

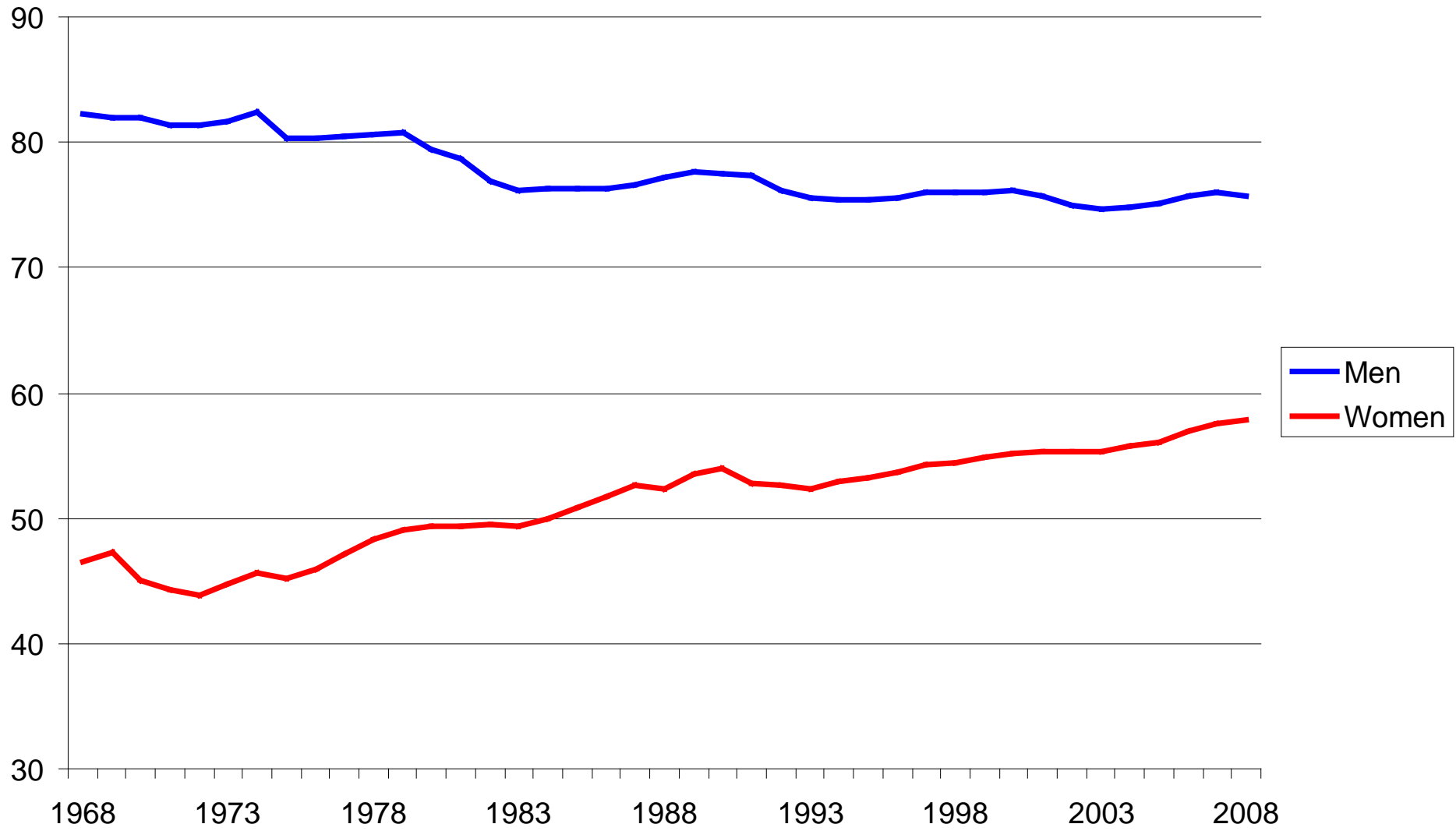
# Introduction to labour market studies

Simen Markussen

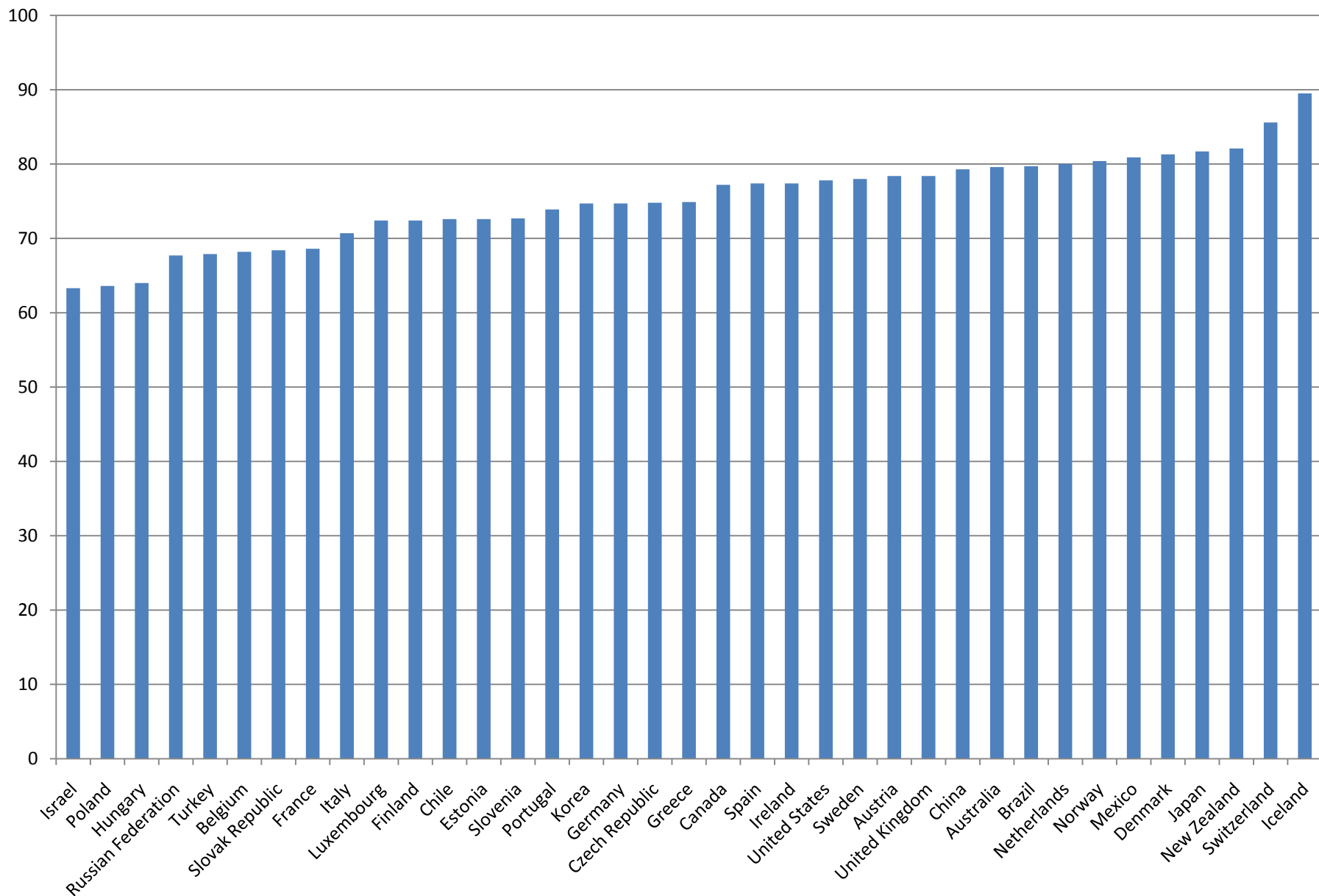
# The labour market

- Labour is traded on the labour market
- Labour markets are different than standard product markets
  - Relations last for a long time
  - A number of regulations and "safety net policies"
- Across countries and over time, labour markets feature important *similarities* and *differences*

