

The fRDB Social Policy Database: data and potential applications

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Summary

- The fRDB Social Policy Reforms Database
- Assessing policy endogeneity:
 - Reforms in good and bad times
 - Reforms and Government's ideology
 - The timing of reforms
 - Reforms and political fragmentation
- Policy experiments: some applications
- Possible extensions of the database

The “fRDB Social Policy Reforms Database”

- Period: 1987 – 2005
- Countries: EU15 (except Luxembourg)
- 5 reforms areas:
 - 1) Employment Protection Legislation (EPL)
 - 2) Non-Employment Benefits (NEB)
 - 3) Public Pension Systems (PEN)
 - 4) Working Time (TIME)
 - 5) Immigration Policy (IMM)
- Focus on *qualitative* features of reforms

Direction and Scope

Reforms are classified along two main dimensions:

1. **Direction:**

Do they reduce or increase the generosity of pension and NEB systems? Improve working time flexibility? Make EPL and migration policy more or less stringent?

2. **Scope:** *marginal or radical* reforms

(two step procedure: first a qualitative assessment, then we look at trends in selected time series)

Popular and Difficult Reforms

- Reforms are “politically difficult” if:
 - decrease employment protection
 - reduce the generosity of the pension system
 - reduce restrictions to immigration
 - increase rewards from participation into the labour market (through a reduction in non-employment benefits or activation schemes)
- The opposite holds for “politically popular” reforms

Policy endogeneity

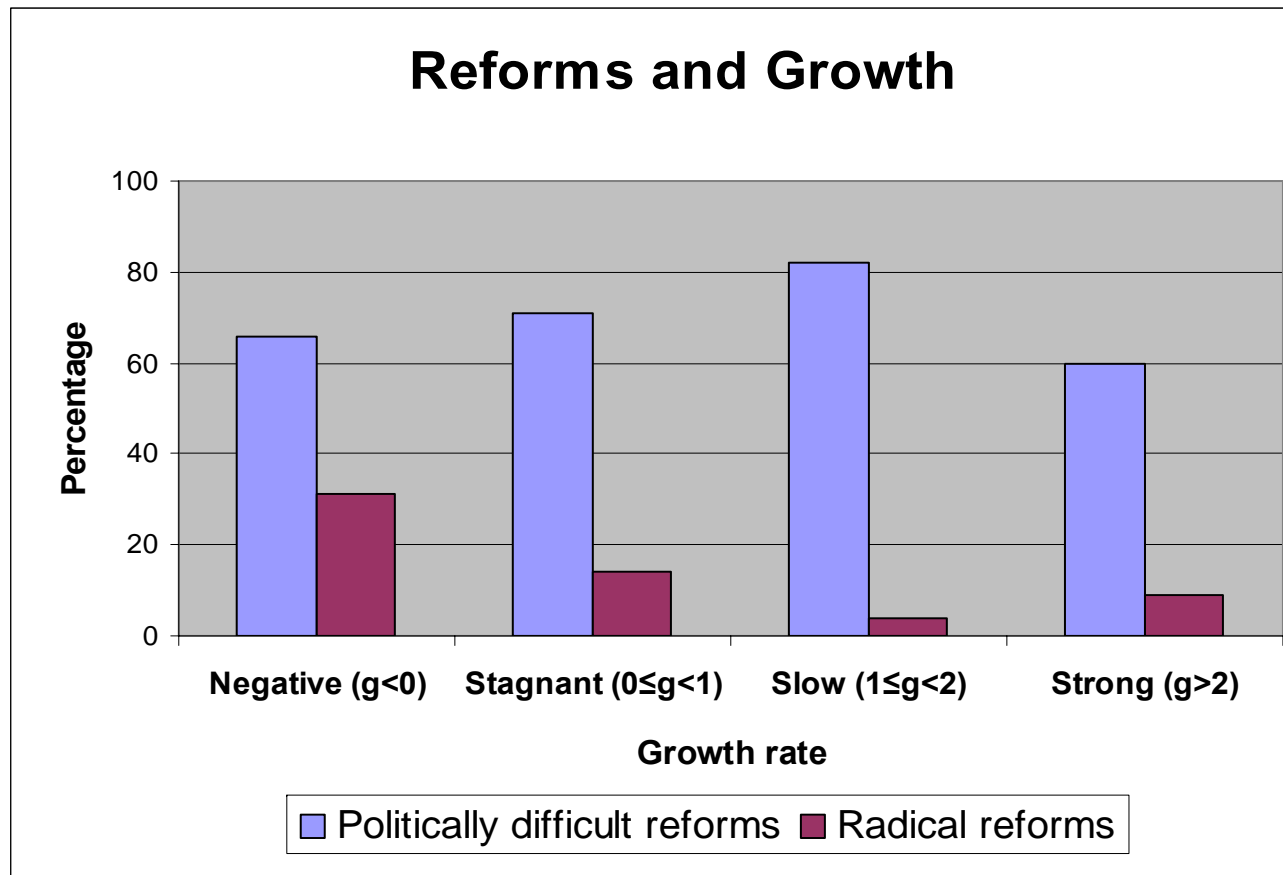
- Literature on the effects of labour market institutions often neglects institutional endogeneity
- In order to identify the effects of institutions on labour market performance one has to take into account that the labour market itself affect the design of institutions
- Insights coming from the analysis of the determinants of reforms of these institutions using the fRDB dataset

