5th Conference of the LSEE Research Network on Social Cohesion in South East Europe
in collaboration with EBRD

CROSS NATIONAL COMPARISON OF JOB TYPES: ANALYSIS USING THE EU LFS & ALBANIAN LFS

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Why cross-national comparisons?

- Albania an EU candidate country
  - Expecting full EU membership in 2020 (!)
    - » Recently denied
  - Less comprehensively researched context for EU integration in terms of
    - Labour market efficiency and job quality
  - Within the framework of the 'National Strategy for Development and Integration'
    - National Strategy for Employment and Skills 2014 – 2020
    - Active Labour Market Policies
      - None of these documents are there any considerations of job insecurity and precarious work
        - » Failure to meet the *'decent work'* and *'inclusive growth'* integration targets

Why cross-national comparisons?

- Need to address the call for more inclusive research on cross-national comparisons of labour market regimes, other than the OECD contexts, such as:
  - With different institutional regimes
    - Welfare systems
      - » Labour market regulation
  - Developing, Post-communist, New EU and candidate countries
  - Less efficient, small countries with low macroeconomic & labour market performance
    - This would bring more variability to the picture
      - » Small samples are an issue

Non-standard employment in Albania

- In post-communist Albania
  - Increased use of non-standard forms of employment (NSFE)
    - 1 in 5 jobs is non-standard
      - » NSFE: fixed-term and/or part-time hours
  - Even in sectors that did not use NSFEs before
    - The public sector
      - » Highly inefficient and corrupt
        - Militant politicization
  - NSFE are key to the definition of "job insecurity"
    - And by extension to 'job quality'
  - Affect career stability and work life in the long run
    - Dualistic and multiple segmentation of the market
    - Entrapment or exiting in unemployment
    - Impede 'upward mobility' and promote traditional 'protean' (as opposed to 'boundaryless') careers
    - 'Precarization' of work life

Non-standard employment in Albania & EU

- Research Questions
  - To what extend does cross-national variation in labour market regulation, macro-economic performance and institutional (welfare) regime explain job quality variation?
  - Is labour market regulation related disproportionally to the unemployment rate?

Data and methods

- Data:
  - Eurostat and Albanian Labour Market Survey, 2013
  - World Bank's Doing Business Labour Market Regulation for Manufacturing sector 2013
  - ILO Unemployment Rates for 2013
  - Eurostat GDP Year-on-Year Growth for 2013
- Data analysis method:
  - Macro level
    - Graphical inspection
    - Descriptive statistics
  - Micro level
    - Regression analysis with categorical variable: Ordered Logit
    - Scenario analysis with marginal effects

Macro-level analysis

The 'post-communist' welfare system

Liberal regime	Social democratic regime	Corporatist regime	Southern European regime	Post-Communist corporatist	Post-Communist liberal	Post-Communist 2007 and after accession (to the EU)
UK	Denmark	Germany	Italy	Czech Republic	Latvia	Bulgaria
Ireland	Finland	Austria	Spain	Hungary	Lithuania	Romania
	Norway	Belgium	Portugal	Poland	Estonia	Albania
	Sweden	France	Greece	Slovenia	Croatia	
	Netherlands	Switzerland		Slovakia		

Eurofound (2013)

The 'post-communist' welfare system

- The distinct 'post-communist' welfare regime is a hybrid between the 'bismarckian' and 'liberal' welfare regimes
  - Hall and Soskice (2003)

- The Labour Laws (Codes) under communism, such as those regarding permanent full-time employment
  - Reflect an extensive utilisation of strong *employment protection legislation*
    - By generous redundancy costs and strict hiring and firing rules to slow down job separation (Doing Business, 2017).

The Fraser Index for labour market regulation

- World Bank's Doing Business
  - Labour Market Regulation, DB06 – DB14, Manufacturing Sector historical data for 2013
  - For the purpose of the data analysis, a single aggregated index that resembles the Economic Freedom of the World
  - Adapted from the WB LMR data

Adapted Fraser LMR Index

- Originally comprised by 6 components
  - Hiring regulations
  - Hours regulation
  - Mandated cost of worker dismissal
  - Mandated rules of worker dismissal
  - Collective Bargaining
  - Conscription

- Adapted with only the first 4 components as lack of available databases that include Albania

