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ABSTRACT

How do inflation expectations affect the job search behavior of workers when wages are set in nominal terms? A canonical job search model incorporating nominal wage rigidities predicts that on-the-job search should increase with expected inflation. Using novel survey questions, we show that workers are more likely to search at higher values of hypothetical inflation. In the Survey of Consumer Expectations, within-respondent variation in inflation expectations predicts on-the-job search.

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How do households respond to expected inflation, given that wages are set in nominal terms? If workers expect their current real wages to fall, they may search on the job to increase their wages with either job changes or on-the-job renegotiation. This search can have important implications for the allocation of workers to jobs and the overall effect of inflation and inflation expectations in the labor market. Despite the fundamental importance of this question for understanding labor market dynamics during inflationary periods, the response of job search behavior to inflation expectations remains poorly understood.

To fill this gap, we develop a simple theory of job search and nominal rigidities. The framework predicts that search effort will increase with expected inflation if workers think that their wages conditional on remaining with their employer will not keep up with inflation. We then provide novel empirical evidence in support of this prediction using a survey with inflation hypotheticals and complement it with supporting evidence from observational data. A back-of-the-envelope calculation using our estimated marginal effect of inflation expectations on search and the post-pandemic rise in expectations suggests that this channel can account for 42% of the rise in the job-to-job transition rate over the same period.

To formalize the mechanism and structure our empirical investigation, we introduce a simple model of on-the-job search (Burdett, 1978; Christensen, Lentz, Mortensen, Neumann and Werwatz, 2005) that integrates nominal rigidities. Workers choose search effort taking into account their current nominal wage as well as their inflation expectations. Incumbent wages and offered wages grow at (possibly different) rates which depend on the rate of inflation, with anything less than one-to-one growth representing nominal rigidity. Our key result shows that search effort increases with inflation expectations if any one of three sufficient conditions holds: (i) offers are fully flexible (indexed to inflation) and incumbent wages exhibit some rigidity, (ii) offers exhibit some nominal rigidity, incumbent wages are relatively more rigid, and utility is sufficiently curved, or (iii) incumbent wages and offers are equally nominally rigid, but workers value proportional increases in consumption more at lower income levels. Intuitively, these conditions imply that higher expected inflation makes current jobs relatively less attractive compared to outside opportunities, either because offers maintain their real value more so than current wages (cases i and ii), or because proportional wage gains become more valuable when workers expect greater reductions in their current purchasing power (case iii).

We next test the key prediction in a novel hypothetical experiment which exogenously moves inflation expectations. We added questions about expectations and planned labor market actions for hypothetical inflation scenarios to two rounds of the Real-Time Population Survey or RPS (Bick and Blandin, 2021, 2023), first in October 2022 and again in February 2025. In both waves, employed respondents were asked to consider a hypothetical inflation level and provide (i) expected nominal earnings growth *conditional on remaining at their current job* and (ii) anticipated labor market actions such as searching for new or additional work or asking for a raise at that inflation rate. Respondents answered these questions for two hypothetical levels of inflation: 2% and 10%. By comparing responses across the two hypothetical scenarios, we estimate the differences in expected on-the-job wage growth and search behavior at different levels of expected inflation while keeping respondent-specific characteristics such as demographics, current labor market situation, and wage fixed. A fundamental model requirement to guarantee a positive effect of inflation expectations on search is that workers perceive their current wages to be nominally rigid. That is, they do not expect them to increase at the same rate as inflation. We find evidence that this is indeed the case; survey respondents in each wave expect that, conditional on staying with the same employer, their earnings growth will be similar in both hypothetical scenarios, and therefore that lower real on-the-job earnings growth will accompany higher inflation.

As the theory predicts under this assumption, we also find that search is more prevalent in the higher inflation scenario. In both the October 2022 and February 2025 waves of the survey, the shares of workers who would search for new work increase by 6.2 and 7.0 percentage points when moving from the low to high expected annual inflation scenario (from baselines of 12.0% and 15.8%, respectively). If we define search more broadly and include the search for additional work, we find that the share reporting they would search increases by 6.4 and 8.7 percentage points in the October and February surveys, respectively (from baselines of 35.0% and 37.3%, respectively).

As the survey isolates changes in responses across hypotheticals at the individual level, it controls for any individual level characteristics that might correlate with high levels of search. However, a remaining endogeneity concern is that respondents change not only their expectations of inflation across hypotheticals, but also their expectations of other labor market variables. They may, for example, interpret the higher inflation scenario as a demand shock that both increases inflation and generates a tighter labor market. In this case, respondents would search more in the higher inflation scenario, not because of inflation's direct effect on real wages, but because of an expanded set of job opportunities. To address this concern, respondents in the second wave of the survey were also asked (i) the wage growth they could expect from a job offer and (ii) how easy it would be to find a job at the different hypothetical inflation levels.[1] We estimate the marginal effects of these expectations on search behavior and quantify the contribution of changes in these expectations across the hypotheticals to changes in search behavior. We find that they explain only a small fraction of the total change in search between hypotheticals, so that inflation and its effect on expected real wages *directly* prompts the decision to search.

While the hypothetical questions allow us to exploit exogenous movements in inflation expectations holding respondent characteristics fixed, the approach is subject to shortcomings present in any hypothetical methodology. Respondents may, for example, report that they will be inclined to modify their behavior in response to inflation, but would not respond the same way outside of a hypothetical setting when confronted with the costs of search and changing jobs as well as the set of available offers. Observing a similar relationship between inflation expectations and search outside of a controlled experimental environment would lend credence to our previous findings. We therefore turn to the Federal Reserve Bank of New York's Survey of Consumer Expectations (SCE)

[1] These questions additionally allow us to assess the expected flexibility of offers to inflation and verify that the majority of the sample conforms to one of the three model cases (under the assumption of sufficiently curved utility where required) necessary to generate a search response to expected inflation.

to examine the relationship between inflation expectations and on-the-job search in a more detailed and longer-running dataset.

Specifically, we estimate a linear probability model of job search on inflation expectations. Correlations between inflation expectations and search behavior may be driven by unobserved heterogeneity. Inflation expectations may, for example, co-vary with expectations about labor market conditions. To alleviate this concern, we include other time-varying expectations and conditions as controls. A more fundamental concern is that some workers may have both high average inflation expectations and a high search propensity. We therefore also estimate the empirical model with respondent fixed effects to isolate within-level variation in expectations.

Using SCE data from 2014-2019, we find that within-respondent variation in inflation expectations predicts search for new work: a one percentage point increase in expected annual inflation is associated with a 0.7 percentage point increase in the likelihood of search for new work. We show that the estimated coefficient is stable to the choice of controls. To compare this to another variable that affects the search decision, the SCE results imply that a one percentage point reduction in inflation expectations reduces the likelihood of search by as much as four percent increase in the current wage.[2]

Relative to our estimated effect of inflation expectations on search from the RPS, the estimate from the SCE is roughly 80 percent as large. The model makes clear that the response of search to expectations is not itself a structural parameter but rather determined by several labor market variables which may be time-varying, such that we do not necessarily expect stable estimates. Nevertheless, there are important differences between designs that may rationalize these different magnitudes. The SCE asks about search behavior over a shorter horizon of one month compared to the RPS horizon of one year. Some search that would have been reported over longer horizons in the SCE may therefore go unmeasured. The SCE also records search *realizations* rather than hypothetical behavior, and may capture search undertaken only after other actions taken in response to inflation, such as renegotiating with an employer as in Guerreiro, Hazell, Lian and Patterson (2026), are unsuccessful.

As a final exercise, we quantify the extent to which elevated inflation expectations can explain the surge in job-to-job transitions during the 2021-2023 inflation episode, given our estimates of the effect of inflation expectations on search behavior. For this, we use the SCE estimates as they match the monthly frequency of the job-to-job transition data. The monthly job-to-job transition probability increased from a monthly mean of 2.19 percent in 2019 to a maximum 5-month moving average of 2.40 percent in June 2022. Over this same period, average household inflation expectations as measured in the SCE rose from 3.4 to 7.6. A simple back-of-the-envelope calculation using our estimated effects of expected inflation on search and the measured 4.2 percentage point rise in average inflation expectations suggests that the rise in expected inflation can explain roughly 42% of the increase in the job-to-job transition probability. The dynamics of inflation expectations can

[2]The effect of real wages on search behavior is itself the subject of a large empirical and theoretical literature. See, for example, Faberman, Mueller, Şahin and Topa (2022).

therefore explain an important part of the post-pandemic labor market dynamics.

This paper and the contemporaneous work of Hajdini, Knotek II, Leer, Pedemonte, Rich and Schoenle (2022) are the first to use household surveys to study the relationship between inflation expectations and search behavior empirically. Hajdini, Knotek II, Leer, Pedemonte, Rich and Schoenle (2022) provides RCT evidence that inflation expectations do not transfer to nominal wage growth expectations and establishes a link between expected inflation and the likelihood that consumers assign to applying to new, higher-paying jobs. Specifically, they provide information to treatment groups and examine responses in expectations and the likelihood of certain actions relative to a control group. We establish the inflation expectation-search link through both hypothetical experiments and observational data, and provide theoretical underpinnings for the observed behavior in a micro-founded search model.

There is a large literature exploring the link between inflation expectations and economic decision-making. Coibion and Gorodnichenko (2015) and Coibion, Gorodnichenko and Ropele (2020) demonstrate links between firm inflation expectations and hiring, investment, and price setting decisions. The focus of the literature on consumer decision-making has been primarily on spending decisions rather than labor market behavior.[3] Much of this literature finds small or even negative relationships between expected inflation and consumption behavior—a puzzle given theories of intertemporal substitution. Our paper offers a potential explanation for this consumption response as we document that workers anticipate lower real wages to accompany inflation, consistent with Jiang, Kamdar, Lu and Puzzello (2024), who find that households do not substitute consumption between time periods because they view inflation as a source of lost purchasing power. Other papers considering the link between expected inflation or inflation and labor market decisions or wage passthrough include Abberger, Funk, Lamla, Lein and Siegrist (2025), Baek and Yaremko (2024), Bostanci, Koru and Villalvazo (2025), and Buchheim, Link and Möhrle (2024).

Our work relates to recent theoretical research introducing nominal considerations into search models (Moscarini and Postel-Vinay (2023), Blanco, Drenik, Moser and Zaratiegui (2025), Pilossoph, Ryngaert and Wedewer (2023) and Afrouzi, Blanco, Drenik and Hurst (2026)). Our paper focuses on how inflation expectations affect job search behavior, while Moscarini and Postel-Vinay (2023) examines how misallocation in the job ladder affects inflation. Relative to Blanco, Drenik, Moser and Zaratiegui (2025), Pilossoph, Ryngaert and Wedewer (2023) and Afrouzi, Blanco, Drenik and Hurst (2026), we formalize a broader set of conditions that delivers a positive relationship between search behavior and inflation expectations. We highlight that while relative rigidity of incumbent and new hire wages can generate this correlation, it can also arise due to household preferences.[4] Guerreiro, Hazell, Lian and Patterson (2026) consider the effect of inflation on workers in the form of the costly conflict that workers may undertake to increase wages. Using hypothetical

[3] See for example, Bachmann, Berg and Sims (2015), Coibion, Georgarakos, Gorodnichenko and van Rooij (2023), Duca-Radu, Kenny and Reuter (2021), Burke and Ozdagli (2023), D'Acunto, Hoang and Weber (2016), D'Acunto, Hoang and Weber (2018), Ryngaert (2022) Dräger and Nghiem (2021), Crump, Eusepi, Tambalotti and Topa (2022), and Ichiue and Nishiguchi (2015).

[4] While empirical evidence from Gertler, Huckfeldt and Trigari (2020) and Grigsby, Hurst and Yildirmaz (2021) find no differential wage rigidity between new hires and incumbents, Hazell and Taska (forthcoming) document that

questions to measure the cost of these actions, Guerreiro, Hazell, Lian and Patterson (2026), argues for a labor market channel emphasizing workers' distaste for inflation (Shiller, 1997; Stantcheva, 2024).

Finally, we also contribute to an empirical literature characterizing on-the-job search and its importance in the macroeconomy. Faberman, Mueller, Şahin and Topa (2022) use a supplement to the Survey of Consumer Expectations to characterize on-the-job search. They describe not only the ways in which the employed search for new work, but also their effectiveness in yielding offers and wage increases. Our paper uses data from the same survey and characterizes the link between the search behavior of employed workers and respondents' inflation expectations. Other papers also study the relationship between on-the-job search, job-to-job transitions, and inflation, but with causality running in the other direction. Faccini and Melosi (2023) model the rate of on-the-job search as important for wage growth via the effect it has on the intensity of inter-firm competition for workers. Karahan, Michaels, Pugsley, Şahin and Schuh (2017) use cross-state variation to establish a link between the job-to-job transition probability and wage growth. Instead, our emphasis is on how expected inflation causes on-the-job search.

The paper proceeds as follows. Section 1 develops the simple model in which search depends on inflation expectations and derives sufficient conditions under which search effort will be positively correlated with inflation expectations. Section 2 aims to test the model predictions; we discuss our newly collected data and provide evidence that increased expected inflation precipitates on-the-job search. Section 3 describes the data from the Survey of Consumer Expectations and presents detailed results linking inflation expectations with search. Section 4 quantifies the significance of the mechanism in explaining the post-Covid rise in the job-to-job transition probability. Section 5 concludes with a discussion of our findings and considerations for future work.

1 Model

We begin by outlining a simple two period model of search (Burdett, 1978) with endogenous search effort (Christensen, Lentz, Mortensen, Neumann and Werwatz, 2005; Faberman, Mueller, Şahin and Topa, 2022) that integrates nominal wage rigidities by explicitly accounting for the effect of inflation on real wages. We use the model to explore the implications of nominal rigidities for search behavior. These implications will guide our empirical work. While we present a simplified version of the model, we later relax some of the modeling assumptions that we make to consider relevant deviations (see Appendix B).

Workers have utility

$$u\left(\frac{c}{p}\right) = \begin{cases} \dfrac{\left(\frac{c}{p}\right)^{1-\eta} - 1}{1-\eta}, & \eta \geq 0,\ \eta \neq 1, \\ \log\left(\frac{c}{p}\right), & \eta = 1, \end{cases}$$

differential rigidity emerges specifically during expansions. Our theoretical framework demonstrates that a positive over real consumption, $\frac{c}{p}$, where c is nominal expenditure on consumption and p is the price level, with $\eta \geq 0$. They cannot save and thus consume their entire real wage. They have some expectation of inflation $\tilde{\pi}$ over the rate of growth of the price level p between the first and second period.[5] Nominal wages for employed workers grow at rate $\gamma_s \cdot \tilde{\pi}$, where $1 \geq \gamma_s \geq 0$. $\gamma_s = 1$ corresponds to full wage indexation for incumbent workers, while $\gamma_s = 0$ corresponds to full nominal rigidity of stayer wages.

The employed choose their search effort s, taking as a given the search cost, $\kappa(s)$, with $\kappa'(s) > 0$ and $\kappa''(s) > 0$, their current inflation expectations $\tilde{\pi}$, and their current real earnings $\frac{w}{p}$. The probability of receiving an offer increases linearly in search effort, λs, with $s \in (0, \frac{1}{\lambda})$ so that $\lambda s \in (0,1)$. Nominal wage offers are drawn from an exogenous distribution $F(w)$ which is bounded by $[\underline{w}, \bar{w}]$. Nominal wage offers grow at rate $\gamma_o \tilde{\pi}$, where $1 \geq \gamma_o \geq 0$. Again, $\gamma_o = 1$ corresponds to the case where offered wages track with inflation, while $\gamma_o = 0$ corresponds to full nominal rigidity in offers. Naturally, $\gamma_s < \gamma_o$ will then imply that offered wages are relatively more flexible than incumbent wages. In what follows, we focus on cases where $\gamma_s \leq \gamma_o$, which is the empirically relevant case.[6] We also focus our attention on cases for which $\tilde{\pi} > 0$.

