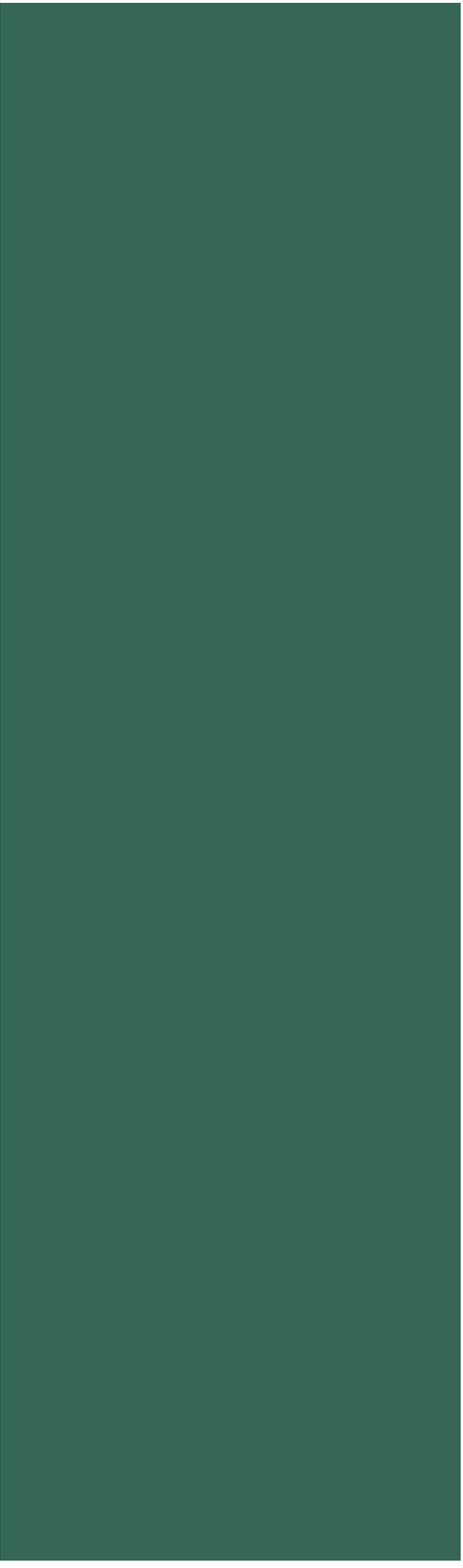




# POLICY ANALYSIS LABORATORY: STREAM 2 – DAY 2

BEICICI, 21-25 OCTOBER 2019





## STREAM 2: INEQUALITY AND SOCIAL MOBILITY

- Session 1: Introduction: conceptual and methodological issues
- Session 2: Indicators for measuring inequality and social mobility
- **Session 3: Main drivers of inequalities and barriers to social mobility in the Western Balkans**
- **Session 4: Small Group Work - Identification of different social, political, financial, policy related, and institutional mechanisms contributing to specific inequality and mobility issues.**
- Session 5: Small Group Work - Systematic integration of key barriers and opportunities for improvement of equity and social mobility in Western Balkan countries.
- Session 6: Work on Plenary Presentation - Formulation of recommendations for improvement of equity and social mobility in Western Balkan countries; Evaluation of the Stream

# SESSION 3

- **Objectives:**
- To describe the main drivers of inequality of educational opportunities
- To understand the effect of education on inequality of social mobility
- To understand the effect of labour market and its institutions on inequality of social mobility

## Speakers:

- **Nermin Oruc, CREDI**
  - Introductory remarks on the above topics
- **Jeton Mehmeti, GAP Institute**
  - Gender inequalities at the labour market
- **Cristina Mereuta, European Training Foundation**
  - Education and labour market policies and skill gaps; The role of education in changing economies and societies and how this leads to changes in educational systems; The right to education and lifelong learning within the EU agenda
- **Outputs: Understanding of the main drivers of inequality of social mobility in the Western Balkans**



