

TITO BOERI, JAN VAN OURS

The Economics of Imperfect Labor Markets

Princeton University Press, 2008

Tito Boeri is professor of economics at Bocconi University in Milan and scientific director at Fondazione Rodolfo De Benedetti. Jan van Ours is professor of economics at Tilburg University in the Netherlands and temporary employee as professor of economics at Melbourne University. Their research field is mainly the labour economics and they have become notorious in the specialist literature for studying relevant economic phenomena, as well as their reflection on every day's life.

“The Economics of Imperfect Labor Markets” concentrates on the labour market institutions in the conditions of an imperfect labour market. The importance of the institutions for the economic development has been long ago understood, being highlighted, for example, in Adam Smith's work (1776) and acknowledged with the Nobel Prize (1993) awarded to Douglas North¹. Although the labour market institutions have a determinant role in the performance of the labour markets, affecting equally the employee's behaviour and there is a general consensus on introducing certain “rigidities” on the labour market, the political implications in practice result in intense debates on the subject. How much rigidity is wanted? To what extent do the labour market institutions “ideally” reflect the specific characteristics and preferences? Which are the consequences of having faulty institutions and which are the benefits of their consolidation? Who is winning and who is losing as a consequence of the legislation regarding the occupation protection? These are only a few questions for which an answer is required.

The study is a novelty, enriching the specialist literature taking into consideration that for the first time, the institutions are analysed in detail, each of them being the subject of a chapter. Usually, there is not enough information in the available specialist books about the institutions of the labour market and the policies of the labour market; these are not treated in a complete and systematic manner. The book has 13 chapters, each of them analysing a labour market institution, except the first and the last chapter that are concentrated on a general presentation of the interaction between the institutions. The authors define the labour work institution as being: “a system of laws, norms or conventions resulting from a collective choice and providing constraints or incentives that alter individual choices over labor and pay”.

The labour market institutions separately analysed in the 11 chapters are: the minimum wages, unions and collective bargaining, payroll taxes, regulations of

¹ North, Douglass C., *Institutions, Institutional Change and Economic Performance*, 1990.

working hours, retirement programs, family, education and training policies, migration policies, the employment protection legislation, unemployment benefits and active labour market policies. Each chapter is structured the same way, containing definitions, measurement methods (the variation between countries and the evolution of the time series), theories, empirical evidence (at a micro and macro level), policies, a general evaluation of the institution in the current context, suggestions, questions and a technical appendix including the theoretical background. The statistic information regarding the time evolution of these institutions is given for all the OECD countries.

The book is a novelty in the field because the institutions have been analysed in the context of an imperfect labour market, even if they are themselves a cause for imperfection. The labour market are not perfectly competitive by nature, most of the imperfections being caused by the information problems and the function of the market mechanism. The book has a holistic approach, taking into consideration that the institutions do not function isolated and therefore not only the direct effects of each institution upon the employment, unemployment and wages are analysed, but also the indirect effects mediated by the presence of other institutions.

The targeted readers include: students specialising in labour economics, political economics and business, graduates specialised in the field as well as economists working within international organisations and governmental agencies.

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DANIELA PAŞNICU, Assoc. Prof. Ph.D.

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Bulevardul Timișoara nr. 58, București, Sector 6
Tel./Fax 021/444.20.91; www.spiruharet.ro
e-mail: editurafrm@yahoo.com