- Higher values mean higher rigidities and employment protection legislation

Adapted Fraser LMR Index

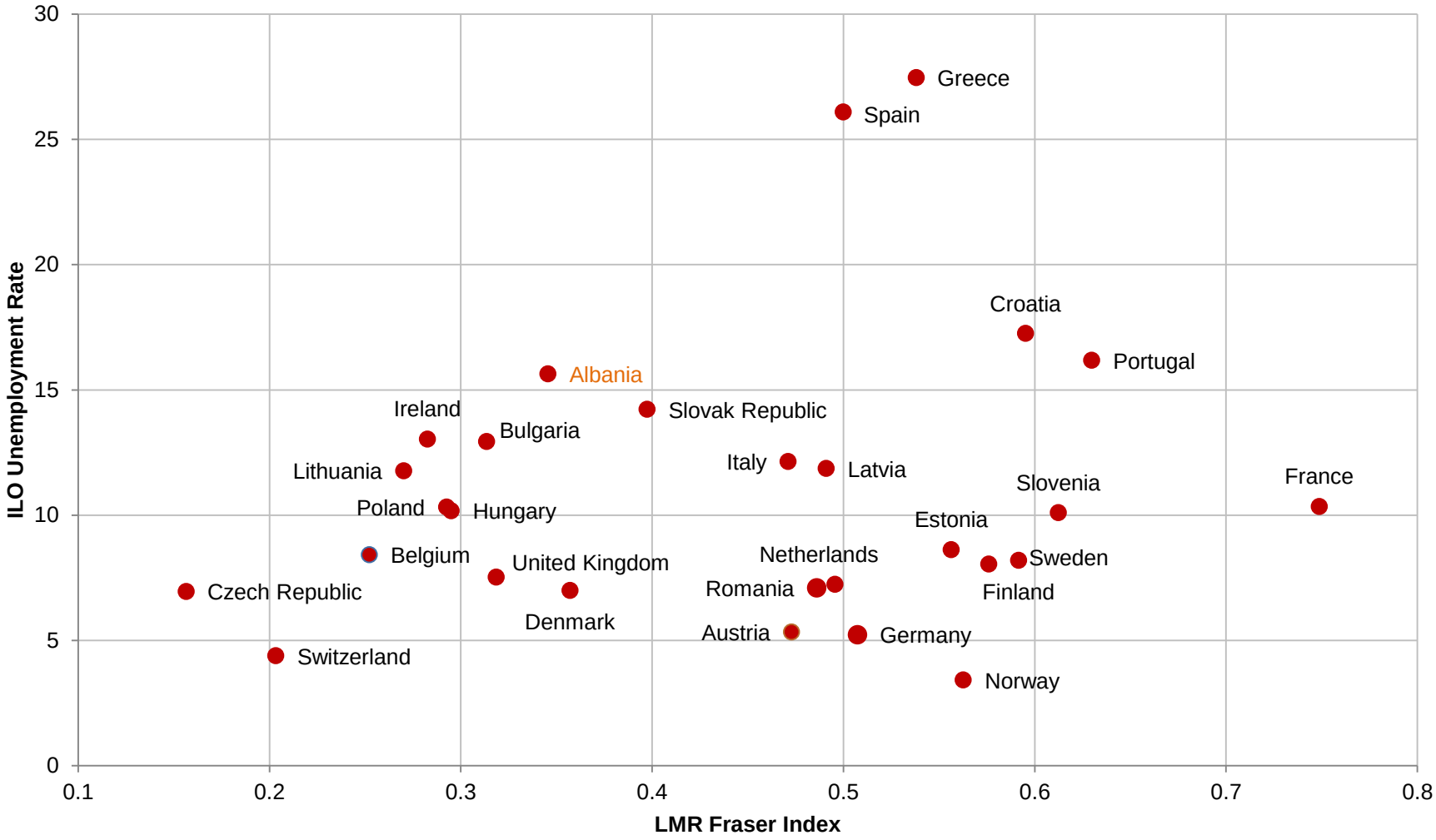
Labour market regulation variables	Type	Component
Are fixed-term contracts prohibited for permanent tasks?	Binary Yes=1	1
What is the maximum cumulative duration of a fixed-term employment relationship (in months), including all renewals?	Continuous	1
Can the workweek for a single worker extend to 50 hours per week (including overtime) for 2 months each year to respond to a seasonal increase in production?	Binary Yes=1	2
Are there restrictions on night work?	Binary Yes=1	2
Are there restrictions on "weekly holiday" work?	Binary Yes=1	2
What is the maximum number of working days per week?	Continuous	2
Paid annual leave (working days) - 10 years	Continuous	2
Notice period for redundancy dismissal after 1 year of continuous	Continuous	3
Notice period for redundancy dismissal after 5 years of continuous	Continuous	3
Notice period for redundancy dismissal after 10 years of continuous employment	Continuous	3
Severance pay for redundancy dismissal after 1 year of continuous	Continuous	3
Severance pay for redundancy dismissal after 5 years of continuous employment	Continuous	3
Severance pay for redundancy dismissal after 10 years of continuous employment	Continuous	3
Is it legal for an employer to terminate the employment contract of a worker on the basis of redundancy?	Binary Yes=1	4
Must the employer notify a third party before dismissing one redundant worker?	Binary Yes=1	4
Does the employer need the approval of a third party in order to dismiss one redundant worker?	Binary Yes=1	4
Must the employer notify or consult a third party prior to a collective dismissal (9 workers)?	Binary Yes=1	4
Must the employer obtain prior approval from a third party before a collective dismissal (9 workers)?	Binary Yes=1	4
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Binary Yes=1	4
Are there priority rules that apply to redundancy dismissals or lay-offs?	Binary Yes=1	4
Are there priority rules applying to re-employment?	Binary Yes=1	4

Other country-level variables

- International Labour Organisation unemployment rate from the ILOSTAT database
  - Share in percentage of unemployed individuals divided by the total labour force of a country.