1.1 Search Behavior

Since nominal wages of employed workers grow at rate $\gamma_s \tilde{\pi}$ while at the same job, workers expect their real wages to grow by $\frac{1+\gamma_s \tilde{\pi}}{1+\tilde{\pi}}$ between now and next period if they remain at the same job. Similarly, since offered wages grow at rate $1+\gamma_o \tilde{\pi}$, workers expect real offered wages for new matches to grow by $\frac{1+\gamma_o \tilde{\pi}}{1+\tilde{\pi}}$ over a single period. The worker thus solves the following problem:

$$\begin{aligned}
\max_{s \in \left(0, \frac{1}{\lambda}\right)} \quad & u\left(\frac{w}{p}\right) - \kappa(s) \\
& + \beta \lambda s \int_{\underline{w}}^{\bar{w}} \max\left\{ u\left(\frac{x(1+\gamma_o \tilde{\pi})}{p(1+\tilde{\pi})}\right), u\left(\frac{w(1+\gamma_s \tilde{\pi})}{p(1+\tilde{\pi})}\right) \right\} dF(x) \\
& + \beta(1-\lambda s)\, u\left(\frac{w(1+\gamma_s \tilde{\pi})}{p(1+\tilde{\pi})}\right)
\end{aligned}$$

where the offer distribution F is in today's dollars. Optimal search effort at the interior satisfies:

$$s^*(w, \tilde{\pi}) = {\kappa'}^{-1}\left(\beta \lambda \int_{w \frac{(1+\gamma_s \tilde{\pi})}{(1+\gamma_o \tilde{\pi})}}^{\bar{w}} \left[u\left(\frac{x(1+\gamma_o \tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_s \tilde{\pi})}{p(1+\tilde{\pi})}\right) \right] dF(x) \right) \tag{1}$$

It is straightforward to show that when $\gamma_o = \gamma_s = 1$, that is when both wages for stayers and offers are fully indexed to inflation, the model becomes the standard one where everything can be

inflation-search relationship can arise even without differential wage rigidity, though the presence of such differential rigidity during booms would amplify the effect.

[5] For the main exposition, we shut down uncertainty over future inflation, which we introduce in Appendix B.

[6] See Pissarides (2009) for a review of earlier papers finding relative flexibility of new hire wages. More recent evidence finds that there is no differential flexibility (Gertler, Huckfeldt and Trigari, 2020; Grigsby, Hurst and Yildirmaz, 2021). Hazell and Taska (forthcoming) finds that there is differential flexibility in booms, but not downturns. $\gamma_s \leq \gamma_o$ allows for all these possibilities.

expressed in real terms.[7] One can also show that search effort declines in the worker's nominal wage w, the same result as in Christensen, Lentz, Mortensen, Neumann and Werwatz (2005) with respect to the real wage. Intuitively, at higher nominal wages the return to search is lower since there are fewer offered wages providing an improvement over the current wage.[8]

We are most interested in how expected inflation affects search behavior, so cases outside $\gamma_o = \gamma_s = 1$ when expected inflation is neutral. This will be different from how the real and/or nominal current wage affects search, since inflation additionally affects offered real wages, as can be seen in Equation 1. The following proposition describes sufficient conditions under which search effort will be increasing in inflation expectations.

Proposition 1 *If either:*

(i) $\gamma_o = 1$, $1 > \gamma_s \geq 0$, *and* $\eta \geq 0$ *or*

(ii) $1 \geq \gamma_o > \gamma_s \geq 0$ *and* $\eta \geq 1$, *or*

(iii) $1 > \gamma_o = \gamma_s \geq 0$ *and* $\eta > 1$,

then search effort for employed workers is strictly increasing in inflation expectations.

Proof. See Appendix A. ■

To understand the intuition, it is useful to start with the extreme cases. Case (i) is one in which offered wages are growing with the price level ($\gamma_o = 1$, no nominal rigidity in offers), but current wages do not ($\gamma_s < 1$, some nominal rigidity for stayers). Ceteris paribus, a worker with higher inflation expectations expects her real earnings will worsen more than someone with lower inflation expectations, even though offered wages grow in the same way for both individuals. The returns to search are higher for the worker with higher inflation expectations, and she is therefore more likely to search.

Case (iii) does not require any differential relative flexibility between offered and stayer wages. Because inflation affects both one's real wage at the current employer and offered real wages by the same proportion, search only provides a higher expected return at higher levels of expected inflation if proportional increases in income are valued more at lower income levels. This is exactly what happens when $\eta > 1$, and why curvature in utility alone is not sufficient to guarantee the result when wage offers and stayer wages are equally rigid.

The second case is in the middle of these two extremes. It does not require that offered wages are fully flexible, but still requires some differential flexibility between offered wages and stayer wages. There is a stronger requirement of $\eta \geq 1$ relative to case (i) because the rigidity in offers mutes some of the return to search that someone with higher inflation expectations might experience. There is a weaker requirement of $\eta \geq 1$ relative to case (iii) because someone with higher inflation

[7] To see this, substitute $\gamma_o = \gamma_s = 1$, and then use the change of variables in the integral $y = \frac{x}{p}$.

[8] Curvature in utility in the form of η *strictly* greater than zero only makes the sensitivity of search with respect to the nominal wage stronger, but is not required for the general prediction. For a proof, see Appendix A.

expectations will anticipate a larger real wage decline relative to the opportunities available via search.

We next turn to our newly collected evidence from the Real-Time Population Survey and additional evidence from the Survey of Consumer Expectations to explore the model's predictions for the relationship between search behavior and inflation.

2 Evidence from the Real-Time Population Survey

Assessing the causal effect of inflation expectations on household behavior with survey data can be challenging, as household expectations often differ systematically with demographic characteristics that may also drive behavior (Binder and Ryngaert (2025)). We therefore pursue a different route and asked each respondent to consider their labor market expectations and planned actions at two different *hypothetical* inflation levels. This generates a change in inflation expectations at the level of the individual respondent, holding constant her demographic characteristics and current labor market experiences. We can then measure differences in earnings expectations and labor market actions resulting from the change in expected inflation. Hypothetical values of macroeconomic variables have been used elsewhere in the literature to capture the response of expectations to changes in other variables.[9]

We find evidence consistent with the hypothesis that workers do not anticipate that their rate of earnings growth will be commensurate with the rate of inflation, that is $\gamma_s < 1$. The data also support Proposition 1 of the model; searching for work and related activities such as asking for a raise are more prevalent in the high inflation scenario. The majority of the sampled respondents have expectations of γ_s and γ_o consistent with one of the cases outlined in Proposition 1 and the change in the share of planned searchers (going from low to high inflation) is larger among these respondents.

Even so, within-respondent changes in search decisions may be biased estimates if expectations of other labor-market conditions change with hypothetical inflation. We test this directly by eliciting such expectations at each hypothetical inflation level. On average, job market expectations change slightly across inflation scenarios, and changes in these expectations predict only small changes in search and related behaviors. This suggests that the measured increase in search plans under higher hypothetical inflation is largely driven by expected inflation itself, rather than changes in labor market beliefs that different inflation scenarios might induce.

[9] Roth, Wiederholt and Wohlfart (2023) provide survey respondents with monetary policy vignettes in which they propose a change in the federal funds rate, as well as the reason for the change (outlook or composition of the FOMC, etc.) and track the change in expectations across scenarios. Andre, Pizzinelli, Roth and Wohlfart (2022) ask respondents to consider hypothetical vignettes about different exogenous shocks to the macroeconomy; respondents first consider a baseline scenario and then consider a shock scenario. Coibion, Gorodnichenko, Knotek and Schoenle (2023) ask respondents to consider hypothetical values of short-run inflation and elicit their corresponding medium-run expectations to assess the respondents' understanding of average inflation targeting.

2.1 Survey Description

Our questions were administered as part of the Real-Time Population Survey (RPS), (Bick and Blandin, 2021, 2023) in October 2022 and in February 2025.[10] Data collection targets the approximate demographic breakdown of the CPS and remaining differences in sample composition are adjusted via survey weights constructed as in Bick and Blandin (2023).[11] The surveys include both employed and non-employed respondents; the current paper focuses on employed respondents. We restrict our attention to those who are currently at work and not self-employed. We further restrict the sample to those who report hourly earnings above the federal minimum wage and below the CPS top-code for weekly earnings.[12] This gives us a sample of 708 workers in the October 2022 wave and 2,487 workers in the February 2025 wave. In October 2022, the realized year-over-year CPI inflation rate was 7.8%. In 2025, the realized inflation rate was considerably lower at 2.8%.[13]

2.2 Earnings Growth with Current Employer

The model predicts that respondents will search due to inflation only if they perceive that compensation at their current job will grow slowly relative to the rate of inflation, $\gamma_s < 1$. To see if workers perceive wages in these terms, we asked respondents about their anticipated nominal earnings growth, conditional on remaining in their current job, at different levels of hypothetical inflation. Specifically, we asked:

Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. If you were to remain at your current main job, by what percent would your employer change your usual earnings before taxes and other deductions? Please provide your best guess.

We would like to know how the average respondent changes her expected nominal earnings growth going from the low to high inflation scenario; if nominal earnings growth moves with inflation to keep real earnings unchanged, nominal earnings growth should be 8 percentage points higher in the 10% inflation scenario. Figure 1 shows the distribution of the difference in expected nominal earnings growth under 10% inflation and under 2% inflation for both waves.[14] In the October 2022 sample, the average difference between a respondent's expected nominal earnings growth

[10] The surveys ran from October 17-21, 2022, and from February 17-21 and 24-28, 2025.

[11] See Bick and Blandin (2021) Appendix A for a more detailed discussion of the RPS.

[12] The hourly wage is calculated from the respondent's reported usual weekly earnings and usual weekly hours. Our sample restrictions lead us to drop observations below $7.25 in both waves. The cap on weekly earnings in the CPS was $2885 prior to March 2023 (`https://cps.ipums.org/cps-action/variables/EARNWEEK2#codes_section`), so this is our top-code for the October 2022 wave. The CPS moved away from this fixed top-code after March 2023 to a dynamic cap based on the reported top 3% of weekly earnings. In February 2025, this was approximately $8815. Because this is significantly higher than the top-code for the 2022 sample, we instead restrict our sample to workers with weekly earnings of $4150 and below. This number is computed from the weekly earnings observations immediately below the February 2025 CPS top-code.

[13] We collected respondents' unconditional inflation expectations to compare them both to underlying economic conditions and to the consumer expectations as collected in the Survey of Consumer Expectations. The latter comparison appears in Figure C-1.

[14] Figure C-2 plots, for each wave, the distribution of earnings growth for each hypothetical. In each wave,

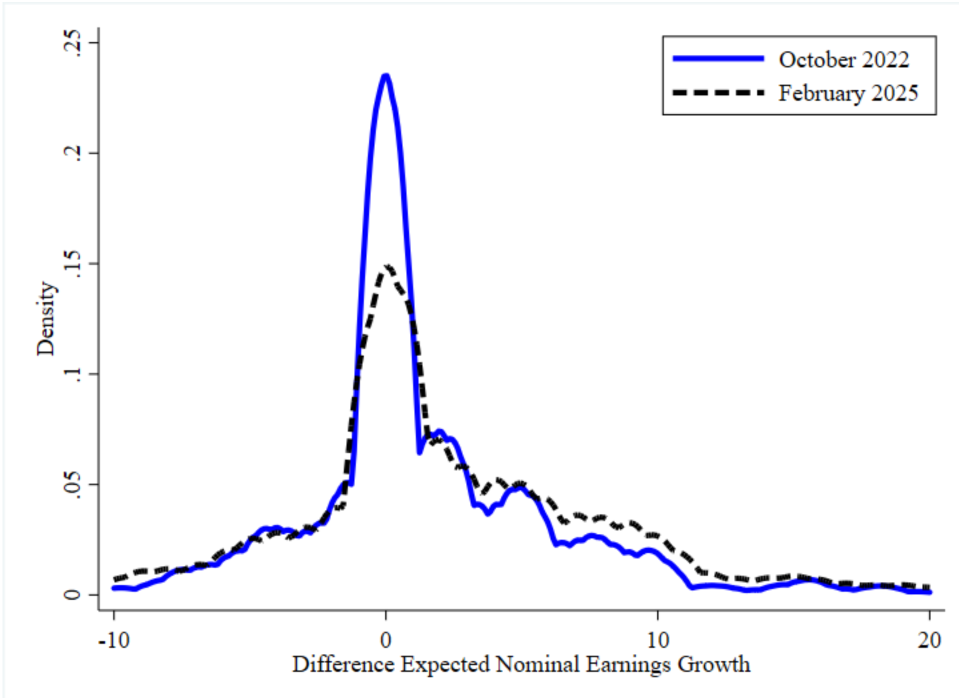

Figure 1: Nominal Earnings Growth Expectations, Difference Between Hypothetical Scenarios

Notes: Kernel density estimates of the difference in expected nominal earnings growth at the current employer under 10% inflation and under 2% inflation. The density from the October 2022 wave is given by the solid blue line and the density from the February 2025 wave is given by the dashed black line. Observations for which the difference in expected earnings growth between hypotheticals is less than -10 % and more than 20% are omitted from the figure. This drops roughly 4-5 percent of observations from each wave.

under 10% inflation and under 2% inflation is 1.0 percentage points and the median difference is 0 - far lower than the 8 percentage point change required to keep expected real earnings growth constant. Furthermore, the modal difference in responses is 0. This means that, on average, respondents do not anticipate changes in their current nominal compensation to keep up with inflation. Similar patterns appear in the February 2025 sample. The modal difference there is also 0, although the distribution has slightly more weight on positive earnings changes. The median and average differences in the February 2025 sample are slightly higher at 1.0 and 1.8 percentage points, respectively, but still substantially lower than the change in the hypothetical inflation rate.[15] In both waves, a large majority of the sample (88 percent in October 2022 and 81 percent in February 2025) anticipates $\gamma_s < 1$.

respondents expect on average a slight real increase in their on-the-job earnings under 2% inflation and that the real wage will decrease under 10% inflation. Specifically, respondents anticipate nominal earnings growth of 3.8 percent and 4.7 percent at 2% and 10% inflation, respectively, in the 2022 wave. These same numbers for the 2025 wave are 3.5 and 5.2.

[15]Data from the SCE suggest that, on average, earnings growth expectations at the current job do not increase with workers' inflation expectations. Figure C-3 shows that the expected rate of earnings growth is roughly flat with respect to expected inflation.

2.3 Changes in Search Behaviors

To see if workers respond to these anticipated changes in real earnings growth, we also asked them what measures they would take under different levels of inflation. The set of options included various labor market actions that would allow workers to increase their nominal wages:

Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months.

Which of the following actions would you take? Please check all that apply.

- *Ask for a raise at my current job.*
- *Search for a new job to replace my current job.*
- *Search for additional work.*

Figure 2 shows the shares of the respondents who would undertake given actions or combinations of actions under 2% inflation and 10% inflation. The lower bar, in darker blue, shows the share of the sample that answers that they would engage in this activity in the low inflation hypothetical. The data from the 2022 wave appear on the left and the data from the 2025 wave appear on the right. In both waves, the largest share of respondents say they would search for either new or additional work or both. Of the three individual actions, search for additional work is the most common, followed by asking for a raise, and lastly searching for new work.[16] Workers seem more inclined to answer affirmatively to all of the activities represented on the graph in the 2025 wave, possibly reflecting the effect of current labor market conditions on the baseline inclination to search.[17] In late 2022, the unemployment rate was 3.6% while it was slightly higher at 4.2% in early 2025.

