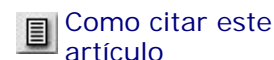




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LABOR MARKET AND UNEMPLOYMENT*

Following the tradition of Cuadernos de Economía, the next four studies are related to the labor market. The particularity of these studies is that they approach the recent experiences of four countries (Argentina, Chile, Germany and Netherlands) that have experienced important variations in their unemployment rate. In the studies, the influences of regulations and demographic structure are the main determinants of the performance of the labor market.

The study by Cerda focuses on labor demand. It relies on labor market data by sectors of economic activity and tries to empirically determine the factors that produced the increase in labor demand observed in Chile after the recovery of the 1982 crisis. The particularity of the study is that the selection of the determinants of the movements in the labor demand function is restricted by the property of negative semi-definiteness in the Slutsky matrix. In addition to the economic activity and the price of non labor inputs, the study reports potential effects of minimum wage and unions' bargaining power as labor demand shifters in Chile.

The study by deWalque analyzes the evolution of the labor market in the Netherlands, which has been called the "Dutch miracle" due to the large fall in the unemployment rate during the nineties. The main conclusion of the study is that the Dutch labor market has been largely influenced by incentives that grant disability benefits to a large fraction of the population, creating a problem of "hidden unemployment" as unemployed face incentives to drop out of the labor force. In fact, the author indicates that although the unemployment rate is relatively low in the Netherlands, the fraction of inactive individuals to active individuals is very similar to the rest of Europe.

The study by Lange focuses on the German labor market. It indicates that the large increase in the German unemployment rate since the sixties is strongly influenced by the behavior of individuals aged 50 years old and over. The author explains that these individuals have strong incentives to report unemployment as a requisite to early retirement through the German pay-as-you-go social security system. Thus, both DeWalque and Lange, provide evidence of the effect of perverse economic incentives in labor supply.

The study by Elías focuses on the increase of the Argentina's unemployment rate from the perspective of changes in the structure of the family. This studies sustains the hypothesis that male labor market conditions

have largely reduced marriage rate in Argentina and as a consequence women that would otherwise be devoted to non-market activities become single and active in the labor market. The feedback from the marriage market to the labor market might further reinforce the increase in unemployment rate.

Keywords: Labor Demand, Hidden Unemployment, Early Retirement, Demographic Trends

JEL Classification: J12, J21, J23, J26

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