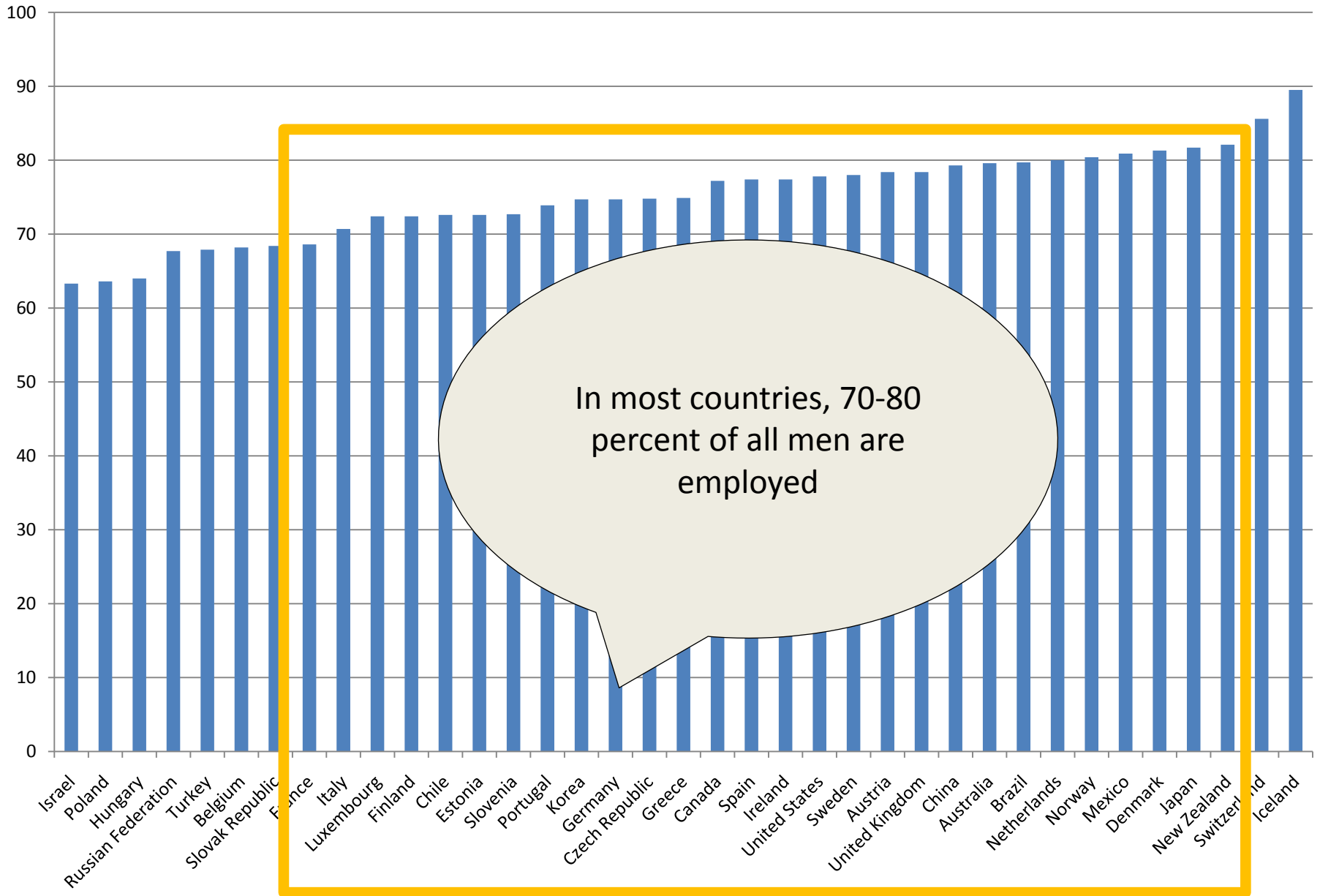
# Employment rates over time, OECD Average



