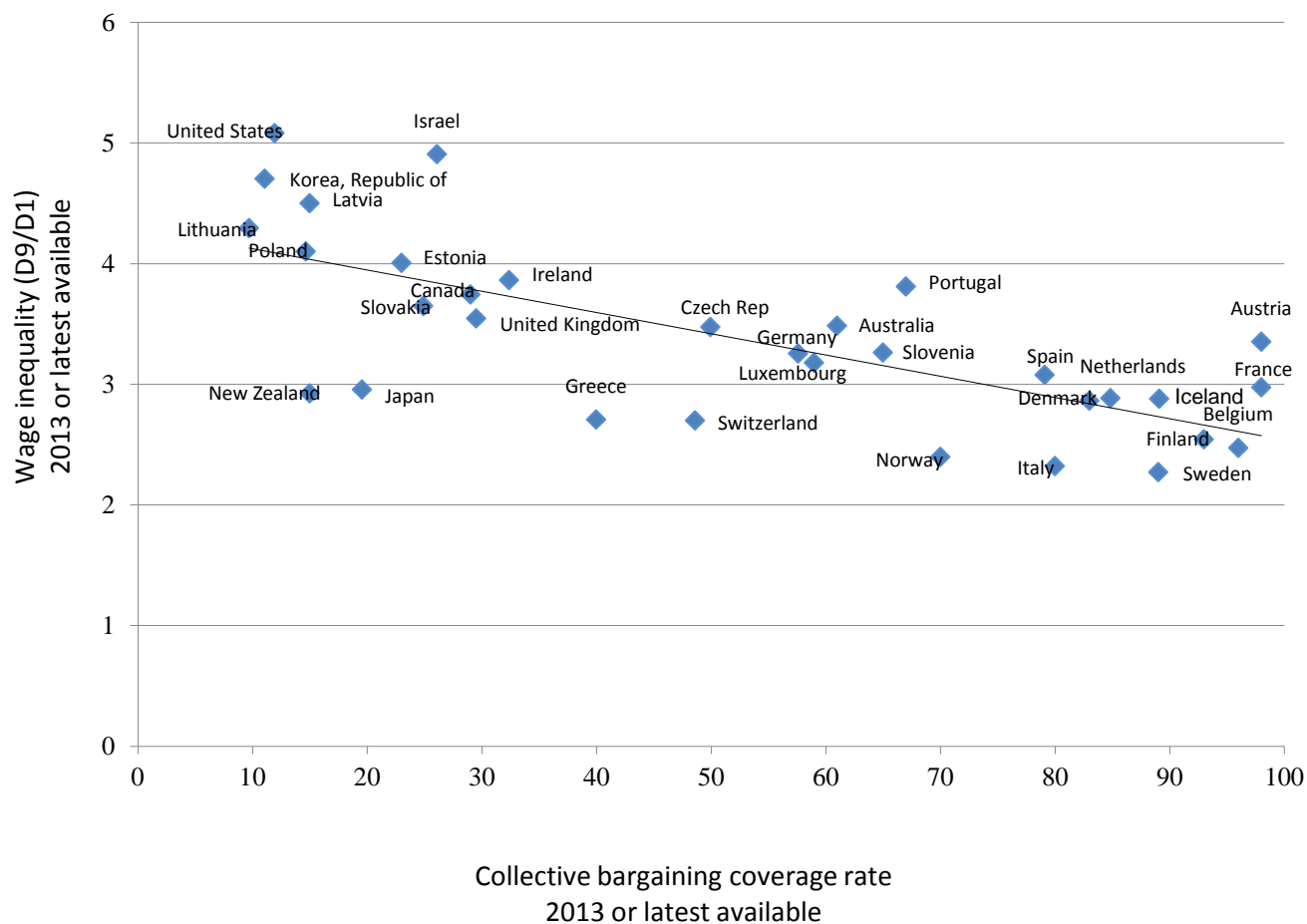
- Collective bargaining as a mechanism of worker protection, distribution of income and conflict settlement in democratic societies
- Particular role and advantages of multi-employer bargaining
- Huge variation in bargaining coverage, union density and centralization/coordination around the globe
- Pressure in terms of declining bargaining coverage, worker organization, decentralization
- Crucial role of employer organization and extension of agreements

Collective bargaining coverage

Time trends in bargaining coverage and union density rates, 1960-2013, by country groups



