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WHAT DRIVES EMPLOYMENT IN OECD COUNTRIES?

Abstract:

The main aim of the study is a statistical analysis of the impact of labour market institutions on employment rates in OECD countries. The relationships between employment rates (by age, skill level) and main labour market institutions including minimum wages, employment protection legislation, tax wedges, replacement rates, type of contracts and the degree of unionization are examined. Additionally, other key macroeconomic variables were taken into account. The equations describing above mentioned relationships are estimated using GLS method assuming heteroscedastic and autocorrelated error term. Sample includes most of OECD (over 20) countries in 1990-2014 due to data availability and comparability of analysed institutions.

The main conclusion of the analysis is a statistically significant impact of labour market institutions on the overall employment rates in OECD countries. However, the impact is not obvious if detailed study concerning disaggregated employment rates is conducted. In many cases we cannot accept hypotheses that labour market regulations affect the employment rates.

Keywords:

employment, labour market, labour market institutions

JEL Classification: J08, J58, C50