Job Search, Wages, and Inflation *

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Abstract

How do inflation expectations affect the job search behavior of workers when wages are set in nominal terms? A canonical job search model incorporating nominal wage rigidities implies that on-the-job search should increase with expected inflation. In a novel survey, we show that workers are more likely to search at higher values of hypothetical inflation. In the Survey of Consumer Expectations, within-respondent variation in inflation expectations predicts search. A back-of-the envelope calculation suggests the search mechanism and the 2021-2023 rise in inflation expectations can explain roughly 30 percent of the change in the job-to-job transition probability over that period.

JEL Codes: E31, J3, J6
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How do households respond to expected inflation, given that wages are set in nominal terms? If workers expect their current real wages to fall, they may search on the job to increase their wages with either job changes or on-the-job renegotiation. This search can have important implications for the allocation of workers to jobs and the overall effect of inflation and the ensuing inflation expectations in the labor market. Despite the fundamental importance of this question for understanding labor market dynamics during inflationary periods, the response of job search behavior to inflation expectations remains poorly understood.

To fill this gap, we develop a simple theory of job search and nominal rigidities. The framework predicts that search effort will increase with expected inflation if workers think that their wages will not keep up with inflation conditional on remaining with their employer. We then provide novel empirical evidence in support of this prediction using a novel survey with inflation hypotheticals and complement it with supporting evidence from observational data. A back-of-the-envelope calculation using our estimated marginal effect of inflation expectations on search and the post-pandemic rise in expectations suggests that this channel can account for roughly 30% of the rise in the job-to-job transition rate over the same period.

To formalize the mechanism and structure our empirical investigation, we introduce a simple model of on-the-job search (Burdett, 1978; Christensen, Lentz, Mortensen, Neumann and Werwatz, 2005) that integrates nominal rigidities. Workers choose search effort taking into account their current nominal wage as well as their inflation expectations. Incumbent wages and offered wages grow at (possibly different) rates which depend on the rate of inflation, with anything less than one-to-one growth representing nominal rigidity. Our key result shows that search effort increases with inflation expectations if any one of three sufficient conditions holds: (i) offers are fully flexible (indexed to inflation) and incumbent wages exhibit some rigidity, (ii) offers exhibit some nominal rigidity, incumbent wages are relatively more rigid, and agents are sufficiently risk averse, or (iii) incumbent wages and offers are equally nominally rigid, but workers have diminishing *relative* marginal utility. Intuitively, these conditions imply that higher expected inflation makes current jobs relatively less attractive compared to outside opportunities, either because offers maintain their real value more so than current wages (cases i and ii), or because proportional wage gains become more valuable when workers expect greater reductions in their current purchasing power (case iii).

We next test the key prediction in a novel hypothetical experiment which exogenously moves inflation expectations. We collect expectations and planned labor market actions for hypothetical inflation scenarios in two rounds of the Real-Time Population Survey or RPS (Bick and Blandin, 2021, 2023), first in October 2022 and again in February 2025. In both waves, employed respondents were asked to consider a hypothetical inflation level and provide (i) expected nominal earnings growth *conditional on remaining at their current job* and (ii) anticipated labor market actions such as searching for new or additional work or asking for a raise at that infla-

tion rate. Respondents answered these questions for two hypothetical levels of inflation: 2% and 10%. By comparing responses across the two hypothetical scenarios, we estimate the differences in expected on-the-job wage growth and search behavior at different levels of expected inflation while keeping respondent-specific characteristics, such as demographics, current labor market situation, and wage, fixed.[1]

A fundamental requirement in the model to guarantee a positive effect of inflation expectations on search is that workers perceive their current wages to be nominally rigid, that is they do not expect them to increase at the same rate as inflation. We find evidence that this is indeed the case; survey respondents in each wave expect that, conditional on staying with the same employer, their earnings growth will be similar in both hypothetical scenarios, and therefore that lower real on-the-job earnings growth will accompany higher inflation. As the theory predicts under this assumption, we also find that search is more prevalent in the higher inflation scenario. In both the October 2022 and February 2025 waves of the survey, the shares of workers who would search for new work increase by 6.2 and 7.0 percentage points when moving from the low to high expected annual inflation scenario (from a baseline of 12.0% and 15.8%, respectively). If we define search more broadly and include the search for additional work, we find that the share reporting they would search increases by 5.7 and 8.7 percentage points in the October and February surveys, respectively (from baselines of 34.8% and 37.25%, respectively).

As the survey isolates changes in responses across hypotheticals at the individual level, it controls for any individual-level characteristics that might correlate with high levels of search. However, a remaining endogeneity concern is that respondents change not only their expectations of inflation across hypotheticals, but also their expectations of other labor market variables. They may, for example, interpret the higher inflation scenario as a demand shock that both increases inflation and generates a tighter labor market. In this case, respondents would search more in the higher inflation scenario, not because of inflation's direct effect on real wages, but because of an expanded set of job opportunities. To address this concern, in the second round of the survey we also asked respondents (i) the wage growth they could expect from a job offer and (ii) how easy it would be to find a job at the different hypothetical inflation levels. We estimate the marginal effects of these expectations on search behavior and quantify the contribution of changes in these expectations across the hypotheticals to changes in search behavior. We find that they explain only a small fraction of the total change in search between hypotheticals, so that inflation and its effect on expected real wages *directly* prompts the decision to search.

While the hypothetical questions allow us to exploit exogenous movements in inflation expectations holding respondent characteristics fixed, the approach is subject to shortcomings present in any hypothetical methodology. Respondents may, for example, report that they will

[1] A possible threat to exogeneity is that expectations about other labor market variables change when inflation expectations move. We account for this via additional survey questions as we detail below.

be inclined to modify their behavior in response to inflation, but outside of an experimental setting - when confronted with the costs of search and changing jobs as well as with the set of available offers - would not respond in the same way. Observing a similar relationship between inflation expectations and search outside of a controlled experimental environment would lend credence to our previous findings. We therefore turn to the Federal Reserve Bank of New York's Survey of Consumer Expectations (SCE) to examine the relationship between inflation expectations and on-the-job search in a more detailed and longer-running dataset.

Specifically, we estimate a linear probability model of job search on inflation expectations using both cross-sectional and within-respondent variation in inflation expectations. Correlations between inflation expectations and search behavior estimated from - variation in inflation expectations may, however, be driven by unobserved heterogeneity. This would be true if inflation expectations co-vary with expectations about labor market conditions. To assuage this concern, we include other time-varying labor market expectations and conditions as controls. A more fundamental concern is that some workers may have both high average inflation expectations and high search propensity. We therefore also estimate the empirical model with respondent fixed effects to isolate within-level variation in expectations.

Using SCE data from 2014-2019, we find that within-respondent variation in inflation expectations predicts search for new work: a one percentage point increase in expected annual inflation is associated with a 0.6 percentage point increase in the likelihood of search for new work. We also find a positive (though statistically insignificant) correlation between inflation expectations and the broader notion of search which includes both the search for new or additional work: a one percentage point increase in expected inflation is associated with a 0.45 percentage point increase in the likelihood of search for new work. We show that the estimated coefficient is stable to the choice of controls and satisfies a test from Oster (2019), suggesting that remaining omitted variable bias is limited. To compare to other variables that affect the search decision, the SCE results imply that a one percentage point reduction in inflation expectations reduces the likelihood of search as much as a three percent increase in the current real wage or a seven percentage point decrease in subjective job-loss probability.[2]

Relative to our estimated effect of inflation expectations on search from the RPS, the estimates from the SCE are roughly 40-80 percent as large, depending on the survey wave and definition of search. The model makes clear that the response of search to expectations is not itself a structural parameter but rather determined by several labor market variables which may be time-varying, such that we do not necessarily expect stable estimates. Nevertheless, there are important differences across designs that may rationalize these different magnitudes. The SCE asks about search behavior over a shorter horizon of one month compared to the RPS

[2]The effect of of real wages on search behavior is itself the subject of a large empirical and theoretical literature. See, for example, Faberman, Mueller, Şahin and Topa (2022).

horizon of one year. Some search that would have been reported over longer horizons in the SCE may therefore go unmeasured. The SCE also records search *realizations* rather than hypothetical behavior, and may capture search undertaken only after other actions taken in response to inflation, such as renegotiating with an employer as in Guerreiro, Hazell, Lian and Patterson (2025), are unsuccessful.

As a final exercise, we quantify the extent to which elevated inflation expectations can explain the surge in job-to-job transitions during the 2021-2023 inflation episode, given our estimates of the effect of inflation expectations on search behavior. For this, we use the SCE estimates as they match the monthly frequency of the job-to-job transition data. Relative to 2019, the monthly job-to-job transition probability increased from 2.28 to 2.48 percent. Over this same period, average household inflation expectations as measured in the SCE rose from 3.5 to 8. A simple back-of-the-envelope calculation using our estimated effects of expected inflation on search and the measured 4.5 percentage point rise in average inflation expectations suggests that the rise in inflation can explain 30-40% of the increase in the job-to-job transition probability. The dynamics of inflation expectations can therefore explain an important part of the post-pandemic labor market dynamics.

This paper and the contemporaneous work of Hajdini, Knotek II, Leer, Pedemonte, Rich and Schoenle (2022) are the first to use household surveys to study the relationship between inflation expectations and search behavior empirically. Hajdini, Knotek II, Leer, Pedemonte, Rich and Schoenle (2022) provides RCT evidence that inflation expectations do not transfer to nominal wage growth expectations and establishes a link between expected inflation and the likelihood that consumers assign to applying to new, higher-paying jobs. Specifically, they provide information to treatment groups and examine responses in expectations and the likelihood of certaint actions relative to a control group. We establish the inflation expectation-search link through both hypothetical experiments and observational data, and provide theoretical underpinnings for the observed behavior in a micro-founded search model.

There is a large literature exploring the link between inflation expectations and economic decision-making. Coibion and Gorodnichenko (2015) and Coibion, Gorodnichenko and Ropele (2020) demonstrate links between firm inflation expectations and hiring, investment, and price setting decisions. The focus of the literature on consumer decision-making has been primarily on spending decisions rather than labor market behavior.[3] Much of this literature finds small or even negative relationships between expected inflation and consumption behavior—a puzzle given theories of intertemporal substitution. Our paper offers a potential explanation for this consumption response as we document that workers anticipate lower real wages to accompany

[3]See for example, Bachmann, Berg and Sims (2015), Coibion, Georgarakos, Gorodnichenko and van Rooij (2023), Duca-Radu, Kenny and Reuter (2021), Burke and Ozdagli (2023), D'Acunto, Hoang and Weber (2016), D'Acunto, Hoang and Weber (2018), Ryngaert (2022) Dräger and Nghiem (2021), Crump, Eusepi, Tambalotti and Topa (2022), and Ichiue and Nishiguchi (2015).

inflation, consistent with Jiang, Kamdar, Lu and Puzzello (2024), who find that households do not substitute consumption between time periods because they view inflation as a source of lost purchasing power. Other papers considering the link between expected inflation or inflation and labor market decisions or wage passthrough include Abberger, Funk, Lamla, Lein and Siegrist (2025), Baek and Yaremko (2024), Bostanci, Koru and Villalvazo (2025), and Buchheim, Link and Möhrle (2024).

Our work relates to recent theoretical research introducing nominal considerations into search models (Moscarini and Postel-Vinay (2023), Blanco, Drenik, Moser and Zaratiegui (2025), Pilossoph, Ryngaert and Wedewer (2023) and Afrouzi, Blanco, Drenik and Hurst (2024)). Our paper focuses on how inflation expectations affect job search behavior, while Moscarini and Postel-Vinay (2023) examines how misallocation in the job ladder affects inflation. Relative to Blanco, Drenik, Moser and Zaratiegui (2025), Pilossoph, Ryngaert and Wedewer (2023) and Afrouzi, Blanco, Drenik and Hurst (2024), we formalize a broader set of conditions that delivers a positive relationship between search behavior and inflation expectations. We highlight that while relative rigidity of incumbent and new hire wages can generate this correlation, it can also arise due to household preferences.[4] Guerreiro, Hazell, Lian and Patterson (2025) consider the effect of inflation on workers in the form of the costly conflict that workers may undertake to increase wages. Using hypothetical questions to measure the cost of these actions, Guerreiro, Hazell, Lian and Patterson (2025), argues for a labor market channel emphasizing workers' distaste for inflation (Shiller, 1997; Stantcheva, 2024).

Finally, we also contribute to an empirical literature characterizing on-the-job search and its importance in the macroeconomy. Faberman, Mueller, Şahin and Topa (2022) use a supplement to the Survey of Consumer Expectations to characterize on-the-job search. They describe not only the ways in which the employed search for new work, but also their effectiveness in yielding offers and wage increases. Our paper uses data from the same survey and characterizes the link between the search behavior of employed workers and respondents' inflation expectations. Other papers also study the relationship between on-the-job search, job-to-job transitions, and inflation, but with causality running in the other direction. Faccini and Melosi (2023) model the rate of on-the-job search as important for wage growth via the effect it has on the intensity of inter-firm competition for workers. Karahan, Michaels, Pugsley, Şahin and Schuh (2017) use cross-state variation to establish a link between the job-to-job transition probability and wage growth. Instead, our emphasis is on how expected inflation causes on-the-job search.

The paper proceeds as follows. Section 1 develops the simple model in which search depends

[4]While empirical evidence from Gertler, Huckfeldt and Trigari (2020) and Grigsby, Hurst and Yildirmaz (2021) finds no differential wage rigidity between new hires and incumbents, Hazell and Taska (forthcoming) document that differential rigidity emerges specifically during expansions. Our theoretical framework demonstrates that a positive inflation-search relationship can arise even without differential wage rigidity, though the presence of such differential rigidity during booms would amplify the effect.

on inflation expectations and derives sufficient conditions under which search effort will be positively correlated with inflation expectations. Section 2 aims to test the model predictions; we discuss our newly collected data and provide evidence that increased expected inflation precipitates on-the-job search. Section 3 describes the data from the Survey of Consumer Expectations and presents detailed results linking inflation expectations with search. Section 4 quantifies the significance of the mechanism in explaining the post-Covid rise in the job-to-job transition probability. Section 5 concludes with a discussion of our findings and considerations for future work.

1 Model

We begin by outlining a simple two period model of search (Burdett (1978)) with endogenous search effort (Christensen, Lentz, Mortensen, Neumann and Werwatz, 2005; Faberman, Mueller, Şahin and Topa, 2022) that integrates nominal wage rigidities by explicitly accounting for the effect of inflation on real wages. We use the model to explore the implications of nominal rigidities for search behavior. These implications will guide our empirical work.

Workers have utility $u(\frac{c}{p}) = \frac{\left(\frac{c}{p}\right)^{1-\eta}-1}{1-\eta}$ over real consumption $\frac{c}{p}$, where $\eta \geq 0$. They cannot save and so consume their entire real wage. They have some expectation of inflation $\tilde{\pi}$ over the rate of growth of the price level p between the first and second period. Nominal wages for employed workers grow at rate $\gamma_1 \cdot \tilde{\pi}$, where $1 \geq \gamma_1 \geq 0$. $\gamma_1 = 1$ corresponds to full wage indexation for incumbent workers, while $\gamma_1 = 0$ corresponds to full nominal rigidity of stayer wages.

The employed choose their search effort s, taking as a given the search cost, $k(s)$, with $k'(s) > 0$ and $k''(s) > 0$, their current inflation expectations $\tilde{\pi}$, and their current real earnings $\frac{w}{p}$. The probability of receiving an offer increases linearly in search effort, λs, with $s \in (0, \frac{1}{\lambda})$ so that $\lambda s \in (0, 1)$. Nominal wage offers are drawn from an exogenous distribution $F(w)$ which is bounded by $[\underline{w}, \bar{w}]$.[5] Nominal wage offers grow at rate $\gamma_2\tilde{\pi}$, where $1 \geq \gamma_2 \geq 0$. Again, $\gamma_2 = 1$ corresponds to the case where offered wages track with inflation, while $\gamma_2 = 0$ corresponds to full nominal rigidity in offers. Naturally, $\gamma_1 < \gamma_2$ will then imply that offered wages are relatively more flexible than incumbent wages. In what follows, we focus on cases where $\gamma_1 \leq \gamma_2$, which is the empirically relevant case.[6] We also focus our attention on cases for which $\tilde{\pi} > 0$.[7]

[5]Since the distribution of offers is exogenous, they can be reinterpreted as offers which result in job-to-job transitions, or any offers that arise as a result of search effort, including offers through renegotiation with one's current firm that are triggered by outside offers.

[6]See Pissarides (2009) for a review of earlier papers finding relative flexibility of new hire wages. More recent evidence finds that there is no differential flexibility (Gertler, Huckfeldt and Trigari, 2020; Grigsby, Hurst and Yildirmaz, 2021). Hazell and Taska (forthcoming) finds that there is differential flexibility in booms, but not downturns. $\gamma_1 \leq \gamma_2$ allows for all these possibilities.

[7]For deflationary expectations, a natural assumption on nominal wages is that they do not decline, i.e.

1.1 Search Behavior

Since nominal wages of employed workers grow at rate $\gamma_1\tilde{\pi}$ while at the same job, workers expect their real wages to grow by $\frac{1+\gamma_1\tilde{\pi}}{1+\tilde{\pi}}$ between now and next period conditional on remaining at the same job. Similarly, since offered wages grow at rate $1+\gamma_2\tilde{\pi}$, workers expect real offered wages for new matches to grow by $\frac{1+\gamma_2\tilde{\pi}}{1+\tilde{\pi}}$ over a single period. The worker thus solves the following problem:

$$\begin{aligned}\max_{s\in\left(0,\frac{1}{\lambda}\right)} \quad & u\left(\frac{w}{p}\right)-k\left(s\right)\\ & +\beta\lambda s\int_{\underline{w}}^{\bar{w}}\max\left\{u\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right),u\left(\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\right\}dF\left(x\right)\\ & +\beta\left(1-\lambda s\right)u\left(\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\end{aligned}$$

where the offer distribution F is in today's dollars. Optimal search effort at the interior satisfies:

$$s_e^*\left(w,\tilde{\pi}\right)=k'^{-1}\left(\beta\lambda\int_{w\frac{\left(1+\gamma_1\tilde{\pi}\right)}{\left(1+\gamma_2\tilde{\pi}\right)}}^{\bar{w}}\left[u\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)-u\left(\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\right]dF\left(x\right)\right) \tag{1}$$

It is straightforward to show that when $\gamma_2=\gamma_1=1$, that is both wages for stayers and offers are fully indexed to inflation, the model becomes the standard one where everything can be expressed in real terms.[8] Second, one can also show that search effort declines in the nominal wage w, the same result as in Christensen, Lentz, Mortensen, Neumann and Werwatz (2005) with respect to the real wage. Intuitively, at higher nominal wages the return to search is lower since there are fewer offered wages providing an improvement over the current wage.[9].

