Job Security and New Restrictive Permanent Contracts. Are Spanish Workers More Worried of Losing Their Job?

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What we know

- **Increasing importance** of the concept of job security.
  - Clark (1997,1998), Clark et al. (1996,2001)
  - Givord and Maurin (2003)
- **Relationship** between the institutional characteristics of the labor market and the perceived job security.
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  - Green et al. (2001), Green (2003)
  - Clark and Postel-Vinay (2005)
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What we want to do

- **Question** - If job security and EPL are linked, are the changes in institutional regimes going to affect the level of job security?
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Two main steps

- **1984** - liberalization of fixed term contracts.
  - **Large increase** in the use of fixed term contracts.
  - **Middle 90s** - $\frac{1}{3}$ of Spanish employees worked under temporary contracts; 90% of new signed contracts was temporary.
- **1997** - introduction of new permanent contract with lower firing costs and pay-roll taxes.

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The 1997 reform

- It reduces dismissal costs for unfair dismissal by 25% and pay-roll taxes between 40% and 90%.
- It applies to newly signed contracts or conversion of temporary into permanent contracts for:
  - Workers under 30 years of age
  - Workers over 45 years of age
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Propensity Score Matching DID

- **Why?** - It reduces the heterogeneity of the treatment and the control groups and make them **comparable**
- **How it works**
  - Obtain the propensity score and identify for each treated all non treated who match on the propensity score year by year;
  - Calculate before-after differences for each participants and non participants;
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- ECHP from 1995 to 2000 for Spain.
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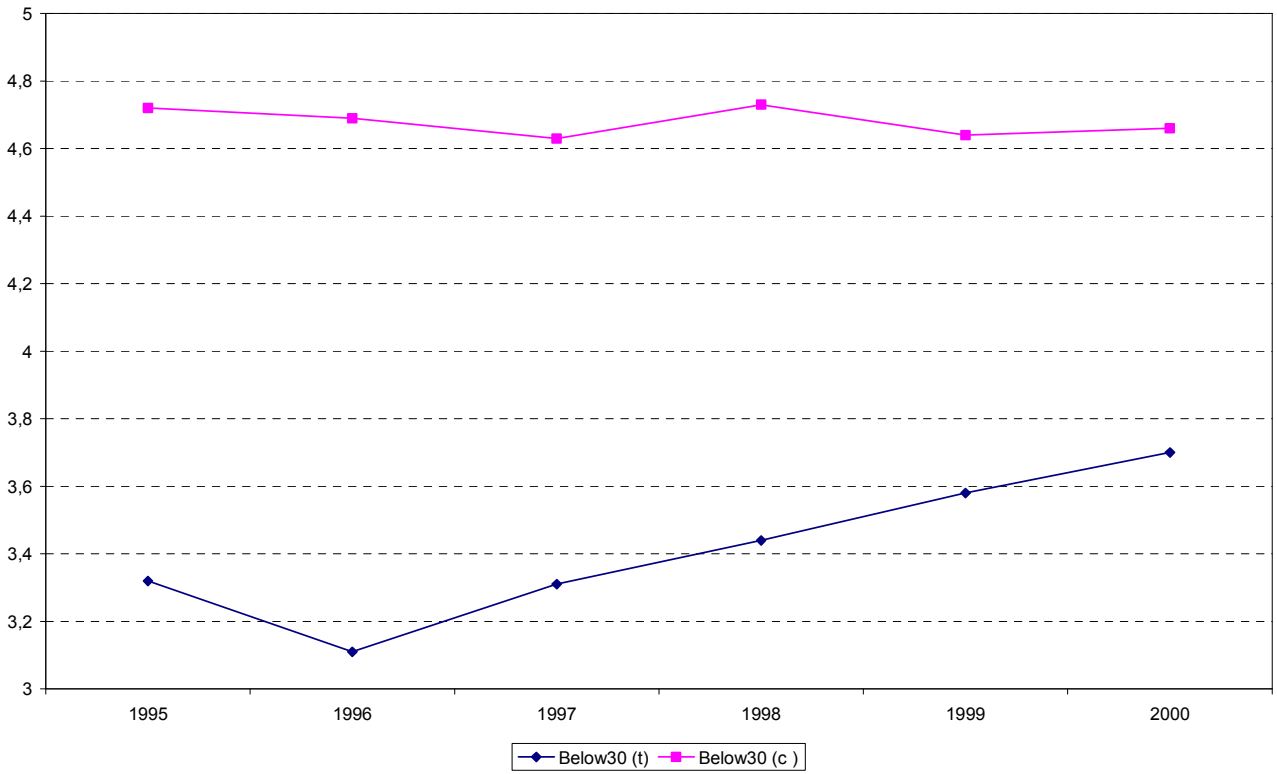

