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AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

Agricultural Labour Market Flexibility in the EU and Candidate Countries

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A big thank you to all our FACTOR MARKETS Partners

Overview

- Institutional framework of agricultural labour market
- Survey on the characteristics of agricultural labour market
- Develop agricultural labour market index to measure rigidity
- Pinpoint specific criteria which affect the ranking of countries in this index
- Allows us to:
  - Rank countries on a labour market flexibility scale
  - Pinpoint specific criteria which affect the ranking
  - May be instructive for policy makers

Importance of Factor Markets

- Well functioning factor markets vital for growth and international competitiveness (Van Bavel et al., 2009)
- Affected by policy, regulatory and legal environment, social norms, customs and traditions
  - so factor markets across EU are not necessarily uniform
- Literature on the labour market generally in developed countries is extensive
  - But specific studies of the agricultural labour market are uncommon
  - Generally limit their focus to market in developing countries

Institutional Framework for the Labour Market

- Three pillars of an institutional framework for labour:
  - regulations governing individual and collective employment relations
  - unemployment protection and
  - active labour-market policies - Topel (1999)
- These features affect a wider set of criteria namely
  - labour mobility
  - employment flexibility
  - wage flexibility
  - human capital flexibility
  - labour productivity

Survey Approach

- Based on literature, devise a list of market parameters
- Each parameter has observable specific characteristics
  - Used to make a judgement about the extent to which the labour market can be seen as flexible
- Specify a set of conditions associated with these characteristics
  - Which one might (or might not) associate with labour market flexibility

Survey Design and implementation

- Factor Markets project partners acted as respondents to the survey
- Requested basic data on
  - the structure of the employment market
  - labour legislation
  - wage setting mechanisms
  - unions, taxation and social benefits
  - education and training
  - labour mobility and general features of agriculture

Labour Market Conditions

Broad Institutional Framework	Specific market characteristics	Conditions favouring market flexibility
Structure of the Employment Market	• Size of the labour force • Numbers at work and out of work • Human capital measures • Proportion of workers involved in agriculture • Human capital and demographic measures of the agricultural work force	• Ease of movement of workers • Measures that improve human capital
Labour Legislation	• Legislation on hiring and firing • Workers' rights and employment protection • Working hours legislation • Legislation on contracts and tenure • Legislation governing foreign workers	• Low barriers to hiring and firing • Less regulation of working hours • Ease of access for foreign workers
Wage Setting	• Policies on minimum wage • Policies on collective bargaining for agricultural workers	• Absence of minimum wage • Wage flexibility • Coordination in wage setting
Unionisation of Workers	• Unionisation of agricultural workers • Protection of workers' rights	• Less unionisation • Minimal worker legislation
Policies on taxes	• Employee taxes • Employers' taxes • Social Insurance Schemes etc. • Unemployment benefits	• Lower employer and employee taxes • Lower replacement rates, shorter unemployment benefit duration

