RESEARCH ARTICLE | MAY 09 2016

Revisiting Okun's Law in European Union countries

Athina Economou; Iacovos N. Psarianos

+ Author & Article Information

Journal of Economic Studies (2016) 43 (2): 275–287.

https://doi.org/10.1108/JES-05-2013-0063

Purpose

– The purpose of this paper is to examine Okun's Law in European countries by distinguishing between the transitory and the permanent effects of output changes upon unemployment and by examining the effect of labor market protection policies upon Okun's coefficients.

Design/methodology/approach

– Quarterly data for 13 European Union countries, from the second quarter of 1993 until the first quarter of 2014, are used. Panel data techniques and Mundlak decomposition models are estimated.

Findings

– Okun's Law is robust to alternative specifications. The effect of output changes to unemployment rates is weaker for countries with increased labor market protection expenditures and it is more persistent for countries with low labor market protection.

Originality/value

– The paper provides evidence that the permanent effect of output changes upon unemployment rates is quantitatively larger than the transitory impact. In addition, it provides evidence that increased labor market protection mitigates the adverse effects of a decrease in output growth rate upon unemployment.

Keywords: Labour market protection, Okun's Law, Transitory and permanent effects

© Emerald Group Publishing Limited

You do not currently have access to this content

We use cookies to optimize site functionality and targeting cookies to give you the best possible experience. Your experience, your choice. Learn more here:
Visit our cookie policy page

Don't already have an account? Register

Client Account

Email address / Username

Password

Reset password
Register

ICE Member Sign In

Log in

Access through your institution

Purchased this content as a guest? Enter your email address to restore access.

Email Address

Pay-Per-View Access €35.00

Buy This Article

Rental

We use cookies to optimize site functionality and targeting cookies to give you the best possible experience. Your experience, your choice. Learn more here:
Visit our cookie policy page

This article is also available for rental through DeepDyve.

We use cookies to optimize site functionality and targeting cookies to give you the best possible experience. Your experience, your choice. Learn more here:
Visit our cookie policy page