Author's Accepted Manuscript

www.elsevier.com/locate/jme

Unemployment history and frictional wage dispersion

Victor Ortego-Marti

PII: S0304-3932(15)00137-3
DOI: http://dx.doi.org/10.1016/j.jmoneco.2015.12.002
Reference: MONEC2820

To appear in: *Journal of Monetary Economics*

Received date: 6 December 2012
Revised date: 11 December 2015
Accepted date: 14 December 2015

Cite this article as: Victor Ortego-Marti, Unemployment history and frictiona wage dispersion, *Journal of Monetary Economics* http://dx.doi.org/10.1016/j.jmoneco.2015.12.002

This is a PDF file of an unedited manuscript that has been accepted fo publication. As a service to our customers we are providing this early version o the manuscript. The manuscript will undergo copyediting, typesetting, an review of the resulting galley proof before it is published in its final citable form Please note that during the production process errors may be discovered whic could affect the content, and all legal disclaimers that apply to the journal pertain

ACCEPTED MANUSCRIPT

Unemployment History and Frictional Wage Dispersion

Victor Ortego-Marti*

Abstract

Recent evidence shows that baseline search models struggle to match the observed levels of wage dispersion. This paper studies a random matching search model with human capital losses during unemployment. Wage dispersion increases, as workers accept lower wages to avoid long unemployment spells. The model explains between a third and half of the observed residual wage dispersion. When adding on-the-job search, the model accounts for all of the residual wage dispersion and generates substantial dispersion even for high values of non-market time. The paper thus addresses the trade-off between explaining frictional wage dispersion and the cyclical behavior of unemployment.

JEL Classification: E24.

Keywords: Search and matching; frictional wage dispersion; unemployment history; skill loss; unemployment volatility.

Accepted manuscript

*Department of Economics, University of California Riverside. Sproul Hall 3132, Riverside CA 92521. *Email:* victor.ortego-marti@ucr.edu. *Phone:* 951-827-1502. I am extremely grateful to the associate editor François Gourio, two anonymous referees, Wouter den Haan, Jang-Ting Guo, Per Krusell, David Lagakos, Adrian Masters, Pascal Michaillat, Dale Mortensen, Rachel Ngai, Chris Pissarides, Yonna Rubinstein, Carlos Thomas, Gianluca Violante and Alwyn Young for their valuable comments and suggestions. I also thank Francesco Caselli, Yu-Chin Chen, Daniele Coen-Pirani, James Costain, Joel David, Fabio Ghironi, Marcus Hagedorn, Jonathan Heathcote, Ethan Ilzetzki, Philip Jung, John Kennan, Nicholas Kiefer, Philip Kircher, Rasmus Lentz, Vincenzo Quadrini, Valery Ramey, Xavier Raurich, Guillaume Rocheteau, Shouyong Shi, Murat Tasci, Silvana Tenreyro, Stephen Turnovsky, Guillaume Vandenbroucke, Ludo Visschers, Carl Walsch, Joel Watson, Linda Yuet-Yee Wong and seminar participants at the 2012 Cycles, Adjustment, and Policy Conference on Credit, Unemployment, and Frictions at Sandbjerg Gods, Aarhus University, the 2012 French Economic Association Meeting, the 11th New York/Philadelphia Workshop on Quantitative Macroeconomics, the 6th Southwest Search and Matching Workshop, Bank of Spain, Dutch Central Bank, London School of Economics, UC Irvine, UC Riverside, UC San Diego, UC Santa Cruz, Universitat de Barcelona, University of Southern California and University of Washington for helpful discussions. Financial support from the Bank of Spain and the Fundacion Ramon Areces is gratefully acknowledged.

Download English Version:

https://daneshyari.com/en/article/967574

Download Persian Version:

https://daneshyari.com/article/967574

Daneshyari.com