

La réévaluation de la stratégie de l'OCDE pour l'emploi : diagnostic, limites et enseignements pour la France



Tito Boeri

Université de Bocconi

Behind the Job Miracle

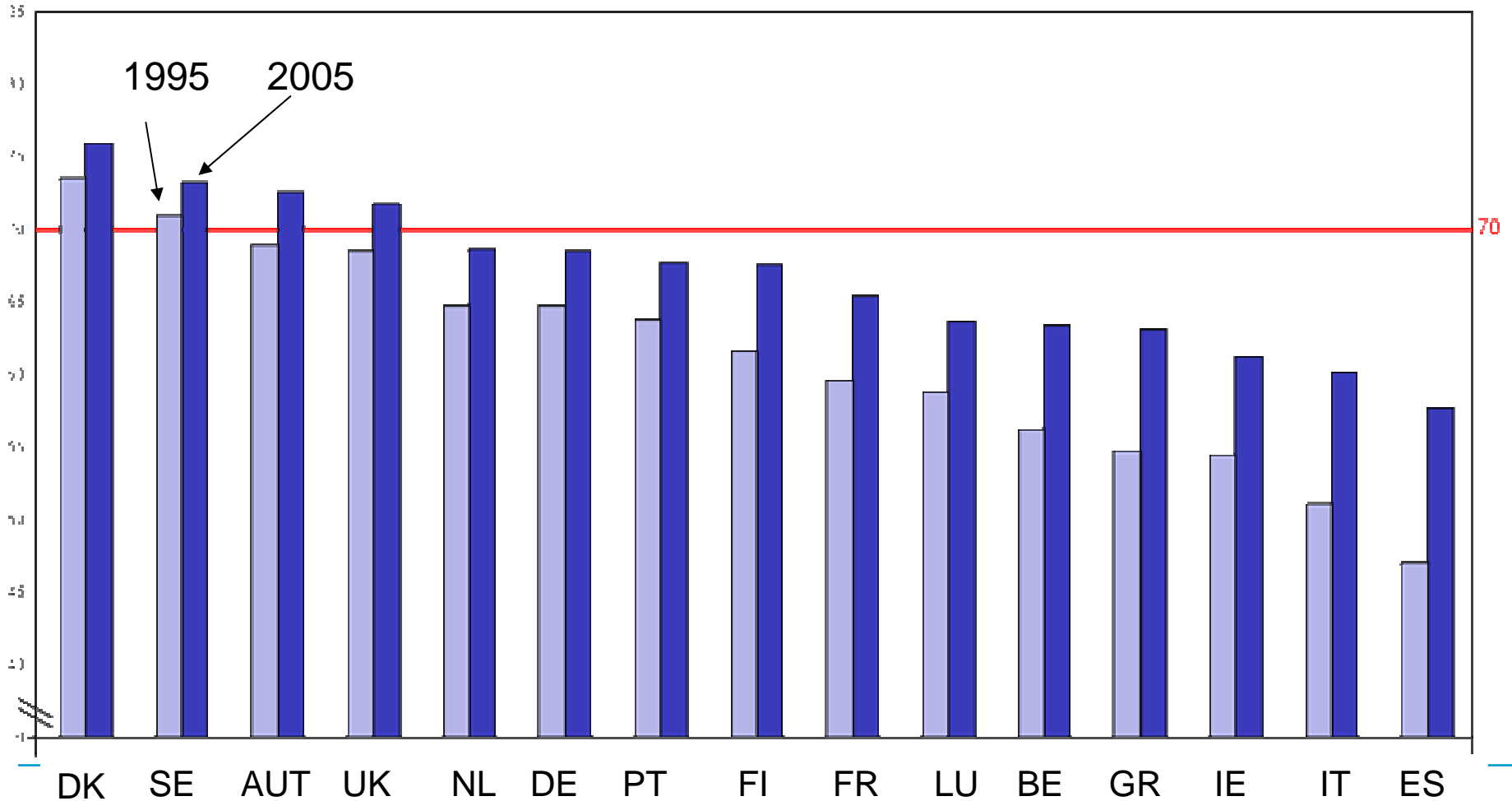


1994 OECD Jobs Study

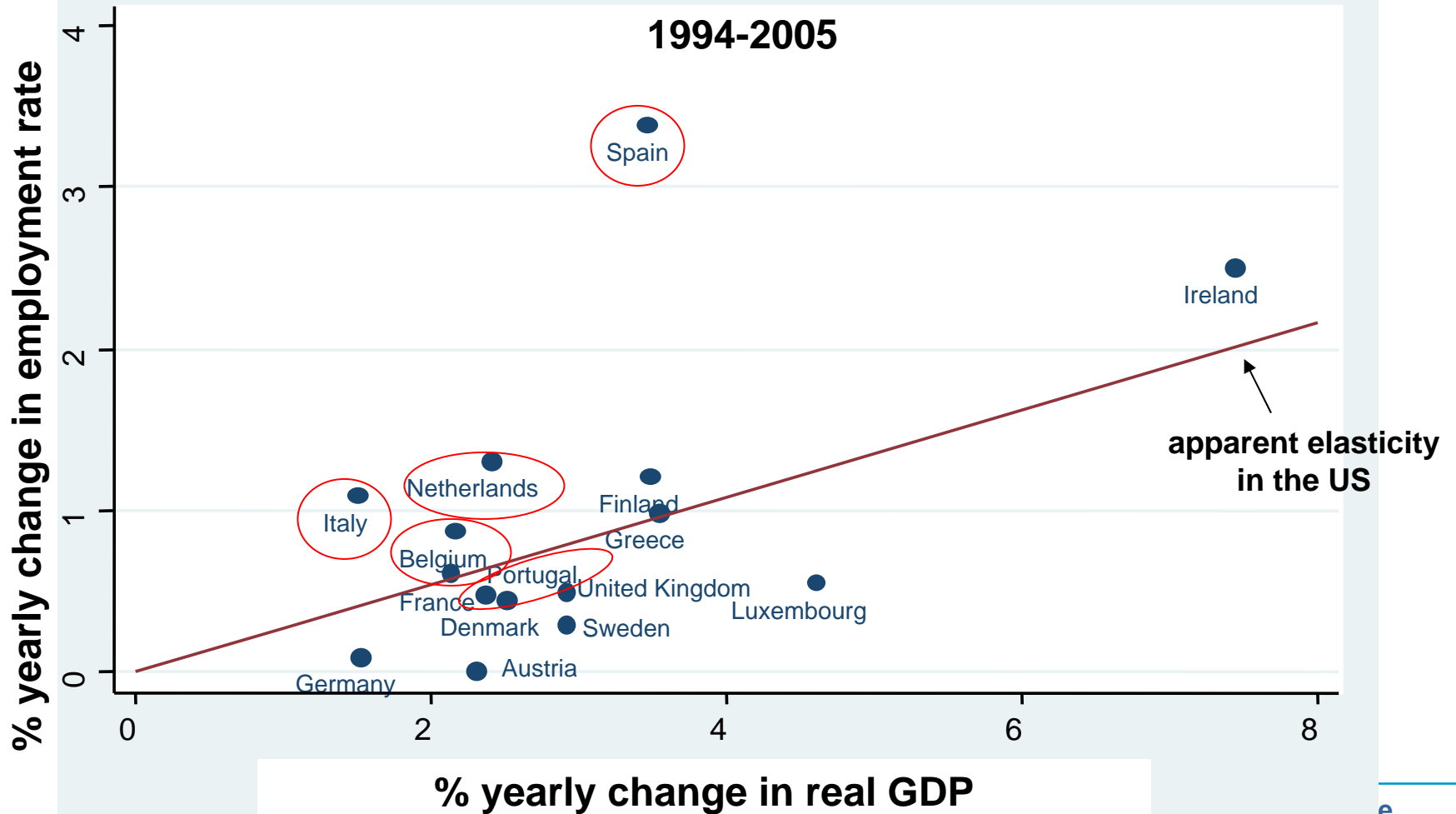
- “The labour market has become particularly worrying in Europe...
- slow employment growth has always been a feature of the Efta and EC regions...
- there are indications that employment has been unusually weak vis-à-vis output growth...
- In the EC employment growth has been generally sluggish....”

