

Availability criteria and other labour market institutions in shaping policy regimes and explaining labour market performance in Europe in the 1990s

Making work pay, March 17 2005

Anne Katrine Thorball copyright with the author

Danish Ministry of Finance



FINANSMINISTERIET

Presentation based on work by

- Søren Gaard & Anne Katrine Thorball: "Evaluating Labour Market Reforms in Europe in the 1990's"
- Søren Hasselpflug & Anne Katrine Thorball: "Availability criteria in 25 countries"



Main objectives

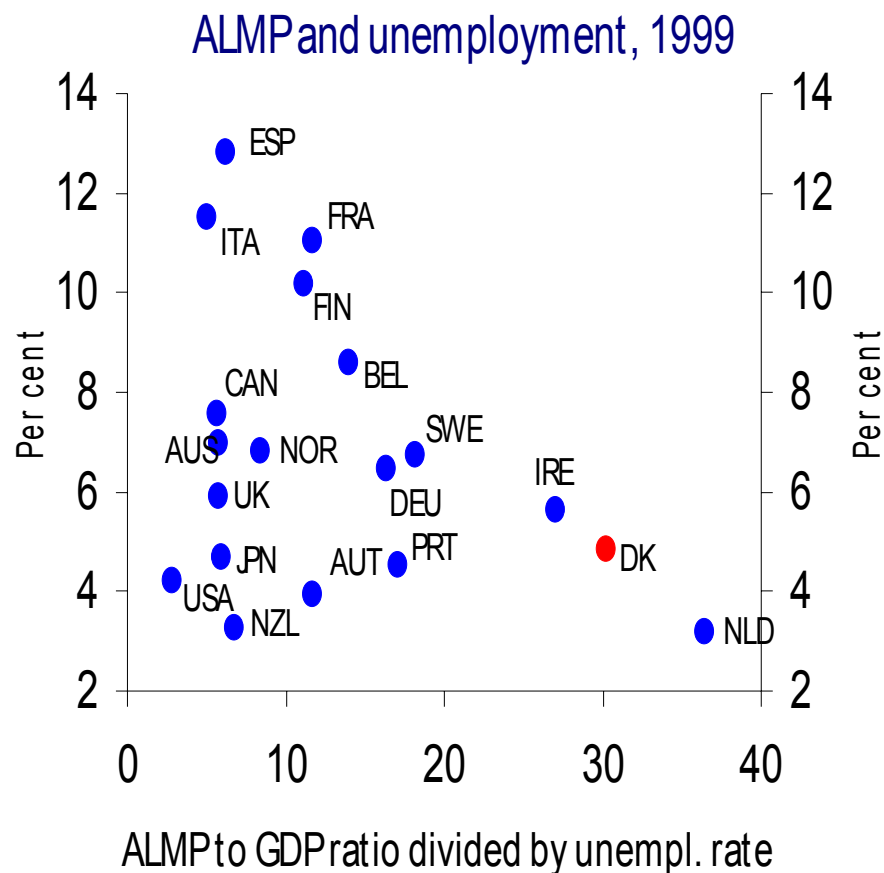
- Compare labour market policies in the EU
 - Identify the quantitative effects of LMP on unemployment
 - Identify LMP regimes and evaluate the performance of those regimes
 - Can LMP explain differences in performances in the EU in the 1990s



Table 1. Effects of LMP and institutions on unemployment, panel of 19 OECD-countries, 1983-99

| | | |
|---|---|-----|
| More generous (overall) unemployment compensation | + | *** |
| Longer duration of benefits | + | |
| Stronger requirement for availability | ÷ | ** |
| Higher expenditures on ALMP | ÷ | ** |
| Stronger employment conditions | ÷ | * |
| Higher job protection | + | * |
| More centralized wage negotiations | ÷ | *** |
| Higher Union Membership | + | *** |
| Higher total taxes on labour | + | ** |

