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## Downward Rigidity in the Wage for New Hires

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Downward wage rigidity is central to many explanations of unemployment fluctuations. In the benchmark Diamond-Mortensen-Pissarides model, the wage for new hires is key. However, there is limited evidence of downward wage rigidity on this margin.

We introduce a dataset that tracks the wage for new hires at the job level. That is, we can track wages across successive vacancies posted by the same job title and establishment.

We then show that the wage for new hires is rigid downward but flexible upward. We explain this finding in three steps. In the first step, we show the nominal wage rarely changes at the job level. Wages typically change only once during a 5 quarter spell. When wages do change, they fall infrequently. In the second step, we find that when unemployment rises, wages do not fall—but wages do rise strongly as unemployment falls. In the third step, we show that wage flexibility upward is state dependent, in a way consistent with downward wage rigidity.

Prior strategies study the average wage for new hires, instead of job-level wages. We show prior strategies cannot detect downward rigidity, due to changing job composition.

Finally, we introduce heterogeneous jobs into a standard labor search model. We argue that downward wage rigidity at the job level—the object that we measured in the data—is particularly for unemployment fluctuations. The wage rigidity in the data means that unemployment fluctuations are large on average. Moreover unemployment dynamics display asymmetry: unemployment responds four times more to negative than to positive labor demand shocks.