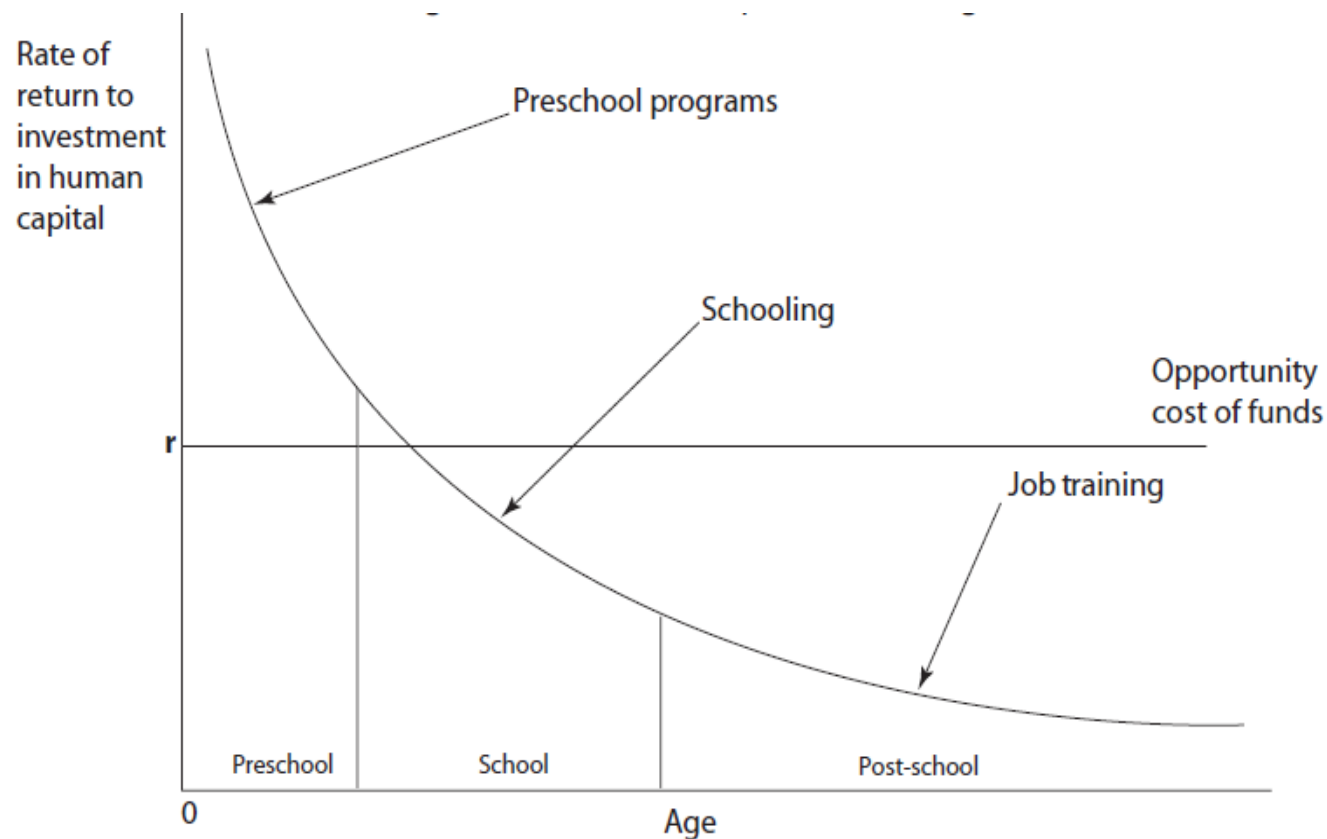
Bargaining coverage rates and wage inequality, 2013



Education

- Universal access to good education is key to ensure employability and limit risk of exclusion from the labor market
- Particular importance of high quality early childhood education and schooling to mitigate inequality, and very positive cost / benefit relation
- Particular challenge of school-to-work transition – (dual) vocational education and training as a mechanism to align supply and demand of skills
- Access to tertiary education and linking higher education to the labor market
- Life long learning as a requirement to avoid skill obsolescence

