

Labour Market Reforms since the Crisis: Drivers and Consequences

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Funding/ FP7-PEOPLE-ITN-2012 | Project number 317321 ChangingEmployment

Research Questions

- How did the recent crisis impact labor markets?
- What are the labor market subdomains that have been affected the most by the recent crisis?
- What are the effects of labor market reforms around the world?

Research Design and Data

- Data collected on labor market reforms between 2007 and 2014 in 111 developed and developing countries
- Reforms coded by labor market subdomain: collective dismissals, collective bargaining, working hours, temporary contracts, permanent contracts and other forms of employment.
- Data coded by direction of reforms: whether reforms increase or decrease protection for workers.
- A total of 645 reforms passed between 2007 and 2014, with the majority of them (444 reforms) passed in developed economies
- Most of the reforms have aimed at decreasing existing levels of labor market protection for workers.
- The most affected labor market subdomain was permanent contracts, where a number of 193 changes have been passed. Regulation concerning collective bargaining also underwent numerous changes (175 reforms), with most of them aiming to ease legislation.
- In Europe, the crisis has led to numerous deregulatory measures, especially in Mediterranean and East European countries, where collective bargaining institutions have been fundamentally changed towards decreasing the role played by national collective bargaining agreements and enhancing the role of plant level collective bargaining agreements.

Figure 1. Number of Changes in Labor Market Regulation by Year of Implementation and Direction of Change: 2007–2014.

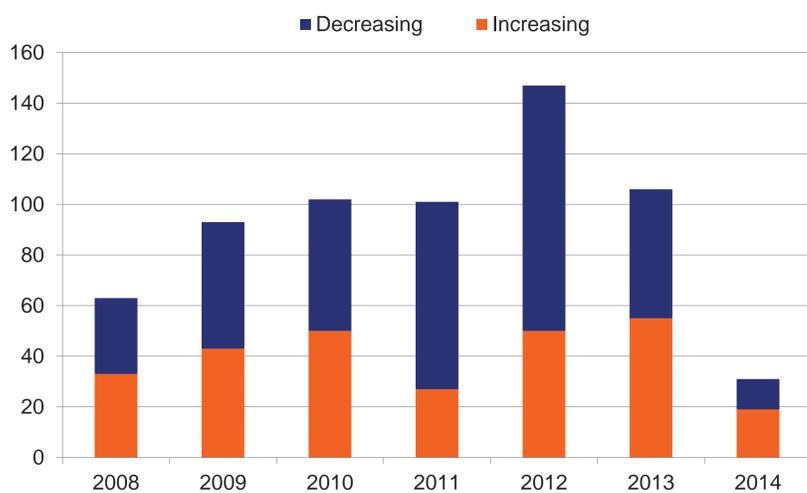
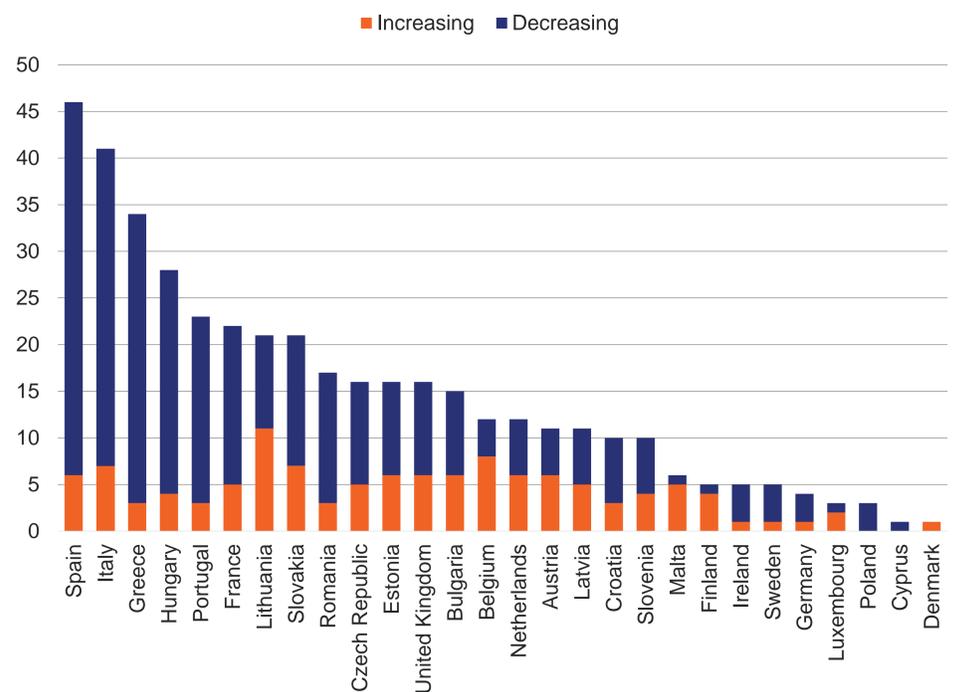


Figure 2. Number of Changes in Labour Market Regulation in the European Union by Country and Direction of Change: 2007–2014.



Empirical Analysis and Results

- Deregulation was pushed by governments as a solution to rising unemployment levels.
- Regression analysis to test for the short term effects of labour market reforms.
- We find that deregulation leads to more unemployment in the short term, a relationship that holds for developed economies.
- Net effect of the crisis in European countries has been a decrease in labor market protection for workers, with the reforms not solving the imbalances they were supposed to address.

Figure 3. Labor market developments by countries classified by overall changes in EPL. (percentage point changes between 2008 and 2014)

