

Introduction private  
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to



## **Introduction**

Most governments seek to have some sort of control and regulations for their markets.

Government regulation is aimed at producing outcomes that would otherwise not occur or prevent outcomes that are likely to occur. These regulations are important to the public and cannot be pursued by the private sector. The government comes in to implement them so that public interest is protected.

### **What the project is about**

This project is about the nature and impact of government regulations on business. It specifically looks at government regulations in the occupational health and safety regulations in the UAE.

### **What the project assesses**

This project assesses the positive and negative impact of government regulation of traffic on business, consumers and the society at large.

### **The effects of regulations**

Government regulation of business can be said to possess both positive and negative effects. On the positive side, they serve to promote fairness among competitors and rule out non adherents of business rules such as evasion of tax. They also protect the consumer from unnecessary inflation of commodity prices and ensure the production and availability of public goods. On the negative side, government regulations are said to create ineffectiveness and imbalance in trade. Market prices are best balanced when determined by the vagaries of demand and supply.

## **Linkage**

### **Government Regulation for Business**

According to Lutzenberger (2011), governments have regulated business activities since the colonial times.

The regulation is done in areas such as import or export control, tax revenue and industry restrictions. Government regulation has come under criticism in the recent years. This is because such regulation is associated with declining productivity rates in the industrialized countries.

### **Why we need government regulations**

There are various reasons which make a government to put regulations on businesses.

The basic reason for any government to do this is because of public safety and welfare. The activities of many industries can impose significant effects upon human welfare in terms of health, financial wellbeing and community structure if left unchecked by the government. Most industries are profit oriented and will stop at nothing in pursuit of this objective, including harming others. Another reason for government regulation of businesses is protection of industry.

This is meant to protect those who have followed the correct procedures in developing and conducting their businesses from unfair competition from those whose businesses are not conducted using the correct procedures.

These procedures include licensing, permits and necessary inspections. The government regulates business in order to monitor revenue generation and collection. Some of the ways through which revenue is generated include

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certification and licensing. These programs have to be effectively monitored by the government to ensure equity and fairness in the generation of this revenue, which is quite useful for the development of a country. The government is responsible and regulates all taxation processes. This is another means of revenue acquisition.

Some governments argue that they regulate businesses to avoid market failure. Proponents of this school of thought assert that a free market always fails to produce maximum efficiency. It at times wastes resources due to much duplication of services and goods offered by different companies. It is therefore important that the government restricts competition.

In so doing, it will be able to correct market failures.

### **The meaning of regulation**

Regulations can be defined as the legislation that constitutes rights and allocates responsibilities to those involved. Regulations can be in form of legal restrictions. These legal restrictions are formed and implemented by government authorities. Self regulations are implemented by industries like trade unions. Social regulations take the form of norms.

Finally, business regulations govern market factors such as prices, wages, development approvals, pollution and employment.

### **Market Failure Theory**

According to Krugman and Robin (2006), this theory states that allocation of goods and services in a free market cannot be sufficient. A free market is a competitive market, where prices are determined entirely by demand and

supply. Intervention by the state in the market affairs is limited or non-existent. Market failures occur when individuals' pursuit of pure self interests lead to results which are not sufficient.

These results can be improved. Market failures are associated with information imbalances, non competitive markets, externalities and the problem of public goods. A market failure can occur if the market is monopolized or a small group of businesses hold a significant amount of market power. This leads to imperfect competition, which distorts market operations. It can also happen where production process results to an externality or it is a public good which is produced.

## **Ways of Government Regulation of Business**

### **Economic Policies**

According to Steiner and Steiner (2009), the economic policies applied by various governments are largely characterized by the drive to protect and defend the lives and properties of persons under its legislations. These people are protected from domestic and foreign aggression.

It has to put mechanisms in place that will settle disputes and let people be free to pursue their various goals. These policies have the general effect of controlling production, raising and lowering prices of some goods and services, helping start some businesses, keeping some businesses from falling, encouraging or hampering imports and exports.

### **Fiscal Policy**

This is the use of government expenditure and revenue collection to influence the economy. Changes in the level of government taxation and

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spending can have impact on the economy in three ways. First, it has impact on the aggregate demand and the general level of economic activity. Second, an impact can be felt in the pattern of resource. Finally, the distribution of income is also affected.

Therefore, whenever a government feels that some aspects within the economy need to be regulated, it applies this indirect process to achieve its intended result or behaviour in business transactions.

### **Monetary Policy**

This is the process by which the government, which is the monetary authority of a country, controls the supply of money. This strategy targets the rate of interest in order to promote economic growth and stability. Its immediate aim is to stabilize commodity prices and reduce the rate of unemployment.

The policy can be expansionary, where the supply of money in the economy is increased to boost the level of employment in the economy. It can also be contractionary, which means that the supply of money is reduced to slow inflation.

### **Trade Policy**

This policy governs trade with third world countries. It covers the areas of tariffs, trade subsidies, import quotas, Voluntary Export Restraints, restrictions on the establishment of foreign owned business and regulation of trade in services and other barriers to international trade.

**Investment Policy**

This is a government regulation that encourages or discourages foreign investment in the local economy. This can be achieved through the government implementing currency exchange limits.

This is aimed at protecting the local industry from foreign competition. The policy also forces investors to keep local assets in local investment. This is meant to encourage economic growth within the local economies.