We are most interested in how expected inflation affects search behavior, so cases outside $\gamma_2=\gamma_1=1$. This will be different from how the real and/or nominal current wage relationship affects search, since inflation also affects offered real wages, as can be seen in Equation 1. The following proposition describes sufficient conditions under which search effort will be increasing in inflation expectations.

Proposition 1 *If either:*

(i) $\gamma_2=1$, $1>\gamma_1\geq 0$, *and* $\eta\geq 0$ *or*

downward nominal wage rigidity. In this case, the predictions mimic a real model, since the rigidity parameters disappear, and search effort is no longer a function of inflation expectations.

[8]To see this, substitute $\gamma_2=\gamma_1=1$, and then use the change of variables in the integral $y=\frac{x}{p}$.

[9]Curvature in utility in the form of η *strictly* greater than zero only makes the sensitivity of search with respect to the nominal wage stronger, but is not required for the general prediction. For a proof, see Appendix Section A

(ii) $1 \geq \gamma_2 > \gamma_1 \geq 0$ *and* $\eta \geq 1$*, or*

(iii) $1 > \gamma_2 = \gamma_1 \geq 0$ *and* $\eta > 1$*,*

then search effort for employed workers is strictly increasing in inflation expectations.

Proof. See Appendix A. ■

To understand the intuition, it is useful to start with the extreme cases. Case (i) is one in which offered wages are growing with the price level ($\gamma_2 = 1$, no nominal rigidity in offers), but current wages are not ($\gamma_1 < 1$, some nominal rigidity for stayers). Ceteris paribus, a worker with higher inflation expectations expects her real earnings will worsen more than someone with lower inflation expectations, even though offered wages grow in the same way for both individuals. The returns to search are higher for the worker with higher inflation expectations, and she is therefore more likely to search.

Case (iii) does not require any differential relative flexibility between offered and stayer wages; instead, utility must exhibit diminishing *relative* marginal utility. Put differently, it must be the case that a doubling of income at low wages provides a higher return than a doubling of income at higher wages. Because inflation affects not only one's real wage conditional on remaining with the same employer, but also offered real wages by the same proportion, search only provides a higher expected return at higher levels of expected inflation if proportional increases in wealth are valued more at lower wealth levels. This is exactly what happens when $\eta > 1$, and why curvature in utility alone is not sufficient to guarantee the result when wages are equally rigid.

The second case is in the middle of these two extremes. It does not require that offered wages are fully flexible, but still requires some differential flexibility between offered wages and stayer wages. There is a stronger requirement of $\eta \geq 1$ relative to case (i) because the rigidity in offers mutes some of the return to search that someone with higher inflation expectations might experience. There is a weaker requirement of $\eta \geq 1$ relative to case (iii) because someone with higher inflation expectations will anticipate a larger real wage decline relative to the opportunities available via search.

Appendix B extends this simple model in several important directions, and discusses them in the context of the main result stated in Proposition 1. To study inflation uncertainty, we assume that inflation expectations are described by a prior distribution with some mean and variance. We show that both increases in the mean of one's prior and increases in the variance of one's prior over inflation can also generate higher degrees of search effort. We also extend the basic framework to allow for arrival rates to depend on inflation expectations, to consider what happens if workers have a stagflationary view of the economy. Finally, we study non-employed workers, and show that the same results hold for them when unemployment benefits are nominal; if benefits are indexed to inflation, search effort for the non-employed can be negatively correlated with inflation expectations.

We next turn to our newly collected evidence from the Real-Time Population Survey and additional evidence from the Survey of Consumer Expectations to test this model prediction.

2 Evidence from the Real-Time Population Survey

Assessing the causal effect of inflation expectations on household behavior with survey data can be challenging, as household expectations often differ systematically with demographic characteristics that may also drive behavior (Binder and Ryngaert (2025)). In a novel survey, we asked each respondent to consider their labor market expectations and planned actions at two different hypothetical inflation levels. This generates a change in inflation expectations at the level of the individual respondent, holding constant her demographic characteristics and current labor market experiences.[10] We can then measure differences in earnings expectations and labor market actions resulting from the change in expected inflation. Hypothetical values of macroeconomic variables have been used elsewhere in the literature to capture the response of expectations to changes in a particular variable (Roth, Wiederholt and Wohlfart, 2023; Andre, Pizzinelli, Roth and Wohlfart, 2022; Coibion, Gorodnichenko, Knotek and Schoenle, 2023). [11]

We find evidence consistent with the hypothesis that workers do not anticipate that their rate of earnings growth will be commensurate with the rate of inflation, that is $\gamma_1 < 1$. The data also support Proposition 1 of the model; searching for work and related activities such as asking for a raise are more prevalent in the high inflation scenario. On average, job market expectations change slightly across inflation scenarios and changes in these expectations predict only small changes in search and related behaviors. This suggests that the increase in search plans under higher hypothetical inflation is largely driven by inflation itself, rather than changes in labor market beliefs that different inflation scenarios might induce.

2.1 Survey Description

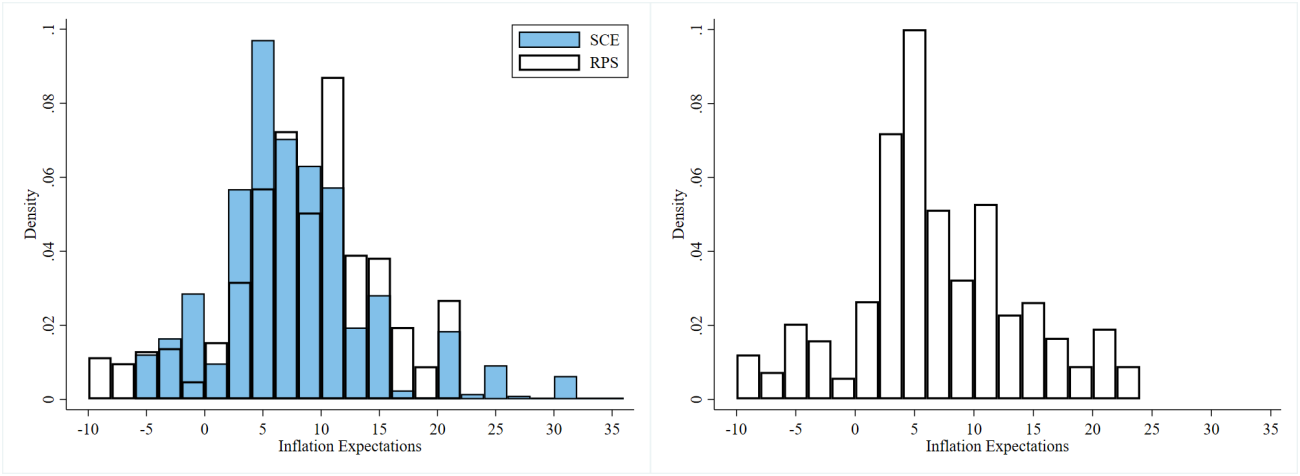
We administered our novel questions as part of the Real-Time Population Survey (RPS, Bick and Blandin (2021)) in October 2022 and in February 2025.[12] Data collection targets the approximate demographic breakdown of the CPS and remaining differences in sample composition

[10] We return to the possibility that other relevant expectations (i.e. job-finding expectations) move across the hypotheticals.

[11] Roth, Wiederholt and Wohlfart (2023) provide survey respondents with monetary policy vignettes in which they propose a change in the federal funds rate, as well as the reason for the change (outlook or composition of the FOMC, etc.) and track the change in expectations across scenarios. Andre, Pizzinelli, Roth and Wohlfart (2022) ask respondents to consider hypothetical vignettes about different exogenous shocks to the macroeconomy; respondents first consider a baseline scenario and then consider a shock scenario. Coibion, Gorodnichenko, Knotek and Schoenle (2023) ask respondents to consider hypothetical values of short-run inflation and elicit their corresponding medium-run expectations to assess the respondents' understanding of average inflation targeting.

[12] The surveys ran from October 17-21, 2022, and from February 17-21 and 24-28, 2025.

are adjusted via survey weights constructed as in Bick and Blandin (2023).[13] The surveys include both employed and non-employed respondents. We discuss the results for the employed here and consider the unemployed in Table C-1. For the employed, we restrict our attention to those who are currently at work and not self-employed. We further restrict the sample to those who report hourly earnings above the federal minimum wage and below the CPS top-code for weekly earnings.[14] This gives us a sample of 676 workers in the October 2022 wave and 2,487 workers in the February 2025 wave.



(a) October 2022 (b) February 2025

Figure 1: Inflation Expectations in the Real-Time Population Survey

Notes: Distribution of unconditional point estimates, reported as point estimates from each wave of the Real-Time Population Survey. We also report the the distribution of inflation expectations from the SCE covering the same time period when available (it is not available for February 2025). The top and bottom 5% of responses are trimmed.

Before collecting expectations and planned actions under the different hypotheticals, we collected respondents' unconditional inflation expectations by asking the following: *By how much do you expect prices in the overall economy to change (the inflation rate) over the next 12 months? Please give your best guess.* Respondents reported these expectations as point estimates. We trim the top and bottom 5% of answers and present the distribution of the answers for each wave in Figure 1. The figure also contains the distribution of trimmed inflation point forecasts from the Survey of Consumer Expectations for the corresponding month.[15] In

[13]See Bick and Blandin (2021) Appendix A for a more detailed discussion of the RPS.

[14]The hourly wage is calculated from the respondent's reported usual weekly earnings and usual weekly hours. Our sample restriction leads us to drop observations below $7.25 in both waves. The cap on weekly earnings was $2885 prior to March 2023, so this is our top-code for the October 2022 wave. The CPS moved away from this fixed top-code after March 2023 to a dynamic cap based on the reported top 3% of weekly earnings. In February 2025, this was approximately $4150.

[15]The SCE microdata is released with a several month lag. The SCE data corresponding to 1b is currently unavailable, but we will update the figure when it is released.

October 2022, the median inflation expectation was 8%. This is close to the realized 7.7% year-over-year CPI inflation rate in that month. The distribution of responses is similar to that observed in the SCE.[16] In 2025, the realized inflation rate was considerably lower at 2.8%. In this period, the distribution of inflation expectations is more concentrated on lower inflation outcomes, with the median and modal inflation expectations at 5%.[17]

2.2 Earnings Growth with Current Employer

The model predicts that respondents will search due to inflation only if they perceive that their compensation at their current job will grow slowly relative to the rate of inflation, $\gamma_1 < 1$. To see if workers perceive wages in these terms, we asked respondents about their anticipated nominal earnings growth, conditional on remaining in their current job, at different levels of hypothetical inflation. Specifically, we asked:

Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. If you were to remain at your current main job, by what percent would your employer change your usual earnings before taxes and other deductions. Please provide your best guess.

[16] There are slightly more negative inflation responses in the RPS and slightly more very high responses in the SCE. In both distributions, the bulk of responses falls between 0 and 15. Interestingly, for the October survey, the modal response in the SCE is 5% and the modal response in the RPS is 10%.

[17] The average lower forecast errors in the higher inflation period is consistent with recent evidence suggesting that the high inflation period was accompanied by an increase in consumer attention to inflation (Link, Peichl, Roth and Wohlfart, 2023).

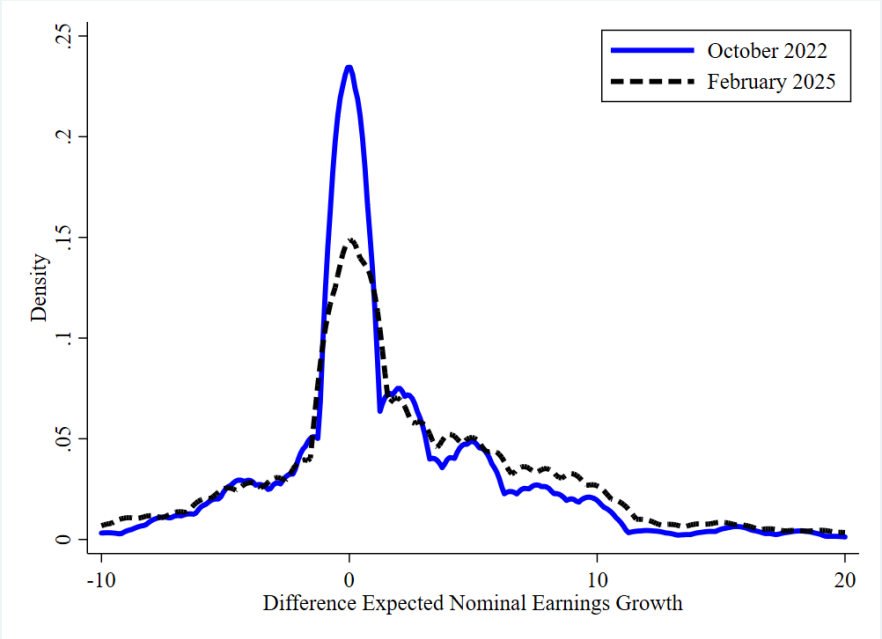


Figure 2: Nominal Earnings Growth Expectations, Difference Between Hypothetical Scenarios

Notes: Kernel density estimates of the difference in expected nominal earnings growth at the current employer under 10% inflation and under 2% inflation. The density from the October 2022 wave is given by the solid blue line and the density from the February 2025 wave is given by the dashed black line. Observations for which the difference in expected earnings growth between hypotheticals is less than -10 % and more than 20% are omitted from the figure. This drops roughly 3 percent of observations from each wave.

We would like to know how the average respondent changes her expected nominal earnings growth going from the low to high inflation scenario; if nominal earnings growth moves with inflation to keep real earnings unchanged, nominal earnings growth should be 8 percentage points higher. Figure 2 shows the distribution of the difference in expected nominal earnings growth under 10% inflation and under 2% inflation for both waves.[18] In the October 2022 sample, the average difference between a respondent's expected nominal earnings growth under 10% inflation and under 2% inflation is 1.0 percentage points and the median difference is 0 - far lower than the 8 percentage point change required to keep expected real earnings growth constant. Furthermore, the modal difference in responses is 0. This means that respondents do not anticipate changes in their current nominal compensation to keep up with inflation. Similar patterns appear in the February 2025 sample. The modal and median differences there are also 0, although the distribution has slightly more weight on positive earnings changes. The average difference in this sample is slightly higher at 1.8 percentage points, but still substantially lower

[18]Figure C-1 plots, for each wave, the distribution of earnings growth for each hypothetical. In each wave, respondents expect on average a slight real increase in their on-the-job earnings under 2% inflation and that the real wage will decrease under 10% inflation. Specifically, respondents anticipate nominal earnings growth of 3.9 percent and 4.9 percent at 2% and 10% inflation, respectively in the 2022 wave. These same numbers for the 2025 wave are 3.5 and 5.2.

than the change in the hypothetical inflation rate.[19]

2.3 Changes in Search Behaviors

To see if workers respond to these anticipated changes in real earnings growth, we also asked them what measures they would take under different levels of inflation. The set of options included various labor market actions that would allow workers to increase their nominal wages:
Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. Which of the following actions would you take? Please check all that apply.

- *Ask for a raise at my current job.*
- *Search for a new job to replace my current job.*
- *Search for additional work.*

Figure 3 shows the shares of the respondents who would undertake given actions or combinations of actions under 2% inflation and 10% inflation. The lower bar, in darker blue, shows the share of the sample that answers that they would engage in this activity in the low inflation hypothetical. The data from the 2022 wave appear on the left and the data from the 2025 wave appear on the right. In both waves, the largest share of respondents say they would search for either new or additional work or both. Of the three individual actions, search for additional work is the most common, followed by asking for a raise, and lastly searching for new work. Workers seem more inclined to answer affirmatively to all of the activities represented on the graph in the 2025 wave, possibly reflecting the effect of current labor market conditions on baseline inclination to search.[20] In late 2022, the unemployment rate was 3.7% while it was slightly higher at 4.1% in early 2025.

In both waves, respondents are significantly more likely to participate in all of these actions in the higher hypothetical inflation scenario. The change in the share of respondents from 2% inflation to 10% inflation is given, along with its 95% confidence interval, at the top of each bar. The full bar gives the share of respondents who would undertake an action at the higher level of inflation. As we consider both shares for the same set of respondents, the change in the share represents the causal effect of changing the hypothetical level of inflation. Unobserved heterogeneity at the respondent level, arising from either a greater inclination to search at all times or the current labor market situation, is removed by differencing. We return to the possibility that other expectations move when hypothetical inflation moves momentarily.

[19]Data from the SCE suggest that, on average, earnings growth expectations at the current job do not increase with workers' inflation expectations. Figure C-2 shows that the expected rate of earnings growth is roughly flat with respect to expected inflation.

[20]The shares of respondents who would search for new work in the 2% hypothetical are statistically significantly different across waves with a p-value of 0.04.

