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**D I S A   S e m i n a r i**

## ROCK SEMINAR

# An investigation of labor market regularities from an evolutionary perspective

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**Giovedì 13 novembre, ore 17.00**
**Sala riunioni DISA**

The aim of the paper is twofold. First, we provide an in-depth discussion of existing theoretical literature (both theoretical and empirical) which has addressed questions related to the emergence, persistence and robustness of aggregate labor market regularities like: Beveridge curve, Okun curve and Wage curve. We argue that theoretical models trying to explain these regularities, being strongly grounded in standard framework -in which agents are fully rational and the setup is completely static- are ill suited to explain such regularities. Such regularities are rather the result of dynamic patterns of relevant variables than some kind of equilibrium loci. More precisely we interpret them as emergent properties of the system. We then propose an evolutionary model of labor market dynamics in order to explore under which microeconomic conditions and institutional set-ups, Okun curve, Beveridge curve and -eventually- Wage curve are likely to robustly emerge as aggregate regularities over time (and if so, why). The "core model" depicts a decentralized, explicitly dynamic, economy populated by boundedly rational agents (firms and workers). Workers face the problem of looking for a vacancy to fill if unemployed. Firms must open vacancies; pay wages to employed workers; produce an homogeneous good; sell the output. A fixed share of profits are then invested in the next period. We assume that the product market is described by a standard demand schedule. The model take into account explicitly the processes of wage formation and knowledge accumulation. The outcomes of the model are extensively explored through computer simulations. First, the model is able to generate as emergent properties a set of stylized facts (besides the regularities introduced: Beveridge curve, Okun curve and Wage curve) observed in labor market empirical studies (persistence of unemployment, persistence of heterogeneity of firms, growth of real income and of wage rate). Second, simulations show that the emergence of the regularities is strongly shaped by institutional setups. More specifically, the model is able to preliminary provide a rudimentary taxonomy relating institutional setups and likelihood of emergence of stable relationships between relevant variables. Finally, we show that endogenizing the processes of technical change and varying the structure of wage bargaining has a clear influence in shaping the aggregate dynamic path of labor market outcomes.

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