



New Directions in Labour Market Flexibility Research

London, Wednesday 26 November 2003

This DTI research seminar is organised by the Employment Market Analysis and Research (EMAR) Branch, Employment Relations Directorate.

Attendance is free, but requires **registration***

The seminar will be held at British Academy (see attached map for details).

Seminar agenda

-
- | | |
|----------------|--|
| 9.30am | <i>Registration, tea and coffee</i> |
| 10am | Launch of DTI Labour Market Flexibility Small Grants Fund
Grant Fitzner, Director of EMAR |
| 10.15am | The economic impact of labour market flexibility in the UK and its regions
Vassilis Monastiriotis, Royal Holloway |
| 10.50am | Discussant: Michelle Baddeley, University of Cambridge
...then questions from the floor |
| <i>11.05am</i> | <i>Tea and coffee break</i> |
| 11.20am | Unemployment, labour market institutions and shocks
Luca Nunziata, Nuffield College, Oxford |
| 11.55am | Structural transformation and the deterioration of European labor market outcomes
Richard Rogerson, Arizona State University |
| 12.30pm | Discussant: Paloma Lopez-Garcia, Instituto de Empresa
...then questions from the floor |
| <i>12.45pm</i> | <i>Buffet lunch</i> |
| 1.45pm | Worker-job matches, job mobility, and real wage cyclicalilty
Robert A Hart, University of Stirling |
| 2.20pm | Discussant: Jennifer Smith, University of Warwick
...then questions from the floor |
| <i>2.35pm</i> | <i>Tea and coffee break</i> |
| 2.50pm | Unemployment flows in five OECD countries
Ronald Bachmann, Humboldt University of Berlin |
| 3.25pm | Gross job flows in Europe
Giovanna Vallanti, London School of Economics |
| 4.00pm | Discussant: Felix Ritchie, Office of National Statistics
...then questions from the floor |
| <i>4.15pm</i> | <i>Seminar close</i> |

* Attendance is free, but you must register via email. Please send your name, organisation and postal address to: emar@dti.gov.uk

Abstracts of papers

The economic impact of labour market flexibility in the UK and its regions

Vassilis Monastiriotes, Royal Holloway

Email: Vassilis.Monastiriotes@rhul.ac.uk

Despite the centrality of the issue of labour market flexibility for policy and academic research, attempts to consistently measure levels of flexibility, either within or across countries, have been remarkably scarce. This paper presents a complete set of labour market flexibility indicators for the UK and its regions over the period 1979-1998, based on survey data sources and relating directly to theoretical considerations existing in the literature.

After discussing issues related to the measurement of flexibility and the construction of the indexes, we examine the evolution of labour market flexibility and its various forms, across the UK regions and over the twenty-year period of our study. This examination reveals a number of interesting findings: labour market flexibility increased throughout the period across all UK regions, but specific elements of flexibility have followed divergent and non-linear trends; evidence of convergence in the regional levels of flexibility co-exists with a rather persistent pattern of a North-South dichotomy and regional specialisation in different forms of flexibility; if anything, deregulation does not seem to have facilitated regional harmonisation in levels and forms of labour market flexibility.

Unemployment, labour market institutions and shocks

Luca Nunziata, Nuffield College, Oxford

Email: Luca.nunziata@nuffield.oxford.ac.uk

This paper aims to explain the cross sectional differences in, and the time series evolution of, OECD unemployment from 1960 to 1995. We want to know how much of it can be accounted for by changes in labour market institutions, and the interactions of institutions and macroeconomic shocks. Our aim is also to verify the consistency of unemployment fluctuations with the labour cost results presented in Nunziata (2001).

Our findings suggest that labour market institutions have a direct significant impact on unemployment in a fashion that is broadly consistent with their impact on real labour costs. Broad movements in unemployment across the OECD can be explained by shifts in labour market institutions, although this explanation relies on high levels of endogenous persistence. We cannot rule out a significant role for institutions through their interaction with adverse shocks, although the estimates do not appear extremely robust in this case. In contrast, the direct effect of institutions still holds when we include the possibility of interactions between shocks and institutions.

Structural transformation and the deterioration of European labor market outcomes

Richard Rogerson, Arizona State University

Email: Richard.Rogerson@asu.edu

Beginning in the early to mid 1970's, most economies of continental Europe experienced a sharp increase in unemployment rates relative to the US that continued throughout the 1980's and lead overall to a sustained increase in relative unemployment of roughly six percent.

This paper makes several contributions to the literature on this subject. First, it challenges the consensus view of the facts to be explained. The consensus view is based on an analysis of relative changes in unemployment rates. This paper argues that labour input is a more informative measure of labour market outcomes and therefore examines the behaviour of employment to population rates. Based on this analysis, the deterioration of European labour market outcomes relative to the US begins much earlier, possibly as early as the mid 1950's, and continues at a fairly steady rate until 2000. The overall deterioration measured in terms of employment to population rates is almost 20%. This radically different view of what needs to be explained suggests that existing explanations, which stress either institutional changes in the 1970's or differential responses to common shocks in the 1970's, are likely to be insufficient.

