Institution: University of Cambridge

Unit of Assessment: UoA 18

Title of case study: Building a global evidence base for labour market policies

Period when the underpinning research was undertaken: 2005-present

Details of staff conducting the underpinning research from the submitting unit:

Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Professor Simon Deakin	Professor of Law (2006)	01.10.1990-present
Dr Zoe Adams	Junior Research Fellow (King's College)	05.08.2013-31.08.2014, 16.12.2014-08.02.2015, 01.10.2018-present
Ms Louise Bishop	Research Associate	03.06.2015-06.01.2016 01.11.2020-present

Period when the claimed impact occurred: 2014-present

Is this case study continued from a case study submitted in 2014? No

1. Summary of the impact (indicative maximum 100 words)

The Centre for Business Research (CBR) Labour Regulation Index is an original and methodologically innovative dataset of labour laws from around the world which has been constructed at Cambridge over the past decade. Its use by international agencies, including the International Labour Organization (ILO) and Asian Development Bank, is changing understandings of the role of labour laws in promoting sustainable economic development and growth. The Cambridge team have used the dataset to give advice to policy makers in several countries across Europe, Asia, Latin America and Africa, and, through knowledge exchange, supported a major labour law reform initiative in Vietnam in 2019.

2. Underpinning research (indicative maximum 500 words)

The underpinning research explores the effects of worker-protective labour laws on unemployment, employment, productivity, and inequality. In 2008 the World Bank asserted that 'laws created to protect workers often hurt them' by introducing labour market rigidities and distortions (*Doing Business Report* 2008, p. 19). This claim is theoretically contentious (since it is accepted that labour protections may address labour market imperfections) and lacked a sound evidence base. Indicators of the 'strictness' of employment laws were developed by the Organization for Economic Cooperation and Development (OECD) in the 1990s and the World Bank in the 2000s. These indices, although the principal data sources for hundreds of econometric studies, suffer from serious methodological flaws. The motivation for creating the CBR Labour Regulation Index (CBR-LRI) was to build a more reliable empirical foundation for understanding how labour laws work in practice, and in particular how they might be used to promote more egalitarian and inclusive forms of economic growth.

The CBR-LRI is part of a wider database, the CBR Leximetric Datasets, whose construction began in 2005 when a team based at the Cambridge Centre for Business Research (CBR) led by Simon Deakin received ESRC funding to carry out research on the relationship between law and economic development. Over time, further funding, including a major award under the DFID-ESRC Joint Fund on Poverty Alleviation, made it possible to expand the original datasets. The CBR-LRI currently contains data for 117 countries (95% of global GDP) for nearly 50 years (1970-2013: **[R1]**). The authors of the CBR-LRI are Simon Deakin (currently Director of the CBR and a professor in the Cambridge Law Faculty), Zoe Adams (previously a researcher in the CBR (2013-15), from 2018 a Research Fellow at King's College, Cambridge and an affiliated lecturer in the Cambridge Law Faculty), and Louise Bishop (a researcher in the CBR 2015-16 and 2020-present). Further ESRC funding was obtained in 2020 and an updated version of the dataset, covering the period up to 2020, will be published in 2021.

The CBR-LRI makes two methodological advances in the area of 'leximetric' (legal-quantitative) data coding (these are explained in **[R1]**, Adams et al., **[R2]**, and Deakin, 2018 **[R3]**). The first is to design an original coding protocol or algorithm that is neutral in its characterisation of the protective function of labour law rules, so avoiding the bias towards treating them as 'rigidities' which is built into the OECD and World Bank indices. The second is to provide details of primary sources (statutes, court judgments and collective agreements) underlying all the codings (see Adams et al., 2017, **[R1]**). This 'complete sourcing' approach means that there is less scope for inconsistency and error in the coding process. The dataset contains over 200,000 data points (40 indicators x 117 countries x 50 years = 234,000 individual entries). Because all the primary sources for the codings are publicly available in an online codebook, they can be checked by third parties using the dataset. Feedback is regularly sought and received on the codings from national labour law experts, and the dataset periodically updated. There is no similar transparency, nor an equivalent mechanism for error correction, in the case of the OECD and World Bank indices.

Because the Cambridge dataset is more comprehensive than alternatives in terms of years and countries covered, and is more transparently coded, it provides richer data than other indices, and can be used more effectively for benchmarking national-level laws against a common template. This makes it possible to conduct more systematic cross-national and longitudinal studies. The Cambridge team of lawyers and economists has used the dataset in time-series and panel data econometric analysis. Results suggest that a higher level of worker protection through labour law is correlated with greater equality as measured by a rise in labour's share of national income. The impact on productivity and employment is positive over the long run (Adams et al., 2019, **[R4]**). This result is in line with an independent analysis carried out by ILO economists on part of the CBR dataset in 2015 which is described in section 4 below. These are important findings because they challenge the previous consensus that labour laws are counter-productive. They open the way to a more constructive and realistic assessment of how labour law reform can contribute to greater equality without harming economic growth, and how it can be used as part of a wider suite of policies aimed at promoting social and economic development which is sustainable over the long run (**[R2]**, **[R3]** and **[R4]**).

