

ONLINE APPENDIX FOR:
From Dual to Unified Employment Protection:
Transition and Steady State

Juan J. Dolado* Etienne Lalé[†]
European University Institute University of Bristol

Nawid Siassi[‡]
University of Konstanz

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*Address: Department of Economics, Villa San Paolo, Via della Piazzuola 43, 50133 Florence, Italy – Phone: [+39] 055 4685 956/954 – Email: juan.dolado@eui.eu

[†]Address: Department of Economics, University of Bristol, 8 Woodland Road, Bristol BS8 1TN, United Kingdom – Phone: +44(0)117 331 7912 – E-mail: etienne.lale@bristol.ac.uk

[‡]Address: Department of Economics, University of Konstanz, Universitätsstraße 10, 78457 Konstanz, Germany – Phone: +49-7531-88-2197 – Email: nawid.siassi@uni-konstanz.de

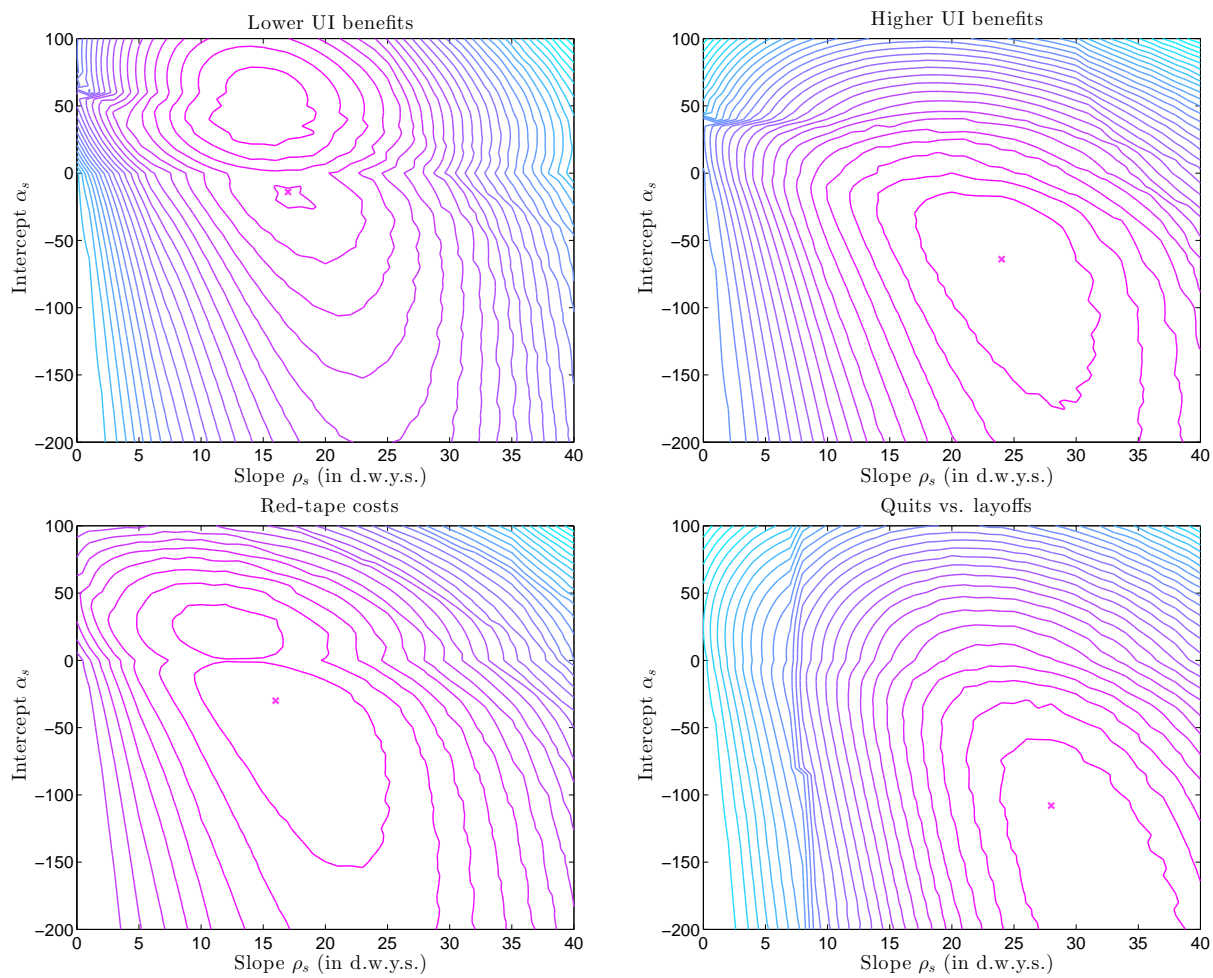


Figure 1. Optimality criterion in the robustness checks

NOTE: Each chart is a contour plot of the steady-state lifetime utility of new labour-market entrants as a function of the rate of return to each year of tenure ρ_s and minimum service tenure for eligibility τ_s .

