



EINLADUNG ZUR NÄCHSTEN VERANSTALTUNG DES POTSDAM RESEARCH SEMINAR IN ECONOMICS

Wir laden Sie herzlich zur nächsten Veranstaltung des Potsdam Research Seminar in Economics am **03.05.2016** ein.

Das Seminar findet von **14.00 bis 16.00 Uhr** (c.t.) in Raum **3.06.S 27** statt.

Referent:

Jun.-Prof. Dr. Timo Baas
Universität Duisburg-Essen

Thema des Vortrages:

Macroeconomic Stability and the Single European Labor Market

Abstract:

Labor mobility in the European Union has increased substantially in the last decade. In 2013, 3.2 percent of EU-citizens lived in another EU member state in comparison to 1.7 percent a decade earlier. EU-Enlargement and the opening of labor markets after the end of transitional periods contributed to this increase. Compared to the United States, nevertheless, mobility is still low. Within a year, more than two percent of US-Americans move from one state to another while only 0.2 per cent of EU-citizens do the same. This contributes to the widespread view among labor economists that there is a long way to a Single European Labor Market. In this paper, by using Bayesian methods, we analyze the impact of macroeconomic shocks on migration from Poland to Germany. Our findings imply that a common labor market already exists, as, by comparing two DSGE models with and without the internal market, we can show, that migrants link labor markets of member states by choosing the optimum location for the provision of labor. The shock absorbing properties of the common market, however, benefits foremost the home rather than the host country of migrants.

Having the theoretical and empirical literature in mind, we build a simple two-country DSGE model that examines the business cycle fluctuations of labor. Households in the low-income country can choose to supply labor at home and abroad. Labor supply depends on the differential of real wages, but migrants and natives are imperfect substitutes. The migrants remit their income and increase the utility of the households in the country of origin. Prices are sticky according to Calvo Price setting and, therefore, need time to adjust. With this setting, the model is parsimonious but reflects essential characteristics of intra-EU migration. We estimate the model using Bayesian techniques with data on employment of Polish migrants in Germany and macroeconomic indicators from both countries. In East-West migration in Europe, we have the problem of short time series. To cope with this problem we use a mixed-frequency approach, where we combine monthly data of employment and those macroeconomic variables where monthly data is available with quarterly data of the rest of the variables. Our results indicate that the labor productivity shock in the foreign country is the main driving force of migration. In some periods, nevertheless, preference shocks in home and foreign countries play a crucial role which makes them the second driving forces of migration. Interestingly, the shocks of the destination country have only a minor impact on the decision to migrate.

Wir freuen uns auf Ihre Teilnahme.