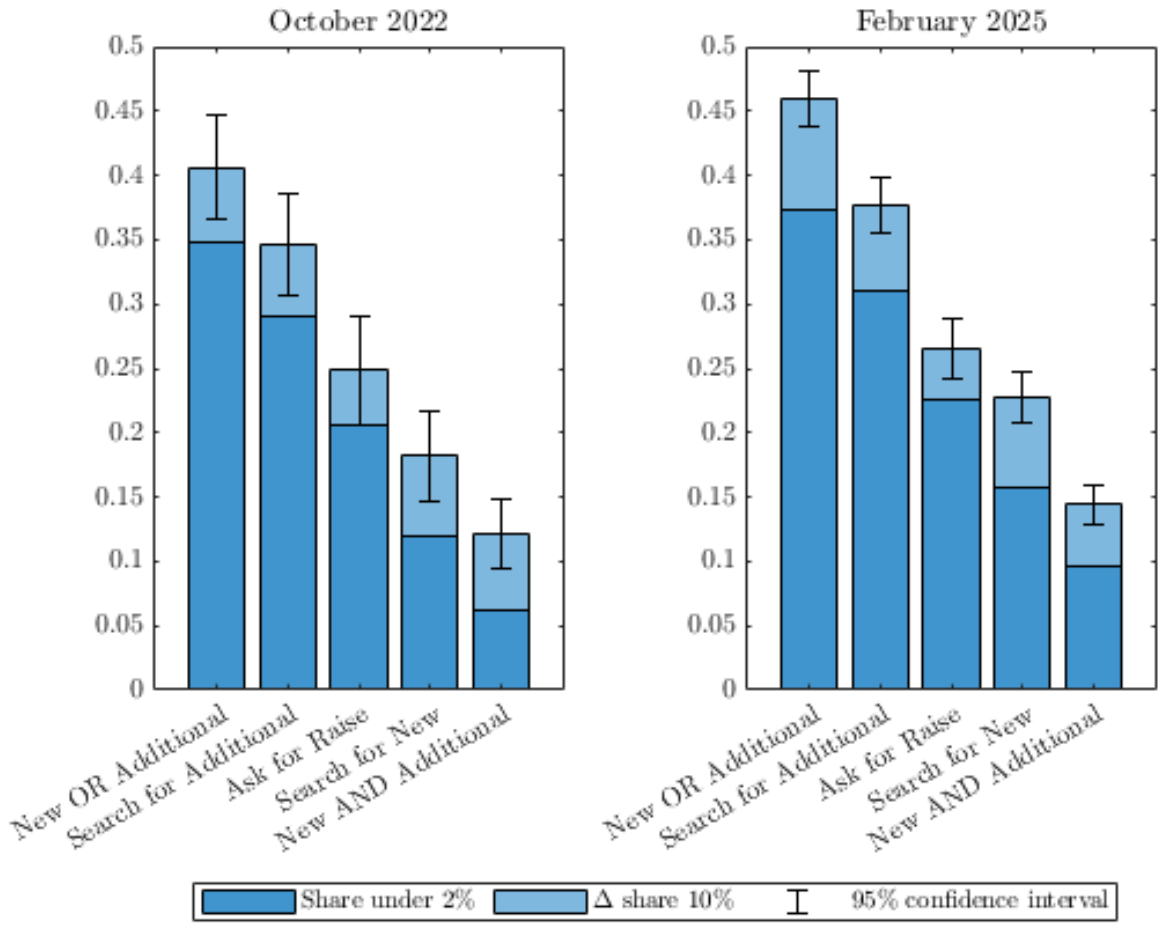


Figure 3: Labor Market Plans in Hypothetical Inflation Scenarios

Notes: The figure shows the shares of respondents who answer that they would undertake each of the following under 2% and 10% inflation: search for a new job or additional work, search for a new job, search for an additional job, ask for a raise, or search for both new and additional work. The lower part of each bar gives the share that would search under 2% inflation. The top part of each bar shows the change in the share from 2% to 10% inflation, along with its 95% confidence interval. The first and fifth bars consist of combined responses to multiple possible actions, while the second through fourth show the response for single actions.

The share of those who would search for new work increases by 6.2 percentage points in 2022 and 7.0 percentage points in 2025 (from 12.0% and 15.8%, respectively), raising the number of active searchers by 50%. The share of those who would search for additional work increases by similar amounts, 5.5 percentage points in 2022 and 6.5 percentage points in 2025. We also see a change in the share of respondents who would opt into some kind of search - for either new or additional work - at higher inflation, which increases by 5.7 percentage points in 2022 and 8.7 percentage points in 2025 (from 34.8% and 37.25%, respectively), raising the number of active searchers by 15-25%. Overall, these results imply that, on average, raising inflation expectations makes workers more inclined to search on the job. We detect this effect in two periods where the underlying labor market conditions and the rate of inflation differ.[21]

While workers may search to either change jobs or supplement their incomes, they may also intend to renegotiate with their current employers using an outside offer as leverage (Postel-Vinay and Robin, 2002*a*,*b*; Cahuc, Postel-Vinay and Robin, 2006). We see that workers are significantly more likely to ask for a raise in both waves, with the share of respondents who would do this increasing from 19.8% to 25.0% in 2022 and from 22.5% to 26.5% in 2025. In both waves, roughly a fourth of respondents who opt into — meaning adopt the activity at 10% inflation and not at 2% inflation — asking for a raise would also opt into some kind of search. These results suggest that asking for a raise and job search are linked and exhibit similar responses to higher expected inflation. This is consistent with Guerreiro, Hazell, Lian and Patterson (2025)'s finding that workers are more likely to engage in conflict with their employers when inflation is high, and further characterizes the nature of that conflict. Pilossoph, Ryngaert and Wedewer (2023) embeds the renegotiation motive of search into an otherwise standard (real) model of on-the-job search and Bertrand competition among employers (Postel-Vinay and Robin (2002*a*)).

2.4 Labor Market Expectations and Decisions

The hypothetical question is designed to control for unobservable heterogeneity such that the difference in shares described in Section 2.3 captures the causal effect of raising the level of expected inflation on respondents' choices. We may still be concerned, however, that respondents' other beliefs and interpretations of the economic environment change with hypothetical inflation, and that it is changes in these beliefs rather than changes in expected inflation that drive our findings. To address this concern, we included additional questions in the hypothetical

[21] Many respondents say they would search (or a similar action) under both inflation scenarios. The increase in the share of searchers is driven by those who would search under high inflation and not under low inflation. There are some respondents who would search under 2% inflation and not under 10% inflation. In the February 2025 wave of the survey, 3.8% of respondents would search at 2% inflation and not 10% while 10.8% would search under high inflation, but not low inflation. Respondents are slightly more likely be discouraged from asking for a raise in the higher inflation scenario. 7.2% would ask for a raise only under low inflation compared to 11% would ask for a raise only under high inflation.

exercises in February 2025 to gauge how labor market expectations (related to offer wages and market tightness) change between hypothetical inflation scenarios. We then evaluate the role that changes in these expectations play in shifting the share of respondents who would undertake a labor market activity.

We first asked respondents to consider outside offers at each hypothetical inflation rate. Specifically, we asked "*Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. If you had an offer from a similar firm for a position similar to your current one, by how much (in % change relative to your current earnings) would this offer differ from what you currently earn? Please give your best guess.*" This question is designed to gauge respondents' beliefs about the location of the offer distribution. By asking them to consider the gains they could obtain holding their job type fixed, we capture beliefs about nominal offers rather than beliefs driven by a willingness to up-skill or move to a better match (Gertler, Huckfeldt and Trigari, 2020; Grigsby, Hurst and Yildirmaz, 2021; Hazell and Taska, forthcoming). This allows us to infer something about the relative flexibility of nominal offers and current earnings growth, which we show in Proposition 1 is one possible – though not the only – condition that can produce a positive search response to inflation expectations.

Workers may also anticipate that higher inflation accompanies changing labor market tightness such that it becomes easier or harder to find a job. To measure such beliefs across inflation scenarios, we also asked: "*Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. Suppose you were to lose your main job sometime in the next 12 months. What do you think is the percent chance that within the following 3 months, you will find a job that you would accept, considering the pay and type of work?.*" Respondents may answer this question in a way that reflects individual optimism or pessimism, making it difficult to compare answers across respondents. Within-respondent differences across hypotheticals should, however, be informative, with increases indicating that respondents think it will be easier to find an acceptable job and decreases indicating it will be more difficult.

Table 1 reports summary statistics for expectations about on-the-job earnings growth, wage gains from job offers, and job-finding probabilities for each inflation scenario. Expectations of job offers and earnings growth are winsorized at the 5% level; because the job finding probability is bounded between 0 and 100 we do not winsorize this value. We also present descriptive statistics for the individual-level change in expectations, $\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$.[22] We winsorize these after constructing the difference for all three variables.[23] On average, workers anticipate that they could increase their wages more with an outside offer than with an on-the-job wage

[22]Additionally, Figure C-4 provides binscatter plots of expectations at 10% inflation plotted against the corresponding expectation at 2% inflation, showing that - on average - respondents hold similar expectations across waves.

[23]Accordingly, and because not all respondents answer both questions, the average value of ΔE_i may not be exactly equal to the difference between the average values of $E_i^{\pi=10}$ and $E_i^{\pi=2}$.

Table 1: Labor Market Expectations at Different Hypothetical Inflation Levels

	$E_i^{\pi=2}$	$E_i^{\pi=10}$	$\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$
Expected Earnings Growth			
Mean	3.5	5.2	1.8
Std. Dev.	5.9	7.1	5.7
N	2354	2369	2339
Expected Wage Growth from Job Offer			
Mean	5.5	7	1.5
Std. Dev.	6.9	7.8	5.9
N	2374	2373	2362
Expected Job Finding Probability, 0-100			
Mean	56.5	56	-1.0
Std. Dev.	30.8	30.3	13.4
N	2370	2366	2352

Notes. The table reports summary statistics of labor market expectations in each inflation scenario in the first two columns as well as summary statistics for the change in expectations going from 2% to 10% hypothetical inflation in the third column. Earnings growth and job offer expectations are winsorized at the 5% level. The within-individual differences are winsorized after constructing the difference. For this reason, and because not all respondents answer every question, the numbers in Column 3 may not exactly equal the difference between the numbers in Column 2 and Column 1.

change. In the 2% inflation hypothetical, the average respondent expects a 3.5 percent increase in her current earnings and a 5.5 percent increase in wage offers for a similar job. Both expected earnings growth and the expected job offers increase by similar amounts in the higher inflation hypothetical to 5.2 and 7.0 percent.[24]

Jointly, the average changes in expected earnings growth and expected job offers suggest that - in the full sample - respondents do not expect that offered wages will be more flexible with respect to inflation than will on-the-job wages.[25] It is possible that this is partly driven by respondents associating inflation with negative economic conditions. The literature suggests that high household inflation expectations are generally associated with pessimism or negative sentiment (Kamdar and Ray, 2024). Consistent with this, expected job-finding probabilities decline slightly going from the low to high hypotheticals, suggesting that, on average, workers associate higher inflation with greater difficulty in finding a job. In one of the model extensions outlined in Section B-2, we show that expectations of increasing slack at high inflation would bias the estimate of the search response to inflation downward. For workers that do anticipate

[24]Table C-2 shows that the results are similar if we trim instead of winsorize.

[25]In model terms, they believe that $\gamma_1 \approx \gamma_2$. In Figure C-3, we show the distribution of $\Delta E_i[JO] - \Delta E_i[EG]$ for the full sample and for the 82% of respondents who believe that on-the-job earnings will be nominally rigid. In the full sample, the average difference is -0.18.

nominal rigidity in on-the-job earnings ($\gamma_1 < 0$) - and who make up the majority of the sample - the average expectation is that $\gamma_2 > \gamma_1$.[26]

To quantify the plausible contribution of the changes in these labor market expectations to the change in search behavior across the two inflation scenarios, we conduct a simple exercise. We first estimate the marginal effects of each expectation on actions in the 2% inflation scenario ("baseline"), with the following linear probability model:

$$action_i^{\pi=2} = \beta_0 + \beta_1 E_i^{\pi=2}[EG] + \beta_2 E_i^{\pi=2}[JO] + \beta_3 E_i^{\pi=2} E_i[JF] + \gamma \mathbf{x}_i + \varepsilon_i \tag{2}$$

where $E_i^{\pi=2}[EG]$, $E_i^{\pi=2}[JO]$, and $E_i^{\pi=2}[JF]$ are the expectations of on-the-job earnings growth, job offers, and job-finding probability, respectively. We estimate this separately for three actions: search for additional work, asking for a raise, and search for new work. The vector of controls $\mathbf{x}_i$ includes age, a quadratic age term, gender, number of children, type of employment, wages (in logs), respondents' usual work hours, and unconditional inflation expectations. We then use these marginal effects combined with the changes in expectations to predict search behavior in the 10% scenario.

[26]When we consider only those who anticipate $\gamma_1 < 1$, which the model predicts is necessary to generate a positive effect of inflation expectations on search effort, $\Delta E_i[JO] - \Delta E_i[EG]$ rises to $1.36^{***}(0.26)$.

Table 2: Predictors of Labor Market Actions at 2% Inflation

	Search, Additional	Raise	Search, New
$E_i^{\pi=2}[EG]$	-0.0071***	-0.0046**	-0.0059***
	(0.0024)	(0.0023)	(0.0019)
$E_i^{\pi=2}[JO]$	-0.0001	0.0024	0.0030*
	(0.0022)	(0.0019)	(0.0017)
$E_i^{\pi=2}[JF]$	0.0003	0.0004	-0.0001
	(0.0004)	(0.0004)	(0.0003)
$E_i[\pi]$	0.0052***	0.0052***	0.0053***
	(0.0016)	(0.0015)	(0.0014)
$log(w_i)$	-0.0609***	-0.0521**	-0.0466**
	(0.0227)	(0.0202)	(0.0181)
N	2296	2296	2296
R^2	0.05	0.05	0.05

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes. The table reports the estimates from regressions of various labor market plans when hypothetical inflation is 2% on labor market expectations also from that hypothetical, including expected on-the-job earnings growth, job offer expectations, and expected job finding probability. Expected earnings growth and expected job offers are expressed as percent of the respondents current wage. The job finding probability ranges from 0 to 100. We also include the respondents log wage and their inflation expectation elicited prior to the hypothetical exercise. Job offer, earnings growth, and inflation expectations are winsorized at the 5 percent level. We include controls for respondent characteristics that may correlate with their search costs: age, a quadratic age term, gender, number of children, type of employment, wages (in logs), respondents' usual work hours, and unconditional inflation expectations.

The coefficients for the three labor market expectations as well as the unconditional inflation expectation and log wage appear in Table 2. Respondents with higher unconditional inflation expectations are more likely to undertake all actions, as are those with lower wages. Higher expected on-the-job earnings growth negatively predicts all three actions. Intuitively, workers who anticipate greater wage gains do not need to further increase or supplement their wages. That higher expected earnings growth negatively predicts asking for a raise is consistent with Guerreiro, Hazell, Lian and Patterson (2025)'s finding that higher "default wage" offers prevent the need to take costly actions to raise one's wage. Job offer expectations slightly predict the search for new work; a one percentage point increase in expected wage growth from an offer for a similar job increases the likelihood of the search for new work by 0.30 percentage points. The effect of job offer expectations on asking for a raise is similar in magnitude, but not statistically significant.

Figure 4 shows the predicted changes in the shares of respondents searching for new work, asking for a raise, or searching for additional work, as well as the observed changes documented

in Section 2.3. The changes associated with each variable are individually small in magnitude, and often push in the direction opposite to what is observed happening to search behavior. Overall, the changes due to expected earnings growth and expected wage growth via job offers move in opposite directions, such that the total predicted change is not significantly different from 0. Since the overall change in search for each outcome is large and positive, it seems that the change in inflation itself, rather than the associated changes in labor market beliefs, leads workers to change their labor market actions.[27]

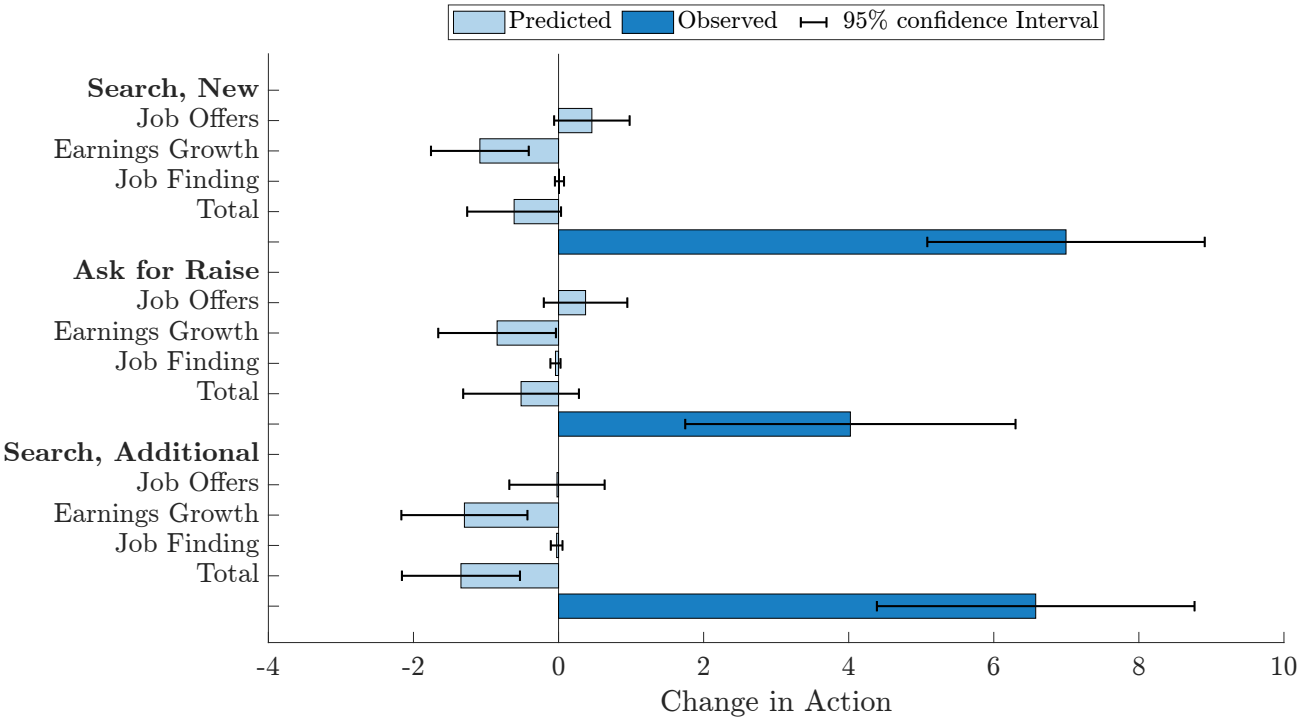


Figure 4: Predicted Changes in Actions Due to Labor Market Expectations

Notes. The figure shows the observed and predicted changes in the share of respondents searching or asking for a raise going from low hypothetical inflation to high hypothetical inflation. We construct the predicted changes by estimating the marginal effects of expectations of wage gains through job offers, on-the-job earnings growth, and job finding probability on various actions and multiplying the marginal effects by the average change in these expectations between hypotheticals. We present the predicted change arising from each of the three effects separately as well as the combined effect of all three. These effects, in light blue, are small or even negative. They cannot explain the observed difference in the share of respondents reporting that they would undertake an action, shown in darker blue.

