

Labour Market Institutions Database[□]

Stephen Nickell[¶] and Luca Nunziata^²

March 29, 2001

1 Introduction

This dataset contains information about the evolution of labour market institutions in twenty OECD countries from 1960 to 1992.

The countries in the sample are:

Australia	Finland	Japan	Spain
Austria	France	Netherlands	Sweden
Belgium	Germany	Norway	Switzerland
Canada	Ireland	New Zealand	United Kingdom
Denmark	Italy	Portugal	United States

2 The Data: Definitions and Sources

2.1 Labour Market Institutions

EP: Employment Protection

Blanchard and Wolfers (2000) provide an employment protection time varying variable from 1960 to 1995, each observation taken every 5 years. This series was built chaining OECD data with data from Lazear (1990). Notice that the OECD data, used from 1985 onward, is constructed on the basis of a more extensive collection of employment protection dimensions, compared with data used by Lazear. This dataset includes an interpolation of the Blanchard and Wolfers series, readjusted in mean. Range is {0,2} increasing with strictness of employment protection.

[□]LMIDB: Version 1.00, 1960-1992. Thanks to Giuseppe Nicoletti and OECD, Olivier Blanchard, Justin Wolfers, Michele Belot, Jan Van Ours and Andrew Oswald for kindly providing some of the original series.

[¶]Centre for Economic Performance, LSE

^²Nuffield College, Oxford

UDNET: Net Union Density

This variable is constructed as the ratio of Total Reported Union Members (gross minus retired and unemployed members), from Visser (1996), on Wage and Salaried Employees, from Comparative Welfare Dataset (1997). A few remarks have to be added:

1. From 1991 onward, wage and salary earners data refers to unified Germany, yielding a downward biased ratio. To avoid the problem, the density data was chained with data provided by OECD and Bain and Price (1980);
2. New Zealand data on salary and wage earners is not available for 1962-1978 and 1982-1985 periods, so Net Union Density was calculated using Total Civilian Employment as denominator from the same dataset. Besides an interpolation was used for missing New Zealand data in 1987-1988.
3. The Visser data do not include any information for Portugal and Spain. An interpolation of OECD values was used for these countries.

CO: Bargaining Coordination

This is an index with range f1; 3g constructed as an interpolation of OECD data on bargaining coordination. It is increasing in the degree of coordination in the bargaining process on the employers' as well as on the unions' side. The resulting series were matched with the data provided by Belot and Van Ours (2000).

COW: Bargaining Coordination

Nickell et al (2001) provide a coordination series constructed using similar criteria as above, but containing short term variation in coordination.

COIT1-COIT6: Coordination Types

Dummy variables accounting for types of coordination from Nickell et al (2001).

Adopting Traxler taxonomy we have:

COIT1=inter associational coordination;

COIT2=intra associational coordination;

COIT3=pattern setting;

COIT4=state imposed coordination;

COIT5=uncoordinated;

COIT6=state sponsored coordination.

BRR: Benefit Replacement Rates

Benefit Replacement Rates data is provided by OECD with one observation every two years for each country in the sample. The data refers to first year of unemployment benefits, averaged over family types of recipients, since in many countries benefits are distributed according to family composition.

BD: Benefit Durations

An index was constructed by the authors as a weighted average equal to:

$$BD = \frac{BRR_2}{BRR_1} + (1 - \frac{BRR_4}{BRR_1})$$

where: BRR_1 is the unemployment benefit replacement rate perceived during the first year of unemployment, BRR_2 is the replacement rate perceived during the second and third year of unemployment and BRR_4 is the replacement rate perceived during the fourth and fifth year of unemployment. Note that we give more weight to the first ratio than to the second ($\frac{BRR_2}{BRR_1} = 0.6$). If benefit provision stops after one year (min duration), then $BRR_2 = BRR_4 = 0$, and $BD = 0$. If however benefit provision is constant over the unemployment years, we have $BRR_2 = BRR_4 = BRR_1$, with $BD = 1$.

TW: Tax Wedge

The tax wedge is equal to the sum of the employment tax rate, the direct tax rate and the indirect tax rate:

$$TW = t1 + t2 + t3$$

The employment tax rate $t1$ is calculated as

$$t1 = \frac{EC}{(IE - EC)}$$

with EC equal to employers' total contributions and IE equal to wages, salaries and social security contributions.

The direct tax rate $t2$ is equal to

$$t2 = \frac{DT_t}{HCR_t}$$

where DT is the amount of direct taxes and HCR is the amount of households' current receipts.

The direct tax rate is

$$t3 = \frac{TX_t - SB_t}{CC_t}$$

with TX being total indirect taxes, SB subsidies, and CC private final expenditures.

All data come from CEP OECD database, updated by authors using the same criteria.