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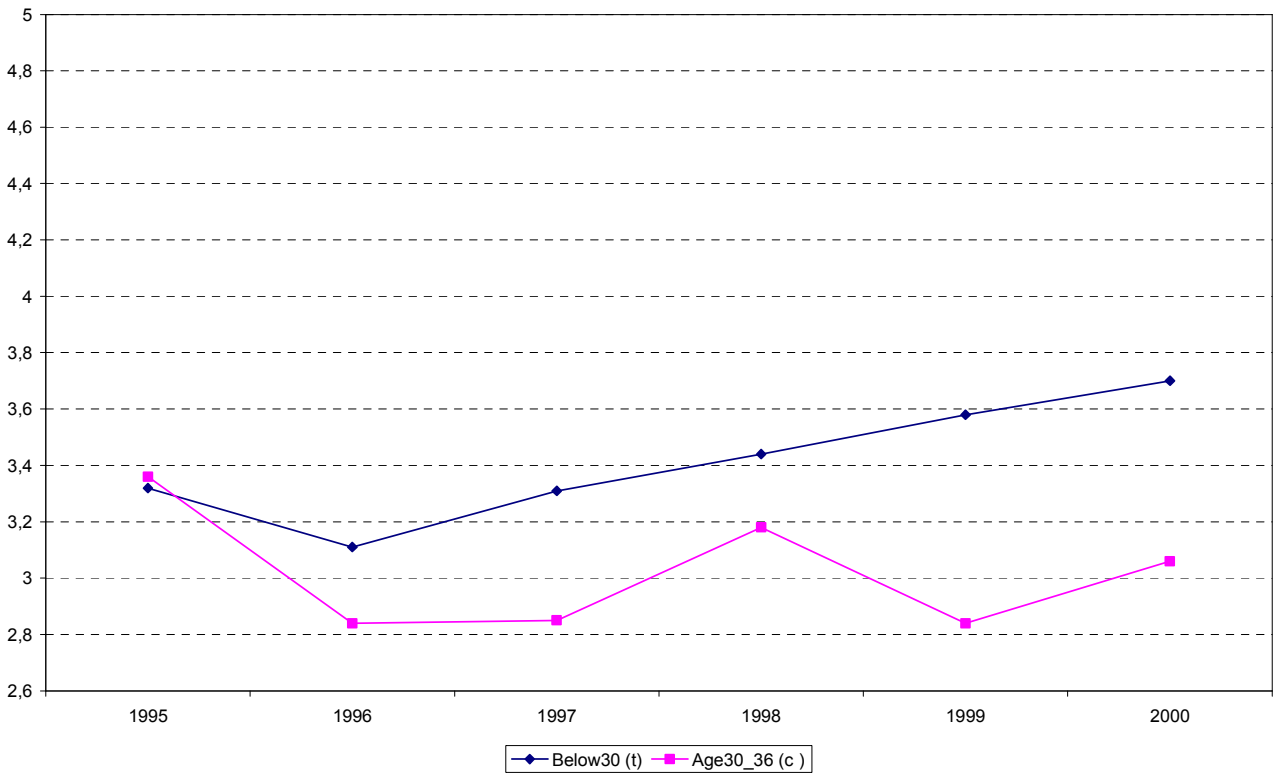
