

Is it the Right Model?

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Andersen and de Graf-Zijl papers ^f **R** **D B**

- Very useful. Balanced view of the UB/EPL tradeoff involved by flexicurity.
- Many institutional details (e.g., decomposition of the tax and transfer components of EPL, measures of the progressiveness of UBs)
- Not only EPL and UB, but also ALMPs
- Adjustment along the intensive (hours) margin during the Great Recession also considered

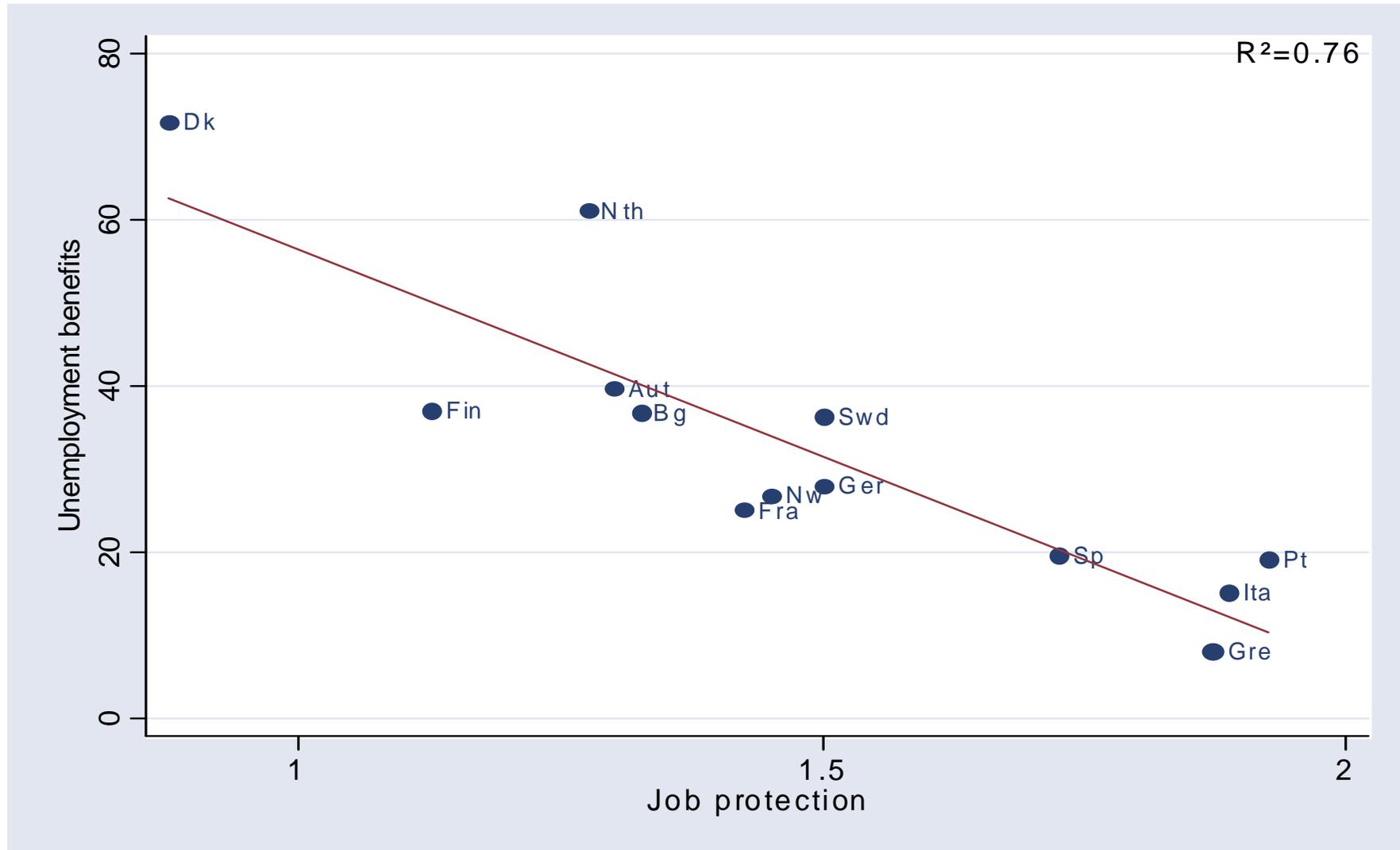
3+1 Issues

f **R**
D B

1. Is Denmark different?
2. Implications of these differences
3. Is it the right model?
4. Can it be replicated?

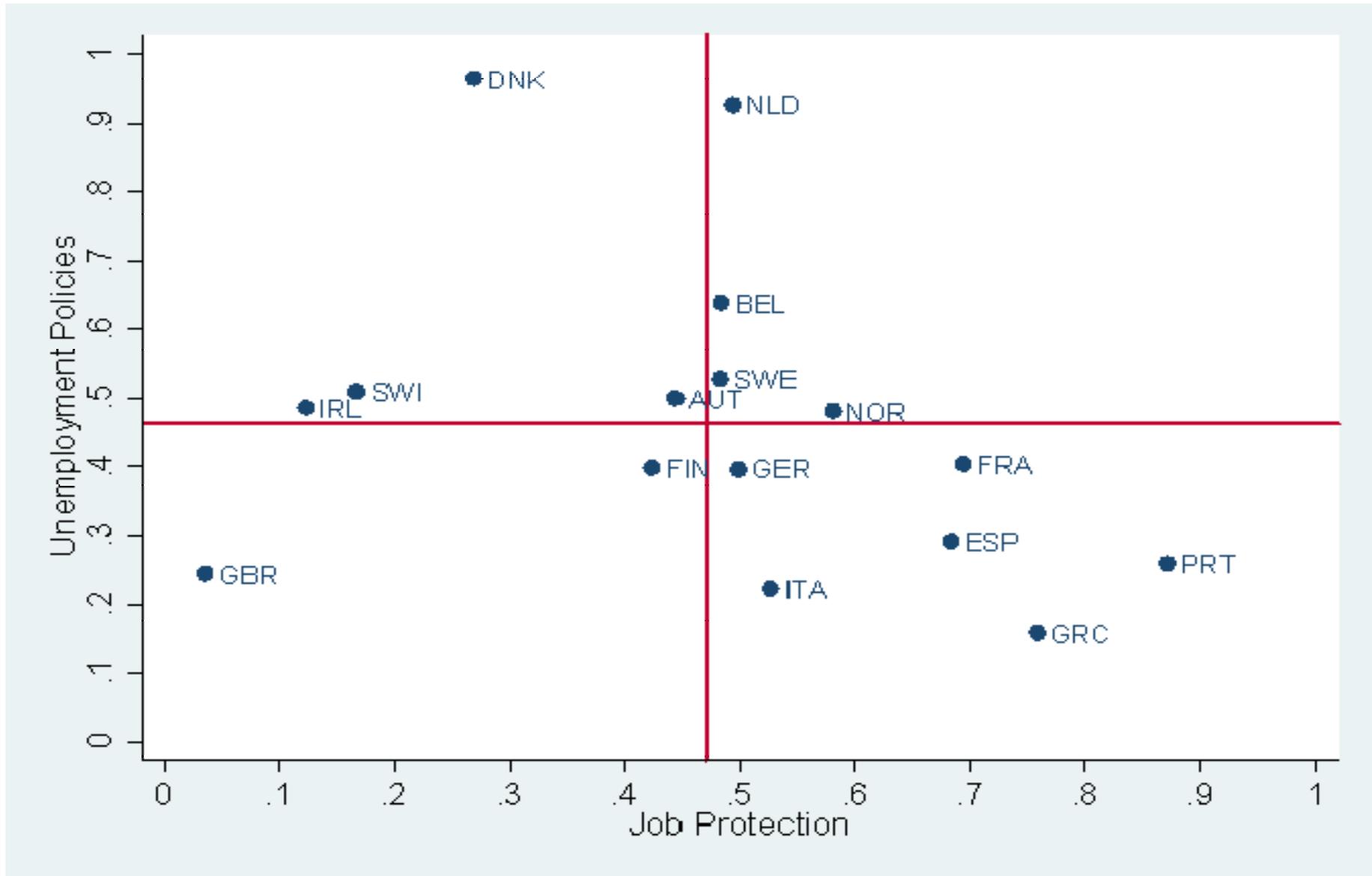
Is it different?

f R
D B



Including ALMP exp

f **R**
D B



Implications

f R
D B

- More unemployment turnover. Less long-term unemployment
- Generally less youth unemployment and more participation
- More employment/unemployment fluctuations over the business cycle
- Higher taxes/social security contributions
- Less dualism

Dualism in the European Market

f R
D B

The Disparity between Permanent and Temporary Employment

	Wage Premium for Permanent Contracts ¹ (percent)	Share of Temporary Employment in Total Dependent Employment ²	Temp. Employment in Dependent Employment : Young Workers (<25y)
Austria	20.1	9.1	35.6
Belgium	13.9	8.2	33.2
Denmark	17.7	8.9	23.6
Finland	19.0	14.6	39.0
France	28.9	13.5	51.2
Germany	26.6	14.5	57.2
Greece	10.3	12.1	28.4
Ireland	17.8	8.5	25.0
Italy	24.1	12.5	44.4
Netherlands	35.4	18.3	46.5
Portugal	15.8	22.0	53.5
Spain	16.9	25.4	55.9
Sweden	44.7	15.3	53.4
United Kingdom	6.5	5.7	11.9

