

Literature Review

Xiang Jyun, Jhang

April 9, 2024

1 Literature Review

The significance of the employment-to-employment (EE) transition rate has been overlooked in the formulation of policies for an extended period. However, recent empirical studies have highlighted its connection with the rate of wage increase (Moscarini and Postel-Vinay (2016), Hahn et al. (2017)). Utilizing data from the United States, Karahan et al. (2017) demonstrated that the EE transition rate, a reflection of labor market dynamics, is a more potent predictor of wage growth than the job finding rate among the unemployed. Additionally, Hahn et al. (2017) found that the EE transition rate has a modestly positive effect on earnings. The EE transition rate is undeniably a significant factor in wage growth that merits further attention.

During the Covid-19 pandemic, the labor markets in various countries underwent severe economic downturns, leading to significant layoffs in the US market, as evidenced by both survey (Coibion et al. (2020), Cortes and Forsythe (2023)) and administrative data (Albanesi and Kim (2021)). This downturn was not unique to the US; labor markets in other developed countries also experienced significant disruptions (Fana et al. (2020), Kikuchi et al. (2021)). This widespread phenomenon of layoffs reduced wages across numerous countries, prompting a widespread eagerness among workers to secure employment.

In the aftermath of the pandemic, the resurgence of job searching and EE transition rates, in tandem with economic recuperation, injected vitality into the labor market and contributed to wage increases. Notably, the wage recovery trajectory exhibited surprising variances across different worker segments. Autor et al. (2023) revealed that in the US, low-skilled or less-educated workers experienced a more rapid wage recovery than their high-

skilled or well-educated counterparts during the economic revival, resulting in a hastened process of wage compression.

The objective of my research is to ascertain whether the EE transition rate acts as a primary catalyst for wage enhancement in Taiwan by analyzing labor insurance administrative data. Furthermore, this study aims to investigate whether the presence of an expedited wage compression trend exists across various industries in Taiwan following the pandemic.

References

- Albanesi, S. and J. Kim (2021). Effects of the covid-19 recession on the us labor market: Occupation, family, and gender. *Journal of Economic Perspectives* 35(3), 3–24.
- Autor, D., A. Dube, and A. McGrew (2023, March). The Unexpected Compression: Competition at Work in the Low Wage Labor Market. Technical Report w31010, National Bureau of Economic Research, Cambridge, MA.
- Coibion, O., Y. Gorodnichenko, and M. Weber (2020). Labor markets during the covid-19 crisis: A preliminary view. Technical report, National Bureau of economic research.
- Cortes, G. M. and E. Forsythe (2023). Heterogeneous labor market impacts of the covid-19 pandemic. *ILR Review* 76(1), 30–55.
- Fana, M., S. Torrejón Pérez, and E. Fernández-Macías (2020). Employment impact of covid-19 crisis: from short term effects to long terms prospects. *Journal of Industrial and Business Economics* 47(3), 391–410.
- Hahn, J. K., H. R. Hyatt, H. P. Janicki, and S. R. Tibbets (2017, May). Job-to-Job Flows and Earnings Growth. *American Economic Review* 107(5), 358–363.
- Karahan, F., R. Michaels, B. Pugsley, A. Şahin, and R. Schuh (2017, May). Do Job-to-Job Transitions Drive Wage Fluctuations Over the Business Cycle? *American Economic Review* 107(5), 353–357.
- Kikuchi, S., S. Kitao, and M. Mikoshiba (2021). Who suffers from the covid-19 shocks? labor market heterogeneity and welfare consequences in japan. *Journal of the Japanese and International Economies* 59, 101117.

Moscarini, G. and F. Postel-Vinay (2016). Wage posting and business cycles. *American Economic Review* 106(5), 208–213.