**Industrial Policy**

These interventionist policies are aimed at stimulating specific activities and promoting structural change. They are sector specific for example tightening credit, taxing capital gain or subsidizing export industries. These are meant to protect and grow local industries.

**Social Policies**

Dean (2006) defines these as the actions that affect the wellbeing of a society by shaping the distribution of and access to goods and resources in the society. These are guidelines, principles and legislations that affect the living conditions of human welfare. Therefore, this policy is a part of public policy that has to do with social issues. The areas which are affected include health care, human services, criminal justice, inequality, education and labour.

Governments recognize and appreciate the fact that the market, if left to operate freely, will not put into much consideration the special needs of a society. Such needs include the need of education for all, access to good health care for all, availability of housing to all and the importance of social

security. It therefore steps in to influence market operations to provide these essential needs to its people. Most governments take a leading role in controlling the prices of these commodities or providing them directly.

## **Analysis**

### **Occupational Health and Safety Regulations in United Arab Emirates**

#### **Why this regulation is necessary in UAE**

This regulation is necessary and important to UAE as it protects the workforce in many organizations by reducing the probability of occurrence of accidents. The department's operations encompass construction, commercial, marine and industrial developments.

#### **Why this regulation exists**

This policy was enacted after a number of accusations of the UAE government's poor and discriminative labour laws. An article by Krane (2006) states that in 2006, workers at the Burji Khalifa construction site conducted riots over low wages and poor working conditions.

They damaged cars, offices, computers and construction tools. They are said to have caused damage worth approximately \$1 million. The following day, workers of another construction site, that is a terminal at the Dubai International Airport, went on a similar strike to support them. A similar strike took place in 2007.

#### **When did the Government of UAE start thinking of this regulation?**

In 2007, following the series of strikes by workers in construction sites, the ministerial service council of the UAE recommended the setting up of a



National Authority for Inspection and Occupational Health and Safety to implement labour laws and ensure that companies have occupational health and safety rules. The body would supervise and ensure that the working environment is safe and free of hazards.

### **Changes that the government made throughout the years after implementing this regulation**

The policy was then implemented in 2007. It has undergone a number of changes to make it suitable for its purpose. The workers were provided for monthly electronic payments.

It required health and safety standards for housing to limit overcrowding. The domestic workers were supplied with standard contracts and the country signed bilateral agreements with countries which donate majority of workers. Vacation, flight arrangements and medical care have also been included in the improved packages.

### **Characteristics of the Regulation**

The regulation demands that employers must display health and safety signs in prominent places. These signs must be written in Arabic and any other language of the employees. Employers must provide training to employees on any risks or hazards associated with their job.

Employers must apply adequate means to prevent occupational hazards. This can be done through provision of enough protective equipment, erection of safety barriers around hazardous equipment and taking necessary measures when storing hazardous material. Employees have the responsibility of using effectively the protective equipment provided to them

by the employer. The employer must provide at least one first aid kit for every 100 employees. The contents of the kit are spelt out by the ministerial decision no.

32. Workplaces must be clean, well ventilated and lit. they should also have good drainage facilities.

Employees with a workforce of more than 150 people must have a fulltime industrial safety officer. Employers must report any incident which results to employee's accident.

### **Existing Traffic Regulations**

Dubai has a great road network, with most highways having 8-10 lanes. The driving standards of Dubai are nonetheless not the best as the country has one of the highest death tolls in the world per head of populations. Most of the populations in Dubai drive the most expensive cars and they end up testing their speed on the highways. One of the regulations the Dubai government implemented with regard to this is the speed limit.

The new speed limit is 140 kph. Jail terms and fines were increased for those violating these regulations. For drivers caught driving while drunk, they would be fined a minimum of 20, 000 dhs and a year in jail. Number plate offences would carry a similar sentence.

A minimum 5000 dhs or 3 months in jail would be fined for those driving without licenses or selling licenses. These rules have advantages and disadvantages discussed. ConsumerBusinessesSocietyCost ( Disadvantage )- For the consumers, they mean slow delivery of goods and services.

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-The low speed limits can delay delivery of goods and passengers to their destinations and this could affect the effective accomplishment of their tasks. -The many stop offs by the vehicles for inspection also waste time for passengers and delivery of goods which may go bad.- The strict penalties for traffic offences can bring loss to their businesses because of the fines and time spent in jail. -The police are likely to take advantage of the situation to increase the rate of extorting bribe from the motorists with the threat of accusing them.-For society, the disadvantages are limited as these regulations are for the general good of the public. -The frequent arrests and chasing by the police of law offenders creates tension in society as people live with fear of arrest, even when they are not breaking the rules. -The general relationship between the public and police is also affected as they treat them with suspicion.

Benefit ( Advantage )-These regulations are an advantage to the consumers as they ensure that they get goods in good shape. -Some goods are fragile and their quality can be badly affected if disrupted during transportation. - The consumers of transport services also get good services. -The safety and comfort is assured with the implementation of these rules.

-To the business, company assets in terms of vehicles and vehicle parts are secured from accidents and damage. -The owners also do not waste a lot of time in court over cases arising from breaking traffic rules.-To the society, these rules ensure the upholding of societal norms such as prohibition of drug and substance abuse and respect for life. -They also serve to promote order in society. -They help eliminate conflict between the motor vehicle

handlers and pedestrians, who suffer in cases of accidents. -These regulations will minimize the rates of crime.

-Due to the strict measures against number plate identification, motor vehicle theft will not be easy any more.