Worker-job matches, job mobility, and real wage cyclicality

Robert A Hart, University of Stirling

Email: r.a.hart@stir.ac.uk

Using the British New Earnings Survey Panel Data from 1980 to 2001, this paper examines male and female real wage cyclicality. Estimation is undertaken separately for job stayers and job movers. A unique data advantage compared to earlier studies is that movers are defined by job changes both within and between companies. Core estimates concern real hourly standard wage rates.

Special features include (a) differentiating between white- and blue-collar workers, (b) delineating job stayers by length of job tenure, (c) examining the cyclicality of the average overtime premium, (d) distinguishing between hourly wage earnings and hourly wage rates. Wage cyclicality in Britain is found to be significantly greater than comparable United States estimates.

Unemployment flows in five OECD countries

Ronald Bachmann, Humboldt University of Berlin

Email: bachmann@wiwi.hu-berlin.de

This paper gives an overview of the labour market dynamics in five OECD economies, France, Germany, Spain, the UK, and the US, by looking at worker flows. For each country, we present univariate and multivariate time series properties, and test for structural stability. These provide further evidence for "sclerotic" labour markets in France and Germany, while the picture for Spain and the UK is mixed. We then go on to discuss some (theoretical) explanations for our findings.

Gross job flows in Europe

Giovanna Vallanti, London School of Economics

(with Ramon Gomez-Salvador and Julian Messina)

Email: G.Vallanti@lse.ac.uk

We examine job flows in the 1990s for a sample of 12 European countries. Using a firm dataset that covers all sectors, we find firm characteristics to be important determinants of job flows, with smaller and younger firms within services typically having a larger degree of job turnover. Once controlled for firm and sectoral effects, the role of institutions in the dynamics of job creation and destruction is examined. As expected, employment protection is found to reduce job flows, although this is partially counterbalanced through the use of temporary employment. Similarly, countries with higher unemployment benefits, labour taxes and more co-ordinated wage bargaining systems are characterised by lower job flows.

Papers will be published on EMAR's website: www.dti.gov.uk/er/emar

Location of DTI Seminar, 26 November 2003

The British Academy

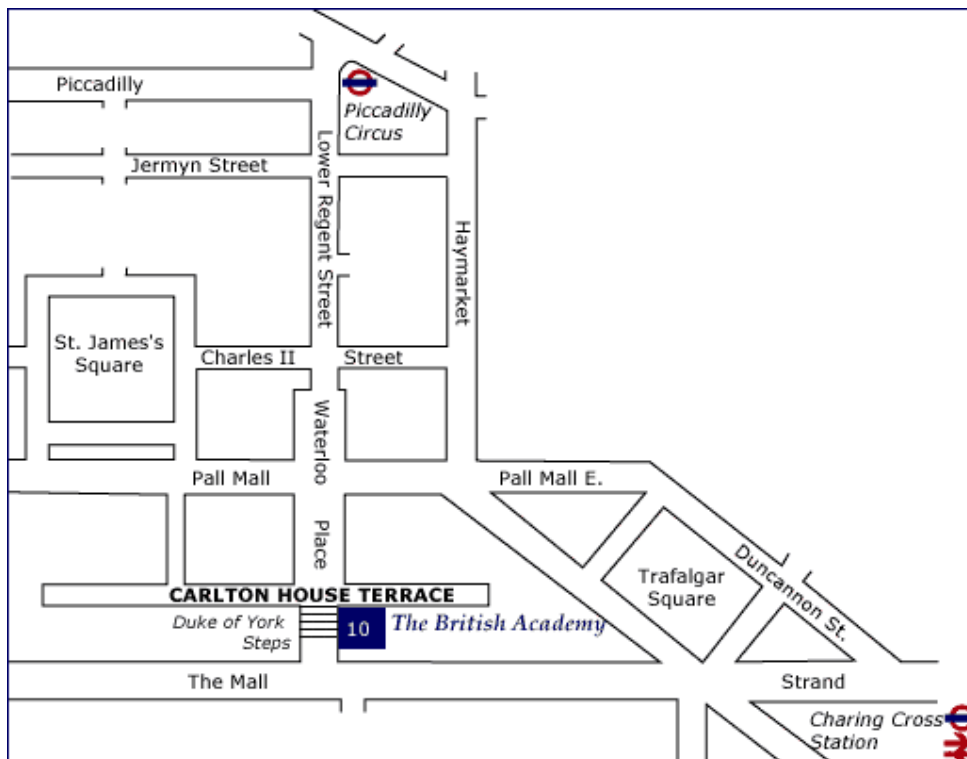
10 Carlton House Terrace

London SW1

Tel: 020 7969 5200



<http://www.britac.ac.uk/contact/map.html>



The British Academy is located between Charing Cross and Piccadilly Underground stations, just off The Mall next to the Duke of York Steps. Opposite St James's Park.