

What Way Forward?¹

José Pastore²

The world of labor is undergoing a profound revolution. The number of low wage workers today is approaching 3 billion. This is a fantastic amount of cheap labor!

And there are more emotions to come. China has 300 million rural people, ready to migrate and to work in industrial activities.

The new global supply of labor is affecting companies and workers in a dramatic way.

For the companies, competition became barbarian – a matter of life or death. A mistake can cost a lot of. GM is loosing US\$ 1 billion per month. Toyota is profiting US\$ 1 billion per month. Both are in the same business in the same world.

For workers, decent survival became almost impossible. Inequality and informality increased. About 2/3 of the world workforce have no access to protection.

¹ Subsidies for discussion presented in the final session of the Conference on “Decent Work, Social Policy and Development”. International Institute of Labor Studies, ILO, Geneva, November 29 - December 1, 2006.

² Professor of labor relations at the University of São Paulo, Brazil. jppj@uninet.com.br.

Competition is here to stay. Companies can mitigate the suffering, but not much. They themselves have to become and, more importantly, to remain competitive.

Macroeconomic policies as well as education and investments in R&D are crucial for their competitive capacity. But labor also counts.

Companies have been induced to use new forms of labor arrangements. Subcontracting became an intrinsic ingredient of modern production. The use of independent work is another. Networks mix different arrangements and put them together in a variety of ways. Jobs fly from country to country. And labor protection becomes a problem. In short, the world turned up side down.

[After three days of discussions and good hospitality, Gerry Rodgers told me that we will not be allowed go back home before answering a very simple question: How to fix this mess?]

Let us begin by saying that the entrance of a colossal amount of cheap labor in the labor market had many positive effects. Prices were drastically reduced and helped to control inflation worldwide; interest rates came down; investments went up; technology was diffused; workers acquired new skills; and the low salaries are beginning to rise - slowly.

But we are here to make suggestion on how to enhance decent work in this new world and to reduce the problems in the area of labor, particularly, unemployment, informality and exploitation.

So far, negotiation has been a solution when things get complicated. In fact, in many developed countries, employers and employees are renegotiating present labor contracts through several rounds of concession bargaining.

Is this the best solution? Certainly not. But it has been the possible solution. The actors have been pressed to move from wide and generous protection systems to partial protection models in order to retain in their territory the companies and the jobs.

Of course, wide protection is much better. Governments and the parties should keep pushing for the wide protection. As part of the research community we also have that obligation. But, how to conciliate uncontrolled competition with controlled protection? Let me make a few suggestions.

First, it may be useful to explore the combination of a long run strategy for wide protection with short run tactics for partial protections, respecting, of course, the national realities.

Second, for a better understanding of partial protection, it seems necessary a research effort to redefine the concept of minimum protection - not only for the employees but also for growing group

of self employed, including here, of course, the protection of informal workers.

Third, it is time to recognize that in the developing countries, the workers move, in zigzag, and many times in their careers from formal to informal markets. So, protection must be assigned to the persons, rather than to the jobs. The question of portability is the gravity center of new studies on labor protection.

Fourth, as a general strategy I am suggesting to explore some pathways to raise the price of informality and, at the same time, to reduce the price of formality, within the above mentioned framework of incremental changes.

Fifth, As researchers, we have to study realities, of course, and also dreams. Deregulation is the dream of entrepreneurs. This is an illusion. Labor markets require regulation. Extending the scope of regulation is the dream of trade unions. It is another illusion under a climate of heavy competition.

I am suggesting more research on a typology and impacts of re-regulation. Re-regulation under extreme competition should be a top priority in our research shopping bag. Informal markets have their own regulation, based on the creative of the poor to survive under very adverse conditions. We have to give a voice to informal

workers in the discovery of new forms of regulation. Shall the State keep its monopoly to regulate labor relations? Probably not.

In a word, I am suggesting to consider incremental strategy as a way to help countries to climb the ladder of social protection. This will require redefinition of key concepts and the design of dynamic institutions, which can be able to support quick adjustments in order to assure minimum safety to workers, companies and self employed.