

# **TRACKING LABOUR MARKET REFORMS IN THE EU USING THE LABREF DATABASE**

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**Tracking and Evaluating Labour Market Reforms in  
Europe**

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# 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-income 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

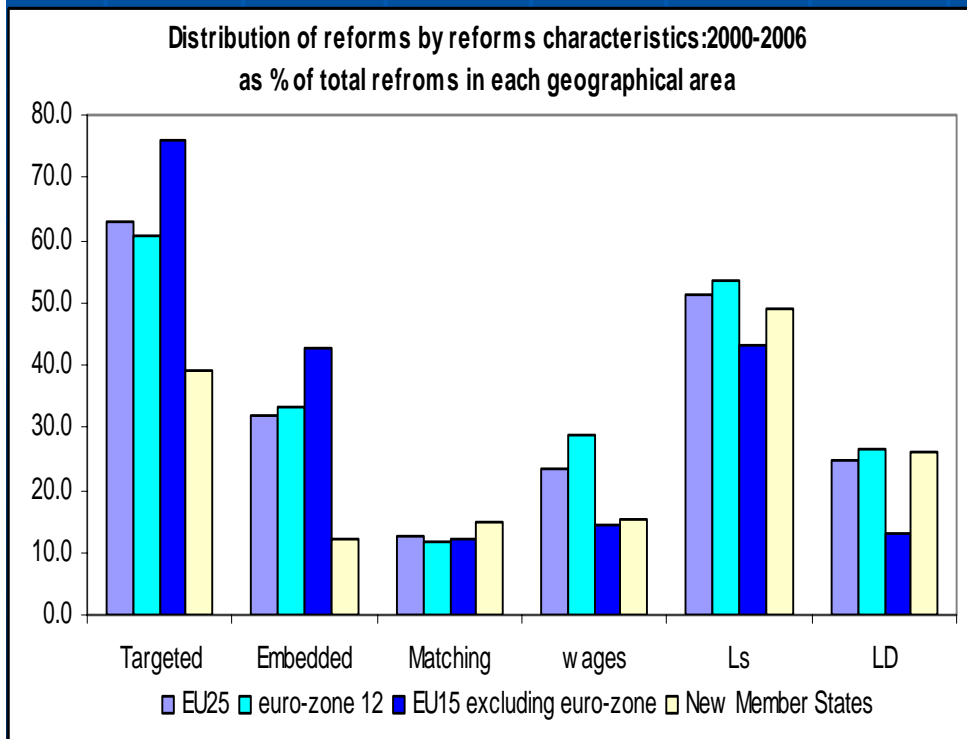
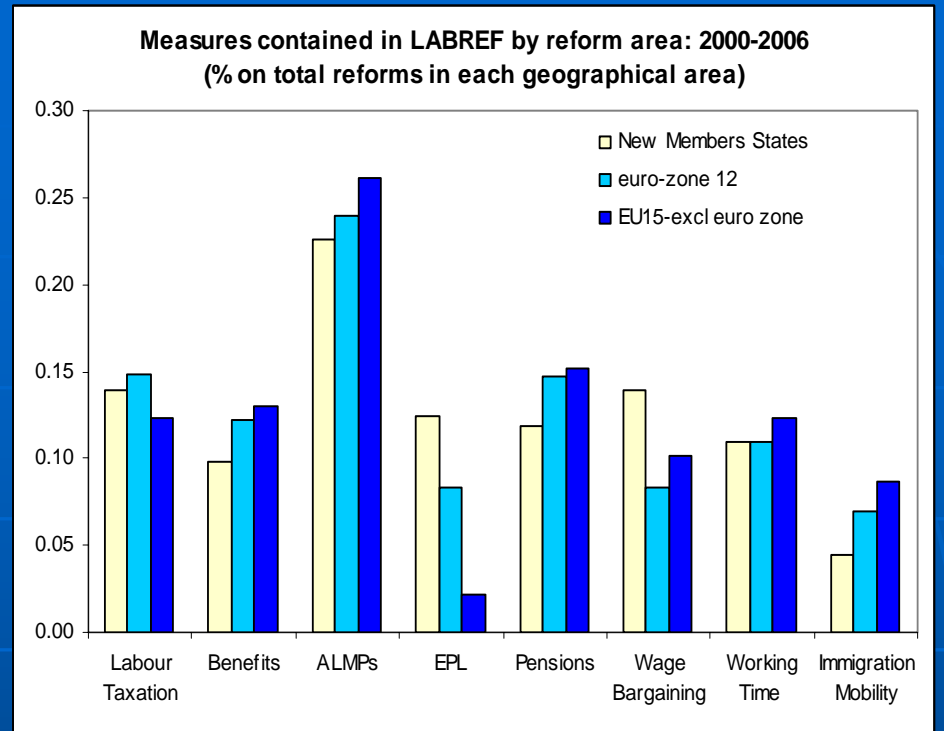
## ■ Immigration

