

Labour market regulations: motives, measures, effects

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1. Pros and cons

What does regulation aim to?

2. Measurement and effects

What does it actually do?

3. Reform and international aspects

1. **Cons** and **pros** of regulation

“interference with individual labor market freedom increases unemployment and is bad for business”

... True (to the extent theory and data can tell).

But: there have to be pros for somebody!

- **What do policies try to do?**
 - **Can they do it?**
It depends... on what?

- **What do policies try to do?**

Efficiency and distribution in **imperfect markets:**

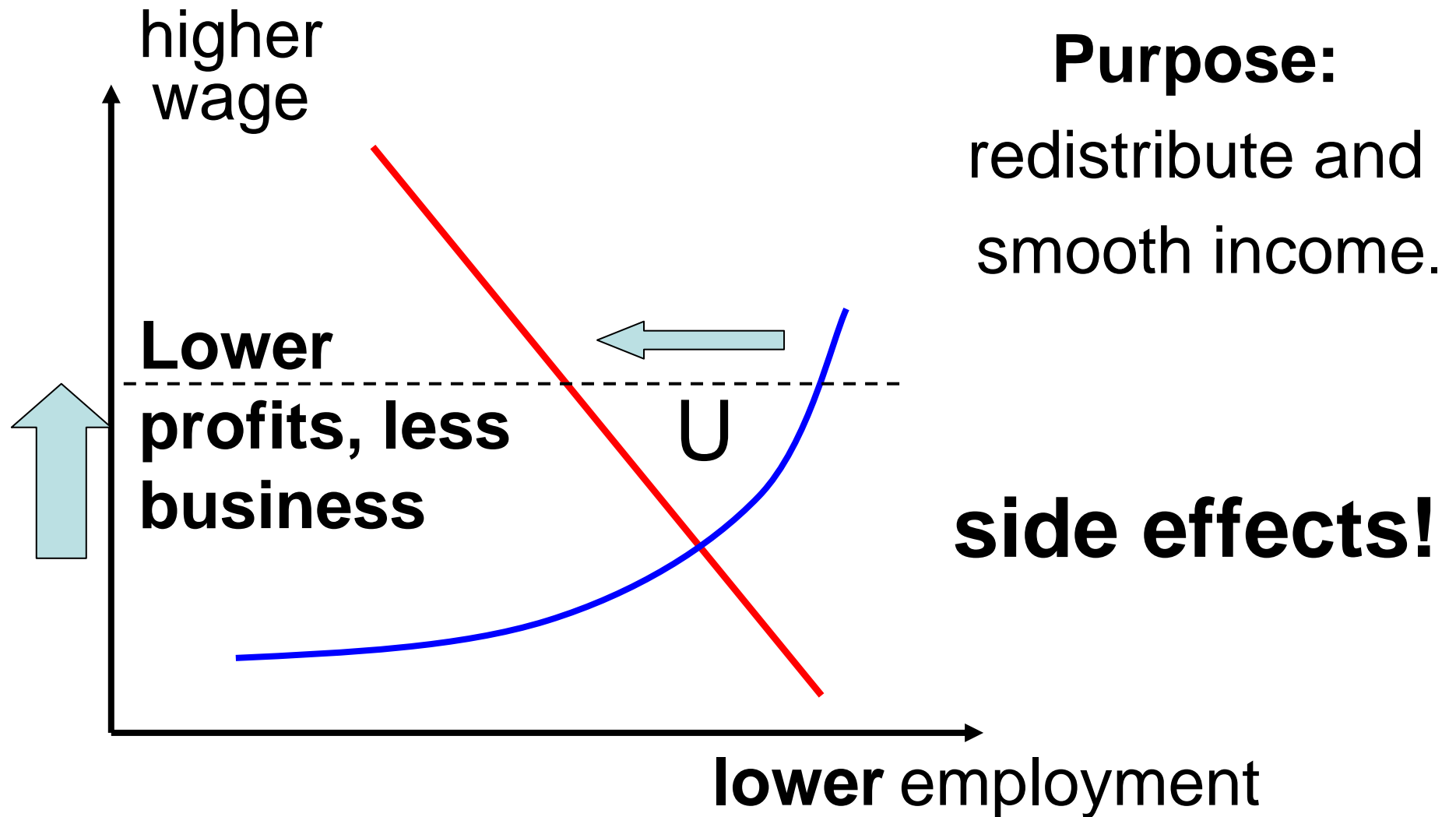
Private contracting:

- information and incentive problems

Collective policies:

- better information and enforcement
- incentives still a problem
- rent seeking and distorted choices

Minimum wages, Collective bargaining, Labor taxes & nonemployment subsidies



2. Measurement and effects

- **conditions matter:**
 - for appeal of pros, intensity of cons
- **theory and measurement** both need to be aware of conditions, simple and focused:

If similar labor market shocks,
different reactions when EPL different?