The CBR dataset is the second most highly downloaded item in the Cambridge University Open Access repository, Apollo, with over 8,000 downloads from over 130 countries since 2016. The dataset is being widely used by researchers in economics, sociology and political science. A 2020 paper by Campos et al on labour law reform in Europe employs the CBR dataset on the grounds that it is 'meticulously documented' and 'provides a much larger country and time coverage than other datasets' ('Close encounters of the European kind: economic integration, sectoral heterogeneity and structural reforms', (https://doi.org/10.1016/j.euroecorev.2020.103511). Research using the dataset is challenging previous understandings of labour laws as 'rigidities'. An influential paper (> 300 citations) by Acharya et al. (2014) reports a positive correlation between stronger employer protection, as measured by the Cambridge index, and firm-level innovation ('Labor laws and innovation', (https://doi.org/10.1086/674106).

The methodology employed to create the CBR-LRI index informed the production of additional data sources including IRLex, a dataset of collective labour laws published by the ILO from 2015 **[R5]**. Deakin and Bishop collaborated with ILO officials to create a coding template and to complete a number of country reports. The dataset facilitates the benchmarking of different countries' laws against a common coding protocol and so facilitates impact assessments of the kind used in legislative reform programmes, as in the case of Vietnam described below in Section 4.

3. References to the research (indicative maximum of six references)

[R1] Adams, Z., Bishop, L. and Deakin, S. (2017). CBR Labour Regulation Index 2017. In S. Deakin, J., Armour, and M. Siems. *CBR Leximetric Datasets [updated]*. [Dataset], University of Cambridge repository (Apollo). [DOI].

[R2] Adams, Z., Bastani, P., Bishop, L. and Deakin, S. (2017). The CBR-LRI Index: Methods, properties and potential of leximetric coding of labour laws. *International Journal of Comparative Labour Law and Industrial Relations*, 33, 55-91. [Link]

[R3] Deakin, S. (2018). The use of quantitative methods in labour law research: An assessment and reformulation. *Social and Legal Studies*, 27, 456-474. [DOI]

[R4] Adams, Z., Bishop, L., Deakin, S., Fenwick, C., Martinsson-Garzelli, S., and Rusconi, G. (2019). The economic significance of laws relating to employment protection and different forms of employment: Analysis of a panel of 117 countries, 1990-2013. *International Labour Review*, 158(1), 1-35. [DOI]

[R5] International Labour Organization. (2015 onwards). *IRLex: Legal database on industrial relations*. [Link]

Quality of Research:

[R1]-[R5] were major outputs from peer-reviewed, ESRC-funded research. **[R2], [R3]** and **[R4]** were all peer reviewed and published in journals of international standing. The research therefore meets the 2* minimum requirement.

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4. Details of the impact (indicative maximum 750 words)

It is vital for international organisations and national governments to have reliable data on labour laws and a solid evidence base for assessing their social and economic impacts. The CBR dataset was designed to meet these needs. Through direct collaboration by the Cambridge team with agencies and governments and through the wider use of the index by, and its growing reputation within, the research community, the dataset is having a tangible impact on labour market policy making. In particular, its use is strengthening the case for labour law reforms targeted at reducing inequality and promoting worker voice while maintaining sustainable economic development. This change is reflected in the policy position taken by global and regional-level agencies, in the advice they give to national governments, and in the implementation of reforms at national level.

(i) Co-production with the ILO, 2014-15

The CBR-LRI dataset was extended from an initial five countries in 2007 to over 60 countries in 2014 in collaboration with the International Labour Organization (ILO), a UN agency with a global remit to raise labour standards and promote inclusive growth. The results of the collaboration were published in Chapter 4 of the ILO's flagship *World employment and social outlook report* in 2015 (ILO, 2015). The chapter 'builds on the ILO's consideration of how labour regulation – considered as a labour market institution – can contribute to equitable and sustainable development'. It describes the CBR-LRI as 'a rich new dataset' (ILO, 2015, p. 111), and 'uniquely detailed and comprehensive' (ILO, 2015, p. 112). Analysis of the dataset by ILO economists concluded that 'if carefully designed, employment regulation can provide protection to workers in different types of employment without harming job creation' (ILO, 2015, p. 122). **[E6]**

The Head of the Labour Law and Reform Unit at the ILO since 2015, writes in a testimonial:

'The ILO has collaborated closely and to very good effect with the CBR over a period of some years. At different times the ILO has provided facilities and also funding for the development of the CBR Labour Regulation Index. The 2015 World Economic and Social Outlook, the ILO's flagship publication on the world of work in global perspective, made use of the dataset to show the overall generally positive effects of labour regulation in the long run for development, among other things' **[E1]**.

