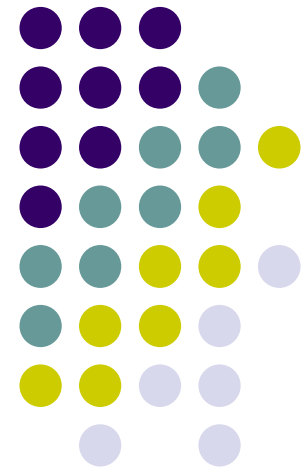


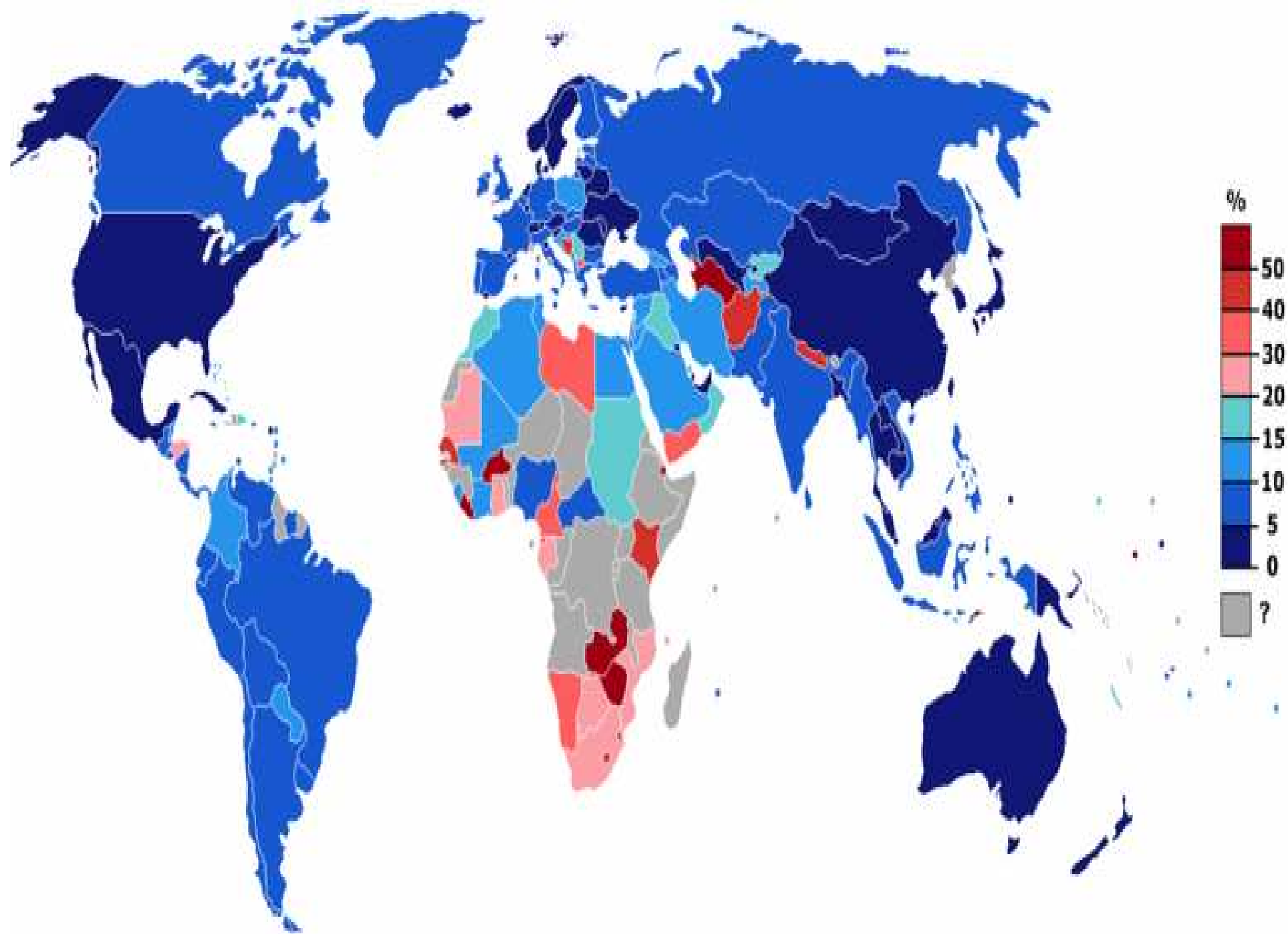
UNEMPLOYMENT IN THE OECD SINCE THE 1960s.