- Eurostat real GDP growth
  - The percentage change compared with the previous year.

LMR Fraser Index & Unemployment



Job types taxonomy

- Based on the desirable qualities of a job from the workers' prospective and referred to the cross-tabulation of
  - Type of contract (permanent or temporary)
  - And hours of work (full- or part-time)

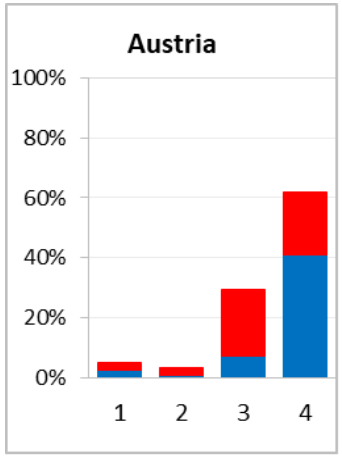
    - High quality 'good' jobs
      - Standard Forms of Employment (SFE)
        - » Permanent and Full-Time (PEFT)
    - Low quality 'bad' jobs
      - A cluster of Non-Standard Forms of Employment (NSFE)
        - » Temporary Full-Time, (TEFT), Permanent Part-Time (PEPT), Temporary Part-Time, (TEPT)

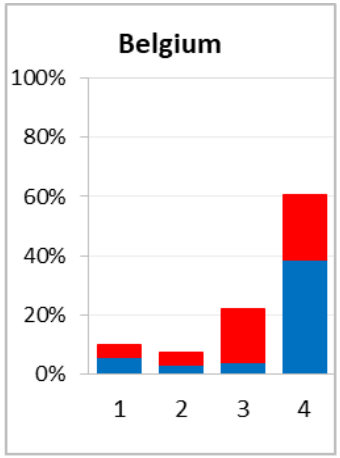
Job types taxonomy

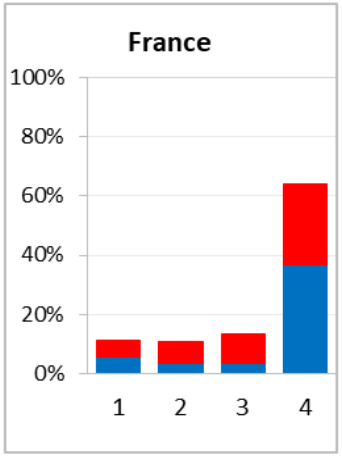
Dependent variable: Work arrangements		**Detailed work arrangements**
Unemployment	1	Not working but actively searching for a job
Involuntary non-standard Employer driven flexibility	2	Full-time, involuntary temporary (FTTE) Voluntary part-time, involuntary temporary (PTTE) Involuntary part-time, permanent (PTPE) Involuntary part-time, voluntary temporary (PTTE) Involuntary part-time, involuntary temporary (PTTE)
Voluntary non-standard Employee driven flexibility	3	Full-time, voluntary temporary, (FTTE) Voluntary part-time, permanent (PTPE) Voluntary part-time, voluntary temporary (PTTE)
Reference category: Standard	4	Full-Time permanent (FTPE)

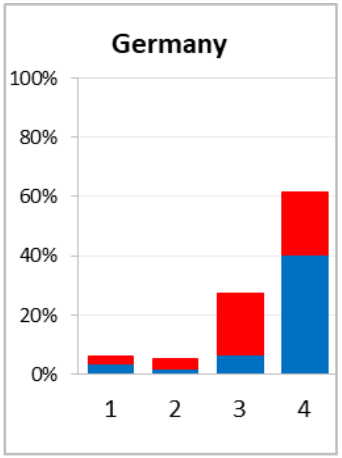
Country level types of employment (1) unemployment, (2) Involuntary non-standard, (3) Voluntary non-standard, (4) Standard FTPE, as % of active labour force (unemployment & employment) (men: blue; women: red)