- Improve integration of third country nationals
- Acceleration of the procedure for entry and regularisation of immigrants
- Selective immigration policies



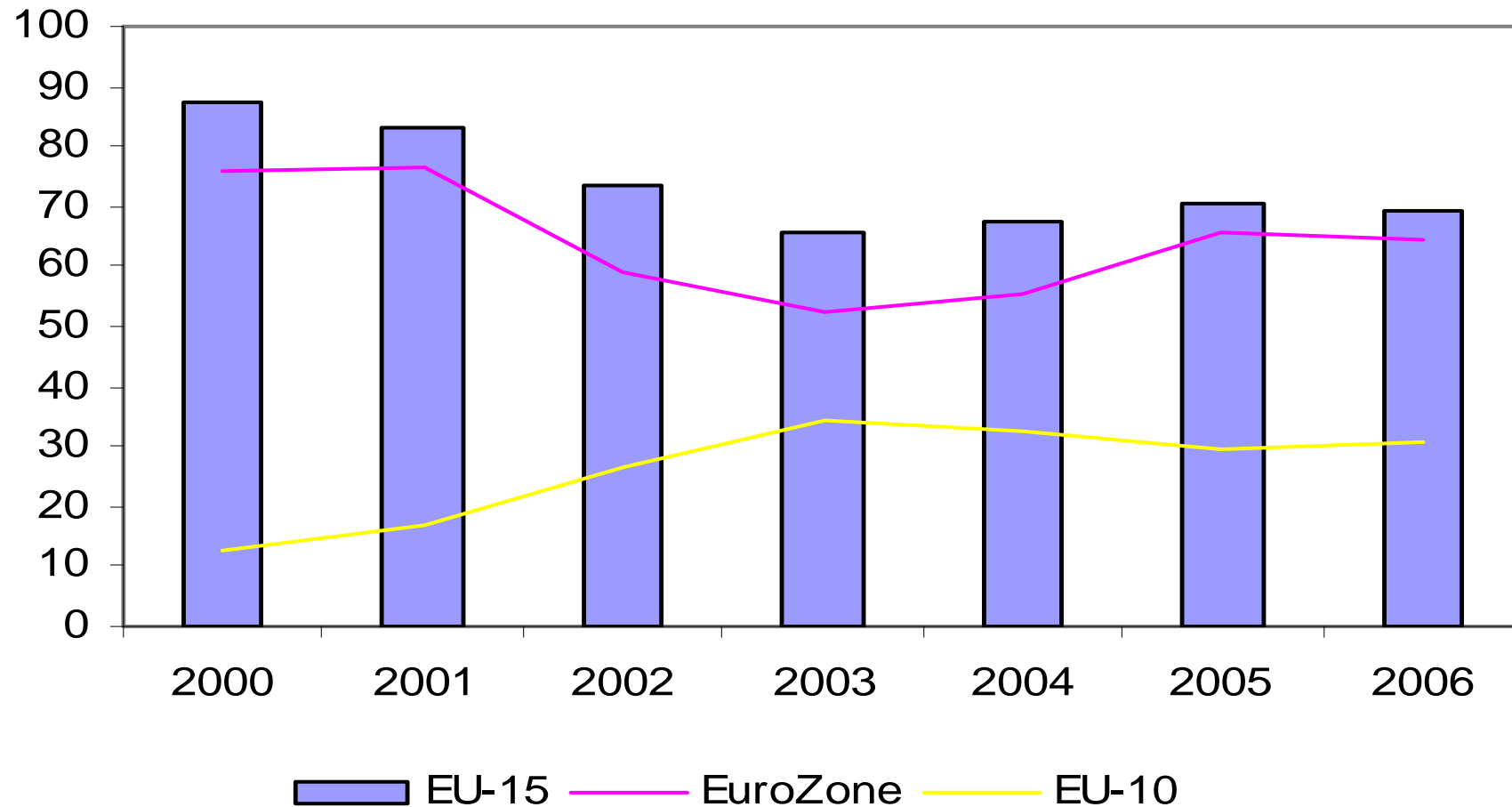
# **The characteristics of the reform process**