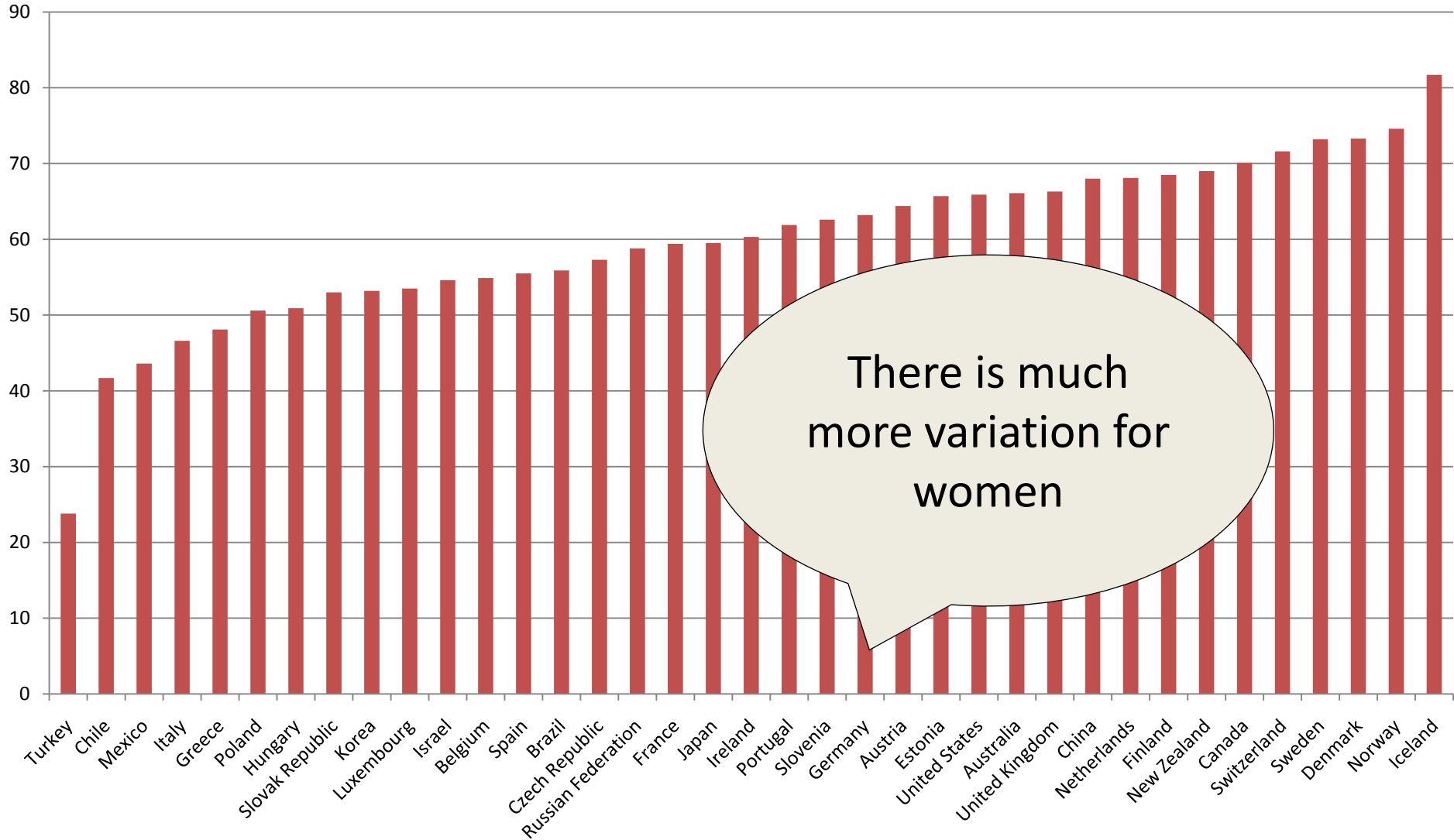
## Employment rates, men 15-64, 2007



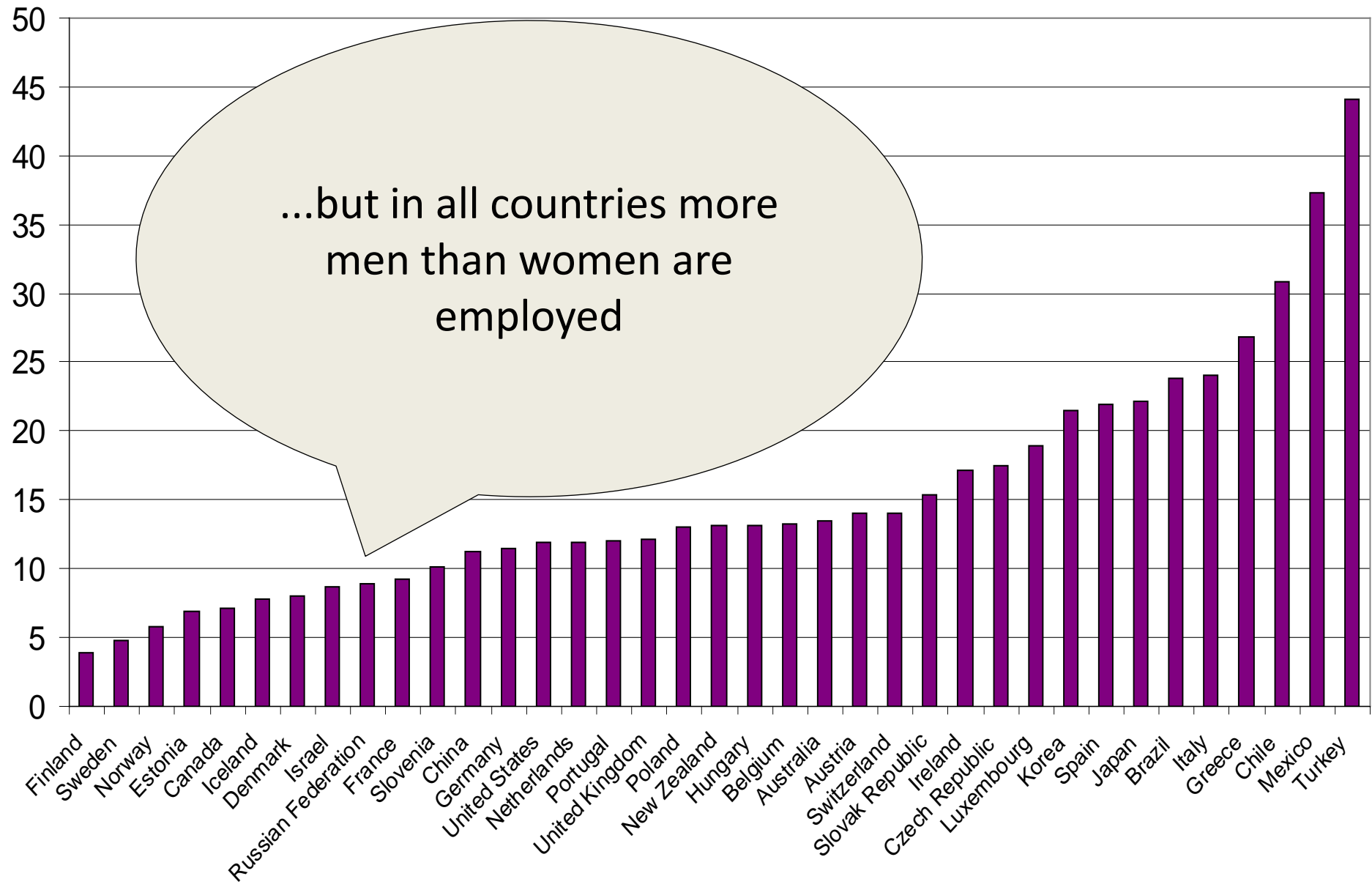
# Employment rates, men 15-64, 2007



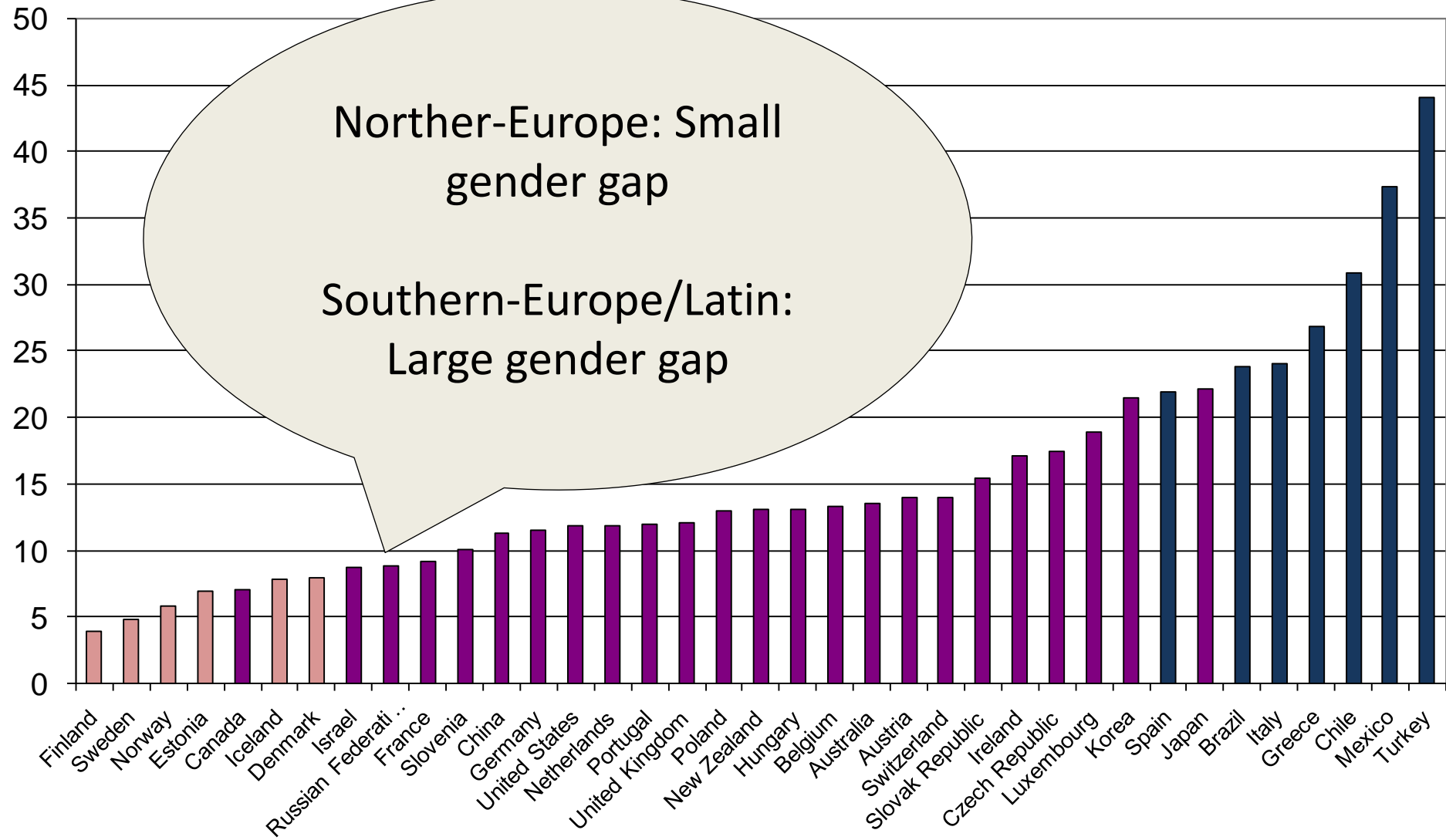
## Employment rates, women 15-64, women 2007



