



Pinelopi Koujianou Goldberg
Chief Economist

Federica Saliola
Director, World Development Report 2019

Michal Rutkowski
Director of Social Protection and Jobs

World Bank Group
1818 H Street, NW Washington, DC
20433 United States of America

GLOBAL LABOUR UNIVERSITY

**Chairperson of the
International Steering Committee**

**Prof. Michelle Williams
University of the Witwatersrand**

6 September 2018

Comments on the draft World Development Report 2019¹

Dear Prof Goldberg, Dear Dr Saliola, Dear Dr Rutkowski:

As members of a collective in which trade unions and academics work together to understand the challenges and opportunities that face workers across the Global South and the Global North, we welcome the decision of the World Bank to focus its 2019 *World Development Report* on the changing nature of work. We commend the authors for discussing the changes that are taking place and trying to advise governments on how best to adapt to them. We share the authors' concern with the growing risks associated with tax evasion by large corporations that control an ever-greater share of economic activity.

We are however worried with the way in which the report portrays these changes in the nature of work as essentially benign, requiring 'adaptation' by workers in the form of skills acquisition and by states through the provision of skills and 'universal' social coverage, with the latter understood as a prelude to labour market deregulation. Such a perspective ignores the growing body of research that points to very serious challenges to working conditions; in fact, on a number of issues that we discuss in this letter, we feel that the draft report has cherry-picked research that suited the authors' beliefs. This is worrying as it constitutes a lowering of the usual World Bank standards; it could also orient the crucial debate on the future of work in a way that will be unhelpful to resolve the problems at hand.

¹ These comments were compiled by Mark Anner (Penn State University), Nicolas Pons-Vignon (University of the Witwatersrand) and Uma Rani Amara (ILO Research) on behalf of the International Steering committee of the Global Labour University (GLU). For more information on GLU, see www.global-labour-university.org.

We hope the authors will consider our response, alongside that of the ITUC and others, when finalising the report. We would be happy to discuss any of the points below in greater depth with the authors.

Yours Sincerely



- Michelle Williams -

Chairperson, International Steering
committee of the Global Labour
University²

Technology and Inequality

In the draft Report, the World Bank writes, “(i)nequality in most emerging economies has declined or remained unchanged over the last decade.” This goes in contrast with an abundance of rigorous academic research that suggests otherwise. This is in part because of the report’s questionable decision to look at inequality only through the within-country lens of the Gini coefficient, which draws on household surveys. Drawing on tax data, Piketty³ shows a sharp increase in functional inequality between capital and labour in the last 40 years, with a dramatic enrichment at the very top related to increased revenue derived from capital. While his research focuses on advanced industrial countries, evidence that similar processes have been at play in emerging economies abound.⁴ Moreover, a declining Gini has in some cases co-existed with rising income and wealth concentration at the top, for instance in Brazil.⁵ It therefore seems very difficult to say something definitive on income distribution as a whole.

Even when focusing on the evolution of the Gini index alone, the ILO⁶ finds, “(w)ithin-country inequality, as measured by the Gini index, has also grown in most regions [...] Additionally, with the exception of Latin America, all other regions have experienced an increase in income inequality along with a decline in labour income share.” (p. 7) And while the draft Report

² The members of the International Steering committee of the Global Labour University are: Michelle Williams, University of the Witwatersrand (Chair); Christoph Scherrer, University of Kassel (Deputy chair from academia); Antonio de Lisboa Amâncio Vale/Clair Ruppert, CUT (Deputy chair from trade unions); Mark Anner, Penn State University; Joachim Beerhorst, DGB/IG Metall; Anselmo Luis Dos Santos, University of Campinas; Cathy Feingold, AFL-CIO; Bhabhali Nhlapo, COSATU; Archana Prasad/Praveen Jha, Jawaharlal Nehru University; Martina Sproll, Berlin School of Economics and Law; Carolin Vollmann, DGB; Uma Rani Amara, ILO-Research; Michael Watt and Rafael Peels, ILO-ACTRAV; Mirko Herberg, Friedrich Ebert Stiftung; Jenny Holdcroft/ Jeremy Anderson, Global Unions.