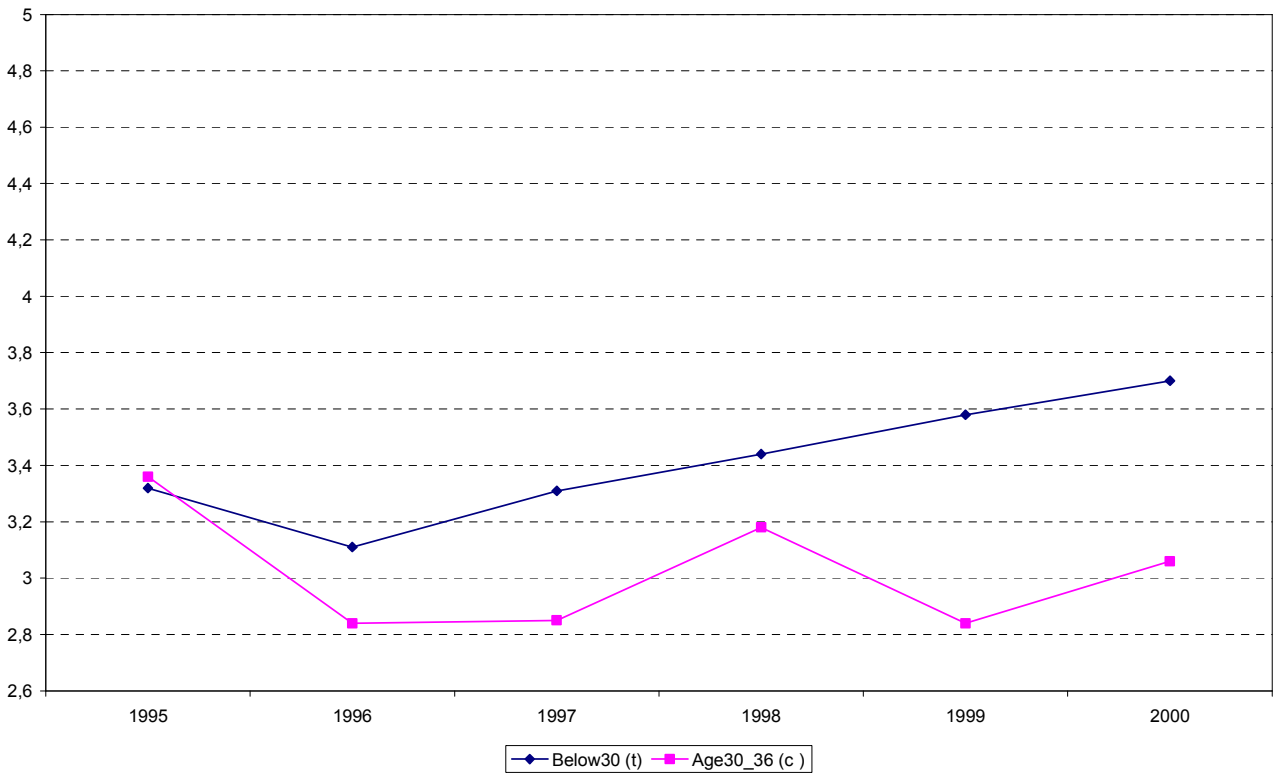
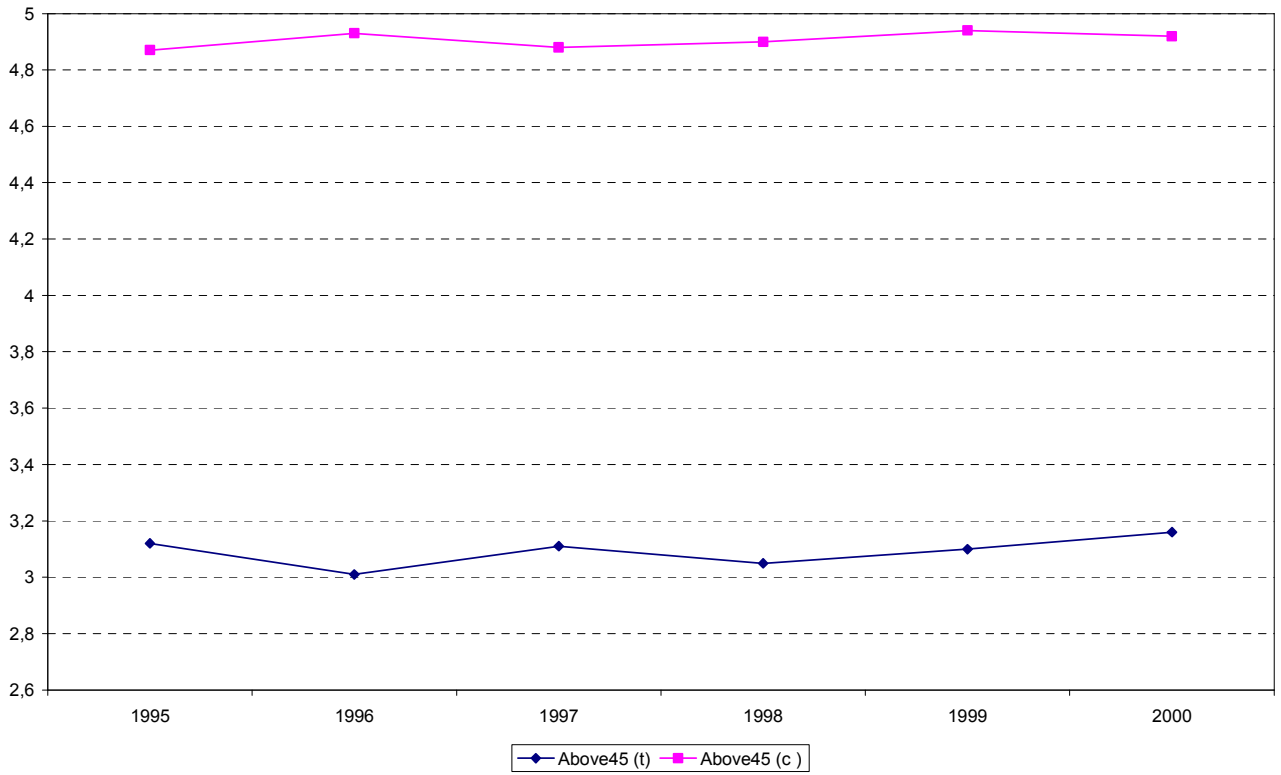
Perceived Job Security Below30-2nd control



