

Tiedekunta-Fakultet-Faculty Valtiotieteellinen tiedekunta		Laitos-Institution-Department Department of Economics	
Tekijä-Författare-Author Pekkarinen, Tuomas			
Työn nimi-Arbetets titel-Title The Wage Curve : Evidence from the Finnish Metal Industry			
Oppiaine-Läroämne-Subject Economics			
Työn laji-Arbetets art-Level Licentiate thesis		Aika-Datum-Month and year 1999-09-01	Sivumäärä-Sidantal-Number of pages 62, v s.
<p>Tiivistelmä-Referat-Abstract</p> <p>In this paper we study the wage curve with Finnish metal industry panel data from the period 1991-95. Three different measures of hourly wage are used as dependent variables. As the unemployment variable we use the unemployment rate of the regional county. In order to control for the effects of long-term unemployment we split the unemployment rate into short and long-term unemployment. We also control for the effect of active labour market policies by augmenting the wage equation with a variable for subsidised employment schemes. Results indicate that hourly wages are responsive to regional labour market conditions. The estimated unemployment-elasticity of wages in the Finnish metal industry is somewhat smaller than the elasticities reported by other studies. Long-term unemployment increases wages and subsidised employment schemes decrease them. Their combined effect is zero. This elasticity in the wages is due to the sensitivity of the fixed personal hourly wages. Piece rates are insensitive to the changes in unemployment rates. Our candidate for the estimated slope of the wage curve in the Finnish metal industry is -0.04 from an equation where the dependent variable is the logarithm of the fixed hourly wage and the unemployment variable is corrected so that the long-term unemployed are removed from the pool of unemployed and the labour force and the workers in subsidised employment schemes are considered as unemployed.</p> <p>There appears to be a considerable amount of heterogeneity in the slope of the wage curve between different subpopulations. Hourly wages of men are more responsive to changes in unemployment than those of women. The elasticity of hourly wages also tends to decrease as the workers get older. Wages are clearly more elastic in the densely populated areas than in the sparsely populated areas. Both regional and individual unobservable effects are controlled for as well as the common group bias in the estimates of the standard errors. The specification of the functional form is discussed by adding non-linear terms and polynomial structures of unemployment rate to the equation. We also control for the possible endogeneity of the unemployment rate with different instrumental variables.</p> <p>The study contains a short survey on the wage curve literature. The wage setting in the Finnish metal industry is also briefly discussed. Finally, we discuss different theoretical interpretations of the wage curve and as an example present the efficiency wage model by Blanchflower and Oswald (1994).</p>			
Avainsanat-Nyckelord-Keywords wage curve - unemployment			
Säilytyspaikka-Förvaringsställe-Where deposited			
Muita tietoja-Övriga uppgifter-Additional information			