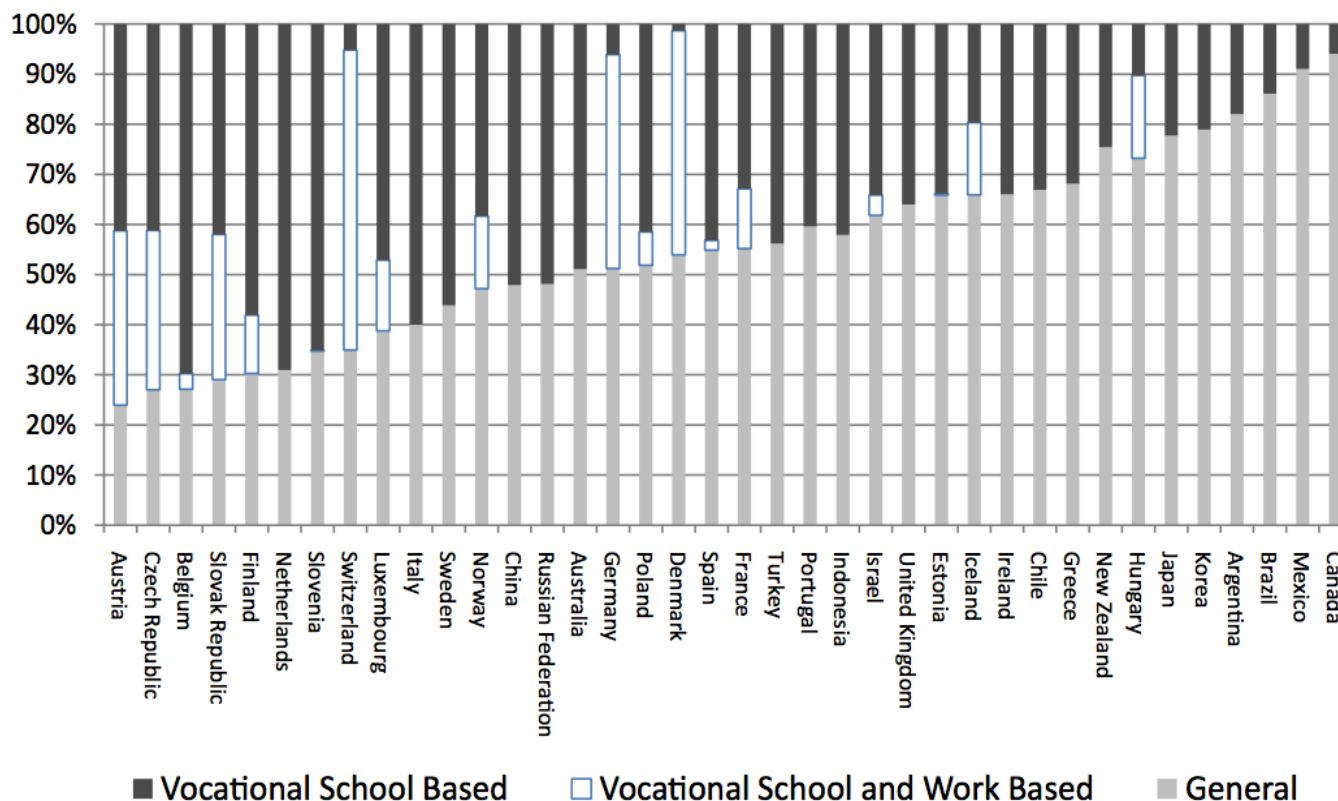
Rates of return to investment in human capital



Rates of return to human capital investment initially setting investment to be equal across all ages

Source: *Cunha et al. (2006)*.

Shares of general, vocational and “dual” vocational education enrollment at upper secondary level in selected countries, 2011



