

## CAUSES AND FACTORS DETERMINING THE CHOICE OF LABOUR MARKET POLICIES

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My PhD research project *addresses the question* of clarifying the choice of labour market flexibilisation policies in response to shifts in politicians and citizens' opinions and preferences regarding the labour market. *I am trying to explain* the choice of labour market flexibilisation policies by incumbent governments and other relevant political actors. Whereas, especially after the oil crisis and the consequent tendency to shift from a keynessian to a neoclassical economic paradigm, there seems to be a trend in the adoption of labour market liberalisation policies all across the developed world, the pace and the depth at which those policies are adopted show considerable cross-country variations. My *research question* regards the determination of the factors that account for that difference.

This question is *relevant from an economic, political and social perspective* because of the profound impact of those policies upon diverse dimensions of the performance of labour markets, most importantly the quantity, the quality and the distribution of employment. In effect: *ceteris paribus*, the quantity of employment affects, among other things, crucial economic variables, such as the overall production level and, hence, income, productivity and wealth (moreover, some economic variables, specially those related to the production function and to welfare spending, respectively, are affected by the quality and the distribution of employment); further, it seems sensible to expect that the fact that the quantity of employment impinges on the level of employment, together with the quality of employment, bear important social consequences; finally, these economic and social consequences, as well as the very distribution of employment and income, have a potential impact upon the cleavage structure and the political dynamics of the affected society.

I believe my research question to be also *theoretically relevant* because, whereas the effects of different labour market regimes have been largely debated, *there is great need of contributions* that help explain why and how different labour market arrangements and reforms come to be in the first place. To the best of my knowledge, there is very little *existing research* dealing with the choice of labour market policies, and, insofar as some studies have been carried out, they are case-contingent. The present state of the arts is hence *inadequate* both because of the scarcity of studies, specially regarding the choice of *flexibilisation* policies, and because of their not providing us with a unified framework that allows us to understand such choices in a general, unified way for a large enough set of countries.

The *alternative theoretical solution* that I intend to be able to develop addresses some of these shortages of the existing literature by trying to identify general causal mechanisms that apply (although perhaps not homogeneously: variables may interact with each other, generating contingent individual effects of particular variables) to the whole set of developed/European economies. I will draw *causal relationships* from ideological or party affiliation of the incumbent government; from technological developments or processes of macro-regional integration; and from the level of development of a country and the sectorial composition of its labour force. I am presently working at an initial design of the *specific causal claims and mechanisms*, and at the corresponding *initial specification of my model*. I already got some insights about it, but I have not worked them out yet in a form I consider acceptable enough, hence, I abstain for now from explicating them here.

*The novelty of my approach*, and hence where it derives *theoretical significance*, is the option for a general, though empirically testable model that integrates different, unrelated explanations into a single, coherent explanatory framework. The *advantages of choosing this game-theoretical approach* are that 1) it takes seriously the rationality of political actors, their incentives and the interdependence among their actions; 2) it allows 2a) to rather flexibly integrate key theoretical propositions of different traditions into a unified framework, 2b) to take into account the interrelation of the respective causal mechanisms that are in place, and 2c) to assess the relative importance of the respective explanatory variables; 3) it is particularly well suited to deal with a wide range of politically potentially highly relevant questions.

If the model is well constructed and empirically successful, it will *advance our knowledge* of the causes and factors leading to labour market flexibilisation drives (in their depth, timing and nature) in a general way, thus allowing us to explain and predict patterns of similarity and difference in labour market flexibilisation among countries with the aid of the general explanatory factors of the model. Ultimately, then, the model should make it possible for us to understand not only past levels and developments of labour market (flexibilisation) legislation, but also their likely future evolution, their response to changes in the factors impinging on such flexibilising choices, and the extension of the model to predict the possible evolution of countries not initially studied in my research.

*To finish with the theoretical consideration of my model*, I should point out that it may also bear *historical/political significance*. Insofar as incumbent governments (or other ‘relevant political actors’) can influence some of the independent variables (i.e.: “party affiliation” of the incumbent government, by entering [different] governing coalitions or not; technological developments, by I+D or education policies, for instance; processes of macro-regional integration, by, say, adopting different approaches to processes such as EU integration; etc.), an obvious initial *policy implication* is that they may wish to take into account how their decisions in those areas prepare the ground for future decisions regarding labour market flexibilisation. In a sense,

those decisions would *change the policy making process, output and outcomes* by altering the structure of the game that I study here and, hence, the incentives and payoffs of the actors.

From a *methodological* point of view, I opt for a modelling *research design*: I set out a few theoretical principles and deduce outcomes from those principles, which I will then test empirically. Whatever the intrinsic usefulness of a theoretical model may be, its findings will gain much weight if they can be subjected to the test of the facts, so *the second main component of my research* will thus be the *empirical falsation of the conclusions derived from the preceding theoretical model* by means of a statistical analysis that checks the outcomes against the data.

With regard to *evidence*, and most specifically to the *special and temporal time co-ordinates of my research*, my target *sample* will consist in *OECD or in EU countries from the 1970s on*. It is sensible to study flexibilisation in these countries, where formal employment and the initial level of regulations are relatively important; and this is the time period when liberalisation measures have been adopted in a large enough scale. Moreover, I expect data to be particularly rich for these cases, hence enabling me to carry out as reliable and sophisticate statistical analysis as it is possible nowadays. Finally, I strongly believe that *synchronic and diachronic analysis* will be necessary to test different theoretical propositions and predictions (cross-sectional and longitudinal ones, respectively) of my model, hence enriching its potential relevance.

As it has been commented to me in the Research Seminars in which I have exposed my in-progress thesis design, one of the key priorities, an increasingly urging issue for me now is to find and work with the proper databases to get familiarised with the data, with their features, possibilities and limitations, and to engage in some initial but seriously, well-grounded exploratory, empirical analysis. Apart from the resources already available at my home Institution, the Institute Juan March, I regard stages at European (American?) largest database institutions, such as the ZA, the EUI, ECASS or the LSE, as the most important – and necessary- *sources where I could get the necessary information* on the availability and nature of the data relevant for my research, as well as enjoy the resources which would allow me to make the best use of that data.

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\*Some other of my research interests are the effects of labour market flexibilisation policies; the design of self-enforcing consensual constitutions, specially in the transition to democracy; and the impact of de-nationalising citizenship upon the economic value of citizenship.