Intensive and Extensive Margins of Labor Adjustment with Non-regular Employment

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Abstract

This study investigates labor adjustments in firms across business cycles, focusing on intensive and extensive margins, including regular and non-regular jobs. I present a set of stylized facts that the intensive margin and job heterogeneity matter for labor adjustments. I develop a search-matching model incorporating these aspects. The propagation effects of TFP shocks on the labor market are broadly consistent with empirical findings, both quantitatively and qualitatively. Moreover, the model realistically simulates macroeconomic volatility. This volatility is generated by the introduction of the intensive margin, while that of non-regular jobs has little impact on amplifying fluctuations.

Keywords: Intensive margin, Non-regular workers, Search and matching, Firing cost

JEL Codes: E32, J23, J60

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