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Employment, Social Affairs and Inclusion

Coverage and structure of the Labour Market Reform (LABREF) Database

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1. General design of the database

The LABREF database is a joint project managed by the European Commission, Directorate General for Employment and Social Affairs and Inclusion (DG EMPL), in cooperation with the Employment Committee (EMCO). The database systematically records factual information on the policy measures adopted in the EU countries and affecting their labour market institutions,¹ and thus **likely to have a direct impact on labour market outcomes**. The aim of this project started in December 2005 is to support the work carried out in the framework of the EU economic policy coordination processes, and to improve the understanding of labour markets institutions as part of the general economic surveillance of Member States' economies.

The measures reported in LABREF refer to enacted legislation, as well as other public acts of general scope, including measures entailing changes in the implementation framework of a previously adopted reform. In addition, reported policy measures also encompass collective agreements, including cross-industry agreements, tripartite agreements (involving government, trade unions and employers' organisations) and sector-level collective agreements, provided that they have the potential to affect a large proportion of employees and to trigger a change of regime. The database does not record information on planned reforms and law bills not yet adopted.

The LABREF database is organised around nine broad policy areas (labour taxation, unemployment, welfare-related benefits, active labour market programmes, job protection, disability and early retirement schemes, wage bargaining, working time organisation, immigration and mobility), corresponding to 49 fields of policy intervention. A single measure may cover several areas of policy intervention and therefore be split and recorded several times. What matters is not the format of the measure itself, but rather the different policy actions it involves.

For each recorded measure, the database provides information on a number of key characteristics identifying specific features of its reform design. The database allows for tracking reforms by one or more countries, policy areas and year of adoption. This configuration allows cross-country comparison on the pace and type of reforms enacted in a particular year, as well as for tracking reforms over time, thus providing a consistent and policy-relevant picture of the different reform strategies pursued by Member States and of the existing interactions between various labour market institutions. Cross-country analysis over a single year provides information which is relevant when monitoring the pace of reforms within a short time horizon, e.g. in the framework of the European Semester. Information on reforms over time is also relevant when undertaking more comprehensive analysis, for

¹ The database reflects standard classifications of labour market and welfare institutions - such as that one established by Nickell and Layard in their book "Labour market institutions and economic performance" (1999). As such, it covers a wide typology of active labour market policies, welfare benefits, early withdrawal schemes, employment protection legislation (EPL), labour mobility, labour taxation, and migration policies.

example when looking at Member States' progress over time or conducting country-specific analysis.

2. Sources used in compiling the database

Information is collected by DG EMPL and verified by the members of the Employment Committee (EMCO). Sources used by DG EMPL to compile the database include national legislation and other information publicly available on the websites of the public administrations of the Member States, or provided by Member States in the framework of the surveillance process embedded in the European Semester, as well as information provided by other international organisations and networks. These notably include: the reports by the Network of the *European Centre of Expertise in the field of labour law, employment and labour market policy*, set up by the Commission; the information published by the *European Observatory of Working Life (EurWORK)* of Eurofound; the *Conditions of work and Employment* database developed by the ILO; the reports published by the OECD and the IMF.

3. Classification of the reform measures

The database collects information on a wide number of labour market policy measures. These are organised into **45 policy fields** and further grouped in **9 broad policy domains**. The classification system is described in the table below.

LABREF Classification	
1. Labour taxation	
Employers' social security contributions (SSC)	changes in SSC levels and structure, including SSC reductions for employing special groups
Employees' social security contributions (SSC)	changes in SSC levels and structure
Self-employed social security contributions (SSC)	changes in SSC levels and structure
Income tax	changes in income taxation, tax credits, tax allowances
Labour taxation – Other	e.g.: measures related to fighting undeclared work and fraud
2. Unemployment benefits	
Net replacement rate	changes in levels or structure of benefits
Duration of unemployment benefits	changes in duration of benefits