# Gender gap in employment, 2007

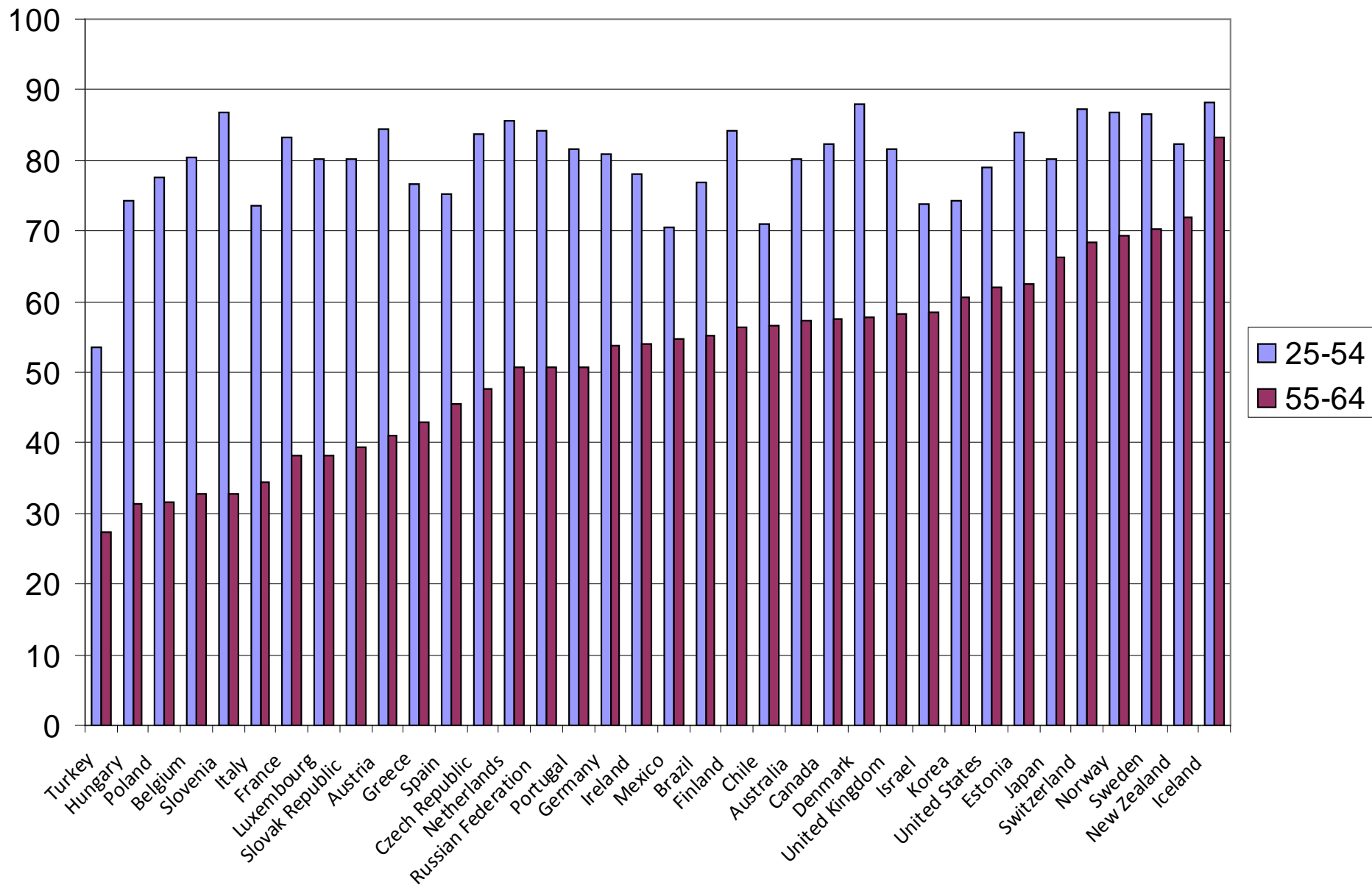


# Gender gap in employment, 2007

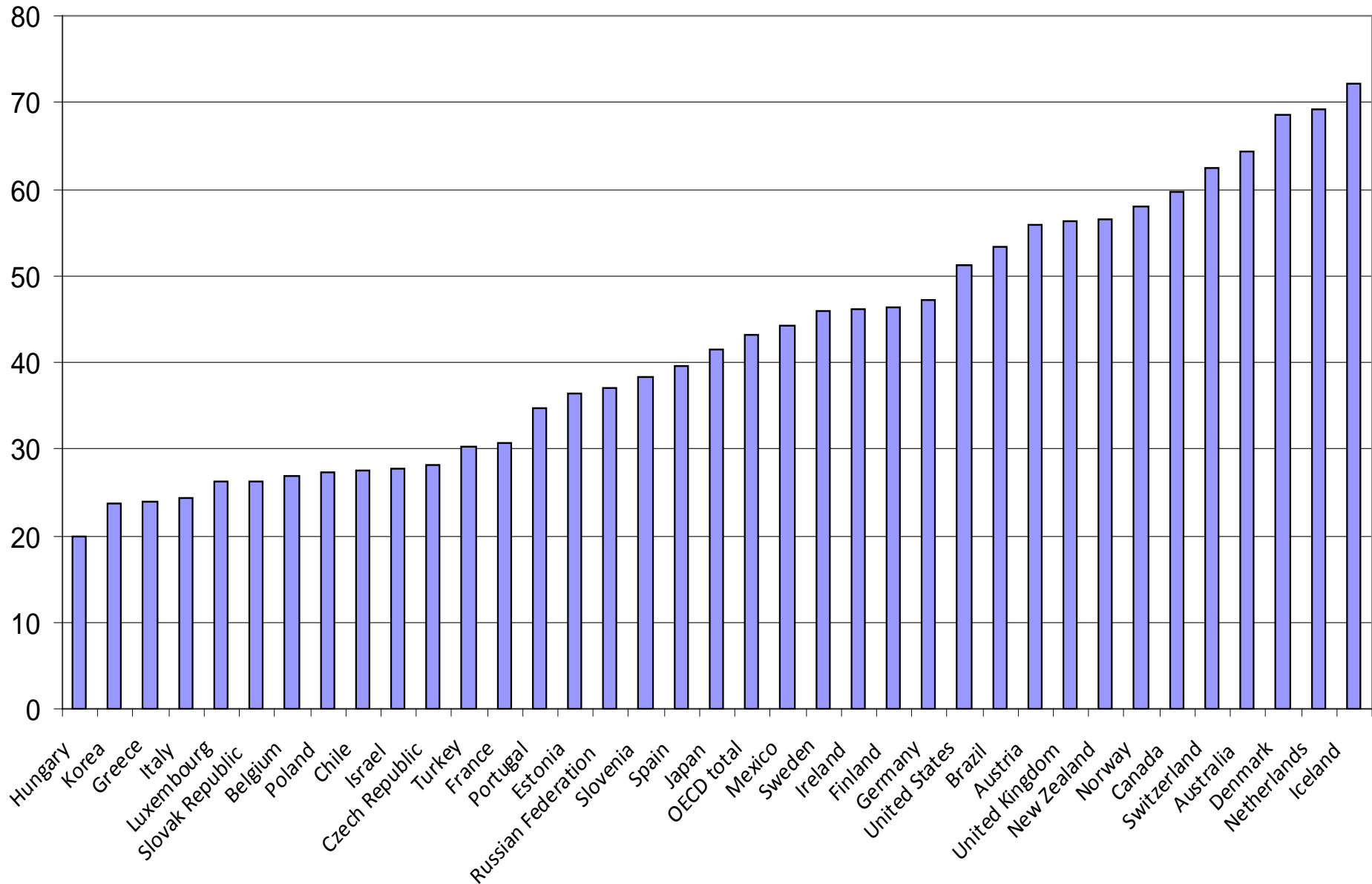




# Employment rates over age (men and women), 2008



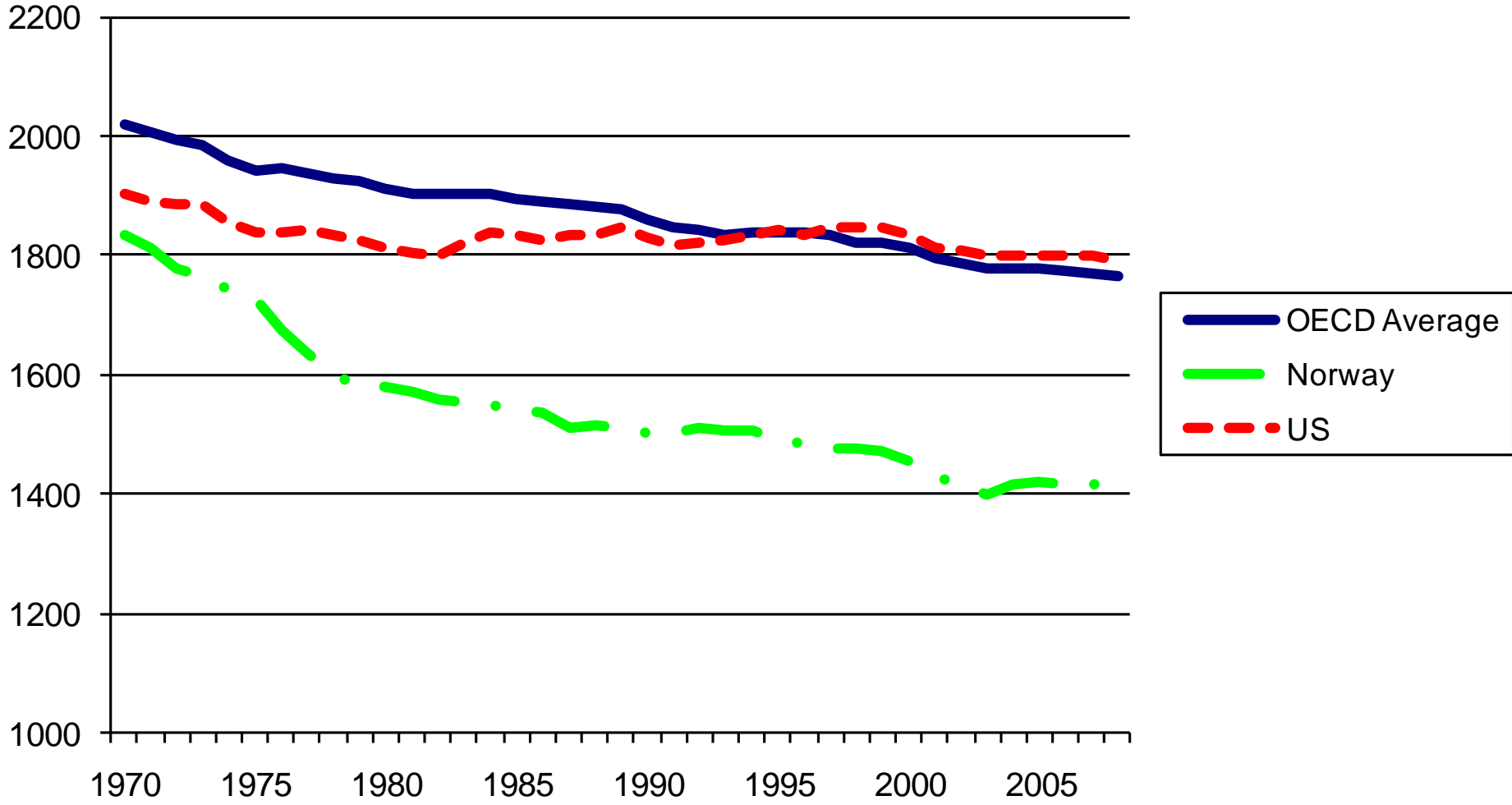
# Employment rates for young workers (15-24), 2008



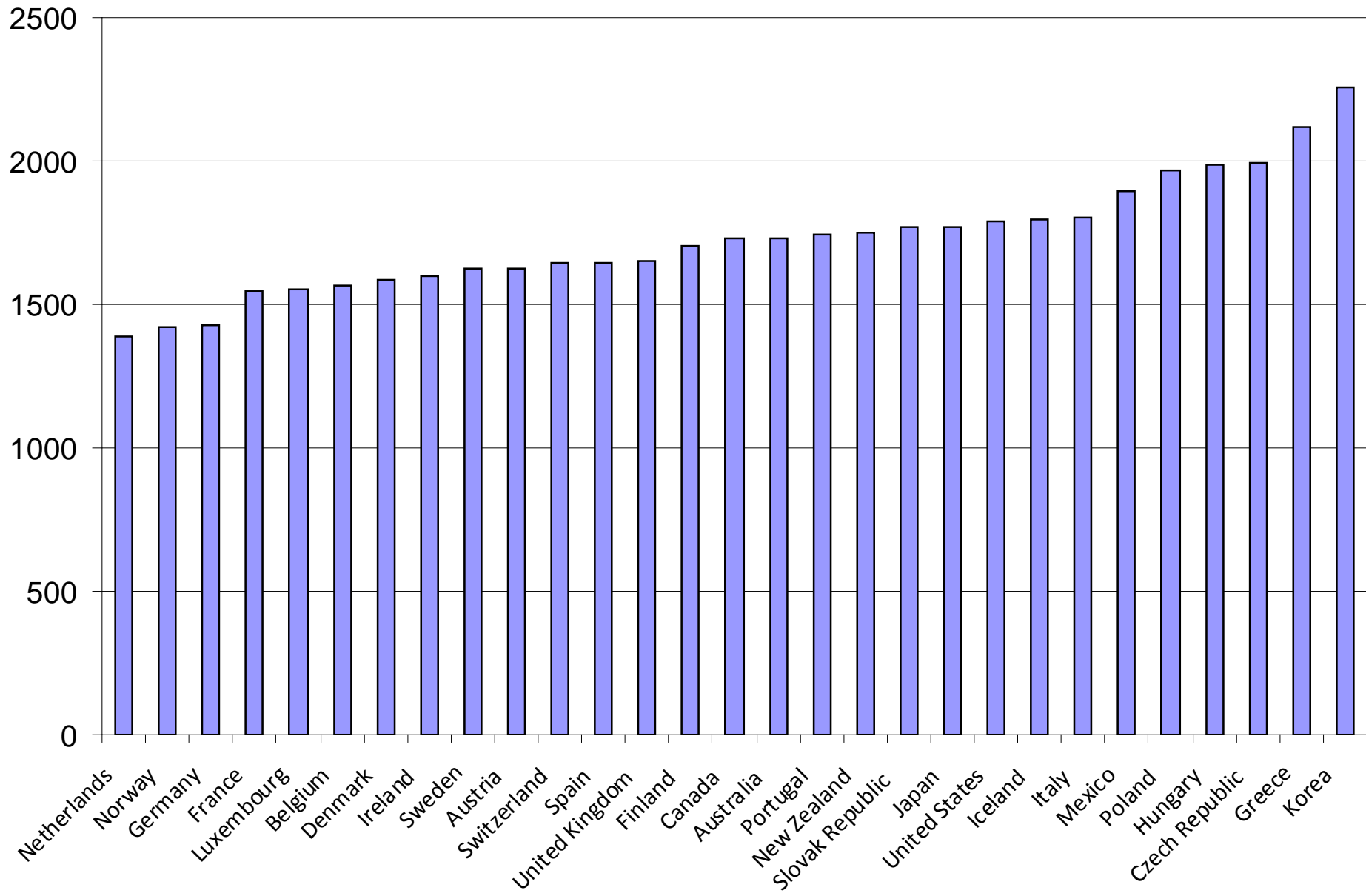
# Variation in employment

- In (nearly) all countries 70-80 percent of men are employed
- The same figure for women is 50-70 percent
- In all countries, more men than women are employed
- Over time, the gender gap in employment is reduced as men work less and women work more
- This gender gap is small in Northern Europe and large in Southern Europe / Latin countries
- While country differences for "prime age" are small, they are large among young and old workers