In both waves, respondents are significantly more likely to participate in all of these actions in the higher hypothetical inflation scenario. The change in the share of respondents from 2% inflation to 10% inflation is given, along with its 95% confidence interval, at the top of each bar. The full bar gives the share of respondents who would undertake an action at the higher level of inflation. As we consider both shares for the same set of respondents, the change in the share represents the causal effect of changing the hypothetical level of inflation. Unobserved heterogeneity at the respondent level, arising from either a greater inclination to search at all times or the current labor market situation, is removed by differencing. Because we move expectations with certainty in these hypotheticals, we cannot measure how movements in uncertainty about future inflation affect search.[18] We return to the possibility that other labor market expectations move when hypothetical inflation moves momentarily.

[16] Appendix B-3 extends the model to include the search for additional work and shows that the search for additional work increases with inflation expectations.

[17] The shares of respondents who would search for new work in the 2% hypothetical are statistically significantly different across waves with a p-value of 0.04.

[18] Appendix B-1 derives sufficient conditions for uncertainty to incentivize search.

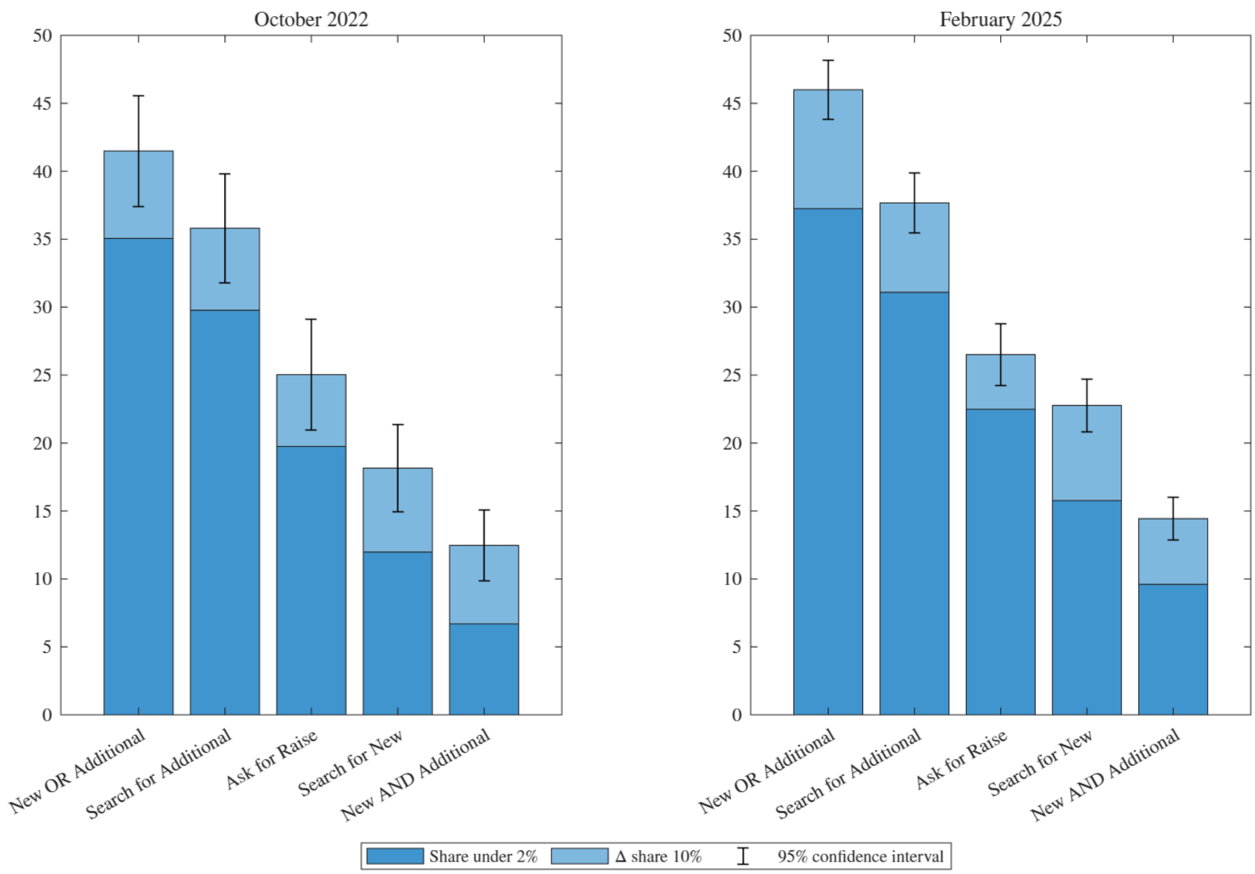

Figure 2: Labor Market Plans in Hypothetical Inflation Scenarios

Notes: The figure shows the shares of respondents measured in percentage points who answer that they would undertake each of the following under 2% and 10% inflation: search for a new job or additional work, search for a new job, search for an additional job, ask for a raise, or search for both new and additional work. The lower part of each bar gives the share that would engage in the action under 2% inflation. The top part of each bar shows the change in the share from 2% to 10% inflation, along with its 95% confidence interval. As the light blue bars represent the average change in the share of respondents reporting an action going from 2% to 10% inflation, the confidence interval is constructed using the standard errors of this sample mean. The full bars (combined dark and light blue) show the share of the sample who would engage in the action under 10% inflation. The first and fifth bars consist of combined responses to multiple possible actions, while the second through fourth show the response for single actions.

The share of those who would search for new work increases by 6.2 percentage points in 2022 and 7.0 percentage points in 2025 (from 12.0% and 15.8%, respectively), raising the number of searchers by 50%. The share of those who would search for additional work increases by similar amounts, 6.0 percentage points in 2022 and 6.6 percentage points in 2025 (from 29.8% and 31.1%, respectively). We also see a change in the share of respondents who would opt into some kind of search - for either new or additional work - at higher inflation, which increases by 6.4 percentage points in 2022 and 8.7 percentage points in 2025 (from 35.0% and 37.3%, respectively), raising the number of active searchers by roughly 20%. Overall, these results imply that, on average, raising inflation expectations makes workers more inclined to search on the job. We detect this effect in two periods where the underlying labor market conditions and the rate of inflation differ.[19]

While workers may search to either change jobs or supplement their incomes, they may also intend to renegotiate with their current employers using an outside offer as leverage (Postel-Vinay and Robin, 2002*a*,*b*; Cahuc, Postel-Vinay and Robin, 2006). We see that workers are significantly more likely to ask for a raise in both waves, with the share of respondents who would do this increasing from 19.8% to 25.0% in 2022 and from 22.5% to 26.5% in 2025. In both waves, roughly a fourth of respondents who opt into — meaning adopt the activity at 10% inflation and not at 2% inflation — asking for a raise would also opt into some kind of search. These results suggest that asking for a raise and job search are linked and exhibit similar responses to higher expected inflation. This is consistent with Guerreiro, Hazell, Lian and Patterson (2026)'s finding that workers are more likely to engage in conflict with their employers when inflation is high, and further characterizes the nature of that conflict. Pilossoph, Ryngaert and Wedewer (2023) embeds the renegotiation motive of search resulting from inflation and nominal wage rigidities into an otherwise standard model of on-the-job search and Bertrand competition among employers (Postel-Vinay and Robin, 2002*a*).

2.4 Offered Wage Growth Expectations and Model Conditions for Search

The model predicts that workers will search for work in response to inflation if stayers' wages are rigid *and* under particular conditions of the *relative flexibility* of offered wages and stayers' wages. In Section 2.2, we presented evidence that a majority of respondents in both survey waves perceive that their nominal wages will not increase perfectly with inflation, that is, $\gamma_s < 1$. In the February 2025 survey wave, we introduced a new question to elicit expectations of likely wage offer growth at different levels of inflation. This allows us to additionally infer something about the anticipated relative flexibility of nominal offers, γ_o, to see how respondents fall into the three cases outlined in Proposition 1.

Specifically, we asked "*Suppose prices in the overall economy were to increase by [2, 10] % in*

[19] Many respondents say they would search (or a similar action) under both inflation scenarios. The increase in the share of searchers is driven by those who would search under high inflation and not under low inflation. There are some respondents who would search under 2% inflation and not under 10% inflation. In the February 2025 wave of the survey, 3.9% of respondents would search at 2% inflation and not 10% while 10.8% would search under high inflation, but not low inflation. Respondents are slightly more likely to be discouraged from asking for a raise (relative to searching) in the higher inflation scenario. 7.2% would ask for a raise only under low inflation compared to the 11.2% who would ask for a raise only under high inflation.

the next 12 months. If you had an offer from a similar firm for a position similar to your current one, by how much (in % change relative to your current earnings) would this offer differ from what you currently earn? Please give your best guess." This question is designed to gauge respondents' beliefs about the location of the offer distribution. By asking them to consider the gains they could obtain holding their job type fixed, we capture beliefs about nominal offers rather than beliefs driven by a willingness to up-skill or move to a better match (Gertler, Huckfeldt and Trigari, 2020; Grigsby, Hurst and Yildirmaz, 2021; Hazell and Taska, forthcoming). We will discuss descriptive statistics for these answers more in the following section; here, we will discuss their implications for the value of γ_o.

As respondents are asked about their expected wage growth from an outside offer at both 2% and 10% hypothetical inflation, the difference between these two answers gives an estimate of how much workers expect offers to respond to inflation. The difference between the answer 10% inflation and at 2% inflation divided by change in the hypothetical inflation rates (8 percentage points) gives an estimate of γ_o. [20] A value of $\gamma_o = 0$ means that a respondent expects the same wage gain via job offers under both high and low inflation, or perfectly rigid wages. A value of $\gamma_o = 1$ indicates that the respondent believes that the offered wages will adjust one-for-one with inflation. We can construct estimates of γ_s in a similar way using respondents' anticipated on-the-job earnings growth described in Section 2.2. For simplicity, we bound the estimated values of γ_s and γ_o between 0 and 1. We find that, on average, $\gamma_s = 0.33$ and $\gamma_o = 0.33$.[21]

While the average estimates for γ_o and γ_s suggest that $\gamma_o \approx \gamma_s < 1$ (and therefore that case (iii) is an empirically relevant one), they also mask heterogeneity in individual respondents' relative values of γ_s and γ_o. To see this, we categorize each respondent as belonging to one of three groups. The first anticipates nominal rigidity in stayer wages, but believes that they will keep up with inflation more so than offered wages will ($\gamma_o < \gamma_s < 1$).[22] The next group contains those whose expectations are consistent with one of the cases contained in Proposition 1: case (i) ($\gamma_s < \gamma_o = 1$), case (ii) ($\gamma_s < \gamma_o < 1$), and case (iii) ($\gamma_s = \gamma_o < 1$). Finally, we include a category for those who do not anticipate falling real wages at higher inflation ($\gamma_s = 1$). We find that 29% of the sample expects offered wages to be *more rigid* than stayer wages, while 17% of the sample does not anticipate falling real wages at higher inflation.[23] The remaining 54 percent of the sample holds beliefs consistent with the wage-flexibility orderings in Proposition 1, under the maintained

[20] As respondents are instructed to give the percentage change in outside offers normalized to their own wage, this difference is technically equal to $\frac{x}{w}\gamma_o$. This may therefore conflate real wage growth from changing jobs with inflation flexibility. Suppose a respondent anticipates a wage growth of g moving to a new similar jobs. For plausible values of g, $(1+g)\gamma_o \approx \gamma_o$ and the the effect of g is negligible due to the rounding of survey responses.

[21] Some respondents anticipate real increases in both on-the-job and offered wages to accompany inflation, while others expect nominal declines. In absolute value terms, anticipated nominal declines in both offered wages and stayers wages are larger than anticipated real gains such that bounding γ_o and γ_s at 0 and 1 results in larger estimates of each. For context, the unbounded estimates of γ_s and γ_o are 0.21 and 0.19, respectively. The bounded estimates are 0.33 and 0.33, respectively.

[22] When the estimated γ_o and γ_s are both trimmed, we use the untrimmed estimates to establish the ordering between the two.

[23] This percentage differs slightly from the percentage of respondents with $\gamma_s < 1$ reported in Section 2.2, since the sample here requires respondents to answer enough questions to form an estimate of both γ_s *and* γ_o.

assumption that $\eta \geq 1$ or $\eta > 1$ where required.[24]

The share of respondents who would search under 10% inflation (relative to 2% inflation) increases by more among respondents who conform to one of the three cases. The share of those who would search for new work increases by 9.0 percentage points among respondents whose beliefs satisfy one of the three conditions, compared to 5.0 percentage points for those whose beliefs do not satisfy these conditions.[25] This suggests that these beliefs and their implications for the returns to search under inflation are indeed an important mechanism for the search response. We find a positive search response even among respondents whose beliefs do not satisfy any case, a response is not predicted by Proposition 1. The individual values of γ_s and γ_o are recovered from a small number of survey questions and therefore noisily estimated. It is likely that respondents are misclassified across bins. Such misclassifications would case the difference between 5.0% and 9.0% *understate* the true difference in the search response between the two groups.

We consider heterogeneity in the response of search behavior to inflation along another dimension in Appendix D-1. Specifically, we provide evidence from both the RPS and SCE surveys that the effect of expected inflation on search behavior is stronger for workers for whom real wage losses are likely to be more painful.

2.5 Labor Market Expectations and Decisions

The hypothetical exercise is designed to control for unobservable heterogeneity such that the difference in shares described in Section 2.3 captures the causal effect of raising the level of expected inflation on respondents' choices. We may still be concerned, however, that a respondent adjusts other beliefs and/or their interpretation of the economic environment under the different hypotheticals, and that it is changes in these beliefs rather than changes in expected inflation that drive our findings. To address this concern, in the hypothetical exercises for February 2025, we measure how labor market expectations move across inflation scenarios. We then evaluate the role that changes in these expectations play in shifting the share of respondents who would participate in a labor market activity. On average, expected labor market conditions change minimally and these changing expectations do not predict changes in search behavior of the magnitude that we observe. We argue that this is consistent with changes in expected inflation affecting search behavior through its effect on real wages when nominal rigidity is present rather than through changing beliefs about labor market conditions.

2.5.1 Description of Labor Market Expectations

In addition to the questions about expected on-the-job earnings growth, described in Section 2.2, and expected wage growth from outside offers, described in Section 2.4, we collect information about workers' anticipated labor market tightness at each hypothetical inflation level. Workers

[24] Specifically, 11 percent, 28 percent, and 15 percent report orderings consistent with cases (i), (ii), and (iii), respectively.

[25] The difference between these two changes in shares is statistically significant, with a p-value of 0.04.

may expect that higher inflation changes labor market conditions such that it becomes easier or harder to find a job. To measure such beliefs, we asked: "*Suppose prices in the overall economy were to increase by [2, 10] % in the next 12 months. Suppose you were to lose your main job sometime in the next 12 months. What do you think is the percent chance that within the following 3 months, you will find a job that you would accept, considering the pay and type of work?*" Respondents may answer this question in a way that reflects individual optimism or pessimism, making it difficult to compare answers across respondents. However, within-respondent differences across hypotheticals should be informative, with increases indicating that respondents think it will be easier to find an acceptable job and decreases indicating it will be more difficult.

