

**Call for Papers
ECB/CEPR Labour Market Workshop 2006**

“WAGE AND LABOUR COST DYNAMICS”

Frankfurt am Main, Eurotower, 14-15 December 2006

Submission deadline: Friday, 15 September 2006 (extended deadline)

The ECB will hold a workshop on “Wage and Labour Cost Dynamics” in December 2006, organised in collaboration with CEPR. Understanding the patterns, sources and implications of wage and labour cost dynamics is an essential requirement for the effective conduct of monetary policy, as wage costs are a crucial determinant of inflation and are closely linked to features of price setting in the euro area. More generally, knowledge about wage setting is fundamental to understand both the transmission process of monetary policy and the potential trade-offs with which monetary policy can be confronted.

The workshop organisers are particularly interested in papers addressing at least one of the following labour market themes:

Wage and labour cost dynamics in the euro area

This includes empirical characterisation of aggregate, country and sectoral wage and labour cost dynamics in the euro area, as well as a structural analysis of its determinants and its interaction with inflation dynamics. This theme encompasses many of the topical questions in the current policy debate. How do wages and marginal costs adjust over the cycle? In response to various shocks, does the persistence of labour costs and its components differ across countries, sectors or regions? How do these differences relate to differences in inflation dynamics? What is the impact of changes in labour market institutions and globalisation on wage and labour cost dynamics? What are the sources behind the substantial degree of wage moderation that can be observed in a number of euro area countries, as well as the implications for monetary policy and further structural reform?

The nature of wage rigidities and its implications for labour cost and price setting at the firm level

This theme covers empirical work using micro-data which specifically looks at the nature of wage and labour cost rigidities across countries and sectors in the euro area, and its implications for labour costs and price developments and for monetary policy implementation. For example, are wage rigidities

nominal, real, asymmetric and what are the institutional determinants of those rigidities? How do wage rigidities translate into labour cost developments and price setting at the firm level. Many firms set prices as mark-ups over marginal cost, with labour cost often being the largest component of marginal cost. Typically, the dynamics of labour cost is not only driven by the one of the base wage, but it also reflects the dynamics of other margins of adjustment beyond base wages (e.g. bonuses, extra hours and other forms of flexible work arrangements, fringe benefits, etc.). Do these components of labour cost constitute an important element of adjustment, playing a potentially important role in the transmission from costs to price? A particular interest also concerns the design and use of firm level surveys to investigate the nature and the source of wage and labour cost rigidities and their implications for price setting.

We invite individuals wishing to **submit** original contributions for consideration to send either a 2-3 page abstract, or a draft paper, to us **by Friday, 15 September 2006** (extended deadline). The abstracts/draft papers should contain information about the question addressed in the paper, the theoretical and policy problems that motivate the question, the method(s), and (if appropriate) data used. Authors of the papers selected for presentations will be notified by 6 October 2006.

Submissions can be made by e-mail to Gabrielle Schachter gschachter@cepr.org. Details regarding the venue and other organisational aspects may be found on the ECB web page <http://www.ecb.int> and the CEPR web page <http://www.cepr.org>. Presenters will be reimbursed for a return journey to the workshop, in accordance with standard CEPR guidelines, and for accommodation.

Scientific Committee:

Torben M. Andersen (University of Aarhus and CEPR)

Samuel Bentolila (Centro de Estudios Monetarios y Financieros (CEMFI) and CEPR)

Ana Lamo (European Central Bank)

Jarkko Turunen (European Central Bank)