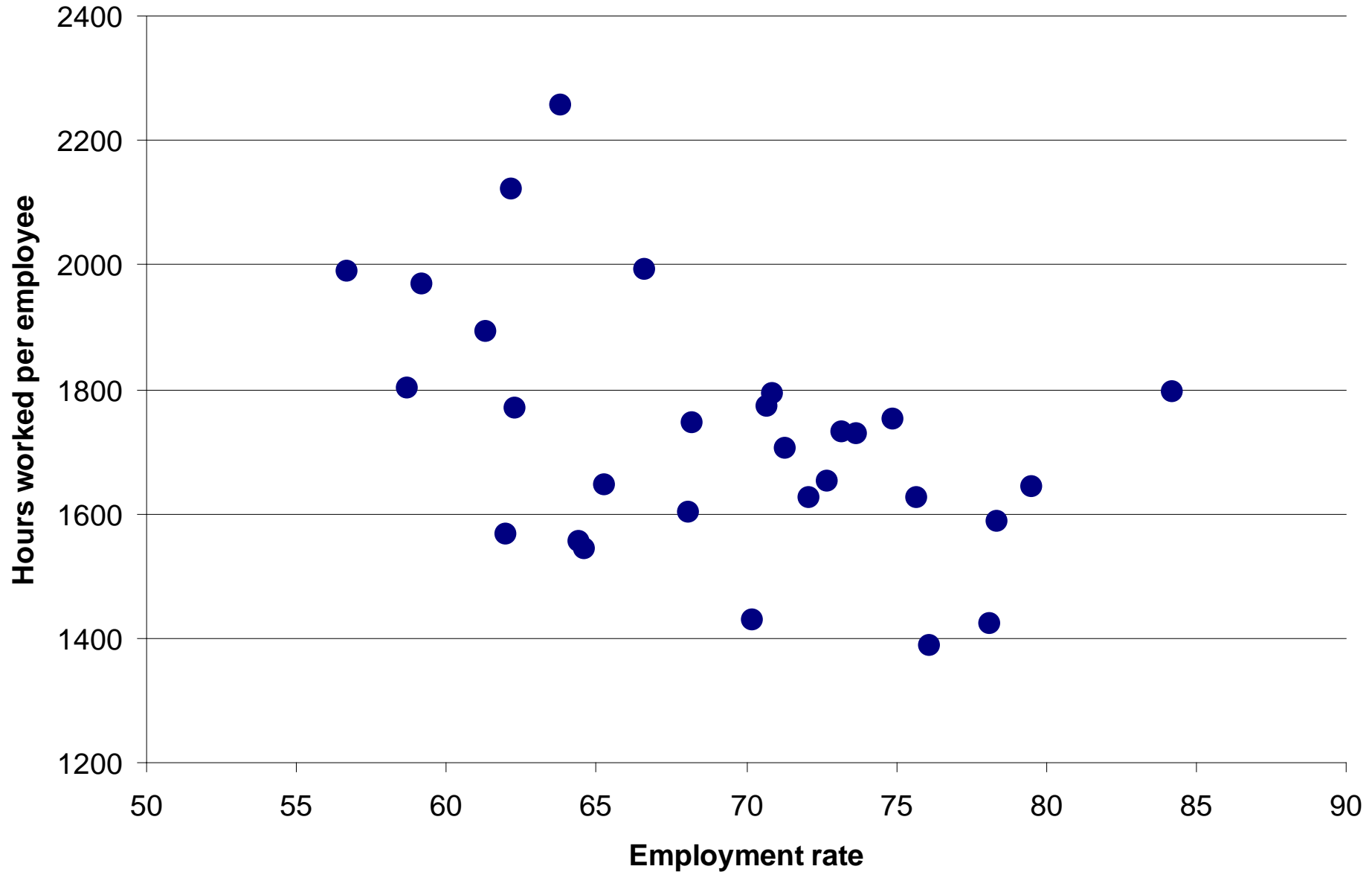
# Hours worked per employee/year



# Hours worked per employee, 2008



# Employment rates and hours worked, OECD 2008



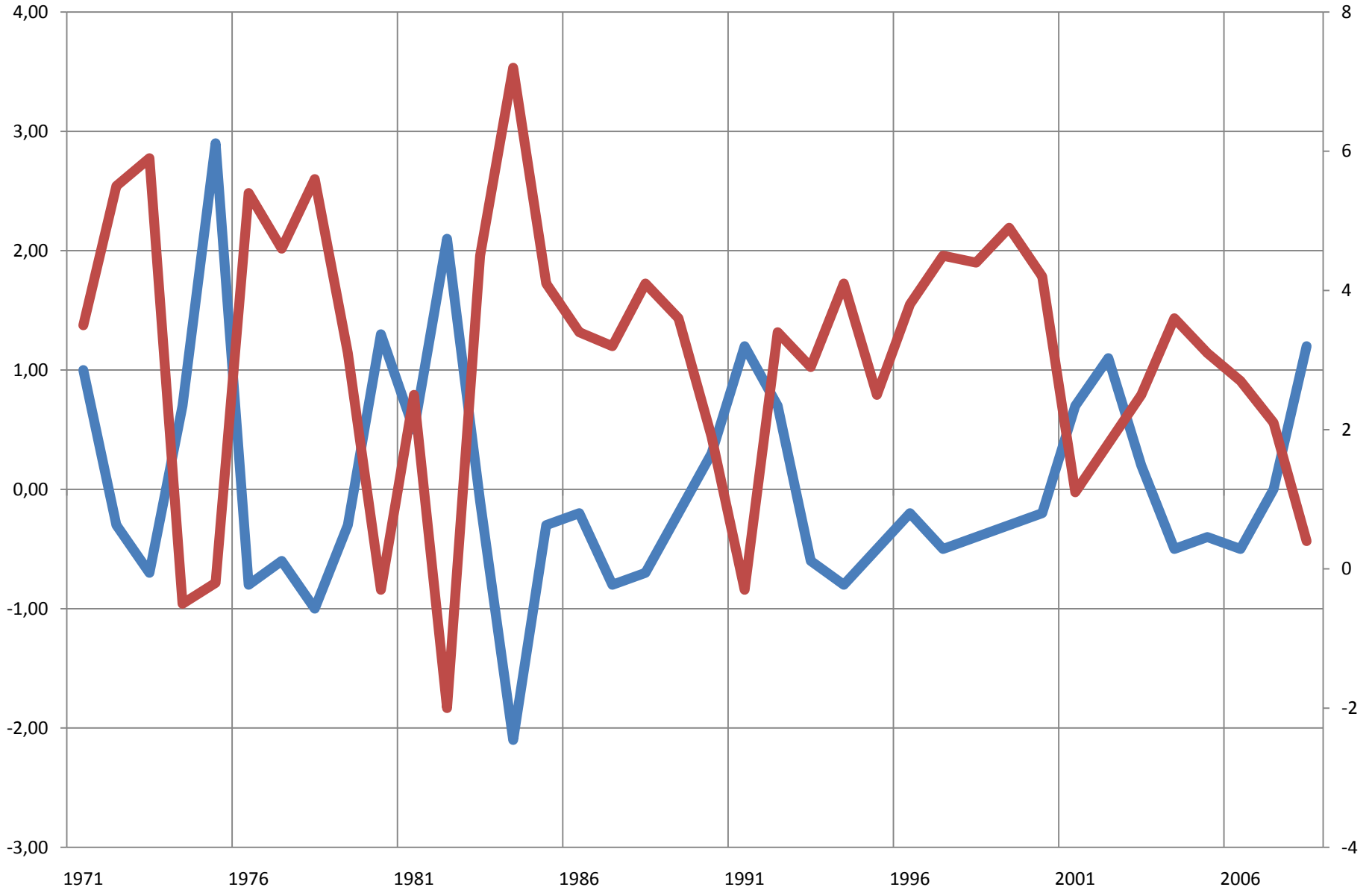
# Variation in hours worked

- Generally, workers work less now than before
- Substantial differences between countries
  - Europeans work less than Americans
- In countries with high employment rates, workers tend to work fewer hours

