

# **CIFREM SEMINARS**

## **LABOR MARKET INTEGRATION POLICIES AND THE CONVERGENCE OF REGIONS**

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***Thursday, 20 May 2010***  
***3.00 PM – DISA seminar room***  
***Faculty of Economics***  
***Via Inama, 5 - Trento***

We study the role of different labor market integration policies on economic performance and convergence of two distinct regions in an agent-based model. Due to a complementarity between the cost saving nature of capital goods with a higher quality and specific skills needed to fully exploit the technologically advanced capital stock, distinct labor market policies result in non-trivially different outcomes. We show that various labor market integration policies yield via differing regional worker flows to distinct regional distributions of specific skills. Through this mechanism relative regional prices are affected determining the shares that the regions can capture from overall consumption good demand. There occurs to be a trade-off between aggregate output and convergence of regions with closed labor markets resulting in relatively high convergence but low output, and more integrated labor markets yielding higher output but lower convergence. Furthermore, results differ substantially in several respects as distinct labor market opening policies are applied.