- 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



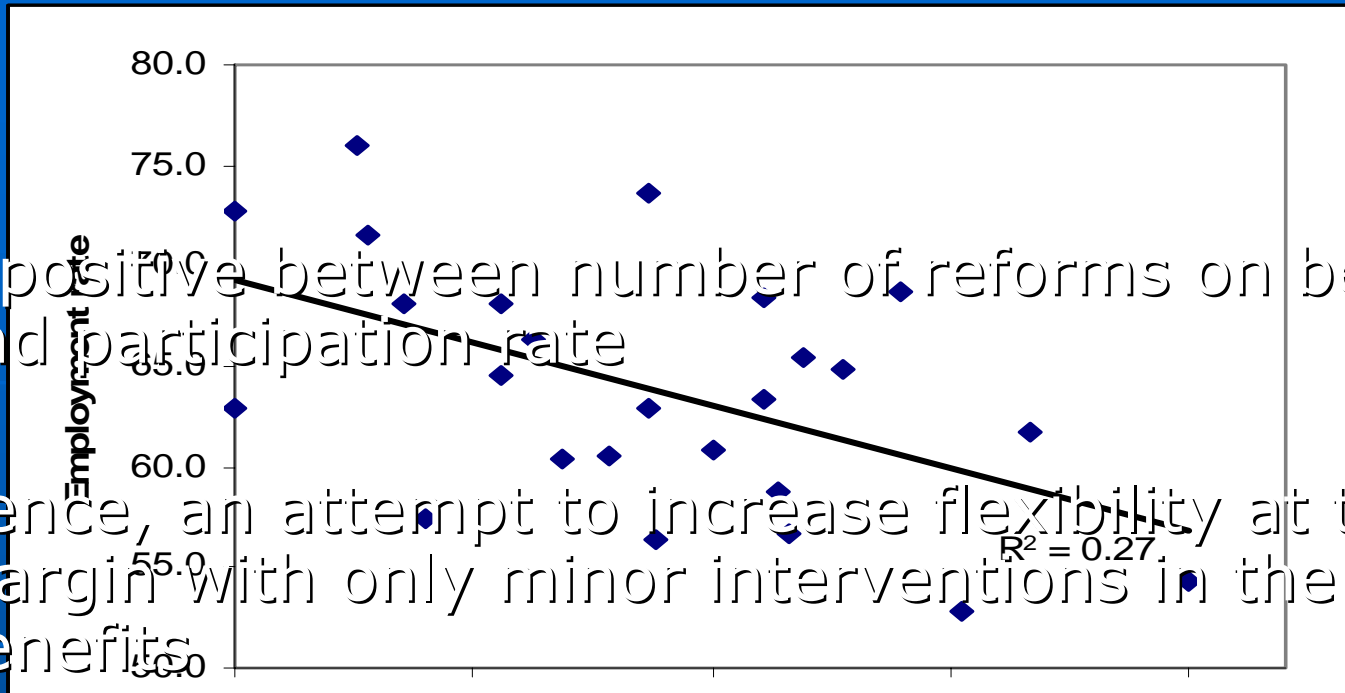
- The majority of policy measures in SWE, DK, and UK are targeted and embedded in a long-term policy package
- LS main focus
- Measures that affect LD mainly in euro-area and new MS