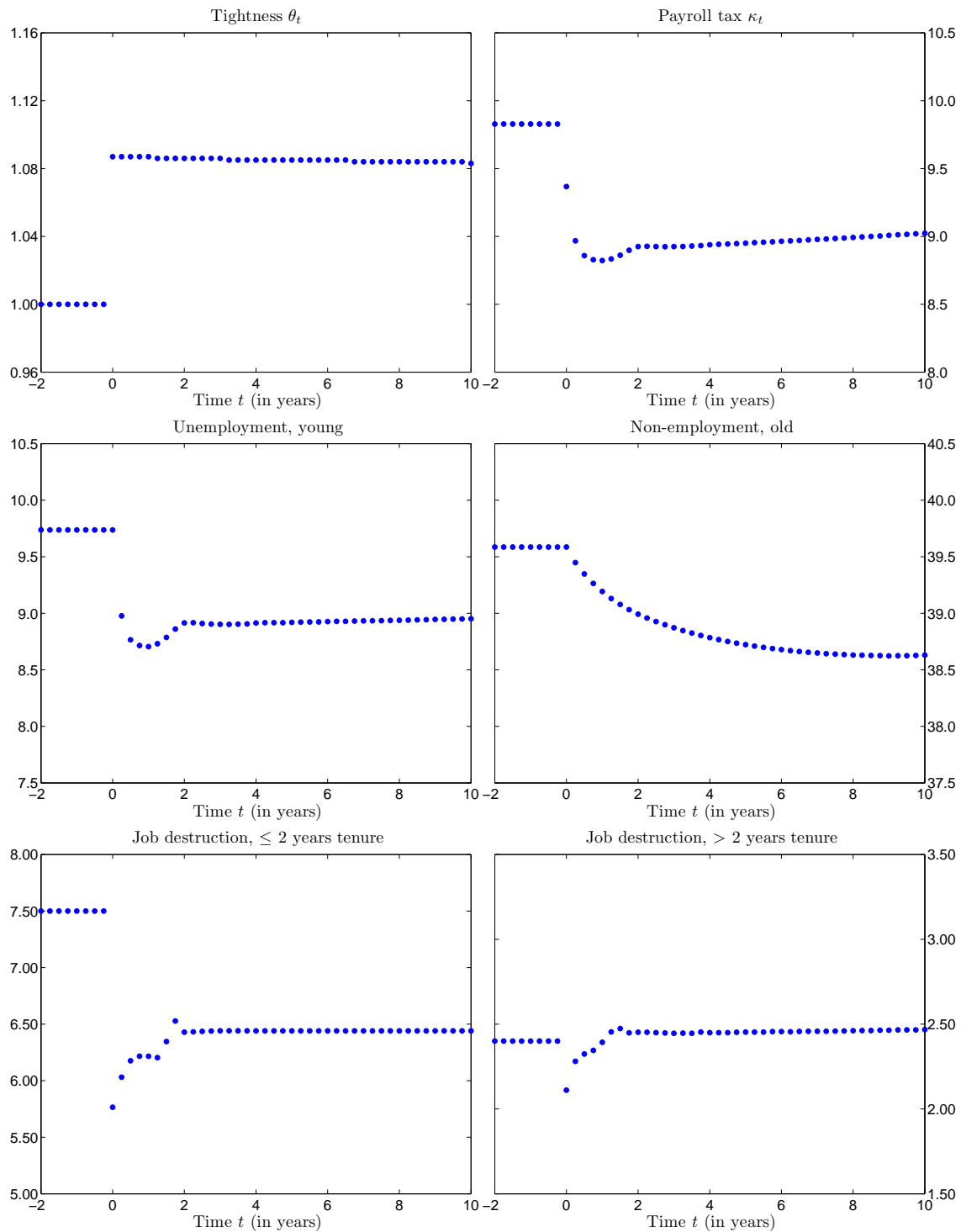


Figure 2. Transition dynamics: Lower UI benefits

NOTE: The charts display the time path of several labour market variables during the transition towards the unified EPL scheme under a partially non-retroactive reform. Except for labour market tightness θ , the figures on the vertical axis are expressed in percent. On the horizontal axis, time is measured in years relative to the introduction of the unified EPL scheme, which occurs in period 0.