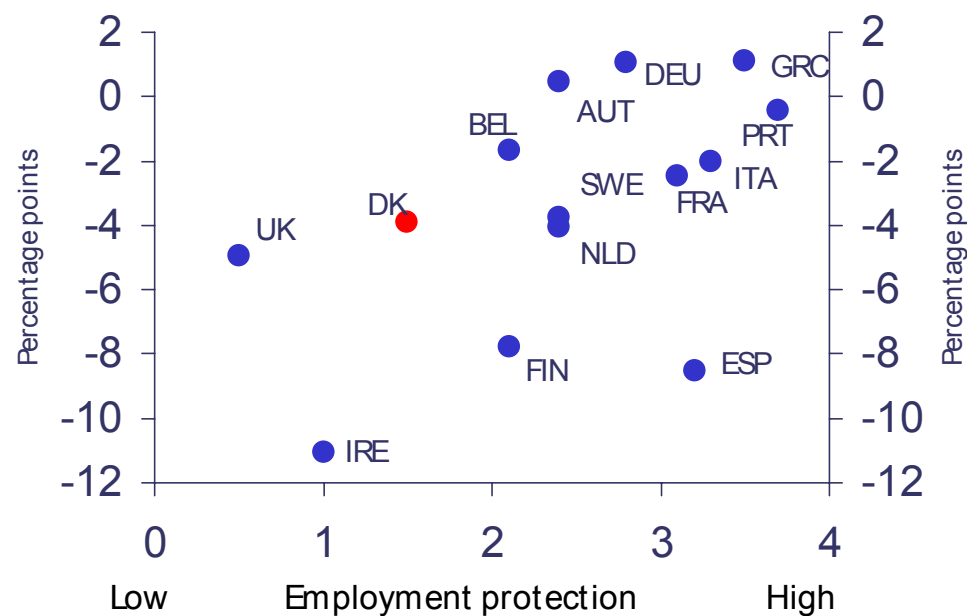
Effects of ALMP



- Strengthen job-related skills
- Test of availability: may counterbalance disincentives from generous U.I.
- No re-eligibility of U.I. by participation
- But, lacks good data

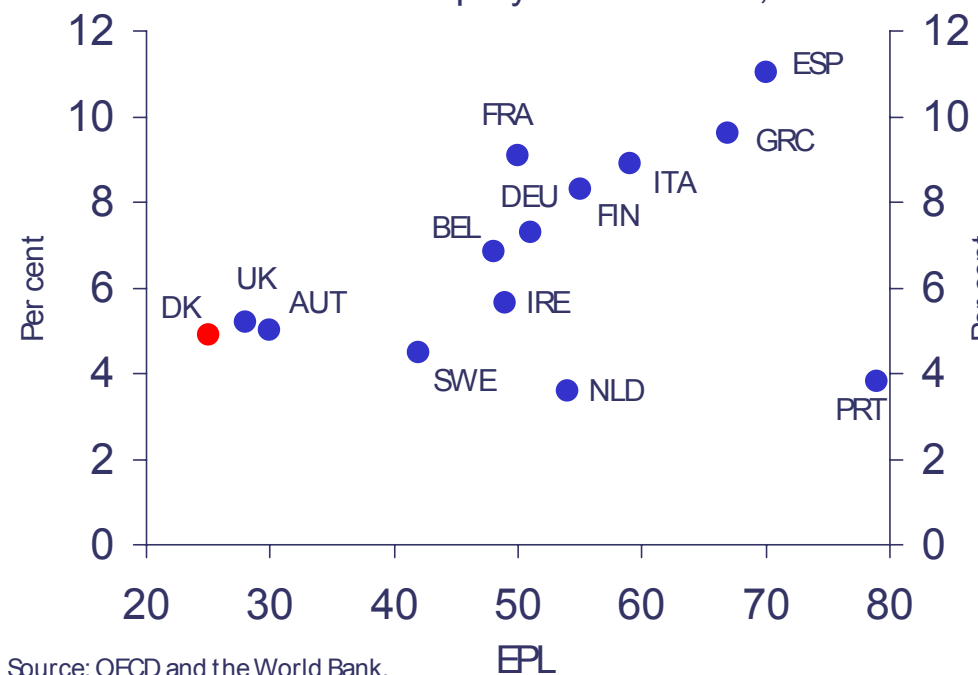
Effects of EPL

Change in unemployment 1994-03 and EPL 1998



Source: OECD.

Structural unemployment and EPL, 2003



Source: OECD and the World Bank.