[27]These results are robust to other modeling choices in estimating the marginal effects of expectations on actions. Table C-3 shows the results are similar when we trim rather than winsorize. Appendix D-1 further shows that the results are similar if we use within-respondent changes in expectations and labor market actions to identify the marginal effects.

3 Evidence from the Survey of Consumer Expectations

The previous section presented evidence from an inflation hypothetical experiment. While this allows us to estimate the effect of changing inflation expectations holding respondent characteristics and current experiences constant, we may worry that the reported response to a hypothetical scenario will not match the response outside of a hypothetical setting. Observing a similar relationship between inflation expectations and search outside the hypothetical environment would corroborate the experimental findings.

For this, we turn to the Survey of Consumer Expectations, which is a monthly survey conducted by the Federal Reserve Bank of New York. Households rotate through the survey, staying in the sample for up to 12 months. The survey includes questions about households' macroeconomic expectations as well as their demographic characteristics, financial circumstances, and employment situations. In addition to the core monthly survey, we use data from the SCE's ad hoc labor market supplement. This supplement includes more detailed information about the respondent's current employment situation, wages, and job search behavior. It is conducted in March, July, and November of each year. Due to the rotating panel structure and attrition from the survey, we have between one to three search observations per respondent. In this section, we provide additional evidence linking inflation expectations and on-the-job search using cross-sectional and within-respondent variation in observational data. The evidence is broadly consistent with the positive relationship we find between search behavior and inflation expectations in the RPS.

We have data from July 2014 to November 2023.[28] In what follows, we will estimate the marginal effect of inflation expectations on search using data from the pre-pandemic period, when expectations and labor markets were relatively stable. From 2021 to 2023, the relevant variation for assessing the impact of our mechanism on labor market outcomes is time series variation. We therefore use the time series of average inflation expectations and our estimates obtained from the pre-pandemic period to predict the dynamics of job-to-job transitions in this period.

Section 3.1 introduces the cross-sectional data, 3.2 discusses the econometric model and how we address potential omitted variable bias, and Section 3.3 describes the results. In Section 4, we present the time series of average inflation expectations, search behavior, and job-to-job transitions as well as a quantitative exercise showing that the search mechanism and the path of average inflation expectations can explain a considerable degree of the movement in the job-to-job transition probability in the post-pandemic period.

[28] This is determined by the availability of the labor market supplement and our set of controls.

3.1 Data Description

Each time respondents participate in the labor market supplement, they are asked if they have looked for work in the last four weeks. Employed respondents are asked if they searched for new work to replace their current job or for additional work and may only select one. This differs from our RPS survey where respondents may select all actions that apply.

Table 3 reports the proportion of employed respondents between 18 and 65 who search for new or additional work from 2014-2019. The table shows that 15.6 percent of the employed sample reported recent search for new work, with an additional 6.2 percent reporting search for additional work. Employed respondents report each month whether they are with the same employer as last month or with a new employer. Table 3 also shows the share of respondents who, conditional on a particular search status, make a transition from one job to another job over two different time horizons: in the month after the labor market survey and in the four months after the labor market survey. Observing these transitions requires the respondent to remain in the survey beyond the search observation. Because the survey is structured as a rotating panel, these samples will be smaller than the searchers' sample.

Table 3: Employed Search and Subsequent Labor Market Transitions

		Job-to-Job Transition, Conditional on Search Status	
	Search Status	Following Month	Following Four Months
Search, New Work	15.6	4.3	12.3
	(0.4)	(0.7)	(1.5)
Search, Additional Work	6.2	1.2	4.7
	(0.3)	(0.4)	(1.5)
Not Searching	78.2	0.4	1.6
	(0.5)	(0.1)	(0.2)
N	9630	7589	5116

Notes. The table reports the share of respondents who report search for new or additional work as well as those who, conditional on a particular search status, make a job-to-job transition in the month after the search period or in the four months after the search period. The sample is restricted to workers between the ages of 18 and 65 and runs from July 2014 until the end of 2019. As the sample is a rotating panel, following workers into future months (as we do in Columns 2 and 3) results in smaller samples in those months as some workers end their survey tenure.

Job-to-job transitions are rare among non-searchers, with 0.4% making a job-to-job transition in the month following the search period and 1.6% making a job to job transition in the 4 months following the search period. Searchers - for either new or additional work - are more likely than non-searchers to change jobs. Those who report searching for new work are more likely than those who report search for additional work to change jobs with 4.3% and 12.3% of searchers

for new work beginning a new job within one and four months respectively. Among searchers for additional work, 1.2% and 4.7% change jobs over the same time horizons.

The core survey, conducted every month, collects detailed data on the inflation expectations of households, over both the short-run (the next twelve months) and the medium-run (over the twelve months beginning two years from the survey date) horizons.[29] Households provide their inflation expectations in two formats, first as a point estimate and then as probabilities that inflation may fall within a set of ranges. They are first asked: *What do you expect the rate of [inflation/deflation] to be* ***over the next 12 months****? Please give your best guess.*

Respondents provide a number for this question. They also provide probabilistic forecasts over possible outcomes for inflation:

Now we would like you to think about the different things that may happen to inflation over the ***next 12 months****. We realize that this question may take a little more effort.*

In your view, what would you say is the percent chance that, ***over the next 12 months...***

The respondent then assigns probabilities to a set of ranges for the rate of inflation or deflation. The ranges are a rate of inflation 12% *or higher*, *between* 8% *and* 12%, *between* 4% *and* 8%, *between* 2% *and* 4%, between 0% *and* 2%, and the same set of bins for the rate of deflation.

As our measure of inflation expectations, we use the implied mean of a distribution fit to the one-year density forecast. The distribution mode is assumed to be equal to the respondent's point forecast (Ryngaert, 2023). Aside from this assumption, which allows for skewed subjective probability distributions over inflation, the distribution is fit in the same way as in Engelberg, Manski and Williams (2009) and Armantier, Topa, van der Klaauw and Zafar (2017). The distribution of inflation expectations appears in Figure 5. We winsorize responses at the 5% level by month. As is common in consumer surveys, expectations exhibit high cross-sectional dispersion and are, on average, biased above realized inflation (D'Acunto, Malmendier and Weber, 2023). [30]

3.2 Empirical Model

Respondents report past search as part of the SCE's triannual labor market supplement. They are specifically asked about search over the last four weeks, but we approximate to the last month to line up with the monthly frequency of the core survey. That is, we denote search as an indicator variable $search_{i,t,t+1}$, where a value of 1 means that a worker chooses in period t to

[29]The NY Fed refers to the latter as "3-year ahead" inflation expectations. See `https://www.newyorkfed.org/microeconomics/sce#/influncert-1`.

[30]There is still significant variation in these expectations after accounting for the various fixed effects in our regression. The residuals of a regression on respondent, survey date, and tenure fixed effects have a standard deviation of 3.7 percentage points.

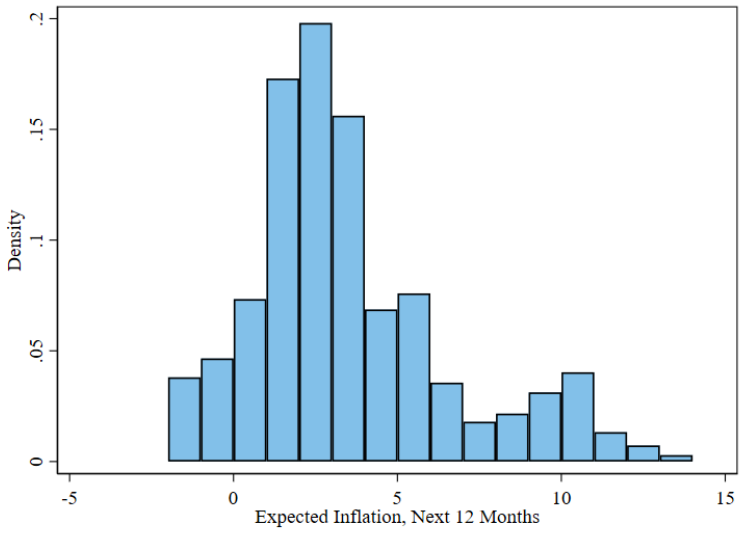


Figure 5: Inflation Expectations in the Survey of Consumer Expectations

Notes: The figure shows the distribution of inflation expectations in the SCE from 2014-2019. The expectations are calculated as the mean of a subjective probability distribution combining data from the point and density forecasts. The forecasts are winsorized at the 5 percent level by date.

search over the next approximately one-month period ending and reported in $t+1$. [31] Because the search decision is made before it is reported, we consider the effect of expectations reported at date t on this search.

To assess the effect of inflation expectations on search in the Survey of Consumer Expectations, we estimate the following equation for employed workers:

$$search_{i,t,t+1} = \alpha + \beta E_{it}[\pi_{t+1}] + \mathbf{X}_{it} + \mathbf{W}_i + u_t + \sum_j \mathbf{1}(j)_{it} + \varepsilon_{it} \tag{3}$$

where search is an indicator equal to 1 if the respondent searched in the last four weeks and 0 otherwise, $\mathbf{X}_{it}$ is a set of time-varying individual-level controls, u_t are survey fixed effects, $\mathbf{W}_i$ are demographic characteristics, and $\mathbf{1}(j)_{it}$ are survey tenure fixed effects.[32] The time-varying individual controls $\mathbf{X}_{it}$ include expectations of unemployment, stock prices, interest rates, own job-loss probability, and own-job finding probability, subjective inflation uncertainty, a dummy for an employer-to-employer transition in period t, a set of indicators providing detailed information on the respondent's labor market status in period t, and the log of the respondent's hourly wage. We discuss in detail the reasoning for their inclusion below. $\mathbf{W}_i$ represents respondent characteristics that may be correlated with both inflation expectations and search behavior and

[31] The search variable comes from the labor ad-hoc, so an individual may appear in the regression up to three times with each of her observations appearing four months apart.

[32] See Kim and Binder (2023)'s recommended practice for the SCE to include fixed effects for respondents' survey tenure.

that do not vary within the survey including household income, Census region, gender, age, a quadratic age term, marital status, and indicators for race, ethnicity, and parenthood.[33] Survey fixed effects control for the effect of time-specific macroeconomic shocks that affect both inflation expectations and on-the-job search.

While $\mathbf{W}_i$ may control for systematic differences in expected inflation and search behavior across different groups of people, it is also possible that some individuals are just generally more likely to report search than others. Accordingly, we also estimate the model with respondent fixed effects, ω_i in place of $\mathbf{W}_i$:

$$search_{i,t,t+1} = \alpha + \beta E_{it}[\pi_{t+1}] + \mathbf{X}_{it} + \omega_i + u_t + \sum_j \mathbf{1}(j)_{it} + \varepsilon_{it} \tag{4}$$

These respondent fixed effects control for time-invariant individual reasons some report more search than others (i.e. differential search costs).

Our choice of variable to include in $\mathbf{X_{it}}$ is driven by omitted variable bias concerns. One may worry that a respondent associates higher inflation with high labor market tightness and searches because she anticipates higher returns to search through the arrival rate of offers rather than lower real wages at their employer resulting from higher expected inflation. As our theory- extended to allow for arrival rates which move with inflation expectations- illustrates (see Section B-2), if labor market attitudes are positively correlated with both inflation expectations and job search, omitting measures of these attitudes from the regression generates a positive bias that will overstate the effect of inflation expectations on search represented by $\hat{\beta}$. However, the literature suggests that workers are more likely to take a *stagflationary* view of inflation.[34] That is, they may believe that higher inflation signals stagnation in job offers and increased difficulty in job-finding, generating negative omitted variable bias, causing $\hat{\beta}$ to understate the effect of inflation expectations on search. By a similar logic, it is also possible that workers' job loss expectations are positively correlated with inflation expectations and prompt workers to search preemptively.

To address these concerns, we include variables that capture workers' other expectations in $\mathbf{X_{it}}$. These include expectations of the probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next twelve months, and the expected probability of finding a new job similar to one's own within three months. We also include a measure of subjective inflation uncertainty - measured as the log standard deviation of the respondent's probability

[33]While some of these may vary over time, these are collected in the respondents' first survey and held at these values throughout the survey tenure, hence they are time-invariant in the survey.

[34]See, for example, Kamdar and Ray (2024), Coibion, Georgarakos, Gorodnichenko and van Rooij (2023), Coibion, Gorodnichenko and Ropele (2020), and Candia, Coibion and Gorodnichenko (2020). This is also consistent with our finding in Section 2.4 that workers' subjective job-finding probability *falls* in the high inflation hypothetical.

distribution over inflation. This uncertainty may be correlated with the level of expectations and - as we show in Section B-1 - increasing inflation uncertainty can also generate search.

Changes in the respondent's work situation and wage are another possible source of endogeneity. We observe the search choice (covering a four-week horizon) once every four months and may therefore miss search decisions and labor market transitions or wage changes that result from search decisions in intervening periods. If these correlate with inflation expectations and search decisions in the periods we observe, they could also bias our estimates of β. We therefore included in $\mathbf{X_{it}}$ an indicator equal to 1 if the respondent reports an employer-to-employer transition in period t, a set of indicators providing detailed information on the respondent's labor market status in period t, and the log of the respondent's hourly wage, $log\left(wage_{it+1}\right)$.[35] To calculate these wages, we convert the self-reported annual salaries of the respondents into July 2017 dollars using the CPI. Following Conlon, Pilossoph, Wiswall and Zafar (2018), we calculate an hourly wage, assuming that all respondents work 52 weeks a year, that part-time respondents work twenty hours a week, and that full-time respondents work forty hours a week. We include the log hourly wage in the control set for the employed $\mathbf{X}_{it}$, dropping observations with hourly wages below \$4.81 an hour (\$10,000 a year in July 2017 dollars for forty hour weeks) and winsorizing the top 5% of hourly wages by education group at each date.

Finally, we impose some sample restrictions. We consider workers ages 18-65 to match the RPS sample. To reduce the influence of outliers, responses for which hourly salary has decreased by 50% or more or increased by 100% or more over the last four months. Similarly, we exclude those who expect their earnings to double or more or fall by half or more over the next twelve months. Lastly, we limit the sample to those who have participated in the survey for two months prior to their first labor market survey. This allows us to (i) verify that the respondent was at work and not self-employed prior to the search period, and (ii) to control for a recent job-to-job transition. This restriction therefore also omits inflation expectations reported in the first tenure period. These observations tend to display not only higher inflation expectations, but also higher cross-sectional variance than later tenure observations, even after controlling for fixed effects (Kim and Binder, 2023).[36] This suggests that expectations from the first period are measured with error relative to subsequent responses. Removing these observations bases identification on more comparable cross- and within-respondent variation.[37]

[35]Ideally, we would observe the wage at the beginning of the search period, t, as this is the wage that the respondent should consider in his or her search decision. Respondents report wages only in the labor market supplement—-not in the core survey–and therefore have the subscript $t+1$. Wage gains from successful $search_{i,t,t+1}$ may bias the coefficient on wages upward.

[36]If we regress inflation expectations on respondent, survey tenure, and survey date fixed effects, the residuals resulting from the first tenure period have a standard deviation of 2.98 while those from the remaining tenure periods have standard deviation 2.20. We strongly reject the null that the variances are equal.

[37]Such measurement error can be particularly problematic when estimating the model with individual fixed effects; see Griliches and Hausman (1986).

3.3 Results

Table 4 reports coefficient estimates and robust standard errors from Equations 3 and 4 in our sample covering 2014 - 2019. Included in each regression are time fixed effects as well as survey tenure fixed effects and the time-varying controls we describe in Section 3.2. The first and third columns include the demographic controls, $\mathbf{W}_i$, previously described, while the second and fourth include respondent fixed effects, ω_i.

The first two columns of the table set $search_{it+1} = 1$ if the respondent searched for new work in the last four weeks and 0 otherwise. The model without individual fixed effects implies that a one percentage point increase in expected inflation increases the likelihood that the respondent searches for new work by 0.42 percentage points. When we include respondent fixed effects – and identify the coefficient using within-respondent variation in inflation expectations – the point estimate increases such that a one percentage point increase in expected inflation increases the probability of search by 0.6 percentage points. The second two columns classify those who are searching for additional work, and therefore considering multiple job-holding, as searchers along with those searching for new work. We find that a one percentage point increase in inflation expectations increases the probability of the search for some type of work by 0.42 or 0.45 percentage points depending on the specification. The coefficient from the regression with respondent fixed effects (Column 4) is not statistically significant, but is economically in line with the estimate from the cross-sectional regression (Column 3).[38]

The effect of inflation expectations on search is estimated here to be somewhat lower than what was found in the RPS. For example, here we estimate a 0.45 percentage point increase in the probability of searching for new or additional work when inflation expectations rise by 1 percentage point, while in the RPS the corresponding estimate would be 0.7-1.1 percentage points.[39] We may expect these estimates to be lower for several reasons. First, the search time horizon is shorter in the SCE, reflecting search choices over the past month, while the hypothetical exercises in the RPS ask workers to think about their plans for next year.[40] Second - even if we anticipate that workers will act on their expectations early in this year - the hypothetical exercise looks at the effect of expected inflation on search *plans* rather than search *realizations*. Some workers may first attempt to raise their on-the-job wage in other ways, such as asking for a raise or otherwise engaging in conflict (Guerreiro, Hazell, Lian and Patterson,

[38]The results are robust to using the SCE's headline measure of inflation expectations rather than the measure proposed by Ryngaert (2023); See Table C-4.

[39]Since we move inflation expectations by 8 percentage points and the probability of reporting searching for new or additional work increases by 5.7 and 8.7 for the earlier and later waves, respectively, this implies a slope of 0.71 and 1.1 percentage points, respectively.