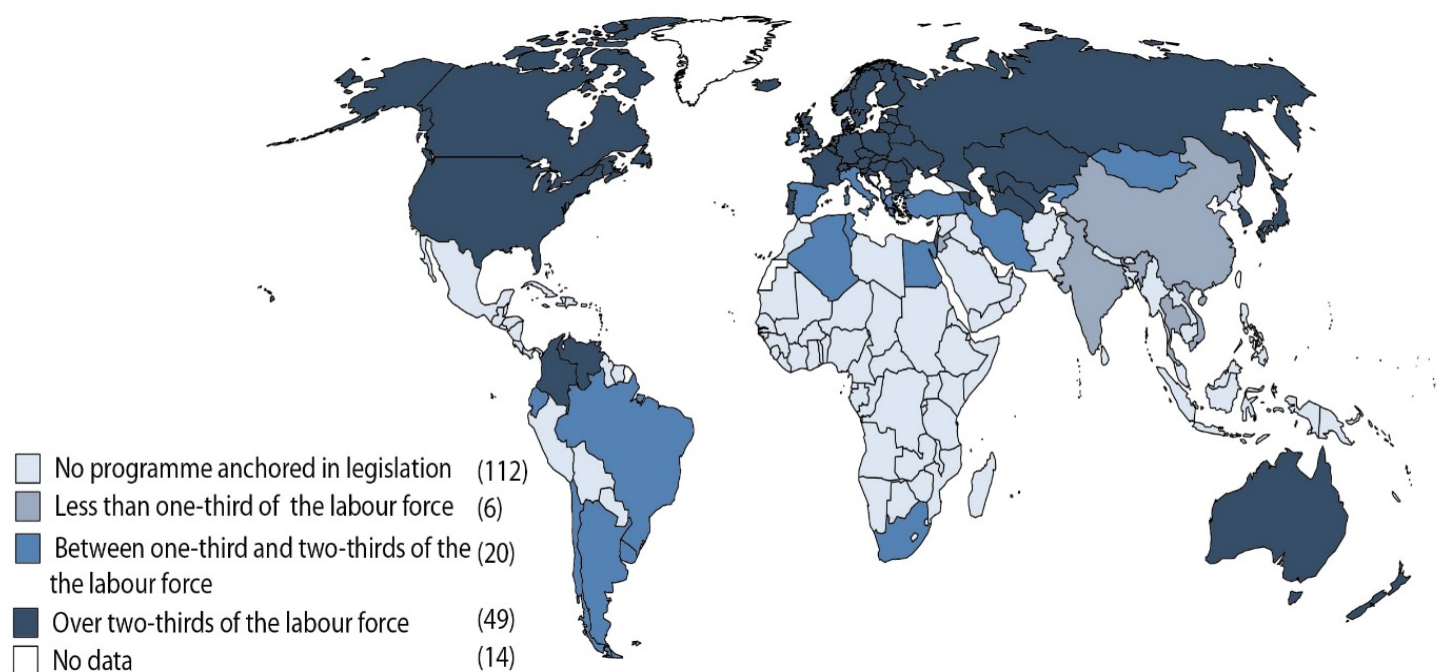
Source: Zimmermann et al. 2013.

Regulation and social protection

- Relation between different types of protection
 1. **Employment protection (EPL)** – stabilizing existing employment, but also leading to dualized labor markets with limited mobility between the segments (see also section above on employment types) – de/regulation of EPL as an issue, with all its political implications
 2. **Social protection (unemployment benefits and minimum income schemes) and active labor market policies** – developments in terms of spending, program generosity and coverage, going beyond industrialized countries – how to ensure appropriate support and combine income replacement with work incentives/re-entry to the labor market, based on evaluation studies

