

**Trade Liberalization and Labor-Demand Elasticities:
Empirical Evidence from Tunisia**

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This paper investigates the effects of trade liberalization on labor demand elasticities. Employment demand equation is estimated by using data (1971-1996) for manufacturing industries in Tunisia. Results from empirical testing using the model find a weak support for the idea assuming that trade liberalization will lead to an increase in labor demand elasticities: in the vast majority of the industries we consider, we cannot reject the hypothesis of no relationship between trade openness and labor-demand elasticities. This weakness of labor demand elasticity in practice is perhaps explained by the tight labor market regulations in place during the 1987-96. However, our results are robust to the type of labor considered (contract labor and permanent labor). This supports the conclusion that under liberalization period labor markets have become more flexible, and that employers prefer recruiting contracts worker.

Keywords: Trade reforms; Imperfect competition; Factor demand elasticities; Tunisian manufacturing industries