

***The Beveridge Curve In and Out(?) of the  
Recession. A Look at European Institutions***

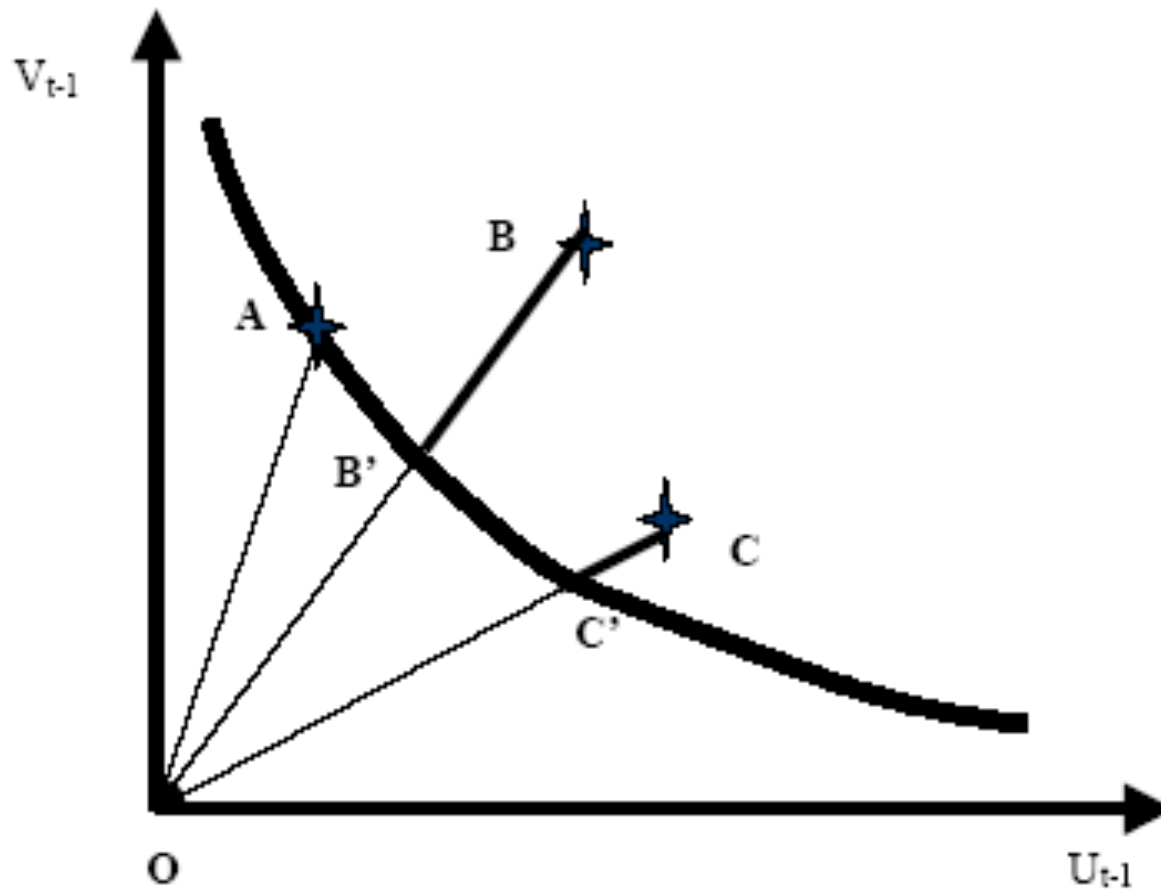
**Mercato del lavoro, disoccupazione  
e riforme strutturali in Italia,  
*Giornata di studio in onore di Fabio Neri*  
Trieste, 11 novembre 2016**

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# ***OUTLINE OF THE PRESENTATION***

- Motivation
- The Beveridge Curve
- The Data
- The Results
- Concluding Remarks

# *The Beveridge Curve #1*



# ***The Beveridge Curve #2***

An **outward shift** of the curve can be interpreted as an indicator for an **increased mismatch** (a deterioration of human capital or of the search ability of the unemployed, a negative perception of the long-term unemployed on the part of potential employers, a higher availability of unemployment benefits, etc.).

Is there a role for the Great Recession?

# *The Beveridge Curve #3*

- Matching function:  $M = \varepsilon m(cU, dV)$   
M = number of matches  
U = unemployment  
V = vacancies  
 $\varepsilon$  = matching efficiency  
c = search effectiveness of the unemployed  
d = search effectiveness of firms
- Steady state:  $sN = M \rightarrow s = \varepsilon m(cU/N, dV/N)$
- **We estimate the dynamic specification of:**

$$ur_{it} = f(vr_{it}, s_{it}, glob_{it}, Z_{it}, crisis, a_t, a_i, t_i, t_i^2)$$

# The B.C. - Summing-up

*Expected shifts of the Beveridge Curve: institutional variables, globalisation, crisis*

	Expected Main Impact
<b>Unemployment benefits (net reservation wage), as decomposed in:</b>	
<i>(Net) retention ratio</i>	Outward shift: Nickell <i>et al.</i> (2003)
<i>Duration</i>	Outward shift: Nickell <i>et al.</i> (2003)
<i>Strictness</i>	Inward Shift: Venn (2012), Lagenbucher (2015)
<b>Separation rate</b>	Outward shift: Nickell <i>et al.</i> (2003)
<b>Employment protection legislation</b>	Outward <b>or</b> inward shift: Nickell <i>et al.</i> (2003)
<b>Tax wedge</b>	Outward shift: Nickell <i>et al.</i> (2003)
<b>Active Labour Market Policies</b>	Inward shift: Nickell <i>et al.</i> (2003), Arpaia <i>et al.</i> (2014)
<b>Wage bargaining coordination</b>	Inward shift: Nickell <i>et al.</i> (2003)
<b>Union density</b>	Outward shift: Nickell <i>et al.</i> (2003)
<b>Globalisation</b>	Outward shift (ICFTU, 1996; Thorpe, 1997) <b>or</b> Inward shift (IMF, 1996; OECD, 1997)
<b>Crisis</b>	Outward shift?

# ***The Data***

**12 EU countries:**

**Austria, Belgium, Denmark, Finland, France, Germany,  
Italy, Netherlands, Portugal, Spain, Sweden, UK.**

**29-year period (1985-2013).**

**Vacancy rate measured through percentage of firms reporting  
labour among the factors limiting production, from the European  
Commission Business and Consumer Survey.**

**Separation rate computed following the procedure suggested in  
Elsby *et al.* (2013).**

**Extensive reworking of the Institutions Data Set by William Nickell.**

**Globalisation: KOF indexes.**



# ***The Results***

**Unemployment benefits (net reservation wage),**  
*(Net) retention ratio:* **Inward** shift (à la Acemoglu and Shimer?)

*Duration:* Outward shift

*Strictness:* Inward Shift

**Separation rate:** Outward shift

**Employment protection legislation:** Outward shift

**Tax wedge:** Outward shift? Complex dynamics...

**Active Labour Market Policies:** Inward shift

**Union density:** complex dynamics, **Final Inward** shift  
(role for **Wage bargaining coordination?**)

**Globalisation:** Small Outward shift

**Crisis:** NO EFFECT (for Italy too)



# ***Concluding Remarks***

## **For Italy:**

Labour-market matching seems to have done alright (in relative terms) during the Great Recession.

The EPL side of the Jobs Act may improve matching, but what about

- The ASPI?
- The dwindling role of active labour market policies?
- Concertation?