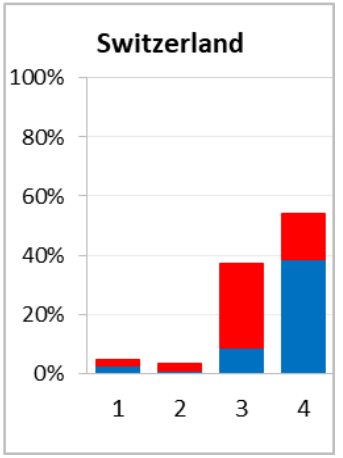
Corporatist



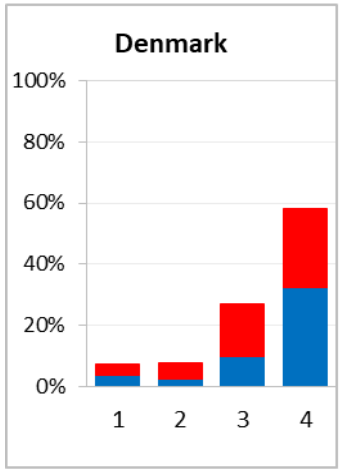


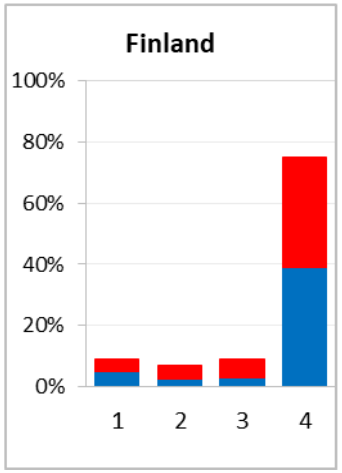


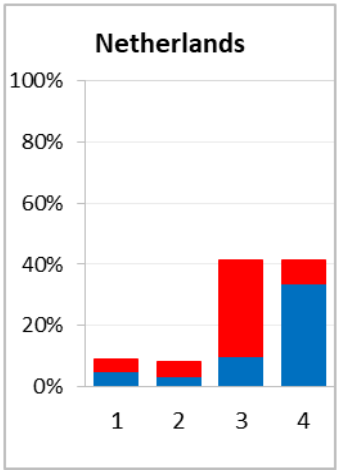


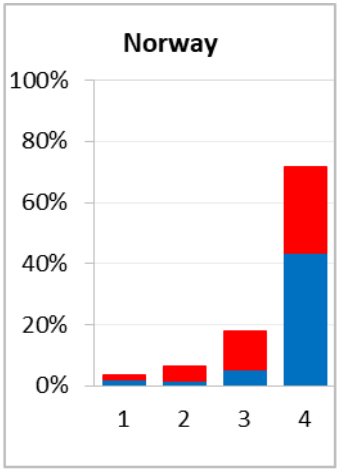


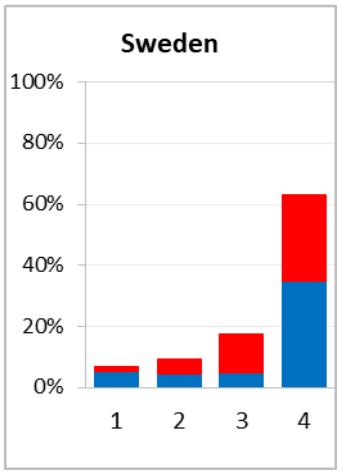
Social-democratic





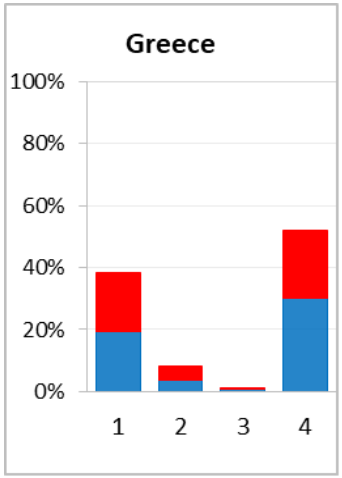


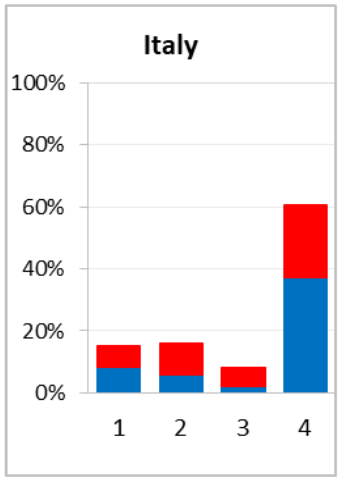


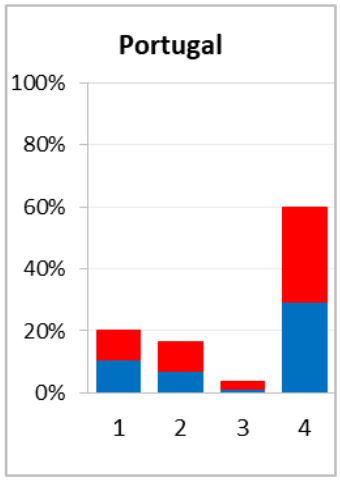


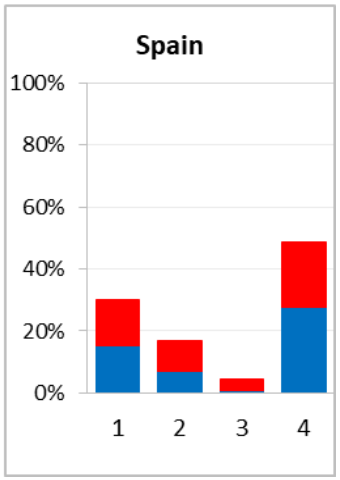
Country level types of employment (1) unemployment,
(2) Involuntary non-standard, (3) Voluntary non-standard,
(4) Standard FTPE, as % of active labour force (unemployment & employment)
(men: blue; women: red)

