

**The many dimensions of the labor market. Thoughts at
the end of the Conference**

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1. The complexity of labor markets (even just for macro purposes)

Not just unemployment versus employment (as we like to assume). But many more relevant margins:

- Maintenance (sleep,...)
- Leisure
- Home work
- Search (unemployment)
- Market work

Choices over the short run (vacations); over the long run (early retirement)

Preferences, good and bad institutions, affect all these choices in potentially major ways.

Much progress in establishing facts

The EU/US comparison:

- Leisure: EU > US
- Home work: EU > US
- Unemployment: EU > US (heterogeneity across EU)
- Market work: EU << US

So, neither all leisure/market work (Blanchard), or all home work/market work (Freeman/Schettkat).

For sure? (Compare to Alesina et al)

A way of summarizing Table 1.1

Ignore maintenance, (also unemployment?), and derive proportions spent in market work, home work, and leisure:

	US	Germany	Italy	Netherlands
Market work	0.32	0.24	0.26	0.23
Home work	0.27	0.31	0.28	0.25
Total work	0.58	0.57	0.52	0.50
Leisure	0.42	0.43	0.47	0.50

A shot at various measures of GDP

Use .8 as relative price for home work and for leisure. US normalized to 1.
Productivity assumed the same in market work across countries:

	US	Germany	Italy	Netherlands
GDP (market work)	1	0.77	0.81	0.74
GDP (total work)	1	0.91	0.92	0.81
GDP (including leisure)	1	0.94	1.02	0.95

To be taken with a grain of salt, but still revealing.

2. Home work, Market work, Leisure: Distortions versus preferences?

Occam's razor just a first pass.

Balanced growth path, and leisure as a normal good. Probably not. Data for the United States (before taxes mattered much)

Hours	1909	1919	1929	(1940)
≤ 48	7.9	48.6	46.0	(92.1)
49-59	52.9	39.3	46.5	(4.9)
≥ 60	39.2	12.1	7.5	(3.0)

No difference in intrinsic preferences? Dutch evidence on views about child raising.

Which distortions?

- Tax wedge: More relevant for home versus market production than for work/leisure:
No income effect.
- Effect depends on shape of home production function. Evidence from Gruber on free child care in Quebec. Substantial effect on market work. (7 percentage points).
- Employment protection: Likely to be very relevant as relevant margin is small scale service firms.
- Distortions going the other way? Public child care: (Creating or undoing a distortion?)

- Reintroducing unemployment in the discussion.

Not just a choice between home work, market work, and leisure. Implications for unemployment.

Less bagging in supermarkets, less housecleaning services: Less demand for low skill workers. Combine with minimum wage: Higher unemployment.

Quantitative importance for France?

- Relative distortions and complexity.

Comparing the French and the Dutch “work sharing” experiences:

France: A maze of regulations/relative distortions

Netherlands: More flexibility, few apparent distortions.

The cost of complexity per se?