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## **MODERN LABOUR ECONOMICS: THE NEOCLASSICAL PARADIGM WITH INSTITUTIONAL CONTENT**

### **Abstract:**

The contribution focuses on the development of labour market economic theory. It shows the increase in relative importance of institutions and the rising relevance of the institutional theories for the labour market economics. The labour market economics was established on the base of the neoclassical paradigm, the fundamental elements are competitive markets with internal forces capable of reaching effective solutions, and rational subjects, maximizing utilities, profits and rents according to their preferences. The Smith's "invisible hand" was restricted by institutions - governments, corporations, and unions with legislation, personal policy, and collective bargaining. The expanding regulations and interventions into labour markets and the effort to explain the reality inevitably leads to the incorporation of more and more institutional theories into the modern labour market economics. The contribution formulates the conclusion that the institutional content is entering into the neoclassical paradigm.

### **Keywords:**

modern labour economics, neoclassical paradigm, institutions, regulations, institutional theories, institutional content

**JEL Classification:** J01, B49