³ Piketty, T. (2014) *Capital in the Twenty-First Century*, Cambridge: Harvard University Press.

⁴ UNCTAD (2012) “Breaking the Cycle of Exclusion and Crisis.” Policy Brief No. 5.

⁵ See Morgan, N. (2017) Falling Inequality beneath Extreme and Persistent Concentration: New Evidence for Brazil Combining National Accounts, Surveys and Fiscal Data, 2001-2015, WID.world Working Paper series n°2017/12.

⁶ ILO (2017) Inception Report for the Global Commission on the Future of Work. See: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/publication/wcms_591502.pdf

observes, “(t)echnology has brought higher labor productivity to many sectors by reducing the need for workers for routine tasks,” the ILO finds, “labour productivity growth outpaced the growth of real wages in all but a few years between 2006 and 2015 [...] This means that although workers have become increasingly productive, the benefits of their work have increasingly accrued to capital income and to those at the top of the income distribution.” (op. cit., p. 6)

The growing inequality brought about by neoliberal capitalism has even led the International Monetary Fund (IMF) to question its core policies.⁷ Many of these policies’ victims have had no choice but to emigrate, with as much as a quarter of Salvadorians and Zimbabweans leaving their country in search of a better future. In this context, focusing on within-country inequality alone is simply not good enough to understand recent changes.

Technology and Jobs

The draft Report argues that fears of job loss due to automation are misplaced and it cites numerous examples of jobs being created by automation. Two observations are in order. First, the assumption is that past impacts of automation are able to predict future trends. Yet, as the ILO observes, “while the prevailing evidence of past technological developments suggests that waves of technological change result in short-term job destruction followed by the creation of new and better jobs, today’s technological advances are emerging at an unprecedented rate and changing work in ways not seen before.” (p. 10)

The second observation regards the quality of work that will be generated. The World Bank seems to assume these jobs will overall be of higher quality. In contrast, the ILO observes: “In the absence of adequate opportunities to acquire new relevant skills, many of those who are at risk of job loss may be forced to take lower skilled and lower paying jobs.” (p. 26) In other words, while technological innovation may or may not result in a net loss of jobs in society, we need to consider the quality of jobs that will emerge and grow. In this regard, the draft report ignores the evidence presented by Rani and Furrer⁸ that “a large pool of educated workforce in developing countries are performing microtasks on platforms. The majority of these tasks are simple and repetitive, and do not require any specific skills, thereby underutilising the capacity of these workers.” (p. 25) The same research highlights the worrying levels of precarity and vulnerability experienced by these workers. Hence, there are valid reasons to fear that recent trends, such as the declining share of wages in total income, will be exacerbated by the changing nature of work, unless current tendencies are counter-balanced by a mix of greater regulation and stronger voice by workers.

This leads us to a further remark relating to the kind of skills that will be needed by workers in future. The draft Report takes for granted the (problematic, as we have shown) way in which the new ‘gig’ economy operates; it therefore emphasizes the need to develop the skills currently demanded by leading corporations. Socio-behavioural skills, for instance, are indeed crucial, but we wonder if they have not become shorthand for increased docility. If an Uber driver, or a babysitter employed through a platform, complains about unpaid overtime, customers are encouraged to rate them badly, thus compromising the worker’s ability to find work in future. Yet, is being treated fairly an unreasonable expectation? It is easy to see that the answer may be yes in a not so distant future, if workers are not empowered to shape the development, adoption and adaptation of new technologies.

⁷ Ostry, J. D., Loungani, P. and D. Furceri (2016) ‘Neoliberalism: Oversold?’, *Finance & Development*, 53(2).