Coverage and eligibility conditions	changes in conditions, including employment history and insurance record in reference periods, or target groups covered by benefits
Search and job availability requirements	changes in job search conditions and sanctions, including mobility requirements
Unemployment benefits – Other	e.g.: temporary rules on benefits; special funds
3. Other welfare-related benefits	
Short-time working schemes	all measures or changes related to subsidized temporary reductions in working time during economic downturns, including changes in scope, structure and duration
In-work benefits	changes in employment conditional benefits, tax credits, and work incentives
Social assistance	all changes related to social safety nets, i.e. level, duration, coverage and eligibility of housing benefits or means-tested benefits
Sickness schemes	changes related to sickness schemes – <u>excluding</u> disability
Family-related benefits	all changes related to family benefits, i.e. level, duration, coverage and eligibility – <u>excluding</u> childcare (see <i>Working time – Family-related working time organisation</i>)
4. Active labour market policies (ALMP)	
Public Employment Services	changes related to coverage, governance arrangements and services provided, including targeting or individualised services, job assistance and job-counselling services, private employment services
Training	all changes in training offers or structure, including life-long learning
Direct job creation schemes	job creation schemes in the public sector or in non-profit organisations; public work schemes
Employment subsidies	changes in different wage and start-up subsidies, excluding SSC reductions
Special schemes for people with disabilities	all rehabilitation measures for the employment of disabled people and quotas for employers; <u>excluding</u> non-discrimination or other 'umbrella' policy measures for those

	with disabilities and disability benefits (<i>see Early retirement – disability schemes</i>)
Special schemes for youth	measures related to apprenticeships and schemes encompassing a mix of measures directed at the youth, often providing counselling, training and subsidies, e.g. youth guarantees; <u>excluding</u> measures that cover participation of young people to measures open to adults as well
Active labour market policies - Other	e.g.: sectoral plans or ALMP during notice periods
5. Job protection	
a) Permanent contracts	
Procedural requirements	all changes related to the procedure to hire and fire, including obligation for written prior notification, delays before notice can start, obligation to provide third parties with a justification of dismissals, trial periods, administrative barriers, dispute resolution or mediation provisions
Notice and severance payments	changes in notice and severance requirements, levels of compensation and contributions to funds
Definition of fair dismissal	changes in definitions of valid reasons for fair dismissals
Permanent contracts - Other	e.g.: changes in professional classifications; employment status; definition of different types of contracts; job-sharing
b) Temporary contracts	
Maximum number of renewals of fixed-term contracts	changes in the number of maximum renewals of fixed-term contracts
Maximum duration of fixed-term contracts	changes in the maximum duration of fixed-term contracts
Temporary agency work	duration, renewal, valid reasons; changes in working conditions for and protection of temporary agency workers; changes regulating agencies
Definition of valid reasons for fixed-term contracts	changes in reasons easing or restricting the use of fixed-term contracts
Temporary contracts - Other	e.g.: notice and severance payments for fixed-term contracts, changes in protection of

	workers under fixed-term contracts (excluding TAW)
c) Collective dismissals	
Collective dismissals	valid reasons, procedures or contributions to special redundancy funds
6. Early withdrawal	
Early retirement	changes in the early retirement provisions, including generosity, duration and eligibility conditions
Disability schemes	all measures related to disability pensions, including generosity, duration and eligibility conditions; but also in-work benefits for people with disabilities – <u>excluding</u> ALMP policies for the rehabilitation and employment of people with disabilities (see <i>ALMP – special schemes for people with disabilities</i>)
7. Wage Setting	
Statutory minima	measures introducing a minimum wage, changes in the framework
Social pacts, bipartite or tripartite framework agreements on wage setting	Tripartite pacts with employment and/or income policy focus, tripartite or bipartite/collective agreements (sectorial or inter-sectorial) at national level
Regulation by the Government of the wage bargaining framework	changes in rules guiding trade union representation, opt-outs, negotiation frameworks, and collective agreements
Public wages	all changes related to public wages, including increases, reductions, and freezes; framework conditions; exceptional measures
Wage setting - Other	e.g.: procedural changes
8. Working time	
Working hours management	changes in maximum working hours, flexible arrangements, overtime, bank of hours, night/Sunday work, annual leaves; <u>excluding</u> telework (see <i>Working time – Family-related working time organisation</i>)

