



Ministry of Finance

Discussion: When does a competitive market produce 'good' flexibility?

CPB-ROA Conference Flexibility of
the Labour Market

Rocus van Opstal



Ministry of Finance

Contents

- Wage differentials and employment
- Good flexibility in NL
- Bad protection in NL



Wage differentials \leftrightarrow employment?

Stand.dev. industry wage differentials

	1979	1985
US	11%	14%
NL	6%	7%

Period between start recession 1981 and job recovery

US	2 years
NL	7 years



Surprisingly mild reaction Dutch labour market

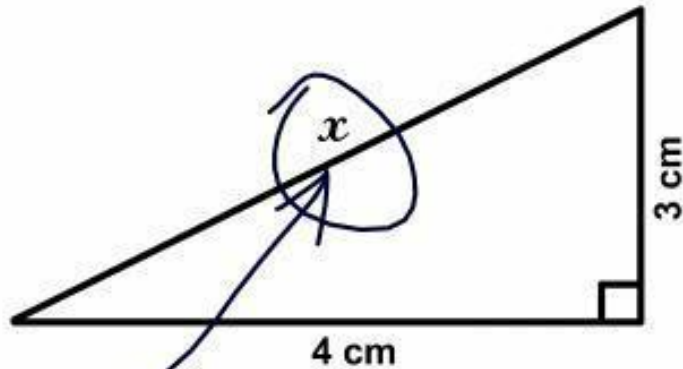
- GDP -4%
- Unemployment +1,2% (projection was +5,7%)
- Real wage growth 0%



Good flexibility?

Back to school

3. Find x .



Here it is

Ocular Trauma - by Wade Clarke ©2005





Decline in labour productivity

Market sector

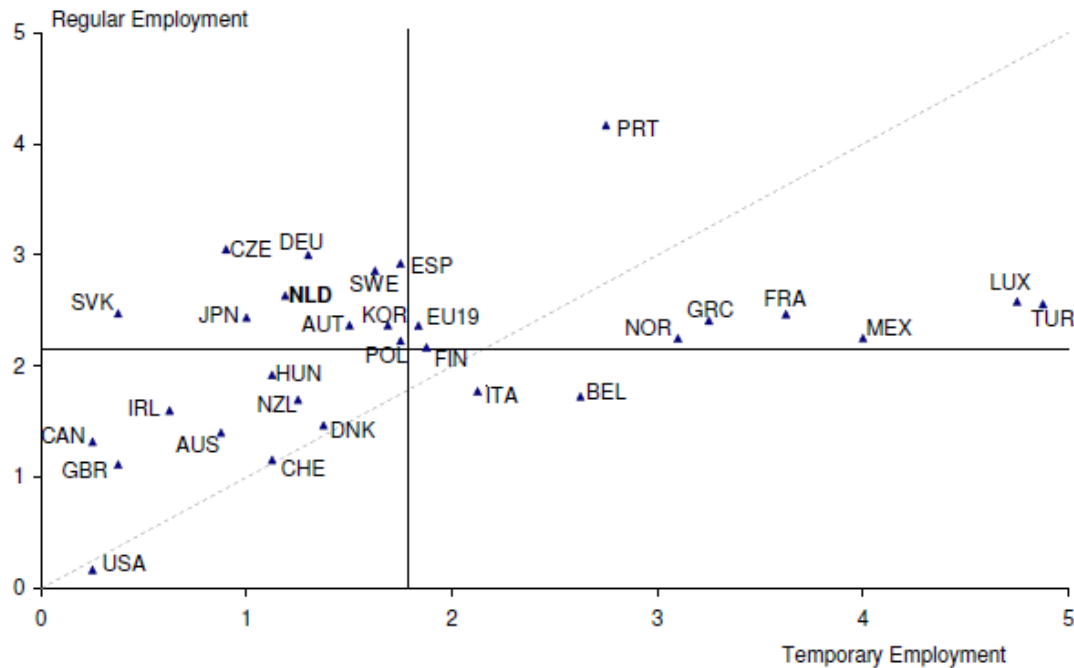
Yearly growth rates

	1975	1981-82	2002-03	2009
Production	-1,8	-1,9	-0,4	-5,4
Labour productivity	-0,5	0,9	1,8	-3,1
Labour prod. incl. t+1	2,4	1,9	2,5	0,2



Good flexibility or bad protection?