## Total Reforms enacted EU-25=100

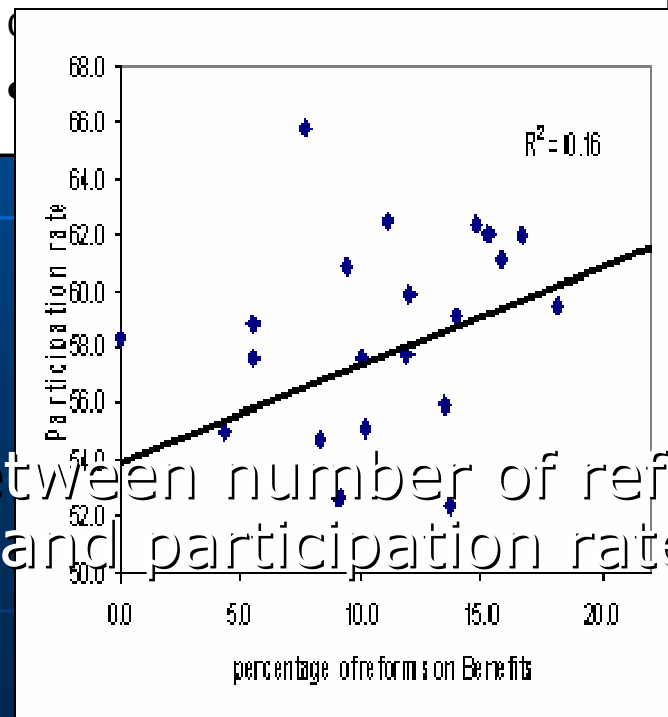
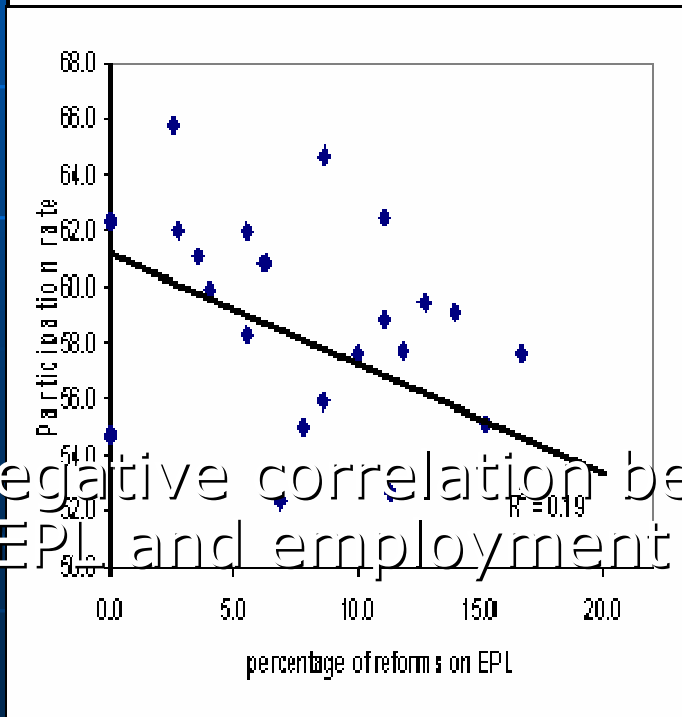


- An increase in the reform intensity as EU membership approaches
- Negative correlation in the time pattern of reforms between euro-area and EU-10