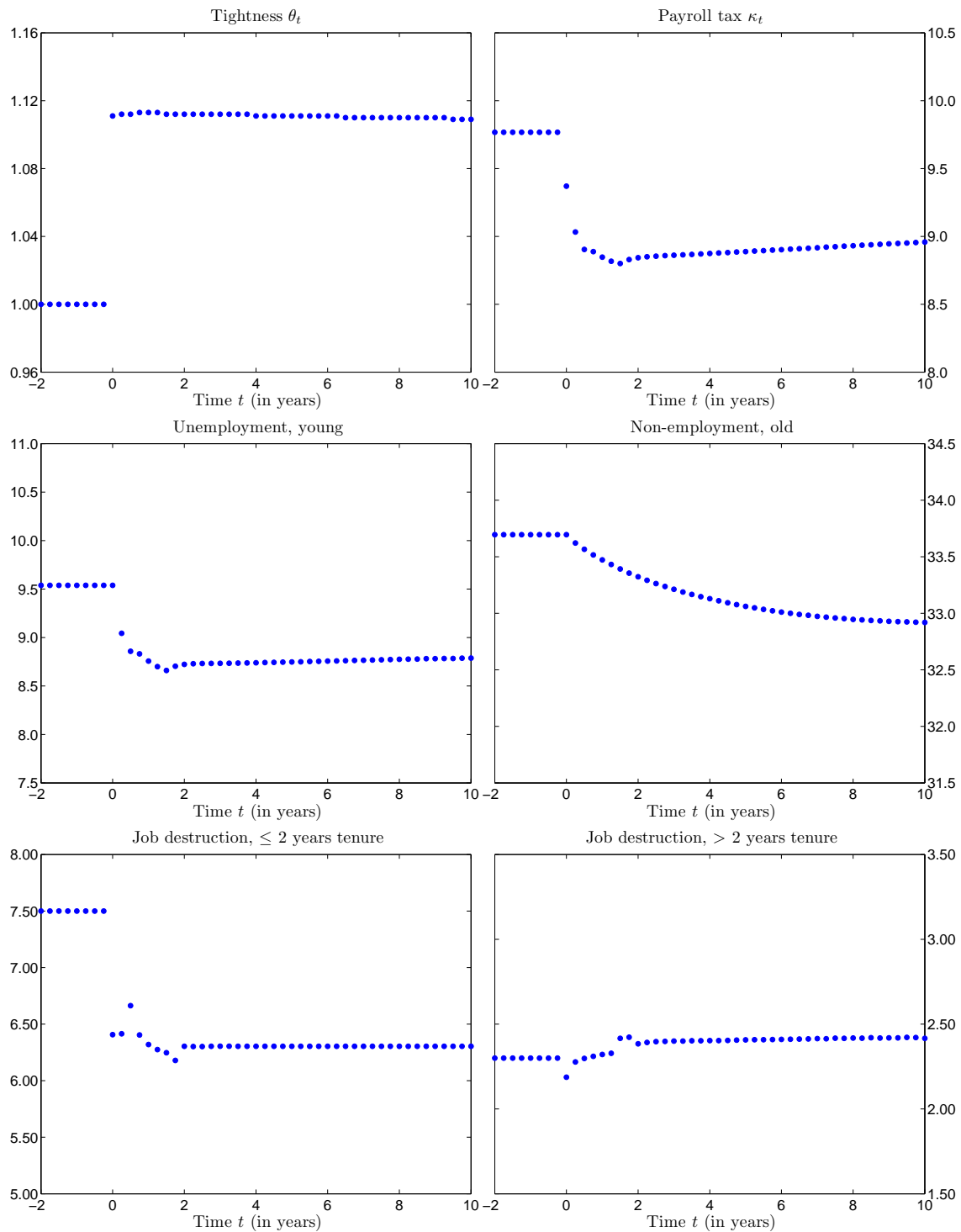


Figure 3. Transition dynamics: Higher UI benefits

NOTE: The charts display the time path of several labour market variables during the transition towards the unified EPL scheme under a partially non-retroactive reform. Except for labour market tightness θ , the figures on the vertical axis are expressed in percent. On the horizontal axis, time is measured in years relative to the introduction of the unified EPL scheme, which occurs in period 0.