Southern European

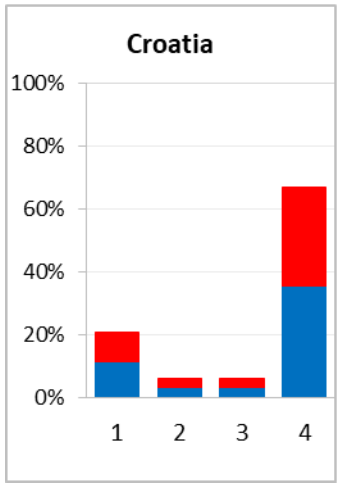


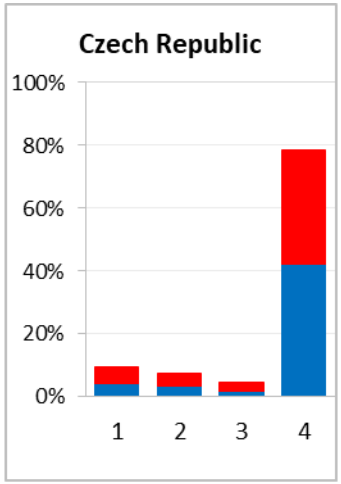


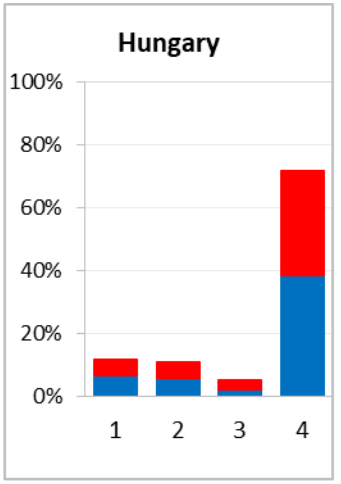


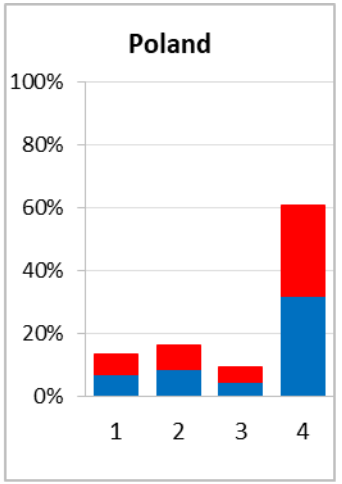


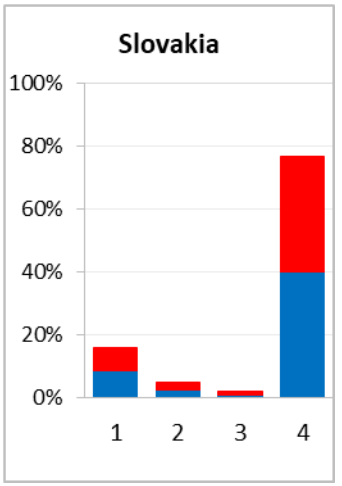
Post-communist corporatist











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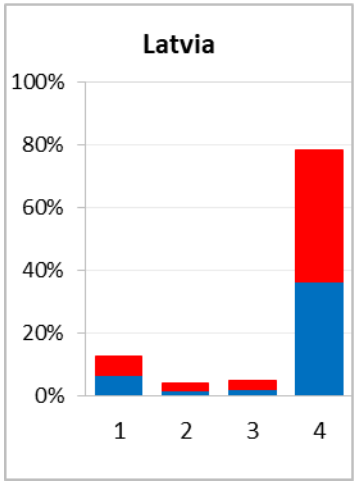
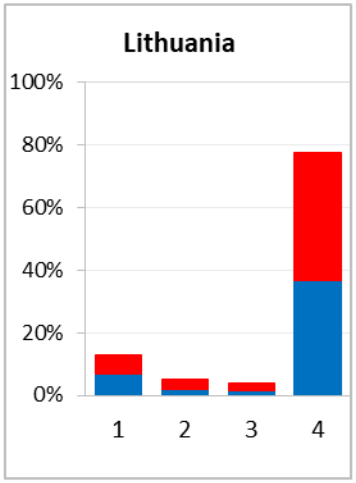
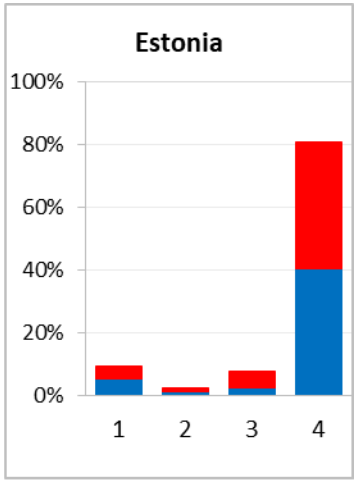
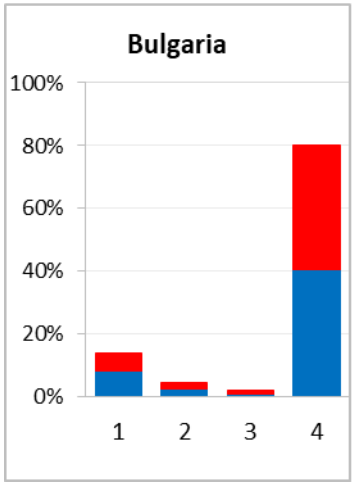
Post-communist liberal

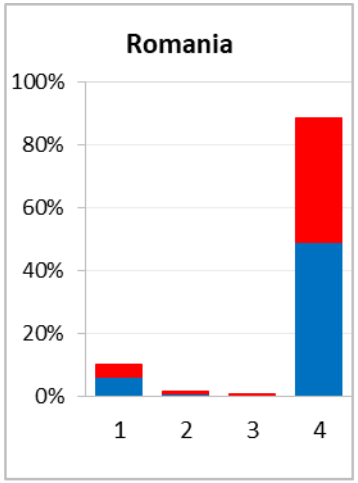


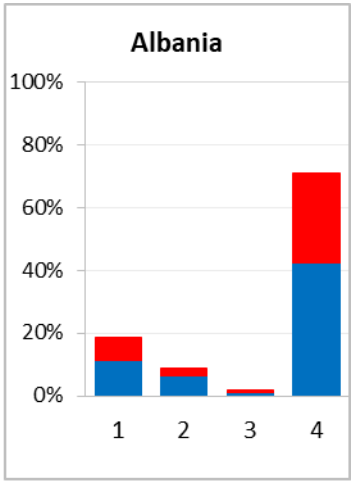




2007 accession & Albania







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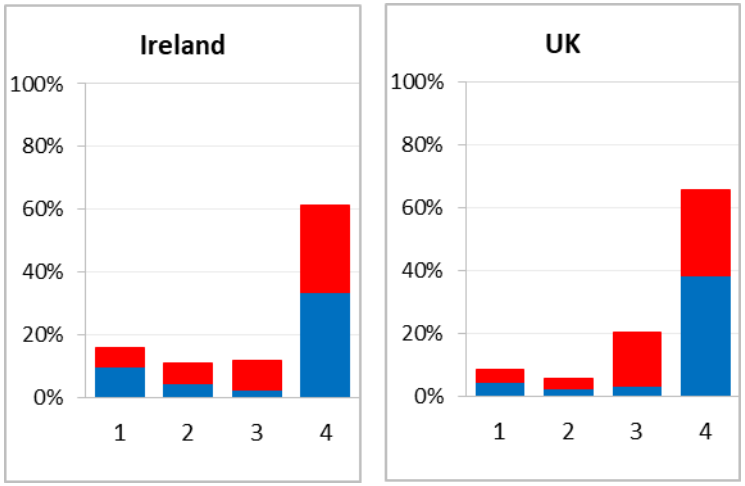
Liberal



Macro-level findings

- Social democratic, corporatist and liberal countries
  - Male dominated SFE
  - High voluntary Female NSFE incidence
  - Low unemployment, low involuntary NSFE
  - Lower segmentation, promote 'upward mobility'
  - Involuntary NSFE proportionally related to Unemployment rate

- Southern European and Post-Communist countries
  - High shares of SFE; proportionally female – male representation in SFE
  - Low to inexistent voluntary NSFE
  - High involuntary NSFE and high Unemployment

Macro-level findings

- Countries with *high unemployment* and *low employment growth*
  - Such as France, Spain, Italy and Greece
- Generally show higher shares of NSFE than countries with relatively *low unemployment* and *high employment growth*
  - Such as Germany, Denmark and the social-democratic cluster

Macro-level findings

- Based on the welfare regime, country, and macroeconomic performance
  - NSFE initially proposed as remedies to tackle persistently high levels of unemployment by bringing workers into employment
    - Because of the low associated EPL compared to regular full-time employment.
      - **In fact only fuel unemployment!**
    - Hiring by means of NSFE (for example, temporary contracts) incentivised employers to create jobs that otherwise would not have been generated if hiring was to be carried out via permanent and full-time employment arrangements.