Perceived Job Security Below30-2nd control



Perceived Job Security Above45-1st control



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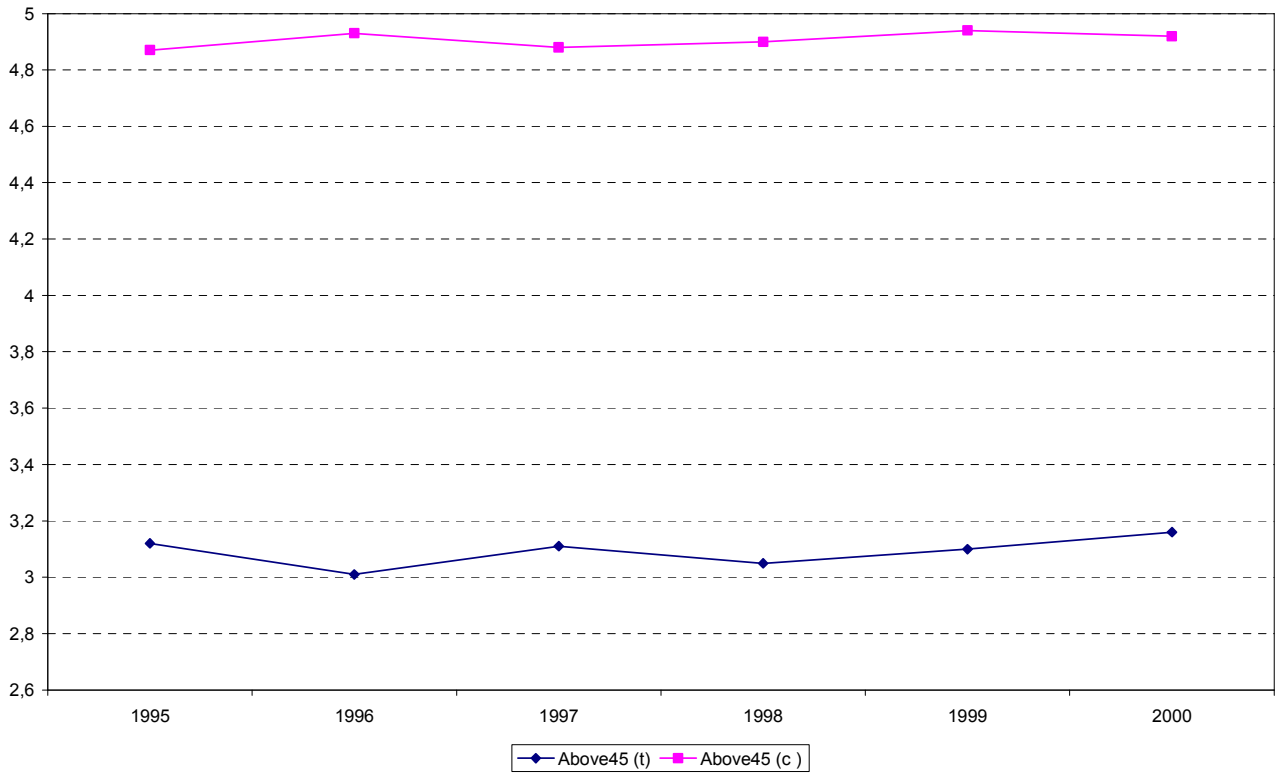
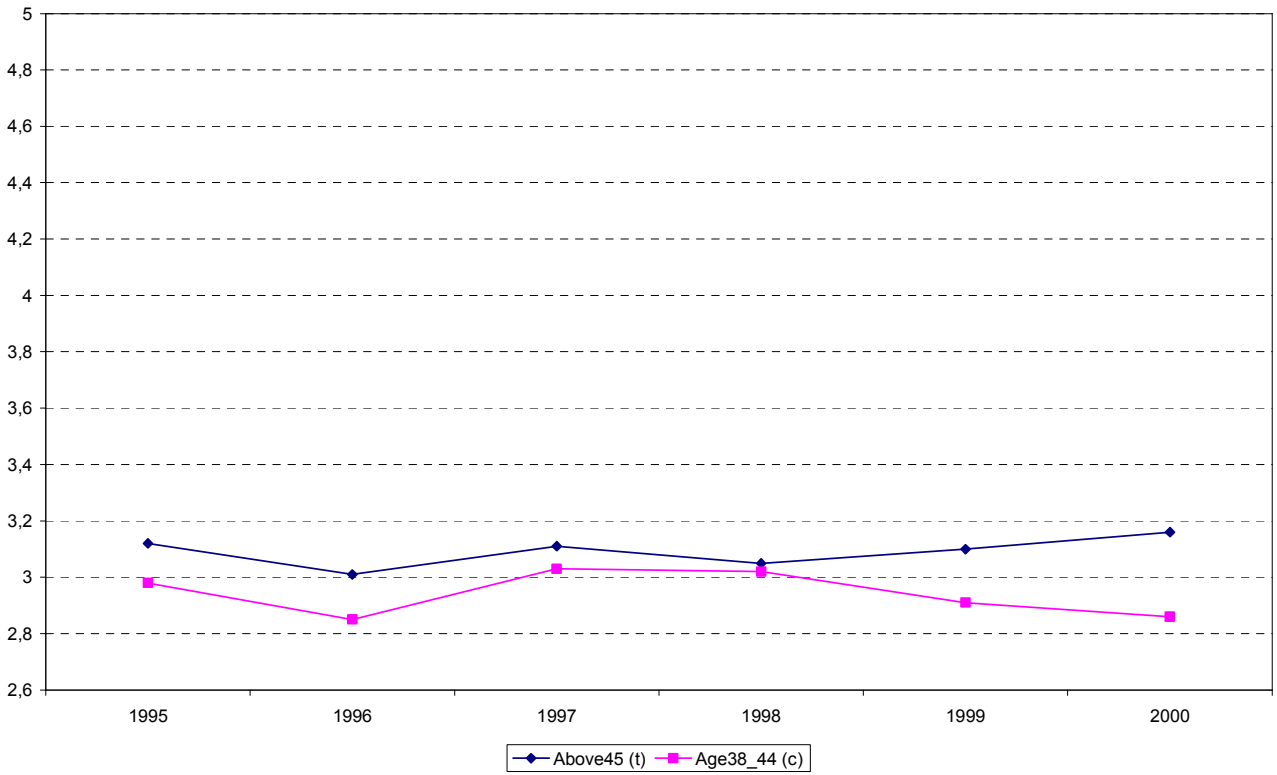


