

Subject Index

- "Absolute profitability constraint," 5–6, 96
Adjustment costs, wage-price, 37–38
Adverse selection, labor market behavior under, 42–43
Apprenticeship systems, 263–264
Business cycles, 110–111, 244–246
Capital utilization, 229, 230
Cooperation activities, 79, 87, 88. *See also* Labor turnover costs, cooperation and harassment differentials
Credibility
insider threats, 101
labor turnover decisions, 132–135
Credit constraints, labor market behavior under, 59
"Customer markets," 34
Delivery lags, 35
Demand management, 163–167, 198, 227–230, 236, 266–268
Discrimination, labor market, 7, 48, 59–60, 70, 72, 88, 105–107
Disequilibrium theory, labor market. *See* "Reappraisal of Keynes"
Dual labor markets, 246–249
Economic recovery. *See* Business cycles; "Resilience" of labor markets
Efficiency wage theories, 42–43, 55–58, 64–67, 123–124, 249
Effort monitoring, 124–126, 198–199. *See also* Efficiency wage theories
Effort supply decisions, 126–129. *See also* Work-to-rule threats
Employment
determination of, 66–67, 69–71, 96–104, 214–217, 232
variability in, 244–246
Entrants, definition of, 3, 89
"Entry fees," labor market, 50, 56–57
Entry of firms, 41, 51, 54–55, 108–109, 229, 230, 265–266. *See also* Supply-side policies
Excessive wages, 210
"Exit fees," labor markets, 51, 57
Fiscal policies, effectiveness. *See* Demand management
"Formal sector." *See* "Primary sector"
Free riders, union activities, 157, 201
Harassment activities, 79, 87, 88. *See also* Labor turnover costs, cooperations and harassment differentials
Hysteresis. *See* Persistence of labor demand shocks
Imperfect competition, labor market behavior under, 33
Implicit contract theories, 32–33, 52–54
Incentive compatibility, labor market, 53–54
Increasing returns to scale, labor market under, 40–42, 54–55
"Informal sector." *See* "Secondary sector"
Infrastructure investment, government, 229, 230. *See also* Supply-side policies
"Initiation period," definition of, 3
Insider membership rules, 255–256, 261. *See also* Union membership
Insider-outsider theories, summary of, 44–46, 64–65
Insiders, definition of, 1, 89
Interindustry wage structure, 257–259

- Intertemporal substitution hypothesis, 27
- Inventories, 35
- Involuntary unemployment. *See* Unemployment
- Job discrimination, 107, 251
- Job security, 122
and productivity, 140–142
- Job security legislation, 68, 78, 121, 141, 176, 260–261. *See also* Structural policies
- Job sharing, 52, 56, 264–265
- Labor turnover, 107–108, 122–123, 129–136
- Labor turnover costs
cooperation and harassment differentials, 68, 80–81, 94–95
effort costs, 68, 81–82
general, 3
hiring, training, and firing costs, 68–70, 78–79, 150, 179–181, 197–198, 213
production-related, 7, 63, 70, 79
rent-related, 7, 63, 70, 79
- Labor unions. *See* Union behavior, theories of
- Lay-offs, 50
- Lock-out threats
determination of, 155–163
rationale for, 148
- Macroeconomic fluctuations. *See* Business cycles
- “Menu costs,” 38–39
- Minimum wage legislation, 24–25
- Moral hazard, labor market behavior under, 42
- Multiple equilibria, labor market behavior under, 36–37
- Multiplier, Keynesian, 23
- Natural rate hypothesis, 21
“capital gains approach,” 26
“job search approach,” 26
“misperceived interest rate approach,” 25
“misperceived real wage approach,” 25
“wage setting approach,” 26–27
- Natural rate of employment, 6
- New Classical macroeconomics, 21, 27–28, 29, 30–31
- Output-related wage contract. *See* Profit sharing
- Outsider, definition of, 1–2, 89
- Persistence of labor demand shocks, 217–220, 233–235, 239–244. *See also* “Resilience” of labor markets
- Phillips curve, 254–257
- “Primary sector,” 9, 246–247, 249, 250–251
- Profit sharing, 72, 109–110, 262–263
- Rational expectations hypothesis, 27, 28
- Rationing, 22, 23
- Real balance effect, 23
- “Reappraisal of Keynes,” 22–25, 29–32
- “Relative profitability constraint,” 5–6, 96
- Reservation wage, 150
- “Resilience” of labor markets, 209–211, 220–221
influence of union power on, 217–220
- Revenue sharing. *See* Profit sharing
- Search, labor market, 26–27, 36
- “Secondary sector,” 9, 246–247, 249, 250–251
- Segmented labor markets. *See* Dual labor markets
- Severance pay. *See* Job security legislation
- Shirking. *See* Effort supply decisions
- Strike funds, 156–161, 192–198
- Strike threats
credibility of, 148, 155–162, 192–194
determination of, 152–161, 182–194
rationale for, 146–148
- Strikes, 147
- Structural policies, 260–266
- Supply-side policies, 227, 236, 267–268
- Trade unions. *See* Union behavior, theories of
- Transmission of macroeconomic policies. *See* Demand management; Supply-side policies
- Time consistency, labor turnover decisions, 135
- Underbidding, labor market, 49–50, 55, 56–59, 86–87
- Unemployment
absence of coalition formation under, 51–52, 72

- "Classical" (*see* Excessive wages)
- composition of, 254
- "disguised," 251
- duration of, 253–254
- frictional, 21
- involuntary, 7–9, 47–52, 67, 78–82, 105–107, 139–140, 194–198
- Keynes's theory of, 20
- level of, 70–71, 102–107, 138–140, 250–253
- "membership-involuntary," 40
- "union-voluntary," 40
- Union behavior, theories of, 39–40
 - insider-outsider theory of, 82–83 (*see also* Strike threats; Strikes)
- Union membership, 215, 218

- Vocational training programs, 264

- Wage and price controls, 21, 24
- Wage and price rigidity, 22, 24, 174–175, 227
- Wage setting
 - collective bargaining, 213–217
 - individualistic, 5, 69, 95, 152, 164, 179–182, 231–232
 - long-term, 50
 - unionized, 136–138, 164–167
- Work-to-rule threats, 198–203