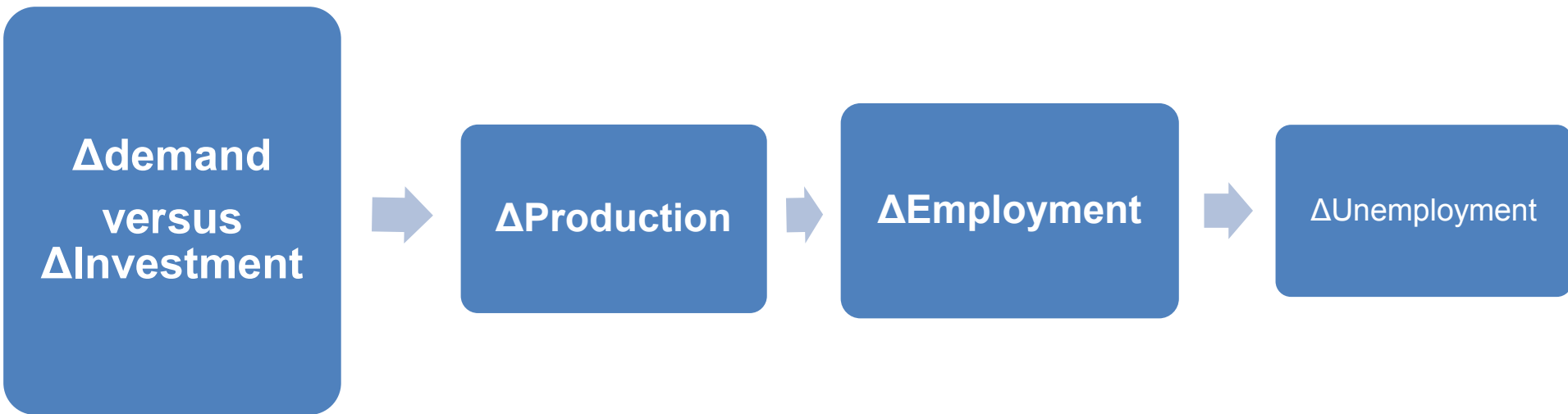


# IMF-OCP-Brunel Workshop on Global Labor Markets: What to do with Okun's Law

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# Keynesian and Classical Okun's Law



# Heterogeneity of Okun's coefficients and « Jobless Recovery »

- Why employment does not decrease the unemployment?
- Why more production does not induce more employment?

# Production $\Rightarrow$ Employment

- Population and migration
- Skill Mismatch & Job vacancy rate
- Preference for public sector job
  - Public sector pay gap (OECD)
- « Benefit generosity » (OECD)

# Employment $\Rightarrow$ Unemployment

- Stock of enterprises
  - INSEE for France (?)
- Work time
  - Average annual jours actually worked per worker
- Inefficiency of firm
  - Size of firm
  - Age of firm
  - Unionization rate

# A circular relationship

- **Unemployment  $\Rightarrow$   $\Delta$  entrepreneur (refugee effect)  $\Rightarrow$   $\Delta$  production (Schumpeter effect) and  $\Delta$  Unemployment**
- **New determinants of Okun's coefficients**
  - **Entrepreneurial culture**
  - **Unemployment (see average of unemployment rate)**
  - **Entrepreneurial activity rate (see Prieto and al. )**

# Conclusion

- Growth policy is not always necessary to reduce unemployment
- No universal policy to fight against unemployment (*see Dani Rodrick*)
- Public spending is not the solution
- New variable to explain the heterogeneity of Okun's Law and define Employment Policies for each nation

# Determinants of Okun's Coefficients

Prieto and al.	Bail and al.	Ball, Furceri and al.	PROPOSALS
Industrial Structure	Share of Service in GDP	Share of service in GDP	<b><math>\Delta</math>population</b>
Skill Mismatch	Skill Mismatch	Skill Mismatch	<b>Stock of Enterprises</b>
Business Regulation	Mean Unemployment	Mean Unemployment rate	<b>Public Sector Pay Gap</b>
Size of State	Per Capita GDP	Per Capita GDP	<b>Benefit Generosity</b>
		Size of Shadow or informal sector	<b>Size of Firm</b>
		Business Regulation	<b>Age of firm</b>
		Labor Market	<b>Unionisation</b>