

EMPLOYMENT FLOWS AND EMPLOYMENT MODES: LABOR MARKET ADJUSTMENTS TO CARBON TAXES

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Abstract

Besides job and wage cuts, switching from full-time (FT) to part-time (PT) employment becomes a popular option to employers. I exploit British Columbia's carbon tax to study the role of PT switches in labor markets. Combining matching with a difference-in-differences approach, I find that environmental policies induce involuntary PT switches. The PT switch is an important yet underexplored mechanism of wage adjustments. Average wages are cut through new hires, not incumbent workers. Due to a significant wage differential between FT and PT new hires, the PT switch explains approximately one-fifth of the hiring wage cuts. This paper concludes that a complete understanding of wage adjustments to environmental policies requires an explanation of employment flows—the inflow and outflow of employment—and employment modes—switching between FT and PT employment.

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