

What Structural Reform Does the U.S. Labor Market Need?

Lessons From Europe

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1) Do Nothing Stupid!

Many of Europe's self-inflicted labor market rigidities started out as well-intended, but misguided "crises responses" after 1973 that became semi-permanent labor institutions;

- i. Excessively early retirement options;**
- ii. Excessively loose definitions of disability/sickness**
- iii. Facilitating early retirement through unlimited UB**
- iv. Excessive legal restrictions on/cost of layoffs for "economic reasons"**
- v. Excessive "duality" from reforms at the margins**

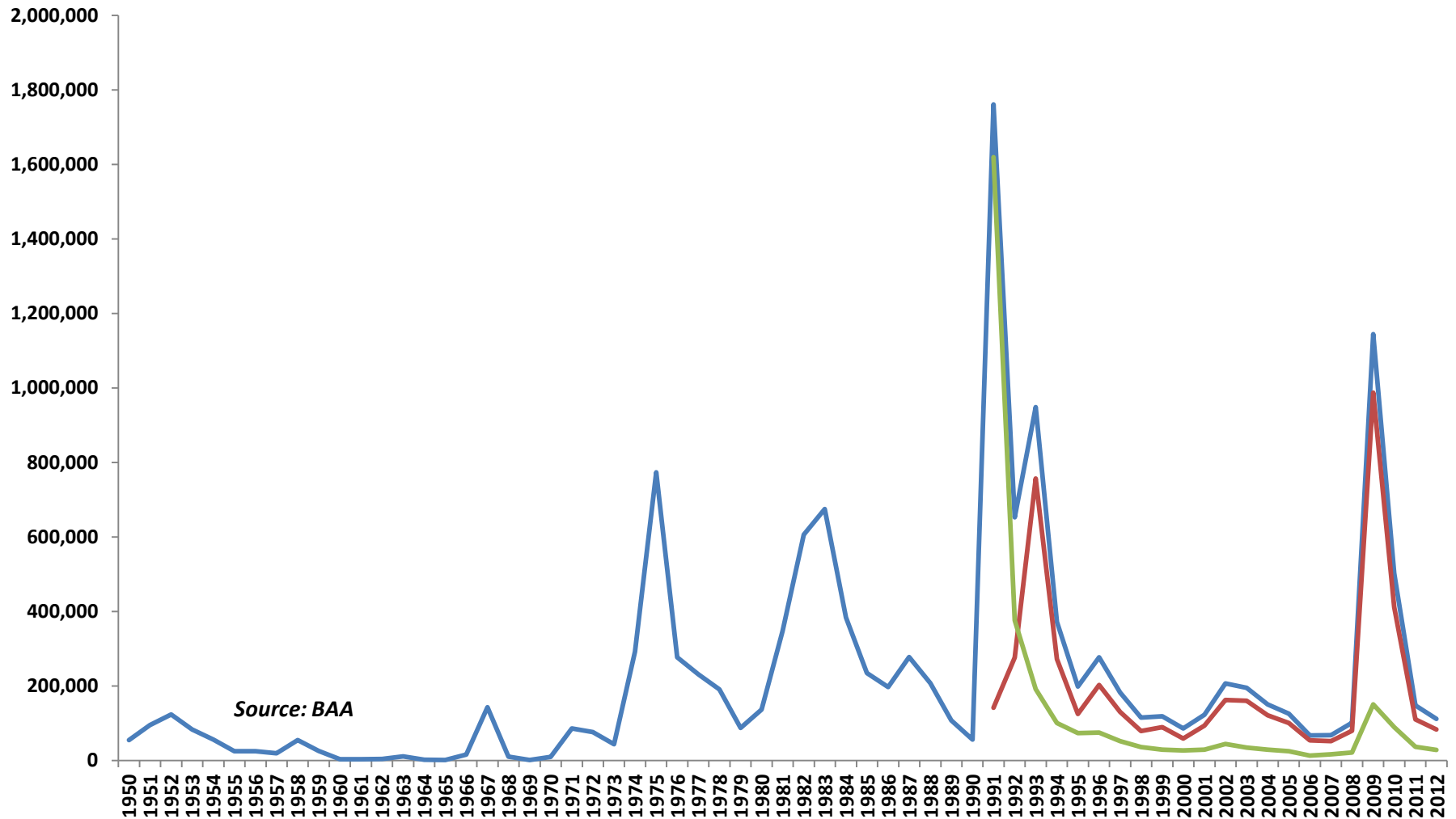
1) Do Nothing Stupid!

Latest incarnation termed “dynamic labor market rigidities” (Bertola 2014)..... BUT

- i. Any “temporary” rigidity could prove very sticky**
- ii. Any “net employment gains” erased by reduced hiring**
- iii. Unclear if “protected wages” protect consumption**
- iv. Ignores the need for sectoral reallocation inherent in almost any really deep crisis**
- v. “temporary rigidities” likely to be granted to politically most powerful “insiders”**

2) Reducing Total Labor Input In a Different Way - *Kurzarbeit*

— Germany (BRD) — Former BRD — Former DDR



3) Spending Public Money to Retrain the Unemployed - ALMPs