Perceived Job Security Above45 -2nd control



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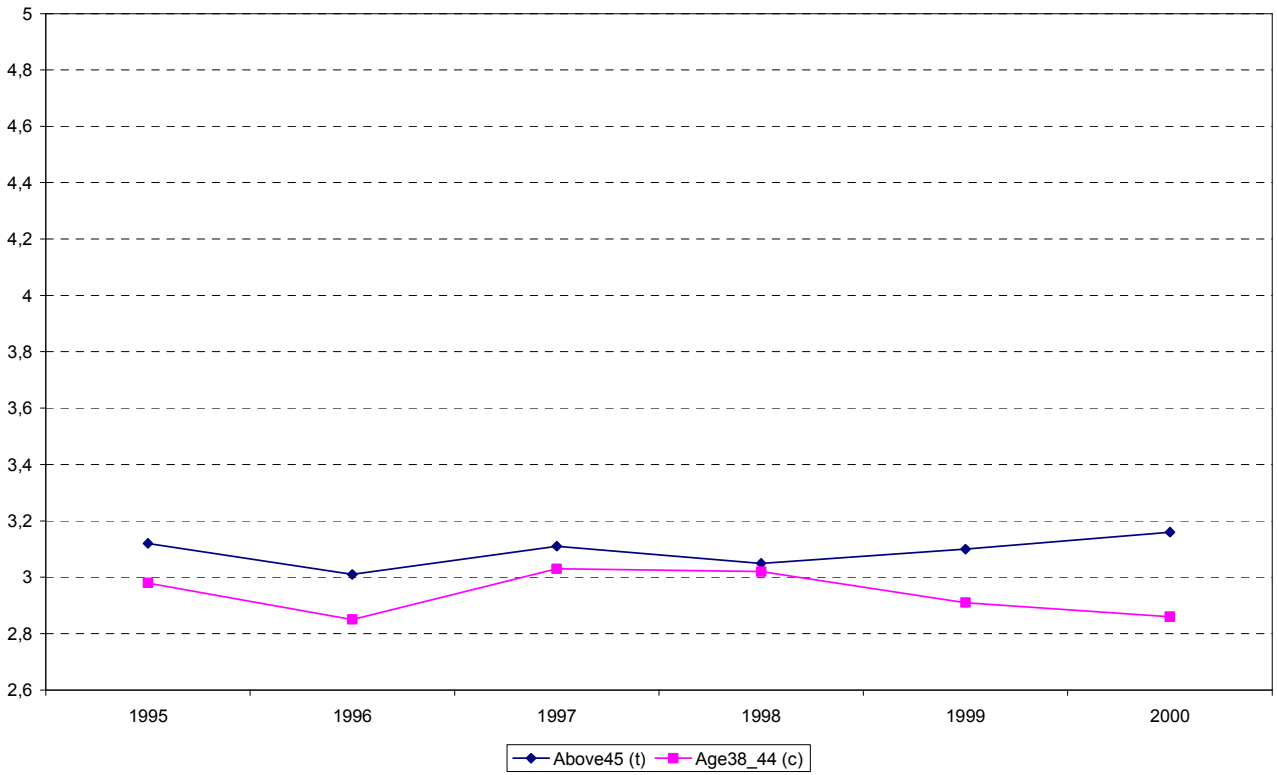

Identification Strategy

Treatment groups	Control groups
Below 30 with temporary contracts	Below 30 with permanent contracts
Below 30 with temporary contracts	Age 30-36 with temporary contracts
Above 45 with temporary contracts	Above 45 with permanent contracts
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Control Variables

- **Demographics**: age, sex, marital status, immigrant, level of education, number of children.
- **Job characteristics**: professional positions, sector(public or private), industry, firm size, part time, past experience of unemployment, spell of unemployment, experience on the labor market.
- **Income**: Income of the other component of the household.