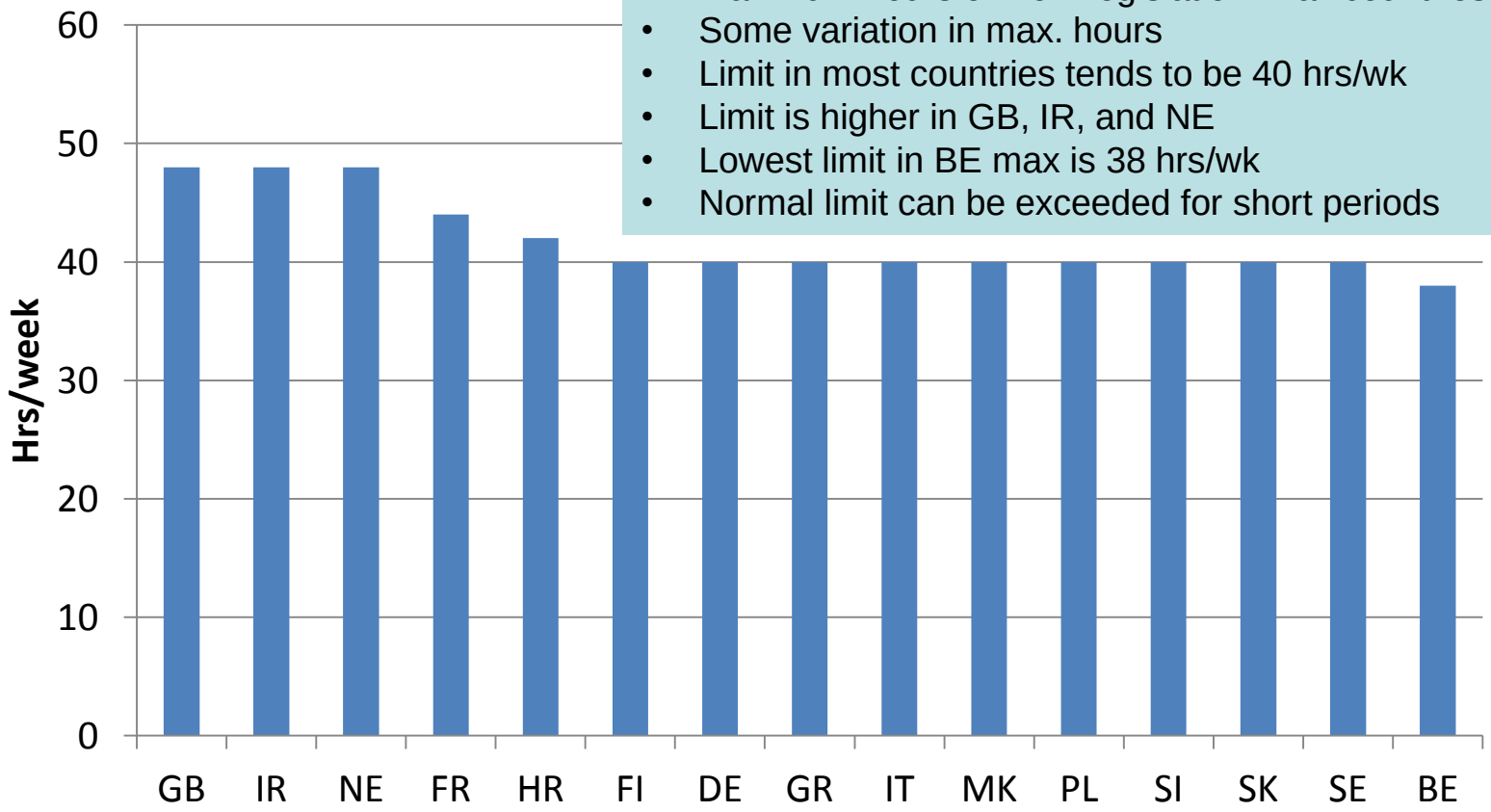
Survey Results

Wage Setting

- Minimum wage legislation is relatively widespread
  - But FI, DE, IT and SE have no min. wage
- In some cases industry level wage agreements exist
  - Italy: 15 regional agreements / industry level agreements/ province level agreements
- Gathered details on monetary value of minimum wage
  - for the wider economy and in agriculture
  - hourly minimum wage in euro
  - adjust for differences in GDP per person (PPP) using Eurostat data

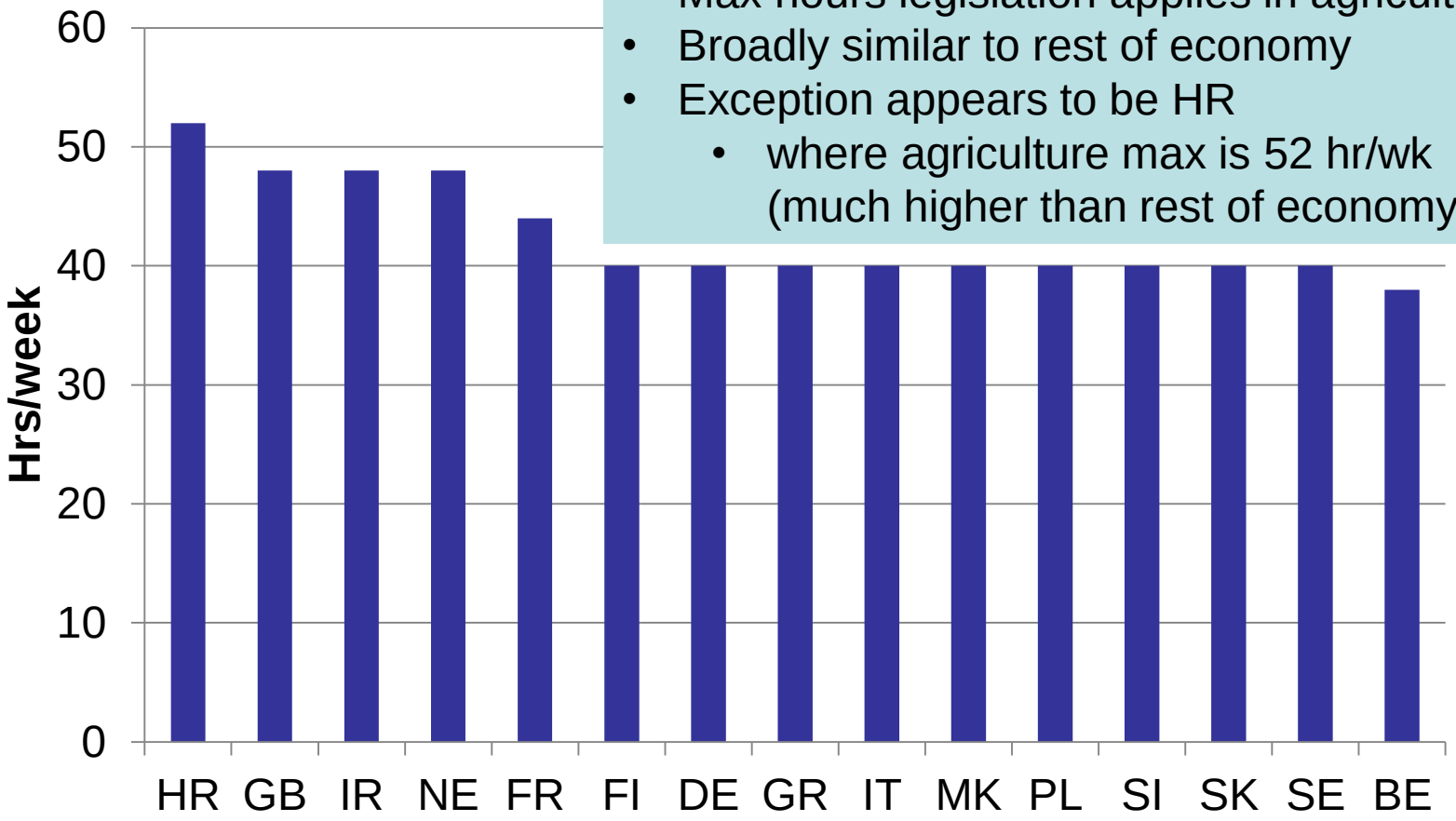
Maximum hours of work per week in general economy