Counting reforms (1986-2005)

		Decreasing protection, generosity and restrictions to migrants. Increasing rewards from participation and working hours flexibility				Increasing protection, generosity and restrictions to migrants. Decreasing rewards from participation and working hours flexibility				Total per row	Of which decreasing (%)
		1986-90	1991-95	1996-00	2001-05	1986-90	1991-95	1996-00	2001-05		
EPL	<i>marginal</i>	5	7	14	12	8	7	20	18	91	42%
	<i>radical</i>	-	4	4	2	-	2	1	1	14	71%
NEB	<i>marginal</i>	9	24	75	94	10	8	21	19	260	78%
	<i>radical</i>	1	2	3	12	-	-	-	-	18	100%
PEN	<i>marginal</i>	12	22	24	25	11	9	16	16	135	61%
	<i>radical</i>	1	4	5	3	1	-	-	-	14	93%
TIME	<i>marginal</i>	-	1	17	20	-	-	4	3	45	84%
	<i>radical</i>	-	-	-	-	-	-	1	1	2	0%
IMM	<i>marginal</i>	-	2	8	7	-	4	5	11	37	46%
	<i>radical</i>	1	-	4	-	-	2	1	2	10	50%
Total per column		28	49	141	163	31	49	82	83	626	61%

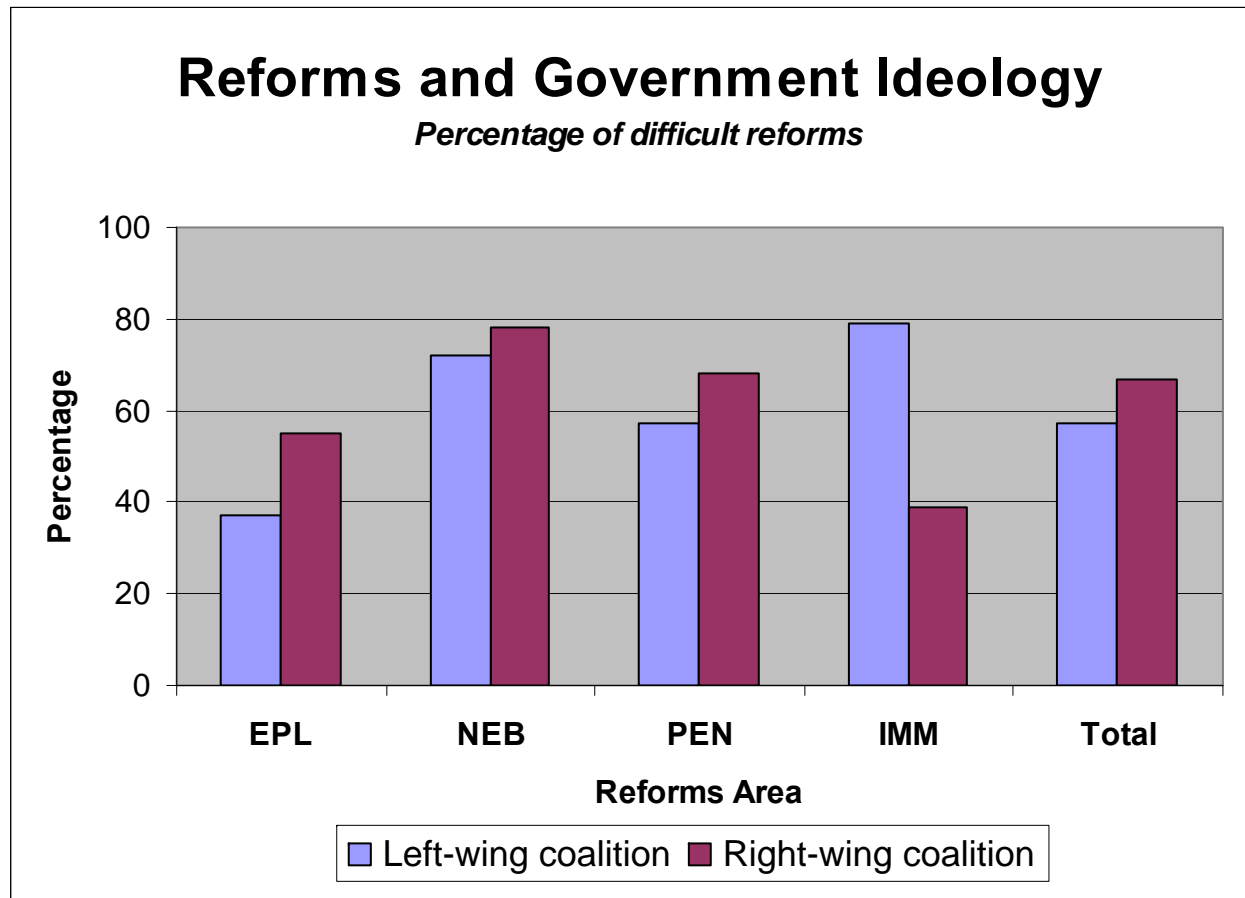
Reforms and Macroeconomic Conditions

Politically difficult reforms are more likely under "bad" macroeconomic conditions...



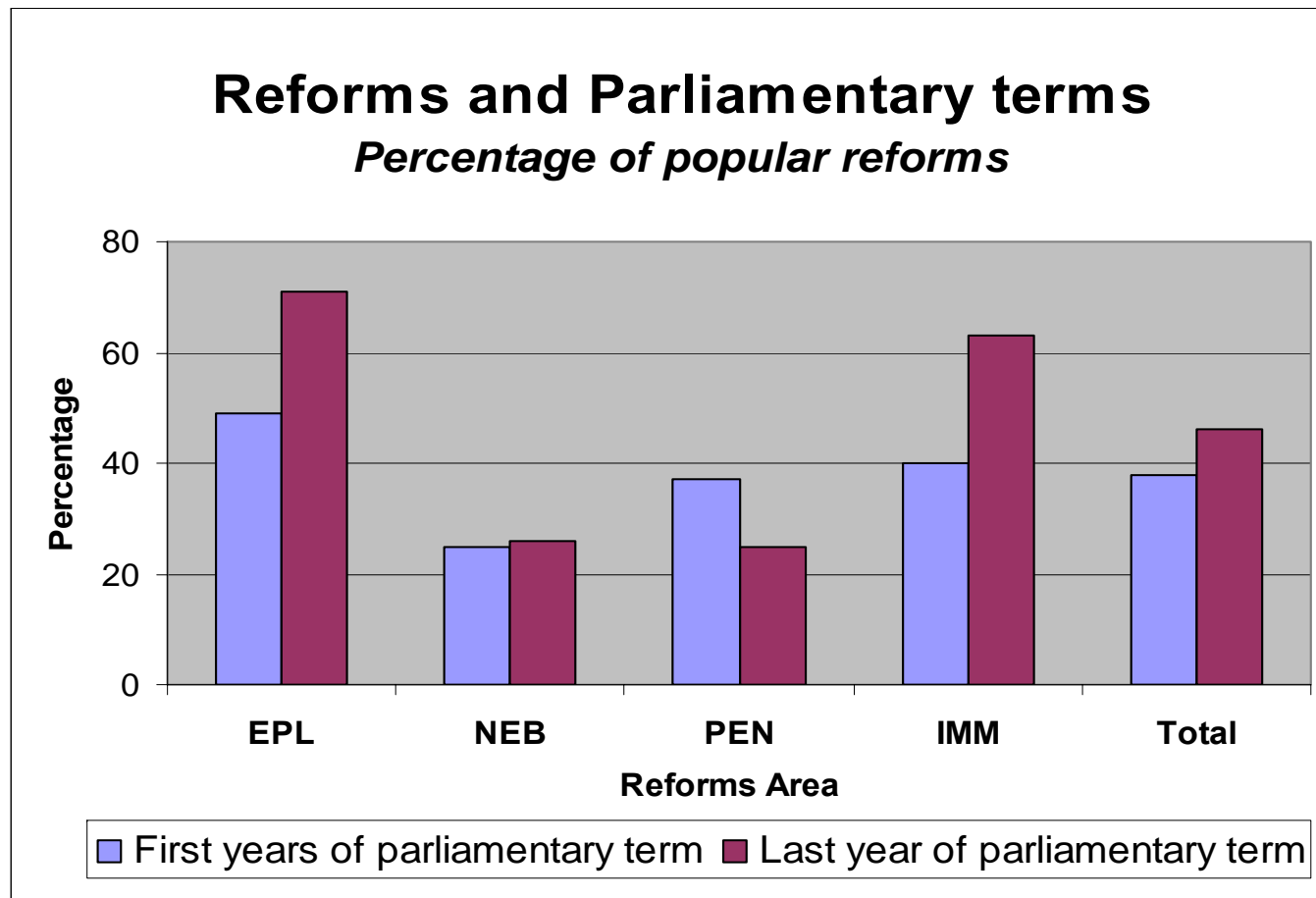
Reforms and Government Ideology

Comparative advantages? Reforms of immigration are done by the left, employment protection by the right