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Propensity score matching DID

	N.Obs	1st-1st	N.Obs	1st-2nd	N.Obs	2nd-1st	N.Obs	2nd-1nd
$DID_{98,95}$	$1,321(t)$	0.027	$1,276(t)$	-0.428^{*}	$323(t)$	0.113	$302(t)$	-0.223^{***}
	$579(c)$	(0.116)	$516(c)$	(0.142)	$314(c)$	(0.197)	$285(c)$	(0.160)
$DID_{99,95}$	$1,386(t)$	0.293^{**}	$1,146(t)$	-0.309^{***}	$323(t)$	0.113	$314(t)$	-0.030
	$509(c)$	(0.126)	$512(c)$	(0.224)	$314(c)$	(0.173)	$266(c)$	(0.161)
$DID_{00,95}$	$1,389(t)$	0.118	$1,167(t)$	-0.296^{*}	$367(t)$	0.126	$295(t)$	0.080
	$415(c)$	(0.170)	$528(c)$	(0.149)	$313(c)$	(0.155)	$258(c)$	(0.181)
$DID_{98,96}$	$1,260(t)$	0.213^{**}	$1,289(t)$	-0.164^{***}	$338(t)$	0.166	$250(t)$	0.131
	$596(c)$	(0.107)	$506(c)$	(0.118)	$331(c)$	(0.203)	$186(c)$	(0.275)
$DID_{99,96}$	$1,325(t)$	0.479^{*}	$1,159(t)$	-0.045	$338(t)$	0.166	$269(t)$	0.324
	$526(c)$	(0.170)	$502(c)$	(0.207)	$331(c)$	(0.181)	$198(c)$	(0.273)
$DID_{00,96}$	$1,328(t)$	0.304^{*}	$1,180(t)$	-0.032	$382(t)$	0.179	$268(t)$	0.434^{***}
	$314(c)$	(0.165)	$522(c)$	(0.123)	$377(c)$	(0.164)	$179(c)$	(0.303)

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Panel Analysis: Within Estimator

- We balance the panel.
- We match the treatment and the control groups at the 1995 on the basis of the observable characteristics.
- We estimate the following model:

$$Y_{it} = \alpha_i + \gamma D_{it} + \delta_t + \beta D_{it} Post_{97}$$

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Within Esimator

	1st-1st	1st-2nd	2nd-1st	2nd-2nd
Balanced panel				
N.Obs	422(t)	385(t)	154(t)	95 (t)
	458(c)	260(c)	154(c)	139 (c)
β	0.221**	0.256**	-0.099	-0.105
	(0.101)	(0.103)	(0.147)	(0.220)
Unbalanced				
N.Obs.	5607(t)	5393(t)	2624(t)	2348(t)
	1748(c)	2836(c)	4219(c)	1950(c)
β	0.122**	0.164***	0.099	0.076
	(0.068)	(0.078)	(0.110)	(0.144)

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Concluding Remark

- We try to estimate the effect of introduction of new restrictive permanent contract on the perceived job security of the workers.
- **Propensity score matching DID:**
  - We could individualize an effect only for worker with less than 30 years of age.
  - The effect if positive if compared with the first control group (i.e. permanent workers with less then 30 years of age), negative in the second comparison.
  - The positive effect is increasing over time, the negative one is decreasing.
- **Within estimator**:
  - The effect is positive in both comparison.
  - The effect is higher in the comparison with the temporary workers with age between 30 and 36.

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  - The effect is higher in the comparison with the temporary workers with age between 30 and 36.

Concluding Remark

- We try to estimate the effect of introduction of new restrictive permanent contract on the perceived job security of the workers.
- **Propensity score matching DID:**
  - We could individualize an effect only for worker with less than 30 years of age.
  - The effect if positive if compared with the first control group (i.e. permanent workers with less then 30 years of age), negative in the second comparison.
  - The positive effect is increasing over time, the negative one is decreasing.
- **Within estimator**:
  - The effect is positive in both comparison.
  - The effect is higher in the comparison with the temporary workers with age between 30 and 36.

Work to do...

- Some more robustness checks: male vs female, blue-collar vs white-collar.
- Verify the existence of heterogeneity over time.

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