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Book reviews

Labour Law and Economic Policy: How Employment Rights Improve the Economy, by Adrián Todolí-Signes. Oxford, Hart Publishing, 2024, 191 pp. ISBN 9781509973880.

We are demanding an increase in salaries everywhere. In all jobs, in all professions, because we now find ourselves with employees who are underpaid in relation to the cost of living.

Paris protestor against inflation¹

The public invariably blames government officials for mishandling policies that lead to economic hardship, as popular uprisings driven by high inflation clearly demonstrate.² The protestor's demand above is far from unique. Labour market policies, in particular, often become focal points for public anger and frustration.³ Given this reality, lawmakers and policymakers cannot afford to ignore economic concerns. As the catchphrase goes, "It's the economy, stupid."

Highlighting the importance of the economic dimensions of policy seems obvious. However, in *Labour Law and Economic Policy: How Employment Rights Improve the Economy*, Professor Adrián Todolí-Signes argues that many labour law scholars and policymakers have in recent decades removed themselves from economic policy discussions. These economic agnostics claim that labour law has no clear impact on employment levels, making the relationship between labour law and important economic outcomes uncertain. Consider the examples of the United States and Germany, two economic powerhouses with vastly different approaches to regulating their labour markets. The United States has highly decentralized collective bargaining systems, while Germany, despite marketization, supports effective co-determination and industry-wide bargaining arrangements.⁴ Notwithstanding these differences, both countries have experienced strong employment for decades. It would thus appear that labour market institutions and regulations have an insignificant impact on employment. Armed with these facts, some labour law scholars focus on labour law primarily as a tool for enforcing moral concerns. They claim that the

¹ Nicolas Garriga and Boubkar Benzabat, "French Strike Pits Workers vs. Government as Inflation Bites", *AP News*, 18 October 2022. <https://apnews.com/article/inflation-business-france-paris-prices-eea1003e879964463984b074d1501fe6>.

² "Soaring Temperatures and Food Prices Threaten Violent Unrest: Expect a Long, Hot, Uncomfortable Summer", *The Economist*, 27 July 2023. <https://www.economist.com/finance-and-economics/2023/07/27/soaring-temperatures-and-food-prices-threaten-violent-unrest>.

³ Amnesty International, *Rising Prices, Growing Protests: The Case for Universal Social Protection* (London, 2023).

⁴ See Peter A. Hall and David Soskice, eds, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

This book review is also available in French, in *Revue internationale du Travail* 164 (4), and Spanish, in *Revista Internacional del Trabajo* 144 (4).

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law's purpose is to protect workers from being treated as commodities, rather than as an economic policy instrument.

Todolí-Signes argues that labour law's economic agnosticism arose in response to neoliberal claims that labour laws distort markets and create inefficiencies, making it more expensive to hire workers and, in turn, reducing overall demand for labour. In other words, labour laws, by this logic, create unemployment – an unintended consequence that ultimately harms workers.

While labour law's indifference to economic policy may have been a strategic response to neutralize neoliberal critics, it effectively ceded the economic policy terrain to monetarists, tax experts and corporations. This gave too much ground to other stakeholders, allowing them to shape economic structures and relationships as they saw fit, which in turn had negative consequences, such as increased precarity and polarization. This is why Todolí-Signes argues that labour law must reclaim its place in economic policy if it is to remain relevant and offer better economic alternatives.

Labour Law and Economic Policy thus offers the reader a narrative to rescue the economic policy dimensions of labour law. Todolí-Signes claims that, while the goal of labour law is to protect workers, in practice, if not also in theory, it has been concerned with business interests. Accordingly, it has also been termed “the law of the labour market”. As such, labour law has had three distinct functions: (i) to promote economic growth; (ii) to promote the competitiveness of firms; and (iii) to improve overall productivity and efficiency.