Sources: European Community Household Panel and *European Union Survey of Income and Living Conditions*, *OECD Labour Force Statistics*

¹ Estimated as the coefficient of a dummy variable capturing permanent contracts, in a (monthly) wage regression of male dependent employment, controlling for education, tenure, and the (broad) sector of affiliation:

$$\log(w_{it}) = \alpha + \beta_1 EDU_{it} + \beta_2 EDU_{it}^2 + \gamma_1 TEN_{it} + \gamma_2 TEN_{it}^2 + \delta PERM_{it} + u_{it}$$

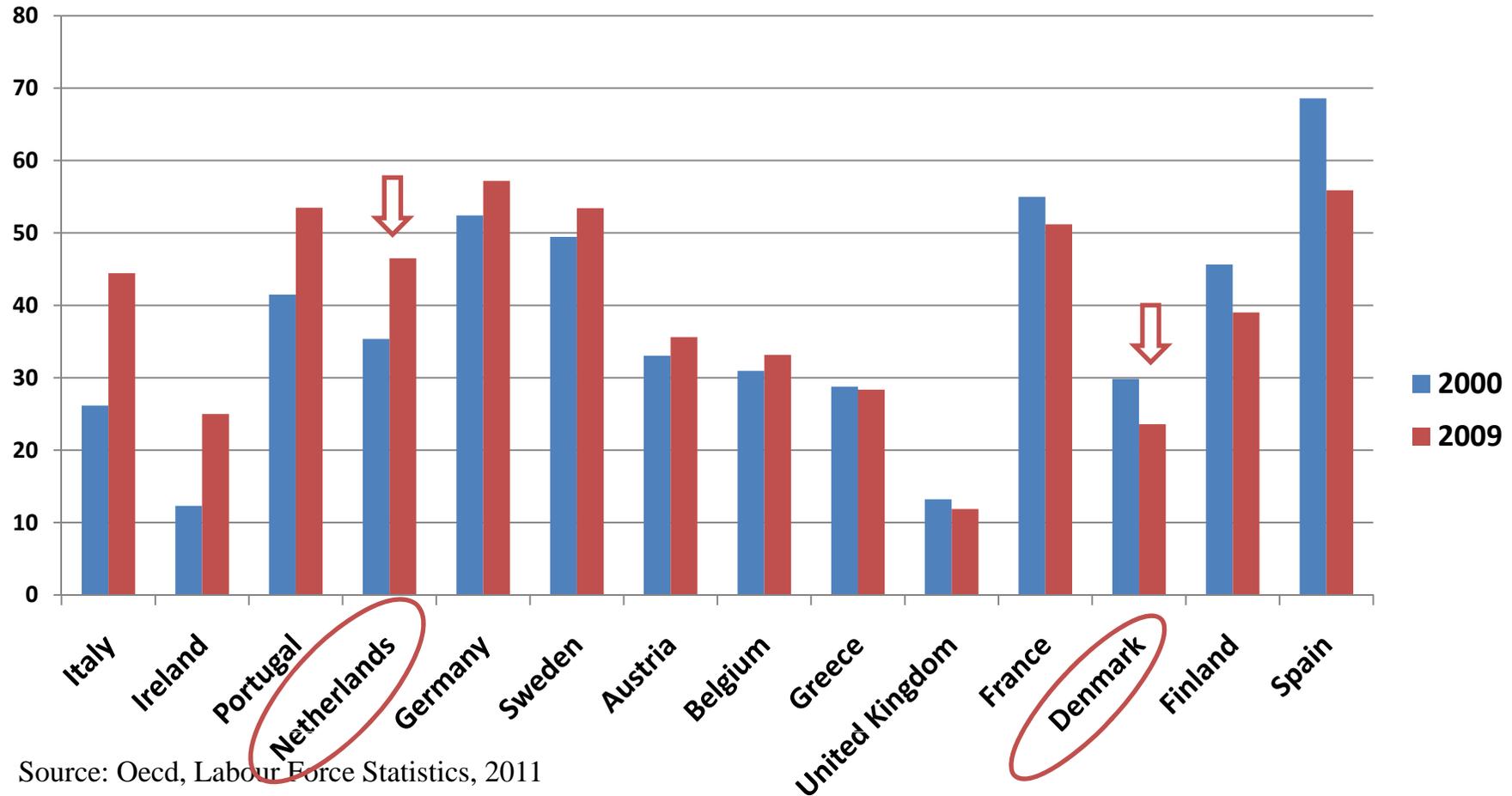
where the i indexes individuals, w is monthly wages of individuals, EDU is years of schooling, TEN is years of tenure, and $PERM$ is the dummy for permanent contracts.

