

CAUSES AND FACTORS DETERMINING THE CHOICE OF LABOUR MARKET POLICIES

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Note: This is just a preliminary project(?). I need to work hard on it, and possibly to restructure it completely once or twice still, at least. It may give, however, an orientation of what am I looking for, how do I intend to look at it, etc.

My PhD research project *addresses the question* of clarifying **the choice of labour market flexibilisation policies (dependent “variable”=Y)**. Whereas 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 (**X**). Thus, *I am trying to explain* the factors that impinge on this choice primarily as a function of variables tied to elites deciding in an interdependent way (**X_{Ai}**), but also as a function of individual-level and structural variables (**X_{Bi}**; **X_{Ci}**):

“**X**” → “**Y**”: { (**X_{Ai}**), (**X_{Bi}**), (**X_{Ci}**): } → “**Y**”:

Naturally, stated this way, both **Y** and **X** are complex and big, and it seems inevitable to expect the relationships between “**X**” and “**Y**” as fuzzy and confusing. My first task is, then, to work on the conceptualisation and definition of these variables (**in the two final pages I summarize this task in a schematic way that facilitates a fast reading**):

**Preliminary task: to try to disentangle X and Y so that “→” is not totally fuzzy and confusing.*

GETTING MORE PRECISE WITH MY DEPENDENT VARIABLE:

With respect to the Y, a brief mental exercise reveals, at least, the following means of flexibilising the labour market: 1) reducing firing costs; 2) enabling/ increasing the scope of temporal jobs; 3) idem, of part-time jobs; 4) idem, of apprenticeships; 5) idem, of building=formación contracts; 6) eliminating the minimal wage; 7) removing possible maximal wages; 8) cutting social contributions; 9) reducing other indirect compulsory expenses on labour, such as safety regulations, medical compensations, costs derived from illnesses of workers, etc.; 10) undermining union power; 11) introducing subsidies to hiring in some events and eliminating them in some others; 12) promoting Labour Market Active Policies (LMAP) that enhance geographical mobility; 13) promoting LMAP that enhance locational mobility; 14) promoting LMAP that enhance sectorial mobility; 15) promoting LMAP that provide with information about the offer and demand of labour and thus enhance the cleaning of markets; ...

Y= “flexibilising the labour market”: Possible dimensions:

- 1) reducing firing costs;
 - 2) enabling/ increasing the scope of temporal jobs;
 - 3) idem, of part-time jobs;
 - 4) idem, of apprenticeships;
 - 5) idem, of building=formación contracts;
 - 6) eliminating the minimal wage;
 - 7) removing possible maximal wages;
 - 8) cutting social contributions;
 - 9) reducing other indirect compulsory expenses on labour, such as safety regulations, medical compensations, costs derived from illnesses of workers, etc.;
 - 10) undermining union power;
 - 11) introducing subsidies to hiring in some events and eliminating them in some others;
 - 12) promoting Labour Market Active Policies (LMAP) that enhance geographical mobility;
 - 13) promoting LMAP that enhance locational mobility;
 - 14) promoting LMAP that enhance sectorial mobility;
 - 15) promoting LMAP that provide with information about the offer and demand of labour and thus enhance the cleaning of markets; ...
- Etc.

This amounts only to a rush survey of the different kinds of Y that I can find. Among this wealth of dimensions/definitions, I should take a and focus on a specific Y_i or on a specific set^+ of Y_i .

⁺ It *may* turn to be optimal to focus on a *set* of Y_i because various Y_i may covariate, respond to the same causal mechanisms and have the same or similar implications.

*However, notice that my unit of analysis, where I will find variance in the degree of labour market flexibilisation, are likely to be countries: say – see the item on space and time boundaries- that I have, at most, 20 countries and, at most, 30 years: this means a maximum of 600 points, that may limit the number of feasible variables and interaction terms in my analysis, even more so for some types of analysis, such as cross-sectional analysis. Therefore, I should at the same time open windows to all dimensions, because I may be very limited in the kind of testing I may be able to carry out.

Comment: There is actually a non-trivial possibility of finding within-country variation if flexibilisation laws do not apply homogeneously to all the country, say nationally, by occupation/sector, or with regard to private/public boundaries (as it would be possible to expect given some possible preferences and some potential relevance of some actors[?] such as, say, regional administrations/parties, unions, the public bureaucracy...).

Suppose (as economists always do: I cannot free myself of the inheritance of my infatuation to studies...) that I have taken a decision on a specific dimension or set of dimensions of labour market flexibilisation. That is, suppose I have clarified myself and I have a specific Y. What about the X?

What about the X?

