course, labor market institutions may have had adverse employment impacts, but the available evidence offers little support for the conventional wisdom among economists and many policy makers that high unemployment in the OECD countries can be explained by labor market rigidities.

## NOTES

- This is a revised version of parts of 'Increasing Earnings Inequality and Unemployment in Developed Countries: Markets, Institutions and the 'Unified Theory' (Howell, 2002). I
  Figure 7.4 and 1.
- 2. Figure 7.4 uses unemployment data by skill for males from Stephen Nickell and Brian Bell, who define skill categories differently for different countries (e.g., across educational contrast, Figure 7.5 covers all workers and uses skill categories defined consistently across countries by educational attainment from the OECD.
- 3. Since the problem is held to lie in the labor market as a result of skill-biased demand shifts and institutional rigidities that work against the least skilled, we should not see rising unemployment rates for skilled workers. Indeed, a queuing story (see Thurow, 1997; ILO, 1997) is perfectly consistent with a rising ratio of low- to high-skilled unemployment even if a downward demand shift afflicts some group of high skilled jobs. If displaced high-skill workers get preferential treatment in competition for lower skilled jobs, 'bumped' lower-unambiguous empirical support for the brunt of the unemployment. Consequently, unambiguous empirical support for the demand-shift story requires not just evidence of a secular rise in the ratio of low to high skill unemployment rates, but a rise generated from rising low-skill rates in the presence of stable or declining high skill unemployment.
- 4. See Glyn (2001). In addition, it is likely that part of the high employment rate gap in many before age 60. If this generosity has a greater impact on the employment rates of the less employment rate gap in the strong welfare state countries, leading to some convergence towards US levels.
- These data come from various OECD documents and appear in Tables 1 and 2 of Howell et
- 6. As Blanchard and Wolfers (2000, C13) note, 'employment protection both decreases flows of workers through the labour market, and increases the duration of unemployment . . . the effect of lower flows and higher duration on the equilibrium rate itself is ambiguous'. According to an OECD study employment protection legislation 'has little or no effect on overall unemployment, but may affect its demographic composition' (OECD, 1999, p. 50). As for taxation, we again cite Blanchard and Wolfers (2000, C13): 'Taxes which by their nature apply equally on the unemployed and the employed, such as consumption or income taxes, are likely to be roughly neutral. And if the unemployment insurance system tries to achieve a stable relation of unemployment benefits to after-tax wages a reasonable assumption even payroll taxes may not matter very much.'

Sisulated by the author from the UN's Women in Statistics database, generously provided

The investment and interest rate data come from table 8 of Stanford, 'Canadian Labour Market Developments in International Context: Flexibility, Regulation, and Demand', minuscript, CSLS Conference, Ottawa Canada (April 1999).

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