Since then...

Employment to population rates and the distance from Lisbon (North-America)



From jobless growth to growthless job creation?





Outline

- Why growthless job creation? Which type of jobs are they?
- The role of reforms of employment protection *at the margin*, changing rules only for new hires. Evidence on the *honeymoon effect*
- Issues of *sustainability* (also social and political). Strategies coping with the dualism: should we have a tenure-track?

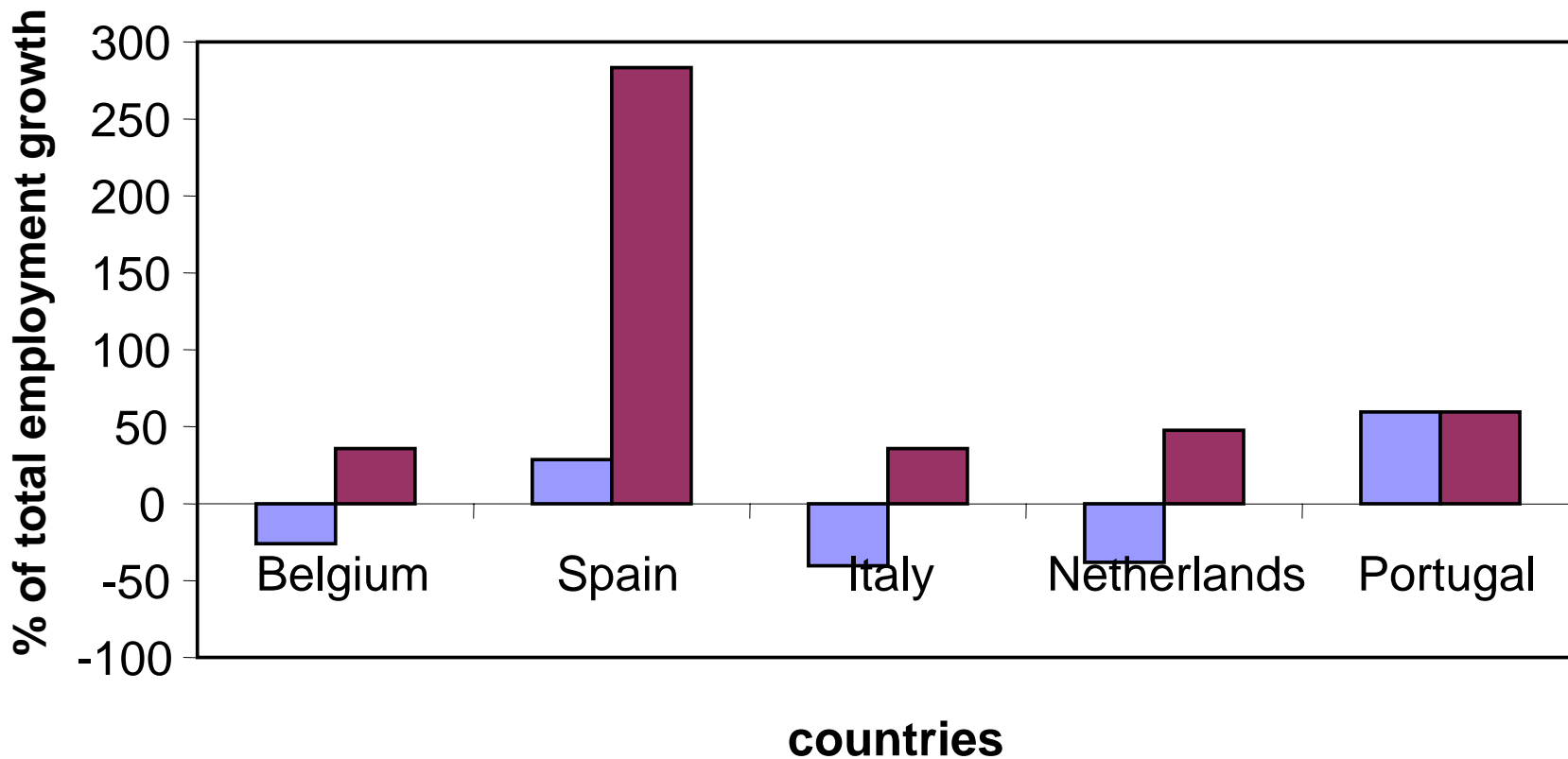


Why growthless job creation?