(ii) Knowledge exchange with the Asian Development Bank, 2017-2020, and the OECD, 2019-2020

In 2017 the Cambridge team was approached by the Asian Development Bank (ADB) for assistance with a report being prepared on the relationship between employment protection laws, productivity, and employment. The ADB is a regional agency with a developmental remit which includes advice and knowledge transfer. ADB officials used CBR data to prepare an internal working paper (Ranjan et al., 2018 **[E2]**) and a chapter in the ADB's flagship publication, the *Asian Development Outlook 2018* (Asian Development Bank, 2018, **[E3]**).

The ADB official who commissioned the CBR data, has written in a testimonial: *'for any analysis of labor regulations, I think the CBR LRI database is an indispensable resource. We found the CBR LRI database very useful for the purpose of comparing labor regulations across countries and over time'* **[E4]**.

In 2020 the CBR received a further request for data from the ADB, this time for an updating of the dataset to cover a number of countries for the years 2013-2020. The updating was completed in September 2020.

In July 2019 and November 2020 Deakin participated in workshops organized by the OECD to discuss labour market data. The OECD is an intergovernmental agency charged with promoting economic policy coordination and information exchange. The OECD invited Deakin to offer advice on the updating of Professor Jelle Visser's index on collective bargaining over wages and conditions of employment, which relies significantly on data collated in the CBR index for certain of its categories (Visser, 2019 **[E5]**).

(iii) National-level knowledge exchange and influence over labour law reforms

Labour law reform has for some time been a major issue in several Latin American countries. After he gave a keynote lecture at a regional labour law congress in Lima in 2016, Deakin was approached by the Peruvian Ministry of Labour for republication of the work on the basis that it contained *'several ideas that would be useful to improve the Peruvian reality'* (testimonial from an official in the Ministerio del Trabajo y Promoción del Empleo, Lima, 2018 **[E7]**). In 2020 Deakin was due to give a series of lectures at the University of the Republic (Uruguay) and to meet labour market policy makers and stakeholders in Montevideo; this visit was postponed because of the Covid-19 emergency but will take place at the earliest opportunity.

East Asia is another context in which labour law reform is under active consideration. In 2015 and 2016 Deakin discussed labour law reform at meetings of the Chinese Academy of Social Sciences in Beijing. In 2015 he visited Hanoi and Ho Chi Minh City to present a report to labour ministry officials and senior judges on reform of the Vietnamese labour laws and labour court system. In 2019 the Vietnamese authorities announced a major reform of laws governing freedom of association. The ILO provided advice to the Vietnamese government, using the IRLex index to carry out impact assessments. Dr. Chang-Hee Lee, who collaborated with Deakin and Bishop in the construction of IRLex and later became the Director of the ILO office in Vietnam, has written in a testimonial:

'The National Assembly adopted a revised Labour Code in November 2019, which brings fundamental changes to the ways industrial relations would function, as it brings new rights of freedom of association at enterprise level, with strengthened provisions on collective

bargaining. Throughout the process of the revision which began in 2016, IR Lex was actively used whenever drafters of the government and National Assembly wanted to know about comparative information on certain legal provisions on IR (registration of unions, most representative union status. unfair labour practices, for example). ILO was able to provide almost immediate response to request of the drafters, and some drafters who have English capacity accessed directly to IR Lex. IR Lex index has been highly instrumental for drafters who have to prepare and submit the impact assessment report to the legislature. It truly helped the complicated process of labour law reform in Viet Nam' **[E8]**.

The onset of the Covid-19 emergency put labour law reform in the spotlight in several countries. In September 2020 Deakin was approached by stakeholders in South Africa for feedback on data contained in the CBR index relating to the economic impact of dismissal laws. In October 2020 he was contacted by European-level trade unions interested in using the CBR's methodology to track changes to labour laws in EU countries in response to the Covid crisis.

5. Sources to corroborate the impact (indicative maximum of 10 references)

[E1] Testimonial: Head of Labour Law and Reform Unit, ILO, Geneva
[E2] Ranjan, P., Hasan, R., and Eleazar, E. (2018). *Labor market regulations in the context of structural transformation.* ADB Economics Working Paper Series No. 543. Asian Development Bank. [DOI]
[E3] Asian Development Bank. (2018). *Asian development outlook 2018: How technology affects jobs.* Asian Development Bank, Ch. 4. [DOI]
[E4] Testimonial: Director, Economic Research and Regional Cooperation Department, Asian Development Bank.
[E5] Visser, J. (2019). *ICTWSS database. Version 6.1.* Amsterdam Institute for Advanced Labour Studies (AIAS). Open access database at: https://www.ictwss.org/downloads.
In 2021 the database will be continued with the support of the OECD. It will be renamed the OECD/AIAS ICTWSS database, and made publicly available on the OECD and AIAS websites.
[E6] International Labour Organization. (2015). *World employment and social outlook: The changing nature of jobs.* International Labour Organization. [Link].
[E7] Testimonial: Directora General de Políticas para la Promoción de la Formalización Laboral e Inspección del Trabajo, Lima, Peru.
[E8] Testimonial: Director, Vietnam office, International Labour Organization.