[40]The percentage of RPS respondents who say they would search for some kind of work over the next twelve months is 35-37% in the low inflation scenario, which is substantially higher that the observed percentage of SCE respondents who search in a month ($\sim$ 21.7%, see Table 3). This suggests some of this search happens later in the year.

Table 4: Inflation Expectations and Search, 2014 - 2019

	Search, New		New or Additional	
$E_{it}[\pi_{t+1}]$	0.0042***	0.0060**	0.0042**	0.0045
	(0.0016)	(0.0029)	(0.0018)	(0.0033)
Uncertainty, $log(\sigma_{it}[\pi_{t+1}])$	-0.0073	0.0052	-0.0027	0.0014
	(0.0049)	(0.0091)	(0.0055)	(0.0102)
$E_{it}[Job\,Loss\,Prob._{t+1}]$, (0-100)	0.0035***	0.0009*	0.0040***	0.0015***
	(0.0003)	(0.0004)	(0.0003)	(0.0005)
$E_{it}[\Delta\,Nom.\,Earnings_{t+1}]$	-0.0014	0.0013	-0.0013	0.0014
	(0.0018)	(0.0034)	(0.0020)	(0.0038)
$log(wage_{it+1})$	-0.0187*	-0.1740***	-0.0383***	-0.1402***
	(0.0108)	(0.0467)	(0.0119)	(0.0514)
J2J between t-1 and t	-0.0214	-0.2984***	0.0308	-0.3296***
	(0.0392)	(0.0606)	(0.0426)	(0.0657)
N	7735	6043	7735	6043
R^2	0.046	0.668	0.068	0.671
Demographic Controls ($\mathbf{W_i}$)	X		X	
Respondent FE (ω_i)		X		X
Time FE	X	X	X	X
Survey Tenure FE	X	X	X	X

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes. The table reports the estimates from Equation 3 and 4. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent participated in a particular kind of search and 0 otherwise. We consider the search for a new job in the first two columns and search for new or additional work in the second two columns. All regressions include survey date and survey tenure fixed effects as well as controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. The first and third columns estimate the model with demographic controls rather than respondent fixed effects. The second and fourth columns substitute respondent fixed effects for these controls. We present coefficient estimates for expected inflation, $E_{it}[\pi]$, as well as selected controls. The sample includes data from June 2014 (the month prior to the first labor market supplement in which all our control variables are available) to November 2019 (the last labor market supplement prior to the COVID-19 pandemic). In the specifications with individual fixed effects, singleton observations are dropped from the regression count.

2025), and search only if unsuccessful. The SCE and RPS estimates are closer if we consider the search for new work alone - we estimate that a one percentage point increase in expected inflation leads to a 0.6 percentage point increase in the likelihood of the search for new work in the SCE, compared to a 0.8 - 0.9 percentage point increase in the RPS.

The effects are economically meaningful. To put these numbers in context, a useful comparison is the effect that changes in real wages have for search behavior, a relationship which is the subject of a very large literature in macro-labor (see Faberman, Mueller, Şahin and Topa (2022), for a recent prominent example). From Table 4, we find that a 1% real wage decline is associated with a 0.17 percentage point rise in the probability of searching for new work, and a 0.14 percentage point rise in the probability of searching for new or additional work. Since a 1% decline in the real wage is roughly equivalent to a 1 percentage point increase in inflation expectations, the effect of inflation on search (0.6 percentage points for new and 0.45 percentage points for new or additional) is three times larger than the effect on search of an equivalent real wage decline.

The table also includes regression coefficients for a selection of the controls contained in $\mathbf{X}_{it}$. We use the logged standard deviation of an individual's subjective probability distribution over inflation as a measure of subjective uncertainty. The coefficient on this variable gives the effect of an increase of $100 \times log(\sigma_{it}[\pi])$, or a doubling of uncertainty, which we find is insignificant. We find that perceived job loss risk positively predicts search. Interestingly, the magnitude of the effect is reduced by roughly 75% when we estimate the model with fixed effects. This is consistent with there being a degree of omitted variable bias in the non-FE specification; some workers have higher job-loss expectations always and therefore search more; the FE specification therefore lowers the estimated coefficient of job-loss risk on search behavior. The coefficient on inflation expectations, on the other hand, increases in the FE specification.

The coefficient on $log(wage_{it+1})$ implies that lower wage respondents are more likely to engage in search, in line with the theory. This is also qualitatively in line with the findings in Faberman, Mueller, Şahin and Topa (2022), who show that the likelihood of search declines in the real wage using the job-search supplement of the SCE.[41] Our cross-sectional estimates are similar to their estimates, which are also based on cross-sectional variation. Estimating the model using within-respondent changes causes the coefficient to increase by an order of magnitude, suggesting an even stronger negative correlation between on-the-job search and wages. Similarly, the importance of a recent job-to-job transition in predicting search is higher when we estimate its effect using within-respondent variation. When we estimate the model with fixed-effects, a job-to-job transition immediately prior to the search period reduces the likelihood of search by approximately 30 percentage points. Expected changes in nominal earnings over

[41] This is a one-annual supplement of the SCE conducted in October. Faberman, Mueller, Şahin and Topa (2022) Find a coefficient on the current real wage of roughly -0.07 with a dependent variable "Active Search." This is close to and not statistically significantly different from the -0.038 we estimate on search for some kind of work.

the next year have a nonsignificant effect on search.

Finally, while the fixed-effect specification is capable of controlling for time-invariant unobservable worker characteristics, there may be some time-varying unobservable worker characteristics that are not captured by the fixed-effects, but are correlated with search behavior. One such example may be labor market sentiments that we have not captured adequately in the labor market expectations variables contained in $\mathbf{X}_{it}$. We show in Appendix D-2 that the coefficients we estimate are stable to different variations of $\mathbf{X}_{it}$ and furthermore satisfy a test of coefficient stability (Oster, 2019).

We next consider the economic significance of these estimates in the context of the 2021-2023 rise in inflation expectations and job-to-job transitions.

4 Inflation Expectations, Search, and the Post-COVID Rise in the Job-to-Job Transition Probability

Following the COVID-19 pandemic, the United States experienced a surge in inflation and inflation expectations. A growing literature posits several explanations for this rise, including supply shocks (Bernanke and Blanchard, 2025) like energy price increases (Gagliardone and Gertler, 2024; Patzelt and Reis, 2025), loose monetary policy or delayed monetary policy action (Reis, 2023; Gagliardone and Gertler, 2024), and government deficits (Cochrane, 2022; Barro and Francesco, forthcoming; Hazell and Hobler, 2025).[42] The aim of the current paper is not to explain the increase in inflation and expected inflation over this period, but rather to investigate the role of inflation expectations in prompting on-the-job search, and the labor market outcomes that follow from such search. The rise in inflation expectations in the post-pandemic period provides an opportunity to do exactly this.

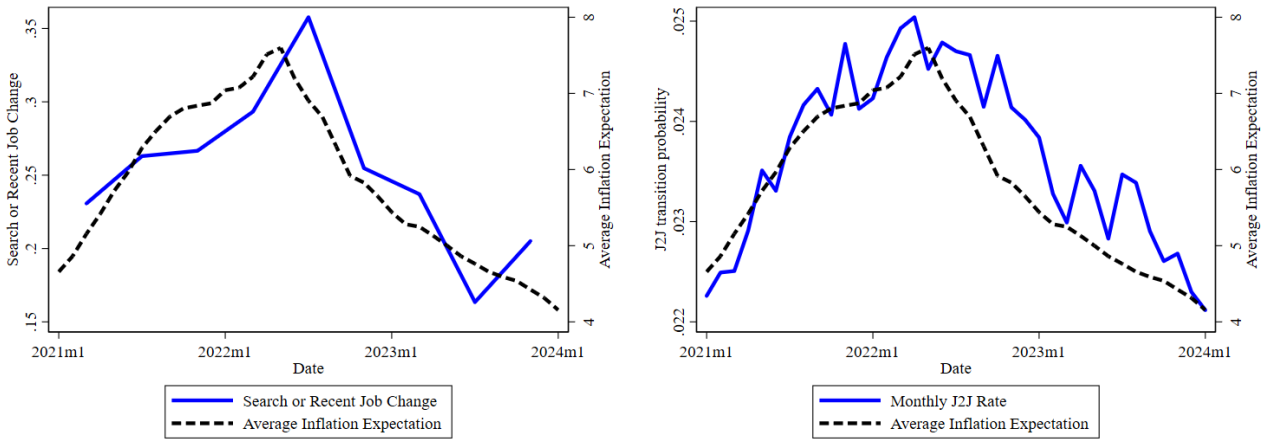
According to Fujita, Moscarini and Postel-Vinay (2024)'s series of job-to-job transitions, the rate of employer-to-employer flows in the post-pandemic period exceeded its 2019 average from mid-2021 through 2023, with its peak in 2022 (See Figure 6b). The 2022 peak was roughly 0.2 percentage points above the 2019 average (a roughly 9% increase from 2.28 to 2.48). The peak further coincides with the peak of job search behavior – defined here as either searching for some time of job or changing jobs recently – in the SCE as well as the peak in the inflation expectations we documented.[43]

We plot the series documenting search behavior (observed every four months) and the monthly job-to-job transition rate in Figures 6a and 6b in blue solid lines. Plotted along

[42]See Hazell and Hobler (2025) for a thorough literature review about the causes of the post-pandemic inflation.

[43]We classify a worker as changing jobs recently if they report a job tenure of six months or less in the labor market supplement.

with each of these is the average inflation expectation from the SCE (dashed black line). Both series move closely with aggregate inflation expectations. While a full analysis of the interaction of inflation expectations and job-to-job transitions is beyond the scope of our model, we can use our estimated effects to consider how much of the rise in the job-to-job transition rate over this period can be explained by the documented search response to expected inflation in a reduced-form exercise.



(a) SCE Search and Recent Change

(b) Job-to-Job Transition Rate

Figure 6: Search, Job-to-Job Transitions, and Inflation Expectations, 2021-2023

Notes: Panel 6a plots the share of SCE respondents who i) searched for either new or additional work in the last month or ii) report a job tenure of six months or less and the monthly average inflation expectation from the SCE. The search series is observed once every four months. Panel 6b plots Fujita, Moscarini and Postel-Vinay (2024)'s monthly series of job-to-job transition rates with the average inflation expectation. The two monthly series are plotted as centered five-month moving averages.

The evidence presented in Table 4 suggests that workers who have recently changed jobs are significantly less likely to search. This implies that expected inflation will have both a direct effect on the job-to-job transition probability via search and an indirect dynamic effect as search allocates workers to new jobs. To capture these dynamic effects, we use a simple statistical model for the probability of making a job-to-job transition. Denote a_t as the share of workers with a recent job-to-job transition. A worker belongs to the set $\mathcal{A}$ if she has recently changed jobs and to its complement, $\mathcal{A}^{\sim}$, if she has not. The probability of search $\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A})$ depends on expected inflation, $\tilde{\pi}$, membership in set $\mathcal{A}$, and other factors Z_t. The probability of changing jobs – or the combined probability of job offer arrival and acceptance – at date t depends on search status, with $\Pr(\text{J2J}_t|\text{search}) = \varepsilon_t^S$ and $\Pr(\text{J2J}_t|\text{no search}) = \varepsilon_t^N$. The overall job-to-job

transition probability at date t will then be:

$$\begin{aligned}\Pr\left(\text{J2J}_t\right) = (1-a_t) \times \Big[&\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}) \times \varepsilon_t^S + (1 - \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A})) \times \varepsilon_t^N\Big] \\ + a_t \times \Big[&\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim}) \times \varepsilon_t^S + (1 - \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim})) \times \varepsilon_t^N\Big]\end{aligned}$$

where we define

$$\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}) = \delta Z_t + \beta\tilde{\pi}_t \text{ and } \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim}) = \delta Z_t + \beta\tilde{\pi}_t + \theta$$

and θ is the mean difference in the search probability of recent job-changers, which our evidence suggests is negative ($\theta < 0$). The job-to-job transition probability at date t then simplifies to:

$$\Pr\left(\text{J2J}_t\right) = \left[\delta Z_t + \beta\tilde{\pi}_t\right](\varepsilon_t^S - \varepsilon_t^N) + \varepsilon_t^N + a_t\theta(\varepsilon_t^S - \varepsilon_t^N)$$

Provided that the probabilities of transition conditional on search status are stable, the change in the job-to-job transition rate relative to some base period can be expressed as a combination of the changes Z, $\tilde{\pi}$, and a.

We are interested in explaining the role of inflation expectations in the post-pandemic rise in job-to-job transitions and observe that the conditional probabilities of starting a new job after searching or not searching were similar in the pre- and post-pandemic periods.[44] We therefore set $\varepsilon_t^S = \varepsilon^S$ and $\varepsilon_t^N = \varepsilon^N$ and express the *change* in the job-to-job transition rate between t and some t' as:

$$\Delta_{t,t'}\Pr\left(\text{J2J}\right) = [\delta\Delta_{t,t'}Z + \beta\Delta_{t,t'}\tilde{\pi} + \theta\Delta_{t,t'}a](\varepsilon^S - \varepsilon^N) \tag{5}$$

Using this identity, we can calculate counterfactual changes in the aggregate job-to-job transition probability relative to a base year t using different assumptions on β and θ from Table 4, along with data on changes in inflation expectations. For the base "year," we use the monthly average over the year 2019. In the SCE, those for new work or for some kind of work are 3.7 and 3.3 percentage points, respectively, more likely to transition to a new job in the following month than nonsearchers; this provides estimates for $\varepsilon^S - \varepsilon^N$. As we are interested in the ceteris paribus change in job-to-job transitions due to higher expected inflation, we abstract from $\Delta_{t,t'}Z$ (i.e. we impose $\Delta_{t,t'}Z = 0$).

We first calculate the effect of inflation expectations ignoring any dynamic effect of changing the job-to-job transition rate, i.e. setting $\theta = 0$. This approximates an "upper bound" on the effect of inflation expectations on Pr(J2J). We set β equal to our estimates of the effect of expected inflation on search in the next month from Table 4. We do this using the estimates for

[44] Both pre-2020 and post-2020, the percentage of non-searchers who changed jobs was 0.4%. The share of those who change jobs after searching for some kind of work is 3.7% in both periods.

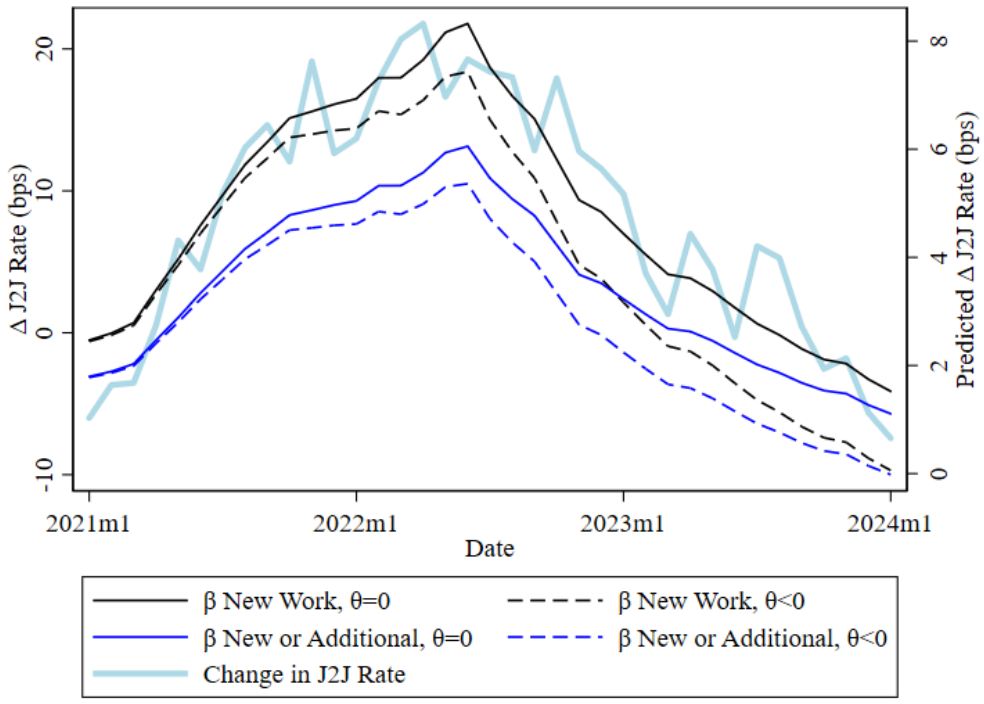


Figure 7: Predicted Job-to-Job Transition Rates

Notes. The figure shows centered five-month moving averages of the in the Fujita, Moscarini and Postel-Vinay (2024) EE transition rate less its 2019 average as well as the corresponding predicted change due to expected inflation described in Equation 5. All series are measured in basis points. The thick light blue line shows the realized series, or what we are trying to predict. We show estimated predicted changes using four different combinations of the marginal effect of expected inflation on search (β) and the effect of recent job-to-job transitions on search (θ). The black lines use estimates from Column (2) of Table 4, where search is classified as the search for new work. The blue lines include those who would search for additional work as searchers; the estimates come from Column (4) of Table 4. The solid black and blue lines ignore the dynamic effect of expected inflation. That is, we allow those who have recently changed job to continue to search in the same way as those who have not ($\theta = 0$). The dashed lines account for this dynamic effect. We consider all additional predicted job-to-job transitions to move to the set of recent job changers for the remainder of the sample. This group has reduced search intensity θ and we use the marginal effect of a recent job-to-job transition from Table 4 as estimates of θ.

the two definitions of search (searching for new work or for new or additional work). The results along with actual change in the job-to-job transition rate appear in Figure 7. The light blue line shows the realized change job-to-job transition probability, expressed as the difference (in basis points) from the 2019 average, while the black and blue solid lines show our counterfactual estimates under the two search definitions. The black line represents the search for new work and the blue line represents the search for new or additional work. We see that our predicted series move closely with the realized series and that the predicted series peak in June 2022. In this month, the predicted change in the job-to-job rate due to expected inflation accounts for

31-43% of the overall observed change.