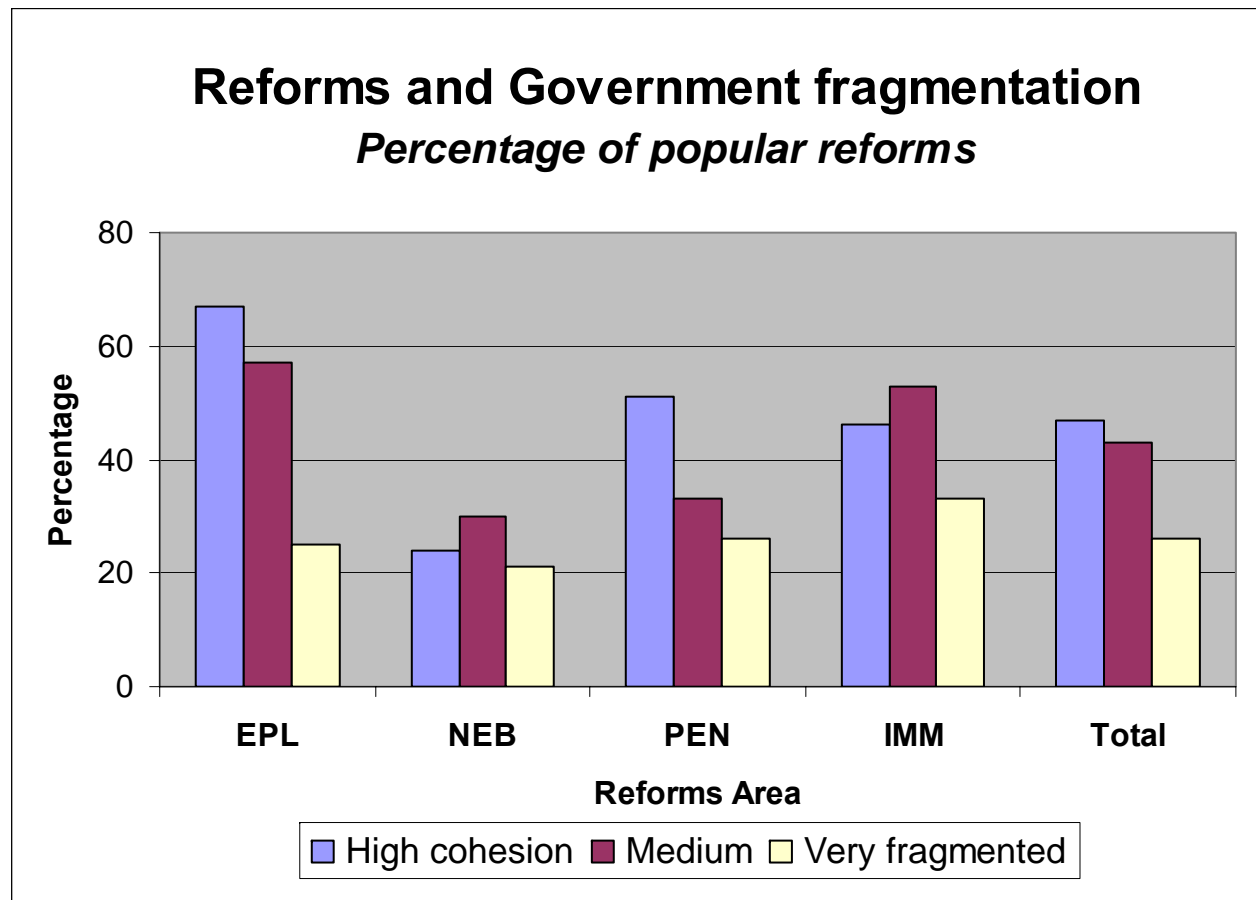
The timing of reforms

Unpopular reforms at the beginning of the legislature...popular at the end of it



Reforms and Government fragmentation

Surprisingly, cohesive coalitions seem to implement more popular reforms than fragmented governments