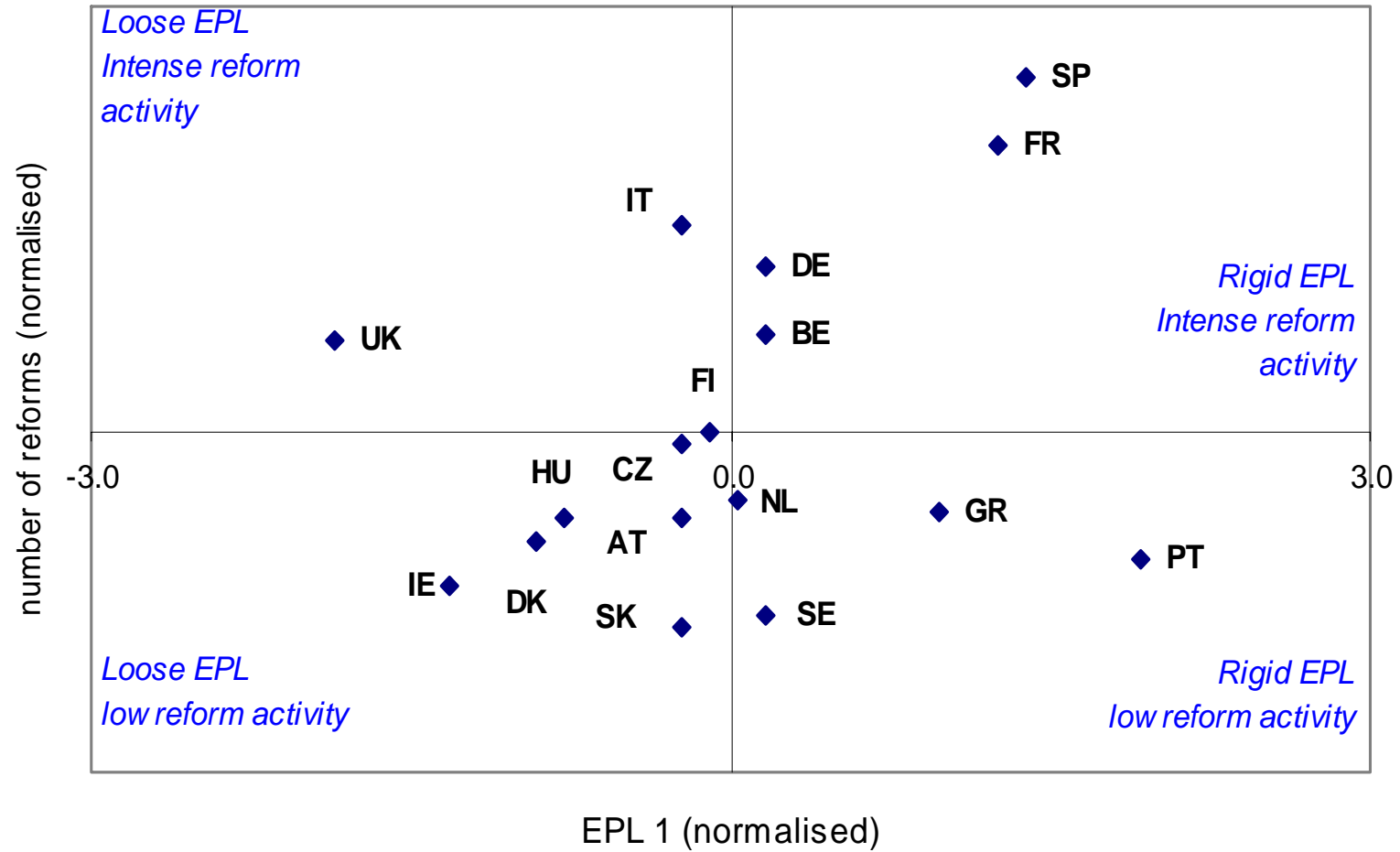
- A positive between number of reforms on benefits and participation rate
- Hence, an attempt to increase flexibility at the margin with only minor interventions in the area of Benefits