Two potential explanations:

1. (mainly acting from the *supply side*): Reforms reducing unemployment benefits and minimum wages made more low-skilled workers marketable. *It implies increased employment of low skilled workers*
2. (mainly acting from the *demand side*): Employers exploit flexibility at the margin, hiring workers under temporary contracts. *It implies increased employment of temporary workers.*

Contribution to employment growth of unskilled labour and temporary employment

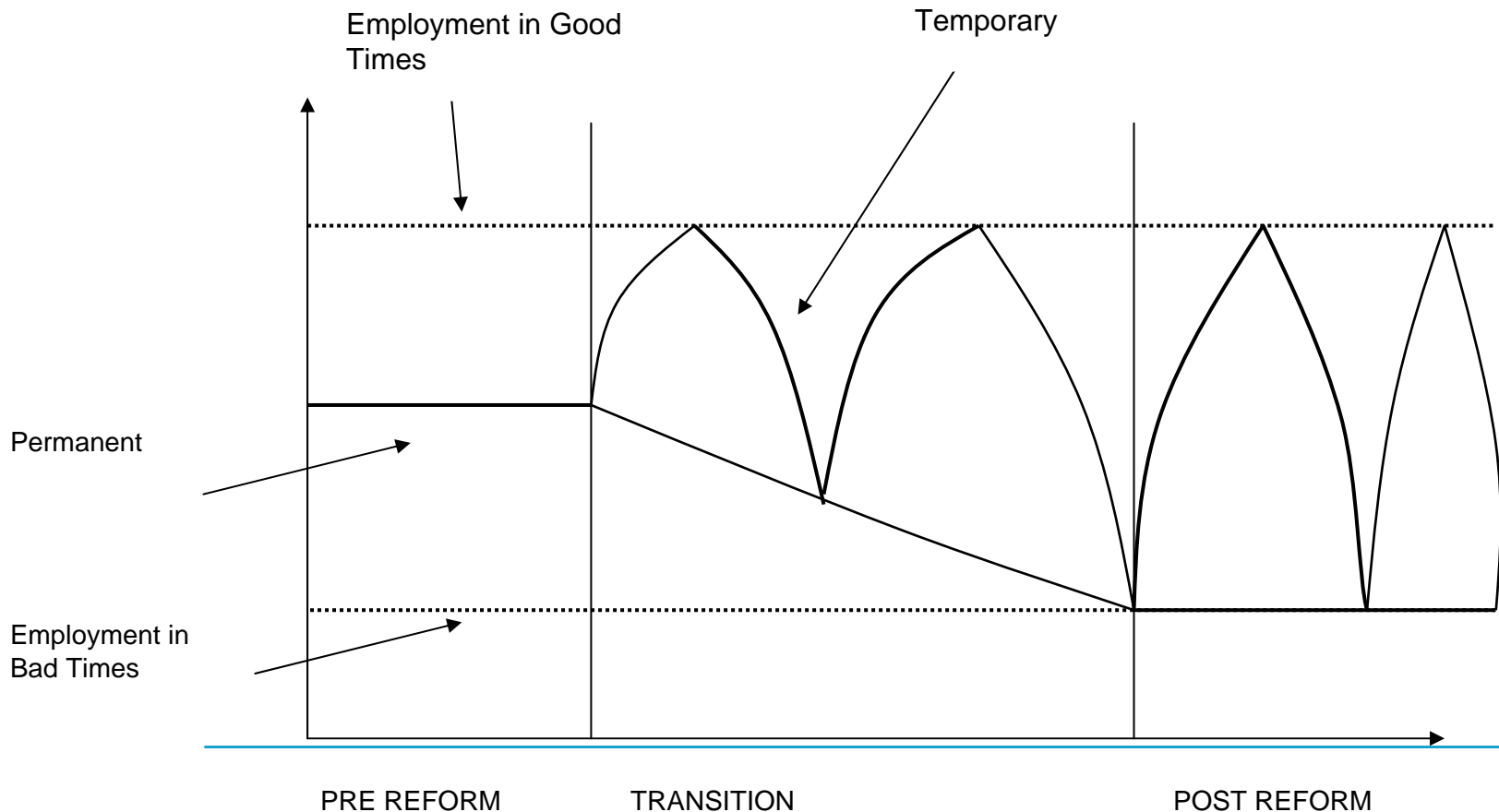


■ Workers with primary and low education ■ Temporary workers



The mechanism: a Honey Moon Effect (2006 with Garibaldi)

Under good times a “buffer stock” is built-up. Hiring of Temps. Under bad times temps are laid off. Average productivity declines (under DRS).





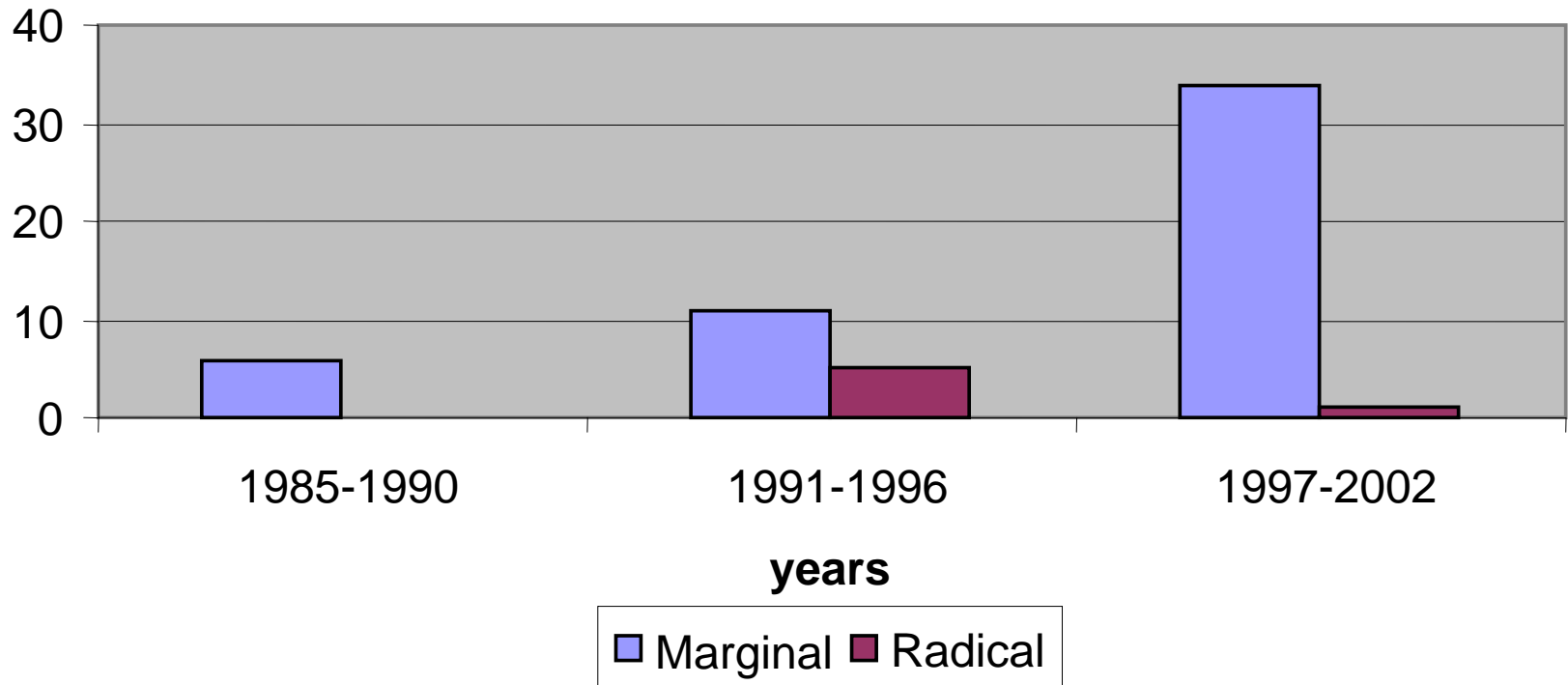
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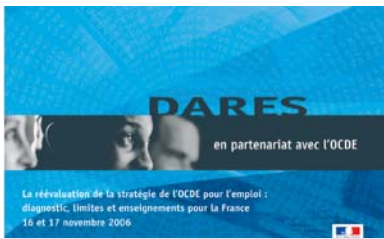


