

Abstract

The aim of this thesis is to examine the direct effects of labour market institutions on unemployment rates in the selected EU Members. For this purpose, we use macroeconomic cross-country, time series analysis for 21 OECD European members over the 2001-2011 period. The results gained from our empirical analysis are rather inconclusive over the possibility to explain the development of European unemployment solely by analysing the effects of labour market institutions. This finding might as well be caused by the volatile evolution of both output and unemployment over the observed period. The importance of business cycle is confirmed by our results as the measure for the output gap appears highly significant in every model specification. Unlike the majority of previous literature, in our estimates the proxies for macroeconomic shocks do not turn out to be significant. Hence, we decided not to examine mutual interactions between macroeconomic shocks and institutions.

JEL Classifications: J08, J30, J51, J64

Keywords: unemployment, labour market institutions, EU, active labour market policies

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