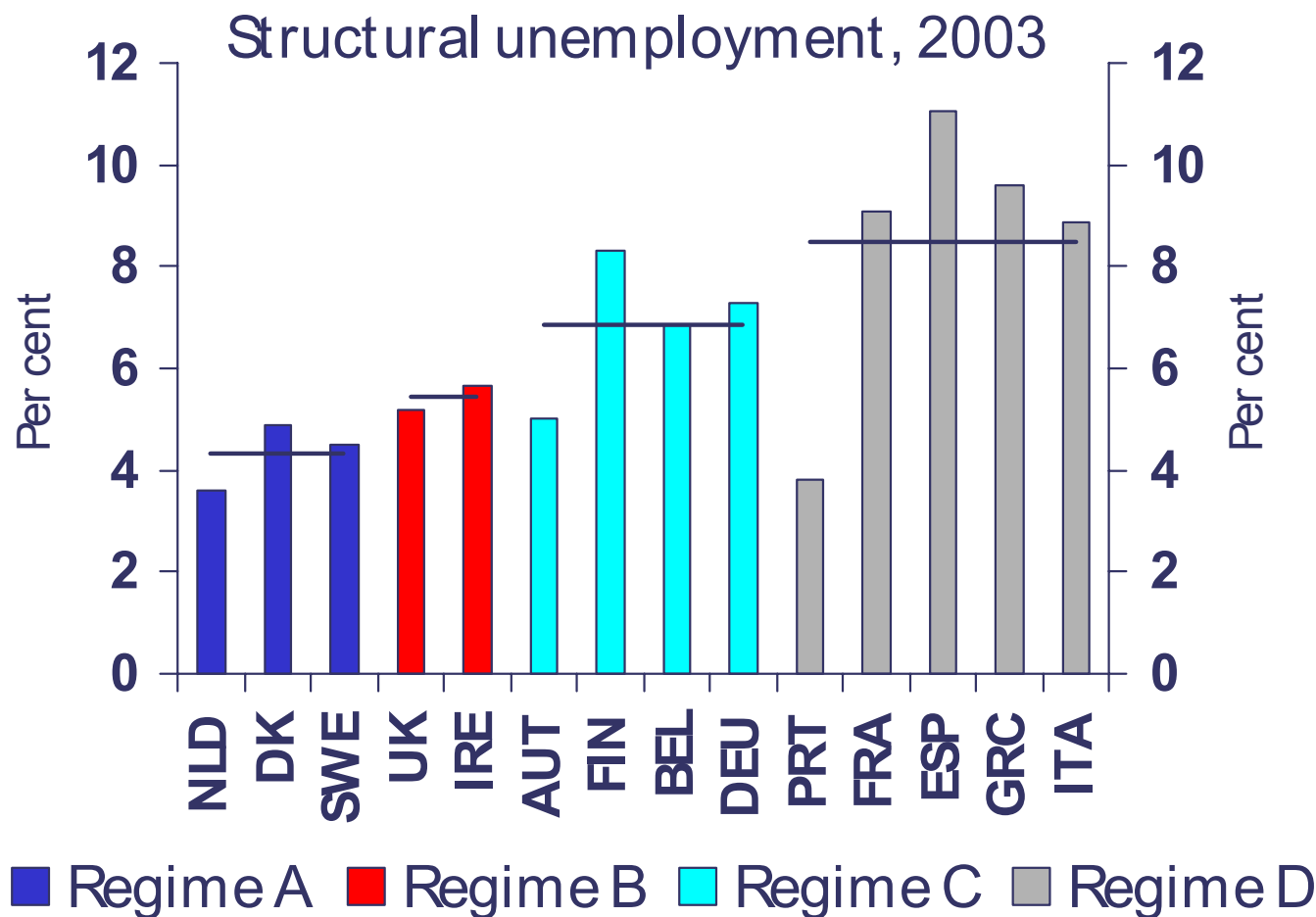
FINANSMINISTERIET

LMP regimes

| Regime | Countries |
|---|--|
| <i>Regime A</i> <i>North European regime</i> | Denmark, Netherlands, Sweden |
| <i>Regime B</i> <i>Anglo-Saxon regime</i> | Ireland , United Kingdom |
| <i>Regime C</i> <i>Central European Regime</i> | Austria, Belgium, Finland, Germany |
| <i>Regime D</i> <i>South European regime</i> | France, Italy, Spain, Portugal, Greece ¹⁾ |