Unemployment protection

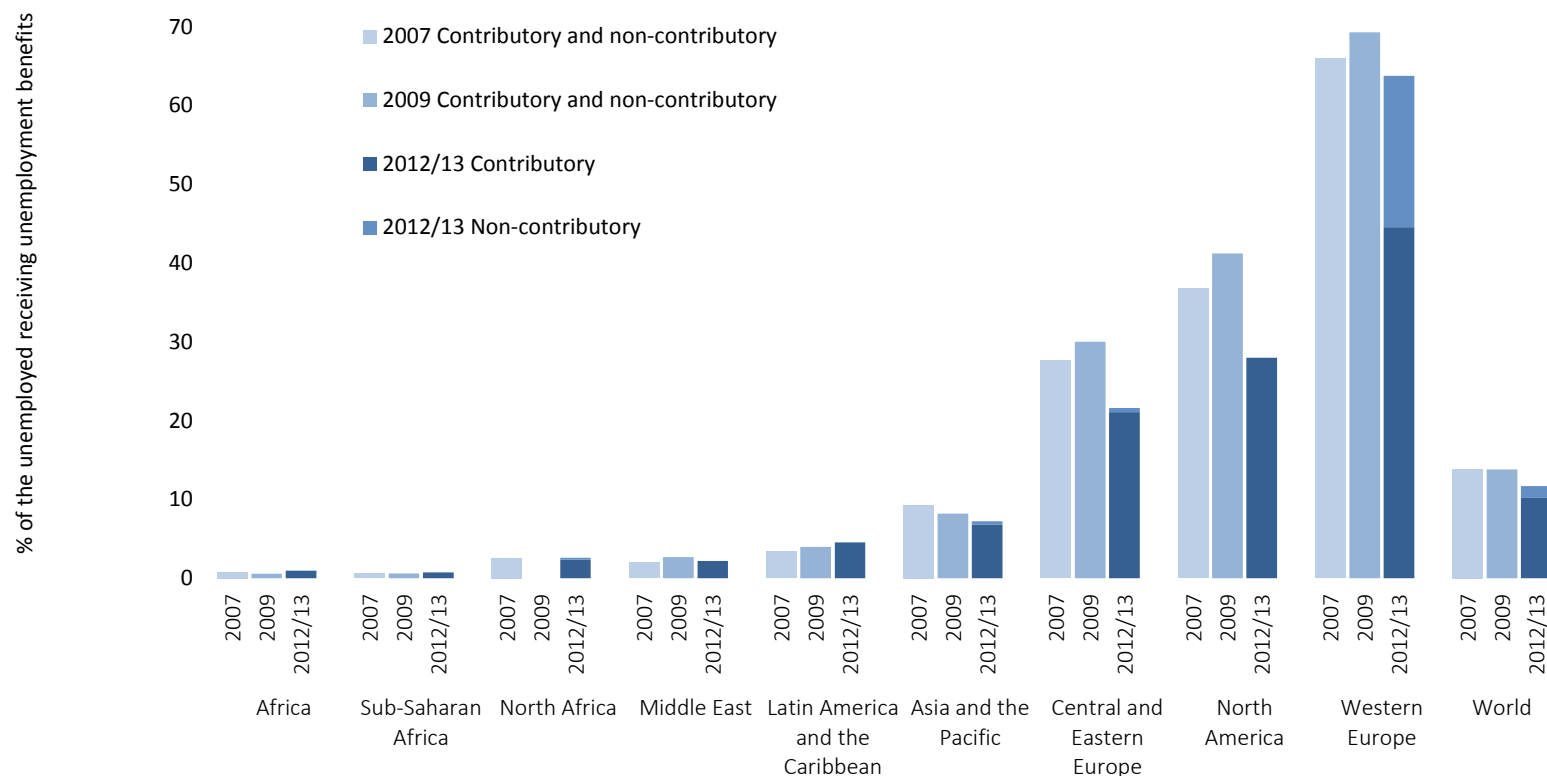
Unemployment protection schemes worldwide by extent of legal coverage of the labour force, latest available year



Note: Figures in brackets refer to the number of countries in each group. Data from 2009-13; for most countries, 2012/13.

Source: *ILO World Social Protection Report 2014/15*.