Comparison protection of regular and temporary employment



Source: OECD (2009)



Bad protection?

Average severance pay per age category

< 34	6.500
35-44	13.500
45-54	39.000
55-64	55.000

Source HSI (2007)



Good protection?

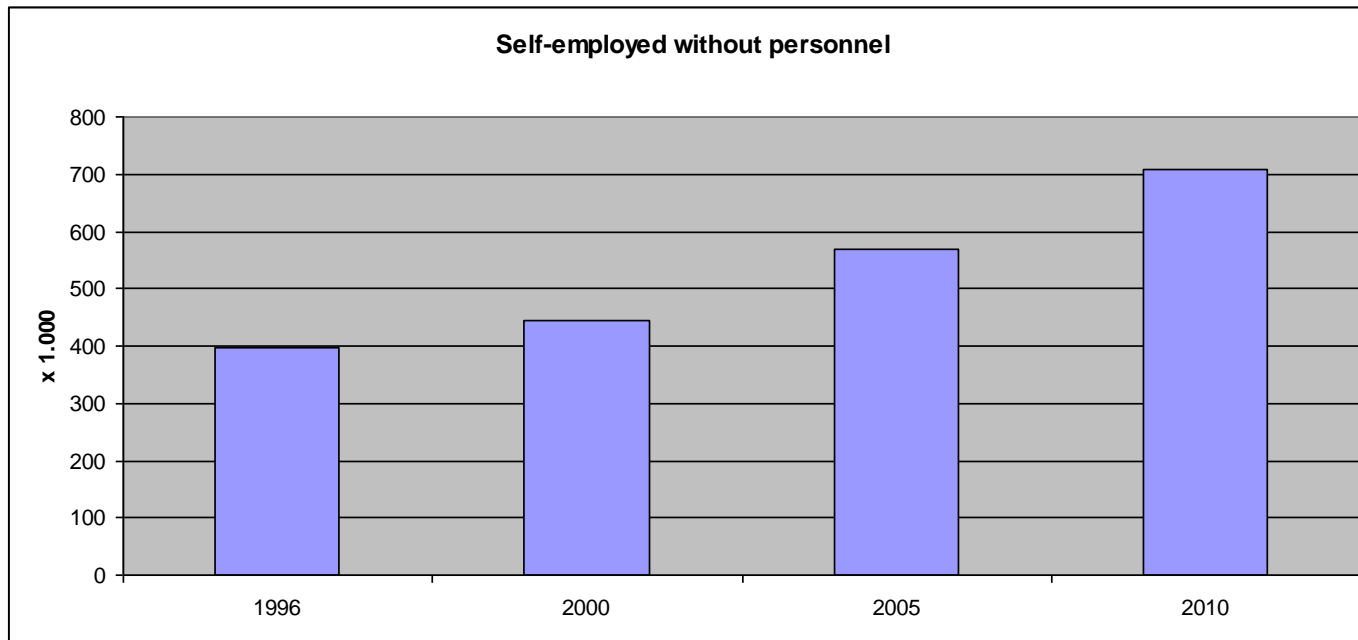
Temporary part time UB program

- Explains only 0,25%-point on (un)employment
- It must be temporary



Good flexibility?

Strong rise in number self-employment



Source: CBS (2010)



Conclusion

- Flexibility and protection both important
- There is bad flexibility and good protection
- However, details institutions matter: no general wisdom
- There is also good flexibility and bad protection