

Regional labour market dynamics in the Netherlands^{*}

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Abstract. This article analyzes the response of regional labor markets in the Netherlands to region-specific labor demand shocks. Previous studies show remarkable differences in response between regions in European countries and regions in the United States. The analysis shows that, in Dutch regions, the speed of adjustment is similar to that of the US, but the primary adjustment mechanism is the same as in Europe. Whereas previous studies analyze only average patterns of all regions in a country, we also provide a more in-depth analysis of within country differences in labor market adjustment processes, thus showing remarkable differences between regions within the Netherlands.

JEL classification: R23, J21, J60

Key words: Regional labor markets, demand shocks, adjustment mechanisms

1 Introduction

This article analyzes the extent to which regional labor markets in the Netherlands share similar labor market shocks and to what extent regions differ with regard to the adjustment to those shocks. In essence, adjustment to a shock in regional labor demand can occur via changes in regional unemployment, changes in labor participation rates, and through spatial mobility in the form of migration and commuting. One reason to investigate regional rather than national labor markets is the fact that region-specific shocks may trigger adjustment mechanisms different than

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