Micro level analysis

Job quality – dependent variable

$$Job\ Quality_i = \begin{cases} 0 => & if\ Unemployed \\ 1 => & if\ working\ Involuntarily\ on\ a\ NSFE \\ 2 => & if\ working\ Voluntarily\ on\ a\ NSFE \\ 3 => & if\ working\ on\ a\ SFE \end{cases}$$

- Ordered categories in terms of job quality
  - Higher values mean higher quality

Job quality – dependent variable

Dependent variable: Work arrangements	$y =$	**Detailed work arrangements**
Unemployment	0	Not working but actively searching for a job
Involuntary non-standard Employer driven flexibility	1	Full-time, involuntary temporary (FTTE) Voluntary part-time, involuntary temporary (PTTE) Involuntary part-time, permanent (PTPE) Involuntary part-time, voluntary temporary (PTTE) Involuntary part-time, involuntary temporary (PTTE)
Voluntary non-standard Employee driven flexibility	2	Full-time, voluntary temporary, (FTTE) Voluntary part-time, permanent (PTPE) Voluntary part-time, voluntary temporary (PTTE)
Reference category: Standard	3	Full-Time permanent (FTPE)

Model – Ordered logit

$$Pr\left(Job\ Quality_i = m \mid CLU_j, LMR_j, X_i\right)$$

$$= \frac{exp(\alpha_{m|1} COU_i + \beta_{m|1} LMR_j + \tau_{m|1} X_i + \theta_i)}{1 + \sum_{n=1}^{4} exp(\alpha_{m|1} COU_i + \beta_{m|1} LMR_j + \tau_{m|1} X_i + \theta_i)}$$

Where:

- $i = 1, \dots, \mathrm{N}$ is the number of employees included in the cross-national database
- $n = 1,2,3,4$ are the values of job quality, unemployment, involuntary NSFE, voluntary NSFE, SFE
- $j = 1, \dots, 28$ is the number of EU countries and Albania
- STD_i stands for standard employment status (full-time and permanent)
- CLU_j the welfare cluster of reference of employee i in country j
- LMR_j is the Fraser Index for the Labour Market Regulation in Country j
- X' is a vector of employee and employer characteristics (individual and firm controls)
- θ_i is the unobserved individual heterogeneity

Results for MEN

Ordered logit: The probability of being in (1) unemployment, (2) Involuntary NSFE, (3) Voluntary NSFE, (4) SFE, conditional on LMR Fraser Index and GDP growth, Pooled Database (Odd Ratios)

Odds ratios	Model 1	Model 2	Model 3	Model 4
GDP *(year-on-year growth)*		.8367*** .0043	.8366*** .0043	.8390*** .0122
LMR Index			2.6210*** .0756	2.6317*** .0920
LMR Index * GDP				.6449*** .0127
Welfare cluster	**Reference category**: Liberal Regime (UK & Ireland)			
Social democratic	.72681*** .0070	.7388*** .0071	.7529*** .0072	.7533*** .0075
Liberal	1.1215*** .0185	1.3031*** .0223	1.630622*** .0298193	1.6299*** .0300
Southern European	.7985*** .0078	.5236*** .0082	.5389*** .0085	.5382*** .0089
Post-socialist corporatist	.7515*** .0072	.8561*** .0089	1.0552*** .0127	1.0546*** .0130
Post-socialist liberal	2.4188*** .0644	3.7139*** .1094	4.2703*** .1278146	4.2660*** .1293
2007 accession cluster & Albania	4.5215*** .1173	7.1924*** .2111	7.7836*** .2283	7.7915*** .2318

- **Notes**
  - Controls: Age, education, marital status, firm size, supervisory responsibilities, industry (NACE Rev. 1), occupation (ISCO-88)
  - *, **, *** Significant at p < 0.1, 0.05, 0.001
  - Errors clustered at the country level
  - N = 730761

Results for WOMEN

Ordered logit: The probability of being in (1) unemployment, (2) Involuntary NSFE, (3) Voluntary NSFE, (4) SFE, conditional on LMR Fraser Index and GDP growth, Pooled Database (Odd Ratios)