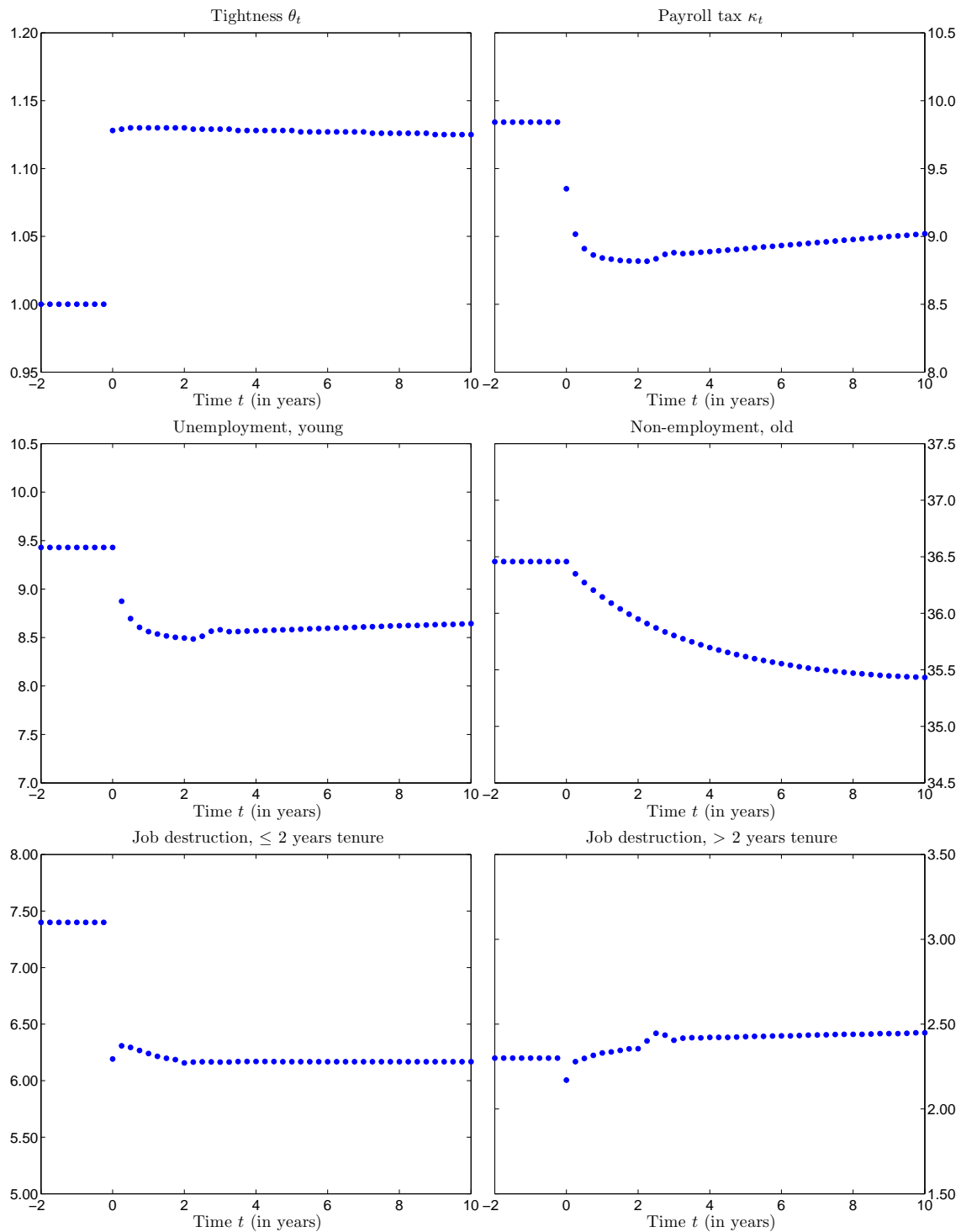


Figure 4. Transition dynamics: Red-tape costs

NOTE: The charts display the time path of several labour market variables during the transition towards the unified EPL scheme under a partially non-retroactive reform. Except for labour market tightness θ , the figures on the vertical axis are expressed in percent. On the horizontal axis, time is measured in years relative to the introduction of the unified EPL scheme, which occurs in period 0.