2. Measurement and effects

...different reactions when EPL different?

other considerations motivate EPL differences (financial market imperfections, risk management)

- theory inspires measurement,
- indicators (of policy and other drivers of outcomes) can test theories.

Can policies do well what they do?

It depends...

Across different countries,

- different imperfections,
- different cost and benefit tradeoffs:

**variety of policies,
differently different outcomes.**

2. Reforms: in light of pros and cons,
**motivated by changed
conditions:**

if problems disappear

(better financial markets,

more homogeneous income distribution, ..)

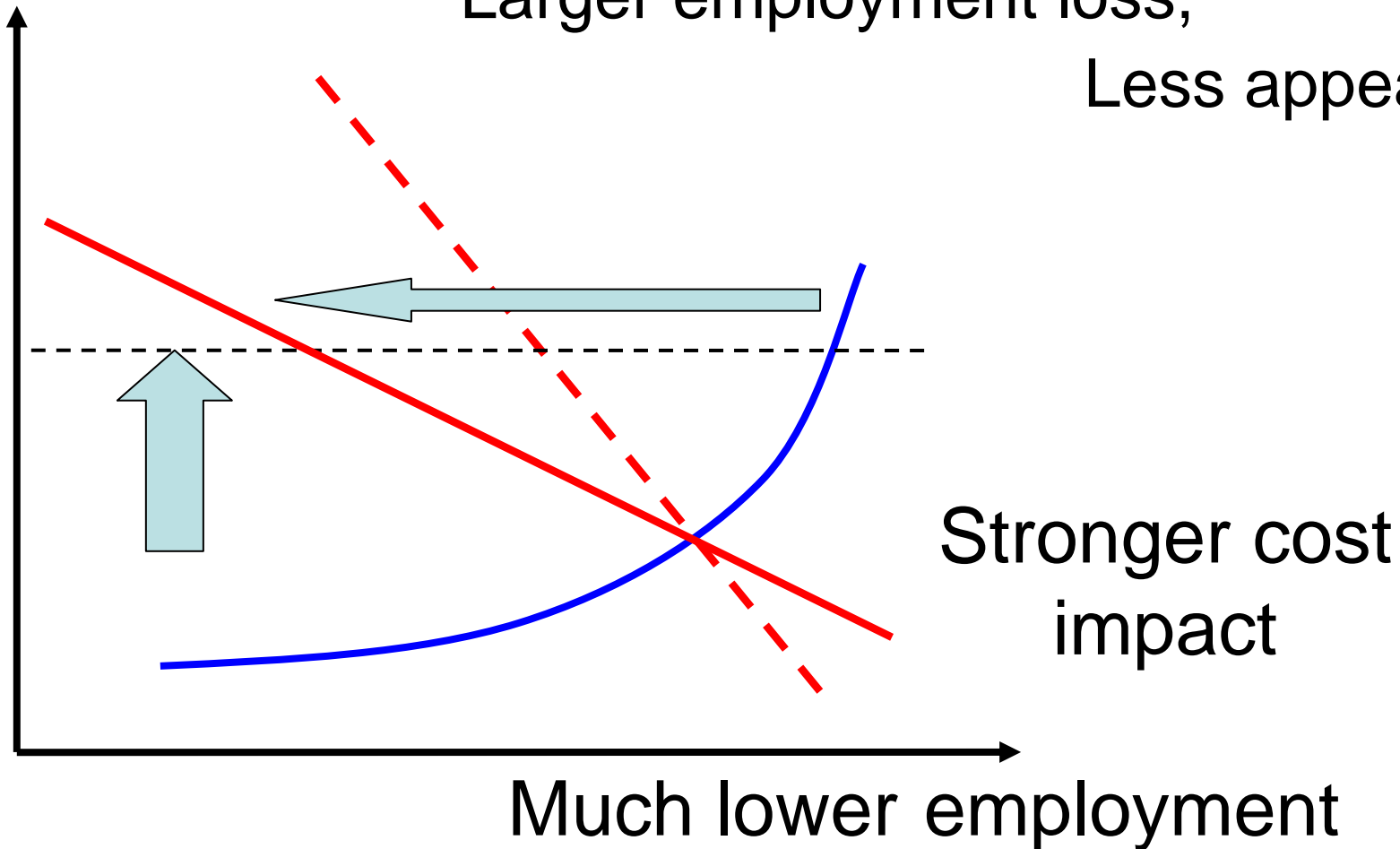
or **negative side effects overwhelm
positive intended effects.**

3. International aspects:

More competition,

Larger employment loss,

Less appealing.



Economic integration and National regulation.

International regulation:
*and solidarity, redistribution...
across national borders??*

Labor market regulations:

- May but need not be sensible for their purposes.
- Side effects: stressed by competition.