HO: House Property

The data about owner occupier households, as percentage of total households, is provided by Oswald (1996). This data was recently updated by Oswald, so that the 1990 figure for Spain is 78% not 75%, and the 1960 figure is 51% not 52%, and the 1990 figure for Ireland is 78% not 81%. Oswald data contain information about 19 countries (Portugal excluded) over 4 periods (1960, 1970, 1980 and 1990). This dataset contains an interpolation of Oswald's data.

2.2 Macroeconomic Variables

UR: Unemployment Rate

Standardized unemployment rate from Layard et al. (1991), updated by authors using the same criteria. The missing observations for Portugal are from CEP - OECD database.

LABC: Labour Cost

Labour cost is defined as

$$w = \log(IE) - \log(ET) - \log(P_{GDP})$$

where IE are compensations of employees by resident producers, namely wages, salaries and social security contributions, ET is total employment and P_{GDP} is GDP at factor costs deflator. All data is from CEP OECD database, updated by authors using the same criteria, except for P_{GDP} that is calculated from GDP at factor cost, current and constant prices, from OECD BSDB.

EPOP: Employment Population Ratio

Total civilian employment on working age population (15-64), from CEP OECD data, updated by authors.

RIRL: Real Interest Rate

Long term real interest rate, constructed using long term nominal interest rate and inflation from OECD Economic Outlook Database.

PRODHP: Productivity Trend

The labour productivity measure, PRODHP, was calculated as an Hodrick Prescott trend of log real GDP minus log of total employment, i.e.

$$PRODHP = HPtrend flog(YQ)_i - log(ET)_g$$

where UT is total unemployment, and YQ is real GDP at 1990 prices.

D2MS: Acceleration in Money Supply

This is equal to Φ^2MS , where MS is money supply from OECD Economic Outlook Database.

LDS: Labour Demand Shock

This series consists of the residuals from the NLLS employment model from Nickell and Nunziata (2000).

TTS: Terms of Trade Shock

This series is equal to

$$IMP = \frac{MC}{YC} \Phi^{\frac{1}{2}} \log \frac{P_m}{P_G} \Phi^{\frac{3}{4}}$$

where MC are imports at current prices, YC is GDP at current prices, P_m is import deflator and P_G is GDP deflator, both with 1990 as base year. The dataset contains also a factor cost version of the shock (TTSFC), calculated using the series on factor costs GDP.

D2TFP: acceleration in TFP

This series is calculated as a three years moving average of Φ^2TFP , where TFP is the series from Nickell and Nunziata (2000).

TFPHPC: HP cyclical component of TFP

This series consists of the Hodrick Prescott cyclical component of TFP , i.e.:

$$TFPCY = TFP_i - HPtrend fTFP_g$$

References

- [1] G. S. Bain and R. Price. Profiles of Union Growth : a comparative statistical portrait of eight countries. Basil Blackwell, 1980.
- [2] M. Belot and J. Van Ours. Does the recent success of some oecd countries in lowering their unemployment rates lie in the clever design of their labour market reforms? IZA Discussion Paper, (147), 2000.
- [3] O. Blanchard and J. Wolfers. The role of shocks and institutions in the rise of european unemployment: the aggregate evidence. Economic Journal, (462), 2000.
- [4] CEP. The cep-oecd data set.
- [5] E. Huber, C. Ragin, and J.D. Stephens. Comparative welfare states data set, 1997.
- [6] R. Layard, S.J. Nickell, and R. Jackman. Unemployment: macroeconomic performance and the labour market. Oxford University Press, 1991.
- [7] E. Lazear. Job security provision and employment. Quarterly Journal of Economics, 1990.
- [8] S. J. Nickell, L. Nunziata, W. Ochel, and G. Quintini. Unemployment in Europe. MIT Press, 2001, forthcoming.
- [9] S. J. Nickell, L. Nunziata, and G. Quintini. The beveridge curve, unemployment and wages in the oecd. CEP, LSE, March 2001.
- [10] S.J. Nickell and L. Nunziata. Employment patterns in oecd countries. CEP Discussion Paper, (448), March 2000.
- [11] L. Nunziata. Labour cost determination in oecd countries. Nuffield College, Oxford, March 2001.
- [12] OECD. Economic outlook database.
- [13] OECD. Oecd business sector database.
- [14] OECD. Employment Outlook. Paris, 1994.
- [15] OECD. Jobs Study: Evidence and Explanations. Paris, 1994.
- [16] OECD. Employment Outlook. Paris, 1999.
- [17] A. Oswald. A conjecture on the explanation for high unemployment in the industrialised nations. Warwick Economic Research Papers, 475, 1996.
- [18] J. Visser. Unionisation trends. the oecd countries union membership ...le. University of Amsterdam, Centre for Research of European Societies and Labour Relations CESAR, 1996.