

The Intensive and Extensive Margins of Real Wage Adjustment

Mary C. Daly Bart Hobijn

Discussion by

Moritz Kuhn

University of Bonn, ECONtribute, CEPR, IZA

Labor Market and Monetary Policy

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- Understanding aggregate wage dynamics key question of macroeconomic research

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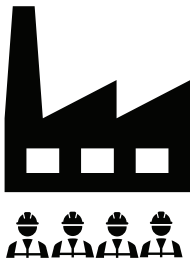
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- **Current paper:** Decompose wage dynamics taking into account labor market flows
- **My discussion:** Connect heterogeneity in worker flows to wage dynamics

Aggregate wages and worker flows

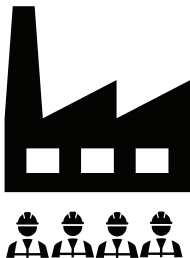
- Wages of employed workers change over the business cycle



Intensive margin

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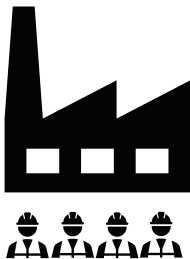
- Wages of employed workers change over the business cycle
- Intensive margin of wage changes



Intensive margin

Aggregate wages and worker flows

- Workers leave and enter employment (extensive margin)



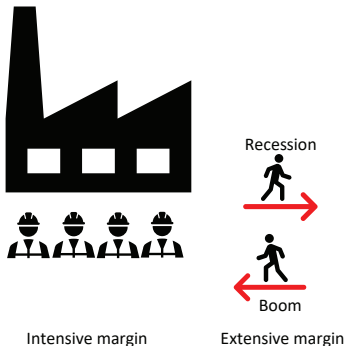
Intensive margin



Extensive margin

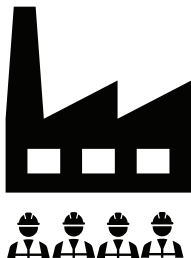
Aggregate wages and worker flows

- Workers leave and enter employment (extensive margin)
- Compositional changes of employment can affect wage distribution



Aggregate wages and worker flows

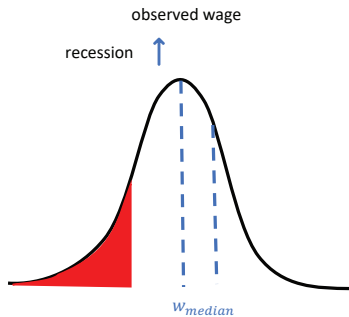
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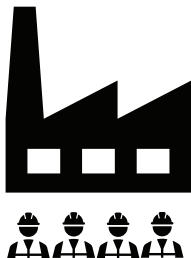


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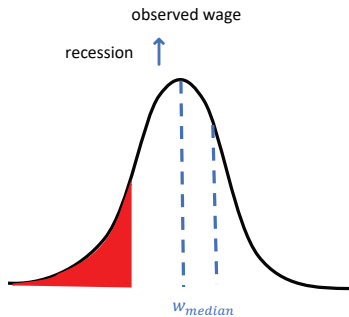
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Intensive margin

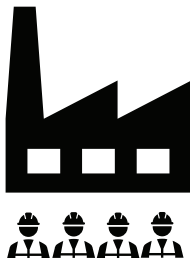


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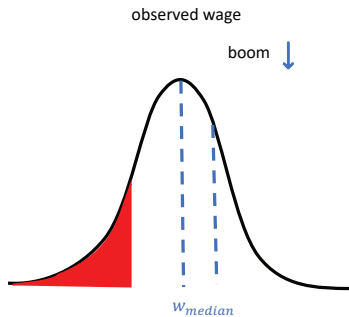
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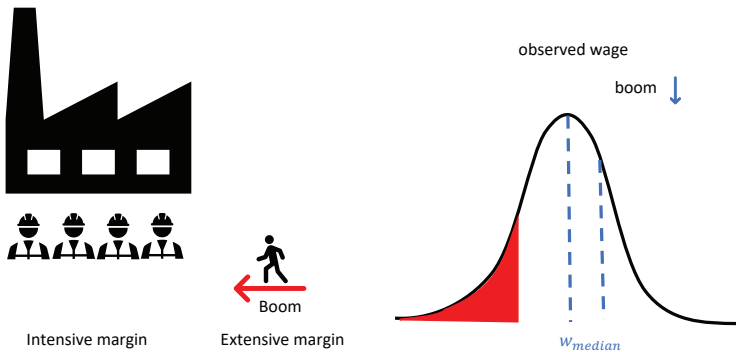


