

Unclassified

DAF/COMP/GF(2015)1

Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

20-Jul-2015

English - Or. English

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

## **Global Forum on Competition**

**DOES COMPETITION KILL OR CREATE JOBS - LINKS AND DRIVERS BETWEEN  
COMPETITION AND EMPLOYMENT**

-- Session I --

**Call for country contributions**

*This document is a call for country contributions for Session I of the Global Forum on Competition to be held on 29-30 October 2015. GFC participants are invited to submit their contributions by 2 October 2015 at the latest.*

**JT03380285**

Complete document available on OLIS in its original format

*This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.*

DAF/COMP/GF(2015)1  
Unclassified

English - Or. English

**TO ALL COMPETITION DELEGATES OF THE GLOBAL FORUM ON COMPETITION**

**Re: Hearing on “Does competition kill or create jobs – links and drivers between competition and employment”**

**Global Forum on Competition (29-30 October 2015)**

Dear Friend of the Global Forum on Competition,

The Global Forum on Competition will be holding a discussion on “Does competition kill or create jobs – the links and drivers between competition and employment” at its forthcoming meeting of October 2015. The session will include a hearing, with presentations by external experts and lead delegations. These presentations will be used to stimulate a wider, interactive discussion among all the delegations present at the Forum. This letter outlines some of the issues that will be covered in the hearing and invites interested delegates to submit written contributions.

**Does competition kill or create jobs?**

Competition agencies often need to explain to external stakeholders how their competition enforcement work provides general economic benefits. Employment effects are often of particular interest, especially in times of economic slowdown. In many economies - emerging as well as developed - opening previously protected economic sectors to competition is often perceived as being a threat to existing jobs. When the economy is in decline, a typical policy response can be retrenchment and the erection of regulatory or political barriers to competition in an effort to preserve jobs. In this session we will review whether the evidence bears out these concerns about the effect of competition on job creation, both in the long run and for adjustments in the shorter term. We will also consider the possible economic costs of defensive policies aimed at preserving jobs.

Competition authorities may also face concerns about employment related to their casework. In merger reviews especially, competition authorities are often confronted with apprehensions that jobs might be lost, particularly (but not exclusively) when the acquiring party is based overseas. Of course, precisely how and if the authority takes such concerns into account will depend on their specific legislation. That said, almost all authorities will have confronted this issue at least as a matter of public perception at some point. Indeed, in many jurisdictions in recent years, under pressure from a slowing economy, there is a growing tendency for “public interest” to become a factor in merger review, even in the absence of specific provisions in the domestic legal framework. Hence it is worth exploring whether remedies or prohibitions aimed at preserving jobs are likely to be effective in promoting overall employment. Indeed, are any preserved jobs likely to come at the cost of the creation of new jobs elsewhere in the economy? The session will seek to explore the nature of this relationship.

Competitive pressures can lead to firm creating new or improved products (possibly creating new employment opportunities as well), and also to implement cost savings. It is usually these cost reductions that are perceived to result in job losses, whether because of a cutting of jobs within a firm or through reallocation of production to lower-cost producers, often located overseas. This may include reducing the overall size of the workforce. Rapid and large increases in productivity – accruing from the elimination of large accumulated inefficiencies – have been observed in previously state-monopolised sectors that were privatised and liberalised. As a natural experiment, for example, labour productivity in the UK electricity generation sector doubled following privatisation and the introduction of competition: output remained essentially the same but employment halved. However, in sectors where electricity is an input, the lower cost of a key input factor may likely have created opportunities for increasing employment. Also, in the fast-growing telecoms sector, liberalisation was accompanied by rapid increases in employment as the technological possibilities expanded and indeed, liberalisation is likely to have been a key element in promoting such increases. Restrictions on competition, especially regulatory, have been shown to reduce aggregate output and employment in the medium- to long term. There may however be short-term adjustment costs. A distinction must always be drawn between the near and longer-term effects, as well as the sectoral and economy-wide effects of any pro-competitive policy.

This is a particularly difficult challenge for competition authorities, whose decisions will normally have visible effects mainly in the short term, and will be aimed at specific firms or sectors, whereas the aggregate effect will likely be imperceptible to the concerned parties in the near term. Agencies might nonetheless have to appeal to evidence about the wider effects on the economy as a whole to support their decisions. Studies on the overall effect of competition on employment are rare, and the dynamics of the relationship are complex. The overall level of employment in an economy will be affected by many factors beyond competition, not least the economic cycle and the overall fiscal and monetary stance. The OECD's Economics Department has published research on this issue, and some of this will be presented together with work by external experts, for discussion in the session. One possible job-creating mechanism is that product market competition helps to discipline wage demands, acting as a substitute for labour market flexibility. A study of trade liberalisation through the EU Single Market programme<sup>1</sup> found just such an effect, reducing unemployment by 1.3%, in a heavily-unionised economy.

