

# IAB-DiskAB

Einladung  
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## Real Wage Cyclicity of Newly Hired Workers

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Several recent macroeconomic models rely on rigid wages. Especially wage rigidity of newly hired workers seems to play a crucial role, since the decision of opening a vacancy or not is mainly influenced by their real wages. However, so far little empirical evidence exists on how real wages of newly hired workers react to business cycle conditions. This paper aims at filling this gap for a large economy, namely Germany, by analyzing the cyclical behavior of real wages of newly hired workers while controlling for “cyclical up- and downgrading” in employer/employee matches. For the analysis two endogenous variables are used: either the “typical” (e.g. modal) real wage paid to entrants into a particular job of a particular firm or the entrants' individual real wage. The results show that entry-wages are not rigid, but considerably respond to business cycle conditions. This finding strengthens Pissarides' (2009) dismissal of theories based on cyclically rigid hiring wages and challenges researchers to develop models that are able to generate realistic volatilities of, e.g., unemployment when considering the empirically documented real wage cyclicity. Furthermore, I show that the procyclicality of the employment/population ratio is (nearly) identical to the procyclicality of real entry-wages.

**Dienstag, 15. Januar 2013**

**15.00 Uhr**

**Sitzungssaal 126a**