# Unemployment and the business cycle (US)

Change in unemployment rate

Real GDP growth

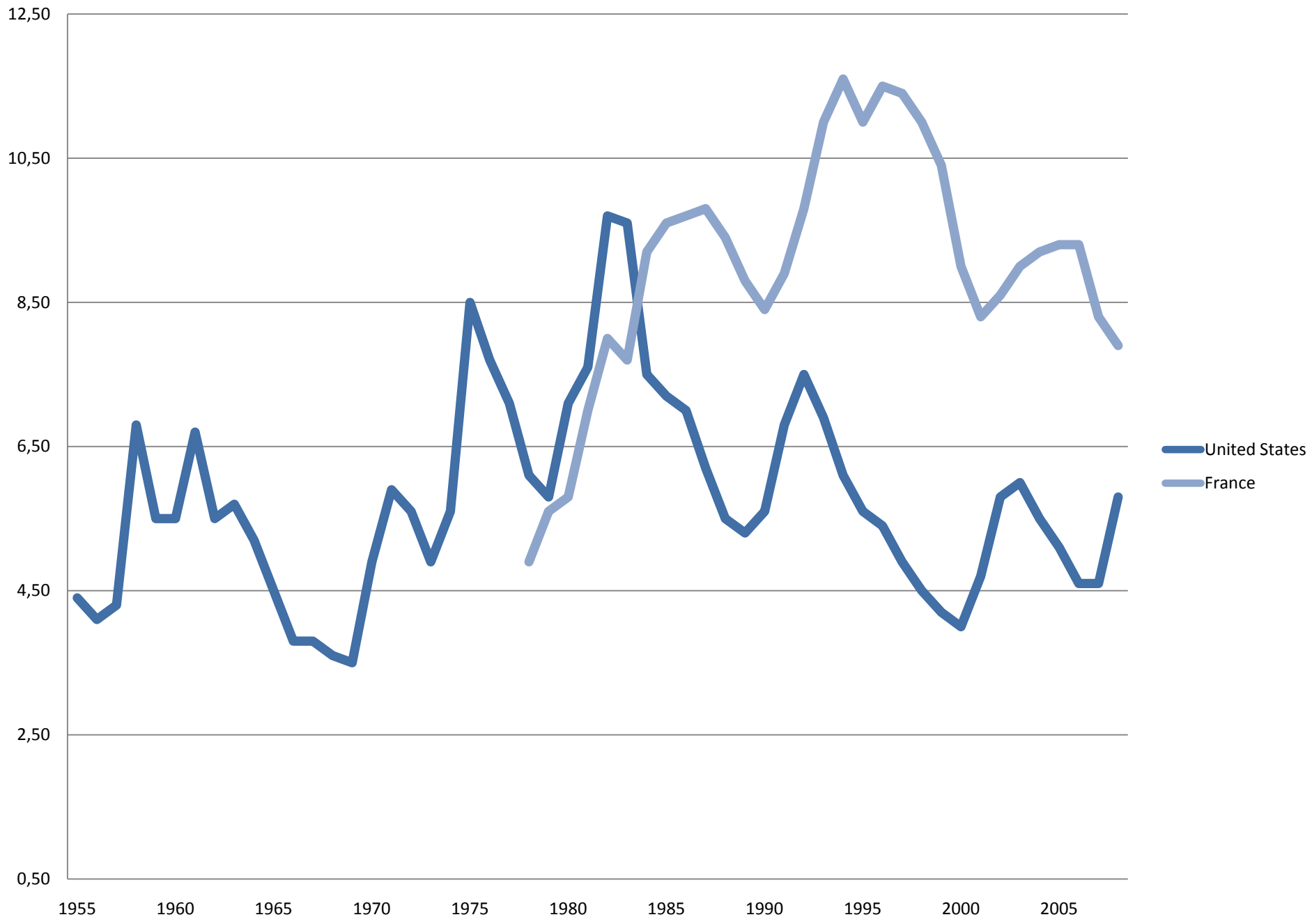




# The extensive and the intensive margin

- Business cycle fluctuations are mainly driven by fluctuations in the number of people that work, and not by fluctuations in the number of hours worked per employee
  - Changes in employment status: *The extensive margin*
  - Changes in the amount of work (given employment): *The intensive margin*