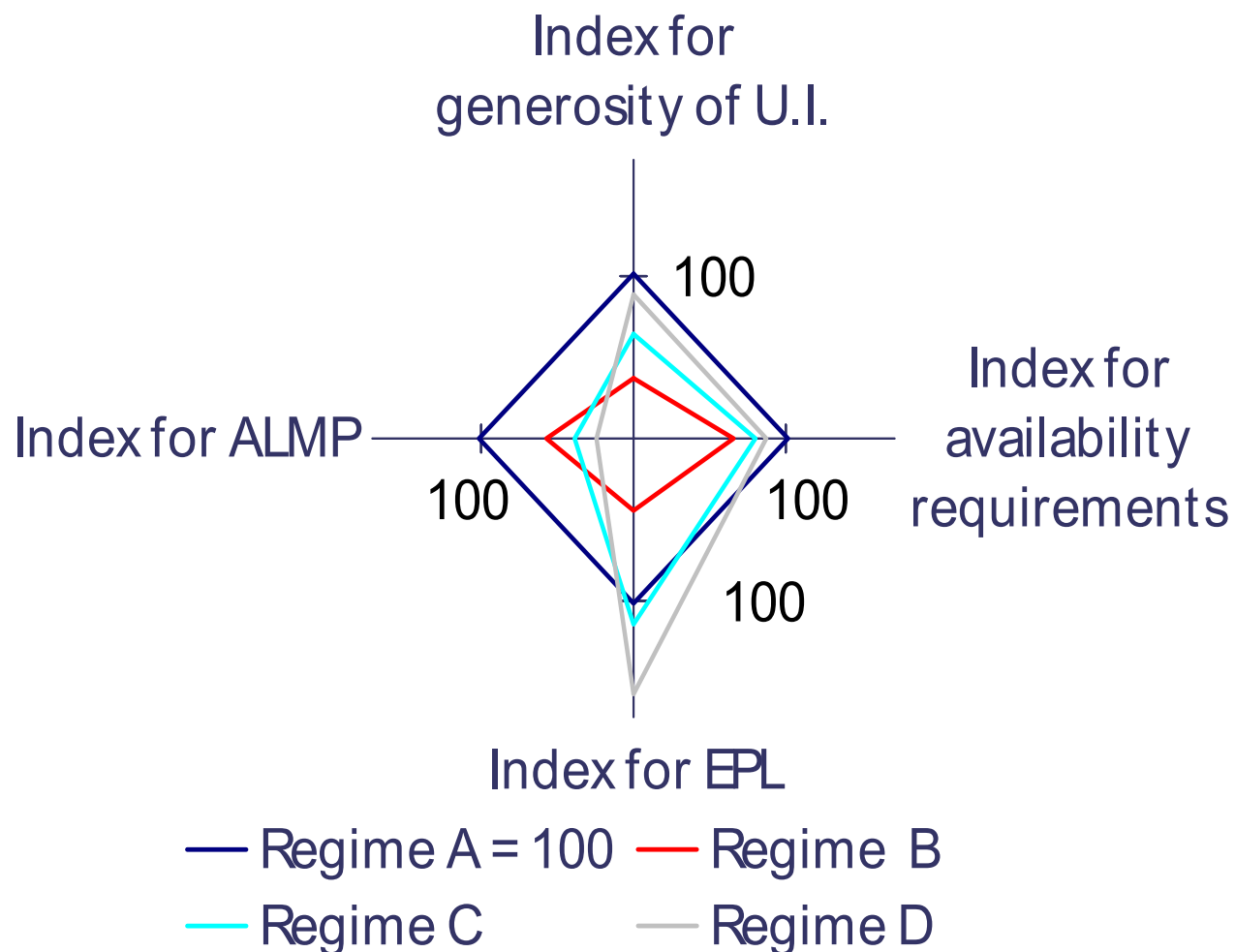


Performance of regimes