Table 1 reports summary statistics for various labor market expectations for each inflation scenario. The first panel shows expected on-the-job earnings growth, described in detail in Section 2.2. The second shows expected wage gains from job offers, described in Section 2.4. Finally, expected job-finding probabilities, described above, appear in the third panel. Expectations of job offers and earnings growth are winsorized at the 5% level; because the job finding probability is bounded between 0 and 100, we do not winsorize this value. We also present descriptive statistics for the individual-level change in expectations, $\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$.[26] We winsorize these after constructing the difference for all three variables.[27] On average, workers anticipate that they could increase their wages more with an outside offer than with an on-the-job wage change. In the 2% inflation hypothetical, the average respondent expects a 3.5 percent increase in her current earnings and a 5.5 percent increase in wage offers for a similar job. Both expected earnings growth and expected offered wage growth increase by similar amounts in the higher inflation hypothetical to 5.2 and 7.0 percent.[28]

Jointly and as we discussed in Section 2.4, the average changes in expected earnings growth and expected job offers suggest that, in the full sample, respondents do not expect that offered wages will be more flexible with respect to inflation than will on-the-job wages.[29] It is possible that this is partly driven by respondents associating inflation with negative economic conditions. The literature suggests that high household inflation expectations are generally associated with pessimism or negative sentiment (Kamdar and Ray, 2024). Consistent with this, expected job-finding probabilities decrease slightly going from the low to high hypotheticals, suggesting that, on average, workers associate higher inflation with greater difficulty in finding a job. In a model extension outlined in Section B-2, we show that expectations of increasing slack at high inflation

[26] Additionally, Figure C-5 provides binscatter plots of expectations at 10% inflation plotted against the corresponding expectation at 2% inflation, showing that - on average - respondents hold similar expectations across hypotheticals.

[27] Accordingly, and because not all respondents answer both questions, the average value of ΔE_i may not be exactly equal to the difference between the average values of $E_i^{\pi=10}$ and $E_i^{\pi=2}$.

[28] Table C-1 shows that the results are similar if we trim instead of winsorize.

[29] In Figure C-4, we show the distribution of $\Delta E_i[JO] - \Delta E_i[EG]$ for the full sample and for the set of respondents who believe that on-the-job earnings will be nominally rigid. In the full sample, the average difference is -0.19. For workers that do anticipate nominal rigidity in on-the-job earnings ($\gamma_s < 1$) - and who make up the majority of the sample - the average expectation is that $\gamma_o > \gamma_s$. When we consider only those who anticipate $\gamma_s < 1$, which the model predicts is necessary to generate a positive effect of inflation expectations on search effort, $\Delta E_i[JO] - \Delta E_i[EG]$ rises to $1.51^{***}(0.26)$.

Table 1: Labor Market Expectations at Different Hypothetical Inflation Levels

	$E_i^{\pi=2}$	$E_i^{\pi=10}$	$\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$
Expected Earnings Growth			
Mean	3.5	5.2	1.8
Std. Dev.	5.9	7.1	5.7
N	2354	2369	2339
Expected Job Offer Wage Growth			
Mean	5.5	7	1.5
Std. Dev.	6.9	7.8	5.9
N	2374	2373	2362
Expected Job Finding Probability, 0-100			
Mean	56.5	56	-1.0
Std. Dev.	30.8	30.3	13.4
N	2370	2366	2352

Notes. The table reports summary statistics of labor market expectations in each inflation scenario in the first two columns as well as summary statistics for the change in expectations going from 2% to 10% hypothetical inflation in the third column. These data were collected in the February 2025 wave of the Real-Time Population Survey. Earnings growth and job offer expectations are winsorized at the 5% level. The within-individual differences are winsorized after constructing the difference. For this reason, and because not all respondents answer every question, the numbers in Column 3 may not exactly equal the difference between the numbers in Column 2 and Column 1.

would bias the estimate of the search response to expected inflation downward.

2.5.2 Quantifying the Role of Changing Expectations in Changing Search Behavior

To quantify the plausible contribution of the changes in these labor market expectations to the change in search behavior across the two inflation scenarios, we conduct a simple exercise. We first estimate the marginal effects of each expectation on actions using within-respondent variation induced by the hypothetical experiment. We use these marginal effects to estimate how much the average change in labor market expectations contributes to changes in search and related actions. We describe here the results as they pertain to the search for new work; see Tables C-2 and C-3 for the regression results for other actions.

Define the change in the decision to search for new work as $\Delta search_i = search_i^{\pi=10} - search_i^{\pi=2}$. This variable can take on three values: -1 if a respondent would search at $\pi = 2$ but not at $\pi = 10$, 0 if plans are unchanged across hypotheticals, and 1 if they would search at $\pi = 10$ and not $\pi = 2$. Allow the change in search plans to depend on an underlying latent variable s_i^*:

$$\Delta search_i = \begin{cases} -1 & \text{if } s_i^* < \kappa_{-1} \\ 0 & \text{if } \kappa_{-1} \leq s_i^* < \kappa_0 \\ 1 & \text{if } s_i^* \geq \kappa_0 \end{cases}$$

The latent variable s_i^* is in turn a function of changing expectations such that we run an ordered logistic regression of the following form:

$$\log\left(\frac{\Pr(\Delta search_i > j)}{\Pr(\Delta search_i \leq j)}\right) = \beta_{JO}\Delta E_i[JO] + \beta_{EG}\Delta E_i[EG] + \beta_{JF}\Delta E_i[JF] + \mathbf{x}_i\gamma - \kappa_j \qquad (2)$$

for $j = -1, 0$ and where $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ represent the differences in expectations in the high inflation scenario and the low inflation scenario for expected wage gains via an outside offer, expected on-the-job earnings growth, and the expected job-finding probability, respectively.[30] Positive coefficients indicate that higher values of the variable are predictive of higher values of $\Delta search_i$, or more search intensity under higher inflation. We include a vector of controls controls $\mathbf{x}_i$ to allow for the change in search behavior to vary systematically with respondent characteristics. These include age, a quadratic age term, gender, number of children, type of employment, wages (in logs), respondents' usual work hours, and unconditional inflation expectations. We winsorize each change in expectations and inflation expectations at the 5% level.

The coefficients from Equation 2 as well as marginal effects appear in Table 2. The marginal effects can be interpreted as the change in probability of a given outcome associated with a one-unit change in the independent variable. We report these for $\Delta search_i = -1$, which means that the worker discontinues search under higher inflation, and $\Delta search_i = 1$, which means that the worker would begin search under higher inflation.

Increasing job-offer expectations modestly increase the likelihood that a respondent who would not search in the low inflation hypothetical would search in the high inflation hypothetical. Specifically, a one percentage point increase in expected wage growth from outside offers increases the probability that a respondent would begin to search at $\pi = 10\%$ by 0.36 percentage points.[31] A one percentage point increase in expected on-the-job earnings growth reduces this probability by 0.13 percentage points. Changes in job-finding probability have a negligible impact on the search decision.[32]

These marginal effects along with the average differences in labor market expectations between the 10% hypothetical and the 2% hypothetical allow us to estimate how much of the change in the overall share of searchers across hypotheticals can be attributed to changing labor market expectations. The change in the share of searchers will be equal to the share of searchers for whom $\Delta search_i = 1$ less the share for whom $\Delta search_i = -1$. This is calculated by multiplying a realization of $\Delta search_i$ by the average change in an expectation and the marginal effect of that expectation on a realization of $\Delta search_i$ and summing these products across values of $\Delta search_i$.

[30]One may worry that measurement error in respondents' expectations can create attenuation bias and cause us to underestimate the effect of changing expectations on search behavior. Using the difference in expectations across hypotheticals mitigates this concern. As the questions are asked using the same wording and changing only the value of hypothetical inflation, measurement error arising due to question wording, recall error, or rounding should be common to both of a respondent's answers and therefore cancel out of the difference.

[31]This is consistent with respondents having beliefs consistent with cases (i) and (ii) of Proposition 1 and, for this reason, searching more under higher inflation.

[32]The results are similar when we re-estimate the equation excluding demographic controls; see Table C-4.

Table 2: Predictors of Changing Search Plans Across Inflation Scenarios

	$\Delta search_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0370***	-0.0013**	0.0036***
	(0.0142)	(0.0005)	(0.0014)
$\Delta E_i[EG]$	-0.0166	0.0006	-0.0016
	(0.0151)	(0.0005)	(0.0014)
$\Delta E_i[JF]$	0.0019	-0.0001	0.0002
	(0.0064)	(0.0002)	(0.0006)
N	2289	2289	2289

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation 2. The dependent variable, $\Delta search_i$, is an ordinal variable equal to -1 if the respondent would search under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would search under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. We also include demographic and labor market controls. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta search_i$ — more search under higher inflation — more likely. The marginal effects are interpreted as the in the probability of $\Delta search_i$ taking on a given value for a one-unit change in the independent variable.

For example, for the independent variable $\Delta E_i[JO]$, $\left[\frac{\partial Pr(\Delta search_i=1)}{\partial \Delta E_i[JO]} - \frac{\partial Pr(\Delta search_i=-1)}{\partial \Delta E_i[JO]}\right] \times \overline{\Delta E_i[JO]}$ describes the average $\Delta search$ implied by the induced change in the expectations of the job offer.

Figure 3 shows the predicted changes in the shares of respondents searching for new work, asking for a raise, or searching for additional work, as well as the observed changes documented in Section 2.3. The changes associated with each variable are individually small in magnitude. Overall, the changes due to expected earnings growth and expected wage growth via job offers move in opposite directions, such that the total predicted change is not significantly different from 0. Since the overall change in search for each outcome is large and positive, we conclude that the change in *expected inflation itself*, rather than the associated changes in labor market beliefs, leads workers to change their labor market actions.

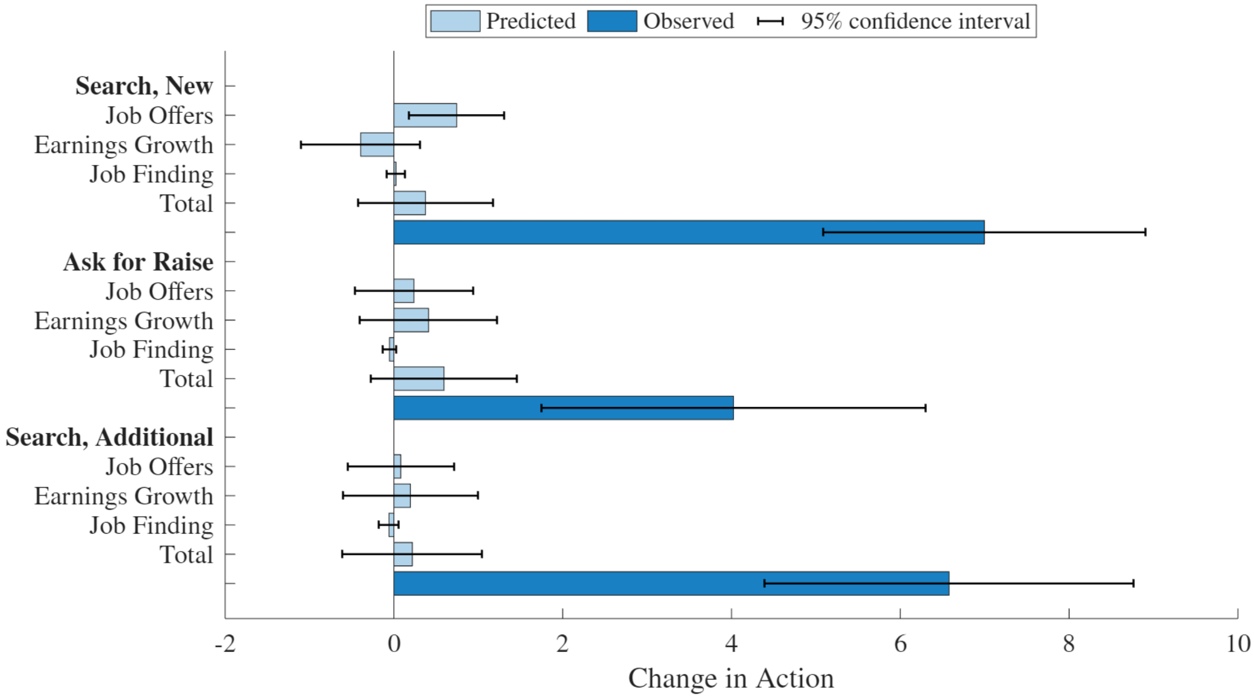

Figure 3: Predicted Changes in Actions Due to Labor Market Expectations

Notes. The figure shows the observed and predicted changes in the share of respondents searching or asking for a raise going from low hypothetical inflation to high hypothetical inflation. We construct the predicted changes by estimating the marginal effects of expectations of wage gains through job offers, on-the-job earnings growth, and job finding probability on various actions and multiplying the marginal effects by the average change in these expectations between hypotheticals. We present the predicted change arising from each of the three effects separately as well as the combined effect of all three. These effects, in light blue, are small or even negative. They cannot explain the observed difference in the share of respondents reporting that they would undertake an action, shown in darker blue.

3 Evidence from the Survey of Consumer Expectations

The previous section presented evidence from an inflation hypothetical experiment. While this allows us to estimate the effect of changing inflation expectations holding respondent characteristics and current experiences constant, we may worry that the reported response to a hypothetical scenario will not match the response outside of a hypothetical setting. Observing a similar relationship between inflation expectations and search outside this environment would corroborate the experimental findings.

For this, we turn to the Survey of Consumer Expectations, which is a monthly survey conducted by the Federal Reserve Bank of New York. Households rotate through the survey, staying in the sample for up to 12 months. The survey includes questions about households' macroeconomic expectations as well as their demographic characteristics, financial circumstances, and employment situations. In addition to the core monthly survey, we use data from the SCE's ad hoc labor market supplement. This supplement includes more detailed information about the respondent's current employment situation, wages, and job search behavior. It is conducted in March, July, and November of each year. Due to the rotating panel structure and attrition from the survey, we have between one to three search observations per respondent. In this section, we provide additional evidence linking inflation expectations and on-the-job search using within-respondent variation in observational data. The evidence is broadly consistent with the positive relationship we find between search behavior and inflation expectations in the RPS.

Our sample runs from July 2014 to November 2023. In what follows, we will estimate the marginal effect of inflation expectations on search using data from the pre-pandemic period, when expectations and labor markets were relatively stable. From 2021 to 2023, the relevant variation for assessing the impact of our mechanism on labor market outcomes is time-series variation. We therefore use the time series of average inflation expectations and our estimates obtained from the pre-pandemic period to predict the dynamics of job-to-job transitions in this period.

Section 3.1 introduces the data, Section 3.2 discusses the econometric model and how we address potential omitted variable bias, and Section 3.3 describes the results. In Section 4, we present the time series of average inflation expectations, search behavior, and job-to-job transitions as well as a quantitative exercise showing that the search mechanism and the path of average inflation expectations can explain a considerable degree of the movement in the job-to-job transition probability in the post-pandemic period.

3.1 Data Description

Each time respondents participate in the labor market supplement, they are asked if they have looked for work in the last four weeks. Employed respondents are asked if they searched for new work to replace their current job or for additional work and may only select one. This differs from the RPS survey where respondents may select all actions that apply.

Table 3 reports the proportion of employed respondents between 18 and 65 who search for new or additional work from 2014-2019. The table shows that 15.5 percent of the employed sample reported recent search for new work, with an additional 6.3 percent reporting search for additional work. Employed respondents report each month whether they are with the same employer as last month or with a new employer. Table 3 also shows the share of respondents who, conditional on a particular search status, make a transition from one job to another job over two different time horizons: in the month after the labor market survey and in the four months after the labor market survey. Observing these transitions requires the respondent to remain in the survey beyond the search observation.[33] Because the survey is structured as a rotating panel, these samples will be smaller than the searchers' sample.

Job-to-job transitions are rare among non-searchers, with 0.4% making a job-to-job transition in the month following the search period and 1.6% making a job-to-job transition in the 4 months following the search period. Searchers - for either new or additional work - are more likely than non-searchers to change jobs. Those who report searching for new work are more likely than those who report search for additional work to change jobs with 4.3% and 12.2% of searchers for new

[33] The variable used to measure job-to-job transitions was added to the core survey in June 2014.