Part-time work	measures extending or reducing the possibility of part-time work, including for retired persons
Family-related working-time organisation	measures altering the incentive structure for working parents, telework, parental leave, childcare availability
Sabbatical and other special leave schemes	e.g.: changes in training leaves or training time accounts at the workplace
Working time - Other	e.g.: changes in public holidays or working time in the public sector
9. Immigration and mobility	
a) Immigration	
Immigration control	all measures regulating work permits and blue cards
Selective Immigration policies	special provisions allowing targeted professions or third country nationals from specific countries to access work permits/EU Blue card
Measure to facilitate labour market integration of immigrants	e.g.: language courses, benefits eligibility, support and integration measures
b) Mobility	
Internal mobility	changes in transport allowances and measures extending or restricting internal mobility in the national territory, <u>excluding</u> measures aimed at intra EU mobility
Mobility - Other	special legislations on mobility

4. Descriptive features of the reform measures

The database contains factual information on the key design characteristics of the measures. It does not provide an assessment of the reforms, but rather a general description of the provisions contained in the enacted measure, the reference to the legal text establishing the measure, the information source, the year of adoption and the timing of implementation.

1. *General description of the measure:* a measure is recorded if it changes the underlying labour market institutions. Reforms are not limited to legislative changes only, and may also entail changes in the implementation framework. In this case, it will be mentioned in the database that the measure implements a previous decision. The source of the change can be a legislative act or decree, a new regulation or decision by an implementing authority, a court ruling or a collective agreement

2. *Reference (Budget law, decree, law or other)*. This corresponds to the exact title of the act or regulation, which establishes the measure, including the adoption date.
3. *Information source concretely used to fill the database*, for instance reports from Eurofound, the European Centre of Expertise (ECE), ILO, or national sources.
4. *Year of adoption*: the year when a reform measure is legally enacted. The database does not provide for the recording of information on planned reforms.
5. *Timing of implementation*(i.e. entry in force, phasing-in schedule): This corresponds to the scheduled timing of the implementation and not to the date of the enactment of the measure. This includes information on whether the reform measure is permanent or temporary, with possible indication of start and end dates.

In addition, the database reports information on the following broad set of features:

6. *Socio-economic group targeted: young people*. The database identifies whether policy initiatives are targeted specifically at the young.
7. *Scope of the measure*. A measure may concern either the whole concerned labour force, only the workers signing new contracts (new entrants), or both of them.
8. *Embeddedness in a policy programme or a reform package*. Labour market reforms may be comprehensive and complementary with other measures. Reform packages refer e.g. to a wide labour code revision (e.g.: *Hartz reform* in Germany), while policy programmes refer to policy strategies and political objectives encompassing different policy actions (e.g. *Pacte de solidarité entre les générations* in Belgium).

5. The feature of *direction*

Policy measures can be very heterogeneous in terms of their impact on underlying policy settings (e.g. regulatory requirements, tax, benefits, etc.). In order to express the basic differences in the effects of policy measures on the relevant labour market institution or policy setting, a three-valued variable called ‘direction of policy measure’ is created. As the relevant labour market institution or policy setting differs across policy domains, the definition of direction is defined separately for each domain.

Reforms "increasing" underlying policy settings are defined as follows²:

- ***Labour taxation***: measures increasing the tax burden on labour.

² A symmetric definition applies to “decreasing” reforms.