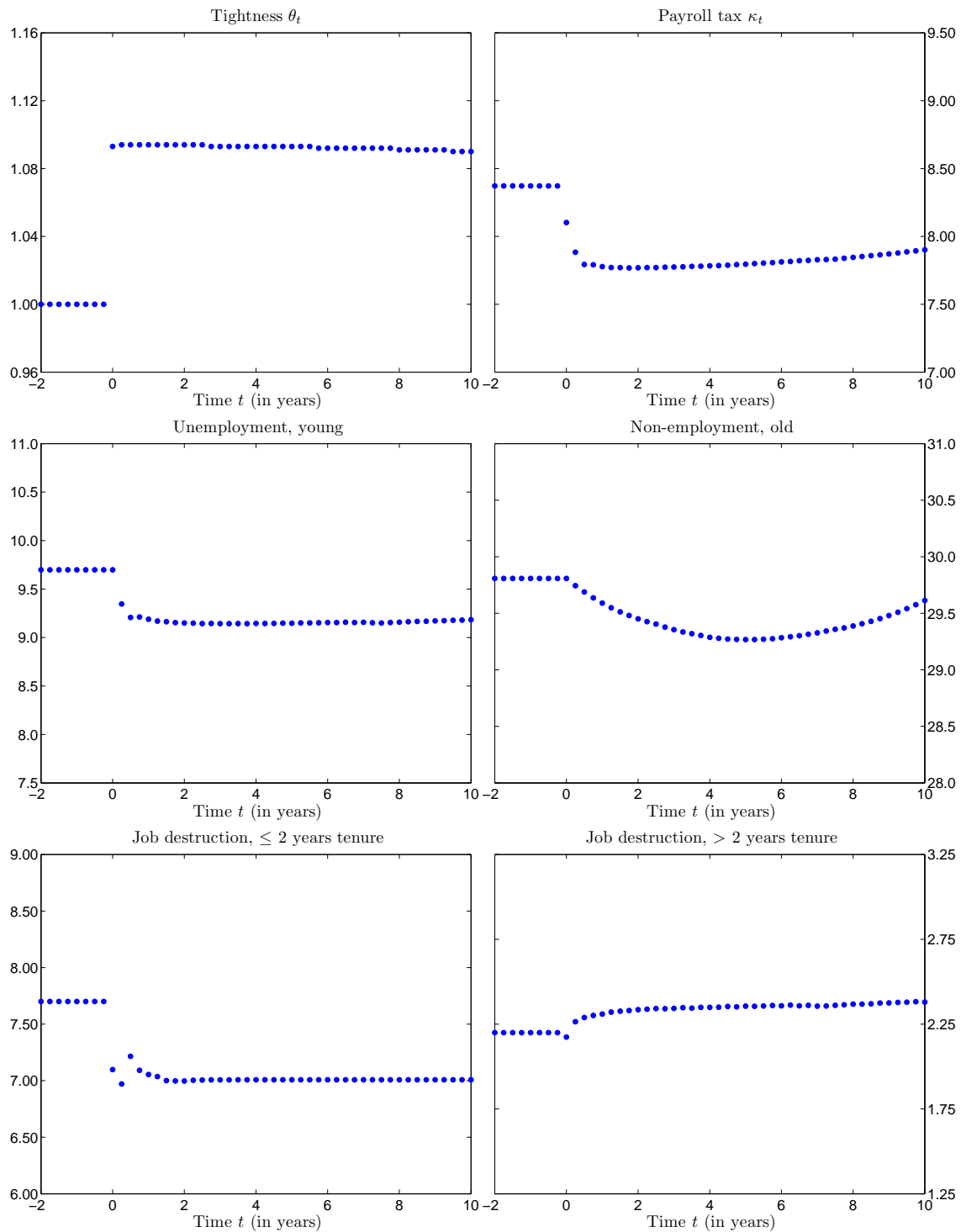


Figure 5. Transition dynamics: Quits vs. layoffs

NOTE: The charts display the time path of several labour market variables during the transition towards the unified EPL scheme under a partially non-retroactive reform. Except for labour market tightness θ , the figures on the vertical axis are expressed in percent. On the horizontal axis, time is measured in years relative to the introduction of the unified EPL scheme, which occurs in period 0.