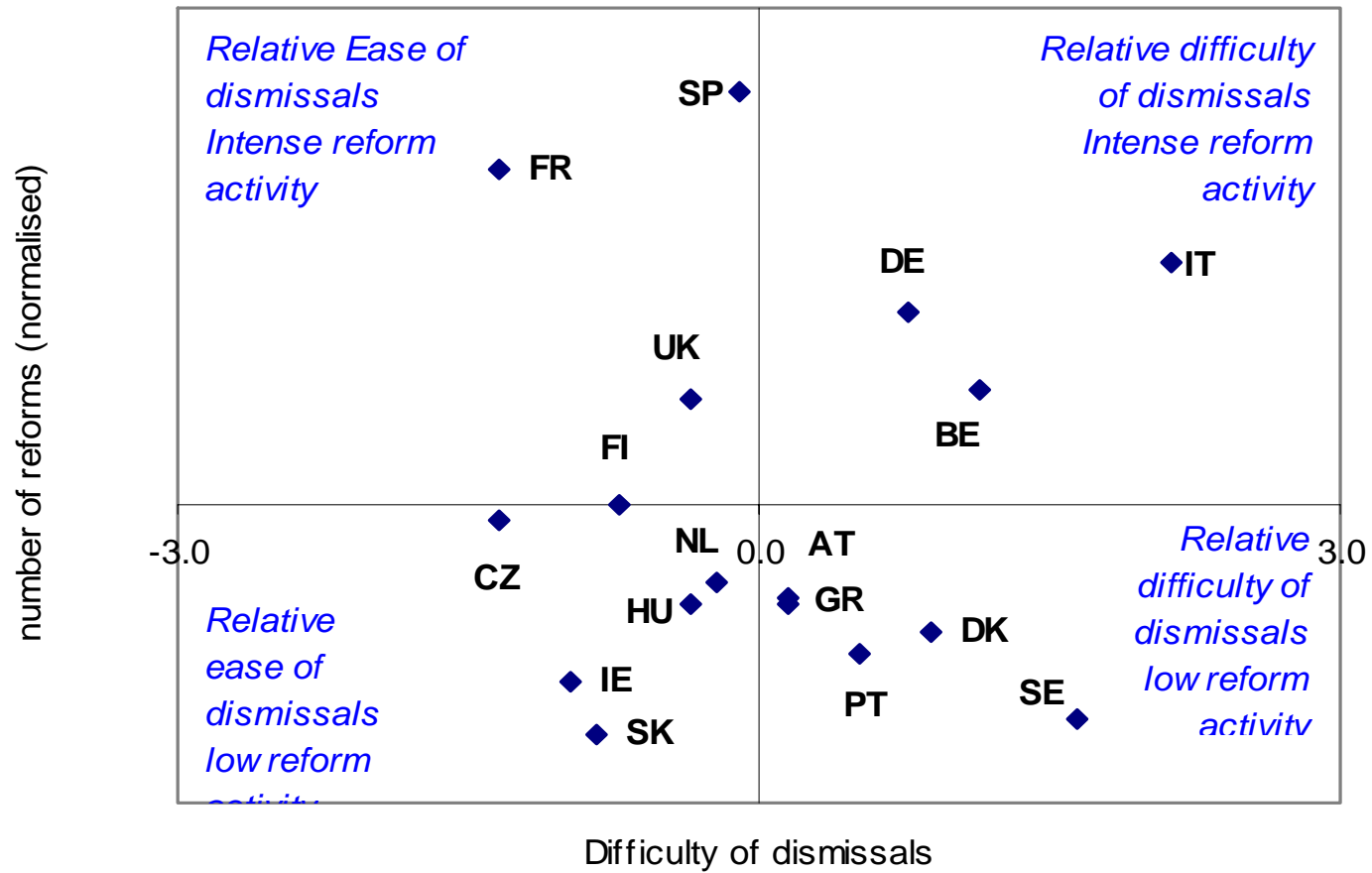
- A negative correlation between number of reforms on EPL and employment and participation rate



## Reforms intensity and EPL



## Reforms intensity and EPL for collective dismissals



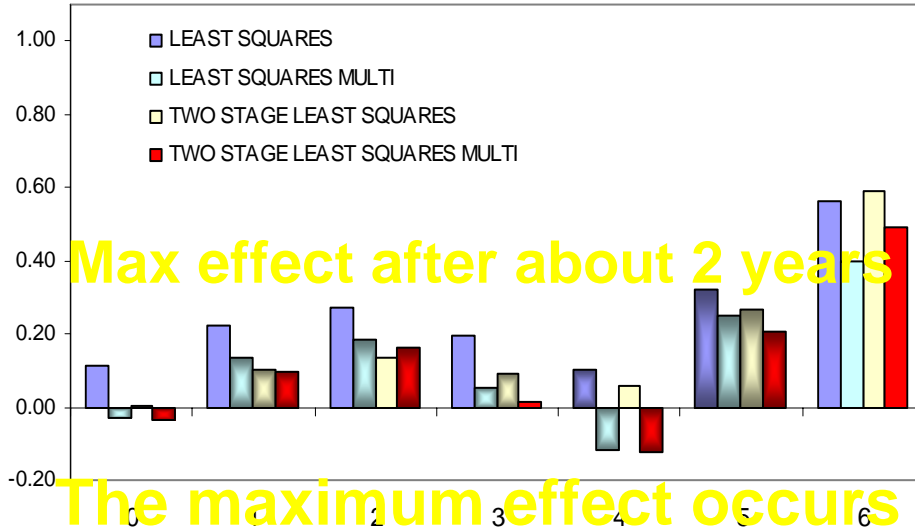
# **The impact of pension reforms on the older workers' participation rates**