More marginal reforms of employment protection

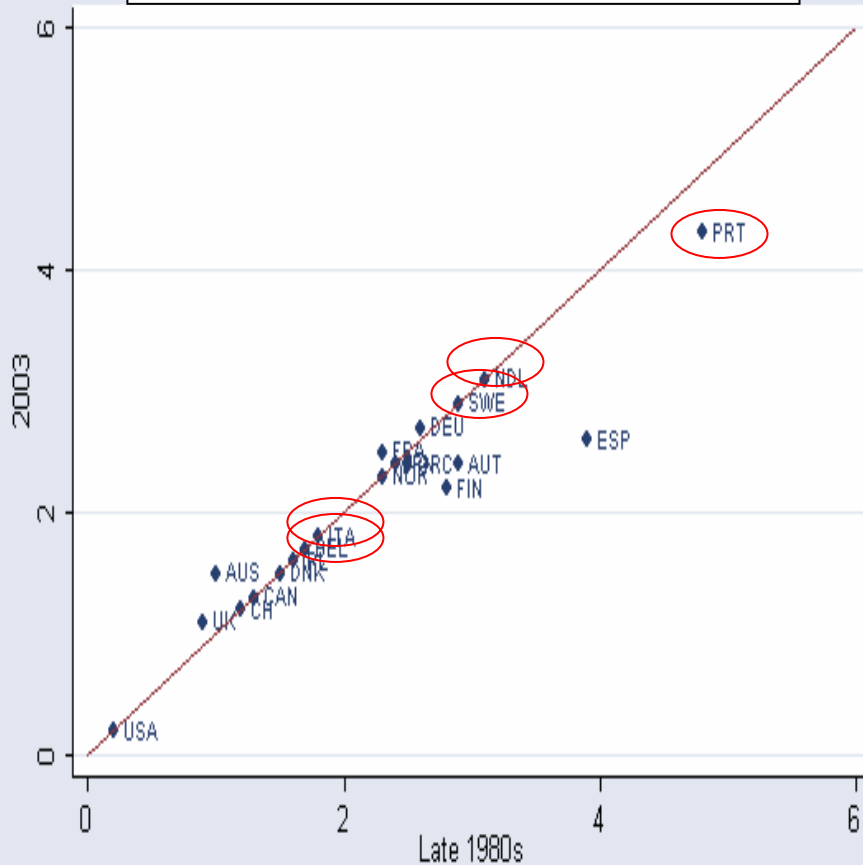
Number of reforms reducing strictness of EPL