Implications

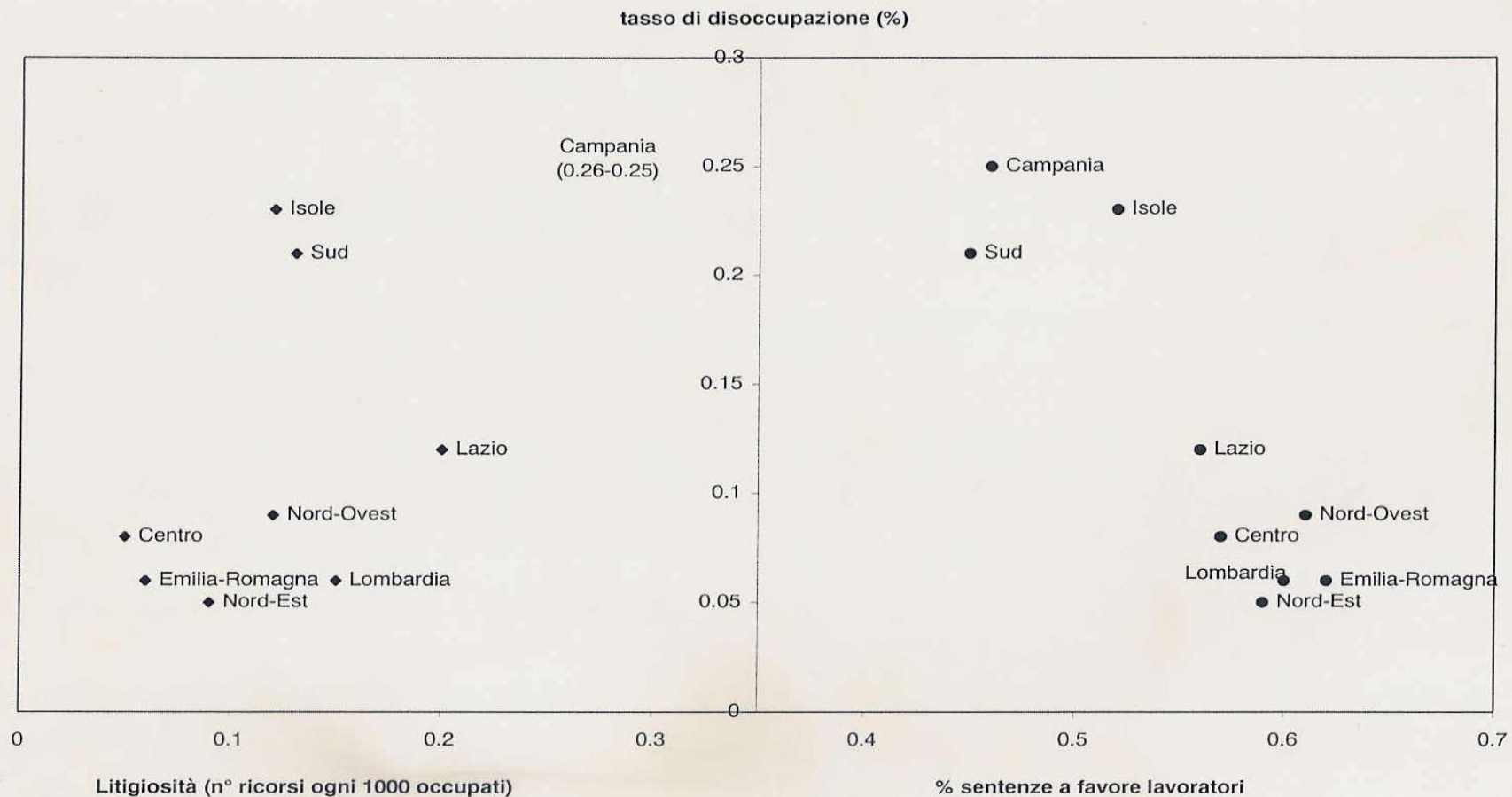
- Need to find appropriate counterfactual in order to identify the effects of institutions
- The inventory of reforms is essential in identifying policy experiments not only in terms of dates of reforms, but also of potential “treatment” (affected by the reform) and “control” (unaffected by it) groups

Example: literature on EPL

Author(s)	STOCKS		FLOWS	
	Employment	Unemployment	Employment	Unemployment
Emerson (1988)	?	?	–	–
Lazear (1990)	–	+		
Bertola (1990)	?	?	?	–
Grubb & Wells (1993)	–			
Garibaldi, Koening and Pisarrides (1994)	?	?	?	–
Addison and Grosso (1996)	?	?		
Jackman, Layard and Nickell (1996)	?	?	-	-
Gregg & Manning (1997)	?	?		–
Boeri (1998)	?	?	+	–
Di Tella and McChulloch (1998)	–	+		
OECD (1998)	?	?	?	–
Kugler & StPaul (2000)			+	–
Belot & Van Ours (2001)		–		
Nickell, Nunziata and Ochel (2005)	?	?		

