

The Impact of Uncertainties on the Labor Market

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Abstract

The impact of inflation uncertainty and output uncertainty, especially in developing economies, has become a topic of widespread interest owing to ensure sustainable development through low-stable inflation is among the fundamental objectives for policy makers. Increased uncertainty on economic structure results a misallocation of resources. This paper examines the impact of uncertainties on the allocation of labor resources using stochastic volatility models. Moreover, the relations between uncertainties and labor markets are examined by considering the Phillips curve and Lucas hypothesis in developed and developing countries.

Keywords: Labor market, Phillips curve, Lucas hypothesis, Stochastic volatility models, Uncertainty.

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