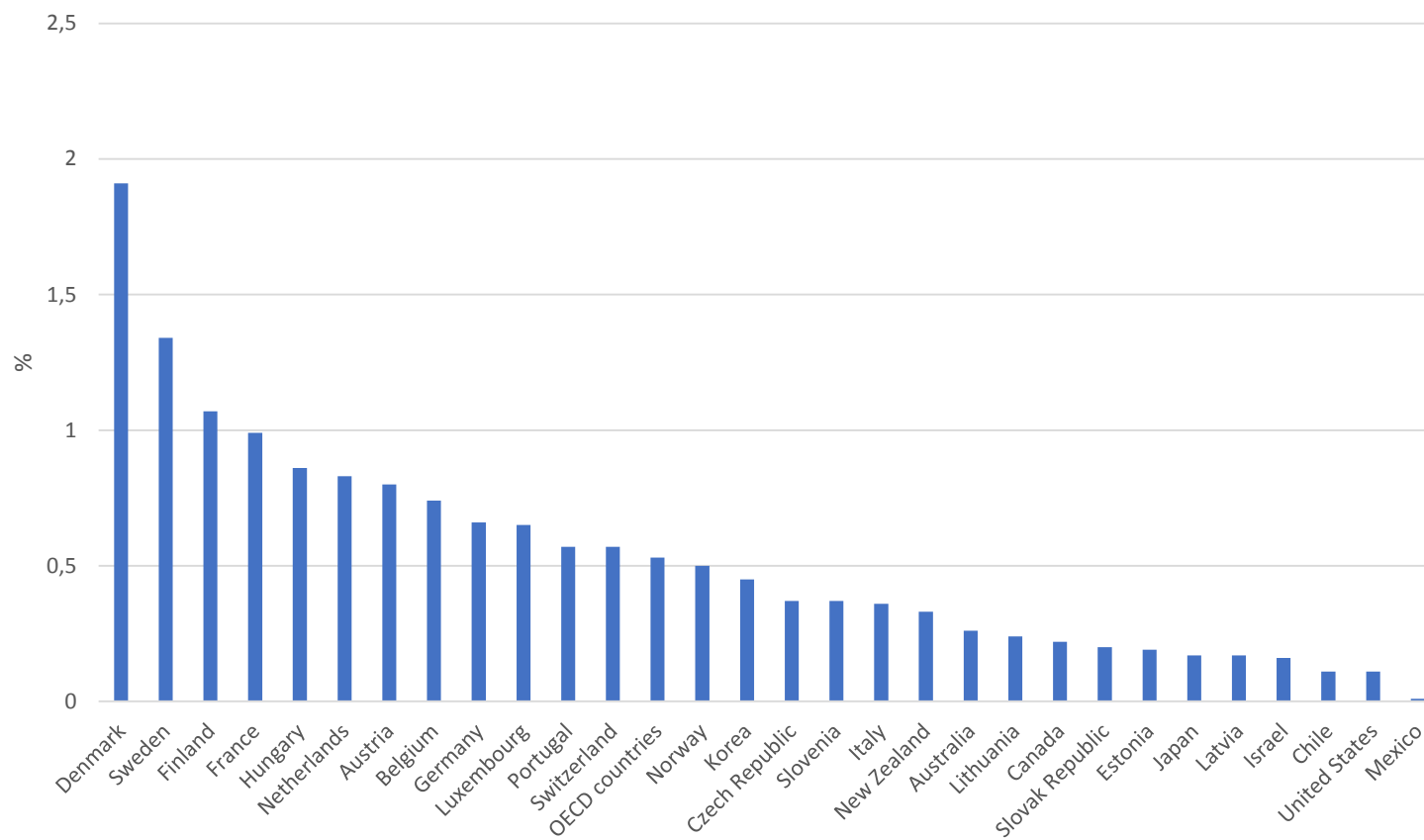
Effective coverage of unemployment benefits, 2007, 2009 and 2012/13



Notes: Numbers of unemployed receiving unemployment benefits collected from national social security unemployment schemes. Global average weighted by the labour force.

Source: ILO World Social Protection Report 2014/15.

Public Expenditure of ALMP (% of GDP), 2014



Source: *OECD (2016)*.

Conclusions

- **Dynamism** of the world of work, driven by technology, globalization and demography (including migration flows)
- **Heterogeneity** of job types and job quality by region, sector, occupation ... contributing to within-country inequalities
- **Institutions matter**, i.e. political decisions can influence further developments
- Policy conclusions at a **global scale** are feasible, but they are necessarily quite abstract
- Need to **adapt to local context/development** and find ways to design and deliver reforms and policies that work, via legislation, collective bargaining, firm-level practices (and other mechanisms to drive changes)

Conclusions

Good jobs ...

- are **free of major characteristics of precariousness**, such as a lack of stability and a high risk of job loss, a lack of safety measures and an absence of minimal standards of employment protection
- enable working persons to exert **some control** on matters such as the place and the timing of work and the tasks to be accomplished, and these jobs place appropriately high demands on the working person, without overtaxing their resources and capabilities and without harming their health
- provide **fair employment** in terms of earnings and of employers' commitment towards guaranteeing job security
- offer opportunities **for skill training, learning and promotion** prospects within a life course perspective, thereby sustaining work ability and stimulating individual development
- prevent social isolation and any form of **discrimination** and violence
- aim at **reconciling work and extra-work demands** (family, voluntary community work, leisure etc.) by implementing appropriate rules in day-to-day practices

Conclusions

Core policy dimensions, guiding policy design in the respective context:

1. rules regarding **employment protection**, allowing for flexibility while avoiding a deeper segmentation of the labour market
2. **unemployment protection** through social insurance and basic income support with appropriate **active labour market policies** to both replace income losses in phases of unemployment and accelerate reintegration into employment
3. **skill formation** at different stages of the life course, ensuring the acquisition of skills that can be used in the labour market to access better jobs as well as access to **education** also for vulnerable groups
4. effective policies to make the most out of **diversity** and ensure **non-discrimination**
5. legislative and collectively agreed standards regarding **working conditions** such as remuneration, working time and health-related aspects of work, **ensuring a fair distribution of economic gains** as well as working conditions that are compatible with health and extra-work demands

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