Table 3: Employed Search and Subsequent Labor Market Transitions

		Job-to-Job Transition, Conditional on Search Status	
	Search Status	Following Month	Following Four Months
Search, New Work	15.5	4.3	12.2
	(0.4)	(0.7)	(1.4)
Search, Additional Work	6.3	1.1	4.7
	(0.3)	(0.4)	(1.4)
Not Searching	78.2	0.4	1.6
	(0.5)	(0.1)	(0.2)
N	9742	7669	5156

Notes. The table reports the share of respondents who report search for new or additional work as well as those who, conditional on a particular search status, make a job-to-job transition in the month after the search period or in the four months after the search period. The sample is restricted to workers between the ages of 18 and 65 and runs from July 2014 until the end of 2019. As the sample is a rotating panel, following workers into future months (as we do in Columns 2 and 3) results in smaller samples in those months as some workers end their survey tenure.

work beginning a new job within one and four months, respectively. Among searchers for additional work, 1.1% and 4.7% change jobs over the same time horizons.

The core survey, conducted every month, collects detailed data on the inflation expectations of households, over both the short-run (the next twelve months) and the medium-run (over the twelve months beginning two years from the survey date) horizons. Households provide their inflation expectations in two formats, first as a point estimate and then as probabilities that inflation may fall within a set of ranges. They are first asked: *What do you expect the rate of [inflation/deflation] to be* ***over the next 12 months****? Please give your best guess.* Respondents provide a number for this question. They also provide probabilistic forecasts over possible outcomes for inflation: *Now we would like you to think about the different things that may happen to inflation over the* ***next 12 months****. We realize that this question may take a little more effort. In your view, what would you say is the percent chance that,* ***over the next 12 months...*** The respondent then assigns probabilities to a set of ranges for the rate of inflation or deflation. The ranges are a rate of inflation 12% *or higher*, *between* 8% *and* 12%, *between* 4% *and* 8%, *between* 2% *and* 4%, between 0% *and* 2%, and the same set of bins for the rate of deflation.

As our measure of inflation expectations, we use the implied mean of a distribution fit to the one-year density forecast. The mode is assumed to be equal to the respondent's point forecast (Ryngaert, 2023). The distribution is otherwise fit in the same way as in Engelberg, Manski and Williams (2009) and Armantier, Topa, van der Klaauw and Zafar (2017), that is as a triangular distribution when the respondent assigns positive probability to one or two bins and a generalized beta distribution when they assign positive probability to more than two bins. In the SCE, 77% of point forecasts fall in the range of the respondent's high probability bin and are therefore consistent

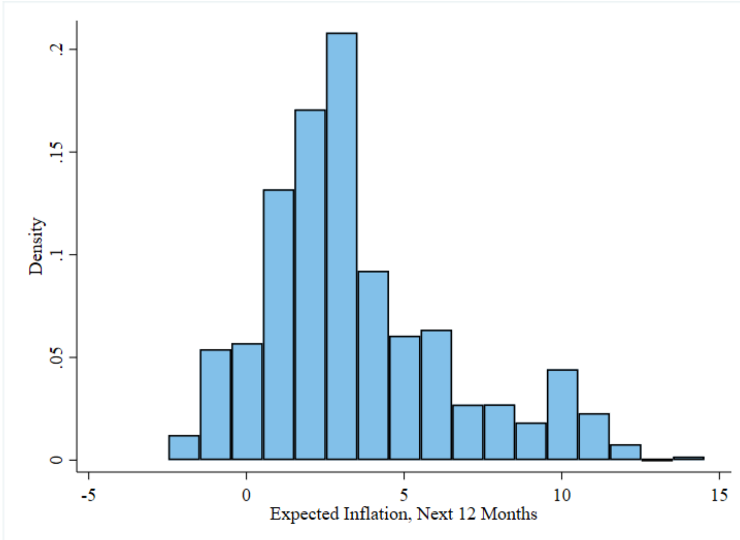

Figure 4: Inflation Expectations in the Survey of Consumer Expectations

Notes: The figure shows the distribution of inflation expectations in the SCE from 2014-2019. The expectations are calculated as the mean of a subjective probability distribution combining data from the point and density forecasts. The forecasts are winsorized at the 5 percent level by date.

with a respondent's anticipated modal outcome. By comparison, the point forecast and the mean fit without a modal assumption fall in the same bin in roughly 66% of observations. An additional benefit of using this method is that it reflects variation in both the histogram and point forecasts; even for identical histogram forecasts, different point estimates will result in different implied means. We show that our results are similar if we use the SCE's headline measure of inflation expectations in Table C-5.

The distribution of inflation expectations appears in Figure 4. We winsorize responses at the 5% level by month. As is common in consumer surveys, expectations exhibit high cross-sectional dispersion and are, on average, biased above realized inflation (D'Acunto, Malmendier and Weber, 2023).

3.2 Empirical Model

Respondents report past search as part of the SCE's triannual labor market supplement. They are specifically asked about search over the last four weeks, but we approximate to the last month to line up with the monthly frequency of the core survey. That is, we denote search as an indicator variable $search_{i,t,t+1}$, where a value of 1 means that a worker chooses in period t to search over the next approximately one-month period ending and reported in $t+1$. We may observe each individual's search decision up to three times with each of her observations appearing four months apart. Because the search decision is made before it is reported, we consider the effect of expectations reported at date t on this search.

To assess the effect of inflation expectations on search in the Survey of Consumer Expectations, we estimate the following equation for employed workers:

$$search_{i,t,t+1} = \alpha + \beta E_{it}[\pi_{t+12}] + \delta \mathbf{X}_{it} + \omega_i + u_t + \sum_j \mathbf{1}(j)_{it} + \varepsilon_{it} \tag{3}$$

where search is an indicator equal to 1 if the respondent searched in the last four weeks and 0 otherwise, $\mathbf{X}_{it}$ is a set of time-varying individual-level controls, u_t are survey fixed effects, ω_i is a respondent fixed effect, and $\mathbf{1}(j)_{it}$ are survey tenure fixed effects.[34] The time-varying individual controls $\mathbf{X}_{it}$ include expectations of unemployment, stock prices, interest rates, own job-loss probability, and own-job finding probability, subjective inflation uncertainty, a dummy for an employer-to-employer transition in period t, a set of indicators providing detailed information on the respondent's labor market status in period t, and the log of the respondent's hourly wage. We discuss in detail the reasoning for their inclusion below. Survey fixed effects control for the effect of time-specific macroeconomic shocks that affect both inflation expectations and on-the-job search. Respondent fixed effects control for time-invariant individual reasons some report more search than others (i.e. differential search costs).

Our choice of variables to include in $\mathbf{X_{it}}$ is driven by omitted variable bias concerns. One may worry that a respondent associates higher inflation with high labor market tightness and searches because she anticipates higher returns to search through the arrival rate of offers rather than lower real wages at her employer resulting from higher expected inflation. As our theory - extended to allow for arrival rates which move with inflation expectations - illustrates (see Appendix B-2), if labor market attitudes are positively correlated with both inflation expectations and job search, omitting measures of these attitudes from the regression generates a positive bias that will overstate the effect of inflation expectations on search represented by $\hat{\beta}$. However, the literature suggests that workers are more likely to take a *stagflationary* view of inflation.[35] That is, they may believe that higher inflation signals stagnation in job offers and increased difficulty in job-finding, generating negative omitted variable bias, causing $\hat{\beta}$ to understate the effect of inflation expectations on search. By a similar logic, it is also possible that workers' job loss expectations are positively correlated with inflation expectations and prompt workers to search preemptively.

To address these concerns, we include variables that capture workers' other expectations in $\mathbf{X_{it}}$. These include expectations of the probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next twelve months, the expected probability of finding a new job similar to one's own within three months, and expected nominal earnings growth. We also include a measure of subjective inflation *uncertainty* - measured as the log standard deviation of the respondent's probability distribution over inflation. This uncertainty may be correlated with the level of expec-

[34] See Kim and Binder (2023)'s recommended practice for the SCE to include fixed effects for respondents' survey tenure.

[35] See, for example, Kamdar and Ray (2024), Coibion, Georgarakos, Gorodnichenko and van Rooij (2023), Coibion, Gorodnichenko and Ropele (2020), and Candia, Coibion and Gorodnichenko (2020). This is also consistent with our finding in Section 2.5 that workers' subjective job-finding probability *falls* in the high inflation hypothetical.

tations and - as we show in Appendix B-1 - increasing inflation uncertainty can in certain cases also increase the returns to search.

Changes in the respondent's work situation and wage are another possible source of endogeneity. We observe the search choice (covering a four-week horizon) once every four months and may therefore miss search decisions and labor market transitions or wage changes that result from search decisions in intervening periods. If these correlate with inflation expectations and search decisions in the periods we observe, they could also bias our estimates of β. We therefore included in $\mathbf{X_{it}}$ an indicator equal to 1 if the respondent reports an employer-to-employer transition in period t, a set of indicators providing detailed information on the respondent's labor market status in period t, and the log of the respondent's hourly wage, $log\,(wage_{i,t+1})$.[36] To calculate these wages, we convert the self-reported annual salaries of the respondents into July 2017 dollars using the CPI. Following Conlon, Pilossoph, Wiswall and Zafar (2018), we calculate an hourly wage, assuming that all respondents work 52 weeks a year, that part-time respondents work twenty hours a week, and that full-time respondents work forty hours a week. We include the log hourly wage in the control set for the employed $\mathbf{X}_{it}$, dropping observations with hourly wages below \$4.81 an hour (\$10,000 a year in July 2017 dollars for forty hour weeks) and winsorizing the top 5% of hourly wages by education group at each date.

Finally, we impose some sample restrictions. We consider workers ages 18-65 to match the RPS sample. To reduce the influence of outliers, we drop responses for which hourly salary has decreased by 50% or more or increased by 100% or more over the last four months. Similarly, we exclude those who expect their earnings to double or more or fall by half or more over the next twelve months. Lastly, we limit the sample to those who have participated in the survey for two months prior to their first labor market survey. This allows us to (i) verify that the respondent was at work and not self-employed prior to the search period, and (ii) to control for a recent job-to-job transition. This restriction also omits inflation expectations reported in the first tenure period. These observations tend to display not only higher average inflation expectations (Kim and Binder, 2023), but also higher cross-sectional variance than later tenure observations, even after controlling for fixed effects.[37] This suggests that expectations from the first period are measured with error relative to subsequent responses. Removing these observations bases identification on more comparable variation.[38]

[36]Ideally, we would observe the wage at the beginning of the search period, t, as this is the wage that the respondent should consider in his or her search decision. Respondents report wages only in the labor market supplement—-not in the core survey–and therefore have the subscript $t + 1$. Wage gains from successful $search_{i,t,t+1}$ may bias the coefficient on wages up.

[37]If we regress inflation expectations on respondent, survey tenure, and survey date fixed effects, the residuals resulting from the first tenure period have a standard deviation of 3.06 while those from the remaining tenure periods have standard deviation 2.30. We strongly reject the null that the variances are equal. The result is similar if we restrict the sample to only those respondents who complete the full 12 months of eligibility.

[38]Such measurement error can be particularly problematic when estimating the model with individual fixed effects; see Griliches and Hausman (1986).

3.3 Results

Table 4 Column (1) reports coefficient estimates for expected inflation and selected controls from Equation 3 estimated on the sample for years 2014 - 2019. As previously stated, included in the regression are time fixed effects, individual fixed effects, survey tenure fixed effects and the time-varying controls we describe in Section 3.2. A one percentage point increase in expected inflation increases the probability of search by 0.7 percentage points.

Table 4: Inflation Expectations and Search for New Work, 2014 - 2019

	(1)	(2)	(3)	(4)
$E_{it}[\pi_{t+12}]$	0.0069**	0.0065**	0.0072***	0.0067**
	(0.0029)	(0.0029)	(0.0027)	(0.0027)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	0.0015	0.0031		
	(0.0080)	(0.0081)		
$log(wage_{it})$	-0.1740***		-0.1701***	
	(0.0467)		(0.0466)	
J2J between t-1 and t	-0.3006***		-0.3021***	
	(0.0576)		(0.0584)	
N	6043	6043	6043	6043
R^2	0.668	0.662	0.667	0.662
Other Expectations	✓	✓		
Current Job	✓		✓	
Respondent FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓
Survey Tenure FE	✓	✓	✓	✓

Standard errors are clustered at the respondent level.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes. The table reports the estimates from Equation 3. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent searched for new work. All regressions includes survey date, survey tenure, and respondent fixed effects. Column (1) presents our baseline estimates containing all controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. The sample includes data from June 2014 (the month prior to the first labor market supplement in which all our control variables are available) to November 2019 (the last labor market supplement prior to the COVID-19 pandemic). Columns (2)-(4) show that the coefficient on expected inflation is stable to the choice of controls. Column (2) omits controls describing the respondent's current work situation. Column (3) omits controls describing the respondents other macroeconomic and labor market expectations. Column (4) omits all controls.

The effect of inflation expectations on search is estimated here to be somewhat lower than what was found in the RPS. We estimate that a one percentage point increase in expected inflation leads to a 0.7 percentage point increase in the likelihood of the search for new work in the SCE, compared to a 0.8 - 0.9 percentage point increase in the RPS.[39] We may expect the SCE estimates to be lower for several reasons. First, the search time horizon is shorter in the SCE, reflecting search choices

[39] We compute the RPS effect by dividing the change in the share of searchers (going from 2% to 10% hypothetical inflation) by 8, such that the change corresponds to a one percentage point increase in expected inflation.

over the past month, while the hypothetical exercises in the RPS ask workers to think about their plans for next year. Second - even if we anticipate that workers will act on their expectations early in the year - the hypothetical exercise looks at the effect of expected inflation on search *plans* rather than search *realizations*. Some workers may first attempt to raise their wage on-the-job in other ways, such as asking for a raise or engaging in a conflict (Guerreiro, Hazell, Lian and Patterson, 2026), and search only if unsuccessful.

The effect of expected inflation on search is economically meaningful. To put this number in context, a useful comparison is the effect that changes in real wages have for search behavior, a relationship which is the subject of a very large literature in macro-labor (see Faberman, Mueller, Şahin and Topa (2022), for a recent prominent example).[40] From Table 4, we find that a 1% real wage decline is associated with a 0.17 percentage point rise in the probability of searching for new work. Because a 1% decline in the real wage is roughly equivalent to a 1 percentage point increase in inflation expectations, the effect of inflation on search is roughly four times larger than the effect on search of an equivalent nominal wage change. In this period, we find that the effect of subjective inflation uncertainty is statistically insignificant.[41]

While respondent-level fixed effects control for time-invariant unobservable worker characteristics, there may be some time-varying unobservables that are not captured by fixed effects, but are correlated with search behavior. One such example may be labor market sentiments that we have not adequately captured in the labor market expectations variables contained in $\mathbf{X}_{it}$. Columns (2)-(4) of Table 4 provide estimates from Equation 3 holding the sample constant and repeated with different combinations of controls. We separate these controls into two categories: those describing the respondent's other expectations and those describing the respondent's current job characteristics. Column (2) omits controls related to the current job, Column (3) omits controls related to other expectations, and Column (4) omits all the variables in $\mathbf{X}_{it}$. We include time, individual, and survey tenure fixed effects in all regressions as these are necessary to pinpoint the variation used to estimate our regression. The choice of time-varying observables barely alters our estimates. This is reassuring because stability with respect to observable heterogeneity suggests stability with respect to unobservable heterogeneity. We discuss this further and document that the main coefficient satisfies a test of coefficient stability (Oster, 2019) in Appendix D-2.

We present parallel results for the post-pandemic period in Appendix E. In this period, the same analysis shows that inflation expectations *negatively* predict the search for new work, while subjective inflation uncertainty positively predicts this search. This ostensibly provides empirical

[40] The coefficient on $log(wage_{it+1})$ is qualitatively in line with the findings in Faberman, Mueller, Şahin and Topa (2022), who use cross-sectional variation to show that the likelihood of search declines in the real wage using the job-search supplement of the SCE. This is an annual supplement of the SCE conducted in October. They find a coefficient on the current real wage of roughly -0.07 with a dependent variable "Active Search." This is close to and not statistically significantly different from the -0.038 we estimate using cross-sectional variation and defining search as the search for some kind of work. This estimate appears in Table C-6. Interestingly, when we estimate this effect using within-respondent variation, the effect is an order of magnitude larger.