⁸ Rani, U. & M. Furrer (2018) Work and income security among workers in on-demand digital economy: Issues and challenges in developing economies, *Competition and Change*

Technology and Labour Regulation

One of the more worrisome aspects of the World Bank's draft Report is the call for greater labour market flexibility. The World Bank writes, "(t)he adoption of productivity-enhancing technology is negatively associated with the strictness of some labor regulations, specifically those with burdensome dismissal procedures [...] More stringent regulations are also associated with lower entry and exit of firms—especially small firms—in industries in which labor moves more frequently between jobs." (pp. 107-08) The draft Report continues: "Firms could be given more flexibility in managing their human resources contingent on the law mandating proper notice, the presence of an adequate system of income protection, and efficient mechanisms to punish discrimination." (p. 108) There are two problems with this approach; firstly, most governments only hear the first part of this message, which is most often supported by employers: "Firms should be given more flexibility to hire and fire workers." This they implement; without regard to the 'contingency'. Secondly, the proposed conditions hardly constitute a serious engagement with the need to adapt worker protection to economic and technological transformations. 'Proper notice' is far too vague a term to provide meaningful protection, while discrimination has no specific relation with technological change. As far as 'adequate' income protection is concerned, it amounts to shifting the responsibility and associated costs to protect workers against loss of income from companies to society (we return to this point in our last section on Technology and social protection). Rather than increasing flexibility without counterpart, labour regulation must be strengthened in light of a detailed understanding of the implications of technological change in order to level the playing field.

We find it astonishing that the draft Report ignores the abundant evidence that links labour market regulation with a range of positive socio economic outcomes. Looking at the relationship between income inequalities and labour market regulation, Förster and Toth⁹ thus find very robust results across a range of studies focusing on OECD countries showing that declines in regulation increase inequality. On the other hand, Blanchard and Philippon¹⁰ have shown that the quality of labour relations, and the strength of trade unions in particular, were crucial factors in limiting the effects on unemployment of changes in the economic environment – or, to put it differently, countries with bad labour relations tend to have higher unemployment.

Technology and Trade Unions

In light of the above, it is of particular concern that the draft Report has little to say on trade unions and collective bargaining. Indeed, they are only mentioned in one paragraph (399; p. 1090). It is suggested that trade unions and collective bargaining are becoming a less important mechanism for addressing the conditions of labour. The authors write, "strengthening the enforcement of labor laws and mechanisms to expand workers' voices is a worthy goal as well. Moving to a simpler core contract would require stronger collective bargaining structures as fewer protections are prespecified in the law. However, the significance of such structures is declining: across high-income countries the share of workers covered by a collective agreement fell, on average, from 37 percent in 2000 to 32 percent in 2015. Also in 2015, 24 percent of employees were members of trade unions, down from 30 percent in 1985." (p. 108) In other

⁹ M. F. Förster and I. G. Tóth (2014) Cross-Country Evidence of the Multiple Causes of Inequality Changes in the OECD Area, in A. Atkinson and F. Bourguignon (eds) *Handbook of Income Distribution*, Vol. 2B, Oxford/Amsterdam: Elsevier.

¹⁰ O. Blanchard and T. Philippon (2004) The Quality of Labor Relations and Unemployment, NBER Working Paper No. 10590.

words, rather than see the decline in union density and collective bargaining coverage as a call for concern that needs to be addressed with better laws and stricter enforcement, the World Bank seems to be accepting union and collective bargaining decline as an unstoppable trend, making it necessary to look for other ways to regulate labour relations.

This calls for a number of responses. Firstly, the important role of collective bargaining in ensuring more adaptable and more inclusive economies has been demonstrated by a number of studies focused on emerging countries.¹¹ This includes examples of alternative forms of collective bargaining that improve the protection of informal economy workers, as has been the case in India. What these studies suggest is that, while rethinking contributory social protection may be needed, it should be done with the active participation of workers themselves. There is abundant evidence that the changing forms of work are undermining workers' voices; it is crucial to respond to this through a combination of effective regulation and efforts to promote representative workers' organisations. Collective bargaining constitutes an institutional mechanism through which such organisations can work with employers and states to ensure a broadening of the protection they have obtained for their members.

There is perhaps no stronger argument in favour of putting workers at the centre of transformations than the very agency they are showing worldwide. Indeed, whether they are driving an Uber or delivering meals on bikes, workers around the world seem to believe that trade unions can best serve their interests by articulating their voice collectively. This should not come as a surprise to the authors of the draft Report, who emphasize in several places the importance of empowering citizens to make demands on states for improved service delivery.

