Job Competition and the Wage Curve

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Abstract
The wage curve literature consistently finds a negative relationship between regional unemployment rates and regional wages. The most widely accepted explanations for this are efficiency wage and labour turnover costs theories in which the unemployment rate is a measure of job competition. Since it fails to correctly measure labour supply and demand, however, the unemployment rate is likely to be an imprecise measure of job competition. This paper estimates wage curves using different measures of job competition. The results suggest that efficiency wage and labour turnover costs theories do not seem to offer satisfactory explanations of the wage curve phenomenon.

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