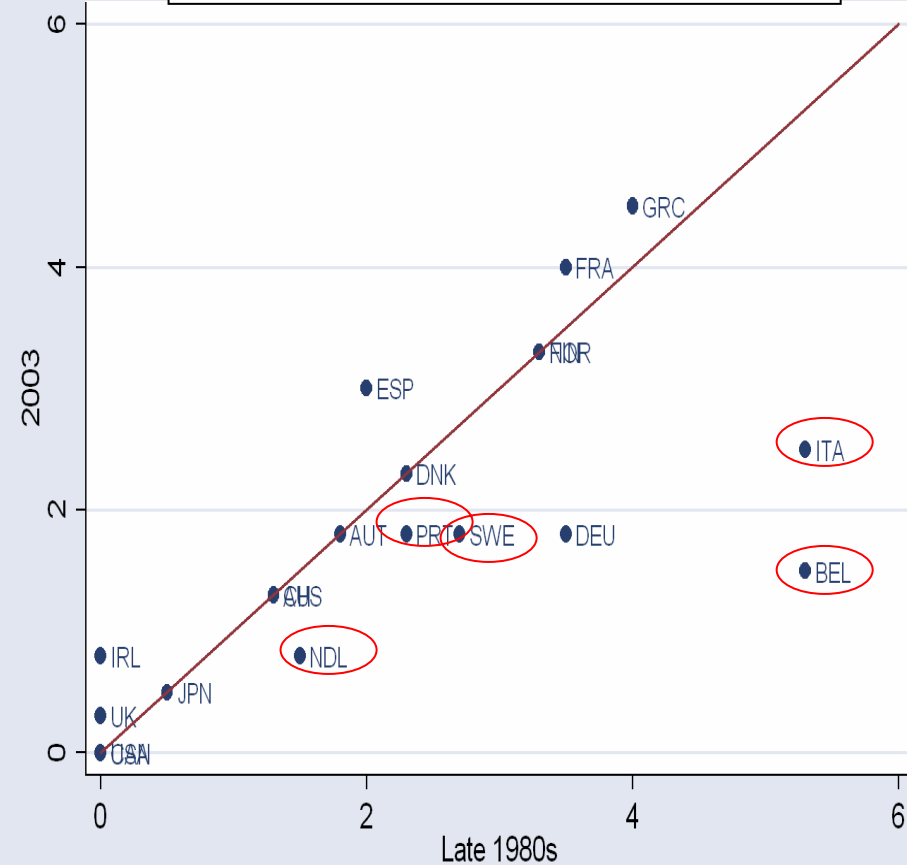
Marginal reforms are two-tier reforms



Radical reforms



Marginal reforms





Employment Growth Increased *After* the Reforms

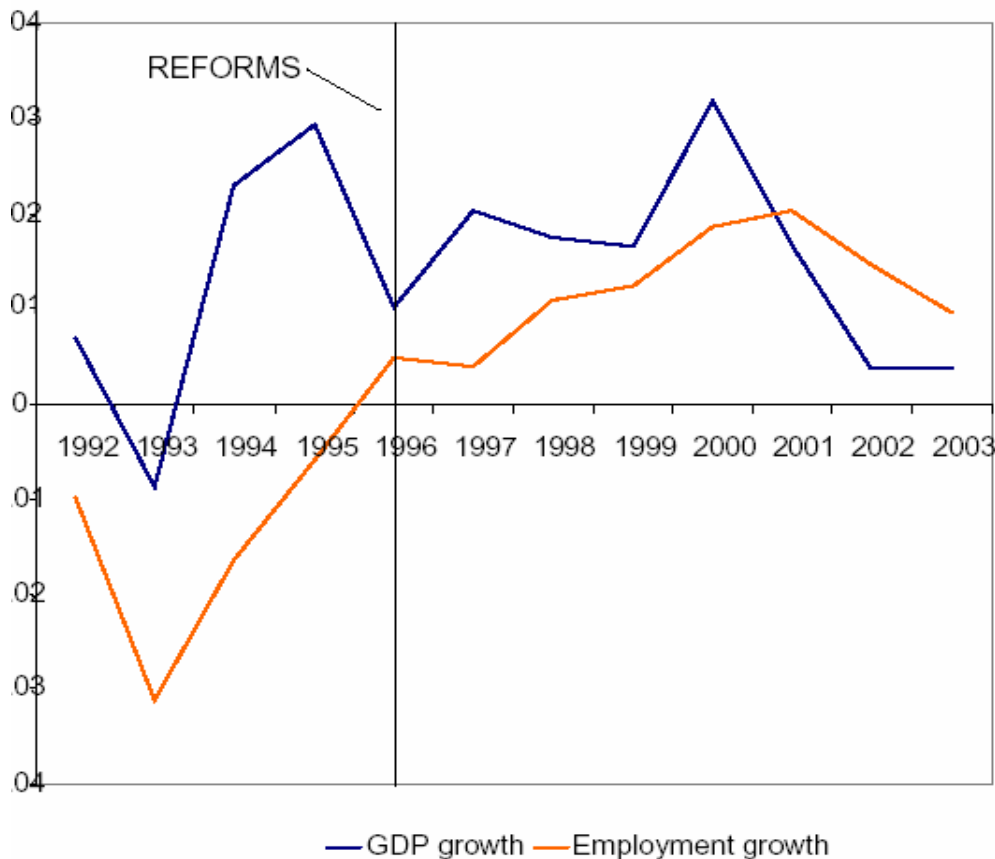
	Pre Reform		Post Reform	
	Period	Average Growth	Period	Average Growth
Belgium	92-96	0,91	97-04	0,98
Spain	81-85	..	85-04	3,07
Italy	92-96	-0,24	97-04	1,29
Netherlands	92-97	1,11	98-04	1,09
Portugal	92-95	-0,3	97-04	1,7
Sweden	95-96	-0,77	97-04	1,19

Source: European Commission and FRDB database

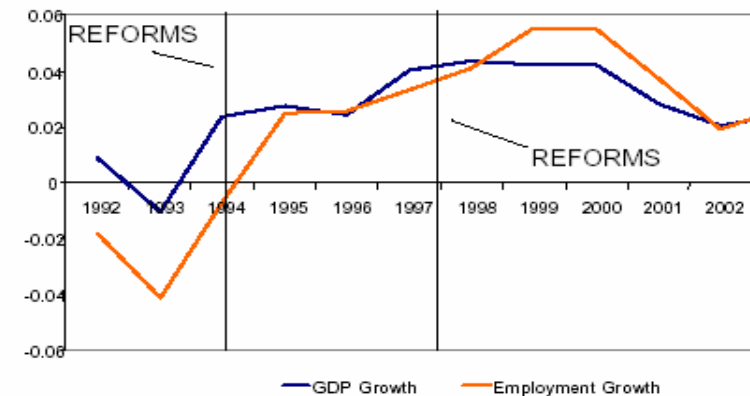
Reforms and the switch from jobless growth to growthless job creation



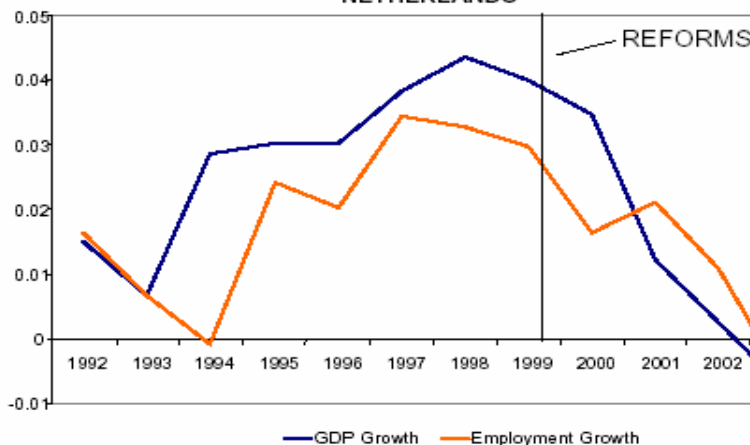
ITALY



SPAIN



NETHERLANDS



Source: OECD Data



Summarising

1. Aggregate Employment increased after the reforms
2. The employment content of growth increased (involving a declining labour productivity growth)
3. The contribution to employment growth of temporary contracts (mainly, but not only, fixed-term contracts) varied between 35% to more than one-hundred per cent (it occurred even in countries where regular contracts declined)



Outline

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- The role of reforms of employment protection at the margin, changing rules only for new hires. Evidence on the honeymoon effect
- Issues of *sustainability* (segregation, unemployment and longevity risks). Strategies coping with the dualism: should we have a tenure-track?



