

TUAC trade union advisory committee to the
OECD organisation for economic cooperation and development
CSC commission syndicale consultative auprès de
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TUAC: Employment Protection Legislation does not hamper productivity

There is no clear and string evidence, that easing employment protection positively affects multi factor productivity growth and technological catch-up. The facts and findings presented are anything but convincing. They are at best highly controversial, at worst snake oil.

A comparison between countries ranked by their strictness of employment protection legislation and recent improvement does not indicate that the protection of employees does hamper productivity. On the contrary, countries with almost no or low levels of employment protection legislation in general haven't experienced a strong improvement in Multi-factor productivity (MFP). What is striking however, is the fact that countries like Finland, Ireland, Sweden and Portugal, often blamed for having rather strict of employment protection legislation, had the highest growth in MFP over the 1990s. The same applies to the fact, that the business sector in Italy, according to the ranking the country having the strictest EPL, experienced a slightly higher growth in MFP than the business sector in the US.

Ranking of countries by 'strictness' of employment protection legislation and productivity growth in the business sector

Country	Average ranking	Multi-factor productivity growth 1980-89	Multi-factor productivity growth 1990-98
United States	1	0.8	0.8
New Zealand	2	0.9	1.1
Canada	3	0.5	0.6
Australia	4	0.8	1.4
Denmark	5	0.8	1.9
United Kingdom	7	1.6	1.3
Netherlands	9	1.2	1.0
Finland	10	2.1	2.8
Ireland	12	3.7	3.2
Sweden	13	1.0	1.8
France	14	1.7	0.6
(West-)Germany	15	1.2	1.3
Austria	16	1.0	0.0
Belgium	17	1.1	0.6
Greece	18	-0.3	0.2
Portugal	19	0.8	2.6
Spain	20	1.6	0.6
Italy	21	1.1	0.9

Source:

OECD, Jobs Study 1994; OECD/DSTI/IND/SWP(99)3: Economic Growth in the OECD Area: Are the disparities growing?, Nov. 1999; Giuseppe Bertola et al.: Employment protection and labour market adjustment in OECD countries: Evolving institutions and variable enforcement, ILO EMPLOYMENT AND TRAINING PAPERS 48, Geneva 1998.

For more information please contact Roland Schneider at the TUAC Secretariat