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**Discussion of  
“ Employment Patterns in OECD Countries :  
Reassessing the Role of Policies and  
institutions ”**

**From Romain Duval and Andrea Bassanini**

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**Perspectives on Potential Output and Productivity Growth  
Enghien-les-Bains, 24 and 25 April 2006**

# 1. Introduction

**Not a very good idea to choose this paper to comment :**

- more than one hundred page long!!!
- a really good and complete paper. I agree with the paper. My critics are quite minor.

# 1. Introduction

## **Strongest result of the paper :**

A package of reforms going in the same direction will have bigger effect than the sum of effects of the separate composite reforms.

# 1. Introduction

## 3 sorts of comments :

- About some variables
- About estimated models
- About interpretation of the results

## 2. About some variables

- **Output gap as an explanatory variable.** But in OECD evaluation of output gap, unemployment rate intervenes...
- **Labour wage gap.** Do we get by this variable the effect of the labour wage gap or the one of labour cost?

## 2. About some variables

- **TFP shock measurement by TFP gap :**
  - . Not far from an output gap indicator
  - . To measure TFP shock, smoothed TFP would be more relevant than TFP gap
  - . TFP calculation is made with the number of employees. It would be more relevant with the number of hours.

### **3. About the estimated model**

- I think that because of the fixed country effect variables, **the estimated models are mainly medium terms ones.**
- **What means to explain unemployment rate by (within explanatory variables) unemployment benefit replacement rate or unemployment benefit duration?**

## 4. About the results interpretation

### - One internal remark :

10 % points reduction of unemployment benefits => drop of unemployment rate by about 1.2 % point

It means a drop of “only” 40 % points of unemployment benefits => full employment (less than 5 % unemployment rate) in France. Do we believe this?



## **4. About the results interpretation**

**- Two external remarks :**

**1. When we compare employment rate of young people, we have to consider at working time.**

Problem of conciliation between work and studies.

Example : comparison between France and Canada : 10 % points difference for employment rate.

## 4. About the results interpretation

Population in employment – Repartition, in %  
Labour force survey – 2003 - H : Weekly working time

### Canada

	15 h > H	15 h > H > 30 h	H > 30 h
15 to 19 years	40.9	37.6	21.5
20 to 24 years	11.4	19.6	69.0

### France

15 to 19 years	4.0	9.2	86.8
20 to 24 years	3.4	10.7	85.9

## **4. About the results interpretation**

**2. For women, we have to take into account the complex interrelations between fecundity and activity.**

Complex relationship : in Europe, low activity rates and low fecundity rates in Greece, Italy and Spain.

## **4. About the results interpretation**

Because of conciliation difficulties, an important proportion of women :

- . Renounce to one more child

or

- . Renounce to work

**Important topic for policy makers**