² From OECD 2009

Even declining

f R
D B

Share of Temporary Employment
(as a % of Dependent Employment)



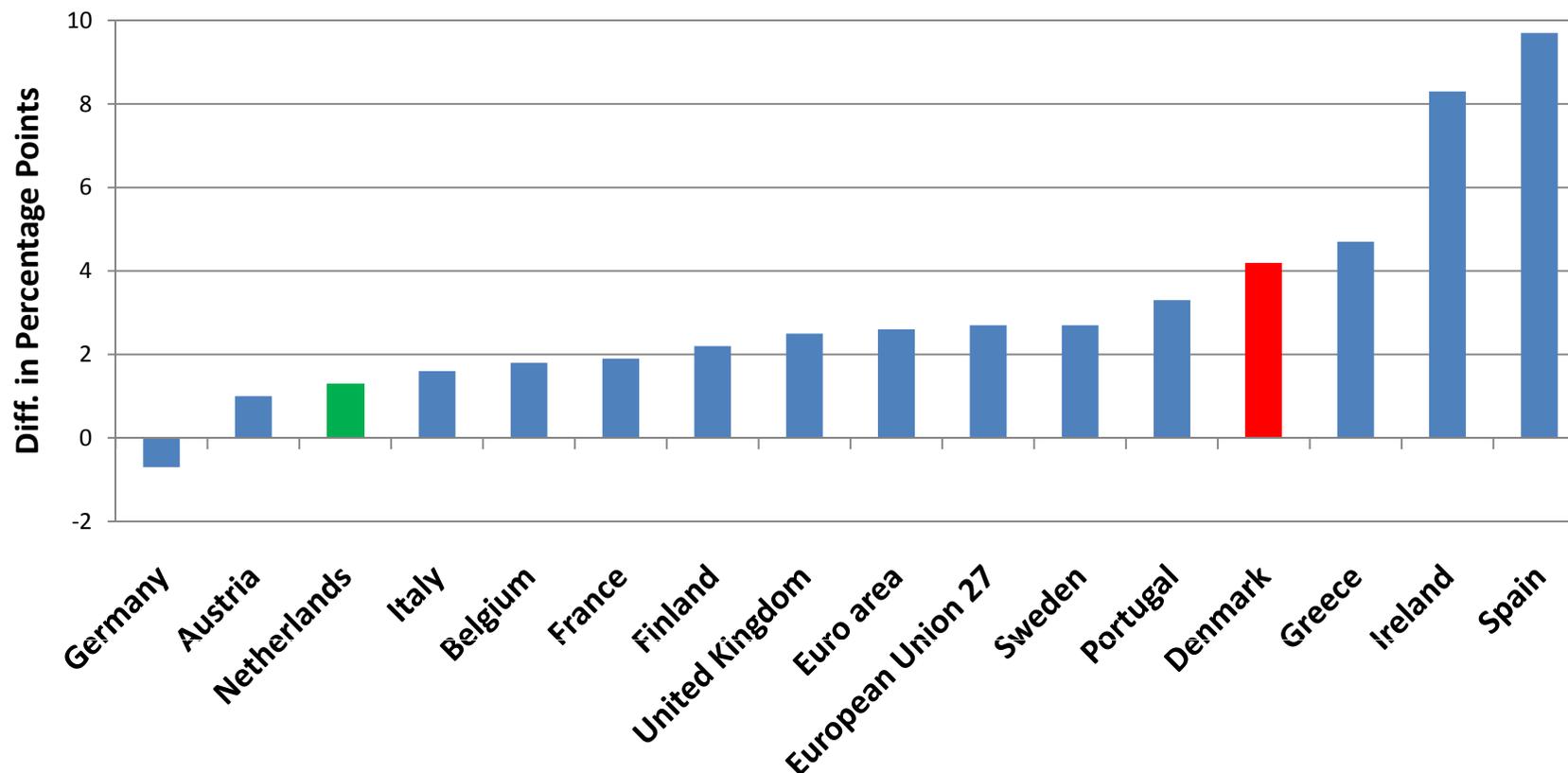
Source: Oecd, Labour Force Statistics, 2011

Is it the Right Model?