- **Unemployment benefits:** measures increasing the generosity of unemployment benefits (replacement rates, duration, coverage and eligibility) or easing search and job availability requirements.
- **Other welfare-related benefits:** measures increasing the generosity of benefits or easing entitlement conditions.
- **Active labour market programmes:** measures aiming at increasing the availability, generosity or effectiveness of ALMPs, including improving efficiency of Public Employment Services (PES).
- **Job protection (EPL):** measures increasing rights and working conditions of workers; measures increasing protection against job dismissals, strengthening procedural requirements, increasing notice and severance payments, strengthening the definition of fair dismissal, or restricting the conditions for the use of temporary contracts and temporary agency work.
- **Early withdrawal schemes:** measures increasing the generosity and eligibility conditions of early withdrawal schemes and disability benefits.
- **Wage setting:** legislation or agreements tightening framework conditions for wage setting on the part of employers, including increases in minimum or public wages; measures easing union representativeness or extending collective agreements.
- **Working time regulation:**
 - *Part-time work:* regulations that increase the rights and conditions of part-time workers imply ‘increasing’ direction as they also increase the burden on employers and reduce flexibility; regulations that make part-time contracts more accessible imply ‘decreasing’ direction as they increase flexibility in working time regulation.
 - *Family-related working-time organisation:* more availability and reduced cost for childcare implies ‘decreasing’ direction as it increases flexibility and is an incentive for parents to work. More generous parental leave provisions imply an ‘increasing’ direction, as they increase workers’ rights and at the same time increase the burden on employers (and decrease flexibility).
 - *Sabbatical and other special leave schemes:* greater access to sabbatical or educational leaves shall have ‘increasing’ direction as they imply a greater time flexibility and improve workers’ right and at the same time while implying at the same time an increased burden on employers).
- **Immigration and mobility:** measures tightening, therefore increasing, the regulatory restrictions on migration or reducing support to mobility.³

Occasionally some policy measures may have no directional effect.

³ Measures enhancing labour market integration of immigrants or facilitating mobility imply a decreasing direction to be consistent with the other fields in the same domain.

6. Frequently Asked Questions (FAQ's)

- ***Do we record spending measures or ALMP programmes that are only aimed at using European Social Funds?*** Only measures which entail a significant change in the policy settings related to ALMP's structure and services are recorded.
- ***Where are measures extending or reducing availability/cost of childcare classified?*** In *family-related working-time organisation*, as they are in-kind family benefits.
- ***Which direction implies an increase on subsidies for childcare?*** 'Decreasing' direction, as it increases working time flexibility for parents.
- ***Where are measures related to occupational health and safety recorded?*** Measures related to health and safety at work are not recorded in the database.
- ***Where are employment subsidies in form of Social Security Contributions' reductions classified?*** Measures related to employment subsidies in form of a reduction on SSC or tax credit for families are classified within the labour taxation policy domain, as what it is recorded in the database is the policy tool instead of the goal.
- ***When are recorded measures introducing indexation of tax brackets, wages or public wages?*** These measures are only recorded if they represent a break in the usual practice - an extraordinary legislation.
- ***When are wage increases recorded?*** Minimum wage increases, unless historical or exceptional, are not recorded. Similarly, minimum wage freezes are only recorded in countries with automatic wage indexation, as this represents an automatic break in the usual practice. For countries with discretionary minimum wage setting, we do not record each time these are kept at the same level.
- ***Do we record changes in minimum wages for some specific cohorts?*** Yes. We record structural changes to the minimum wage setting mechanisms: changing the level for some specific cohorts (so-called minimum wage variations), such as the youth, is a structural change.
- ***Do we record public wage freeze?*** Yes. We record public wage freezes, as they usually represent exceptional legislation.
- ***Do we record measures changing the pay-scales of some specific public sector professional groups?*** No. We only record changes in pay-scales that affect the whole public sector or a vast majority. We do not record changes in specific professional groups.
- ***What direction imply measures increasing working hours?*** Decreasing, as this reduces the burden on employers.