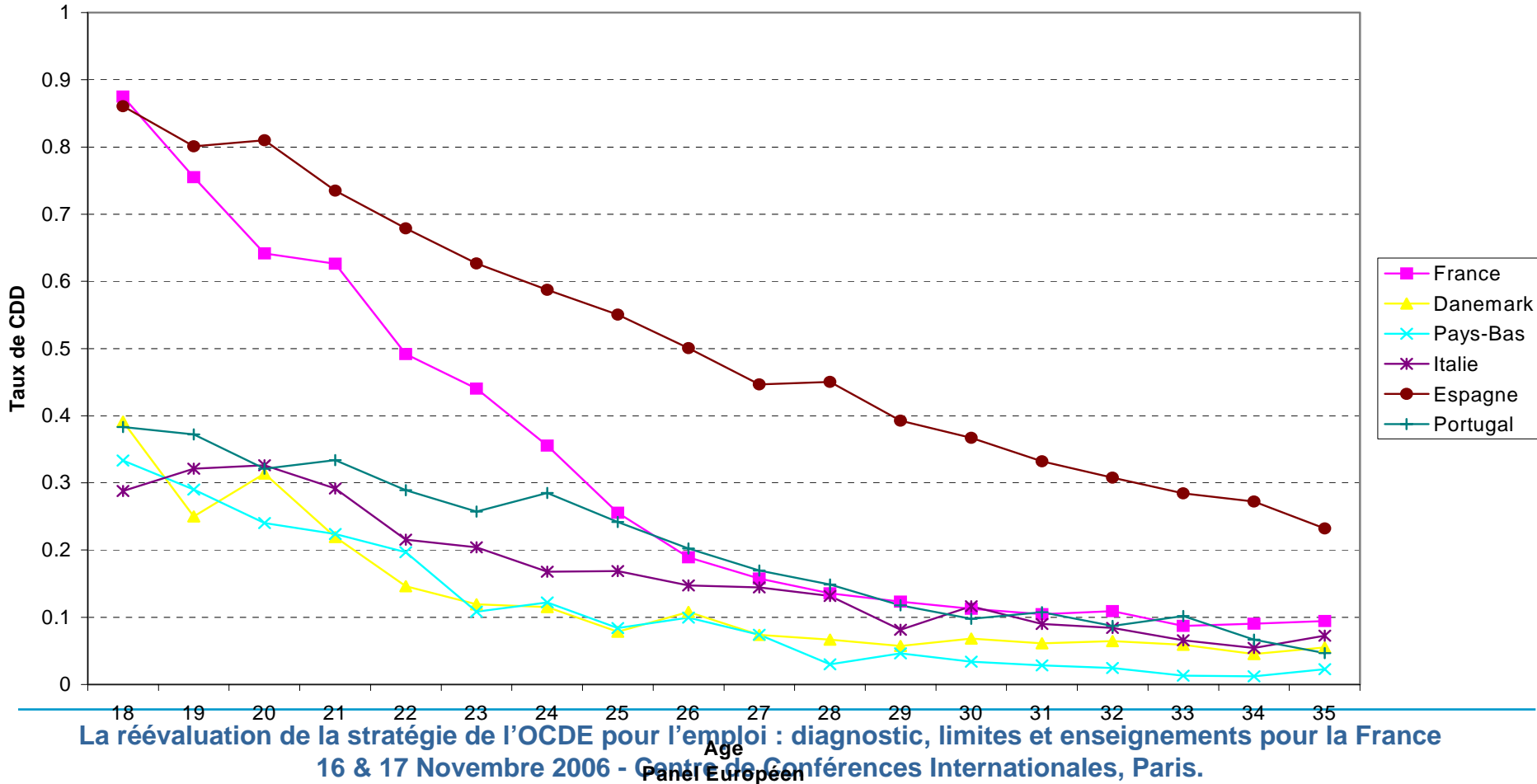
Sustainability issues with two-tier regimes

- **Segregation:** low flows from temporary to regular contracts; no career prospects and low human capital investment
- **Unemployment risk:** buffer stock, high job instability
- **Longevity risk:** do temporary workers acquire enough pension rights?

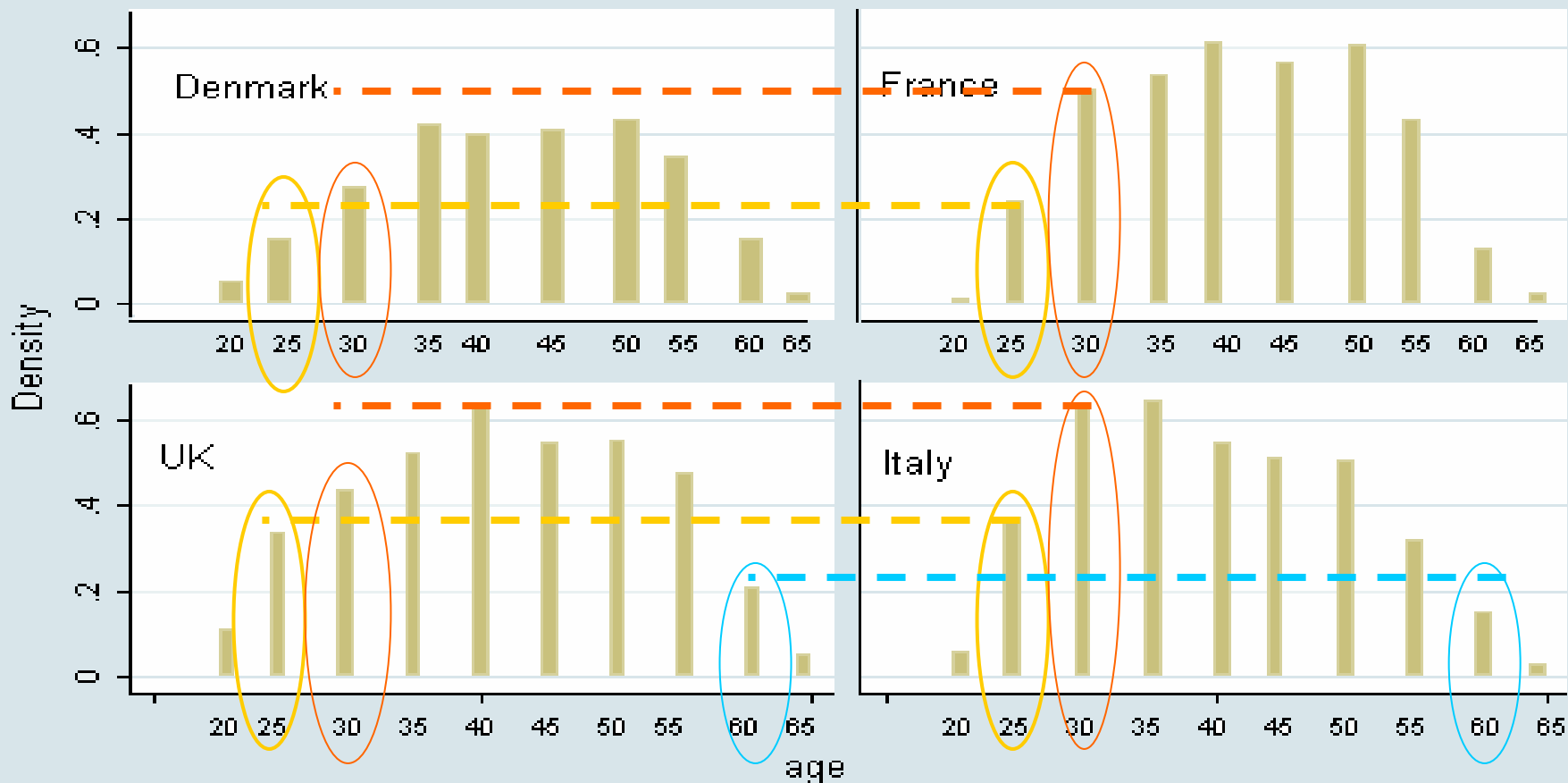


Fixed-term contracts are for young workers
 Probability of moving to permanent contract
 about .10 in Italy