[41] Since we measure uncertainty using the logged standard deviation of an individual's subjective probability distribution over inflation, the coefficient on this variable gives the effect of an increase a doubling of the standard deviation.

support for the theoretical prediction that higher subjective inflation uncertainty can incentivize search. In this appendix, we explain the seemingly puzzling coefficient on the level of inflation expectations in two ways. First, higher inflation expectations predict entering the search period with some form of resolved prior search.[42] The negative coefficients on log wages and a recent job-to-job transition in Table 4 suggest a possible mechanism for this. As expected inflation increases and prompts search, respondents may match to new employers or increase their wages, which in turn makes them less likely to search, even if their inflation expectations remain high or increase again. Second, SCE respondents may choose *only one of* the choices - search for new work or search for additional work - unlike the unrestricted choice we allowed for in the RPS survey. We show that, in the post-COVID period, higher inflation expectations predict the search for additional work and present evidence suggesting that these searchers are concurrently searching for both types of work, a notion corroborated by the frequent overlap in search activities present in our RPS data.

Next, we consider the economic significance of our baseline estimates from Column (1) in the context of the 2021-2023 increases in inflation expectations and the rate of job-to-job transitions.

4 Inflation Expectations, Search, and the Post-COVID Rise in the Job-to-Job Transition Probability

Following the COVID-19 pandemic, the United States experienced a surge in inflation and inflation expectations. A growing literature posits several explanations for this rise, including supply shocks (Bernanke and Blanchard, 2025) like energy price increases (Gagliardone and Gertler, 2024; Patzelt and Reis, 2025), loose monetary policy or delayed monetary policy action (Reis, 2023; Gagliardone and Gertler, 2024), and government deficits (Cochrane, 2022; Barro and Bianchi, forthcoming; Hazell and Hobler, 2025).[43] The aim of the current paper is not to explain the increase in inflation and expected inflation over this period, but rather to investigate the role of inflation expectations in prompting on-the-job search and the labor market outcomes that follow from such search. The rise in inflation expectations in the post-pandemic period provides an opportunity to do exactly this.

According to Fujita, Moscarini and Postel-Vinay (2024)'s series of job-to-job transitions, the rate of employer-to-employer flows in the post-pandemic period exceeded its 2019 average from mid-2021 through 2023, with its peak in 2022. The series peaked in June 2022, with the five-month moving average of the series roughly 0.22 percentage points above the 2019 series average (a roughly 10% increase from 2.19 to 2.40). This peak also coincides with the peak in inflation expectations as estimated in the SCE; expectations increased from an average of 3.4 in 2019 to 7.6 in June 2022. While a full analysis of the interaction between inflation expectations and job-to-job transitions is beyond the scope of our model, we can use our regression estimates to provide a rough prediction

[42] Some of this result may therefore be explained by unobserved search due to the triannual frequency of the labor market supplement.

[43] See Hazell and Hobler (2025) for a thorough literature review about the causes of the post-pandemic inflation.

for how much of the rise in the job-to-job transition rate over this period can be explained by the documented search response to expected inflation.

Allow the probability of changing jobs, or the combined probability of job offer arrival and acceptance, at date t to depend on search status, with $\Pr(\text{J2J}_t|\text{search}) = \varepsilon_t^S$ and $\Pr(\text{J2J}_t|\text{no search}) = \varepsilon_t^N$. Allow the probability of search to depend on expected inflation, $\tilde{\pi}$ and other factors Z_t. The overall job-to-job transition probability at date t will then be:

$$\Pr(\text{J2J}_t) = \Pr(\text{search}|\tilde{\pi}_t, Z_t) \times \varepsilon_t^S + (1 - \Pr(\text{search}|\tilde{\pi}_t, Z_t)) \times \varepsilon_t^N$$

where we define

$$\Pr(\text{search}|\tilde{\pi}_t, Z_t) = \delta Z_t + \beta \tilde{\pi}_t$$

The probability of a job-to-job transition at date t then simplifies to:

$$\Pr(\text{J2J}_t) = [\delta Z_t + \beta \tilde{\pi}_t] (\varepsilon_t^S - \varepsilon_t^N) + \varepsilon_t^N$$

Provided that the probabilities of transition conditional on search status are stable, the change in the job-to-job transition rate relative to some base period can be expressed as a combination of the changes in Z and $\tilde{\pi}$.[44] We can express the *change* in the job-to-job transition rate between t and some subsequent t' as:

$$\Delta_{t,t'} \Pr(\text{J2J}) = [\delta \Delta_{t,t'} Z + \beta \Delta_{t,t'} \tilde{\pi}](\varepsilon_{t'}^S - \varepsilon_{t'}^N) \tag{4}$$

Using this identity, we can calculate counterfactual changes in the aggregate job-to-job transition probability relative to a base year t using an estimate of β along with data on changes in inflation expectations. For the base "year," we use the monthly average over the year 2019. As we are interested in the ceteris paribus change in job-to-job transitions due to higher expected inflation, we further abstract from $\Delta_{t,t'} Z$ (i.e. we impose $\Delta_{t,t'} Z = 0$). In the SCE post-2020, those searching for new work are 3.4 percentage points more likely to transition to a new job in the following month than non-searchers; this provides an estimate for $\varepsilon_{t'}^S - \varepsilon_{t'}^N$. We set β equal to our estimate of the effect of expected inflation on search in the next month from Table 4.

The predicted series, along with the actual change in the job-to-job transition rate, appear in Figure 6. The thick blue line shows the realized change in the job-to-job transition probability, expressed as the difference (in basis points) from the 2019 average, while the dashed black line shows our counterfactual estimates. We see that the predicted change in the job-to-job transition rate moves closely with the realized change and peaks in June 2022. In this month, the predicted change in the job-to-job rate due to expected inflation accounts for 42% of the overall observed

[44] If the probabilities of transition conditional on search status are not stable, the change in the job-to-job transition rate is given by: $\Delta_{t,t'} \Pr(\text{J2J}) = [\delta \Delta_{t,t'} Z + \beta \Delta_{t,t'} \tilde{\pi}](\varepsilon_{t'}^S - \varepsilon_{t'}^N) + (\delta Z_t + \beta \tilde{\pi})(\Delta_{t,t'} \varepsilon^S - \Delta_{t,t'} \varepsilon^N) + \Delta_{t,t'} \varepsilon^N$. In this case the predicted change in the transition probability coming from $\Delta_{t,t'} \tilde{\pi}$ is the same as that implied by Equation 4.

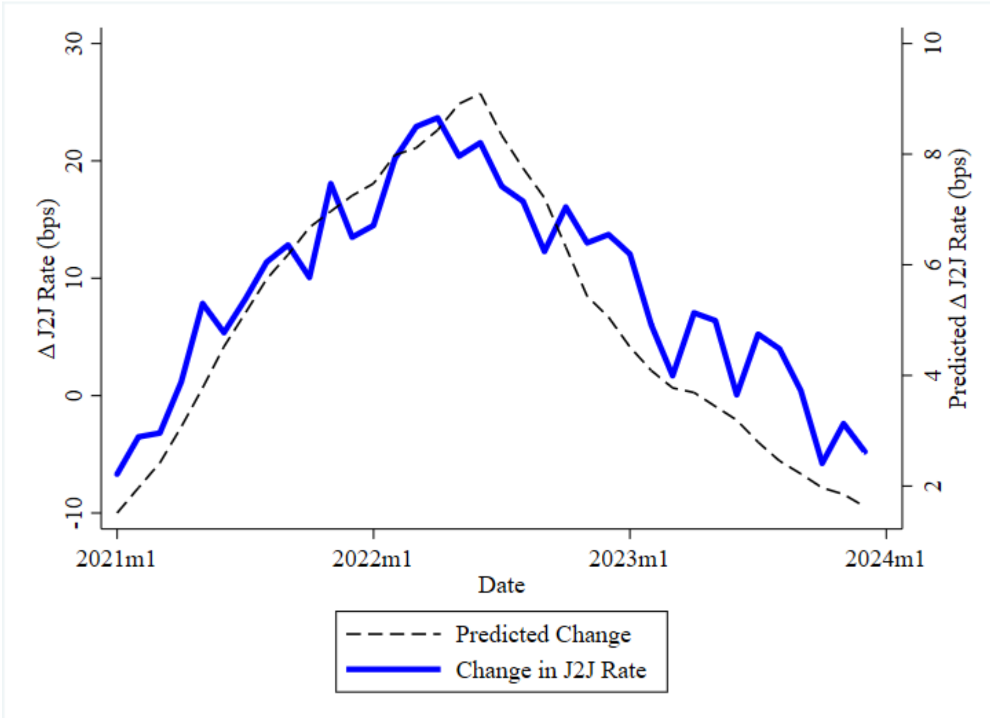

Figure 6: Predicted Job-to-Job Transition Rates

Notes. The figure shows centered five-month moving averages of the Fujita, Moscarini and Postel-Vinay (2024) job-to-job transition rate less the 2019 average as well as the corresponding predicted change due to expected inflation described in Equation 4. Both series are measured in basis points. The solid blue line shows the realized series, or what we are trying to predict. The dashed black line shows the predicted change in the job-to-job transition rate, using the marginal effect of expected inflation on search estimated in Table 4 and the difference in the monthly survey average inflation expectation from its 2019 mean.

change.

While this analysis suggests that the increase in inflation expectations played a role in the post-pandemic surge in job-to-job transitions, we caution that this is a simple back-of-the-envelope calculation and not a full structural analysis. These estimates do not consider other factors that may have influenced both expectations and job-to-job transitions. They also ignore possible indirect dynamic effects of expected inflation on $\Delta_{t,t'}\Pr(\text{J2J})$. We document one such dynamic effect in Table 4, that is that workers who have recently changed jobs are less likely to search. This suggests that as higher inflation expectations prompt workers to search and move jobs (or alternatively negotiate higher on-the-job wages) they will be less likely to search and change jobs again, even if their inflation expectations increase. We extend our analysis to consider such effects in Appendix D-3.

5 Conclusion

How do households respond to expected inflation in the labor market? We extend a canonical search model to show that nominal rigidity in workers' wages incentivizes on-the-job search. We then investigate the model's predictions empirically. Using hypothetical inflation levels in a novel survey, we show that workers are more likely to search for work when expected inflation is higher. We further show that this mechanism and the post-COVID rise in inflation expectations can explain a significant portion of the rise in the job-to-job transition probability observed in 2022.

While we have investigated the transmission of inflation to individual search behavior, a natural question is the more aggregate impact this behavior has in the economy. Search may lead to productivity-enhancing job-to-job transitions, or to wage growth through rent extraction from employers, leading to different effects on productivity. In follow-up work, Pilossoph, Ryngaert and Wedewer (2023) embeds the inflation-search mechanism into a model of on-the-job search featuring a job ladder and Bertrand competition between employers, allowing for both productivity enhancing and rent-extraction motives of search.

A separate aggregate question concerns the feedback from inflation-induced search back to inflation itself. A growing literature, including Faccini and Melosi (2023) and Moscarini and Postel-Vinay (2023), has made important progress in showing how on-the-job search shapes inflation dynamics through interfirm wage competition and cyclical misallocation. A natural next step, to which our estimates could contribute, is to allow search intensity itself to respond endogenously to inflation, as we document at the individual level. Embedding this margin into the frameworks above would help quantify whether inflation-induced search amplifies or dampens the wage–price feedback these papers study.

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SUPPLEMENTAL APPENDIX

A Proofs

Lemma 2 *Let $h(Y)$ be the inverse function of $k'(s)$, that is $h(k'(s)) = s$ and $k'(h(Y)) = Y$. Then $h(Y)$ is increasing, $h'(Y) > 0$. If in addition $k'''(\cdot) \leq 0$, then $h''(Y) \geq 0$.*

Proof Since $k(s)$ is increasing and convex, $k'(s)$ is increasing. Differentiating $k'(h(Y)) = Y$ with respect to Y, $k''(h(Y))\, h'(Y) = 1$, or $h'(Y) = \frac{1}{k''(h(Y))}$. Since $k(s)$ is convex, $k'' > 0$ so $h'(Y) > 0$. Differentiating again with respect to Y yields $h''(Y) = -\frac{k'''(h(Y))h'(Y)}{[k''(h(Y))]^2}$ so $h(Y)$ is convex if $k'''(h(Y)) < 0$. ■

Lemma 3 *Search effort is strictly decreasing in the nominal wage, $\frac{\partial s^*(w,\tilde{\pi})}{\partial w} < 0$.*

Proof Search effort for employed workers (at the interior) satisfies:

$$s^*(w,\tilde{\pi}) = h\Big(\underbrace{\beta\lambda \int_{w\frac{(1+\gamma_s\tilde{\pi})}{(1+\gamma_o\tilde{\pi})}}^{\bar{w}} \left[u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right] dF(x)}_{\equiv Y_1(w,\tilde{\pi})}\Big) \tag{A-1}$$

Therefore, using Leibniz rule and simplifying,

$$\begin{aligned}
\frac{\partial s^*(w,\tilde{\pi})}{\partial w} &= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \frac{\partial Y_1(w,\tilde{\pi})}{\partial w} \\
&= -\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \beta\lambda \int_{w\frac{(1+\gamma_s\tilde{\pi})}{1+\gamma_o\tilde{\pi}}}^{\bar{w}} \frac{(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})} u'\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right) dF(x)
\end{aligned}$$

From Lemma 2, $\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} > 0$. Since the term inside the integral is always positive, the right-hand side is negative. ■

Proof of Proposition 1 Using Leibniz rule, we obtain:

$$\begin{aligned}
\frac{\partial s^*(w,\tilde{\pi})}{\partial \tilde{\pi}} &= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \frac{\partial Y_1(w,\tilde{\pi})}{\partial \tilde{\pi}} \\
&= \frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} \cdot \beta\lambda \cdot \\
&\int_{w\frac{(1+\gamma_s\tilde{\pi})}{(1+\gamma_o\tilde{\pi})}}^{\bar{w}} \left[\frac{w(1-\gamma_s)}{p(1+\tilde{\pi})^2} u'\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right) - \frac{x(1-\gamma_o)}{p(1+\tilde{\pi})^2} u'\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right] dF(x)
\end{aligned} \tag{A-2}$$

Lemma 2 has already established that $\frac{\partial h(Y_1(w,\tilde{\pi}))}{\partial Y_1(w,\tilde{\pi})} > 0$. $u'(x) = x^{-\eta}$, so the term inside the integral becomes:

$$\int_{w\frac{(1+\gamma_s\tilde{\pi})}{(1+\gamma_o\tilde{\pi})}}^{\bar{w}} \left[\frac{w(1-\gamma_s)}{p(1+\tilde{\pi})^2} \left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)^{-\eta} - \frac{x(1-\gamma_o)}{p(1+\tilde{\pi})^2} \left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)^{-\eta}\right] dF(x) \tag{A-3}$$

which is strictly positive whenever:

$$\frac{x(1-\gamma_o)}{w(1-\gamma_s)} < \left[\frac{w(1+\gamma_s\tilde{\pi})}{x(1+\gamma_o\tilde{\pi})}\right]^{-\eta}$$

Now consider the three cases:

(i) If $\gamma_o = 1$ and $\gamma_s < 1$, then the left-hand side is zero. The right-hand side is positive, so the condition is satisfied always.

