



**DETERMINANTS OF UNEMPLOYMENT IN SELECTED
OECD COUNTRIES: PANEL DATA ANALYSIS**

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ABSTRACT

Unemployment is one of the major problems faced by selected Organization Economic Co-operation Development (OECD) countries. In this research paper, those selected OECD countries are Australia, Canada, Germany, United States and Japan. This paper investigates the relationship between unemployment and migration, unemployment and trade openness and unemployment and inflation in selected OECD countries within a period of 2007 to 2012. As the research paper is panel analysis, we found that Random Effect Model is more appropriate than Pooled Ordinary Least Square Method and Fixed Effect Model. Therefore, the Augmented Dickey-Fuller test is use to test the stationary of data. Moreover, the Johansen Co-integration is used to test the existing of long run relationship between the variables and Vector Error Correction Model is used to detect the short run relationship between the variables. The unit root test of Augmented-Dickey Fuller shows that the data is stationary at 1st difference and there is co-integrating relationship between the variables as the Johansen Co-integration is tested. It means that the long run relationship exists between the variables. There is a short run relationship between unemployment and trade openness as the VECM is conducted.