# ABSTRACT

## Job Search In LDC Labour Markets: The Case of Trinidad and Tobago

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The micro foundations of unemployment behaviour in the LDC context has not received the kind of attention it deserves. In this paper a re-examination of the specification problems immanent in existing LDC specific unemployment models reveals that the simple segmentation models of Harris-Todaro (1970) and Tidrick (1974) are most appropriate but tend to be too deterministic to capture the complexities of LDC labour market behaviour. It is suggested that the theory of search be incorporated into the analytical framework. This allows the examination of many of the more enigmatic features of the micro dynamics of labour markets which are largely specific to the LDCs, such as, the seemingly perverse impact of education on employment behavior, the problem of optimum participation strategies, the significance of chronic long term non-employment and the wide-spread failure of public sector job creation and training schemes. A stylized two-equation model is then developed which can be estimated using Heckman's two-step estimator. The model is fitted to a sample of young job seekers drawn by matching cases across consecutive rounds of the Continuous Sample Survey of Population.

The major finding reveals an empirical basis for the "bumping" or "job-ladder" models of Bhagwati (1977), and Fields (1975). Furthermore, there is structural as opposed to spurious state dependence in terms of the duration of non-employment among those experiencing long-term non-employment, in the sense that individuals experiencing such long-term non-employment may have become less employable (or less willing to find "legitimate" employment) over time.

However, this result depends critically on a measure of searcher heterogeneity which is based on an orthogonal decomposition of error terms in a model which does not account explicitly for population heterogeneity. Hence, one has be cautious about generalizing these results to the wider population.