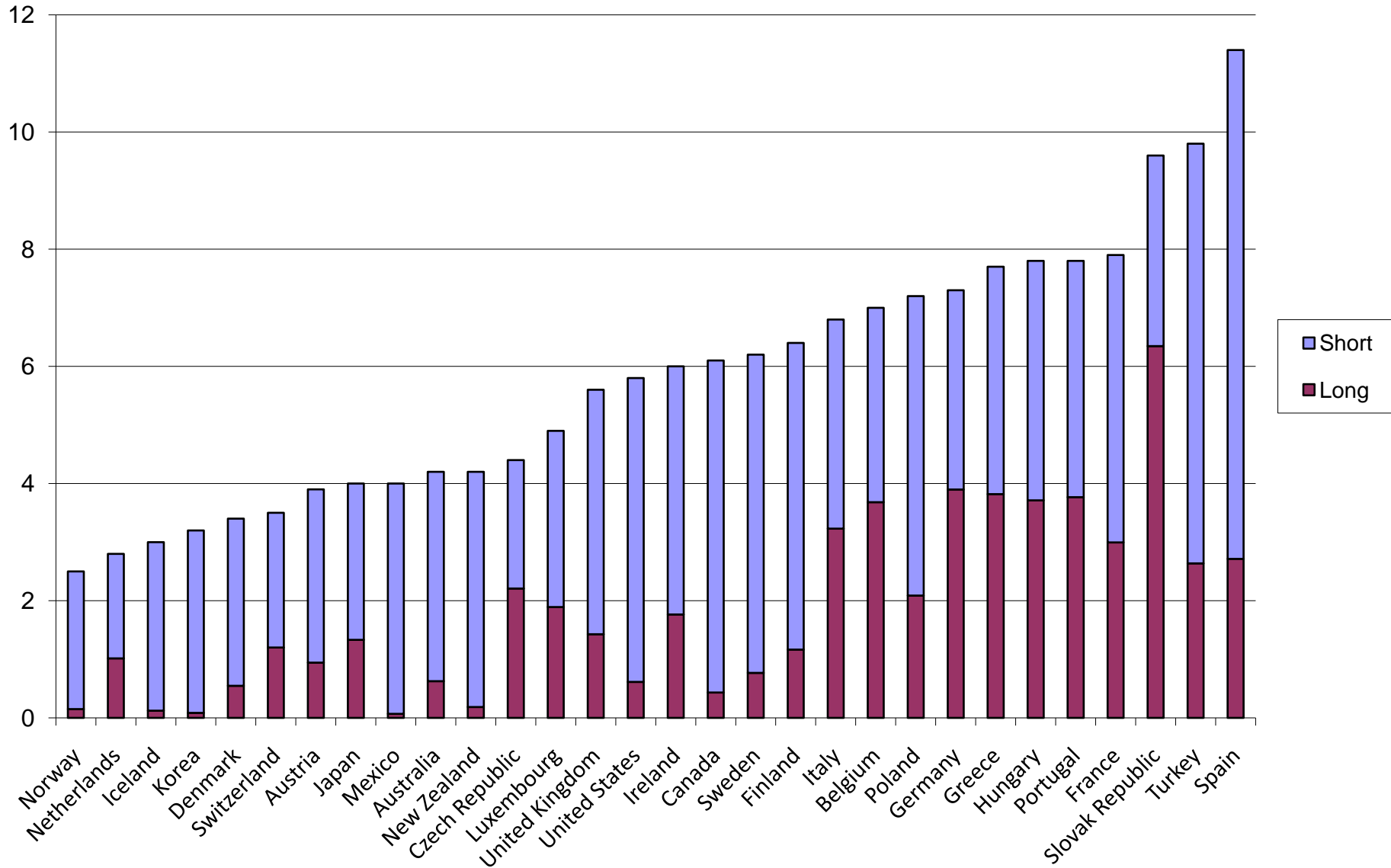
# Unemployment over time



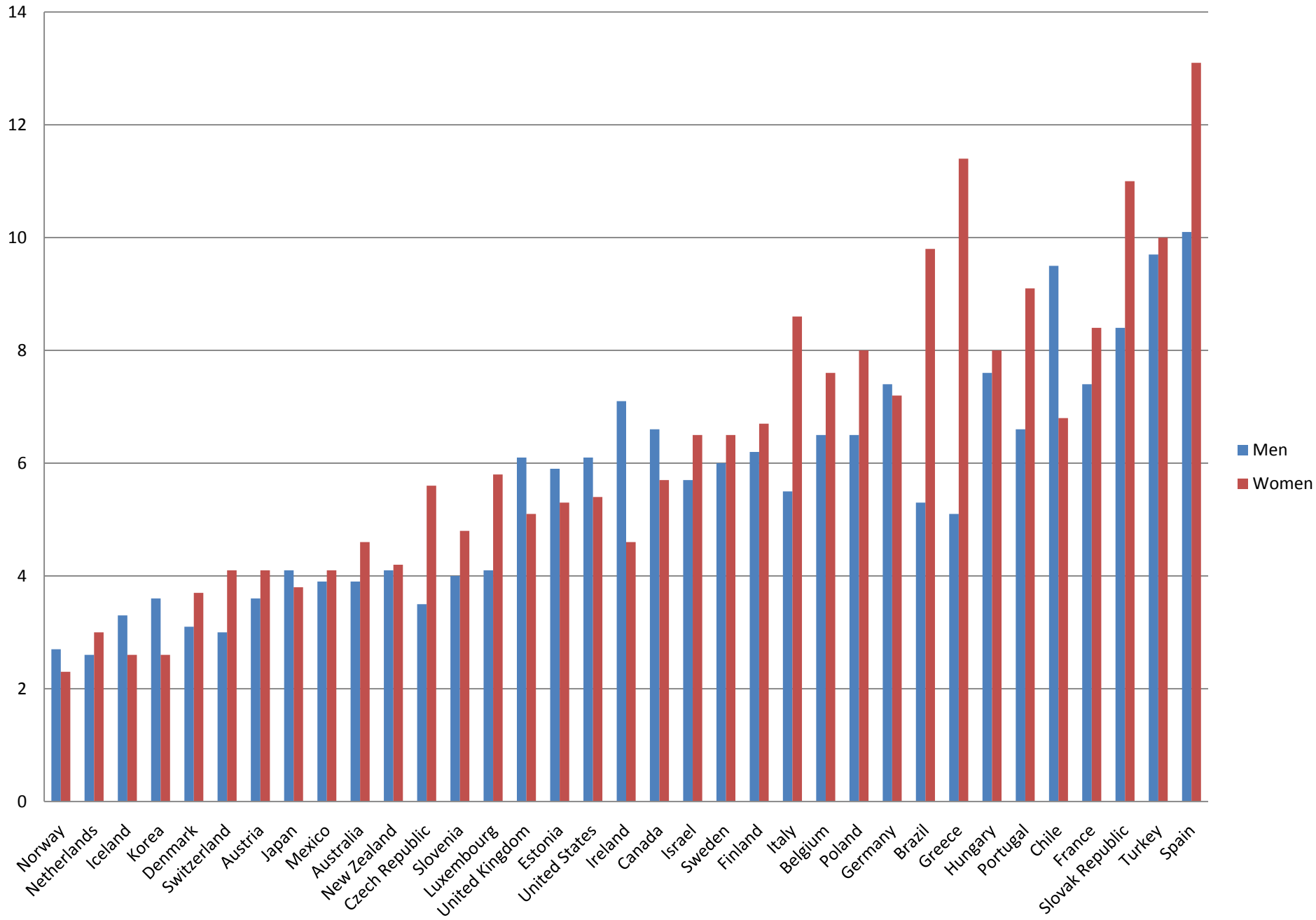
# The rise in unemployment

- During the 1970s, unemployment rose in most countries
  - US: Unemployment returned to pre-1970s level
  - (Continental) Europe: Unemployment continued to rise
- There are different explanations suggested
  - Shocks
  - Institutions
  - Shocks and institutions

# Unemployment rate, shorter and longer than 1 year, 2008



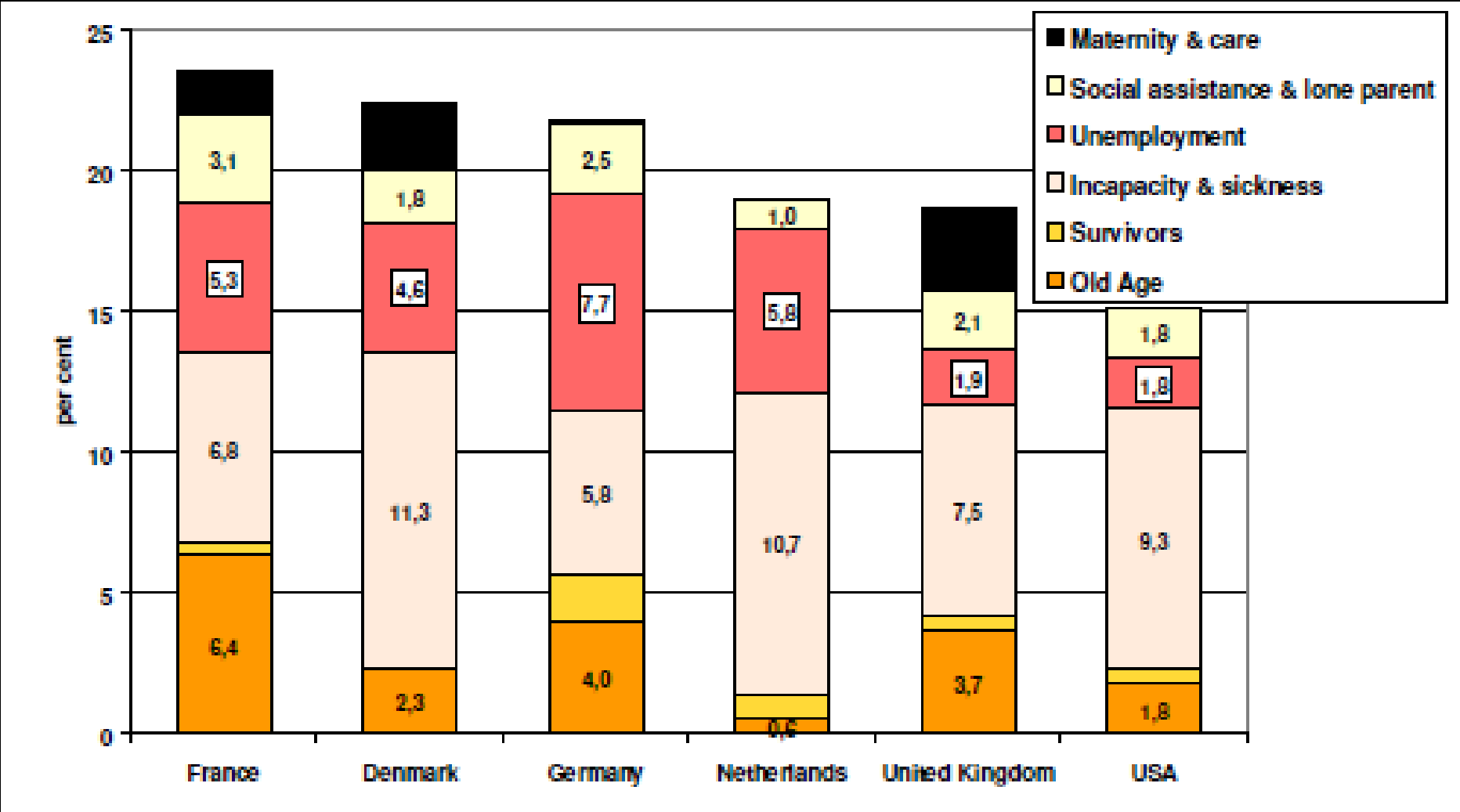
# Unemployment rate by gender, 2008



# Variation in unemployment

- The unemployment rate differ substantially between countries
  - < 1 year: 3-5 % in most countries
  - > 1 year: substantial variation (rules differ)
- In most countries, there are no particular differences between men and women
  - Latin countries: Unemployment higher among women

**Figure 1: Percentages of working-age populations (15-64) receiving social benefits, by type of benefit, 2004**



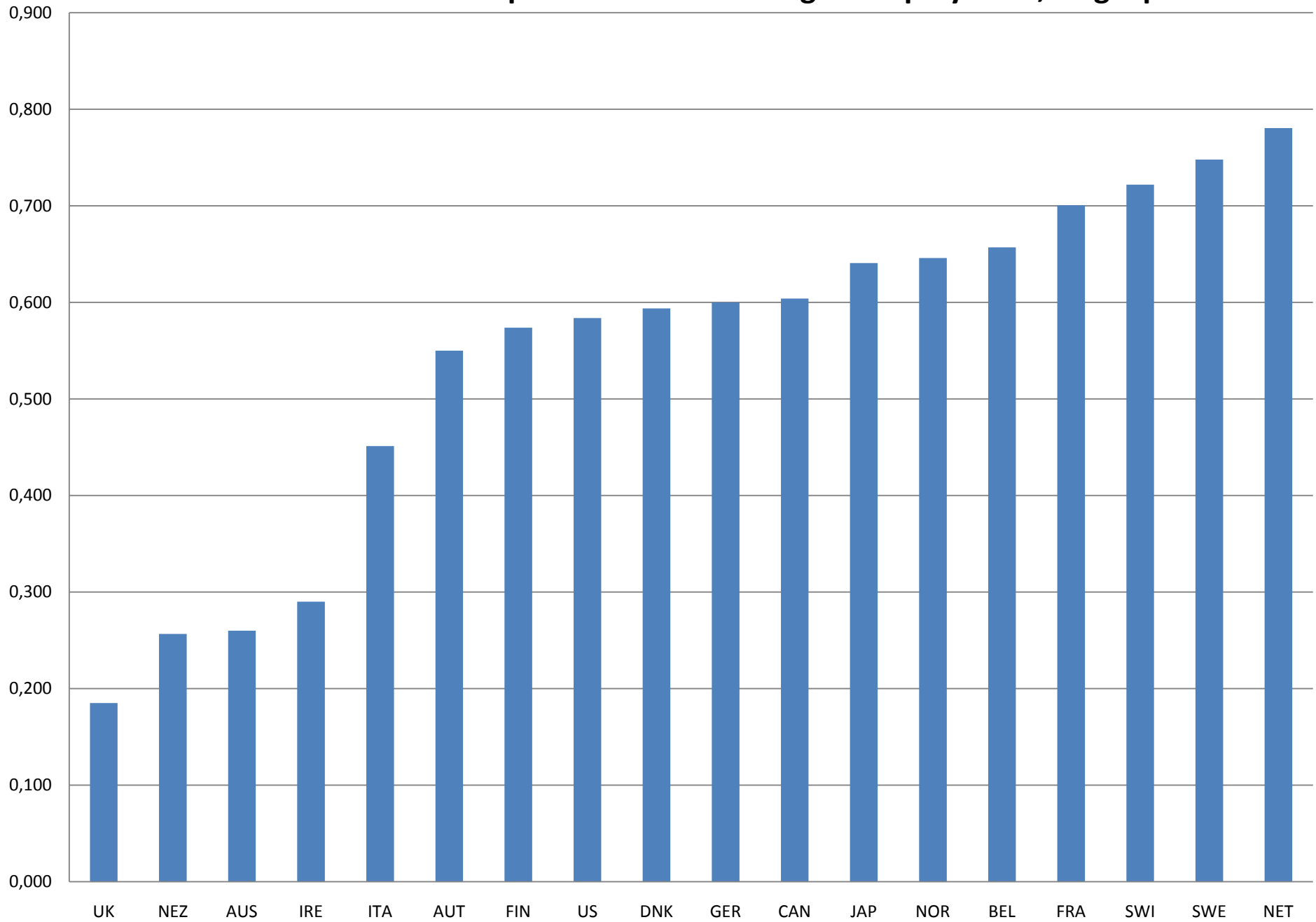
Source: OECD database on Recipients of Social Benefits<sup>d</sup>