Supporting workers to organise to shape the future of work is not only a question of democracy; it has direct relevance to the way in which technological change is adopted and how it influences efficiency and social well-being. Canadian ergonomist Karen Messing¹² thus shows how the 'invisibility' of many low-paid workers in service sectors (mostly women) has led to ways of organising production that harm the workers' health in a significant, yet unnecessary manner – think of retail employees who are required to stand all the time, with dramatic consequences for their spine. Messing further shows how this invisibility can lead to irrational designs; in France, modern high-speed train toilets were designed without any consultation with those who clean them. As a result, the toilets have proved to be a nightmare to clean, forcing workers to compromise their health on a daily basis.

The need to include workers in shaping technology in order to improve their well-being as the same time as improving efficiency (and there is little doubt that the two are positively correlated) points to the central importance of giving workers a voice as a socio-economic priority. The question the WDR seeks to answer – how can the changes affecting work be influenced to have a positive impact – largely hinges on this. It is therefore extremely worrying that issues of concentration and authoritarian control over the direction of technological change are not addressed, except to warn of their consequence in a world where financial flows have been dangerously liberalised, namely massive tax evasion.

¹¹ S. Hayter and S. Lee [eds.] (2018) *Industrial Relations in Emerging Economies*, London and Geneva: ILO and Edward Elgar.

¹² Karen Messing (2014) *Pain and Prejudice. What Science can Learn about Work from the People Who Do It*, Toronto: Between the Lines.

Technology and Social protection

The draft Report emphasizes the importance of moving towards universal social coverage in the face of changes in the nature of work. This is presented as a solution to the decreasing number of people covered by contributory social protection, as well as a way to include those in the informal sector. While we support the objective of extending social protection and agree on the need to assess the relevance of contributory social protection systems for the future, we feel that the draft Report's analysis and recommendations are problematic in at least three key respects.

Firstly, the legitimate affordability concerns raised in the report beg the question of what 'universal coverage' actually means. There is a big difference between providing a lifeline and affording a decent level of socio-economic security. Recent trends, notably the growing participation of private providers in healthcare provision have increased the unevenness of social welfare, since service provision to the poor is less profitable and, as a result, secondary. Going beyond a minimalist approach to social protection requires a different approach from the one presented in the report, as we argue below.

Secondly, what is proposed in the draft Report effectively amounts to shifting the entire burden of financing social protection to nation states. This is quite explicit, with expanded social coverage presented as a way to facilitate labour market deregulation. Yet, such a suggestion is extremely problematic for two main reasons. From a fiscal point of view, requiring states where workers are located to pay for their social protection is tantamount to asking them to subsidise the profits made by corporations that are often located abroad; emphasizing the possibility of raising domestic excise taxes on sugar and tobacco is hardly a holistic response. Such a solution entails placing a huge burden on countries at the expense of the companies that are effectively employing workers and benefiting from their labour. Contributory systems have made it possible to involve corporations in the financing of healthcare; if anything, the current changes in labour relations call for a re-assertion of companies' responsibility towards their dependent workers. Researching the growing global 'platform economy', Rani and Furrer (op. cit.) show that platform providers "circumvent the existing regulatory framework and externalise the risks and responsibility" (p.25). Recognising these providers as employers and holding them accountable is all the more necessary for developing countries since platform-mediated work is associated with a marked geographical disconnect between the location of companies and that of workers.

Last but not least, in line with most recent discussions of social policy, the draft report focuses on financial issues rather than on provision systems, even if the need for local clinics to facilitate access is correctly emphasized. Yet, contributory systems have allowed the construction of nationally-owned healthcare systems that have delivered affordable, quality healthcare. The emphasis on private provision or public-private partnerships as an alternative to build state capacity to provide quality public services for the many has come under intense scrutiny due to poor results.¹³ It would therefore seem crucial to link a discussion of social protection financing with one focused on provision; perhaps the contributory system has more to offer than meets the eyes of the report's authors.

¹³ As Languille (2017: 15) puts it in her review of the literature on PPPs, "the key predictions of the PPP doctrine – cost-efficiency for improved service delivery to the poor – are hardly fulfilled in practice." Sonia Languille (2017): Public Private partnerships in education and health in the global South: a literature review, *Journal of International and Comparative Social Policy*, 33(2).