

LABOR MARKET INSTITUTIONS

Should we care?

What is a labor market institution?

- The dismissal decree
- Unions' rights
- Training programs
- Old age pension and other social programs
- Public sector size and impact on economic activities

INSTITUTIONS SET THE INCENTIVE FRAMEWORK FOR JOINING OR EXITING THE LABOR FORCE. HIGH IMPACT ON GROWTH AND DEVELOPMENT OF ECONOMIC ACTIVITIES IN SURINAME

2005 of labor institutions recommended

- (1) Filling the Knowledge Gaps
- (2) Generation and Dissemination of Household Surveys
- (3) Creation of a Labor Information System and Modernization of Employment Services
- (4) Empowerment of Women in the Labor Market
- (5) Adoption of “Demand Driven” Training Programs
- (6) Removing the Link between Salaries and the Boom or Bust in the Alumina Sector
- (7) Simplification of Layoffs Procedures
- (8) Civil Personnel Management Reform
- (9) Strengthening the CARICOM initiative

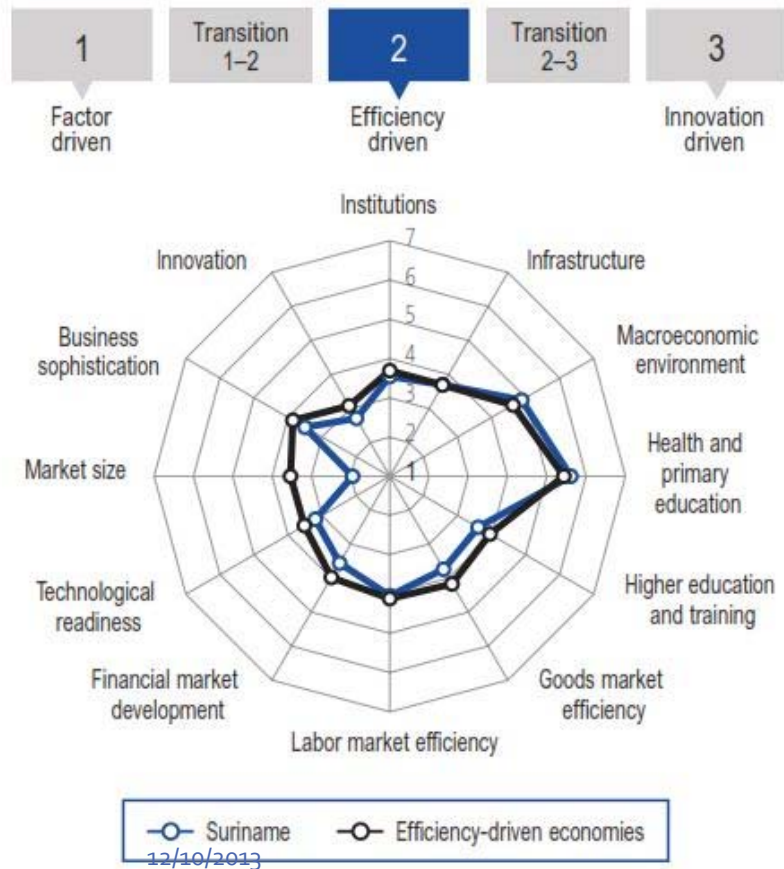
What happened since 2005?

- Public sector reform to address the issues of wage compression—FISO I and II (RECOMMENDATION 8)
- Better fiscal management resulted in breaking the pattern of appreciation of the real exchange rate and related high volatility of real wages in the public and private sectors (RECOMMENDATION 6)

And the economy is doing well ...

- Why would we care about labor improving labor institutions if things are going well?
- Because:
 - Suriname's economy is fragile and heavily dependent on mining exports
 - The domestic private sector is exposed to issues over which they have no control: prices of bauxite and alumina, gold and oil
 - The domestic private sector is weak, and depends on government procurement or on the impact of government spending on aggregate demand
 - It is small
 - It is poor
 - It barely exports
 - It is falling behind other regional competitors

Stage of development



7th pillar: Labor market efficiency			
7.01	Cooperation in labor-employer relations	3.9	113
7.02	Flexibility of wage determination.....	4.9	83
7.03	Hiring and firing practices.....	2.8	138
7.04	Redundancy costs, weeks of salary*	8.8	33
7.05	Effect of taxation on incentives to work.....	3.7	68
7.06	Pay and productivity.....	3.5	112
7.07	Reliance on professional management.....	4.1	80
7.08	Country capacity to retain talent.....	3.0	101
7.09	Country capacity to attract talent	3.5	66
7.10	Women in labor force, ratio to men*	0.60	117

Changing the incentive framework for private sector development

- Building links between the mining sector and the domestic private sector
- Expansion of economic space for private sector growth
- Building firms that look out to export

Requires:

- The right skills' set from prospective employees and firms
- Ease to hire and fire
- Firms that grow fast and specialize using appropriate information systems

My job is to identify few high-value-added initiatives to improve labor market institutions

- Politics matter—issues that can be easily explained, win-win
- Low hanging fruit—issues that all can agree, not necessarily visible, win-win
- Issues that show impact in the near term and can be measured
- Issues that you are willing to prioritize and champion

I WAS NOT HIRED TO PREPARE ANOTHER STUDY. I WAS HIRED TO MAP OUT A REFORM THAT YOU MAY CHAMPION WITH IMPACT IN THE NEAR TERM

Initial list of proposals

Strengthen the link between the domestic private sector and mining

- Identify skills demanded—demand driven training
- Map out the goods and services provided to the mining sector
- Facilitate the expansion of firms that provide goods and services to the mining sector

The following initiatives offer high returns to the private sector and should earn political support

- Addressing gender issues
- Labor information system and modernization of employment services—Productivity Council? Linking productivity to salary increases, benchmarking
- Demand driven training

Government procurement could play a role by providing incentives for increasing quality of goods and services provided

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