

Myths of employment deregulation: how it neither creates jobs nor reduces labour market segmentation

Edited by Agnieszka Piasna and Martin Myant

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Unemployment rates in the EU rose to record levels after the economic crisis of 2008, but with substantial variations across Member States. The principal cause of the increase was the financial crisis and subsequent macroeconomic developments. However, the EU policymaking has focused on the functioning of the labour market instead of focusing on the financial and macroeconomic crises. The dominant analysis, especially from the EU institutions, diagnosed employment regulation as a prominent cause of unemployment in Europe and as a driver of labour market segmentation. As a result, policies of labour market deregulation have been pressed on countries by the European Commission, leading to a significant weakening of employment protection in some, but not all, Member States.

This book provides detailed case studies of nine countries with rather different experiences throughout and after the crisis (Spain, Italy, Estonia, Slovakia, Poland, Germany, France, Denmark and the UK), and examines, where possible, the precise effects of recent individual changes in employment regulations on levels and forms of employment.

### Key findings

- The book demonstrates that reducing employment protection does not bring labour market or economic benefits.
- Post-crisis changes were accompanied by increases in precarious employment in those countries that were the most enthusiastic in their deregulatory efforts. When new jobs appeared, they were more likely than in the past to be atypical and of poor quality, as illustrated by the growth of part-time jobs, temporary contracts or solo self-employment.
- Although the number of fixed-term contracts declined in some countries at the start of the crisis, with temporary workers the first to be laid off, their share of the workforce has been on the rise again as job creation resumed after 2013.
- Reforms appear to have contributed to more pronounced, rather than reduced, labour market segmentation.
- Between 2000 and 2014, Denmark experienced only two individual labour-market reforms, the smallest number, while Slovakia experienced 23 and Italy 50, the largest number in our sample. There is no obvious impact of the number of reforms on changes in employment when set against changes in GDP



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- Denmark experienced a drop and then recovery in total employment that was similar to that of Italy and Slovakia.
- Slovakia experienced a rapid growth in GDP which resulted in a continuation of past trends, while a large number of labour market reforms have not corresponded to any shifts in employment growth.
- Italy experienced a fall in GDP following macroeconomic policies that it pursued as a eurozone member, while employment fared relatively better before the main reforms were implemented, but not after.
- Resource productivity has increased in the EU-28, but with marked differences between the Member States.
- Falling investments in renewable energy generation have transformed the EU from a leader into a global laggard in clean energy development.
- Real wage developments were more dynamic than productivity growth in 2016, despite the continuing unfavourable political and institutional setting. However, this was largely due to the weakness in productivity growth, as well as low inflation rates.

## Key data

Figure 1 Employment and GDP changes, 2007-2015 (2007=100)

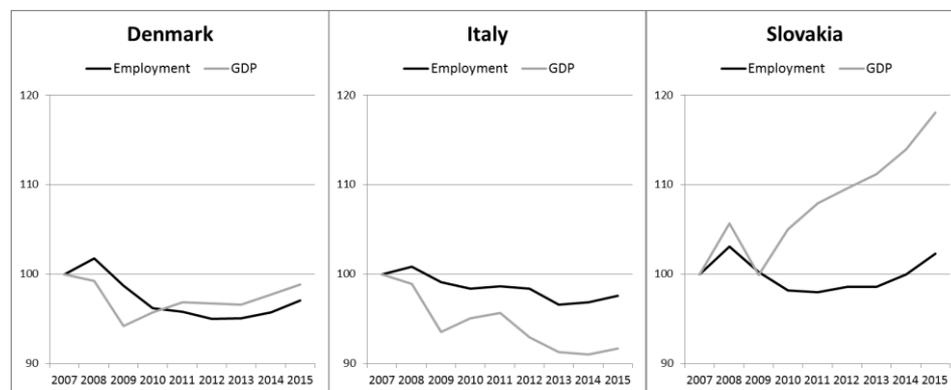
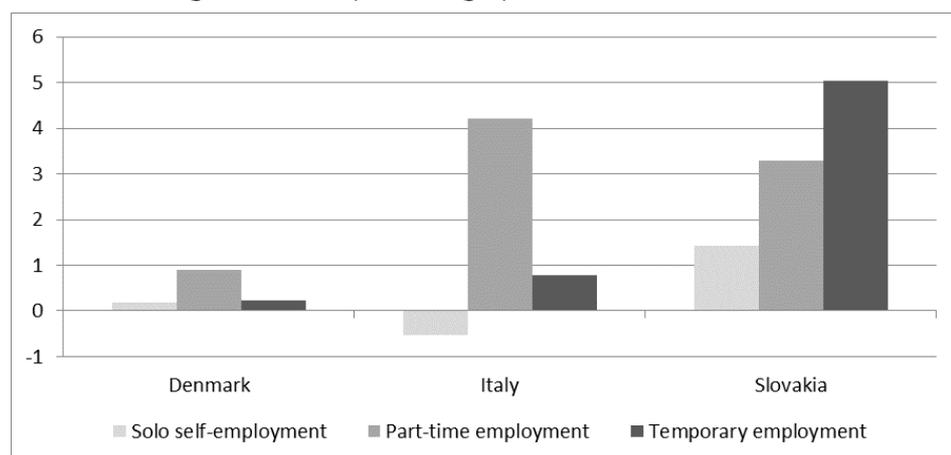


Figure 2 Change in the share of atypical forms of work in total employment, 2008-2015, age 15-64, in percentage points



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