These estimates ignore the indirect dynamic effect of expected inflation on $\Delta_{t,t'}\Pr(\text{J2J})$. As workers match to new jobs, they may be less likely to search and change jobs again. Failing to account for this can overstate the effect of inflation expectations on job-to-job transition probabilities in later periods. We now assume that any additional predicted job-to-job transitions move to set $\mathcal{A}^{\sim}$ for the remainder of the exercise.[45] As we accumulate job-to-job transitions, $\Delta_{t,t'}a$ grows and more workers are have a reduced probability of search, θ. We approximate this probability with the coefficient on a recent job-to-job transition from Table 4, $\theta \approx -0.3$. The resulting series also appear in Figure 7 in dashed lines. The black and blue lines again classify search as exclusive and inclusive of the search for additional work, respectively. Adjusting for the effect of past job-to-job transitions, the dynamics of inflation expectations can now explain 28-39% of the change in job-to-job transitions in June of 2022 relative to 2019.[46][47]

5 Conclusion

How do households respond to expected inflation in the labor market? We extend a canonical search model to show that nominal rigidity in workers' wages incentivizes on-the-job search. We then investigate the model's predictions empirically. Using hypothetical inflation levels in a novel survey, we show that workers are more likely to search for work when expected inflation is higher. We further show that this mechanism and the post-COVID rise in inflation expectations can explain a significant portion of the rise in the job-to-job transition probability observed in 2022.

While we have investigated the transmission of inflation to search behavior, a natural question is the extent to which this behavior leads to further price pressures in the economy. Search may lead to productivity-enhancing job-to-job transitions, or to wage growth through rent extraction from employers. These different outcomes may have different implications for the effects on firm input costs and prices. We hope that future work addressing these questions will build upon our analysis to develop a more complete understanding of these labor market dynamics and their interaction with inflation.

[45] This is the other extreme, as the probability of search is not reduced forever for job changers.

[46] As a caveat, search due to expected inflation may also have changed other factors in the search decision in $\Delta_{t,t'}Z$ that are more difficult to observe than discrete job changes and may have led to other dynamic effects of expected inflation on the job-to-job rate.

[47] Using estimates of β implied by the RPS hypothetical experiments suggests that we can explain a greater share of job-to-job transitions (49-77% depending on wave and specification). However, the hypothetical experiment concerns search choices over the coming year rather than the coming month and may therefore overstate the rate of monthly job-to-job transitions predicted by expected inflation.

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A Proofs

Lemma 2 *Let $h(Y)$ be the inverse function of $k'(s)$, that is $h(k'(s)) = s$ and $k'(h(Y)) = Y$. Then $h(Y)$ is increasing, $h'(Y) > 0$. If in addition $k'''(\cdot) \leq 0$, then $h''(Y) \geq 0$.*

Proof Since $k(s)$ is increasing and convex, $k'(s)$ is increasing. Differentiating $k'(h(Y)) = Y$ with respect to Y, $k''(h(Y))h'(Y) = 1$, or $h'(Y) = \frac{1}{k''(h(Y))}$. Since $k(s)$ is convex, $k'' > 0$ so $h'(Y) > 0$. Differentiating again with respect to Y yields $h''(Y) = -\frac{k'''(h(Y))h'(Y)}{[k''(h(Y))]^2}$ so $h(Y)$ is convex if $k'''(h(Y)) < 0$. ■

Lemma 3 *Search effort is strictly decreasing in the nominal wage, $\frac{\partial s_e^*(w,\tilde{\pi})}{\partial w} < 0$.*

Proof Search effort for employed workers (at the interior) satisfies:

$$s_e^*(w,\tilde{\pi}) = h\Big(\underbrace{\beta\lambda \int_{w\frac{(1+\gamma_1\tilde{\pi})}{(1+\gamma_2\tilde{\pi})}}^{\bar{w}} \Big[u\left(\frac{x(1+\gamma_2\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})}\right)\Big] dF(x)}_{\equiv Y_1(w,\tilde{\pi})}\Big) \tag{A-1}$$

Therefore, using Leibniz rule and simplifying,

$$\begin{aligned}\frac{\partial s_e^*(w,\tilde{\pi})}{\partial w} &= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \frac{\partial Y_1(w,\tilde{\pi})}{\partial w} \\ &= -\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \beta\lambda \int_{w\frac{(1+\gamma_1\tilde{\pi})}{1+\gamma_2\tilde{\pi}}}^{\bar{w}} \frac{(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})} u'\left(\frac{w(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})}\right) dF(x)\end{aligned}$$

From Lemma 2, $\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} > 0$. Since the term inside the integral is always positive, the right-hand side is negative. ■

Proof of Proposition 1 Using Leibniz rule, we obtain:

$$\begin{aligned}\frac{\partial s_e^*(w,\tilde{\pi})}{\partial \tilde{\pi}} &= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \frac{\partial Y_1(w,\tilde{\pi})}{\partial \tilde{\pi}} \\ &= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \beta\lambda \cdot \\ &\int_{w\frac{(1+\gamma_1\tilde{\pi})}{(1+\gamma_2\tilde{\pi})}}^{\bar{w}} \Big[\frac{w(1-\gamma_1)}{p(1+\tilde{\pi})^2} u'\left(\frac{w(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})}\right) - \frac{x(1-\gamma_2)}{p(1+\tilde{\pi})^2} u'\left(\frac{x(1+\gamma_2\tilde{\pi})}{p(1+\tilde{\pi})}\right)\Big] dF(x)\end{aligned} \tag{A-2}$$

Lemma 2 has already established that $\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} > 0$. $u'(x) = x^{-\eta}$, so the term inside the

integral becomes:

$$\int_{w\frac{(1+\gamma_1\tilde{\pi})}{(1+\gamma_2\tilde{\pi})}}^{\bar{w}} \left[\frac{w(1-\gamma_1)}{p(1+\tilde{\pi})^2}\left(\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)^{-\eta} - \frac{x(1-\gamma_2)}{p(1+\tilde{\pi})^2}\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)^{-\eta}\right] dF\left(x\right) \tag{A-3}$$

which is strictly positive whenever:

$$\frac{x(1-\gamma_2)}{w(1-\gamma_1)} < \left[\frac{w(1+\gamma_1\tilde{\pi})}{x(1+\gamma_2\tilde{\pi})}\right]^{-\eta}$$

Now consider the three cases:

(i) If $\gamma_2 = 1$ and $\gamma_1 < 1$, then the left-hand side is zero. The right-hand side is positive, so the condition is satisfied always.

(ii) Suppose $1 > \gamma_2 \geq \gamma_1 > 0$. First, notice that

$$\frac{(1+\gamma_2\tilde{\pi})}{(1+\gamma_1\tilde{\pi})} > \frac{(1-\gamma_2)}{(1-\gamma_1)}$$

Indeed, since the left-hand side is less than 1 and the right-hand side is greater than 1, the inequality holds. Returning to the original condition and taking the log, we obtain:

$$\eta ln\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{w\left(1+\gamma_1\tilde{\pi}\right)}\right) > ln\left(\frac{x\left(1-\gamma_2\right)}{w\left(1-\gamma_1\right)}\right)$$

Provided that $\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{w\left(1+\gamma_1\tilde{\pi}\right)}\right) > 0$, then

$$\eta \geq 1 > \frac{ln\left(\frac{x(1-\gamma_2)}{w(1-\gamma_1)}\right)}{ln\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{w\left(1+\gamma_1\tilde{\pi}\right)}\right)}$$

satisfies the condition.

(iii) Now consider the case when $1 > \gamma_2 = \gamma_1 \geq 0$. Then the condition becomes

$$\frac{x}{w} \leq \left[\frac{x}{w}\right]^{\eta}$$

which is satisfied with a strict inequality for any $\eta > 1$, since $x > w$. ■

B Extensions and Additional Results

B-1 Uncertainty

Suppose workers have beliefs about inflation which are distributed according to $z \sim G(\tilde{\pi}, \sigma)$, where $G(\cdot)$ is a Normal with mean $\tilde{\pi}$ and standard deviation σ and corresponding probability density $g(z; \tilde{\pi}, \sigma)$. Employed workers solve:

$$\begin{aligned}\max_{s\in\left(0,\frac{1}{\lambda}\right)} \quad & u\left(\frac{w}{p}\right) - k(s) \\ & +\beta\lambda s \int_z \Big[\int_{\underline{w}}^{\bar{w}} \max\left\{ u\left(\frac{x(1+\gamma_2 z)}{p(1+z)}\right), u\left(\frac{w(1+\gamma_1 z)}{p(1+z)}\right) \right\} dF(x) \Big] dG(z;\tilde{\pi},\sigma) \\ & +\beta(1-\lambda s)\int_z u\left(\frac{w(1+\gamma_1 z)}{p(1+z)}\right) dG(z;\tilde{\pi},\sigma)\end{aligned}$$

Our baseline model in the main text corresponds to the case where G is degenerate at the mean, that is workers are certain about their beliefs. When there is some degree of uncertainty and $\sigma > 0$, optimal search effort at the interior more generally becomes:

$$s_e^*(w,\tilde{\pi},\sigma) = h\Bigg(\underbrace{\int_z \beta\lambda \int_{w\frac{1+\gamma_1 z}{1+\gamma_2 z}}^{\bar{w}} u\left(\frac{x(1+\gamma_2 z)}{p(1+z)}\right) - u\left(\frac{w(1+\gamma_1 z)}{p(1+z)}\right) dF(x)}_{\equiv Y_1(w,z)} dG(z;\tilde{\pi},\sigma) \Bigg) \quad \text{(B-1)}$$

B-1.1 Mean Shifts

Differentiating optimal search effort in Equation B-1,

$$\begin{aligned}\frac{\partial s_e^*(w,\tilde{\pi},\sigma)}{\partial\tilde{\pi}} &= h'\left(\int_z Y_1(w,z) dG(z;\tilde{\pi},\sigma)\right) \cdot \int_z Y_1(w,z) \frac{\partial g(z;\tilde{\pi},\sigma)}{\partial\tilde{\pi}} dz \\ &= \frac{\int_z Y_1(w,z) \frac{\partial g(z;\tilde{\pi},\sigma)}{\partial\tilde{\pi}} dz}{\kappa''(s^*(w,\tilde{\pi}))}\end{aligned}$$

From Lemma 2, the denominator is positive. For the normal distribution,

$$\frac{\partial g(z)}{\partial\tilde{\pi}} = g(z)\frac{(z-\tilde{\pi})}{\sigma^2}$$

therefore the numerator of the RHS can be written as:

$$\int_z Y_1(w,z) \frac{\partial g(z)}{\partial\tilde{\pi}} dz = \frac{1}{\sigma^2}\int_z Y_1(w,z) g(z)(z-\tilde{\pi}) dz \quad \text{(B-2)}$$

Re-write B-2 as:

$$\begin{aligned}&\tfrac{1}{\sigma^2}\Big[\int_{\tilde{\pi}}^{\infty} Y_1(w,z)g(z)(z-\tilde{\pi})dz + \int_{-\infty}^{\tilde{\pi}} Y_1(w,z)g(z)(z-\tilde{\pi})dz\Big]\\ =&\tfrac{1}{\sigma^2}\Big[\int_0^{\infty} Y_1(w,\tilde{\pi}+\epsilon)g(\tilde{\pi}+\varepsilon)\varepsilon d\varepsilon - \int_0^{\infty} Y_1(w,\tilde{\pi}-\varepsilon)g(\tilde{\pi}-\varepsilon)\varepsilon d\varepsilon\Big]\end{aligned}$$

Since the normal distribution is symmetric about the mean, $g(\tilde{\pi}+\epsilon) = g(\tilde{\pi}-\epsilon)$, therefore the above integral becomes:

$$\frac{1}{\sigma^2}\Big[\int_0^{\infty}\Big(Y_1(w,\tilde{\pi}+\epsilon) - Y_1(w,\tilde{\pi}-\varepsilon)\Big)g(\tilde{\pi}+\varepsilon)\varepsilon d\varepsilon\Big]$$

which is positive when $Y_1(w,z)$ is increasing in z. Proposition 1 states when this will be the case. ■

B-1.2 Variance Shifts

Differentiating optimal search effort in Equation B-1,

$$\begin{aligned}\frac{\partial s_e^*(w,\pi,\tilde{\sigma})}{\partial\sigma^2} &= h'\left(\int_z Y_1(w,z)dG(z;\tilde{\pi},\sigma)\right)\cdot\int_z Y_1(w,z)\frac{\partial g(z;\tilde{\pi},\sigma)}{\partial\sigma^2}dz\\ &= \frac{\int_z Y_1(w,z)\frac{\partial g\left(z;\tilde{\pi},\sigma\right)}{\partial\sigma^2}dz}{\kappa''(s^*(w,\tilde{\pi}))}\end{aligned}$$

where the second equality uses Lemma 2.

Now consider the numerator of the RHS. For the normal distribution,

$$\frac{\partial g(z)}{\partial\sigma^2} = g(z)\frac{\left[(z-\tilde{\pi})^2-\sigma^2\right]}{2\sigma^4}$$

therefore the numerator of the RHS can be written as:

$$\begin{aligned}\int_z Y_1(w,z)\frac{\partial g(z)}{\partial\sigma^2}dz &= \frac{1}{2\sigma^4}\int_z Y_1(w,z)g(z)\left[(z-\tilde{\pi})^2-\sigma^2\right]dz\\ &= \frac{1}{2\sigma^4}\int_z Y_1(w,z)g(z)\left[(z-\tilde{\pi})^2\right]dz - \frac{1}{2\sigma^4}\int_z Y_1(w,z)g(z)\sigma^2 dz\\ &= \frac{1}{2\sigma^4}\left[\int_z Y_1(w,z)g(z)\left[(z-\tilde{\pi})^2\right]dz - \sigma^2\int_z Y_1(w,z)g(z)dz\right]\end{aligned}$$

which is the same as:

$$\frac{1}{2\sigma^4}\mathbb{E}[Y_1(w,Z)\cdot(Z-\tilde{\pi})^2] - \sigma^2\cdot\mathbb{E}[Y_1(w,Z)] = \frac{1}{2\sigma^4}\mathbb{E}[Y_1(w,Z)\cdot\underbrace{\Big((Z-\tilde{\pi})^2-\sigma^2\Big)}_{\equiv q(Z)}] \qquad \text{(B-3)}$$

Now consider:

$$\text{Cov}(Y_1(w,Z),q(Z)) = \mathbb{E}[Y_1(w,Z)\cdot q(Z)] - \mathbb{E}[Y_1(w,Z)]\cdot\mathbb{E}[q(Z)] \tag{B-4}$$

Since $\mathbb{E}[(Z-\tilde{\pi})^2] = \sigma^2$, $\mathbb{E}[q(Z)] = 0$, so the last term is zero. Moreover, $Cov(Y_1(w,z),q(Z)) \geq 0$ because both $Y_1(\cdot)$ and $q(\cdot)$ are increasing in Z. Therefore: $\mathbb{E}[Y_1(w,Z)\cdot q(Z)] = \text{Cov}(Y_1(w,Z),q(Z)) > 0$ ■

B-2 Arrival Rates a Function of Inflation Expectations

Here we consider what happens when individuals perceive that arrival rates will also change with the rate of inflation, so more generally $\lambda(\tilde{\pi})$. The worker solves:

$$\begin{aligned}\max_{s\in\left(0,\frac{1}{\lambda}\right)} & u\left(\frac{w}{p}\right) - \kappa(s) + \beta\lambda(\tilde{\pi})\, s\int_y \max\left\{u\left(\frac{x(1+\gamma_2 z)}{p(1+z)}\right), u\left(\frac{w(1+\gamma_1 z)}{p(1+z)}\right)\right\} dF(x) \\ & +\beta(1-\lambda(\tilde{\pi})\, s)u\left(\frac{w(1+\gamma_1 z)}{p(1+z)}\right)\end{aligned}$$

The FOC for search effort at the interior is then:

$$\kappa'(s^*(w,\tilde{\pi})) = \beta\lambda(\tilde{\pi})\int_{\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{(1+\gamma_2\tilde{\pi})}}\left\{u\left(\frac{x(1+\gamma_2\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right\} dF(x)$$

Implicitly differentiating with respect to $\tilde{\pi}$:

$$\begin{aligned}\frac{\partial s^*(w,\tilde{\pi})}{\partial\tilde{\pi}} &= h'\Big(\lambda(\tilde{\pi})\cdot R_1(w,\tilde{\pi})\Big)\frac{\partial}{\partial\tilde{\pi}}\left[\lambda(\tilde{\pi})\,\underbrace{\beta\int_{\frac{w\left(1+\gamma_1\tilde{\pi}\right)}{(1+\gamma_2\tilde{\pi})}}\left\{u\left(\frac{x(1+\gamma_2\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_1\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right\} dF(x)}_{\equiv R_1(w,\tilde{\pi})}\right] \\ &= \frac{\frac{\partial}{\partial\tilde{\pi}}\Big(\lambda(\tilde{\pi})R_1(w,\tilde{\pi})\Big)}{\kappa''(s^*(w,\tilde{\pi}))}\end{aligned}$$

Now consider the numerator:

$$\frac{\partial}{\partial\tilde{\pi}}\left[\lambda(\tilde{\pi})\, R_1(w,\tilde{\pi})\right] = \lambda(\tilde{\pi})\frac{\partial R_1(w,\tilde{\pi})}{\partial\tilde{\pi}} + R_1(w,\tilde{\pi})\frac{\partial\lambda(\tilde{\pi})}{\partial\tilde{\pi}}$$

The conditions listed in Proposition 1 provide sufficient conditions for when $\frac{\partial R_1\left(w,\tilde{\pi}\right)}{\partial\tilde{\pi}} > 0$. Since $R_1(w,\tilde{\pi}) > 0$, the second term is nonnegative (and therefore search is increasing in inflation expectations) if $\frac{\partial\lambda\left(\tilde{\pi}\right)}{\partial\tilde{\pi}} \geq 0$. If instead $\frac{\partial\lambda\left(\tilde{\pi}\right)}{\partial\tilde{\pi}} < 0$ and the conditions in Proposition 1 hold, search

will be increasing in inflation expectations iff

$$\frac{\partial R_1\left(w,\tilde{\pi}\right)}{\partial\tilde{\pi}}\frac{\tilde{\pi}}{R_1\left(w,\tilde{\pi}\right)} > -\frac{\partial\lambda\left(\tilde{\pi}\right)}{\partial\tilde{\pi}}\frac{\tilde{\pi}}{\lambda\left(\tilde{\pi}\right)}$$

that is, the elasticity of the arrival rate with respect to inflation expectations is smaller than the elasticity of $R_1\left(w,\tilde{\pi}\right)$ with respect to $\tilde{\pi}$.