Part de contrats précaires, parmi tous les contrats



Perceived “Job insecurity”. Concentrated among young people

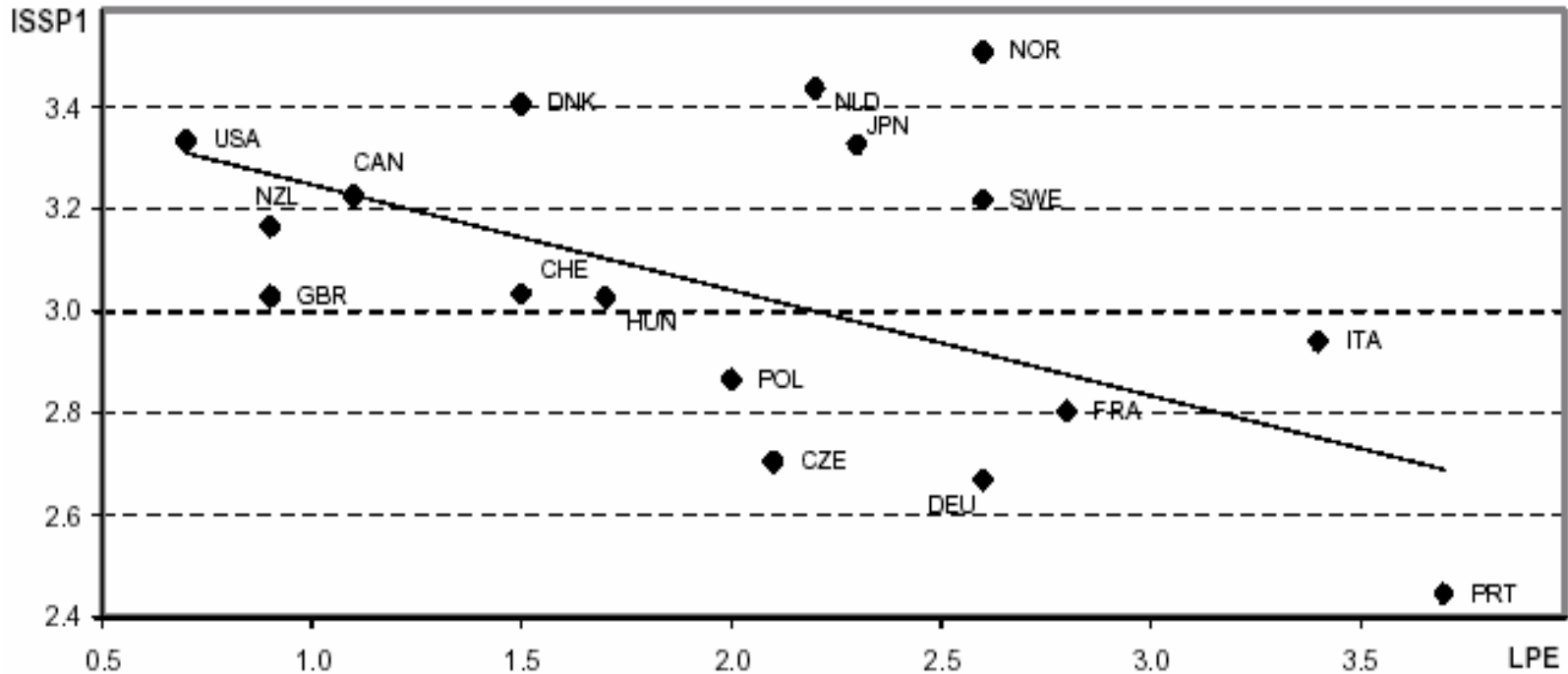


Graphs by country



This explains why at the aggregate EPL is *negatively* correlated with fear of job loss

Feeling of job security



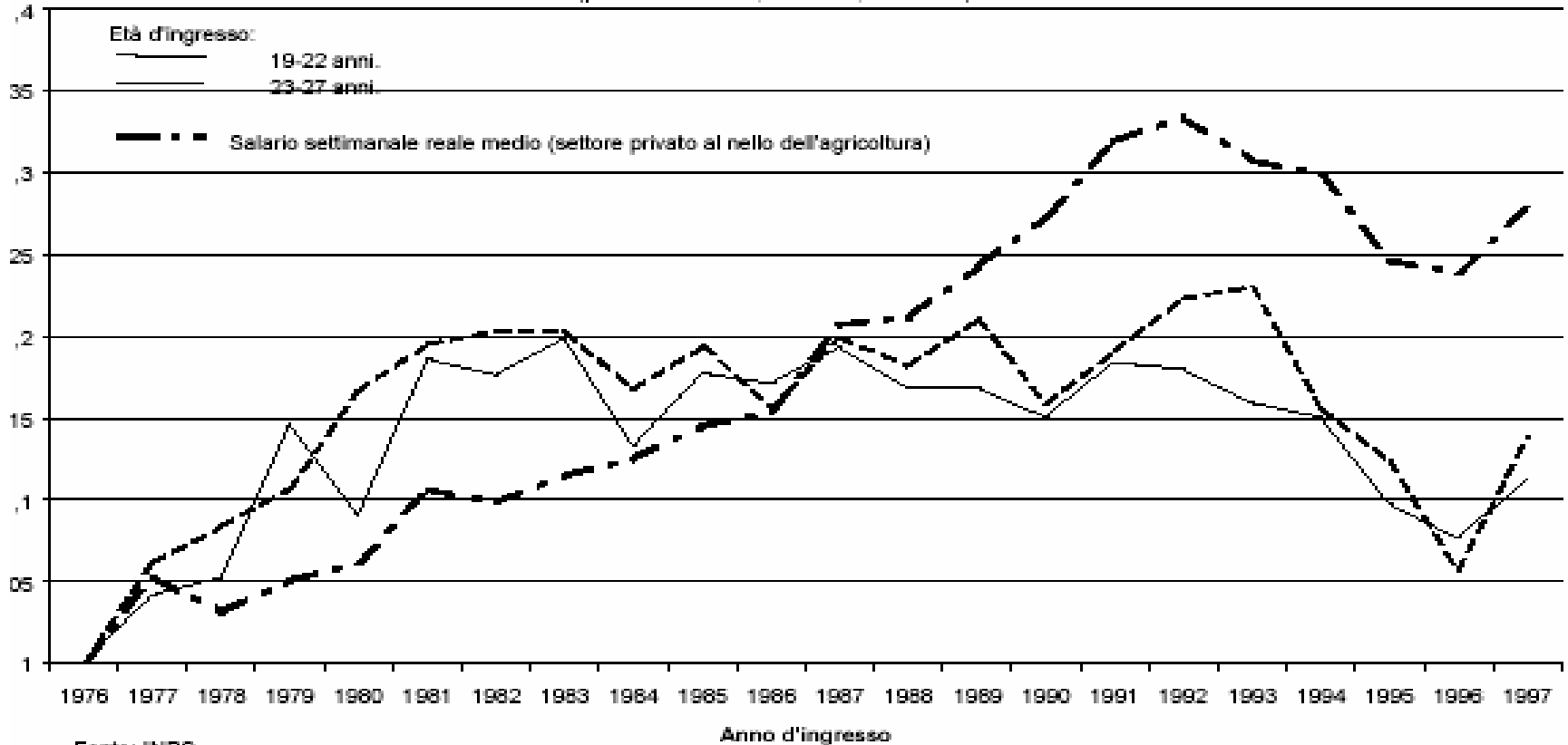
Horizontal axis: increasing in strictness of EPL;