- Maximum hours of work legislation in all countries
- Some variation in max. hours
- Limit in most countries tends to be 40 hrs/wk
- Limit is higher in GB, IR, and NE
- Lowest limit in BE max is 38 hrs/wk
- Normal limit can be exceeded for short periods



Maximum hours of work per week in agriculture sector

- Max hours legislation applies in agriculture
- Broadly similar to rest of economy
- Exception appears to be HR
  - where agriculture max is 52 hr/wk (much higher than rest of economy)



Minimum Wage Level

Agriculture

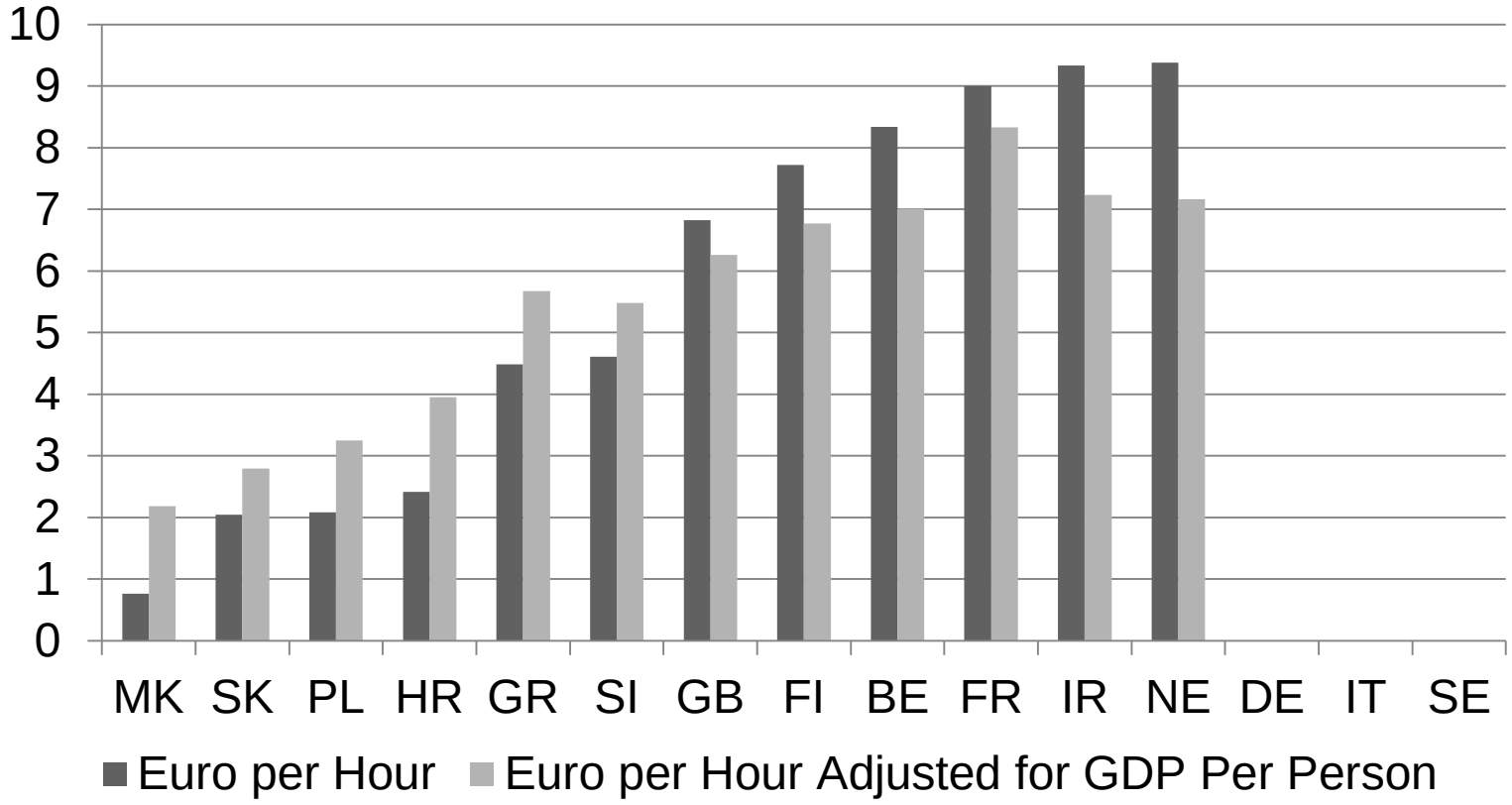
- Highest for employees in IE, FR and the NE
- Lowest for employees in MK, HR, PL and SK
- Adjust for differences in GDP per capita
  - But this does not change the country rankings
  - But gap from highest to lowest does narrow
  - FR has the highest minimum wage
  - MK still has the lowest minimum wage

General economy

- Similar to minimum wage in the general economy
  - in some countries variable minimum wage (job experience, age or education)

Minimum Wage in agriculture sector (Adjusted and Unadjusted for GDP)

- Highest for employees in IE, FR and the NE
- Lowest for employees in MK, HR, PL and SK
- Adjust for differences in GDP per capita



Unionisation

Farm Operators

- Unions are very widespread (HR and SK exceptions)
- Data on the level of membership is patchy
- Typically in a range of 70 to 90 percent for most countries