But EPL is endogenous

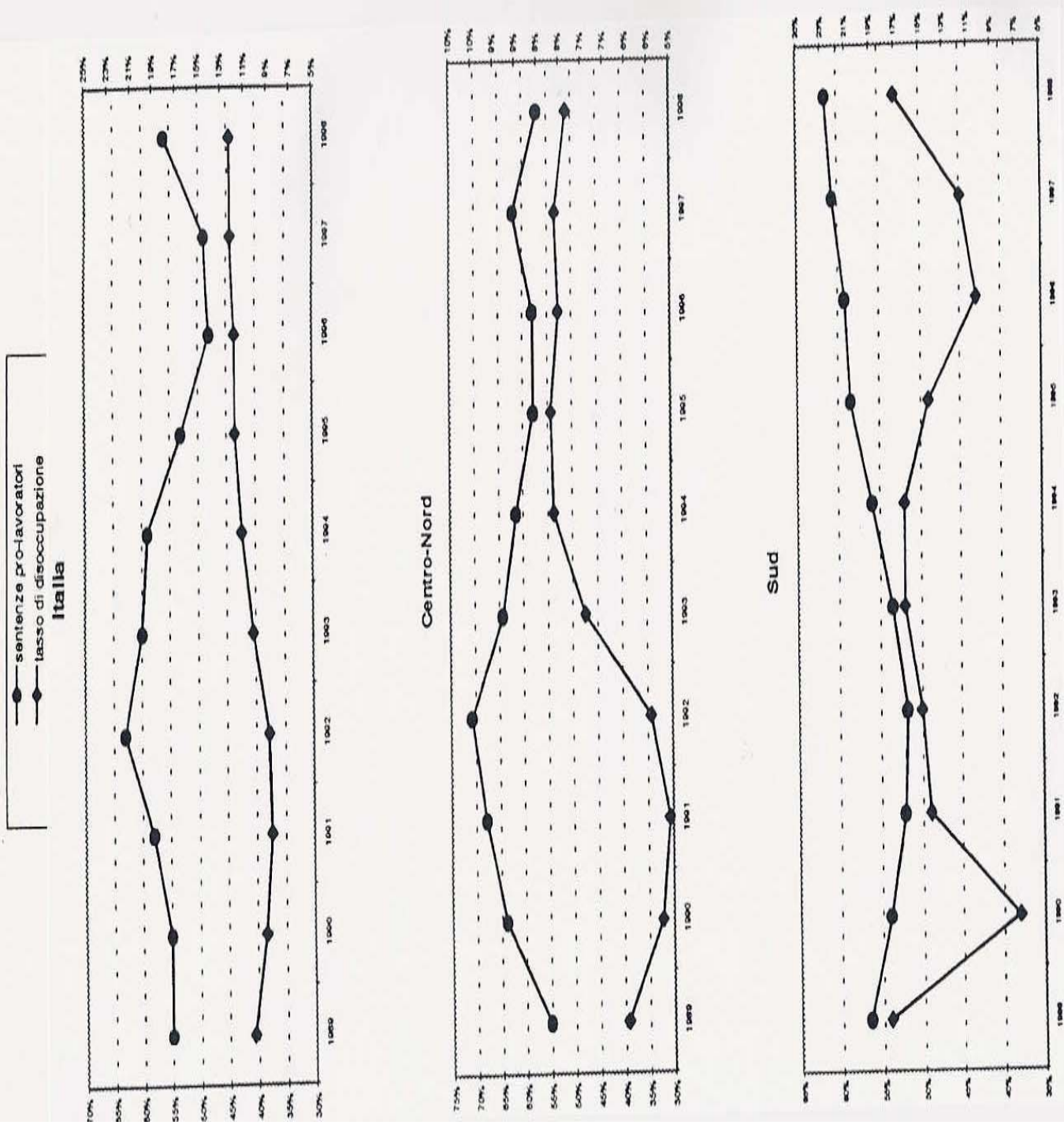
Litigiosità, Vittorie dei Lavoratori e Tasso di Disoccupazione Regionale
Italia, 1995-1998



Elaborazioni su dati elementari ISTAT.

Il dato sulla litigiosità è una media annuale. Il dato sulle sentenze favorevoli ai lavoratori è calcolato sul totale dei procedimenti di primo grado.

