The new fRDB-IZA Database on Labour Market Reforms

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Objective of the project

- Joint fRDB-IZA project to create a comprehensive database on labour market reforms
- Qualitative information on reforms
- Main institutional changes over time and target groups
- Indicators on scope and direction of reforms
- Information presented in a synthetic and ready-to-use format
- Collaborative project
Outline

- Existing data sources
- Structure of the fRDB-IZA database
- Method: a collaborative project
- Where are we now? Preliminary results on 7 EU countries
- Problems so far…
- … and future developments
Existing sources

Two types of data on labour market reforms:

1. **Quantitative data**
   - Time-series indicators on the strictness of labour market institutions (OECD, IMF, etc.)
   - Measures of reform effort in different policy areas (Brandt at al. 2005, Assessing the OECD Job Strategy)

2. **Qualitative data**
   - Several existing database, but lack of a comprehensive source of information
Existing sources: qualitative data

- Collection of text laws (ILO-NATLEX)
- Description of national legislation at one point in time (MISSOC, ILO country profiles)
- Comparative studies on specific policy areas or countries (e.g. Handbook of Western European Pension Politics, Immergut et al.)
- Description of reform changes over time (LABREF, EIRO, fRDB Social Reforms Database)
Structure of the database

• Unit of analysis: the reform
  → A unique formally approved document
  → Mainly national legislations, some collective agreements

• Period: 1983 – 2006/7

• Countries: EU15 (without LU) + CH

• Three policy areas:
  1) Employment Protection Legislation (EPL)
  2) Non-Employment Benefits (NEB)
  3) Public Pension Systems (PEN)

• Each policy area is divided in topics
  (ex-post classification of most recurring reform measures)
**Structure of the database**

<table>
<thead>
<tr>
<th>EPL</th>
<th>NEB</th>
<th>PEN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collective dismissals</strong></td>
<td><strong>Unemployment Benefits:</strong> benefits, contributions, duration, eligibility, for specific categories, reference earnings, replacement rate, sanctions, single installment payment</td>
<td><strong>Public pensions system:</strong> benefits, compatibility of pension and income from work, compulsory retirement, contributions, eligibility, financing, indexation, minimum pensions, non-contributory pension benefits, public sector pensions, reference earnings, replacement rate, reserve fund, retirement age, taxation</td>
</tr>
<tr>
<td><strong>Individual dismissals:</strong> compensations, procedural obligations, reasons, reinstatement, taxes</td>
<td><strong>ALMP:</strong> duty to actively seek for a job, for specific categories, for unemployed</td>
<td><strong>Private and occupational pensions:</strong> contracting-out, occupational pension schemes, portability of pension rights, private pension plans, tax incentives</td>
</tr>
<tr>
<td><strong>Regulation of special contracts:</strong> apprenticeship, fixed-term contracts, new types of contracts, part-time contracts, temporary work, training contracts</td>
<td><strong>Other topics:</strong> compulsory retirement, contributions, disability benefits, early retirement, earnings disregards, indexation, in-work benefits, private placement services, public employment services, sickness benefits, social assistance, taxation</td>
<td><strong>Other topics:</strong> duty to inform, interim wages, notice period, reform of public sector employment, self-employment, severance payments, trial period</td>
</tr>
</tbody>
</table>
Structure of the database

Focus on *qualitative* features of reforms such as:

- Year/month
- Timing (only PEN)
- Reference
- Description
- Topic
- Target groups
- Source
Indicators on reforms

Reforms are classified along two main dimensions:

1. **Direction** of change

2. **Scope** of the reform  
   (*marginal* or *structural* reforms)
Indicators on reforms: direction

- **EPL**: do they increase the labour market flexibility or make cheaper for firms to dismiss?
  → *increasing/decreasing flexibility*

- **NEB**: do they reduce amount or duration of UB or make eligibility stricter? Do they introduce activation schemes?
  → *increasing/decreasing rewards from LM*

- **PEN**: do they reduce or increase the generosity of the public pension system?
  → *increasing/decreasing generosity*