Odds ratios	Model 1	Model 2	Model 3	Model 4
GDP *(year-on-year growth)*		.8321*** .0036	.8240*** .0036	1.3883*** .0125
LMR Index			4.0249*** .0855	6.3623 *** .1760
LMR Index * GDP				.5082*** .0132
Welfare cluster	**Reference category:** Liberal Regime *(UK & Ireland)*			
Social democratic	2.3163*** .0689	2.3155*** .0688	2.3005*** .0685	2.3068*** .0687
Liberal	1.4191*** .0350	1.4090*** .0348	1.4093*** .0348	1.4121*** .0349
Southern European	.8376*** .0058	.8512*** .0059	.8677*** .0060	.9109*** .0065
Post-socialist corporatist	1.3262*** .0143	1.5492*** .0176	2.1493*** .0267	2.0834*** .0260
Post-socialist liberal	1.3750*** .0102	.8968*** .0111	.9045*** .0113	.7856*** .0108
2007 accession cluster & Albania	2.9971*** .0249	3.4226*** .0306	4.6334*** .0469	4.4788*** .0459

- **Notes**
  - Controls: Age, education, marital status, firm size, supervisory responsibilities, industry (NACE Rev. 1), occupation (ISCO-88)
  - *, **, *** Significant at p < 0.1, 0.05, 0.001
  - Errors clustered at the country level
  - N = 704707

Odd ratios in ordered logit

- Odd ratios > 1 mean that, ceteris paribus,
  - For 1 unit increase in year-on-year GDP growth, the odds of the higher job quality,
    - that is voluntary NSFE and SFE
  - Compared with the combined medium and low job quality options,
    - That are involuntary NSFE and unemployment,
  - Are 0.84 times lower for men and 1.39 times higher for women.

Micro-level findings

- Main effects
  - High levels of GDP YoY growth, typical of developing countries, related to lower job quality
  - High levels of LMR, increase job quality, by means of protected SFE

Why interaction effects

- The pure institutional approach, which initially dominated labour economics and macroeconomics research has been challenged by several lines of evidence
  - Rather an interaction of labour market institutions with economic performance
    - Lehmann and Muravyev (2010)
  - Based on the largely subscribed belief that institutions interact with each other consistently
    - Bertola et al. (2001), Blanchard and Wolfers, (2000)

Micro-level findings

- Interaction effects
  - Strong LMR increases job quality, but through two different patterns
    - In affluent economies, with typical low GDP YoY growth,
      - By means of low unemployment and high voluntary NSFE and SFE shares
    - In less affluent economies, with typical high GDP YoY growth,
      - First effect, by means of highly protecting SFE
      - Second effect, by means of involuntary NSFE
      - Third effect, increase job destruction and separations, hence higher unemployment
        - » The net effect is dominated by the
          - Third effect for the Southern-European cluster
          - Fist & Second effects for the Communist clusters

Micro-level findings

- Problems with interaction effects
  - Difficult to interpret interaction coefficients in logit estimations
    - Marginal effects: Scenario Analysis
      - Higher values of LMR Fraser Index negatively affect job quality: therefore increase unemployment

Scenario Analysis with marginal effects

- The approach suggested by Long and Freese (2014) will be adopted to carry out a scenario analysis
  - Tree macroeconomic performances (Year-on-year growth)
    - Downturn in Greece: - 3.2
    - Incremental growth in Germany: 0.47
    - And fast growth in Romania: 3.5.
  - With three different values of the LMR Fraser Index
    - Low regulation in Czech Republic 0.16
    - Moderate regulation in Austria 0.47
    - And strictly regulated market in France 0.75.

Scenario Analysis with marginal effects - Findings

- Interventionist policies in growing and less efficient economies increase the incidence of NSFE
  - Which are a 'trap' and not a 'steppingstone' into repeated spells of NSFEs or exit into unemployment

- Scenarios' results
  - Scenario downturn (Greece: - 3.2)
    - The negative effect of LMR is stronger when the economy is in a *downturn* and job quality can significantly be improved by reducing the market intervention and regulation.
  - Scenario incremental growth (Germany: 0.47)
    - The liberal and socio-democratic countries, high levels of LMR and EPL (intervention) but combined with the effect of the macroeconomic performance, LMR increases voluntary NSFEs (for women in particular)
  - Scenario fast growth (Romania: 3.5)
    - The effect of high economic growth per se increases the rate of SFE and reduces unemployment but this effect is opposed by the strong LMR which induces more job destruction, hence unemployment.

Conclusion

- While labour economics theory predicts that using NSFE, brought about by the new labour market reforms, simultaneously with and strong EPL, inherited by the communist system, would reduce unemployment and labour flows without coercing standard workers who are protected by high job security

  - We find in fact, that it depends on the context (country, welfare, and hence macroeconomic performance) where it is applied
    - Increase unemployment and involuntary NSFE
      - Therefore NSFE lower job quality

Recommendation

- Social-democratic countries rely on the social institutions which act as safety nets
  - The latter in turn rely heavily on tax revenues
    - In order to feed the whole system of the welfare state, there is need to rely on an efficient tax collection system which minimises the fiscal evasion (very problematic in Albania)

Appendix 1 –
Job types at welfare cluster level