

The aim of the project is to identify factors which determine labour market institutions and ascertain to what extent the existing regulations may be socially desired, despite their negative impact on the labour market. The geographical scope of the study includes highly developed countries (members of the OECD) and post-socialist countries not belonging to the OECD, whereas the time scope of the study is the period of 1990-2015.

Labour market institutions may be defined as rules that have impact on the choices made by the participants of the labour market as far as the amount of offered and employed labour and the level of wage is concerned. Therefore, labour market institutions are legal regulations introduced by the state determining the rules of employing and dismissing employees, the minimum wage, or non-wage labour costs. Researchers studying labour market institutions often expand their analyses by organisations operating on that market (especially trade unions) and the state's passive and active labour market policy. This approach will be applied also in the proposed study.

Labour market institutions create the framework for this market, condition its structure and determine its point of equilibrium. As it is observed by Layard, Nickell and Jackman, the differences in unemployment rates in the highly developed countries in the period of 1960-1990 may be up to about 55% explained by institutional indicators. Thus, it is not surprising that since the 1980s of the 20th century, this problem has remained in the area of interest of many labour market researchers. However, despite the growing interest in the role of labour market institutions for the labour market performance, this role is still insufficiently explored and calls for more research. In particular, we still lack the comprehensive answer to the question posed by Arpaia and Mourre: what factors shape the labour market institutions and to what extent the existing regulations may be socially desirable, despite their negative impact on the labour market performance. Although this research problem has already been analysed in the relevant literature (e.g. the significant contribution of such authors as: Boeri or Saint-Paul), the results obtained so far are ambiguous and make it difficult to draw general conclusions concerning the determinants of labour market institutions.

Therefore, there is a need for further research in this field. The need is even more justified, as the analyses conducted so far have been limited to theoretical models or focused almost exclusively on highly developed countries – members of the OECD or the European Union, for which there are the most statistical data. At the same time, there are only a few studies devoted to transition countries, which are especially interesting from the perspective of the afore specified research problem. In these countries – in order to adjust to the dynamic changes taking place on the labour market – labour market institutions were thoroughly rebuilt at the beginning of the transition period and significantly revised in later years.

Therefore, including post-socialist countries in the study will enable a comparative analysis of the factors shaping labour market institutions in democratic, economically developed countries and in countries in which the principles of democracy and free market have been introduced relatively recently. This may produce original results, which may be published in international journals.

The planned research is important not only as far as gathering knowledge is concerned but also with respect to the potential application of its results. Better understanding of the mechanism of development of labour market institutions may help formulate “more efficient” recommendations for labour market policy. So far, it has not been uncommon that the formulated recommendations have been only partially implemented. It must be emphasized that this problem does not concern only transition countries but also developed countries, which vary significantly as far as labour market institutions and the situation on the labour market are concerned. The results of the proposed study may facilitate better understanding of the reasons why particular countries do not conduct labour market reforms (or do so only to a limited extent), and at the same time – make it possible to recommend such changes which could be accepted by a significantly greater share of labour market participants.

The proposed research is to be conducted on the basis of the concept of methodological individualism. In accordance to this concept the methods and the results of social groups actions (or broader: the whole society) should be analysed as a result of actions of particular individuals constituting these groups, which – having varied preferences and information resources – maximize their utility. Therefore, in the project it is assumed that the behaviour of individuals is based on – as Buchanan refers to it – rational ignorance. These individuals, in order to force through legal regulations beneficial for them, may participate in voting, create interest groups and take on actions such as rent seeking. It is at the same time assumed that politicians belonging to the governing party/coalition who introduce changes in the labour market are also entities maximizing their utility and having limited information resources.

In the project the following qualitative methods are going to be employed: deduction, the analysis and critique of literature, a case study. Moreover, a set of mathematical models of the labour market will be created, making it possible to ascertain the impact of institutional changes on the welfare of employees and employers. While, among the quantitative methods the applicants will employ descriptive statistics methods and econometric methods, such as panel data models (fixed and random effects, the generalized method of moments, Hausman-Taylor model), as well as models used in microeconometrics, in particular two- and multinomial logit models.

The proposed project consists of five following research tasks:

1. The identification of factors determining the diversity of labour market institutions in the analysed countries.
2. The identification of factors determining the diversity of social expectations concerning the welfare role of the state in the analysed countries.
3. The theoretical analysis of identified factors' impact on labour market institutions.
4. Assessing the force with which particular factors influence labour market institutions.
5. The analysis of the reasons for maintaining liberal regulations concerning flexible forms of employment in Poland – case study.

The planned final effects of the project include:

- the publication of research articles in international and national journals;
- the participation of the grant investigators in scientific conferences, especially international ones;
- the development of a mathematical model of labour market institutions creation, which in a digitalised form (including its documentation in English) will be published on the website of the Department of Macroeconomics and Development Studies of Poznań University of Economics and on the ResearchGate portal – this model could then be used for preparing

- independent simulations by other researchers and for teaching purposes;
- the creation of the database (in English) concerning labour market institutions, available on the website of the Department of Macroeconomics and Development Studies of Poznań University of Economics and on the ResearchGate portal.