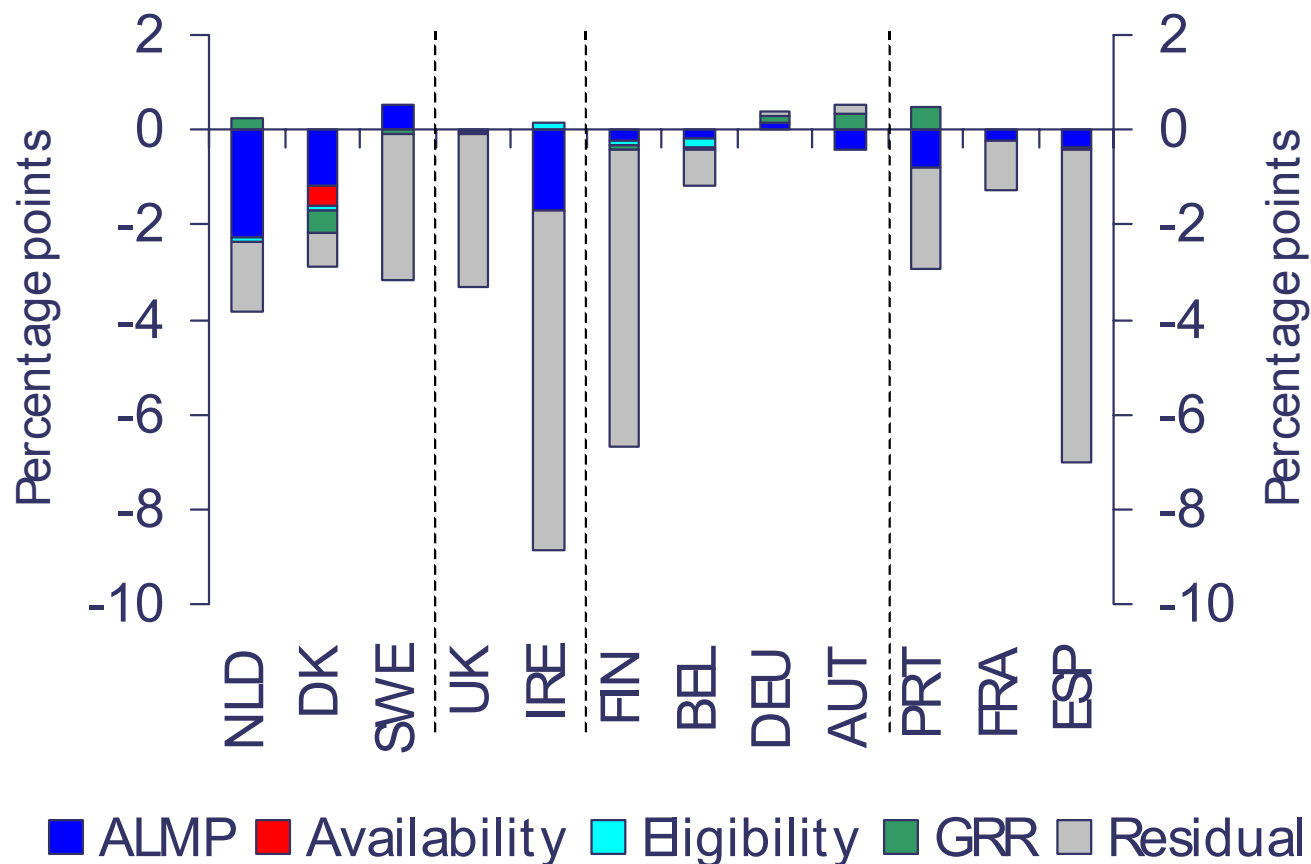
Source: OECD and own calculations.

