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### **RESERVATION WAGES AND MACRO-ECONOMIC CONDITIONS: EVIDENCE FROM BENEFIT ACCURACY MEASUREMENT DATA**

#### **Abstract:**

The reservation wage is an important element in the labor market equilibrium. However, the empirical evidence on the reservation wage behavior is still scarce, mainly because of data constraints. In this paper, I use administrative data on unemployment insurance (UI) claimants to study the relationship between the reservation wage and labor market indicators over time. Among the main indicators, the reservation wage is most elastic to the employment-to-population ratio, with a significant coefficient of 2.45. Results also show that the main labor market indicators matter more than the age-specific measures. To introduce exogeneity, I also include shift share measure in my specifications and find similar positive relationship between the reservation wage and the shift measure. My results are robust to different sub-sample selections and specifications.

#### **Keywords:**

Reservation Wage, Employment-to-population Ratio, Unemployment Rate, Market Tightness

**JEL Classification:** J21, J22, J64