The test of the Great Recession

f R
D B

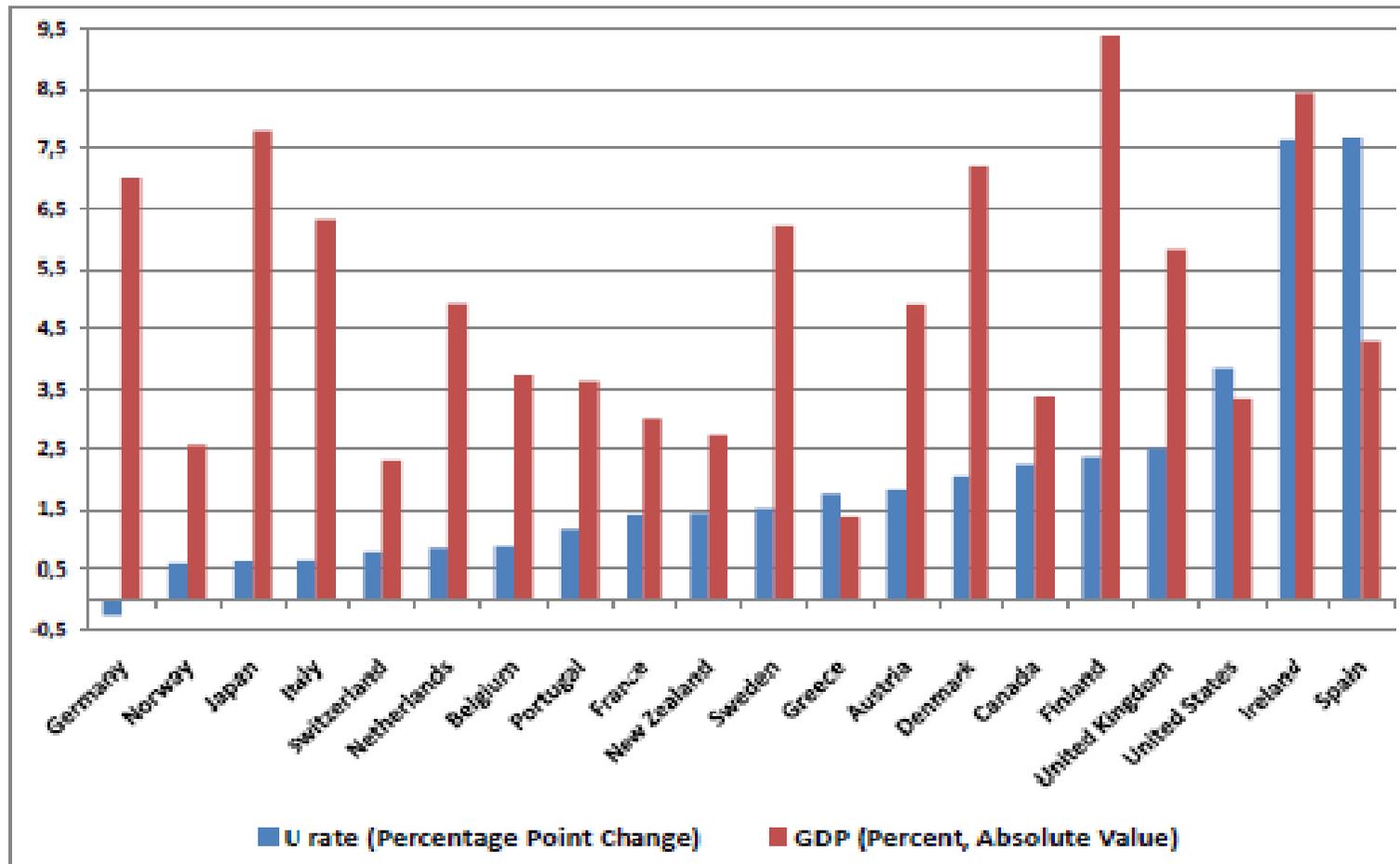
Unemployment Rate during the Crisis
(2008q2-2010q2)