Policy mix



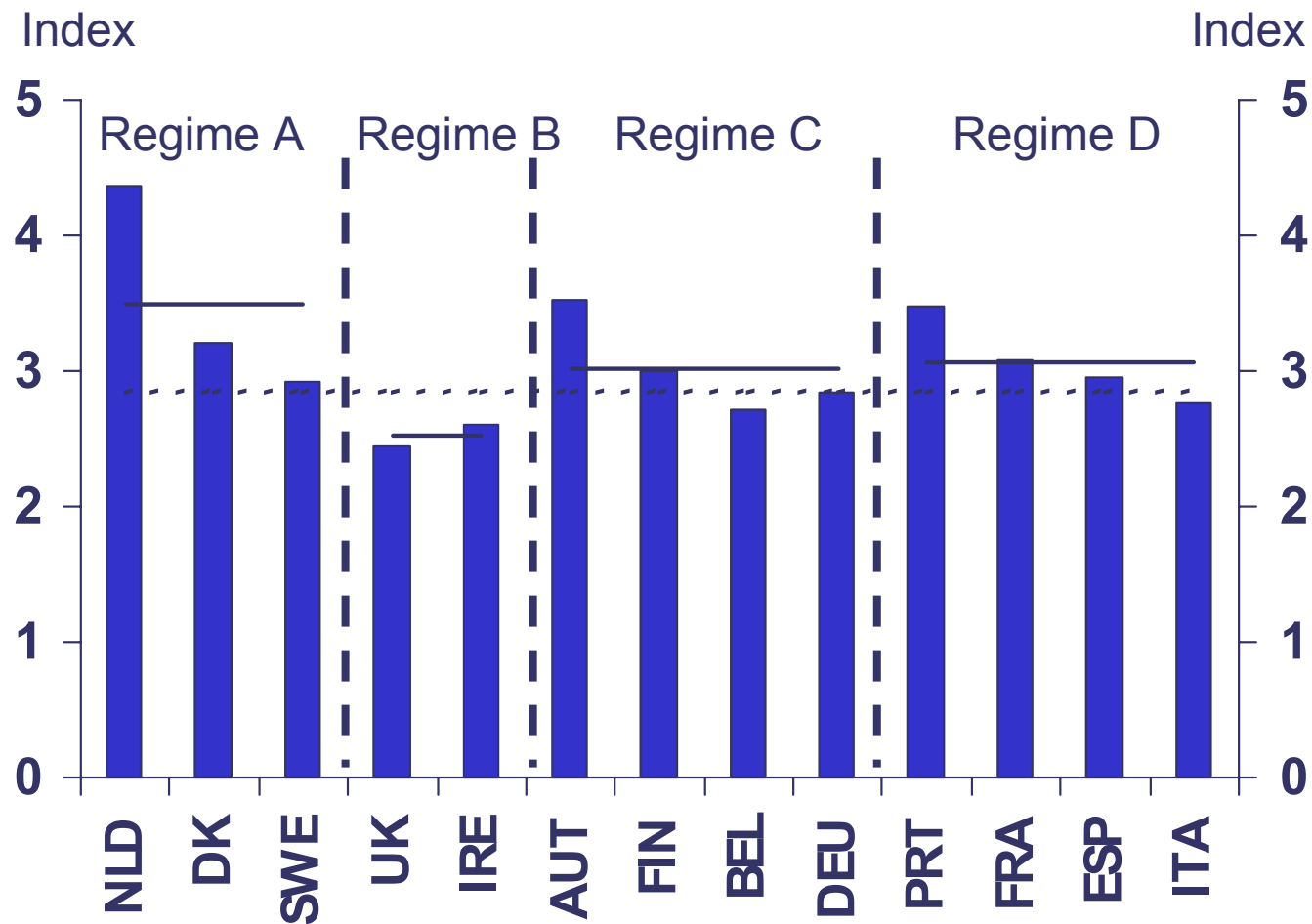
Reforms in the 1990

Contribution of LMP to change in unemployment 94-99

