Seminario de Microeconomía Aplicada - Wage Growth and Labor Market Tightness

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Abstract: Good measures of labor market tightness are essential to predict wage inflation and to calibrate monetary policy. This paper highlights the importance of two measures of labor market tightness in determining wage growth: the quits rate and vacancies per effective searcher (V/ES)—where searchers include both employed and non-employed job seekers. Amongst a broad set of indicators of labor market tightness, we find that these two measures are independently the most strongly correlated with wage inflation and also predict wage growth well in out-of-sample forecasting exercises. Conversely, transitory shocks to productivity have little impact on wage growth. Finally, we find little evidence of a nonlinearity in the relationship between wage growth and labor market tightness. These results are generally consistent with the predictions of a New Keynesian DSGE model where firms have the power to set wages and workers search on the job.

About the exhibitor: Sebastian Heise is a research economist in Labor and Product Markets. His main research focuses on long-term business relationships between firms and how such relationships influence the aggregate economy. Sebastian's recent work has used transaction-level trade data from the U.S. Census to study how long-term relationships between firms affect price setting and how firm-to-firm relationships evolve over the business cycle. Sebastian also studies misallocation in the labor market. He earned his PhD from Yale University, a Graduate Diploma in mathematics from King's College London, and an MSc from the University of Oxford.

Exposure time: 1 hora y 30 minutos

Fuente: https://www.banrep.gov.co/en/seminario-microeconomia-aplicada-wage-growth-and-labor-market-tightness