I guess that a process(?) such as the choice of (specific) labour market flexibilisation policies (“Y_(i)”) is **ultimately decided at the ELITE level** (hence, top-down) by incumbent governments (main actor) and other relevant political actors (such as trade unions). On the one hand, this elite-level decision-making process(?) points to *explanatory variables related to these elite actors* involved in the decision: incumbent government ideological –i.e.: left-right- or political –i.e.:party- sign (X_{A1}; X_{A2}); parliamentarians’ ideological or party affiliation (X_{A3}; X_{A4}); parliamentarians’ opinions and preferences regarding the labour market (X_{A5}; X_{A6}); etc.

Some variables regarding other potentially relevant political actors, such as unions, should be born in mind as well as potentially relevant. I cannot avoid thinking that elite-level decisions suggest an interdependence among actors, which may be most fruitfully exemplified by game-theoretical modelisation.

On the other hand, *elites may respond* (for instance, because their payoffs depend on them) *to the demands of the CITIZENRY*, in a much more bottom-up process. This, in turn, points to *explanatory variables, mainly individual-level ones, such as citizens’* ideological or party affiliation (X_{B1}; X_{B2}); citizens’ opinions and preferences regarding the labour market (X_{B3}; X_{B4}); as well as other demographic variables like age, gender, etc (X_{B5}; X_{B6}), plus variables such as the activity rate (X_{B7}), etc.

Whereas one way to include these variables is to do it indirectly, that is, to subsume them in the preferences of the actors by altering the payoffs of games that model elite decisions in accordance to different configurations of these individual-level variables, another radically different approach is to turn to a –say, quantitative- test of a model that simultaneously includes elite-level and individual-level, citizenry related variables.

Finally, it seems not insensible to play with the idea that the process is to some extent dependent on the possibility of political learning and/or imitation (X_{C1}), on *lagged variables of the dependent variable* (initial level of rigidities = X_{C2}), and on other *structural variables* of countries, such as the level of development, the sectorial composition of the labour force, or the openness of the economy (X_{C3}, X_{C4}, X_{C5}).¹

¹ Some of which may, to some extent, may be a proxy for the constraints of governments.

What about the X? Possible causal determinants of the choice of labour market flexibilisation policies:

Explanatory variables related to these elite actors involved in the decision²:

incumbent government ideological placement (i.e.: Left-Right) (XA1)
incumbent government political sign (i.e.:party) (XA2);
parliamentarians' II= ideological identification (XA3);
parliamentarians' PI= party identification (XA4);
parliamentarians' opinions regarding the labour market (XA5);
parliamentarians' preferences regarding the labour market (XA6);
etc.
Some variables regarding other potentially relevant political actors, such as unions,
Ex.: Union/Employers' associations centralisation
Ex.: Union/Employers' associations coordination
Etc.

Explanatory variables, mainly individual-level ones, related to the citizenry:

citizens' II (XB1);
citizens' PI (XB2);
citizens' opinions regarding the labour market (XB3) (ex: belief in the necessity of a balanced budget/ of social security contributions/ of easier access to the labour market; perception of job security/ of the degree of competition; etc.)
citizens' preferences regarding the labour market (XB4);
necessity and/wish to work part-time vs. full time (XB17),
demographic variables, like
age, (XB5),
gender, (XB6),
income, (XB7),
occupation, (XB8),
sector, (XB15),
social class, (XB9),
religion, (XB10),
family variables, (XB11),
interpersonal, etc (XB12),
age, gender, etc (XB13),
belonging to a union (XB16),
disposal of other sources of income (XB14),

“Structural” variables:³

Activity rate (Xc1),
political learning and/or imitation (Xc2),
level of development (Xc3)
sectorial composition of the labour force (Xc4)
openness of the economy (Xc5).

Lagged variables of the dependent variable (=initial level of rigidities = XD1),

Etc.

² I cannot avoid thinking that elite-level decisions suggest an interdependence among actors, which may be most fruitfully exemplified by game-theoretical modelisation. Whereas one way to include all remaining variables is to do it indirectly, that is, to subsume them in the preferences of the actors by altering the payoffs of games that model elite decisions in accordance to different configurations of these individual-level variables, another radically different approach is to turn to a –say, quantitative– test of a model that simultaneously includes elite-level and individual-level, citizenry related variables.

³ Some of which may, to some extent, may be a proxy for the constraints of governments. Others may interpret them as “context variables”, etc.

BOUNDARIES: SPACE AND TIME:

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.

Further issues:

Further issues that I have to think about are the changes in levels and meanings of Y and X across time and space (which opens the possibility of taking into account variables such as the shift from a keynesian to a neoclassical economic paradigm, the oil crisis,), as well as whether some variables will be included at the individual or at the aggregate level (if data allow that option at all), etc.

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***Some other of my research interests are:**

- ***the design of self-enforcing consensual constitutions, specially in the transition to democracy;***
- ***the effects of labour market flexibilisation policies;***
- ***the political economy of European Monetary Integration***
- ***the impact of de-nationalising citizenship upon the economic value of citizenship;***

***Background: economist, philologist (graduate); humanist, politologist (PhDs in-progress)**

***Other remarks: I feel very comfortable with mathematics, statistics, ...**