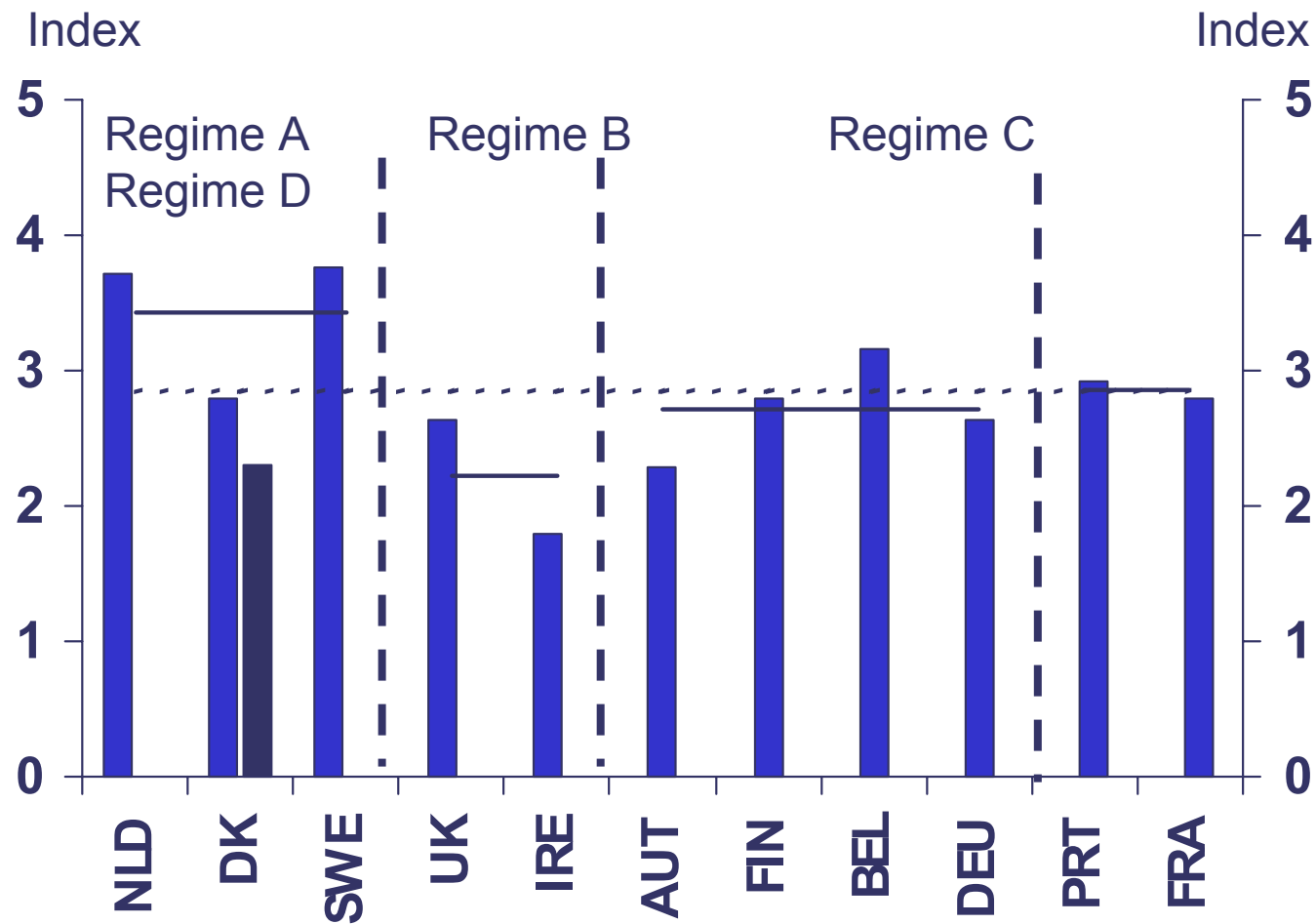


Source: Own calculations

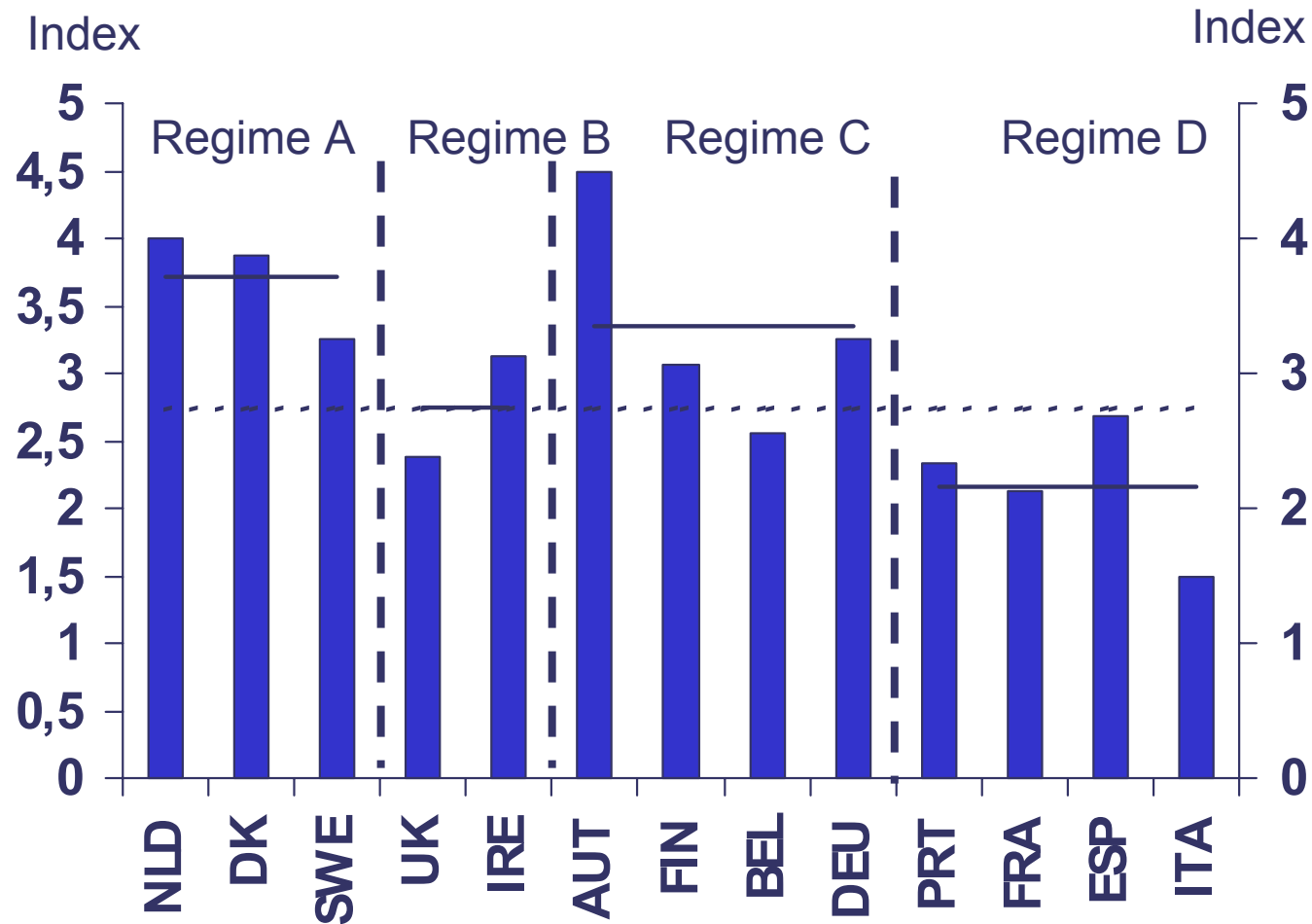
Availability for work requirement indicator 2004