- Assessed twice: for each reform measure separately and for the reform as a whole
Indicators on reforms: scope

- Qualitative assessment based on two criteria:
  1. Structural reform = comprehensive reform addressing the broader design of the existing system (not minor features) or modifying the “logic” of the system
  2. Focus on target groups, not on outcomes. A structural reform affects the majority of the reference population of a specific policy area

- **EPL**: structural if it affects all types of contracts; substantial change in the dismissal procedure
- **NEB**: structural if it affects the majority of the population at risk (working age population) or key features of the existing benefit system
- **PEN**: structural if it affects the majority of future cohorts and current beneficiaries
Method: a collaborative project

Three groups of people currently involved:

1. **A core group at IZA and fRDB**: coordination, integration of existing sources, assessment of indicators, standardization

2. **Advisory Board**: concepts and definition, advice and feedback

3. **Network of experts**: expertise on specific countries/topics, additional materials, check of information and indicators
Method: a collaborative project

Concepts and definitions
By fRDB-IZA and Advisory Board

Merge of existing descriptive datasets
+ additional sources
by fRDB-IZA

Simplified word templates to country experts:
→ Check of reforms (list, description, laws)
→ Independent assessment of indicators

Self-assessment of indicators
by fRDB-IZA

Integration of information
on reforms and indicators
(online platform)

FINAL DESCRIPTIVE TABLES (Excel)
DATASETS (Stata format)
Method: a collaborative project

The IZA - fRDB database on labor market and welfare state reforms is a joint project by the Institute for the Study of Labor (IZA) and Fondazione Rodolfo Debenedetti (fRDB) which aims at establishing a comprehensive and systematic database on policy reforms in core areas of the labor market and the welfare state such as active labor market policies, non-employment benefits, employment protection, pensions and migration policies. It builds upon the RDB reforms database and incorporates additional input from international and national sources. A preliminary version will become publicly available in spring 2009.

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Website available at http://www.frdb-iza.eu/ with reserved area for collaborators
Where are we now?

- Pilot experiment with 7 countries (DE, DK, IT, FR, NL, SP, UK)
- Useful to test the method...
- Results to be validated with inputs from country experts
**Preliminary results:**

1) Descriptive stats

<table>
<thead>
<tr>
<th></th>
<th>Number of reforms</th>
<th>Structural (%)</th>
<th>Increasing (%)</th>
<th>Selective target (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPL</td>
<td>93</td>
<td>17%</td>
<td>66%</td>
<td>53%</td>
</tr>
<tr>
<td>NEB</td>
<td>306</td>
<td>10%</td>
<td>74%</td>
<td>47%</td>
</tr>
<tr>
<td>PEN</td>
<td>152</td>
<td>13%</td>
<td>53%</td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>551</td>
<td>12%</td>
<td>66%</td>
<td>44%</td>
</tr>
</tbody>
</table>
Preliminary results:
2) Reforms over time
Preliminary results:
3) Structural reforms and growth

Average number of structural reforms per year (1983-2007)

<table>
<thead>
<tr>
<th></th>
<th>Negative growth</th>
<th>Slow growth</th>
<th>Positive growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$g \leq 0$</td>
<td>$g \leq 0.5%$</td>
<td>$g &gt; 0$</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.5</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>France</td>
<td>2.0</td>
<td>2.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Germany</td>
<td>1.3</td>
<td>1.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Italy</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>na</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Spain</td>
<td>1.0</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>0.9</strong></td>
<td><strong>0.7</strong></td>
<td><strong>0.3</strong></td>
</tr>
</tbody>
</table>
Challenges of data collection

• Finding information on the 80s is very hard
  – Time consuming
  – Selection towards structural reforms?
  – Information in national languages
  → National experts play a key role

• Still some conceptual problem with the definition of scope of reforms
  → Need for a more precise definition?
Future developments

• Reforms in early 80s
• NMS and/or other OECD countries
• Additional policy areas such as
  – Working time
  – Family friendly policies
  – Migration policies
  – Others?
Future developments

This is a large and challenging project...

... collaboration is welcome!

Thank you!