B-3 The Non-Employed

Assuming nominal benefits for unemployed workers grow at a rate γ_0, with $1 \geq \gamma_0 \geq 0$, workers expect their real benefits to move to $\frac{b\left(1+\gamma_0\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}$ next period. Similarly, since offered wages grow at rate γ_2, workers expect real offered wages for new matches to grow by $\frac{1+\gamma_2\tilde{\pi}}{1+\tilde{\pi}}$ over a single period. Therefore, unemployed workers solve the following problem:

$$\begin{aligned}\max_{s\in\left(0,\frac{1}{\lambda}\right)} \quad & u\left(\frac{b}{p}\right)-k\left(s\right)\\ & +\beta\lambda s\int_{\underline{w}}^{\bar{w}}\max\left\{u\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right),u\left(\frac{b\left(1+\gamma_0\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\right\}dF\left(x\right)\\ & +\beta\left(1-\lambda s\right)u\left(\frac{b\left(1+\gamma_0\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\end{aligned}$$

The problem is the same as for the employed, except we swap w with b and γ_1 with γ_0. Therefore:

$$s_u^*\left(\tilde{\pi}\right)=h\Big(\underbrace{\beta\lambda\int_{b\frac{\left(1+\gamma_0\tilde{\pi}\right)}{\left(1+\gamma_2\tilde{\pi}\right)}}^{\bar{w}}\left[u\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)-u\left(\frac{b\left(1+\gamma_0\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\right]dF\left(x\right)}_{Y_2(\tilde{\pi})}\Big) \tag{B-5}$$

The proof of the equivalent of Proposition 1 for the non-employed follows the logic and is thus omitted. If b is indexed to inflation so that $\gamma_0=1$, the derivative of optimal search effort with respect to inflation expectations becomes:

$$\begin{aligned}\frac{\partial s_u^*\left(\tilde{\pi}\right)}{\partial\tilde{\pi}} \quad & =\frac{\partial h\left(Y_2(\tilde{\pi})\right)}{\partial Y_2(\tilde{\pi})}\cdot\\ & -\int_{b\frac{\left(1-\tilde{\pi}\right)}{\left(1+\gamma_2\tilde{\pi}\right)}}^{\bar{w}}\left[\frac{x(1-\gamma_2)}{p(1+\tilde{\pi})^2}u'\left(\frac{x\left(1+\gamma_2\tilde{\pi}\right)}{p\left(1+\tilde{\pi}\right)}\right)\right]dF\left(x\right)<0\end{aligned} \tag{B-6}$$

and therefore optimal search effort is declining in inflation expectations for $\gamma_2<1$.

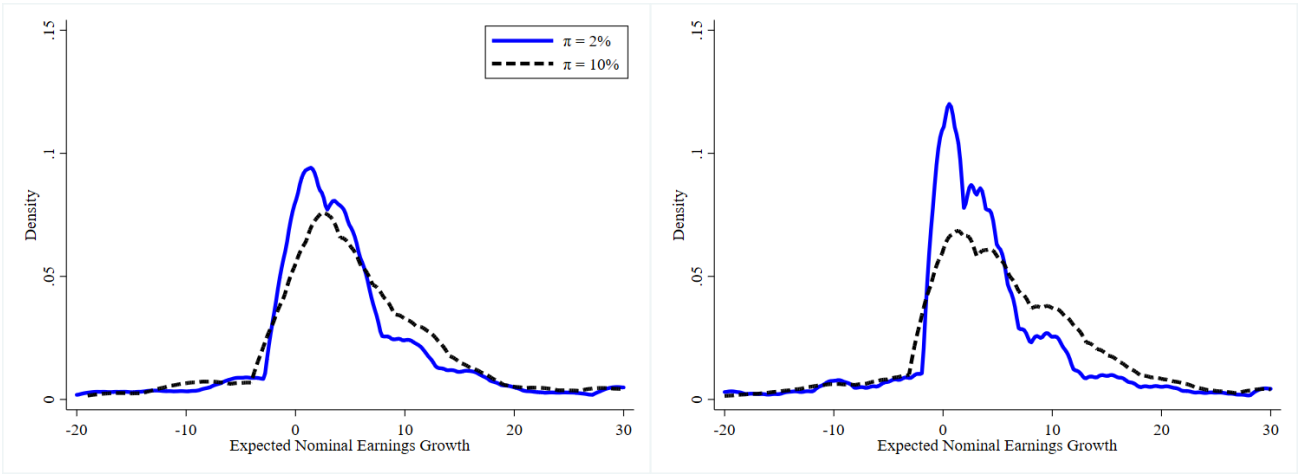
C Additional Tables and Figures

Table C-1: Inflation Expectations and Search Among the Non-employed

	Pre-2020	Post-2020	Full Sample, Excluding 2020
$E_{it}[\pi]$	0.0053	0.0043	0.0046*
	(0.0033)	(0.0038)	(0.0025)
$log(\sigma_{it}[\pi])$	0.0028	0.0037	0.0023
	(0.0116)	(0.0183)	(0.0098)
N	1827	787	2614
R^2	0.797	0.836	0.809

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates from Equation 4 for the non-employed in the Survey of Consumer Expectations. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent searched for a job and 0 otherwise. We consider different samples in each column. The first and second columns present data for the pre-pandemic and post-pandemic samples, respectively. Singleton observations are excluded from the regression count. All regressions include respondent, survey date, and survey tenure fixed effects as well as controls for respondents' inflation uncertainty, and expectations of the probabilities that unemployment, stock prices, and interest rates on savings accounts will increase in the next twelve months. We present coefficient estimates for expected inflation, $E_{it}[\pi]$, as well as inflation uncertainty. The results suggest a mild positive relationship between inflation expected inflation and the search of the non-employed. We find mixed results in the Real-Time Population Survey. The share of non-employed respondents who would search for a job is 0.56 (2.12) and 3.66** (1.76) percentage points higher in the October 2022 and February 2025 waves, respectively.



(a) October 2022 (b) February 2025

Figure C-1: Nominal Earnings Growth Expectations in the Real-Time Population Survey

Notes: The figure shows kernel densities of the distributions of earnings growth expectations in each the 2% and 10% inflation hypotheticals. Panel C-1a shows the data for the October 2022 wave and Panel C-1b shows the data for February 2025.

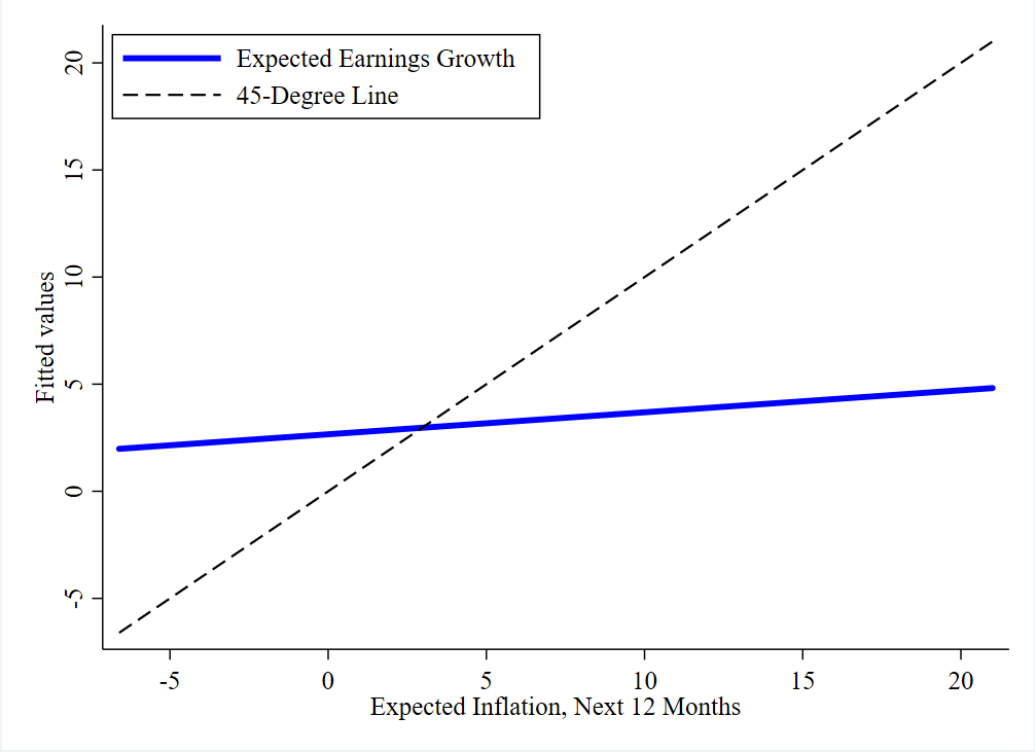


Figure C-2: The figure plots the fitted values of expected on-the-job earnings growth in the next twelve months against expected inflation in the next twelve months. The result implies that workers do not anticipate that their earnings will grow at a rate matching that of the price level. This is consistent with the evidence we show in the Real-Time Population Survey in Section 2.2.

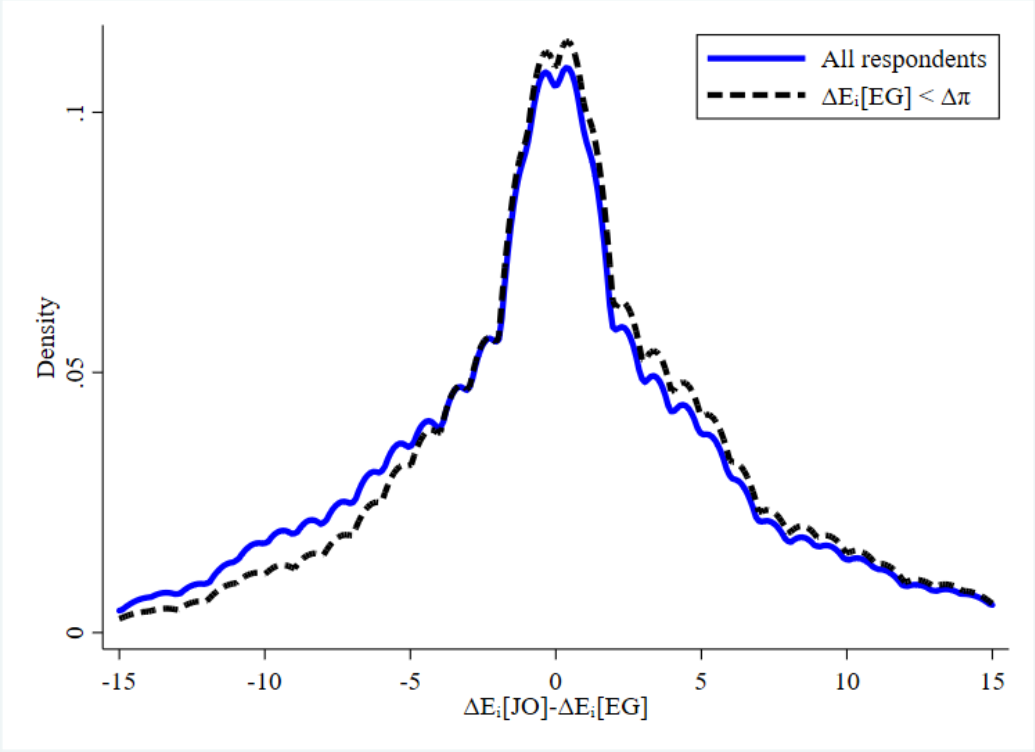
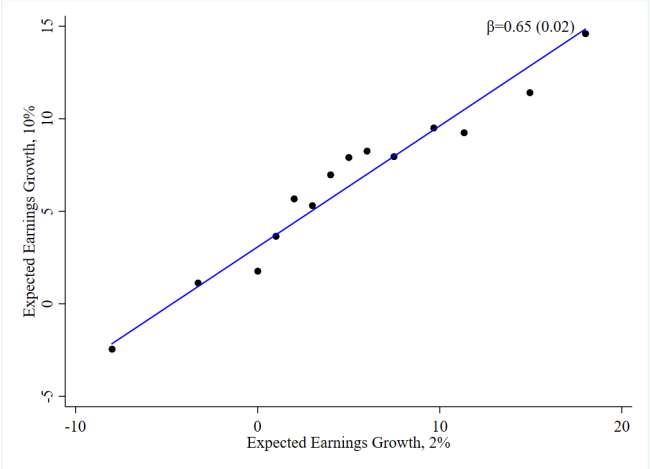
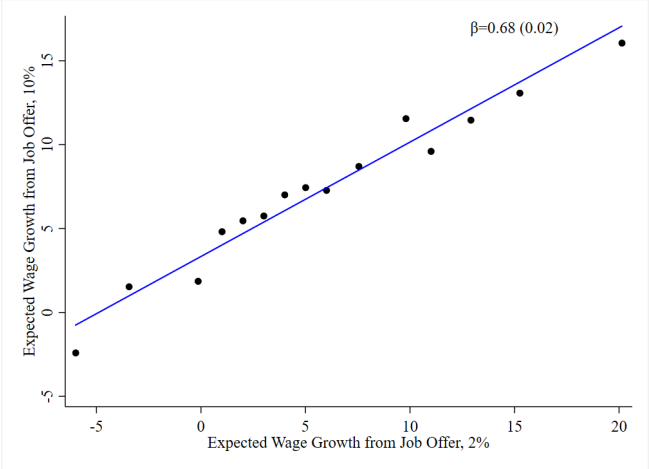


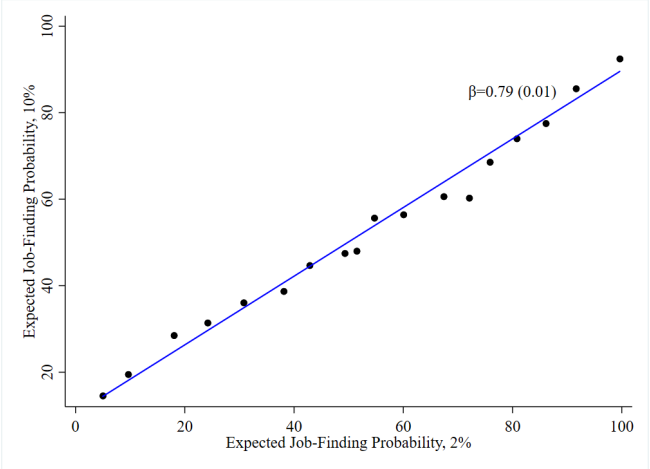
Figure C-3: The figure plots a measure of the flexibility of switcher wage growth to inflation relative to the same flexibility of on-the-job wage growth. For each expected wage growth from a job offer at a similar job and expected earnings growth at one's current employer, we calculate the change in expectations going from the low hypothetical to the high hypothetical: $\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$. These differences measure the number of percentage points that respondents believe outside offers or on-the-job earnings will increase. We then calculate $\Delta_i[JO] - \Delta_i[EG]$, which will be positive if respondents anticipate that outside offers respond more to inflation than do on-the-job wages. We plot the density of this value for the full sample in blue. The dashed black line shows shows the same series including only workers that perceive earnings on the current job to respond less than one-for-one with inflation (i.e. $\Delta E_i[EG] < 8$); such workers comprise 82% of the sample. The average $\Delta E_i[JO] - \Delta E_i[EG]$ is -0.19 (s.e. 0.28) for the full sample and 1.36 (0.26) for the sample that anticipates nominal rigidity in current wages.



(a) Expected On-the-Job Earnings Growth



(b) Expected Wage Growth from Job Offer



(c) Expected Job-Finding Probability

Figure C-4: The figure presents binscatter plots of each labor market expectation elicited in the February 2025 wave of the Real-Time Population Survey. The expectation at 10% hypothetical inflation is on the y-axis and the expectation at 2% hypothetical inflation is on the x-axis.

Table C-2: Labor Market Expectations at Different Hypothetical Inflation Levels, Trimmed

	$E_i^{\pi=2}$	$E_i^{\pi=10}$	$\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$
Expected Earnings Growth			
Mean	3.4	5.2	1.9
Std. Dev.	4.5	5.7	4.6
N	2139	2140	2121
Expected Wage Growth from Job Offer			
Mean	5.5	7.2	1.6
Std. Dev.	5.8	6.5	5
N	2147	2142	2149
Expected Job Finding Probability, 0-100			
Mean	57.7	56.4	-1.4
Std. Dev.	30.5	30.5	10.3
N	2127	2127	2127

The table reports summary statistics of labor market expectations in each inflation scenario in the first two columns as well as summary statistics for the change in expectations going from 2% to 10% hypothetical inflation in the third column. Earnings growth and job offer expectations are trimmed at the 5% level. The within-individual differences are trimmed after constructing the difference.

