

Academic Abstract

This paper studies net employment growth across 21 OECD economies since 1980, focusing on the wide range of experiences within the European Union. A battery of empirical specifications on a large variety of disaggregated data indicates that the initial composition of employment across sectors is relevant in a few countries, but can only partially account for cross-country differences in net employment growth. Institutions, conversely, appear to play an important role. Historically, low dismissal costs and low taxation were significantly associated with high net employment growth. This can account for a substantial share of cross-country differences across OECD labor markets. And in the 1990s, as European countries have begun to reform these and other institutions, such structural influences appear to play an important role in the recent acceleration of European employment growth.