Source: Eurostat

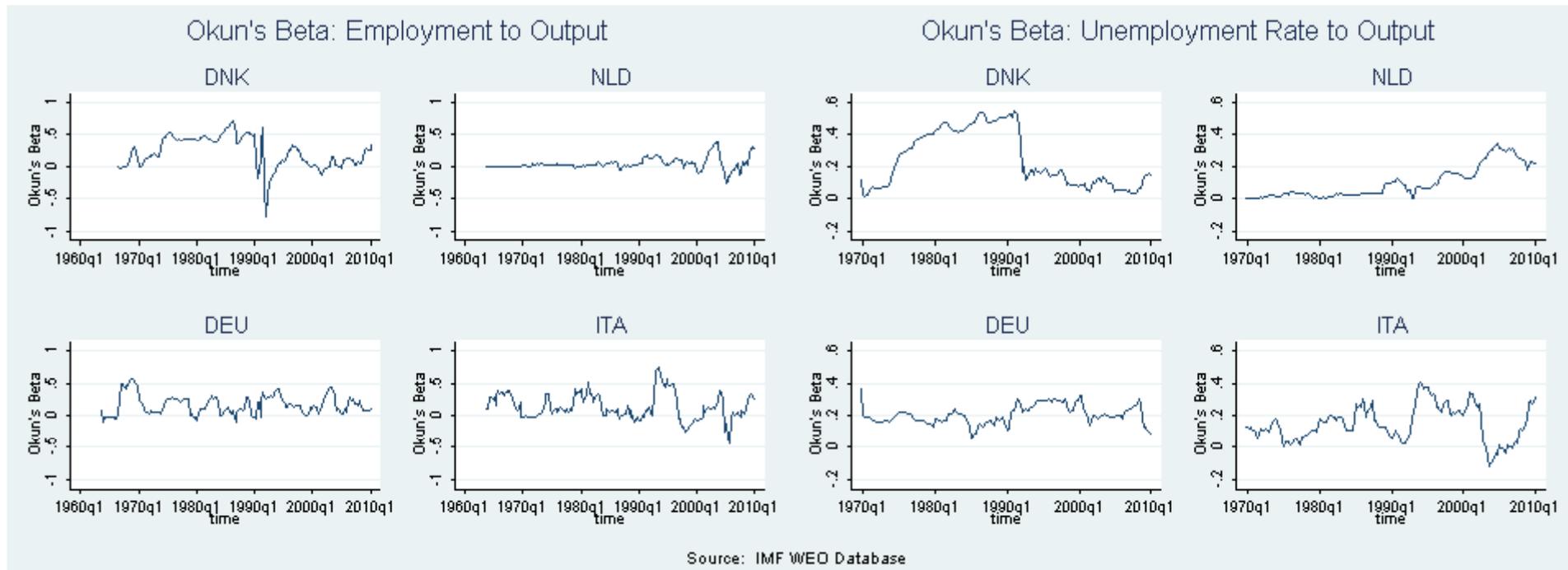
Output Fall and Unemployment

f R
D B



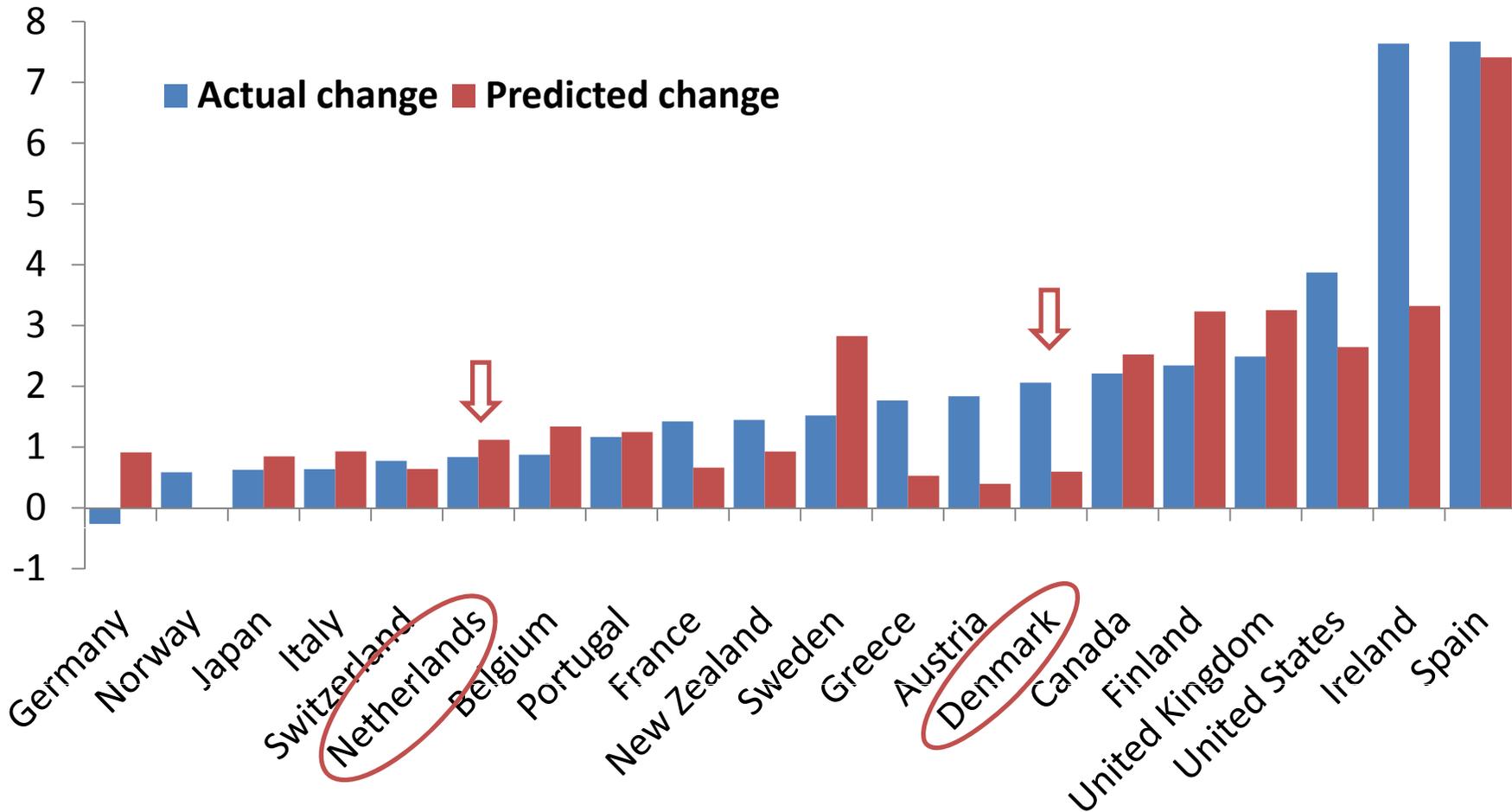
The Okun's Law during the Crisis

f R
D B



Actual vs Predicted

f R
D B