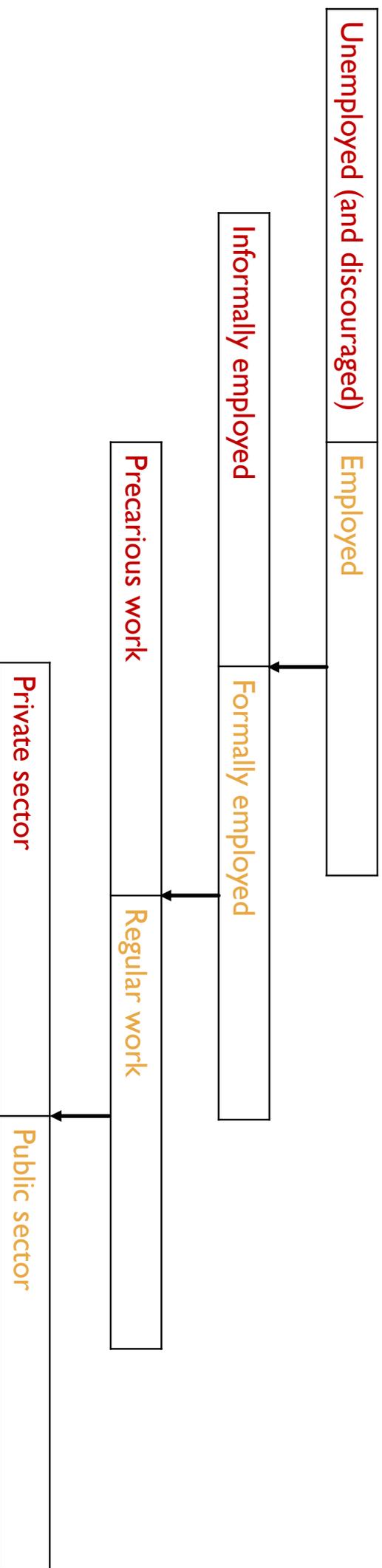
# LABOUR MARKET INSTITUTIONS AND WAGE INEQUALITY IN EX-YUGOSLAV COUNTRIES

- Countries covered: BiH, Croatia, Serbia, Slovenia
- Divergent paths in inequality during transition
- LMI covered:
  - Employment protection legislation
  - Minimum wages
  - Trade unions and Collective bargaining

# MOTIVATION

- Milanovic (1999) argues that the observed increase in inequality in transition countries is driven mainly by higher inequality in wage distribution.
- Keane and Prasad (2002) also find that the reallocation of workers from the public sector with a compressed wage distribution to the private sector with much higher wage inequality, accounts for the bulk of increased earning inequality during transition.
- Koeninger et al. (2007) show that labor market institutions and policies account for much of the change in wage inequality: the authors argue that union density, employment protection, tax wedges, levels and duration of benefit replacement rates, and the minimum wage all negatively affect the wage differential.

# INSIDERS VS. OUTSIDERS



# THEORY

- In the I-O framework, we need to distinguish between the:
  - 1. "within-group effect"
  - 2. "between-group effect"
- of LMI on inequality
- 1. Within-group effect: More protection of insiders can increase their wages and consequently the wage gap
- 2. Between-group effect: Protects insiders, increases unemployment and precarious work (i.e. size of outsiders), and consequently increases between-group inequality
- So, the overall effect is a combination of the two, plus the relative share of each group



## EFFECT OF EPL ON INEQUALITY

- 1. Within-group effect: More protection of insiders can increase their wages and consequently the wage gap
- 2. Between-group effect: Protects insiders, increases unemployment and precarious work (i.e. size of outsiders), and consequently increases between-group inequality

# EFFECT OF MINIMUM WAGES ON INEQUALITY

- 1. Within-group effect: Compresses wage distribution.
- In case of ex-YU, may not necessarily be the case, due to the “multiplier” system (koefficienti)
- 2. Between-group effect: Increases inequality, as it affects only insiders. In addition, may increase unemployment. The employment effects of a rise in the minimum wage are likely to depend on its level.

# EFFECT OF COLLECTIVE BARGAINING AND TRADE UNIONS ON INEQUALITY

- In theory, the influence of the wage bargaining system on the dispersion of wages is ambiguous and depends on the number of workers who are covered by collective agreements (be it through union membership or through administrative extensions of collective agreements), the strength of unions as manifested in their wage effects, the level at which bargaining takes place (e.g. at the firm, industry or economy-wide level) and the degree of coordination.
- In ex-Yu countries, trade union coverage much higher in public than in private sector.
- 1. Within-group effect: Compresses wage distribution. Reduces inequality in hours worked.
- 2. Between-group effect: Increases union vs. non-union wage gap and increased downward wage flexibility for outsiders, and consequently increases inequality.

# EFFECT OF LMI ON INEQUALITY IN EX-YU COUNTRIES

| LMI                   |                      | BiH        | Croatia    | Slovenia   | Serbia     |
|-----------------------|----------------------|------------|------------|------------|------------|
| EPL                   | Description          | Medium     | Medium     | Medium     | Medium     |
|                       | Within-group effect  | Reducing   | Reducing   | Reducing   | Reducing   |
|                       | Between-group effect | Increasing | Increasing | Weak       | Increasing |
| Minimum wage          | Description          | High       | Low        | Increasing | Low        |
|                       | Within-group effect  | Reducing   | Increasing | Reducing   | Reducing   |
|                       | Between-group effect | Increasing | Increasing | Weak       | Increasing |
| Trade unions          | Description          | Weak       | Weak       | Strong     | Weak       |
|                       | Within-group effect  | Reducing   | Reducing   | Reducing   | Reducing   |
|                       | Between-group effect | Increasing | Increasing | Weak       | Increasing |
| Collective bargaining | Description          | High       | Low        | High       | Low        |
|                       | Within-group effect  | Reducing   | Reducing   | Reducing   | Reducing   |
|                       | Between-group effect | Increasing | Increasing | Weak       | Increasing |

## SESSION 4: SMALL GROUP WORK

- Objective: To identify different social, political, financial, policy related, and institutional mechanisms contributing to specific inequality and mobility issues, based on discussions from previous sessions
- Outputs:
  - Main drivers?
  - Actions needed?
  - Key stakeholders?