(ii) Suppose $1 > \gamma_o > \gamma_s \geq 0$. First, notice that

$$\frac{(1+\gamma_o\tilde{\pi})}{(1+\gamma_s\tilde{\pi})} > \frac{(1-\gamma_o)}{(1-\gamma_s)}$$

Indeed, since the left-hand side is greater than 1 and the right-hand side is less than 1, the inequality holds. Returning to the original condition and taking the log, we obtain:

$$\eta ln\left(\frac{x\,(1+\gamma_o\tilde{\pi})}{w\,(1+\gamma_s\tilde{\pi})}\right) > ln\left(\frac{x\,(1-\gamma_o)}{w\,(1-\gamma_s)}\right)$$

Provided that $\left(\frac{x\left(1+\gamma_o\tilde{\pi}\right)}{w\left(1+\gamma_s\tilde{\pi}\right)}\right) > 0$, then

$$\eta \geq 1 > \frac{ln\left(\frac{x(1-\gamma_o)}{w(1-\gamma_s)}\right)}{ln\left(\frac{x\left(1+\gamma_o\tilde{\pi}\right)}{w\left(1+\gamma_s\tilde{\pi}\right)}\right)}$$

satisfies the condition.

(iii) Now consider the case when $1 > \gamma_o = \gamma_s \geq 0$. Then the condition becomes

$$\frac{x}{w} \leq \left[\frac{x}{w}\right]^{\eta}$$

which is satisfied with a strict inequality for any $\eta > 1$, since $x > w$. ■

B Extensions and Additional Results

B-1 Uncertainty

Suppose that workers' beliefs about inflation are Normally distributed $z \sim G(\tilde{\pi}, \sigma)$ with mean $\tilde{\pi}$ and standard deviation σ truncated to $z \in (\underline{z}, \bar{z})$ with $\underline{z} > -1$ and $\bar{z} = 1$ and corresponding density $g(z; \tilde{\pi}, \sigma)$. The lower bound $\underline{z} > -1$ keeps the price level $p(1+z)$ and the real-consumption arguments of $u(\cdot)$ positive, while the upper bound $\bar{z} = 1$ caps gross inflation at $1 + z \leq 2$[45]. Define

$$M(\tilde{\pi}, \sigma) = \int_{\underline{z}}^{\bar{z}} \phi(z; \tilde{\pi}, \sigma)\, dz = \Pr(\underline{z} < z < \bar{z})$$

as the mass in the relevant range, so the truncated density is $g(z; \tilde{\pi}, \sigma) = \phi(z; \tilde{\pi}, \sigma)/M(\tilde{\pi}, \sigma)$ where $\phi(\cdot)$ is the normal density. Optimal search effort is

$$s^*(w, \tilde{\pi}, \sigma) = h\left(\int_{\underline{z}}^{\bar{z}} \underbrace{\beta\lambda \int_{w\frac{1+\gamma_s z}{1+\gamma_o z}}^{\bar{w}} \left[u\Big(\frac{x(1+\gamma_o z)}{p(1+z)}\Big) - u\Big(\frac{w(1+\gamma_s z)}{p(1+z)}\Big) \right] dF(x)}_{\equiv Y_1(w,z)}\, g(z; \tilde{\pi}, \sigma)\, dz \right). \quad \text{(B-1)}$$

Write $\bar{Y}_1(w) = \int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, g(z; \tilde{\pi}, \sigma)\, dz$ for the conditional mean of $Y_1(w, \cdot)$, and note that:

$$\frac{\partial}{\partial \tilde{\pi}} \int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, g(z; \tilde{\pi}, \sigma)\, dz = \frac{1}{M(\tilde{\pi}, \sigma)} \left[\int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, \frac{\partial \phi(z; \tilde{\pi}, \sigma)}{\partial \tilde{\pi}}\, dz - \bar{Y}_1(w) \int_{\underline{z}}^{\bar{z}} \frac{\partial \phi(z; \tilde{\pi}, \sigma)}{\partial \tilde{\pi}}\, dz \right], \quad \text{(B-2)}$$

and

$$\frac{\partial}{\partial \sigma} \int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, g(z; \tilde{\pi}, \sigma)\, dz = \frac{1}{M(\tilde{\pi}, \sigma)} \left[\int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, \frac{\partial \phi(z; \tilde{\pi}, \sigma)}{\partial \sigma}\, dz - \bar{Y}_1(w) \int_{\underline{z}}^{\bar{z}} \frac{\partial \phi(z; \tilde{\pi}, \sigma)}{\partial \sigma}\, dz \right], \quad \text{(B-3)}$$

By Lemma 2, $\text{sign}(\partial s^*/\partial \tilde{\pi})$ and $\text{sign}(\partial s^*/\partial \sigma)$ equals the sign of the bracket in (B-2) and (B-3) respectively, so these terms determine whether search is increasing with mean inflation expectations or uncertainty, respectively.

B-1.1 Mean Shifts

With $\partial_{\tilde{\pi}} \phi(z; \tilde{\pi}, \sigma) = \phi(z; \tilde{\pi}, \sigma) \cdot (z - \tilde{\pi})/\sigma^2$ and $\int_{\underline{z}}^{\bar{z}} (z - \tilde{\pi}) \phi(z; \tilde{\pi}, \sigma)\, dz = -\sigma^2 [\phi(\bar{z}) - \phi(\underline{z})]$,

$$\int_{\underline{z}}^{\bar{z}} \frac{\partial \phi(z; \tilde{\pi}, \sigma)}{\partial \tilde{\pi}} = \int \partial_{\tilde{\pi}} \phi(z; \tilde{\pi}, \sigma)\, dz = \phi(\underline{z}; \tilde{\pi}, \sigma) - \phi(\bar{z}; \tilde{\pi}, \sigma)$$

so the bracketed term in (B-2) (which determines the sign of the derivative since $M(\cdot)$ is positive) gives:

$$\text{sign}\left(\frac{\partial s^*}{\partial \tilde{\pi}}\right) = \text{sign}\left\{ \underbrace{\frac{1}{\sigma^2} \int_{\underline{z}}^{\bar{z}} Y_1(w, z)\, (z - \tilde{\pi})\, \phi(z; \tilde{\pi}, \sigma))\, dz}_{\text{interior term}} - \underbrace{\bar{Y}_1(w)[\phi(\underline{z}; \tilde{\pi}, \sigma) - \phi(\bar{z}; \tilde{\pi}, \sigma)]}_{\text{boundary term}} \right\}. \quad \text{(B-4)}$$

[45] The restriction on the upper bound allows us to show sufficient conditions under which search is increasing with uncertainty for the case of full offer indexation, but is not required for the proofs of mean shifts below.

Since

$$\phi(z;\tilde{\pi},\sigma) = \frac{1}{\sqrt{2\pi}\,\sigma}\, e^{-(z-\tilde{\pi})^2/2\sigma^2}, \qquad \phi'(z;\tilde{\pi},\sigma) = -\frac{z-\tilde{\pi}}{\sigma^2}\,\phi(z;\tilde{\pi},\sigma), \qquad z \in \{\underline{z},\bar{z}\},$$

For the empirically relevant values of $(\tilde{\pi},\sigma)$ (see Figure 4), both $\underline{z} \approx -1$ and $\bar{z} = 1$ lie many standard deviations from $\tilde{\pi}$ rendering $e^{-(\underline{z}-\tilde{\pi})^2/2\sigma^2}$ and $e^{-(\bar{z}-\tilde{\pi})^2/2\sigma^2}$ negligible, so the boundary term is negligible relative to the $O(1)$ interior integral. Dropping it,

$$\operatorname{sign}\left(\frac{\partial s^*}{\partial \tilde{\pi}}\right) = \operatorname{sign}\left\{\frac{1}{\sigma^2}\int_{\underline{z}}^{\bar{z}} Y_1(w,z)\,(z-\tilde{\pi})\,\phi(z;\tilde{\pi},\sigma))\,dz\right\} \tag{B-5}$$

Re-write the curly bracketed term on the RHS of the above as:

$$\begin{aligned} &\tfrac{1}{\sigma^2}\Big[\textstyle\int_{\tilde{\pi}}^{\infty} Y_1(w,z)\phi(z)(z-\tilde{\pi})dz + \int_{-\infty}^{\tilde{\pi}} Y_1(w,z)\phi(z)(z-\tilde{\pi})dz\Big] \\ = &\tfrac{1}{\sigma^2}\Big[\textstyle\int_{0}^{\infty} Y_1(w,\tilde{\pi}+\epsilon)\phi(\tilde{\pi}+\varepsilon)\varepsilon d\varepsilon - \int_{0}^{\infty} Y_1(w,\tilde{\pi}-\varepsilon)\phi(\tilde{\pi}-\varepsilon)\varepsilon d\varepsilon\Big] \end{aligned}$$

Since the normal distribution is symmetric about the mean, $\phi\left(\tilde{\pi}+\epsilon;\tilde{\pi},\sigma\right) = \phi\left(\tilde{\pi}-\epsilon;\tilde{\pi},\sigma\right)$ the above integral becomes:

$$\frac{1}{\sigma^2}\Big[\int_0^{\infty}\Big(Y_1(w,\tilde{\pi}+\epsilon) - Y_1(w,\tilde{\pi}-\varepsilon)\Big)\phi(\tilde{\pi}+\varepsilon)\varepsilon d\varepsilon\Big]$$

which is positive when $Y_1\left(w,z\right)$ is increasing in z. Proposition 1 states when this will be the case. ■

B-1.2 Variance Shifts

Using $\partial_{\sigma^2}\phi\left(z;\tilde{\pi},\sigma\right) = \dfrac{1}{2}\phi''\left(z;\tilde{\pi},\sigma\right)$ (the Gaussian heat equation), integrating the interior term of (B-3) by parts twice, and using $\int_{\underline{z}}^{\bar{z}} \partial_{\sigma^2}\phi\left(z;\tilde{\pi},\sigma\right)\,dz = \dfrac{1}{2}[\phi'(\bar{z};\tilde{\pi},\sigma) - \phi'(\underline{z};\tilde{\pi},\sigma)]$ for the mass term, (B-3) delivers

$$\operatorname{sign}\left(\frac{\partial s^*}{\partial \sigma^2}\right) = \operatorname{sign}\left\{\underbrace{\int_{\underline{z}}^{\bar{z}} \frac{\partial^2 Y_1(w,z)}{\partial z^2}\,\phi(z;\tilde{\pi},\sigma)\,dz}_{\text{interior term}} + \underbrace{\left[(Y_1(w,z)-\bar{Y}_1)\phi'(z;\tilde{\pi},\sigma) - \frac{\partial Y_1(w,z)}{\partial z}\phi(z;\tilde{\pi},\sigma)\right]_{\underline{z}}^{\bar{z}}}_{\text{boundary term}}\right\}. \tag{B-6}$$

In this case, the boundary term is a sum of products of Y_1, $\partial_z Y_1$, or $\bar{Y}_1$ evaluated at the fixed endpoints with $\phi\left(z;\tilde{\pi},\sigma\right)$ or $\phi'\left(z;\tilde{\pi},\sigma\right)$ evaluated there, and every boundary term is therefore proportional to $e^{-(z-\tilde{\pi})^2/2\sigma^2}$. At $\bar{z} = 1$ the endpoint values $Y_1, \partial_z Y_1$ are finite; at $\underline{z} \to -1$ they grow, but only polynomially in $1/(1+\underline{z})$ (real wages scale as $(1+z)^{-1}$), which the exponential decay of $\phi\left(\underline{z};\tilde{\pi},\sigma\right))$ dominates. By the same arguments as above, the boundary term is again negligible relative to the $O(1)$ interior integral. Dropping them,

$$\operatorname{sign}\left(\frac{\partial s^*}{\partial \sigma^2}\right) = \operatorname{sign}\int_{\underline{z}}^{\bar{z}} \frac{\partial^2 Y_1(w,z)}{\partial z^2}\phi\left(z;\tilde{\pi},\sigma\right)\, dz,$$

which is positive when Y_1 is convex in z.

Proposition 4 *Search effort is increasing in inflation uncertainty if $Y_1(w,\cdot)$ is convex in z on the support, which holds if either:*

(a) $\gamma_o = 1$, $1 > \gamma_s \geq 0$, and $\eta \geq \dfrac{2(1+\gamma_s)}{1-\gamma_s}$; or

(b) $1 > \gamma_o = \gamma_s > 0$ and $\eta < 1$ or $\eta > \frac{2(1+\gamma_s)}{1-\gamma_s}$.

Proof. Write $r_o = \dfrac{x(1+\gamma_o z)}{p(1+z)}$, $r_s = \dfrac{w(1+\gamma_s z)}{p(1+z)}$, $\underline{x}(z) = w\dfrac{1+\gamma_s z}{1+\gamma_o z}$, $\bar{r} = r_s(z)$. Then

$$\frac{1}{\beta\lambda}\frac{\partial^2 Y_1}{\partial z^2} = \underbrace{f(\underline{x})\frac{w^2(\gamma_o-\gamma_s)^2 u'(\bar{r})}{p(1+z)(1+\gamma_o z)^3}}_{B\geq 0} + \int_{\underline{x}}^{\bar{w}}[C_o(x,z) - C_s(z)]dF \tag{B-7}$$

where

$$C_i = \frac{(1-\gamma_i)r_i^{1-\eta}}{(1+z)^2(1+\gamma_i z)}\left[2 - \frac{\eta(1-\gamma_i)}{1+\gamma_i z}\right], \quad i \in \{o,s\}$$

Since $B \geq 0$, $C_o(x,z) \geq C_s(z)$ for all accepted x suffices for $\partial_{zz}Y_1 \geq 0$. This will hold when $C_o \geq 0 \iff \eta \leq \dfrac{2(1+\gamma_o z)}{1-\gamma_o}$ and $C_s \leq 0 \iff \eta \geq \dfrac{2(1+\gamma_s z)}{1-\gamma_s}$.

(a) $1 = \gamma_o > \gamma_s > 0$. Then $C_o \equiv 0$ and $\dfrac{1}{\beta\lambda}\partial_{zz}Y_1 = B - (1-F(\underline{x}))C_s$; since $B \geq 0$, $C_s \leq 0$ suffices, i.e. $\eta \geq \dfrac{2(1+\gamma_s z)}{1-\gamma_s}$. Since this is increasing in z, it will hold pointwise for z on the support if it holds at the upper $z = 1$: $\eta \geq \dfrac{2(1+\gamma_s)}{1-\gamma_s}$.

(b) $1 > \gamma_o = \gamma_s = \gamma > 0$. Then $B = 0$, $\underline{x} = w$, and

$$C_o - C_s = \frac{1-\gamma}{(1+z)^2(1+\gamma z)}[2 - \frac{\eta(1-\gamma)}{1+\gamma z}](r_o^{1-\eta} - r_s^{1-\eta})$$

with $r_o^{1-\eta} - r_s^{1-\eta} = (\dfrac{1+\gamma z}{p(1+z)})^{1-\eta}(x^{1-\eta} - w^{1-\eta})$, which is of sign $1-\eta$ since $x \geq w$. As $1+\gamma z > 1-\gamma$, $\partial_{zz}Y_1 > 0$ if $\eta < 1$ or $\eta > \frac{2(1+\gamma)}{1-\gamma}$. ■ Under equal indexation (case (b) here, case (iii) for the mean shifts) the level effect requires $\eta > 1$ and the uncertainty effect requires the opposite condition, $\eta < 1$, or a stricter condition $\eta > \frac{2(1+\gamma_s)}{1-\gamma_s}$. Under fully indexed offers (case (a) here, case (i) for the mean shifts) the level effect holds for all $\eta \geq 0$ and the uncertainty effect needs $\eta \geq \dfrac{2(1+\gamma_s)}{1-\gamma_s}$, so the requirements overlap for a range of η values.

For the intermediate case $1 > \gamma_o > \gamma_s > 0$, no such condition on η is uniform on $(\underline{z}, 1)$: convexity holds pointwise for η in the band $[\frac{2(1+\gamma_s z)}{1-\gamma_s}, \frac{2(1+\gamma_o z)}{1-\gamma_o}]$, whose intersection over $(\underline{z}, 1)$ is empty for $\gamma_s > 0$. The band has both edges increasing in z; the lower binds at the top $z = 1$, the upper at the bottom $z \to -1$, so the intersection over the support is $\frac{2(1+\gamma_s)}{1-\gamma_s} \leq \eta \leq 2$, which is empty for $\gamma_s > 0$ on this particular support.