Table C-3: Predictors of Labor Market Actions at 2% Inflation

	Search, Additional	Raise	Search, New
$E_i^{\pi=2}[EG]$	-0.0081**	-0.0074**	-0.0054**
	(0.0033)	(0.0031)	(0.0026)
$E_i^{\pi=2}[JO]$	-0.0003	0.0053**	0.0032
	(0.0028)	(0.0025)	(0.0022)
$E_i^{\pi=2}[JF]$	0.0002	0.0005	-0.0003
	(0.0005)	(0.0004)	(0.0004)
$E_i[\pi]$	0.0052**	0.0049**	0.0064***
	(0.0022)	(0.0020)	(0.0019)
$log(w_i)$	-0.0716***	-0.0596**	-0.0445**
	(0.0262)	(0.0234)	(0.0213)
N	1882	1882	1882
R^2	0.06	0.06	0.05

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

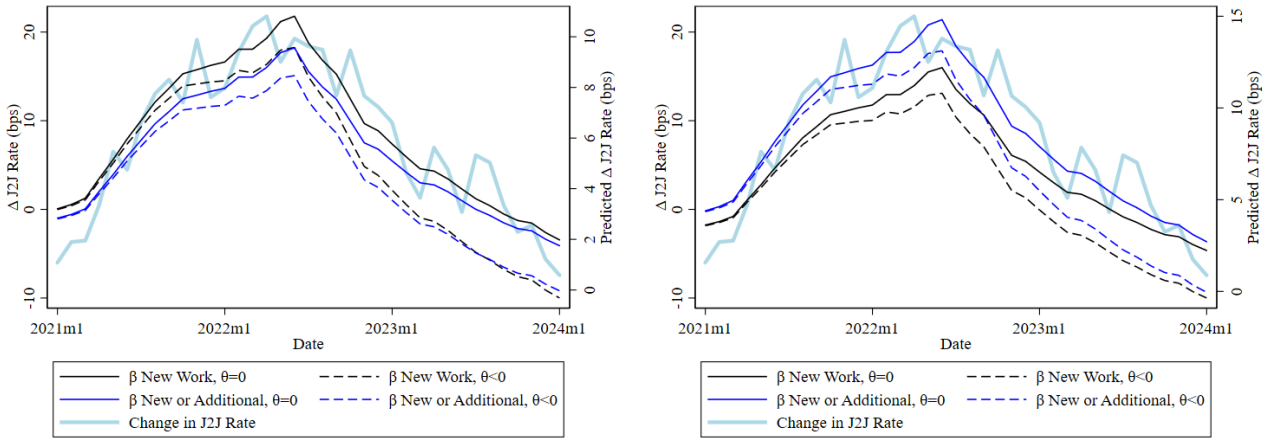
The table reports the estimates from regressions of various labor market plans when hypothetical inflation is 2% on labor market expectations also from that hypothetical, including expected on-the-job earnings growth, job offer expectations, and expected job finding probability. Expected earnings growth and expected job offers are expressed as percent of the respondents current wage. The job finding probability ranges from 0 to 100. We also include the respondents log wage and their inflation expectation elicited prior to the hypothetical exercise. Job offer, earnings growth, and inflation expectations are trimmed at the 5 percent level. We include controls for respondent characteristics that may correlate with their search costs: age, a quadratic age term, gender, number of children, type of employment, wages (in logs), respondents' usual work hours, and unconditional inflation expectations.

Table C-4: Inflation Expectations (SCE Measure) and Search, 2014 - 2019

	Search, New		New or Additional	
$E_{it}[\pi_{t+1}]$	0.0039**	0.0051*	0.0039**	0.0041
	(0.0017)	(0.0030)	(0.0019)	(0.0034)
Uncertainty, $log(\sigma_{it}[\pi_{t+1}])$	-0.0111*	0.0053	-0.0053	-0.0026
	(0.0057)	(0.0110)	(0.0064)	(0.0127)
$E_{it}[Job\,Loss\,Prob._{t+1}]$, (0-100)	0.0035***	0.0009*	0.0040***	0.0015***
	(0.0003)	(0.0004)	(0.0003)	(0.0005)
$log(wage_{it+1})$	-0.0198*	-0.1754***	-0.0390***	-0.1420***
	(0.0108)	(0.0467)	(0.0119)	(0.0515)
J2J between t-1 and t	-0.0207	-0.2993***	0.0314	-0.3306***
	(0.0393)	(0.0607)	(0.0426)	(0.0656)
N	7748	6061	7748	6061
R^2	0.046	0.668	0.068	0.671
Demographic Controls	X		X	
Respondent FE		X		X
Time FE	X	X	X	X
Survey Tenure FE	X	X	X	X

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates from Equation 3 and 4. It differs from Table 4 in that it uses the SCE's measures of expected inflation and inflation uncertainty rather than the estimates derived using the method proposed by Ryngaert (2023). The SCE's measure fits a distribution to respondents' probabilistic forecasts in isolation of the point estimate whereas Ryngaert (2023)'s measure considers the point estimate in addition to probabilistic forecasts in fitting the distribution. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent participated in a particular kind of search and 0 otherwise. We consider the search for a new job in the first two columns and search for new or additional work in the second two columns. All regressions include survey date and survey tenure fixed effects as well as controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. The first and third columns estimate the model with demographic controls rather than respondent fixed effects. The second and fourth columns substitute respondent fixed effects for these controls. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+1}]$, as well as selected controls. The sample includes data from June 2014 (the month prior to the first labor market supplement) to November 2011 (the last labor market supplement prior to the COVID-19 pandemic). In the specifications with individual fixed effects, singleton observations are dropped from the regression count.



(a) October 2022 Estimates

(b) February 2025 Estimates

Figure C-5: Predicted Job-to-Job Transitions Using RPS Estimates

Notes: The figure replicates the exercise in Section 4 using estimates for the effect of expected inflation on on-the-job search - β. Panel C-5a uses estimates from the October 2022 wave. These imply a $\beta = 0.0078$ for the search for new work and $\beta = 0.0071$ for the search for new or additional work. Panel C-5b uses estimates from the February 2025 wave. These imply a $\beta = 0.0088$ for the search for new work and $\beta = 0.011$. The solid black and blue lines ignore the dynamic effect of expected inflation. That is, we allow those who have recently changed job to continue to search in the same way as those who have not ($\theta = 0$). The dashed lines account for this dynamic effect. We consider all additional predicted job-to-job transitions to move to the set of recent job changers for the remainder of the sample. This group has reduced search intensity θ and we use the marginal effect of a recent job-to-job transition from Table 4 as estimates of θ. (The hypothetical experiment generating estimates of β does not allow us to control for the effect of a job-to-job transition.) While the magnitudes of the predicted effects differ slightly from those in Figure 7, the dynamics are similar. We see that our predictions track the actual series closely, particularly when we allow for the dynamic effect of expected inflation.

D Additional Empirics

D-1 Estimating Marginal Effects of Labor Market Expectations

We can also estimate the marginal effects of various expectations on search and other actions (available upon request) using the changes in individual respondent beliefs across scenarios. We find similar results to those presented in Section 2.3

Define the change in the decision to search for new work as $\Delta search_i = search_i^{\pi=10} - search_i^{\pi=2}$. This variable can take on three values: -1 if a respondent would search at $\pi = 2$ but not at $\pi = 10$, 0 if plans are unchanged across hypotheticals, and 1 if they would search at $\pi = 10$ and not $\pi = 2$. Allow the change in search plans to depend on an underlying latent variable s_i^*:

$$\Delta search_i = \begin{cases} -1 & \text{if } s_i^* < \kappa_{-1} \\ 0 & \text{if } \kappa_{-1} \leq s_i^* < \kappa_0 \\ 1 & \text{if } s_i^* \geq \kappa_0 \end{cases}$$

The latent variable s_i^* is in turn a function of changing expectations such that we run an ordered logistic regression of the following form:

$$\log\left(\frac{\Pr(\Delta search_i > j)}{\Pr(\Delta search_i \leq j)}\right) = \beta_{JO}\Delta E_i[JO] + \beta_{EG}\Delta E_i[EG] + \beta_{JF}\Delta E_i[JF] + \mathbf{x}_i\gamma - \kappa_j \tag{D-1}$$

for $j = -1, 0$ and where $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ represent the differences in expectations in the high inflation scenario and the low inflation scenario for expected wage gains via an outside offer, expected on-the-job earnings growth, and the expected job-finding probability.[48] Positive coefficients indicate that higher values of the variable are predictive of higher values of $\Delta search_i$, or more search intensity under higher inflation. We include a vector of controls controls $\mathbf{x}_i$ to allow for the change in search behavior to vary systematically with respondent characteristics. These include age, a quadratic age term, gender, number of children, type of employment, wages (in logs), respondents' usual work hours, and unconditional inflation expectations. We winsorize each change in expectations and inflation expectations at the 5% level.

The coefficients from Equation D-1 as well as marginal effects appear in Table D-1. The marginal effects can be interpreted as the change in probability of a given outcome associated

[48] One may worry that measurement error in respondents' expectations can create attenuation bias and cause us to underestimate the effect of changing expectations on search behavior. Using the difference in expectations across hypotheticals mitigates this concern. As the questions are asked using the same wording and changing only the value of hypothetical inflation, measurement error arising due to question wording, recall error, or rounding should be common to both of a respondent's answers and therefore cancel out of the difference.

with a one-unit change in the independent variable. We report these for $\Delta search_i = -1$, which means that the worker discontinues search under higher inflation, and $\Delta search_i = 1$, which means that the worker would begin search under higher inflation.

Table D-1: Predictors of Changing Search Plans Across Inflation Scenarios

	$\Delta search_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0365**	-0.0012**	0.0035**
	(0.0144)	(0.0005)	(0.0014)
$\Delta E_i[EG]$	-0.0144	0.0005	-0.0014
	(0.0151)	(0.0005)	(0.0015)
$\Delta E_i[JF]$	0.0014	-0.0000	0.0001
	(0.0065)	(0.0002)	(0.0006)
$E_i[\pi]$	0.0073	-0.0002	0.0007
	(0.0096)	(0.0003)	(0.0009)
$log(wage_i)$	0.0614	-0.0020	0.0059
	(0.1392)	(0.0046)	(0.0134)
N	2258	2258	2258

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation D-1. The independent variable $\Delta search_i$ is an ordinal variable equal to -1 if the respondent would search under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would search under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. $E_i[\pi]$ is the respondent's unconditional inflation expectation and $log(wage_i)$ is the log hourly wage. We also include demographic and labor market controls. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta search_i$ — more search under higher inflation — more likely. The marginal effects are interpreted as the percentage change in the probability of $\Delta search_i$ taking on a given value for a one-unit change in the independent variable.

The effects of changing labor market expectations on search are small. Increasing job-offer expectations increase the likelihood that a respondent who would not search in the low inflation hypothetical would search in the high inflation hypothetical. Specifically, a one percentage point increase in expected wage growth from outside offers increases the probability that a respondent would begin to search at $\pi = 10\%$ by 0.35 percentage points. A one percentage point increase in expected earnings growth reduces this probability by 0.14 percentage points, although this effect is not statistically significant. Changes in job-finding probability have a negligible impact on the search decision. We further see that respondents' baseline inflation expectations do not predict

changes in search behavior. The coefficient on log hourly wages is positive, but not statistically significant. The results are similar when we re-estimate the equation excluding demographic controls; see Table D-2.

These marginal effects along with the average differences in labor market expectations between the 10% hypothetical and the 2% hypothetical allow us to estimate how much of the change in the share of searchers can be attributed to changing expectations. This is calculated by weighting values of $\Delta search_i$ by the average change in an expectation and the marginal effect associated with that expectation and that value of $\Delta search_i$. For example, for the independent variable $\Delta E_i[JO]$, $\left[-\frac{\partial Pr(\Delta search_i=-1)}{\partial \Delta E_i[JO}+\frac{\partial Pr(\Delta search_i=1)}{\partial \Delta E_i[JO]}\right] \times \overline{\Delta E_i[JO]}$ describes the average $\Delta search$ implied by the induced change in job offer expectations.

Table D-2: Predictors of Changing Search Plans Across Inflation Scenarios, excluding controls

	$\Delta search_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0339**	-0.0011**	0.0033**
	(0.0140)	(0.0005)	(0.0014)
$\Delta E_i[EG]$	-0.0121	0.0004	-0.0012
	(0.0151)	(0.0005)	(0.0015)
$\Delta E_i[JF]$	0.0012	-0.0000	0.0001
	(0.0069)	(0.0002)	(0.0007)
$E_i[\pi]$	0.0064	-0.0002	0.0006
	(0.0094)	(0.0003)	(0.0009)
$log(wage_i)$	-0.0193	0.0006	-0.0019
	(0.1166)	(0.0039)	(0.0114)
N	2258	2258	2258

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation D-1. The independent variable $\Delta search_i$ is an ordinal variable equal to -1 if the respondent would search under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would search under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. $E_i[\pi]$ is the respondent's unconditional inflation expectation and $log(wage_i)$ is the log hourly wage. In this version, we exclude controls aside from the wage and unconditional inflation expectations. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta search_i$ — more search under higher inflation — more likely. The marginal effects are interpreted as the percentage change in the probability of $\Delta search_i$ taking on a given value for a one-unit change in the independent variable.

D-2 Coefficient Stability and Oster (2019) Test

The estimated effect of inflation expectations on search is robust to various specifications of the control vector, $\mathbf{X_{it}}$. Table D-3 provides estimates for the coefficient of interest, β_1, from Equation 3 repeated with different combinations of controls and with $search_{it+1}$ describing the decision to search for new work. We separate these controls into two categories: those describing the respondent's other expectations and those describing the respondent's current job characteristics. The former includes expected nominal earnings growth at the current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The latter includes the log hourly wage, a dummy variable for a job-to-job transition prior to the search period, and a vector of dummies giving the respondent's detailed labor market status. We include time, individual, and survey tenure fixed effects in all regressions as these are necessary to pinpoint the variation used to estimate our regression. The choice of time-varying observables barely alters our estimates. This is reassuring, since stability with respect to observable heterogeneity suggests stability with respect to unobservable heterogeneity.[49]

While the stability of the coefficient to control choices assuages worries about omitted variable bias, Oster (2019), building on the work of Altonji, Edler and Taber (2005), argues that it cannot fully describe bias; it is also important to account for how much of the dependent variable the controls can explain, or movements in the R^2 induced by including these controls.

The Oster (2019) bias-corrected coefficient takes the form $\beta^* \approx \beta^C - \delta[\beta^{UC} - \beta^C]\frac{R^{max}-R^C}{R^C-R^{UC}}$ where β^C and R^C are coefficient the coefficient of interest and within-R^2 of the regression including all controls and β^{UC} and R^2 are the same objects for the uncontrolled regression. The values of β^C and R^C and β^{UC} and R^{UC} correspond to the coefficient and R^2 values from Columns (1) and (4) of Table D-3, respectively.[50] Oster (2019) introduces the concept δ as the coefficient of proportionality that describes the relative selection of unobservables and observables. A $\delta = 1$ means that unobservables and observables are equally related to the independent variable of interest - in our case $E_{it}[\pi_{t+1}]$ - while a $\delta > 1$ would mean that unobservables are more related to $E_{it}[\pi_{t+1}]$ than the observed controls are.

R^{max} represents the within R^2 of the regression in which the control vector X_{it} includes all relevant controls such that there is no omitted variable bias. This value is unobservable and depends on the empirical context. Following Oster (2019), we adopt $R^{max} = \Pi R^C$, which allows the unobservables to explain Π times the variation in the dependent variable explained by both the variable of interest $E_{it}[\pi]$ and the observable controls, $\mathbf{X_{it}}$.

[49] Overall, the results suggest, if anything, a mild upward bias when workers' other expectations are left out of the regression. Omitting characteristics of the job biases the coefficient to a lesser degree in the other direction.

[50] Defining β^C and R^C as the values from Columns (2) or (3) also each satisfy the Oster criterion.

Table D-3: Coefficient Stability - Search for New Work

	(1)	(2)	(3)	(4)
$E_{it}[\pi_{t+1}]$	0.0060**	0.0058**	0.0066**	0.0063**
	(0.0029)	(0.0029)	(0.0026)	(0.0027)
N	6043	6043	6043	6043
R^2 (within)	0.021	0.004	0.019	0.002
Other Expectations	X	X		
Current Job	X		X	
Respondent FE		X		X
Time FE	X	X	X	X
Survey Tenure FE	X	X	X	X

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates of a regression of search for new work on inflation expectations and various combinations of controls. The sample includes employed workers in the Survey of Consumer Expectations in the years 2014 to 2019. We group our discretionary controls into two categories. The first, "Other Expectations" captures respondents' other macroeconomic and labor market expectations including the respondents' inflation uncertainty, expected nominal earnings growth at their current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The second set of time-varying controls describes a workers' current job situation. This includes the hourly wage (in logs), an indicator for a job-to-job transition in the month before the search period. Column (1) includes all controls. Columns (2) and (3) omit the current labor market situation and expectations controls, respectively. Column (4) omits both sets of controls. We include respondent, date, and survey tenure fixed effects in all columns. The coefficient is relatively stable with respect to controls and also satisfies the criterion in Oster (2019).

We report two statistics to assess the degree of coefficient stability. The first is the value of δ necessary to drive $\hat{\beta}_1$ to zero for a chosen R^{max}. Oster (2019) argues that this δ should be greater than 1, so that selection on unobservables would have to be more important than selection on observables in generating omitted variable bias. Allowing $\Pi = 3$, which Oster (2019) suggests is conservative, we find $\delta = 9.51$.[51] The second is the bias-corrected coefficient assuming equal selection on observables and unobservables ($\delta = 1$). For $R^{max} = 3R^C$, the coefficient falls from 0.60 to 0.54. Furthermore, a similar analysis defining $search_{i,t+1}$ as the search for new or additional work produces the same result. See Table D-4.

Table D-4: Coefficient Stability - Search for New or Additional Work

	(1)	(2)	(3)	(4)
$E_{it}[\pi_{t+1}]$	0.0045	0.0043	0.0046	0.0045
	(0.0033)	(0.0033)	(0.0030)	(0.0031)
N	6043	6043	6043	6043
R^2 (within)	0.020	0.005	0.017	0.001
Other Expectations	X	X		
Current Job	X		X	
Respondent FE		X		X
Time FE	X	X	X	X
Survey Tenure FE	X	X	X	X

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates of a regression of search for new work or additional work on inflation expectations and various combinations of controls. The sample includes employed workers in the Survey of Consumer Expectations in the years 2014 to 2019. We group our discretionary controls into two categories. The first, "Other Expectations" captures respondents' other macroeconomic and labor market expectations including the respondents' inflation uncertainty, expected nominal earnings growth at their current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The second set of time-varying controls describes a workers' current job situation. This includes the hourly wage (in logs), an indicator for a job-to-job transition in the month before the search period. Column (1) includes all controls. Columns (2) and (3) omit the current labor market situation and expectations controls, respectively. Column (4) omits both sets of controls. We include respondent, date, and survey tenure fixed effects in all columns. Specifically, using Column (1) as the controlled regression and Column (4) as the uncontrolled regression and specifying an R^{max} of $3 \times R^C$, the degree of selection δ necessary to induce a coefficient of 0 is very large ($\delta = 151$) because β^C and β^{UC} are identical. The bias adjusted β is 0.0045.

[51] $\Pi = 3$ is also the value chosen by Flynn and Sastry (2024) in their application of the Oster test in a different macroeconomic setting.