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SOCIAL PROTECTION VERSUS
ECONOMIC FLEXIBILITY

SOCIAL PROTECTION VERSUS ECONOMIC FLEXIBILITY



IS THERE A TRADE-OFF?



National
Bureau of
Economic
Research

Chicago

Edited by

REBECCA M. BLANK

National Bureau of Economic Research

Comparative Labor Markets Series



Social Protection versus Economic Flexibility

Is There a Trade-Off?

Edited by Rebecca M. Blank

Do social protection programs limit the ability of the labor market to adjust to fast-growing segments of the economy, and thus inevitably lead to a decrease in economic growth? This volume compares how such programs as social security, income transfers, and job protection laws in Western Europe, the United States, and Japan have affected labor market flexibility.

Does tying health insurance to employment limit job mobility? Do certain housing policies inhibit workers from moving to new jobs in different areas? What are the effects of daycare and maternity leave policies on working mothers? The authors explore these and many other questions in an effort to understand why European unemployment rates are so high compared with the U.S. rate.

By examining diverse data sets across different countries, the authors find that while social protection programs do change economic behavior, there is little evidence that they create inflexibility with regard to economic adjustment. To achieve useful comparisons among diverse nations, the authors

Social Protection versus Economic Flexibility



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Social Protection versus Economic Flexibility

Is There a Trade-off?

Edited by

Rebecca M. Blank



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Preface

This volume contains eleven papers that explore and compare the effects of social protection policies on the labor market in the United States with the effects of such policies in Japan and various western European countries. The papers are the result of a larger set of cross-national research papers funded jointly by the Ford Foundation and the National Bureau of Economic Research (NBER). I particularly thank Richard Freeman at NBER for his work in encouraging and supporting this project.

These papers were first presented at a conference held at the Centre for Economic Performance (CEP) at the London School of Economics. I thank CEP for sharing the cost of this conference and handling the organizational details, and I thank the many conference participants, particularly the nine discussants, for their valuable input into this project.