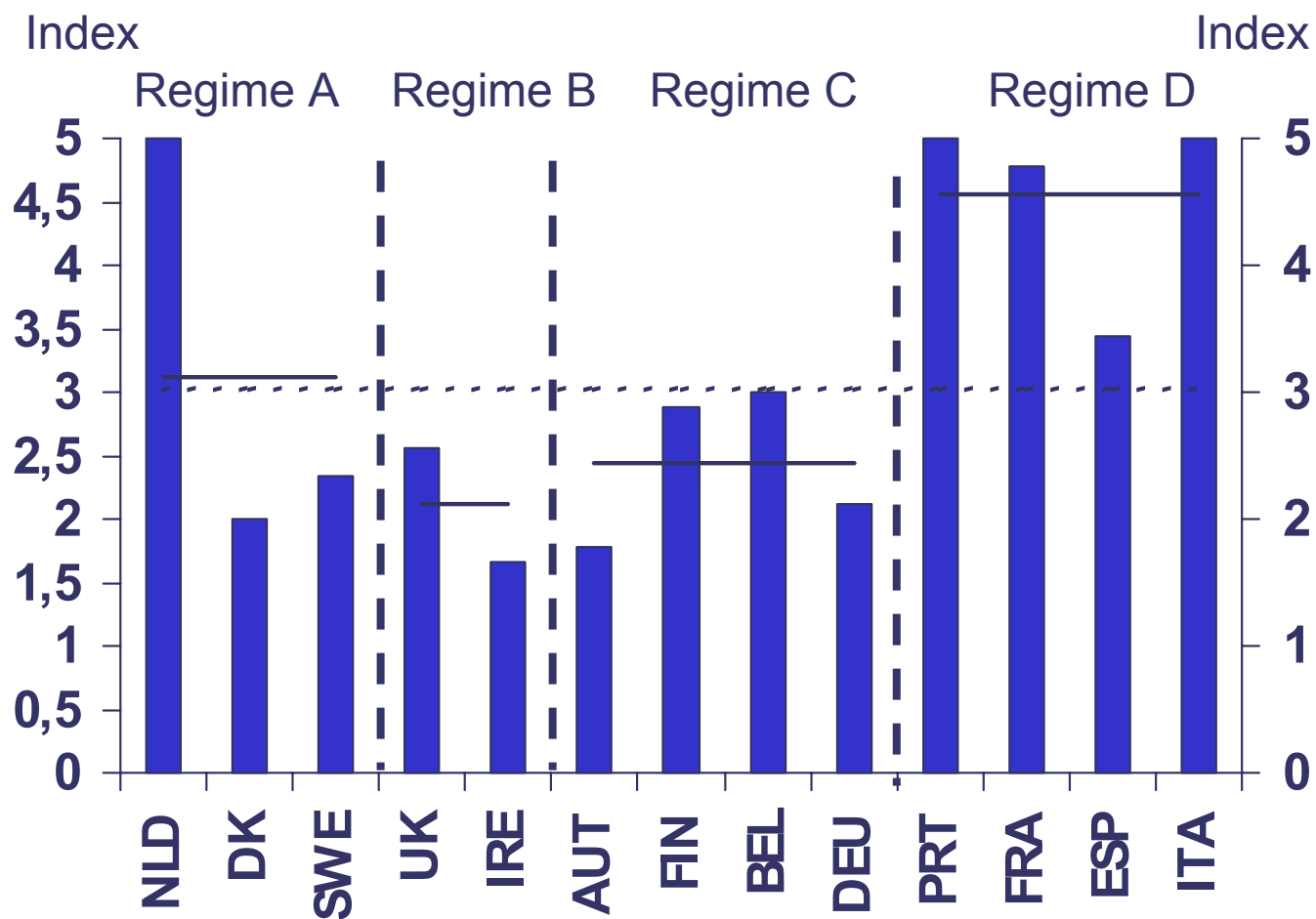
Availability for work requirement indicator 1997



Specific demands on availability 2004



Strength of sanctions 2004



Main Conclusions

- Policy mix important for performance
- Countries with low structural unemployment have high ALMP expenditures (regime A) or low U.I. generosity (regime B)
- Regime A more expensive than regime B