Todolí-Signes argues that labour law has become increasingly unable to perform those three economic functions owing to changes in contemporary capitalism driven by the very stakeholders to whom it ceded the economic terrain. For instance, companies now seek productivity improvements and efficiency through practices such as fissuring, automation and algorithmic management, which effectively deregulate work by placing it outside the scope of labour law. This has led to growing polarization in the labour market, where highly skilled and hard-to-replace workers thrive without needing labour law protections, while the rest struggle with declining wages and worsening working conditions.

Todolí-Signes argues that labour law should engage in these policy debates to create better outcomes for everyone. Drawing on secondary literature, he asserts that basic labour law institutions, such as minimum wages and collective bargaining, improve workers' earnings. This, in turn, fosters trust, encourages greater effort at work and promotes cooperation with employers. Workers who are underpaid or abused shirk, strike and otherwise engage in unproductive activities (55). True, minimum wages and collective bargaining increase the price of labour for employers, but this increase also creates incentives for employers to improve productivity via other means than by degrading work (161). Ending labour protections is thus intrinsically bad economic policy. It impoverishes workers, reduces trust and cooperation, lowers aggregate demand and does little to promote corporate competitiveness, making everyone worse off.

Todolí-Signes also emphasizes the classic labour law maxim that labour is not a commodity. Workers are not melons. He argues that while this assertion is typically viewed as a moral principle, it should also be recognized as an economic one. Understanding the distinction between real commodities (e.g. melons) and fictitious commodities (such as labour, which requires motivation to work) helps us recognize why deregulation may not result in higher demand for labour and increased employment. Instead, it often leads to persistent cycles of lower wages, reduced demand and persistent unemployment (50–51). In his view, “Labour rights break this vicious circle by enabling efficiency gains” (160). In this way, labour law can correct market failures and provide an effective instrument to improve overall economic performance.

Finally, based on the fundamental principle underpinning labour law – that society should set rules for bargaining agents with asymmetrical power – Todolí-Signes argues that labour law should expand to include anyone looking to sell their labour, regardless of

whether they are legally classified as a “worker”. Only genuine business owners should be excluded from labour protections designed for employees (Part III).

Labour Law and Economic Policy makes a novel, if not forgotten, claim – that labour law is also economic policy. However, it sometimes makes its points in too absolute a manner. For example, it appears to claim that any labour law is better than no labour law and that deregulation is always undesirable. Citing John Kenneth Galbraith, Todolí-Signes describes how city planners in late nineteenth-century Washington, DC, could have built better avenues but maintains that the flawed avenues were better than no avenues at all. It would have been chaotic to let everyone build anywhere without planning or public control (160). Instances such as these are where *Labour Law and Economic Policy* is weakest. Experience tells us that policy can have unintended perverse, futile and negative consequences, despite the best of intentions.⁵ Following Todolí-Signes’s own analogy comparing workers and melons, while it is true that workers are not melons, they are also not streets, buildings or urban spaces. The urban planning metaphor does not hold. Economists and policymakers of many stripes have recognized the possible risks of state regulation of labour markets since at least Karl Polanyi’s investigation of the 1795 Speenhamland Laws.⁶ While labour law can indeed improve economic performance, it must be approached judiciously. There may be times and places where public regulatory abstentionism is the least harmful of several undesirable options.

Despite the arguments presented in the book, it is important to note that Todolí-Signes does not promote an economistic view of labour law. On the contrary, the book highlights the economic functions of labour law alongside its moral and political dimensions. Todolí-Signes is clear that labour law has values, that it gives workers tools to rebalance the employment relationship, and that it promotes efficiency and productivity. In this sense, labour law reflects the Paris protestor’s call for labour legislation – that is, state-incentivized higher wages – when he took to the streets, alongside many others, to protest inflation. He was not complaining only about narrowly defined economic policies. He was expressing anger, indignation and defiance at public and private overlords controlling his and others’ livelihoods and invoked labour law as a solution. In this way, labour law is a moral theory, a political tool and, yes, economic policy.

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⁵ See Albert O. Hirschman, *The Rhetoric of Reaction: Perversity, Futility, Jeopardy* (Cambridge, MA: Harvard University Press, 1991).

⁶ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Beacon Press: Boston, 2001 – originally published in 1944 by Farrar & Rinehart).