Farm Employees

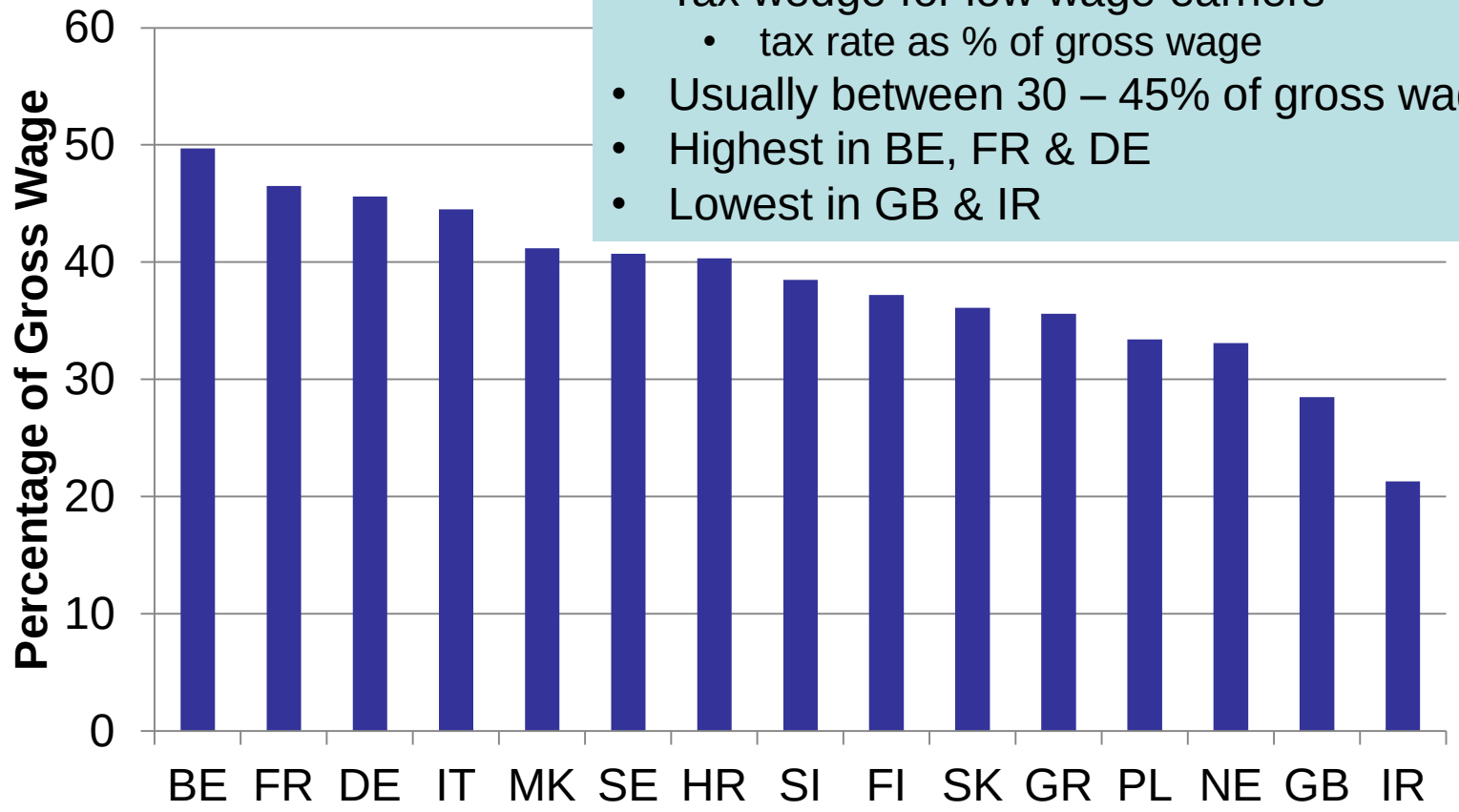
- Union membership info is quite limited
    - But less common for employees to be union members than farm operators
- Concluded that it would be best to omit unionisation from the overall index
    - Mixed feedback from experts on usefulness of farmer union density as a proxy for union power
    - Some concern about theoretical validity

Taxation and Social Benefits

- Examined data on design of the unemployment benefit system
  - duration of unemployment payments is generally 1 year
  - exceptions duration of payments is indefinite - BE and IR
- Farm operators generally not entitled to unemployment payments

Tax Wedge (% of Gross Wage) for low wage earners in 2011

- Tax wedge for low wage earners
  - tax rate as % of gross wage
- Usually between 30 – 45% of gross wage
- Highest in BE, FR & DE
- Lowest in GB & IR



