Wage Insurance, part-time unemployment insurance and short-time work in the XXI Century

by Pierre Cahuc

Michele Pellizzari
(University of Geneva and CEPR)

fRDB XX European Conference
The Welfare State in the XXI Century
My own reading of the report

- Much needed taxonomy of “new” policy tools to deal with structural change and uncertainty in the labour market
  - wage insurance;
  - part-time unemployment insurance;
  - short-time work.

We need these programs because labour markets have structurally changed and old tools don’t work as well as in the past.

Technological progress, often biased towards skilled workers.

Globalisation, of goods, services and people.

Are these programs appropriate for the new labour market? Are traditional welfare programs obsolete?

We don’t really know! We need to understand the implications of structural change and where it will take us.
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Structural change in the labour market

Three important features of the recent structural change.

1. Enormous rise in educational attainment around the world.
2. Fall of trade and migration barriers.
3. The resulting labour market is presumably characterised by substantially more turbulence/uncertainty/risk.
   - The problem is not just accompanying the transition but also preparing for a rather different future.
4. The "victims" are workers who were used to face very limited risk.
   - Prime-age male workers, well educated, often in the manufacturing sector, often unionised.

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Three important features of the recent structural change.

1. It is here to stay!
   - Enormous rise in educational attainment around the world.
   - Fall of trade and migration barriers.
Enrolment in tertiary education around the world

Source: World Bank
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The cost of job loss is larger now than in the past

Figure 4: Earnings Losses of Displaced Workers by Year of Job Loss - Men

Source: Schmieder, von Wachter & Heining (2018)
The cost of jobloss is larger now than in the past

Figure 5: Days Worked of Displaced Workers by Year of Job Loss - Men

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Implications for employment relations

• The end permanent employment?
  • With permanent contracts (and firing restrictions) employers were bearing the risk of economic uncertainty and workers were paying for it in the form of lower wages.
  • In this new economic environment, is the cost too high for this deal to be viable?
The rise of non-standard employment

Osservatorio sul Precariato

TAB. 1 – NUOVI RAPPORTI DI LAVORO* ATTIVATI PER MESE - ANNI 2017 E 2018

<table>
<thead>
<tr>
<th>Mese</th>
<th>Assunzioni a tempo indeterminato</th>
<th>Assunzioni a termine</th>
<th>Assunzioni in apprendistato</th>
<th>Assunzioni stagionali</th>
<th>Assunzioni in somministrazione</th>
<th>Assunzioni con contratto intermittente</th>
<th>Totale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marzo</td>
<td>107.935</td>
<td>93.293</td>
<td>252.169</td>
<td>239.395</td>
<td>25.825</td>
<td>26.730</td>
<td>41.928</td>
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<tr>
<td>Aprile</td>
<td>107.655</td>
<td>283.616</td>
<td>26.213</td>
<td>92.131</td>
<td>91.441</td>
<td>86.043</td>
<td>687.099</td>
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<tr>
<td>Maggio</td>
<td>105.827</td>
<td>292.426</td>
<td>25.445</td>
<td>73.359</td>
<td>110.681</td>
<td>59.322</td>
<td>572.299</td>
</tr>
<tr>
<td>Giugno</td>
<td>97.549</td>
<td>339.724</td>
<td>27.582</td>
<td>129.014</td>
<td>110.779</td>
<td>62.905</td>
<td>767.553</td>
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<tr>
<td>Luglio</td>
<td>95.501</td>
<td>310.926</td>
<td>24.523</td>
<td>83.043</td>
<td>109.206</td>
<td>48.271</td>
<td>671.470</td>
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<tr>
<td>Agosto</td>
<td>52.141</td>
<td>185.149</td>
<td>12.993</td>
<td>35.340</td>
<td>78.997</td>
<td>31.809</td>
<td>400.423</td>
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<tr>
<td>Settembre</td>
<td>110.338</td>
<td>332.070</td>
<td>28.895</td>
<td>22.844</td>
<td>113.755</td>
<td>50.188</td>
<td>658.090</td>
</tr>
<tr>
<td>Ottobre</td>
<td>104.975</td>
<td>308.522</td>
<td>30.199</td>
<td>20.950</td>
<td>118.101</td>
<td>51.197</td>
<td>633.944</td>
</tr>
<tr>
<td>Dicembre</td>
<td>57.198</td>
<td>218.708</td>
<td>17.826</td>
<td>56.180</td>
<td>90.012</td>
<td>52.708</td>
<td>482.632</td>
</tr>
</tbody>
</table>


Fonte: INPS - elaborazione al 10 Maggio 2018

Campo di osservazione: archivi UNIEMENS dei lavoratori dipendenti privati esclusi lavoratori domestici e operai agricoli. Sono compresi i lavoratori degli enti pubblici economici.

N.B.: i dati 2018 sono provvisori, in quanto le aziende, con la denuncia del mese di aprile possono integrare i dati di competenza relativi a marzo. Inoltre, i dati 2018 e 2017 possono subire variazioni per effetto di rettifiche effettuate dalle aziende ovvero di accertamenti realizzati dall’INPS.

* Sono stati rilevati tutti i rapporti di lavoro attivati nel periodo, anche quelli in capo ad uno stesso lavoratore, con riguardo a tutte le tipologie di lavoro subordinato.
The rise of non-standard employment

Table 2
Alternative Work Arrangements

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Alternative Work Arrangements</td>
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<td>10.7</td>
<td>17.2</td>
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<tr>
<td>Independent Contractors</td>
<td>6.3</td>
<td>6.9</td>
<td>9.6</td>
</tr>
<tr>
<td>On-Call Workers</td>
<td>1.6</td>
<td>1.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Temporary Help Agency Workers</td>
<td>1.0</td>
<td>0.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Workers Provided by Contract Firms</td>
<td>1.3</td>
<td>1.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Workers Provided by Contract Firms (Single Jobholders)

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<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1.2</td>
<td>1.3</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

Number of Observations

<p>| | | | |</p>
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<tr>
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<tr>
<td>55,453</td>
<td>42,802</td>
<td>2,194</td>
<td></td>
</tr>
</tbody>
</table>

Note: Workers provided by contract firms can be assigned to more than one customer and do not have to work at the customer's worksite. 1995 and 2005 CWS data are weighted using supplement weights. 2015 RPCWS data are weighted using (1) weights developed by RAND and (2) an alternative set of weights that accounts for the over-representation of self-employed workers in the ALP sample of respondents relative to the October 2015 Current Population Survey.


Source: Katz & Krueger (2016)
Implications for employment relations

- The end permanent employment?
  - With permanent contracts (and firing restrictions) employers were bearing the risk of economic uncertainty and workers were paying for it in the form of lower wages.
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- With more unstable employment conditions standard unemployment insurance does not work very well.
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• People are extremely worried!
  • structural change brings uncertainty + the future looks riskier than the past + a lot more so for the “victims” of structural change
Which policies?

- The policies reviewed in the report are supposed to improve insurance coverage in a riskier environment
  - wage insurance for large re-employment costs; part-time unemployment for intermittent careers; short-time work for fluctuations in activity.

- Other options?
  - Should we strengthen the assistance component of non-pension welfare programs?
    - The renewed interest in minimum income policies goes in this direction.
    - Consistent with the increase in inequality that has been associated with structural change.

- Should we slow down or even resist structural change?
  - Trade barriers, migration restrictions, state assistance to shrinking industries.
  - Maybe it's not a bad idea given the level of anxiety but there are trade-offs.

- Education and training
  - General vs vocational? Schooling vs adult education (ALMP)?
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