

Reply to Referee Report 2 dp 2011-3

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First of all, we would like to thank the referee for useful comments and suggestions. We will seriously take into account the remarks of the referee in a revised version of the paper. For the time being, we reply separately to each point raised in the report.

Point 1

The referee asks for clarifications about the definition of “activity rate”.

The activity rate is simply the ration of employed and unemployed individuals to the population for a specific age range. Data are from the OECD database and harmonized using the rules of this institutions. We would introduce this clarification in a revised version of the paper. The referee also raises the question of differences in patterns of transition across countries. As this point is highly relevant for cross-section estimate, this is not the case for panel evidence presented in the second part of the paper : systematic differences in transition pattern are taken into account by the country fixed effects included in those regressions. In addition, the referee proposes to test alternative indicators, such as the fraction of population who is retired. However, this indicator is almost the perfect mirror of activity rate for seniors. In our opinion, this would not give additional insights.

Point 2

The referee asks about the construction of cross country regressions and corresponding interpretations.

First, we would make clear why there are 37 observations : As noted by the referee, 19 countries are observed up to 3 times. However, for some countries, the quality of labor relations is observed only once or twice. This explains why there are 37 observations in this repeated cross section setting. We do not claim any causal relationship from cross country regressions. On the contrary, we carefully restrict ourselves to the term “relationship” in section 4.2.1. The purpose of table 2 with respect to associated figures is to show that the relationship persists even when controlling for other country-level characteristics. As the message is not different from the one carried by the figures, this should reinforce the evidence of a “robust” relationship. Finally, The referee is right and we should definitively give some order of magnitude for the “effect” of labor relations on senior activity rate in this section.

Points 3

The referee raises questions about the use of the five-points scale for labor relations.

In fact, this point concerns all papers comparing countries using subjective variables. For the time being, it is not possible to do something very different, but we should acknowledge this more in the paper and quote other papers using such measures. In our opinion, more “objective” indicators proposed by the referee would not give the same insights. For instance, our objective is to capture some non-monetary pay-off of labor force participation. This won't be directly the case for strikes which obviously obey to different mechanisms than local and individual relationships. In the same vein, interpreting the percentage of labor force that is unionized as a indicator of the quality of labor relations is difficult : a high unionization rate can both mean that workers gather to “fight” against employers (what would indicate bad labor relations), or that workers agree with a collective and organized negotiation process (what would indicate good labor relations both within workers and with employers). In addition, such indicators could not be used to get further information about the distribution of labor relations (only the “mean” would be useful).

Points 4 and 6

The referee asks about the meaning of coefficients presented in table 4.

We fully agree with these points and will definitively give more interpretations in a revised version of the paper as suggested by the referee.

Point 5

The referee requests summary statistics.

As for point 4, we fully acknowledge the lack of summary statistics in the paper and would be happy to present them in a revised version of the paper.