WHAT DO WE KNOW ?

Paper by: S.Nickell, L.Nunziata, W. Ochel

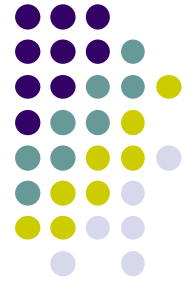
Presentation by:
Alexandre Serdiouk
Łukasz Gałek





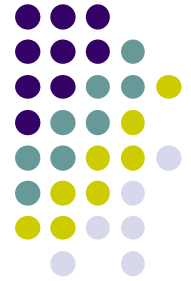
Causes of unemployment

– two hypothesis



- Labour market rigidities (constraints)
 - Unemployment benefits
 - Trade unions power
 - Taxes
 - Wage inflexibility
- Shock theory
 - Interaction between relatively stable institutions and 'shocks'

Factors influencing unemployment in OECD /1

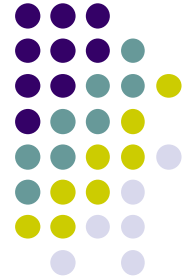


- The unemployment Benefit System
 - The level of benefits
 - The duration of entitlement
 - The coverage of the system
 - The strictness with which the system is operated
- Active Labour Market Policies (ALMP)
- Systems of wage determination
 - Density and coverage of Trade Unions
 - Extension laws
 - Co-ordination
 - Centralisation

Factors influencing unemployment in OECD /2



- Employment protection
- Labour taxes
 - Payroll taxes
 - Income taxes
 - Consumption taxes
- Barriers to labour mobility



Empirical information

Factors which might explain the short-run deviations of unemployment from its equilibrium:

- Money supply shock
- Productivity shocks
- Labour demand shocks
- Real import price shocks
- The real interest rate

Difference between US' and Europe's labour market



- Difference in the level and duration of benefits
 - Conclusion: European labour market is more rigid than American, but on the other hand, more generous.
- Implications of living in a world of high turbulences

EXPLAINING UNEMPLOYMENT



THE MODEL BASED ON CHANGING INSTITUTIONS:

- INCLUDE DEMAND SHOCKS
- PRODUCTIVITY FACTORS
- LABOUR DEMAND SHOCKS

EXPLAINING UNEMPLOYMENT



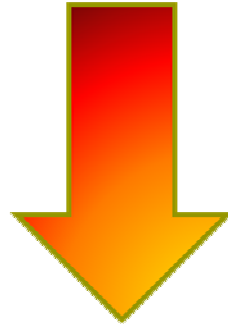
WHAT SORT OF EFFECT DO THE
INSTITUTIONS HAVE ON UNEMPLOYMENT?

BOTH EMPLOYMENT PROTECTION AND
EMPLOYMENT TAXES HAVE A POSITIVE
EFFECT WITH THE LATTER BEING IN
ECONOMIES WITH CO-ORDINATED WAGE
BARGAINING.

EXPLAINING UNEMPLOYMENT



- TAX EFFECT:



WITH 10 % INCREASE IN TOTAL EMPLOYMENT TAX RATE

EFFECT 1 % RISE IN UNEMPLOYMENT IN LONG RUN

EXPLAINING UNEMPLOYMENT



- BENEFIT LEVELS HAVE AN IMPORTANT IMPACT ON UNEMPLOYMENT
 - UNION DENSITY
 - IMPORT PRICE
 - TOTAL FACTOR OF PRODUCTIVITY (TFP)

EXPLAINING UNEMPLOYMENT



FROM THE 60s TO EARLY 90s THE
UNEMPLOYMENT RATE IN EUROPE
ROSE BY AROUND 6.8%

HOW MUCH OF THIS INCREASE DO
OUR INSTITUTIONAL VARIABLES EXPLAIN?

EXPLAINING UNEMPLOYMENT



CHANGES IN LABOUR MARKET INSTITUTIONS
EXPLAIN AROUND 55% OF THE RISE IN
EUROPEAN UNEMPLOYMENT FROM 1960s TO
1990s

UNEMPLOYMENT IS ALWAYS
DETERMINATED BY AGGREGATE DEMAND

UNEMPLOYMENT



THANK YOU