Source: Eurostat

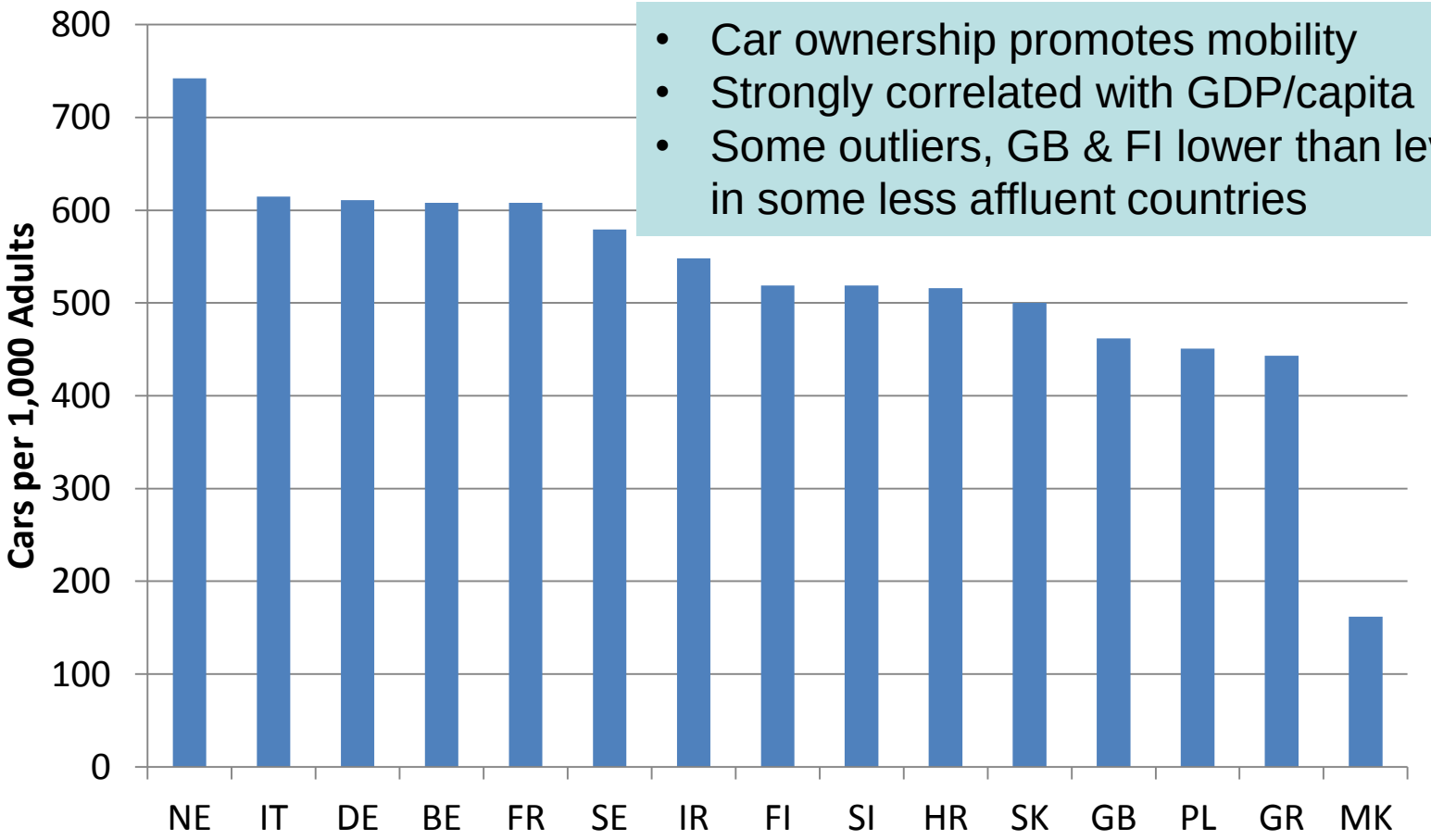
Education and Training

- Most countries have system of agricultural qualifications
  - But not mandatory to acquire such qualifications
- Education level of farm operators compared to wider population
  - some variation in education level between countries
  - For GB likely to be higher
  - For PL likely to be lower
  - Elsewhere no discernable difference
- Education of farm employees
  - above average in GB
  - below average in MK & SK
  - Elsewhere no discernable difference

Labour Mobility

- Between economic sectors and between regions
- Farm operators
  - labour market measures are not generally targeted to farm operators
  - exceptions - GR, IT, MK, PL, SL and SE
- Farm employees
  - active labour market measures quite widely available
  - exceptions - BE, DE, IR, the NE and SK

