

International Labour Review

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- 351 **Why employment matters: Reviving growth and reducing inequality**
Deepak NAYYAR

The global economic crisis has led to a sharp slowdown in growth and an even greater slowdown in employment creation. The resulting deterioration in the quality of employment has exacerbated the longer-term trend of rising inequality. Jobless growth has dampened output growth through a worsening income distribution. Wages are costs on the supply side but are also incomes on the demand side, so that profit-led growth and wage-led growth are complements, not substitutes. Thus, growth can create jobs, while added jobs can drive growth. More employment and better jobs can also mitigate rising inequality. If macroeconomic policies focus on fostering employment creation and supporting economic growth, rather than on price stability and balanced budgets, employment would revive growth and reduce inequality.

KEYWORDS: EMPLOYMENT, DECENT WORK, ECONOMIC RECESSION, ECONOMIC GROWTH, POVERTY ALLEVIATION.

- 365 **Do labour market reforms reduce labour productivity growth?
A panel data analysis of 20 OECD countries (1960–2004)**
Robert VERGEER and Alfred KLEINKNECHT

Based on comprehensive regression analysis, the authors find that weak wage growth and a smaller labour share of national income significantly reduce labour productivity growth. They conclude that supply-side labour market reforms have contributed to reducing labour productivity growth: this cannot be explained by a deregulation-induced inflow of low-productivity labour as proposed by OECD researchers. They also discuss arguments why deregulation, easier firing and higher labour turnover may damage learning and knowledge accumulation in

companies, notably by weakening the functioning of the “routinized” innovation model (“Schumpeter II”). Finally, their findings raise doubts about the relevance of Baumol’s law and Verdoorn’s law.

KEYWORDS: LABOUR PRODUCTIVITY, LOW INCOME, OECD COUNTRIES.

395 **The regional distribution of skill premia in urban China:
Implications for growth and inequality**

John WHALLEY and Chunbing XING

Based on urban household survey data, the authors find that skill premia increased significantly across all regions of China between 1995 and 2002, but only in coastal regions between 2002 and 2007. By then, these regions also displayed much wider wage inequality and thus contributed more to overall urban wage inequality than non-coastal regions. While privatization was the main driver of skill premia in 1995–2002, China’s (regionally uneven) integration into the global economy became the dominant influence in 2002–07. Reducing skill premia and inequality, the authors argue, calls for reform of the Hukou registration system which impedes skilled labour mobility and possibly also growth.

KEYWORDS: WAGE DIFFERENTIAL, WAGE INCREASE, SKILLED WORKER, UNSKILLED WORKER, URBAN AREA, CHINA.

421 **Does output predict unemployment? A look at Okun's law in Greece**
Costas KARFAKIS, Constantinos KATRAKILIDIS and Eftychia TSANANA

Using a dynamic specification of Okun's law, the authors examine the relationship between unemployment and output in Greece over the period 2000–12. While Granger causality tests indicate that real output is important to understanding future movements in unemployment, Okun's ratio is found to be 3:1, implying that a 1 per cent increase in unemployment was associated with a 3 per cent decrease in real output during the 13-year period under study. Also, asymmetric analysis shows that the response of unemployment to real output is stronger during contractions of real economic activity than in expansionary periods.

KEYWORDS: UNEMPLOYMENT, LABOUR PRODUCTIVITY, INPUT OUTPUT ANALYSIS, ECONOMIC RECESSION, GREECE.

435 **Permanent liminality: The impact of non-standard forms of employment
on workers' committees in Israel** Gadi NISSIM and David DE VRIES

Workers' committees in Israel are adapting to the neoliberal economy, and the resulting changes in the labour market, by increasingly accepting various non-standard forms of employment. At the same time, however, they are resisting this reconfiguration of the capitalist economy, in an effort to safeguard workers' rights. Torn between the two positions, workers' committees find themselves in a state of permanent “liminality”, their role reduced to merely seeking compromises and ad hoc solutions. As a result, opposition to the adverse effects of non-standard employment remains localized and fragmented, thereby consolidating such employment arrangements.

KEYWORDS: PRECARIOUS EMPLOYMENT, WORKERS RIGHTS, TRADE UNION ATTITUDE, ISRAEL.

455 **How disability affects absenteeism: An empirical analysis
for six European countries**

Carlos GARCÍA-SERRANO and Miguel Á. MALO

Using data from the European Community Household Panel for six European countries (Austria, Greece, Ireland, Italy, Portugal and Spain) for the period 1995–2000, this article investigates how disability affects workers' absenteeism. The results show that workers with disabilities are absent more often than workers without disabilities. This finding is obtained after controlling for individuals' self-reported health, visits to doctors and nights spent in hospital. The severity of disability is also a relevant factor in higher absenteeism. The total effect of disability on absenteeism amounts to a marginal increase of 6–26 days per year (depending on the country).

KEYWORDS: ABSENTEEISM, DISABLED WORKER, DISABILITY, SURVEY, AUSTRIA, GREECE, IRELAND, ITALY, PORTUGAL, SPAIN.

Notes and debates

- 473 **The labour market flexibility debate in India: Re-examining the case for signing voluntary contracts** Anamitra ROYCHOWDHURY
A major focus of India's ongoing policy debate over labour market flexibilization has been the statutory requirement that firms employing 100 or more workers cannot dismiss employees without prior government permission. The case for repealing that requirement (or greatly increasing the workforce threshold) is notably underpinned by Basu, Fields and Debgupta (2009). Here, the author challenges their particular theoretical argument for hiring and firing at will based on the voluntary signing of contracts, demonstrating that their general policy conclusion is logically unsustainable even within the framework of that model. The case for labour market flexibilization through voluntary contracting thus remains unfounded.

KEYWORDS: LABOUR FLEXIBILITY, LABOUR POLICY, LABOUR CONTRACT, INCOME DISTRIBUTION, ECONOMIC MODEL, INDIA.

- 489 **Retirement systems and pension reform: A Malaysian perspective** Habibah TOLOS, Peijie WANG, Miao ZHANG and Rory SHAND
This paper reviews and assesses emerging issues in retirement systems and pension reform in Malaysia. The pension system models proposed by the ILO, the World Bank and the Geneva Association are compared and analysed, providing a useful conceptual framework for the design and reform of pension systems. This framework is then used to assess pension reforms in Malaysia, analysing the relative advantages and disadvantages for workers. The authors conclude by proposing a number of recommendations in the area of retirement system design and reform.

KEYWORDS: RETIREMENT, OCCUPATIONAL PENSION SCHEME, OLD AGE BENEFIT, SOCIAL SECURITY REFORM, MALAYSIA.

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ISSN 0020-7780
www.ilo.org/revue

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