Figura 4 — Sentenze favorevoli ai lavoratori e tasso di disoccupazione



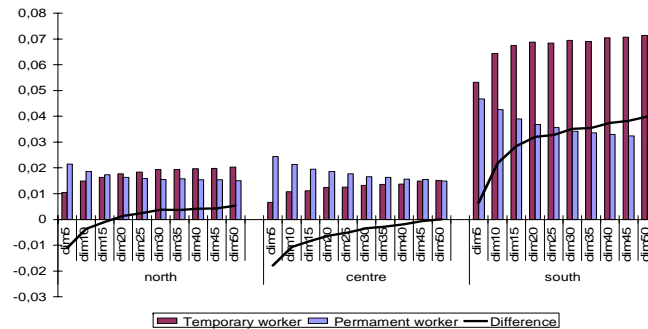
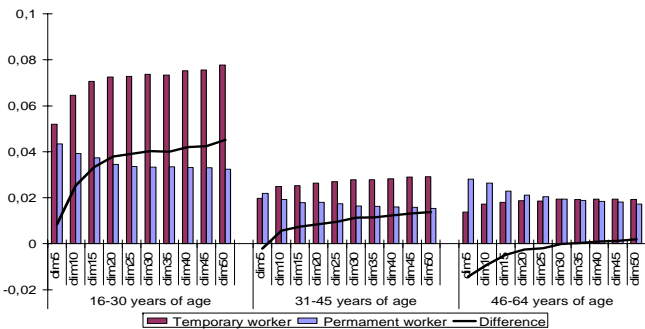
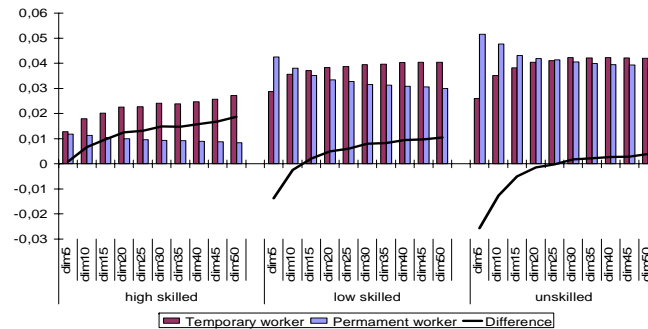
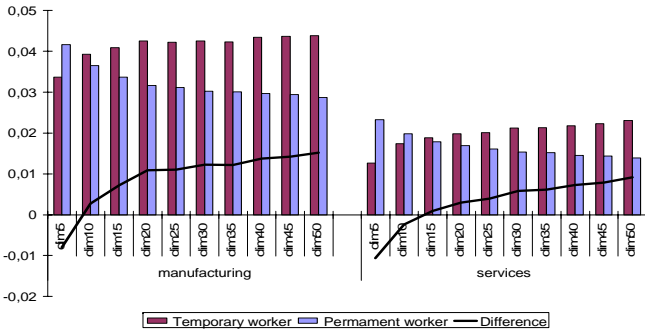
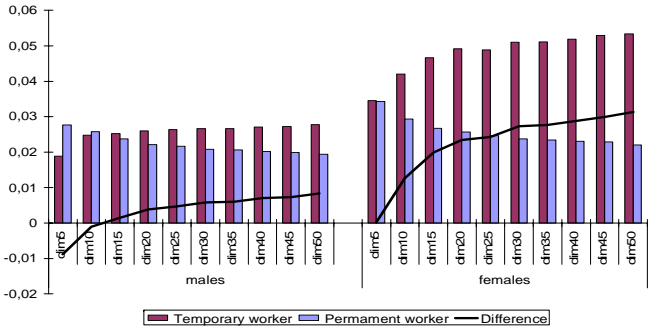
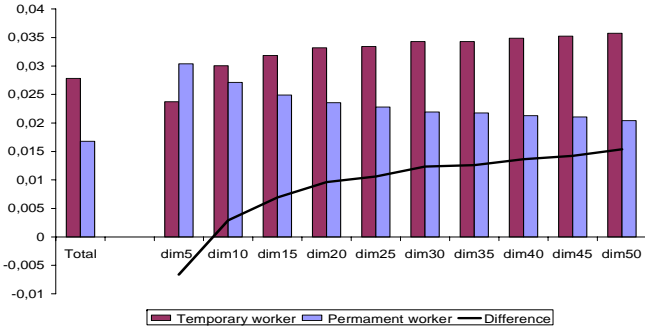
Using the database

- 15 employees threshold: below this threshold, most restrictive EPL provisions (art.18 of the Labour Code) are not applied
- 1990s: reforms introducing temporary contract
- 1990: reform tightening EPL only for firms with less than 15 employees (severance pay scheme)

Difference-in-differences

Marginal effect of the probability of being dismissed (%)			
	permanent workers	temporary workers	Difference
Firms with			
less than 15 employees	1.7	0.8	0.9
more than 15 employees	0.9	2.2	-1.3
Difference	0.8	-1.4	2.2

Boeri-Jimeno (2004)



Inaction probability

Probability of firms with less than 15 employees *not to grow* above the threshold (stayer coefficients of transition matrices).