**Average change of the participation rate after reforms' years and years where no reforms occur**

	<b>No reforms' years</b>	<b>Reforms' years</b>	<b>z-test: same mean changes</b>
<b>Participation rate 50-54</b>	0.4	0.6	1.4
<b>Participation rate 55-59</b>	0.4	1.1	3.2
<b>Participation rate 60-64</b>	0.1	1.0	3.5



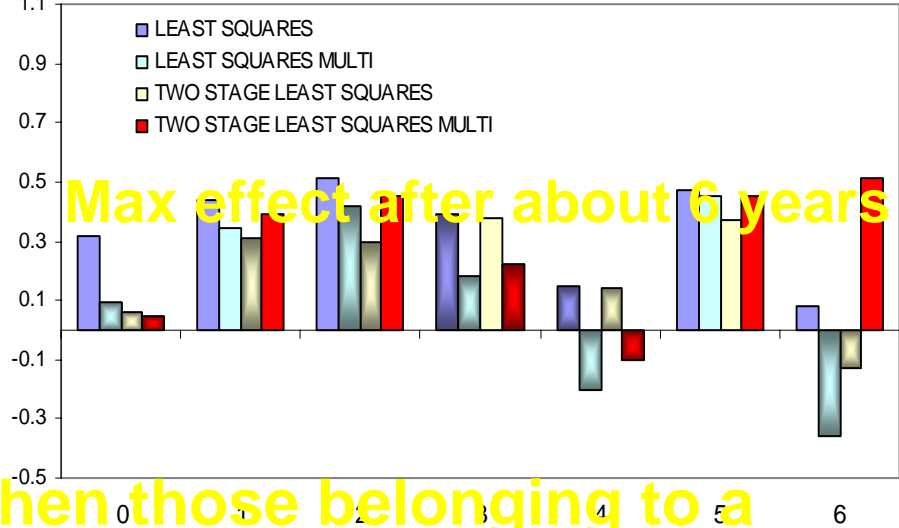
Effect of pension reforms on the participation rate 50-54



Max effect after about 2 years

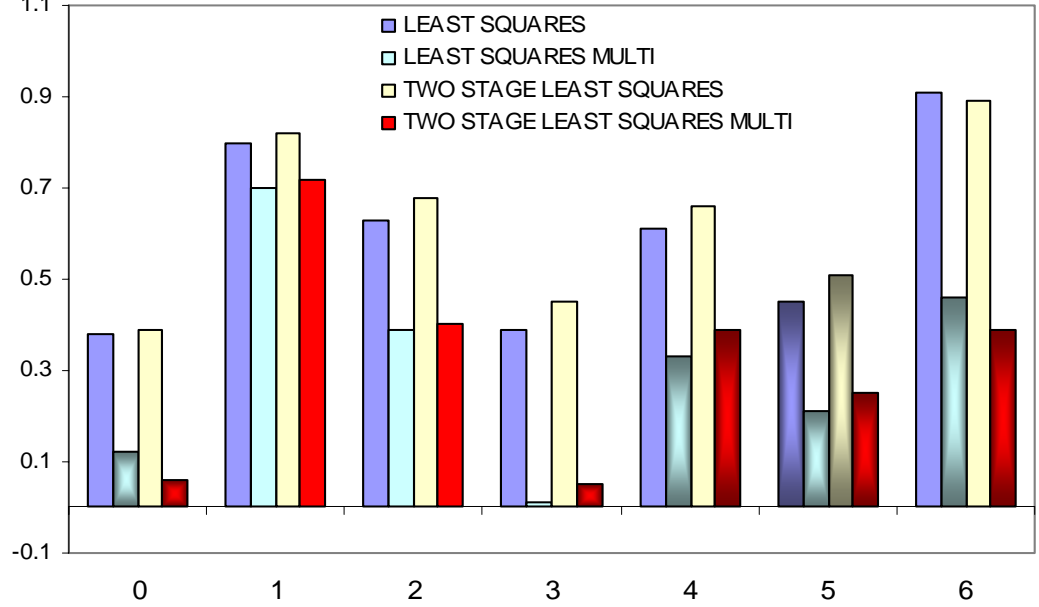
The maximum effect occurs when those belonging to a certain age group approach the average exit age

Effect of pension reforms on the participation rate 55-59



Max effect after about 6 years

Effect of pension reforms on the participation rate 60-64



Max effect after about 1 year

Thank you