GLOBAL FORUM ON COMPETITION

Does competition kill or create jobs?

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Countries where competition is higher have higher employment rates.

Employment rate, average 2000-2014

Product market regulation, average 2003, 2008

Correlation coefficient: -0.58

T-statistics: -3.97
Network deregulation increases exit from and entry into these industries

Note: ETCR stands for energy, transport and communications regulation, measured with the OECD ETCR indicator. Source: OECD calculations using national household surveys for Australia (HILDA), Germany (SOEP), Korea (KLIPS), Switzerland (SHP), the United Kingdom (BHPS&UKHLS) and the United States (PSID).
Network deregulation reduced the wage premium in these industries

Note: ETCR stands for energy, transport and communications regulation, measured with the OECD ETCR indicator. Source: OECD calculations using national household surveys for Australia (HILDA), Germany (SOEP), Korea (KLIPS), Switzerland (SHP), the United Kingdom (BHPS&UKHLS) and the United States (PSID).
Macroeconomic employment effects are positive after 3 years.

Change in aggregate labour force participation following an easing of product market regulation.

Network pro-competition reforms increase jobs churn across the economy

Note: ETCR stands for energy, transport and communications regulation, measured with the OECD ETCR indicator. The probability of becoming employed is calculated over people who do not have a job, including economically inactive persons.
Source: OECD calculations using micro-level data for 28 OECD countries from ECHP, EU-SILC and six national household surveys.
Pro-competitive reforms have stronger effects on less skilled individuals.

Note: ETCR stands for energy, transport and communications regulation, measured with the OECD ETCR indicator. The probability of becoming employed is calculated over people who do not have a job, including economically inactive persons. Source: OECD calculations using micro-level data for 28 OECD countries from ECHP, EU-SILC and six national household surveys.
Pro-competitive reforms play a key role in creating jobs

Long-run effects on the employment rate (in % points)

<table>
<thead>
<tr>
<th>Reform areas</th>
<th>Effect of a « typical reform »</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment benefits</td>
<td>0.5</td>
</tr>
<tr>
<td>Active labour market policies</td>
<td>0.4</td>
</tr>
<tr>
<td>Tax wedge</td>
<td>0.5</td>
</tr>
<tr>
<td>Wage bargaining process</td>
<td>0.3</td>
</tr>
<tr>
<td>Competition in network industries</td>
<td><strong>0.8</strong></td>
</tr>
</tbody>
</table>

Source: Gal and Theising (2015)

* Size of a typical reform is measured by taking the average over 5 years of policy changes that impact the outcome variable in a positive direction, observed over the sample period and countries covered by the estimation.
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