Vertical axis: increasing in perceived security. A paradox!

Entry wage in relation with the average wage: Italy 1976-97

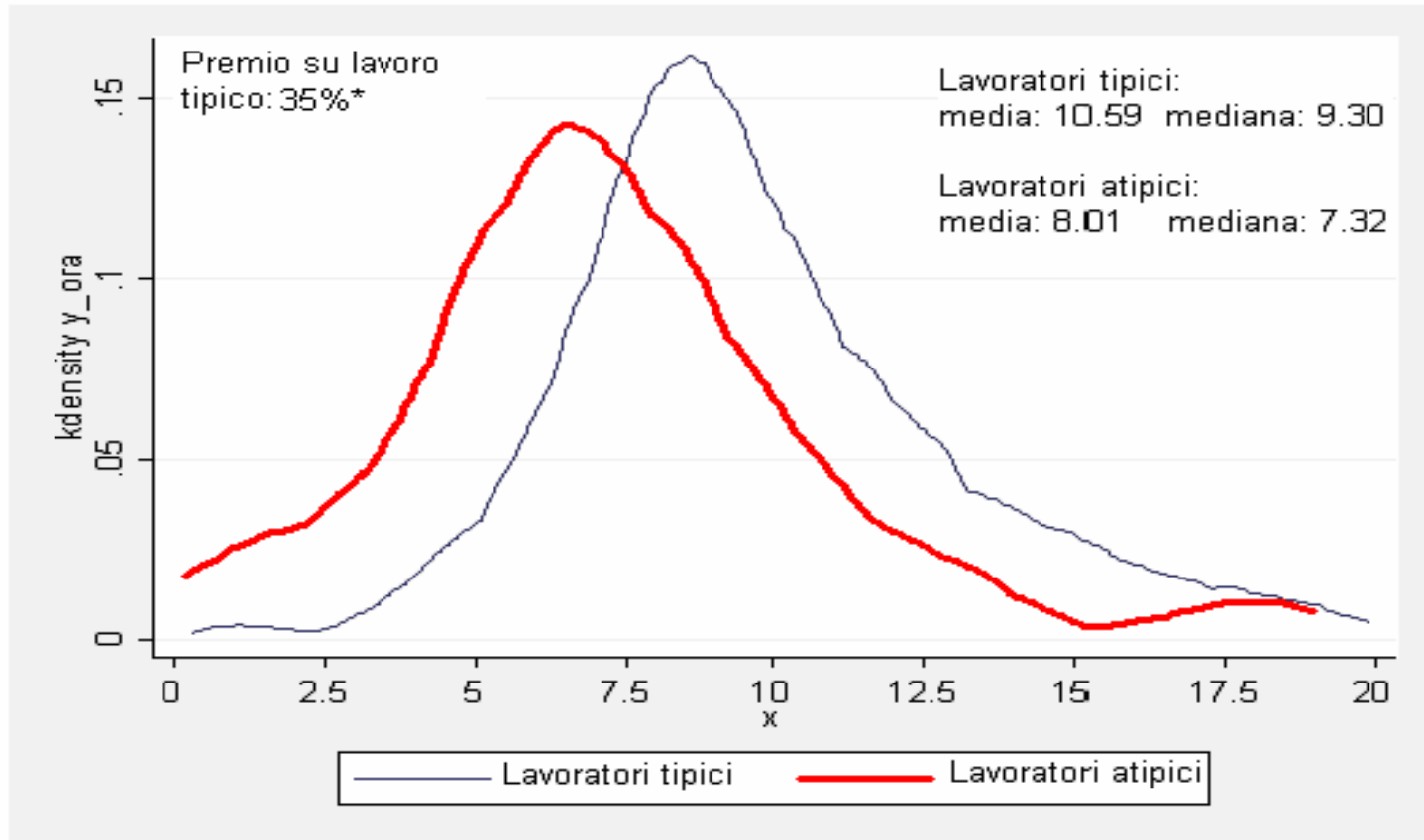


Salario settimanale d'ingresso e retribuzioni unitarie medie.
(prezzi costanti; maschi; 1976=1)



Fonte: INPS.

Wage distribution of permanent and temporary contracts



Note: * controllando per età, genere e livello di istruzione.



Longevity risk: the annual pension of a “co.co.co*“ in Italy

	Pensione annua (Euro 2005)	in % all'ultimo salario
	Anzianità=40	Anzianità=40
Co.co.co \ progetto	4945	41%
Dipendente (salario d'ingresso 1000 euro)	11100	62%

*Tasso di sostituzione

Note: Assuming GDP yearly growth rate of 1,5 and typical wage tenure profile

*(begin working in 1996, at the age of 24 years, monthly net wage 800 €, retire at 65 years after 40 years of work).



A “tenure track”?

- Gradual buildup of protection. To be adapted to national regulations for regular contracts
- Example. Italy: 3 steps within a permanent contract :
 - probationary period (6 months)
 - “engagement” (from the sixth month to the third year)
 - tenure (after 36 months)
- maximum duration of a fixed- term contract: 2 years
- higher contributions to UBs for FTCs



Conclusions

- More jobs because temporary jobs?
- Effects of two-tier reforms in line with transitional dynamics of standard model of labor demand with attrition and EPL reform (with Pietro Garibaldi). Also wage discount is important
- Policy issues: complexity, sustainability and segregation can be dealt with by creating tenure-track