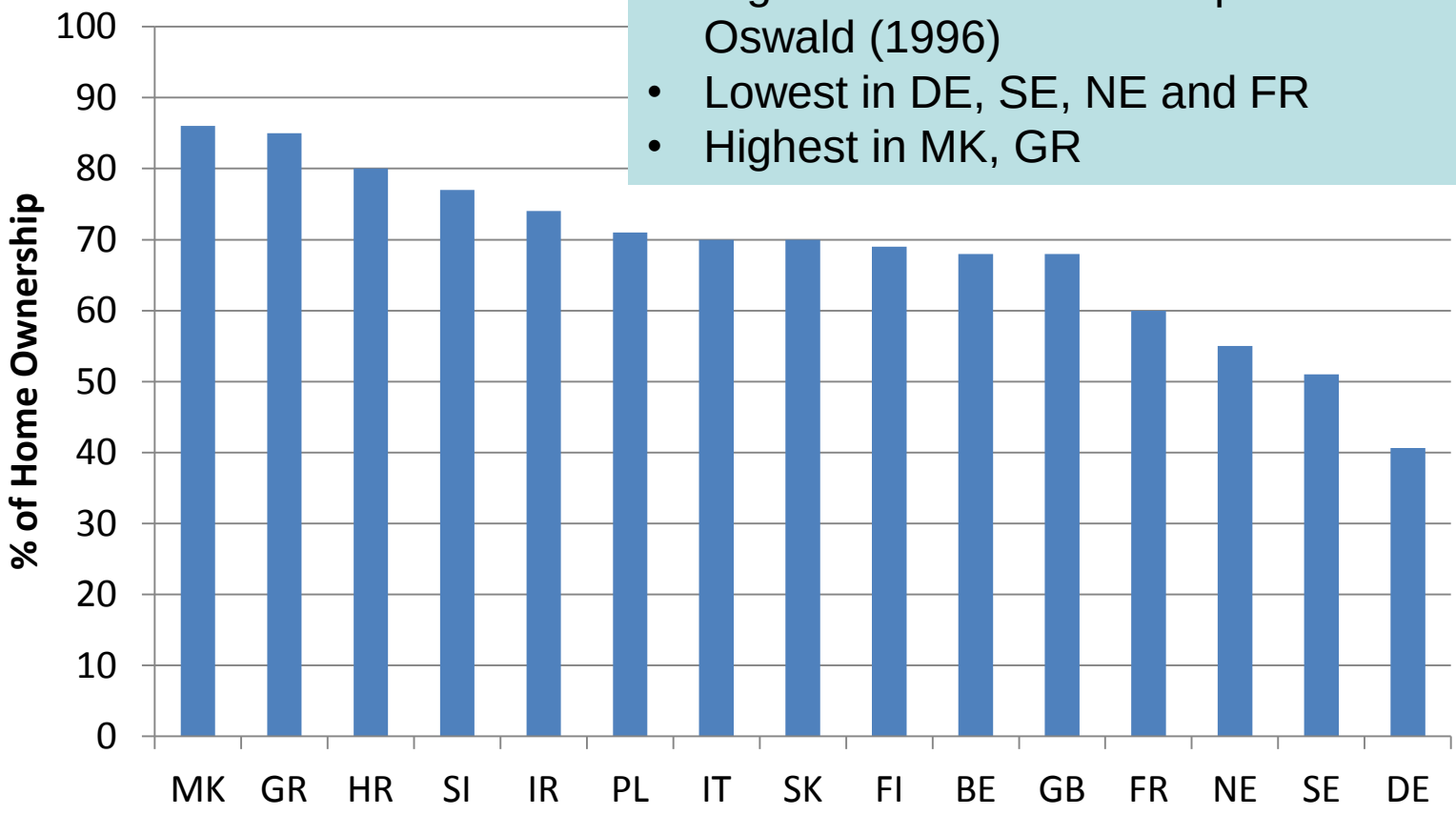
Car ownership as a measure of Mobility



- Car ownership promotes mobility
- Strongly correlated with GDP/capita
- Some outliers, GB & FI lower than levels in some less affluent countries

Home ownership as a measure of Mobility

- Higher levels of ownership limits mobility Oswald (1996)
- Lowest in DE, SE, NE and FR
- Highest in MK, GR



Labour Market Flexibility/Rigidity Index

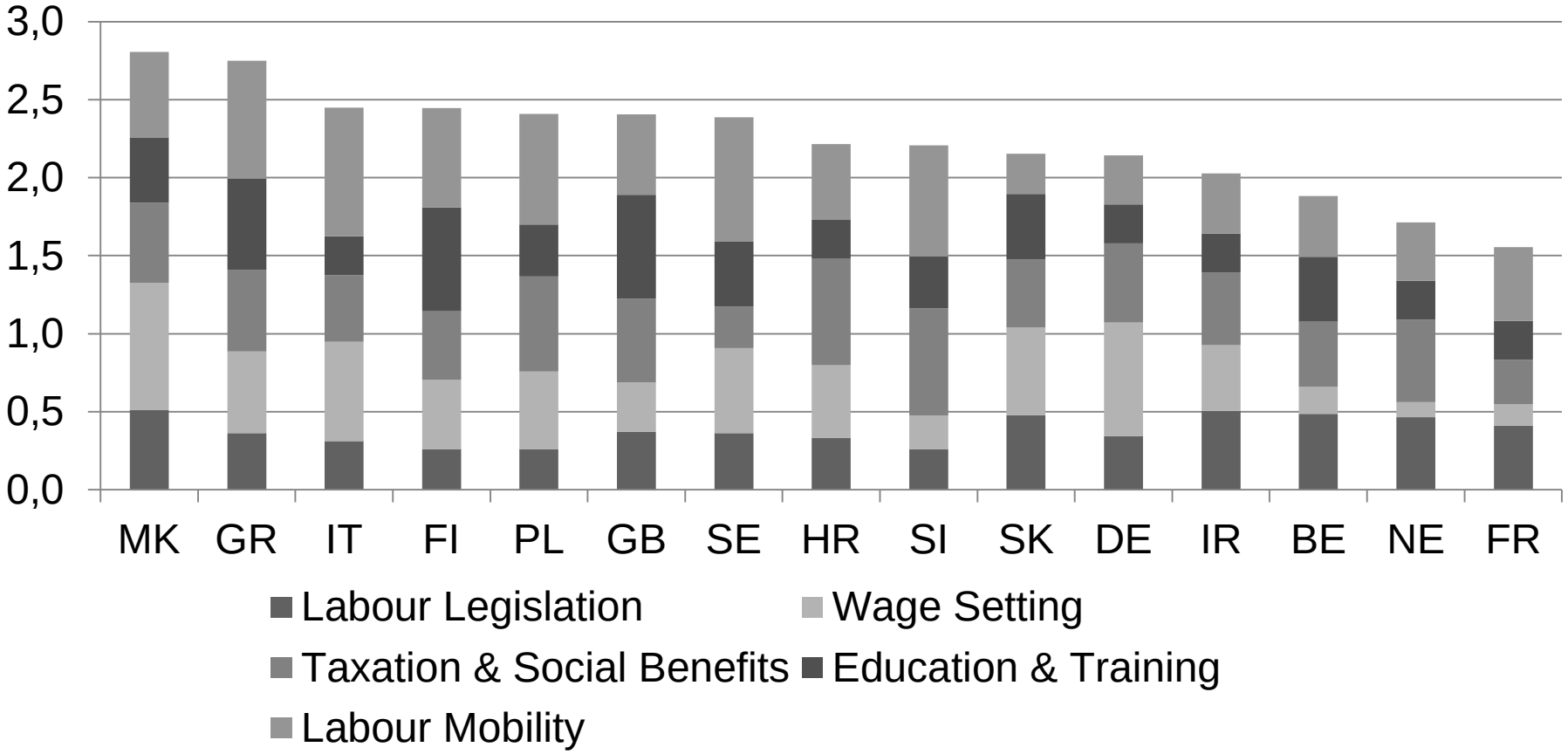
Construction of an agricultural labour market flexibility/rigidity index