# Benefit recipients

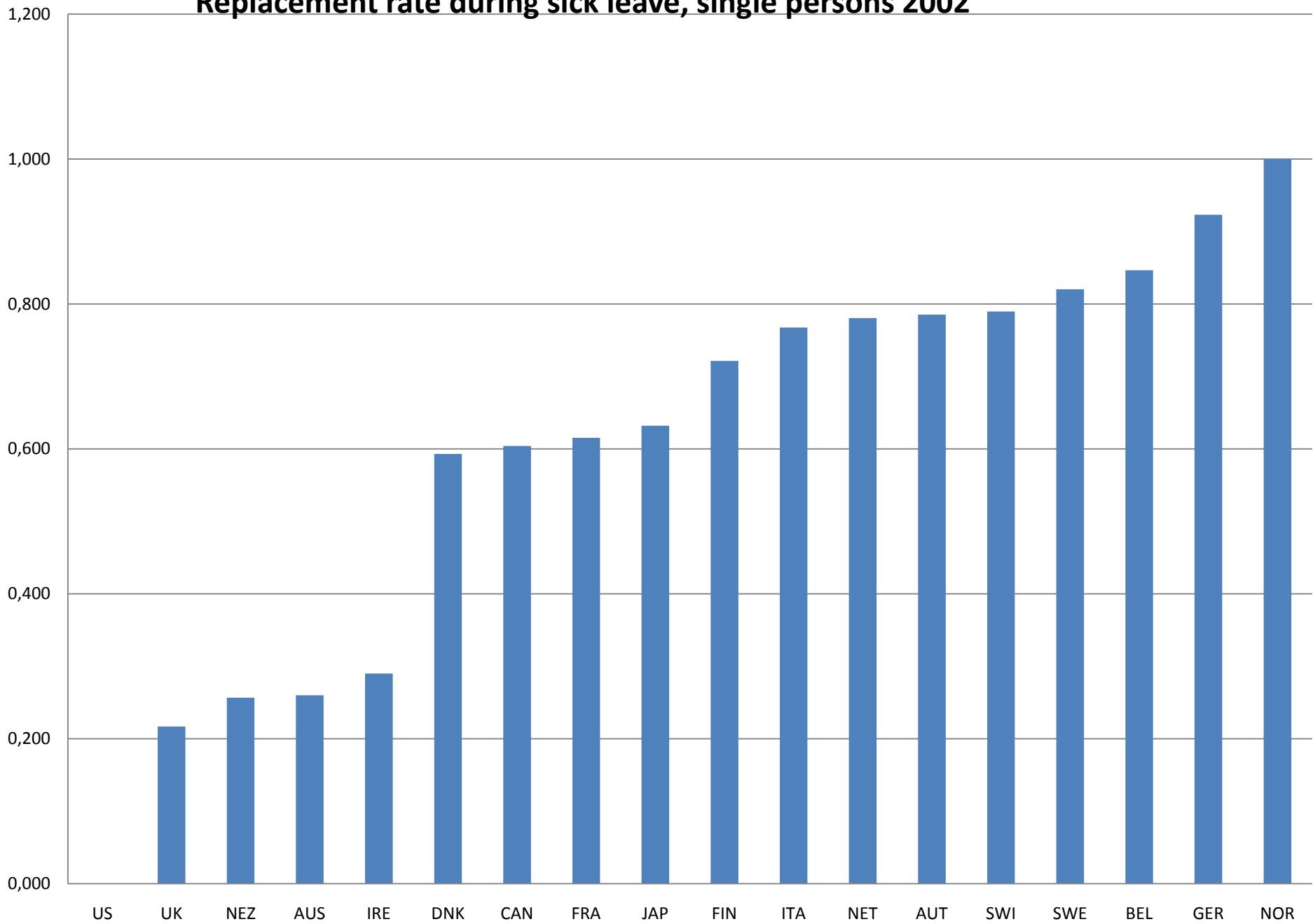
- Differences between countries are smaller if we include all kind of reasons for labor market exclusions
- In Norway, health related benefits (sick leave, rehabilitation and disability) are more important than unemployment
- Substantial substitution between unemployment and health related benefits



# Replacement rate during unemployment, single persons 2002



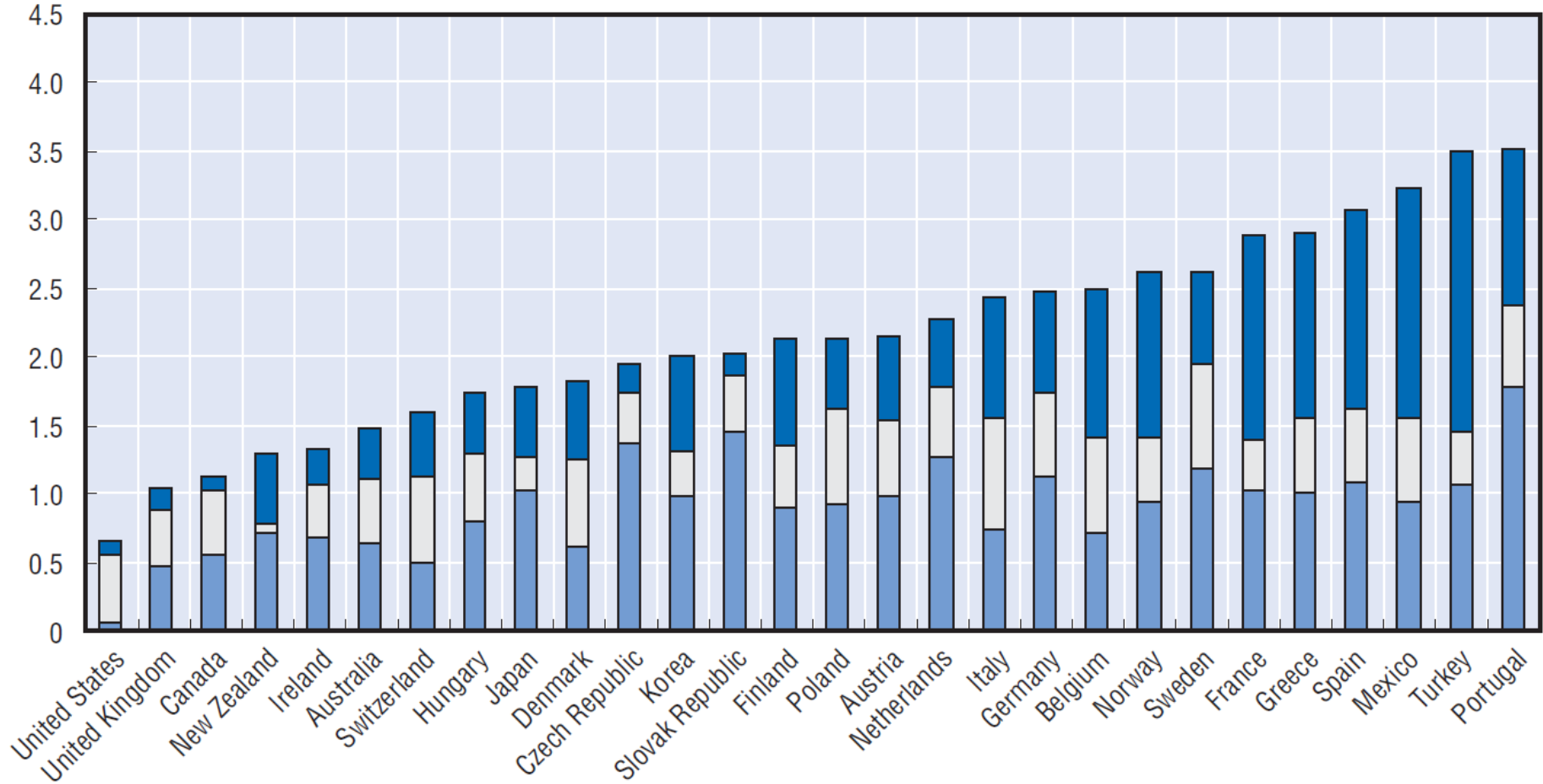
## Replacement rate during sick leave, single persons 2002



Panel A. Overall strictness of EPL in 2003 (version 2)<sup>a</sup>

■ Regulation on temporary forms of employment      □ Specific requirements for collective dismissal  
■ Protection of permanent workers against (individual) dismissal

2003  
(Scale 0-6)



# Variation in policy / institutions

- There are substantial variation in institutions across countries
  - Benefit generosity
  - Duration
  - Qualification
  - Employment protection
- No clear-cut relationship across countries, however, within countries there are strong empirical evidence for the importance of incentives

# Empirical studies

- Simple correlation models
  - Cross country / Cross section
- Advanced correlation models
  - Event history models, selection models
- Solving the selection problem: Experiments / Policy changes
  - Mostly harmless econometrics (Angrist & Pische)
  - Instrumental variables and the search for identification: From supply and demand to natural experiments (Angrist & Krueger, J.Ec.Persp.)
- Structural estimation (linking theory to data)

# The remaining part of the course

- Present and discuss theories linking institutions to outcomes
  - Labor supply and demand, unemployment, wages structures and wage setting institutions
- Learn from theory and empirical studies on how optimal policies should be designed

# Data sources

- OECD Factbook
- Mathias Knuth
- Lyle Scruggs welfare database