Average Inaction Probability by Firm Size

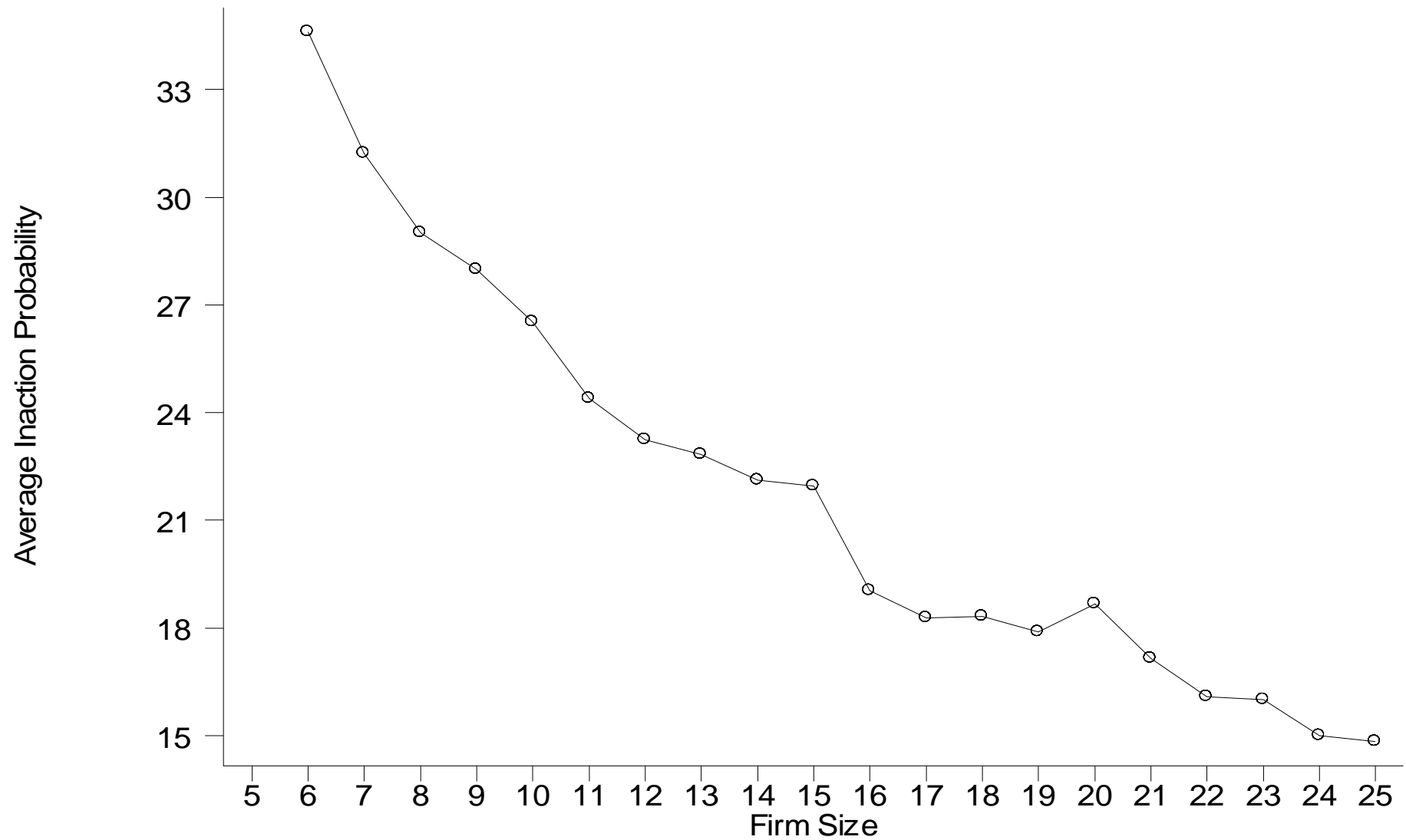


Table 4.1. Effects of the ERL reform on stayer and mover coefficients.
 Non-parametric estimates. Italy, services, 1986-1995

a) Yearly persistence			
	1986 - 90	1991 - 5	Δ
initial size ≤ 14	38.18	40.80	2.62
n=126	(14.69)	(15.51)	
initial size ≥ 15	21.92	21.87	-.05
n=144	(19.56)	(19.51)	
Δ	16.26	-18.93	2.67
	1986 - 90	1991 - 5	Δ
initial size=14	23.37	26.46	3.09
n=9	(1.95)	(0.98)	
initial size=15	24.10	23.36	-.74
n=9	(3.19)	(2.57)	
Δ	.73	-3.1	3.83
b) Yearly growth by one employee			
	1986 - 90	1991 - 5	Δ
initial size ≤ 14	18.05	16.27	-1.78
n=126	(1.92)	(1.86)	
initial size > 15	16.33	15.17	-1.06
n=144	(9.49)	(9.17)	
Δ	-2.78	-1.00	-.72
	1986 - 90	1991 - 5	Δ
initial size=14	17.68	16.39	-1.29
n=9	(1.50)	(1.20)	
initial size=15	14.66	14.20	-.46
n=9	(2.13)	(2.61)	
Δ	-3.02	-2.19	-.83

Extensions of the dataset

- New Member States
- Backward: long history of these institutions; need to cover the 1970s and the 1980s
- New policy areas:
 - minimum wages
 - family policies (reconciliation)
 - training / education