Table 1. Welfare effects of the unified EPL scheme: Lower UI benefits

	Average	Average in each quintile				
		1st	2nd	3rd	4th	5th
A. Welfare						
Young workers	1.397	0.685	1.165	1.412	1.778	1.992
Older workers	-0.927	-2.379	-1.628	-0.984	-0.038	0.397
All	1.007	-0.746	0.888	1.314	1.604	1.980
B. Income						
		Young workers				
Mean	-0.131	-12.17	-2.139	0.700	2.538	10.42
Std. deviation	-4.659	-40.83	-20.00	-7.078	-1.822	42.78
		Older worker				
Mean	0.438	-5.850	-0.508	-0.068	1.005	7.726
Std. deviation	14.31	-45.31	-10.85	-2.780	13.50	116.9

NOTE: Panel A reports the percentage change in lifetime utility (measured in consumption equivalent units) of workers following the EPL reform. Panel B reports the percentage change of the lifetime value of income, and of the transitory component of income following the EPL reform. The first column reports the average change across the distribution, while the other columns report the average change within each quintile of the distribution of the variable under study.

Table 2. Welfare effects of the unified EPL scheme: Higher UI benefits

	Average	Average in each quintile				
		1st	2nd	3rd	4th	5th
A. Welfare						
Young workers	0.964	0.517	0.808	0.966	1.147	1.380
Older workers	-0.644	-1.775	-1.136	-0.687	0.009	0.367
All	0.673	-0.585	0.629	0.888	1.074	1.357
B. Income						
		Young workers				
Mean	-1.043	-14.05	-2.628	0.371	2.167	8.933
Std. deviation	-1.943	-43.26	-21.62	-6.295	4.175	57.28
		Older worker				
Mean	0.590	-5.144	-0.407	-0.009	0.815	7.695
Std. deviation	12.45	-42.31	-9.605	-2.082	9.519	106.7

NOTE: Panel A reports the percentage change in lifetime utility (measured in consumption equivalent units) of workers following the EPL reform. Panel B reports the percentage change of the lifetime value of income, and of the transitory component of income following the EPL reform. The first column reports the average change across the distribution, while the other columns report the average change within each quintile of the distribution of the variable under study.

Table 3. Welfare effects of the unified EPL scheme: Red-tape costs

	Average	Average in each quintile				
		1st	2nd	3rd	4th	5th
A. Welfare						
Young workers	1.219	0.610	1.002	1.254	1.486	1.745
Older workers	-0.689	-1.784	-1.218	-0.765	-0.031	0.353
All	0.886	-0.582	0.750	1.139	1.399	1.723
B. Income						
		Young workers				
Mean	-0.723	-14.39	-2.929	0.512	2.714	10.48
Std. deviation	-2.213	-45.47	-21.49	-6.172	3.615	58.55
		Older worker				
Mean	0.596	-8.883	-0.760	-0.096	1.270	11.45
Std. deviation	36.59	-50.52	-12.23	-0.151	18.35	227.4

NOTE: Panel A reports the percentage change in lifetime utility (measured in consumption equivalent units) of workers following the EPL reform. Panel B reports the percentage change of the lifetime value of income, and of the transitory component of income following the EPL reform. The first column reports the average change across the distribution, while the other columns report the average change within each quintile of the distribution of the variable under study.

Table 4. Welfare effects of the unified EPL scheme: Quits vs. Layoffs

	Average	Average in each quintile				
		1st	2nd	3rd	4th	5th
A. Welfare						
Young workers	0.456	0.062	0.329	0.484	0.603	0.800
Older workers	-0.494	-1.374	-0.956	-0.576	0.055	0.381
All	0.276	-0.591	0.210	0.406	0.562	0.792
B. Income						
		Young workers				
Mean	-0.757	-10.76	-1.139	0.517	1.676	5.922
Std. deviation	-0.585	-24.08	-7.889	-0.674	5.419	30.15
		Older worker				
Mean	-2.065	-14.24	-0.600	-0.005	0.724	3.808
Std. deviation	9.200	-47.64	-12.51	-3.674	2.937	106.8

NOTE: Panel A reports the percentage change in lifetime utility (measured in consumption equivalent units) of workers following the EPL reform. Panel B reports the percentage change of the lifetime value of income, and of the transitory component of income following the EPL reform. The first column reports the average change across the distribution, while the other columns report the average change within each quintile of the distribution of the variable under study.