Introducing Unemployment of Unskilled Labour in GMig 2

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Motivation

- Assumption of full employment in all regions not realistic
- In real world, unemployment in many countries, especially developing countries
- We allow unemployment in the model
  - In labor exporting regions
  - For unskilled labor
- Closure amendement:

! swap empl("unsklab",LEXP_REG)=pfactreal("unsklab",LEXP_REG);

- Variables to look at: factor returns, trade, real income of non-movers and change in real GDP.

Factor Returns

	USA		Mexico		India		Southern Africa	
	Baslin	Unepl	Baslin	Unepl	Baslin	Unepl	Baslin	Unepl
Real Wages of Unskilled Labour	-0.9	-0.9	2.19	0	-0.05	0	0.1	0
Real Wages of Skilled Labour	-0.95	-0.95	2.33	2.88	0.8	0.78	1.89	1.94
Real Return to Capital	1.14	1.14	-0.66	-0.15	-0.23	-0.26	-0.2	-0.15

Trade

		Baseline		Unemployment	
		USA	MEXICO	USA	Mexico
Change in Terms of Trade (%)	Unskilled	-0.28	0.49	-0.28	0.46
	Skilled	-0.24	0.16	-0.24	0.17
Change in Trade Balance	Unskilled	7089.51	-1466.57	8106.17	-2277.49
	Skilled	7238.04	94.93	7027.77	132.73
Change in Current Account Balance	Unskilled	-4166.65	2551.75	-3142.26	1734.25
	Skilled	-2556.25	860.98	-2768.1	899.22

Real Income of Non-Movers

Changes in Real Income of Permanent Resident Non-Movers
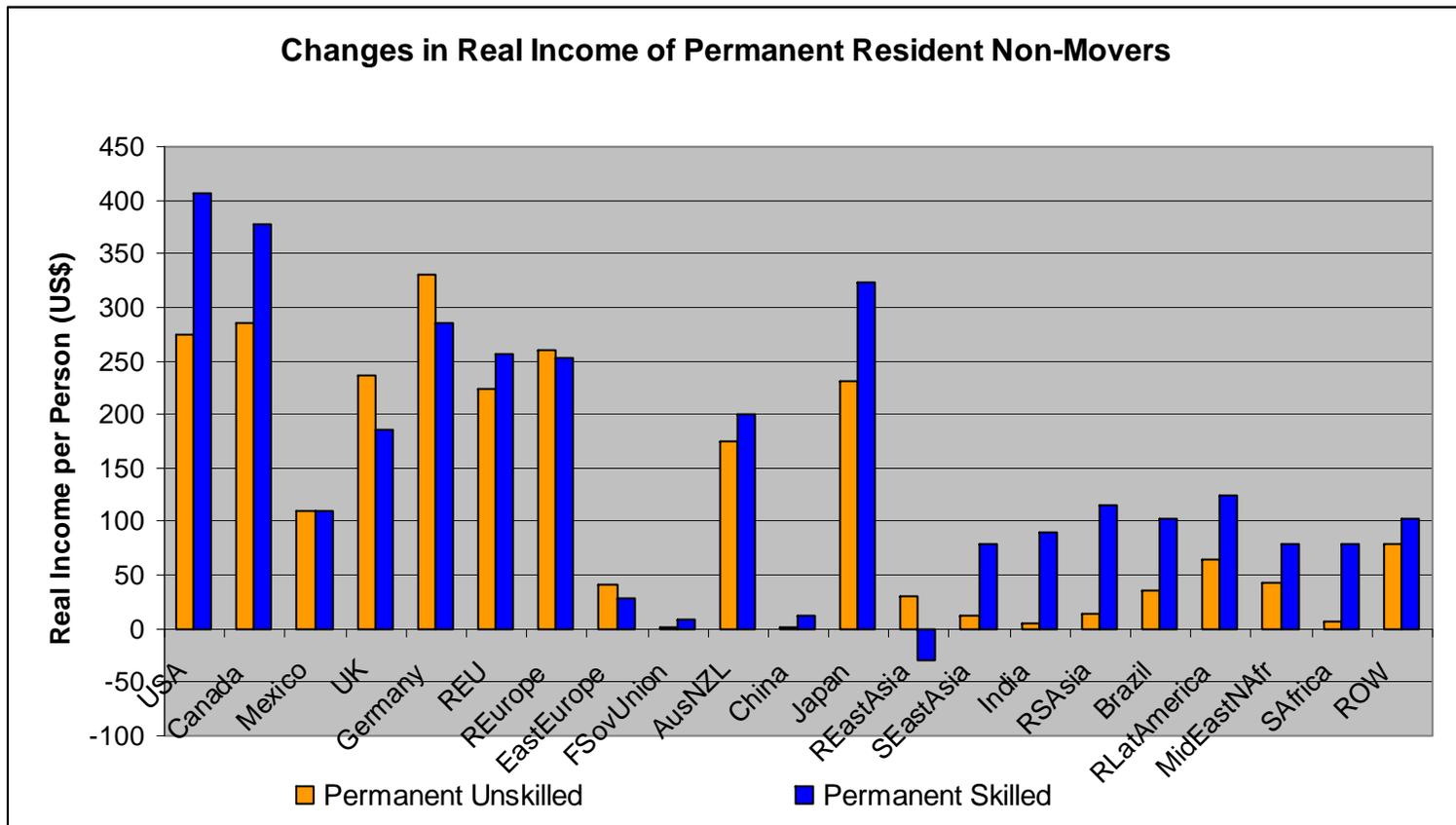
Global Real GDP

Percent change in Real GDP - Developing Countries

	Baseline		Unemployment	
	Unskilled	Skilled	Unskilled	Skilled
Mexico	-0.76	-0.28	**0.02**	**-0.34**
EastEurope	-0.61	-0.51	**0.01**	**-0.68**
FSovUnion	-0.09	-0.11	**-0.15**	**-0.19**
China	-0.04	-0.14	**-0.05**	**-0.2**
REastAsia	-0.64	-1.08	**-0.05**	**-1.45**
SEastAsia	-0.09	-0.14	**-0.01**	**-0.16**
India	-0.02	-0.06	**-0.04**	**-0.07**
RSAsia	-0.02	-0.11	**0.06**	**-0.12**
Brazil	-0.13	-0.17	**0.06**	**-0.17**
RLatAmerica	-0.48	-0.45	**0.12**	**-0.59**
MidEastNAfr	-0.39	-0.17	**0.02**	**-0.19**
SAfrica	-0.06	-0.24	**0.04**	**-0.28**
ROW	-0.46	-0.18	**0.47**	**-0.1**

Conclusion

- The introduction of the unemployment closure does not significantly affect macroeconomic economic variables in labour importing economies;

- There is a rise in % contribution to GDP in some of the labour-exporting countries;

- Real income of permanent non-movers increases more than in baseline