It is helpful also to look at evidence at a sectoral level. The retail sector, for example, has been particularly frequently studied. Regulatory restrictions on competition, such as land planning restrictions, or constraints on pricing, are often justified by reference to the need to preserve jobs in smaller retailers that would otherwise be replaced by less labour-intensive hypermarkets (the so-called “Wal-Mart” effect). On the other hand, cheaper and more efficient retailing could lead to increased jobs in retail. By comparing employment in countries with different regulations, Bertrand and Krammarz (2001) found that regulatory restrictions on competition (zoning restrictions) in France in the 1970s reduced employment in retail by 10% or more. The session will look at whether such findings are generic. What employment effects have been observed from imposing new regulatory barriers on sectors that were previously less or un-restricted?

---

<sup>1</sup> (Griffith et al 2007)

## What should competition authorities do?

The discussion in the Forum will also consider specific ways in which competition authorities might have to take account of employment concerns. Some might have experienced calls by politicians for competition law to be enforced less rigorously in downturns. Others might face formal or informal requirements to consider the employment implications of their decisions, especially in merger decisions or the design of merger remedies. Similarly, the task of pro-competitive deregulation can become politically more difficult if the effect is expected to be job losses in the affected sectors, or at least from some firms in those sectors. It is important to connect this discussion to the macro-economic matters discussed earlier. Is it helpful to competition authorities to appeal to such broad evidence if the immediate effect of its decision might be (for example) to allow a merger that is expected to result in job losses? Authorities from jurisdictions with different objectives in merger or other competition legislation could fruitfully exchange experiences on this topic.

Therefore, we ask you to consider the following questions:

- Have you had any competition cases that presented employment issues?
- Do political calls to consider employment as a factor in merger reviews increase in an economic downturn?
- What aspects of public interest with a focus on employment concerns are particularly difficult to address by competition authorities?
- What other issues of relevance for your jurisdiction do you see arising out of this broad theme of competition and employment?
- Gaps: which particular aspects of the relationship between competition and employment would it be useful for your jurisdiction to understand?
- Legal instruments and case law: Does your competition law specify employment or broader public interest issues that could lead to employment being considered as an element to weigh up, in the determination of a case (especially in merger control but also in anti-trust cases such as abuse of dominance)?
- Have you attempted to estimate efficiency gains in terms of job creation, sought by introducing more competition? If so, what were your results?
- What quantitative techniques have you used to estimate employment effects, for instance in merger review?

This list is not exhaustive, and participants are encouraged to raise and address other relevant issues in their submissions and during the discussion in the Global Forum on Competition. The OECD's GFC webpage will be our vehicle for conveying documents and related links on this subject. Unless explicitly requested not to do so, the Secretariat will reproduce written contributions on the site.

In order to structure an inclusive and fruitful discussion, it is important to inform the Secretariat early if you intend to submit a written contribution. Please advise the Secretariat by **17 August 2015** if you will be making a written contribution. Written submissions are due by **14 September 2015** at the latest. Failure

to meet this deadline could result in a contribution not being distributed in a timely fashion in advance of the meeting.

All substantive queries relating to this hearing should be sent to Ania Thiemann (ania.thiemann@oecd.org) and Silvia Carrieri ([silvia.carrieri@oecd.org](mailto:silvia.carrieri@oecd.org)). All communications regarding documentation for this hearing should be sent to Susanne Kleve Guérinet (Susanne.kleve@oecd.org).

## BIBLIOGRAPHY

- Aghion, P., Bloom, N., Blundell, R., Griffith, R., & Howitt, P. (2005). Competition and Innovation: an Inverted-U Relationship. *The Quarterly Journal of Economics*, 120(2), 701-728.  
<http://web.stanford.edu/~nbloom/PevertedU.pdf>
- Aghion, P., Blundell, R., Griffith, R., Howitt, P., & Prantl, S. (2004). Entry and productivity growth: Evidence from microlevel panel data. *Journal of the European Economic Association*, 2(2-3), 265-276.  
<http://www.jstor.org/stable/40004902>
- Bertrand, M., & Kramarz, F. (2002). Does entry regulation hinder job creation? Evidence from the French retail industry. *Quarterly Journal of Economics*, 117(4), 1369–13.  
<http://qje.oxfordjournals.org/content/117/4/1369.short>
- Fiori, G., Nicoletti, G., Scarpetta, S., & Schiantarelli, F. (2012). Employment Effects of Product and Labour Market Reforms: Are There Synergies?. *The Economic Journal*, 122(558), F79-F104.  
<http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0297.2011.02494.x/full>
- Griffith, R., Harrison, R., & Macartney, G. (2007). Product Market Reforms, Labour Market Institutions and Unemployment. *The Economic Journal*, 117(519), C142-C166.  
<http://www.jstor.org/stable/4625503>
- Griffith, R., Harrison, R., & Simpson, H. (2006). *The link between product market reform, innovation and EU macroeconomic performance*. Economic Paper n.243. European Commission, Directorate-General for Economic and Financial Affairs.  
[http://ec.europa.eu/economy\\_finance/publications/publication12594\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication12594_en.pdf)
- OECD Factsheet on the links between competition and productivity (DAF/COMP/WP2(2014)13)