- Indices developed in the past for the wider labour market
  - (Nickell and Layard, 1999)
- Collate data from survey and ascribe a value to responses
  - consider how to weight responses
  - sum to provide an overall index value
- Create a score for each of 5 separate categories namely
  - labour legislation, wage setting, taxation and social benefits, education and training, and labour mobility
- Each of these individual category scores based on responses to several survey questions for that category

Construction of an agricultural labour market flexibility/rigidity index

- Questions within a category were weighted in some cases
  - so that particular questions did not overly influence the category score
- Category Scores
  - within each category, maximum score was 1
  - values closer to 1 indicator of greater labour market flexibility
  - values closer to 0 indicator of less labour market flexibility
- Decided not to weight the categories when summing for overall measure

Overall index of agricultural labour market flexibility/rigidity

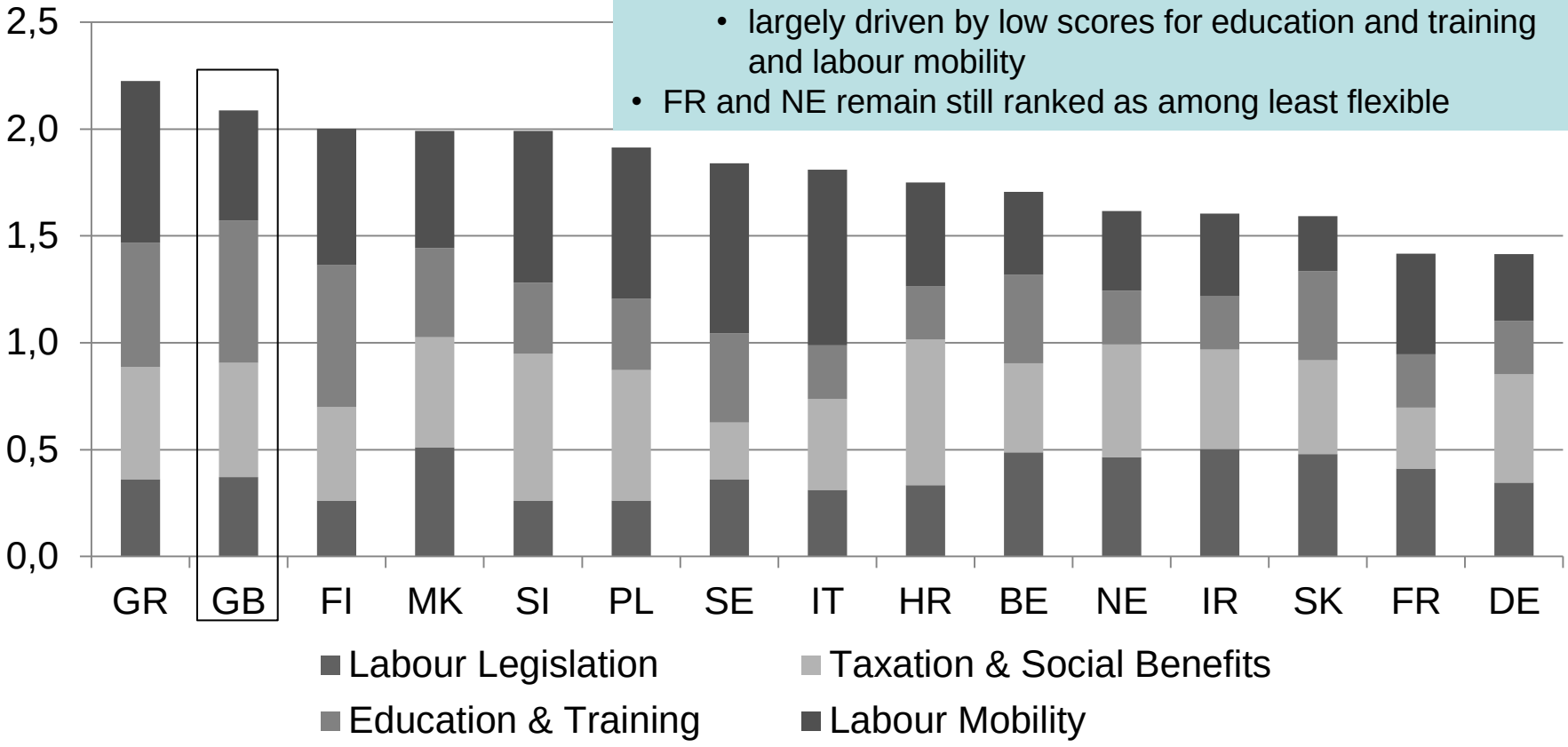


Insights for policy makers

- Little difference in flexibility score across most countries
- Does this refute the assertion that there is heterogeneity in these markets?
- No
  - Contribution of each factor to the overall index score varies
  - Reflects existence of some heterogeneity in category level scores
- Country ranking are sensitive to components included in the index
  - Omission of certain criteria affects rankings of countries
  - Emphasises importance of multi criteria measure of labour market flexibility
  - Individual labour market flexibility component scores may not be a good proxy for overall agricultural labour flexibility
  - Same point can be made with respect to inter-country comparisons