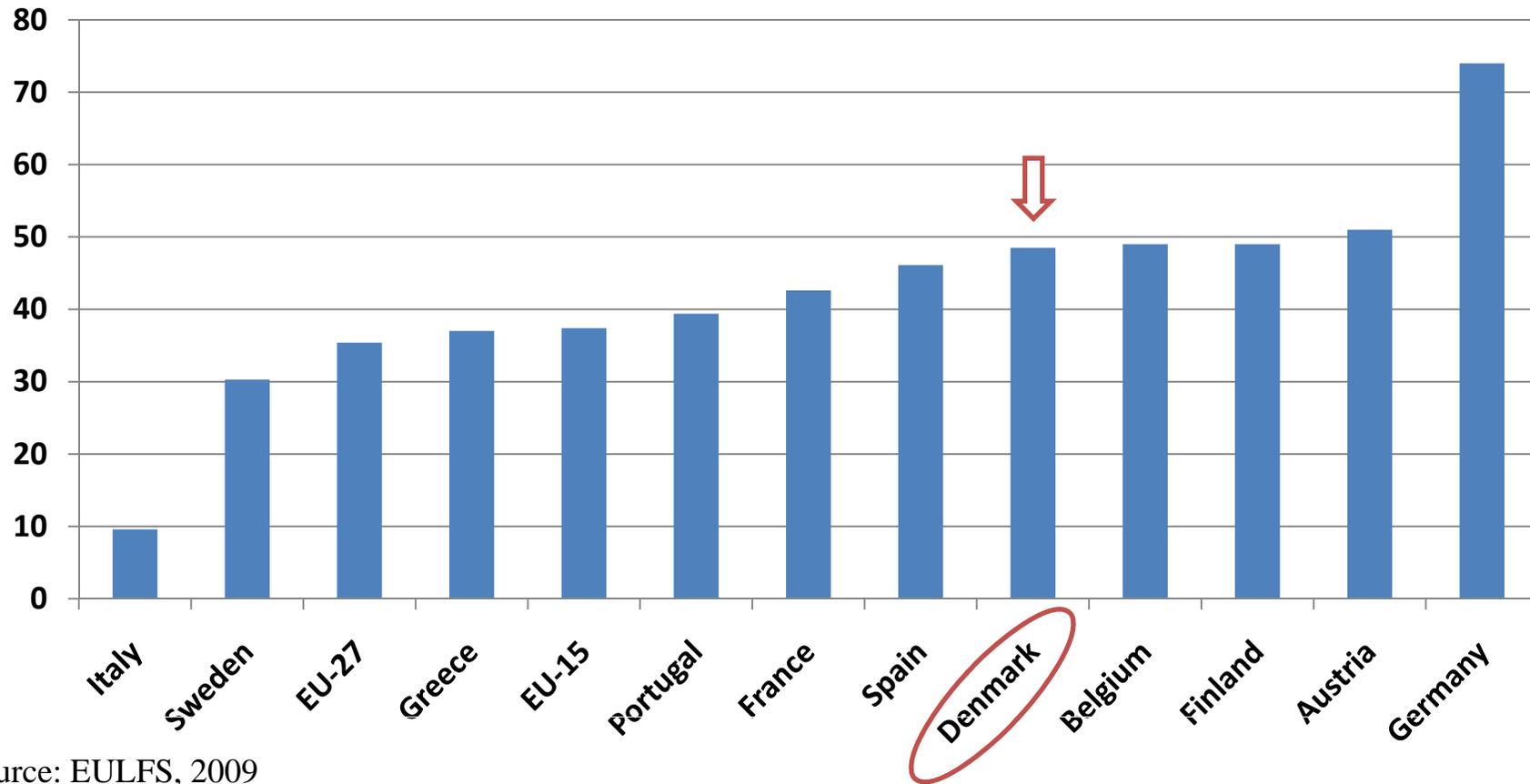


Source: IMF WEO, April 2010

UB Coverage

f R
D B

Registered as Unemployed
and Receiving Benefits (%)



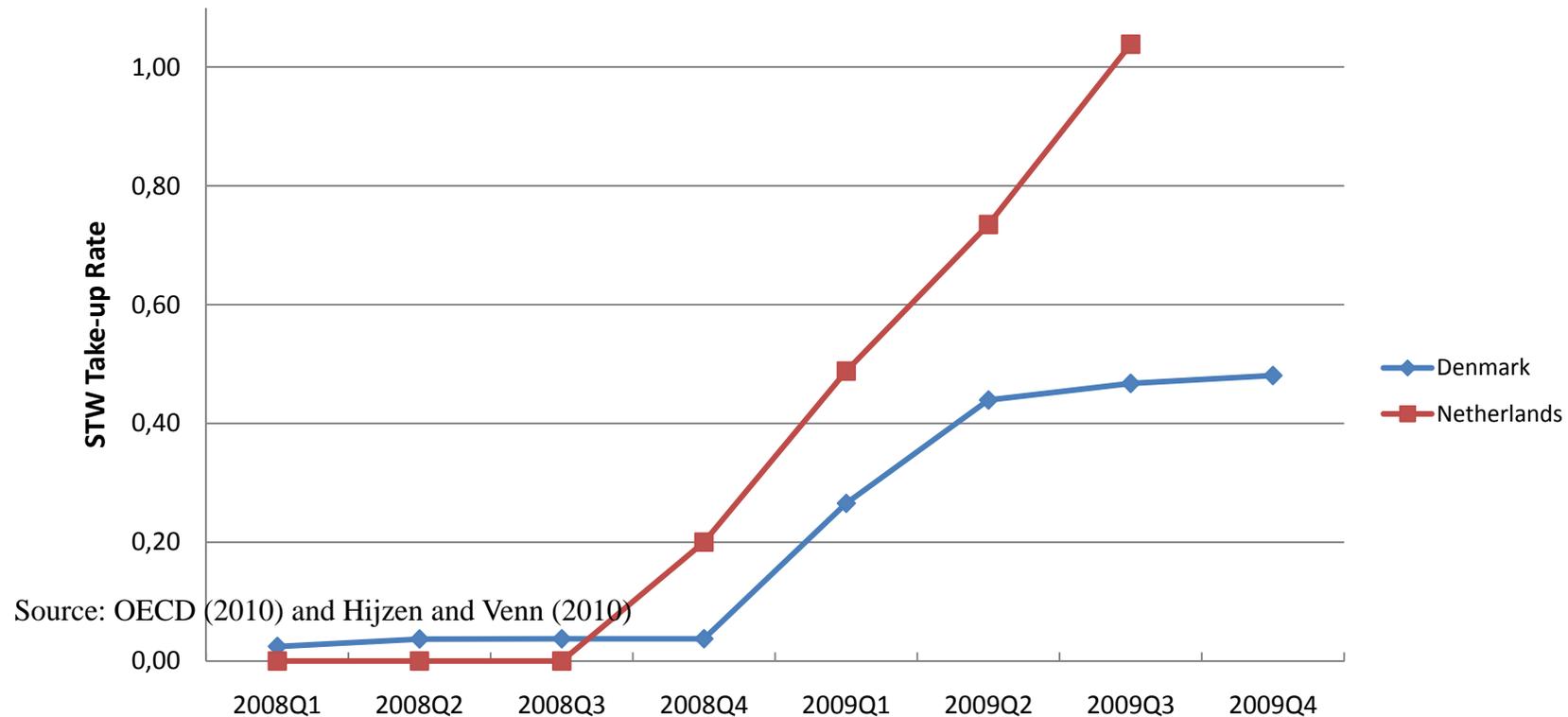
Source: EULFS, 2009

8 February 2011

Do we need Flexihoursecurity? f R

D B

Short-Time Work take-up rates
(stock of participants as % of total employment)



Can it be replicated?

f R
D B

Is it justifiable to cheat on government benefits? (Never=1)
WVS 1980-2001