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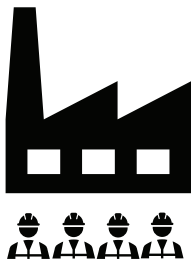
Aggregate wages and worker flows

- Simplest case: Workers enter at the bottom of wage distribution
- Median (observed) wage declines



Aggregate wages and worker flows

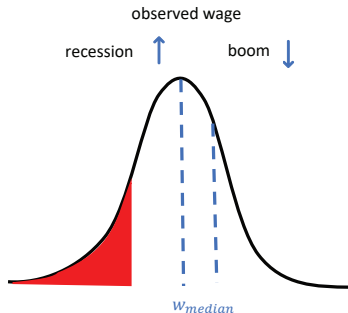
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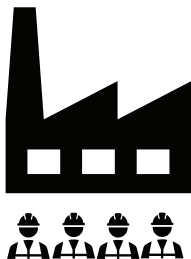


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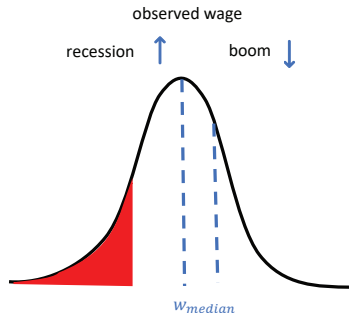
- Heterogeneity of worker flows key to affect observed wage cyclicality
- Decompose (median) wage growth into extensive and intensive margin



Intensive margin



Extensive margin



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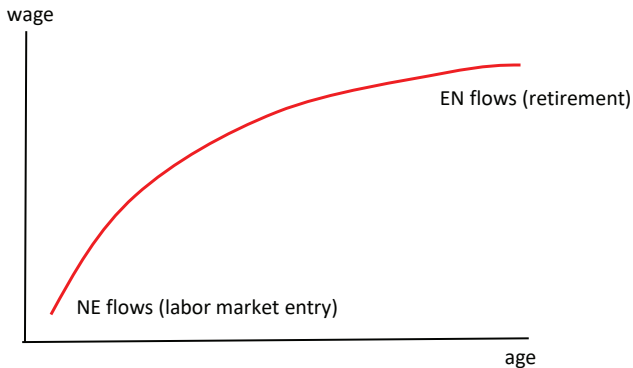
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 - Suggests large heterogeneity in worker flows