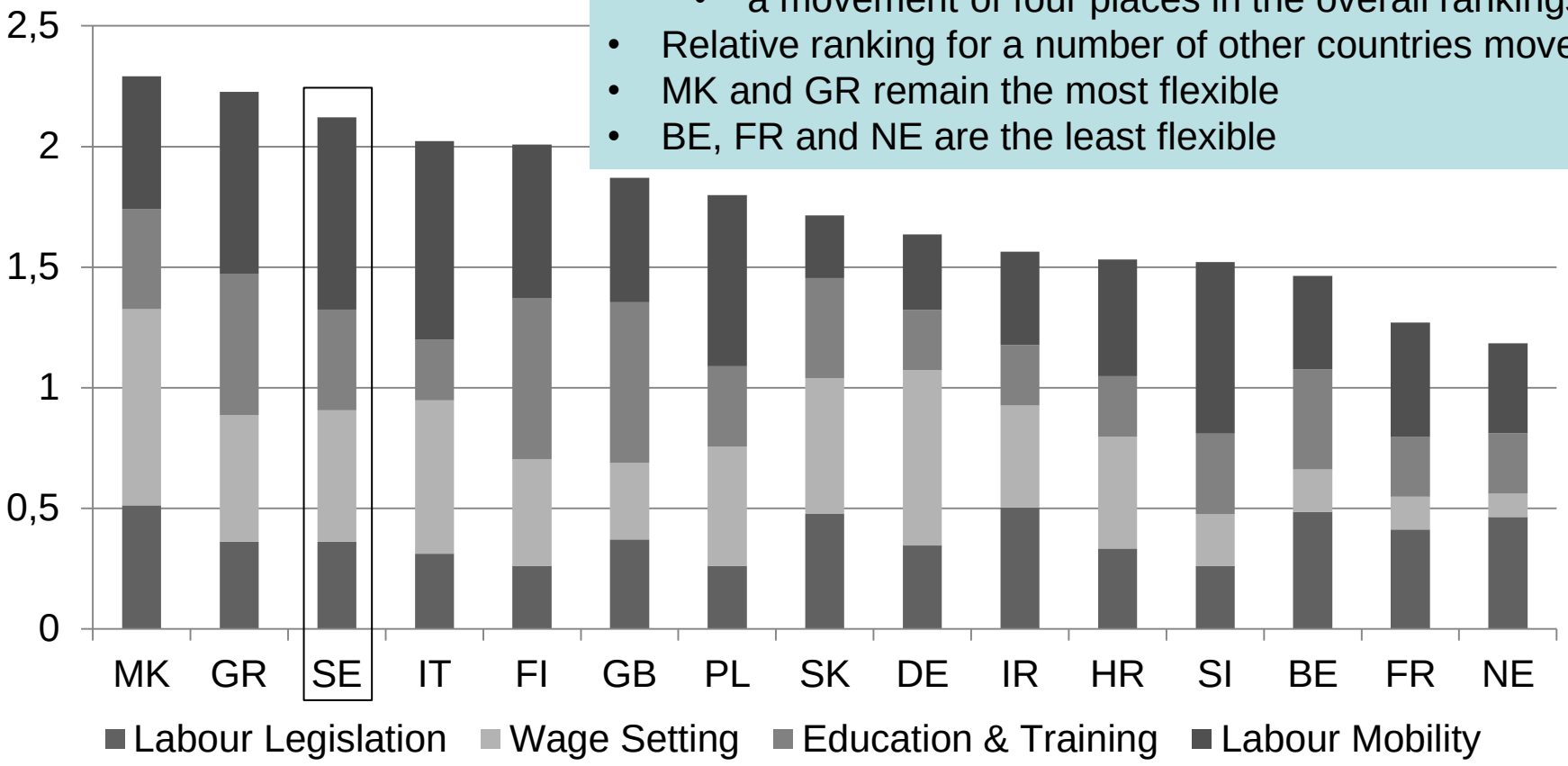
Overall Index without Wage Setting Component

- GB moves from fifth to second in terms of overall flexibility
- DE has the least flexible index measure
  - largely driven by low scores for education and training and labour mobility
- FR and NE remain still ranked as among least flexible



Overall index without Tax-Benefit Component

- SE has the third most flexible agricultural labour market.
  - a movement of four places in the overall rankings.
- Relative ranking for a number of other countries move
- MK and GR remain the most flexible
- BE, FR and NE are the least flexible



Conclusions

Conclusion

- Many countries with similar overall labour market flexibility scores
  - But some heterogeneity in the institutional features of these labour markets
  - Important to measure flexibility across a wide range of criteria
- Individual features of a labour market may not be indicative of the extent of overall agricultural labour market flexibility
  - labour market flexibility measure was quite sensitive to the criteria included/excluded
  - influences the relative ranking of countries
- If policy makers desire increased flexibility a tailored approach is required
- Ultimately, a common European approach to enhancing agricultural labour market flexibility may be inappropriate

Acknowledgements

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