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

$\Delta$demand versus $\Delta$Investment

$\Delta$Production

$\Delta$Employment

$\Delta$Unemployment
Heterogeneity of Okun’s coefficients and « Jobless Recovery »

• Why employment does not decrease the unemployment?

• Why more production oes 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

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