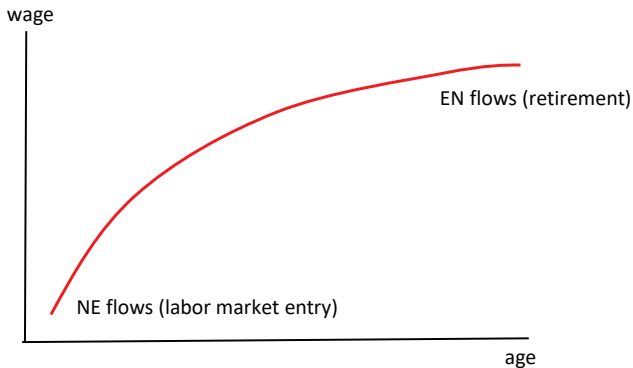
Sources of heterogeneity

- Life-cycle dynamics one source of heterogeneity



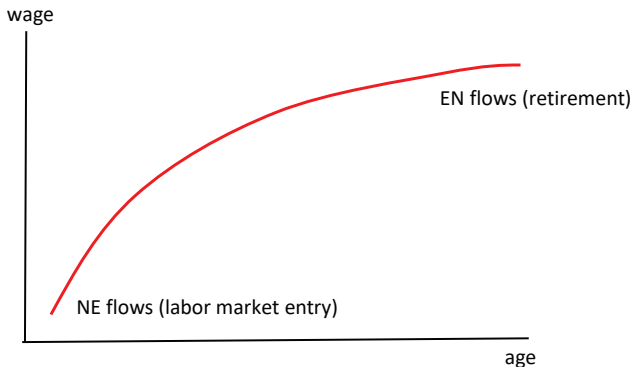
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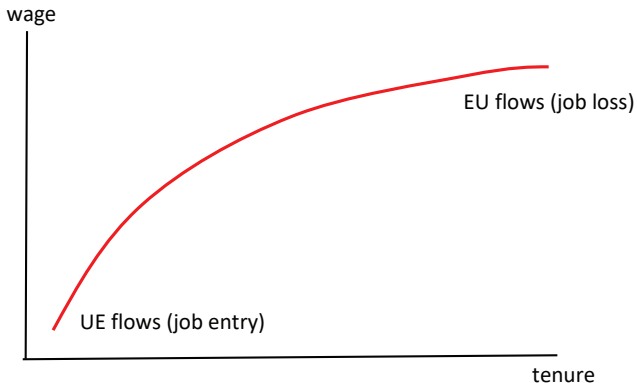
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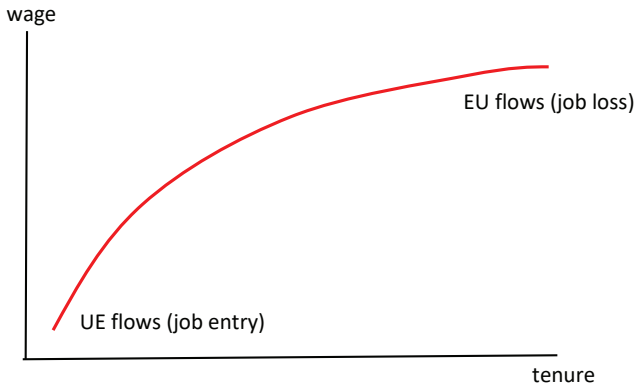
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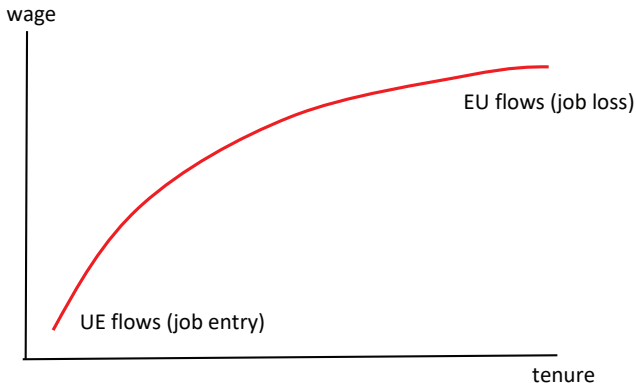
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- Leave from high-wage job when next recession hits



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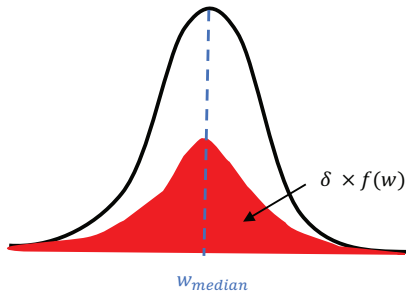
- One interpretation of current results
 1. Large heterogeneity in worker and job types
 2. “Representative worker” struggles to account for aggregate wage dynamics

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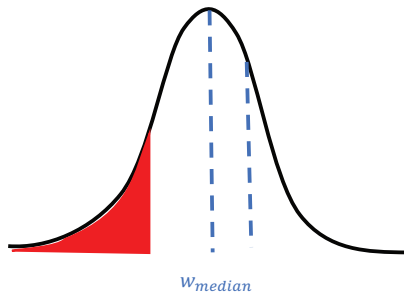


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- Empirically high-wage jobs are more stable (Jung & Kuhn, 2017)



Conclusions

- Great paper offering interesting and very careful data analysis

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- Heterogeneity in labor market flows shape macroeconomic wage dynamics (extensive margin)
- Career dynamics important driver of aggregate wage dynamics (intensive margin)