Structure of this presentation

1. The rationale of LABREF
2. The structure of LABREF
3. Illustrative use of LABREF
The rationale of LABREF

Labour markets will not function well without proper institutions
(Blanchard 2002)
LMI: key findings from the economic literature

- LMI do **not work in isolation** → interactions and country specific circumstances

- Reforms need to be **comprehensive** to generate better outcomes

- The quality of **reform design matters**

- The design of LMI **can be improved**
  - exploiting the complementarities between different institutions
  - exploiting the role of incentives to work and participate
  - targeting policies measures to those at risks of inactivity or social exclusion
  - improving the functioning of policy implementing institutions
Scope of LABREF

- LABREF records **key characteristics of reform design** affecting LMI and likely to have an impact on labour market performance

- Policy actions which involve or not disbursements or foregone revenues

- **Reforms include**
  - Legislation and other normative acts, including measures entailing changes in the implementation framework of a previously adopted reform
  - Collective agreements and measures initiated by social partners and local authorities when their decisions set the pattern at the national level
Key design features

- LABREF is an **inventory of enacted** reforms, NOT proposals

- It provides **factual information** on reforms and their key design characteristics; NOT an assessment of reform measures

- Describes **changes** to LMI, and does NOT provide a measure of levels/intensity of the institutions themselves or of the reform efforts
The structure of LABREF
The structure of the database (I)

- 9 main reforms’ areas
  - Labour taxation
  - Unemployment and welfare-related benefits
  - ALMPs
  - EPL
  - Pension systems
  - Wage Bargaining
  - Working time
  - Immigration
  - Mobility
The structure of the database (II)

Main features of the reform design
- General description of the measure
- Reference to the document establishing the measure (Budget Law, Decree, Collective Agreement, etc.)
- Source concretely used
- Year of adoption
- Scheduled timing of implementation (Entry into force, phasing-in schedule)

Detailed features of the reform design
- Is the measure part of a long-term policy programme or of a reform package?
- Is the measure applied to new entrants only or also to incumbents?
- Is there an involvement of the social partners? Do they have an active or consultative role? Do they agree on the measure?
- Socio-economic groups targeted (women, older workers, low wage earners, etc)
- Direct budgetary costs for the General Government
- Are enforcement and monitoring procedures put in place? Is an ex-post evaluation foreseen? If so, is the assessment carried out by the government or by some independent organisation?
- To be implemented does the reform require interventions in related areas?
- Main impact on Ld, Ls matching or wages?
Illustrative use of LABREF
Tracking labour market reforms

- *Ex-post* description of enacted reforms

- Multi-annual assessment of reform strategies

- Identifying reform strategies and inter-linkages across reform areas and over time (e.g. flexicurity approaches)

- Providing information for cross-country analysis

- Already used by ECFIN for country studies and for EPC thematic reviews (e.g. financial incentives to work for older workers)

- Could be used to identify policy shocks to feed GE models simulating the macroeconomic effects of reforms
Tracking labour market reforms

- The policy measures enacted in 2000-2006
- The characteristics of the reform process
- The impact of pension reforms on the older workers’ participation rates
The policy measures enacted in 2000-2006
- Shift from passive to active policy

- Policy packages combined targeted tax cuts (low-incomes earners) with measures improving job-search assistance, in the direction of individualised activation measures

- Main focus was on Labour Supply (unemployment benefits early-retirement, disability and old-age pensions)
**ALMPs**
- Individualised and better targeted activation measures
- More competition between private and public providers of employment services (e.g. CZ, DE, I, FR)
- Improved governance of PES (e.g. integrated services within one-stop shop)

**Unemployment and welfare related benefits**
- Level and/or duration of benefits reduced (e.g. NL, IRE, P, SK, SWE)
- Extended to non-standard employment (e.g. AT, CZ, SWE)
- Stricter controls (e.g. B)
- Tighter eligibility conditions (CZ, DK, F, P, SK, ES)
- The insurance component of the sickness schemes strengthened (CZ, NL, SWE)

**EPL**
- Reforms at the margin
- Narrow the gap between standard and non-standard contracts in ES, NL, FIN
**Pensions**
- Stronger actuarial link between contributions and benefits
- Tightened eligibility conditions for old-age pensions and early retirement
- Integration of public and private pension contributions
- Incentives schemes for those remaining in the labour market after 65
- Greater flexibility in choosing retirement age

**Wage Bargaining**
- Guidelines set by tripartite agreements for wage moderation at the industry level (e.g. B, FIN)
- No initiative to make wage bargaining more responsive to local conditions
- Statutory minimum wages

**Immigration**
- Improve integration of third country nationals
- Acceleration of the procedure for entry and regularisation of immigrants
- Selective immigration policies
The characteristics of the reform process
The majority of policy measures in ALMPs, Taxation, Pensions, UBs

Interventions on EPL represent a relative large proportion of total policy interventions in new Member States and Euro-zone

The majority of policy measures in SWE, DK, and UK are targeted and embedded in a long-term policy package

LS main focus

Measures that affect LD mainly in euro-area and new MS
- An increase in the reform intensity as EU membership approaches
- Negative correlation in the time pattern of reforms between euro-area and EU-10
A positive correlation between number of reforms on benefits and participation rate.

Hence, an attempt to increase flexibility at the margin with only minor interventions in the area of Benefits.

A negative correlation between number of reforms on EPL and employment and participation rate.
Reforms intensity and EPL

Loose EPL
Intense reform activity

Rigid EPL
Intense reform activity

Loose EPL
low reform activity

Rigid EPL
low reform activity

EPL 1 (normalised)

number of reforms (normalised)
Reforms intensity and EPL for collective dismissals

Relative Ease of dismissals
Intense reform activity

Relative difficulty of dismissals
Intense reform activity

Relative ease of dismissals
Low reform activity

Relative difficulty of dismissals
Low reform activity

Difficulty of dismissals
The impact of pension reforms on the older workers’ participation rates
Average change of the participation rate after reforms’ years and years where no reforms occur

<table>
<thead>
<tr>
<th>Participation rate</th>
<th>No reforms’ years</th>
<th>Reforms’ years</th>
<th>z-test: same mean changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-54</td>
<td>0.4</td>
<td>0.6</td>
<td>1.4</td>
</tr>
<tr>
<td>55-59</td>
<td>0.4</td>
<td>1.1</td>
<td>3.2</td>
</tr>
<tr>
<td>60-64</td>
<td>0.1</td>
<td>1.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>
The maximum effect occurs when those belonging to a certain age group approach the average exit age.
Thank you