B-2 Arrival Rates a Function of Inflation Expectations

Here we consider what happens when individuals perceive that arrival rates will also change with the rate of inflation, so more generally $\lambda(\tilde{\pi})$. The worker solves:

$$\max_{s \in \left(0, \frac{1}{\lambda(\tilde{\pi})}\right)} u\left(\frac{w}{p}\right) - \kappa(s) + \beta\lambda(\tilde{\pi}) s \int_y \max\left\{u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right), u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right\} dF(x)$$
$$+\beta(1-\lambda(\tilde{\pi}) s) u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)$$

The FOC for search effort at the interior is then:

$$\kappa'(s^*(w,\tilde{\pi})) = \beta\lambda(\tilde{\pi}) \int_{\frac{w\left(1+\gamma_s\tilde{\pi}\right)}{(1+\gamma_o\tilde{\pi})}} \left\{u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right\} dF(x)$$

Implicitly differentiating with respect to $\tilde{\pi}$:

$$\frac{\partial s^*(w,\tilde{\pi})}{\partial\tilde{\pi}} = h'\Big(\lambda(\tilde{\pi}) \cdot R_1(w,\tilde{\pi})\Big) \frac{\partial}{\partial\tilde{\pi}} \left[\lambda(\tilde{\pi}) \underbrace{\beta \int_{\frac{w\left(1+\gamma_s\tilde{\pi}\right)}{(1+\gamma_o\tilde{\pi})}} \left\{u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right) - u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right\} dF(x)}_{\equiv R_1(w,\tilde{\pi})}\right]$$
$$= \frac{\frac{\partial}{\partial\tilde{\pi}}\Big(\lambda(\tilde{\pi}) R_1(w,\tilde{\pi})\Big)}{\kappa''(s^*(w,\tilde{\pi}))}$$

Now consider the numerator:

$$\frac{\partial}{\partial\tilde{\pi}}[\lambda(\tilde{\pi}) R_1(w,\tilde{\pi})] = \lambda(\tilde{\pi}) \frac{\partial R_1(w,\tilde{\pi})}{\partial\tilde{\pi}} + R_1(w,\tilde{\pi}) \frac{\partial\lambda(\tilde{\pi})}{\partial\tilde{\pi}}$$

The conditions listed in Proposition 1 provide sufficient conditions for when $\frac{\partial R_1(w,\tilde{\pi})}{\partial\tilde{\pi}} > 0$. Since $R_1(w,\tilde{\pi}) > 0$, the second term is nonnegative (and therefore search is increasing in inflation expectations) if $\frac{\partial\lambda(\tilde{\pi})}{\partial\tilde{\pi}} \geq 0$. If instead $\frac{\partial\lambda(\tilde{\pi})}{\partial\tilde{\pi}} < 0$ and the conditions in Proposition 1 hold, search will be increasing in inflation expectations iff

$$\frac{\partial R_1(w,\tilde{\pi})}{\partial\tilde{\pi}} \frac{\tilde{\pi}}{R_1(w,\tilde{\pi})} > -\frac{\partial\lambda(\tilde{\pi})}{\partial\tilde{\pi}} \frac{\tilde{\pi}}{\lambda(\tilde{\pi})}$$

that is, the elasticity of the arrival rate with respect to inflation expectations is smaller than the elasticity of $R_1(w, \tilde{\pi})$ with respect to $\tilde{\pi}$.

B-3 Search for Additional Work

Here we extend the baseline model to allow workers to search for both new work and additional work simultaneously. We show that under similar conditions to Proposition 1, search for additional work also increases with inflation expectations. The only difference is that case (i) requires curvature in utility to deliver the result, since the gains from search for additional work in this case are independent of inflation expectations.

We consider a one-period continuous-time model over interval $[0, T]$ for small T where workers can choose search intensities for both new work (s) and additional work (s_a).[46] As before, stayer wages grow at rate $\gamma_s \tilde{\pi}$ and new job offers grow at rate $\gamma_o \tilde{\pi}$. We assume that additional work offers also grow at rate $\gamma_o \tilde{\pi}$, and the cost of search for additional work is denoted by $\psi(s_a)$, with $\psi' > 0$ and $\psi'' > 0$.

New job offers arrive as a Poisson process with rate λs, so over interval $[0, T]$ the probability of receiving at least one offer is $p_s = 1 - e^{-\lambda s T} \approx \lambda s T$ for small T. Additional work offers arrive as an independent Poisson process with rate $\lambda_a s_a$, with probability $p_a = 1 - e^{-\lambda_a s_a T} \approx \lambda_a s_a T$. The probability that both types of offers arrive is $p_s p_a = O(T^2)$, which vanishes.

The key difference from the "new work" case is that workers who find additional work receive total income $w(1 + \gamma_s \tilde{\pi}) + y(1 + \gamma_o \tilde{\pi})$. That is, they supplement their base wage that grows at rate γ_s with additional income that grows at rate γ_o.

Proposition 5 (Search for Additional Work Increases with Inflation Expectations) *If either:*

(i) $\gamma_o = 1$, $1 > \gamma_s \geq 0$, *and* $\eta > 0$ *or*

(ii) $1 \geq \gamma_o > \gamma_s \geq 0$ *and* $\eta \geq 1$, *or*

(iii) $1 > \gamma_o = \gamma_s \geq 0$ *and* $\eta > 1$,

then search effort for additional work for employed workers is strictly increasing in inflation expectations.

[46] We move to continuous time to avoid dealing with cases where both types of work offers—new and additional—arrive simultaneously in a discrete-time model. In continuous time, the probability that both arrive is $O(T^2)$, which vanishes as $T \to 0$.

The worker's problem is:

$$\begin{aligned}\max_{s\in(0,\frac{1}{\lambda}),s_a\in(0,\frac{1}{\lambda_a})} \quad & u\left(\frac{w}{p}\right)-\kappa(s)-\psi(s_a)\\ & +\beta(1-\lambda sT-\lambda_a s_a T)u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\\ & +\beta\lambda sT\int \max\{u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right),u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)dF(x)\\ & +\beta\lambda_a s_a T\int \max\{u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right),u\left(\frac{w(1+\gamma_s\tilde{\pi})+y(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)\}dF(y)+O(T^2).\end{aligned}$$

Imposing optimal reservation wage strategies and omitting the $O(T^2)$ terms:

$$\begin{aligned}\max_{s,s_a} \quad & u\left(\frac{w}{p}\right)-\kappa(s)-\psi(s_a)\\ & +\beta u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\\ & +\beta\lambda sT\int_{w\frac{1+\gamma_s\tilde{\pi}}{1+\gamma_o\tilde{\pi}}}^{\bar{w}}\left[u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)-u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right]dF(x)\\ & +\beta\lambda_a s_a T\int_0^{\bar{y}}\left[u\left(\frac{w(1+\gamma_s\tilde{\pi})+y(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)-u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right]dF(y)\end{aligned}$$

Taking the derivative with respect to s and s_a:

$$\kappa'(s^*)=\underbrace{\beta\lambda T\left[\int_{w\frac{1+\gamma_s\tilde{\pi}}{1+\gamma_o\tilde{\pi}}}^{\bar{w}} u\left(\frac{x(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)-u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right]dF(x)}_{R_{\text{new}}(w,\tilde{\pi})}$$

$$\psi'(s_a^*)=\underbrace{\beta\lambda_a T\left[\int_0^{\bar{y}} u\left(\frac{w(1+\gamma_s\tilde{\pi})+y(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)-u\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\right]dF(y)}_{R_{\text{add}}(w,\tilde{\pi})}$$

$R_{\text{new}}(w,\tilde{\pi})$ has the same structure as $Y_1(w,\tilde{\pi})$ before, so the proof is identical. Turning to $R_{\text{add}}(w,\tilde{\pi})$, by the implicit function theorem:

$$\frac{ds_a^*}{d\tilde{\pi}}=\frac{\frac{\partial R_{\text{add}}(w,\tilde{\pi})}{\partial\tilde{\pi}}}{\psi''(s_a^*)}.$$

Since $\psi''>0$, it suffices to show $\frac{\partial R_{\text{add}}}{\partial\tilde{\pi}}>0$.

$$\begin{aligned}\frac{\partial R_{\text{add}}(w,\tilde{\pi})}{\partial\tilde{\pi}}=\beta\lambda_a T\int_0^{\bar{y}}&\left[u'\left(\frac{w(1+\gamma_s\tilde{\pi})+y(1+\gamma_o\tilde{\pi})}{p(1+\tilde{\pi})}\right)\cdot(w(\gamma_s-1)+y(\gamma_o-1))\right]dF(y)\\ &-\int_0^{\bar{y}}\left[u'\left(\frac{w(1+\gamma_s\tilde{\pi})}{p(1+\tilde{\pi})}\right)\cdot(w(\gamma_s-1)\right]dF(y)\end{aligned}$$

and $\frac{\partial R_{\text{add}}}{\partial \tilde{\pi}}(w, \tilde{\pi}) > 0$ when:

$$\Big[\frac{w(1+\gamma_s\tilde{\pi})}{w(1+\gamma_s\tilde{\pi}) + y(1+\gamma_o\tilde{\pi})}\Big]^{-\eta} > \frac{w(\gamma_s - 1) + y(\gamma_o - 1)}{w(\gamma_s - 1)} \tag{B-8}$$

Now consider the three cases:

(i) If $\gamma_o = 1$ and $\gamma_s < 1$, then the condition becomes

$$\Big(1 + \frac{y(1+\tilde{\pi})}{w(1+\gamma_s\tilde{\pi})}\Big)^{\eta} > 1$$

which is satisfied when $\eta > 0$ since $y > 0$.

(ii) Now suppose $1 > \gamma_o \geq \gamma_s > 0$. First, notice that

$$\frac{(1+\gamma_o\tilde{\pi})}{(1+\gamma_s\tilde{\pi})} > \frac{(1-\gamma_o)}{(1-\gamma_s)}$$

since the left-hand side is greater than 1 and the right-hand side is less than 1. Returning to the original condition and taking the log, we obtain:

$$\eta ln\left(1 + \frac{y\,(1+\gamma_o\tilde{\pi})}{w\,(1+\gamma_s\tilde{\pi})}\right) > ln\left(1 + \frac{y\,(1-\gamma_o)}{w\,(1-\gamma_s)}\right)$$

Provided that $1 + \left(\frac{y\left(1+\gamma_o\tilde{\pi}\right)}{w\left(1+\gamma_s\tilde{\pi}\right)}\right) > 0$, then

$$\eta \geq 1 > \frac{ln\left(1 + \frac{y(1-\gamma_o)}{w(1-\gamma_s)}\right)}{ln\left(1 + \frac{y\left(1+\gamma_o\tilde{\pi}\right)}{w\left(1+\gamma_s\tilde{\pi}\right)}\right)}$$

satisfies the condition.

(iii) Now consider the case when $1 > \gamma_o = \gamma_s \geq 0$. Then the condition becomes:

$$\Big(1 + \frac{y}{w}\Big)^{\eta} > 1 + \frac{y}{w}$$

which is true whenever $\eta > 1$:

$\blacksquare$

B-3.1 Uncertainty

Suppose again that workers' beliefs about inflation are Normally distributed $z \sim G(\tilde{\pi}, \sigma)$ with mean $\tilde{\pi}$ and standard deviation σ truncated to $z \in (\underline{z}, \bar{z})$ with $\underline{z} > -1$ and $\bar{z} = 1$ and corresponding density $g(z; \tilde{\pi}, \sigma)$ (see Appendix B-1).

Employed workers solve:

$$
\begin{aligned}
\max_{s\in(0,\frac{1}{\lambda}),s_a\in(0,\frac{1}{\lambda_a})} \quad & u\left(\frac{w}{p}\right)-\kappa(s)-\psi(s_a) \\
& +\beta(1-\lambda sT-\lambda_a s_a T)\int_z u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)dG(z;\tilde{\pi},\sigma) \\
& +\beta\lambda sT\int_z\int_x \max\{u\left(\frac{x(1+\gamma_o z)}{p(1+z)}\right),u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)dF(x)dG(z;\tilde{\pi},\sigma) \\
& +\beta\lambda_a s_a T\int_z\int_y \max\{u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right),u\left(\frac{w(1+\gamma_s z)+y(1+\gamma_o z)}{p(1+z)}\right)\}dF(y)dG(z;\tilde{\pi},\sigma) \\
& +O(T^2)
\end{aligned}
$$

Imposing optimal reservation wage strategies and eliminating the $O(T^2)$ term:

$$
\begin{aligned}
\max_{s\in(0,\frac{1}{\lambda}),s_a\in(0,\frac{1}{\lambda_a})} \quad & u\left(\frac{w}{p}\right)-\kappa(s)-\psi(s_a) \\
& +\beta\int_z u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)dG(z;\tilde{\pi},\sigma) \\
& +\beta\lambda sT\int_z\int_{w\frac{1+\gamma_s z}{1+\gamma_o z}}\left\{u\left(\frac{x(1+\gamma_o z)}{p(1+z)}\right)-u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)\right\}dF(x)dG(z;\tilde{\pi},\sigma) \\
& +\beta\lambda_a s_a T\int_z\int_0\left\{u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)-u\left(\frac{w(1+\gamma_s z)+y(1+\gamma_o z)}{p(1+z)}\right)\right\}dF(y)dG(z;\tilde{\pi},\sigma)
\end{aligned}
$$

Differentiating with respect to s_a gives:

$$
s_a^*(w,\tilde{\pi},\sigma)=\psi'^{-1}\Big(\beta\lambda_a T\int_z \underbrace{\int_0^{\bar{y}}\left[u\left(\frac{w(1+\gamma_s z)+y(1+\gamma_o z)}{p(1+z)}\right)-u\left(\frac{w(1+\gamma_s z)}{p(1+z)}\right)\right]dF(y)}_{R_{\text{add}}(w,z)}dG(z;\tilde{\pi},\sigma)\Big)
$$

Since $\psi(\cdot)$ has the same properties as $\kappa(\cdot)$ and the derivative of optimal search effort with respect to $\tilde{\pi}$ is:

$$
\frac{\partial s_a^*(w,\tilde{\pi},\sigma)}{\partial\tilde{\pi}}=\frac{\beta\lambda_a T\frac{\partial}{\partial\tilde{\pi}}\Big(\int_z R_{add}(w,z)g(z;\tilde{\pi},\sigma)dz\Big)}{\psi''(s_a^*(w,\tilde{\pi}))}
$$

following Lemma 2 the sign of the derivative depends on $\frac{\partial}{\partial\tilde{\pi}}\Big(\int_z R_{add}(w,z)g(z;\tilde{\pi},\sigma)dz\Big)$. Write $\bar{R}_{add}(w)=\int_{\underline{z}}^{\bar{z}}R_{add}(w,z)\,g(z;\tilde{\pi},\sigma)\,dz$ for the conditional mean of $R_{add}(w,\cdot)$, and note that:

$$
\frac{\partial}{\partial\tilde{\pi}}\int_{\underline{z}}^{\bar{z}}R_{add}(w,z)\,g(z;\tilde{\pi},\sigma)\,dz=\frac{1}{M(\tilde{\pi},\sigma)}\left[\int_{\underline{z}}^{\bar{z}}R_{add}(w,z)\,\frac{\partial\phi(z;\tilde{\pi},\sigma)}{\partial\tilde{\pi}}\,dz-\bar{R}_{add}(w)\int_{\underline{z}}^{\bar{z}}\frac{\partial\phi(z;\tilde{\pi},\sigma)}{\partial\tilde{\pi}}\,dz\right], \tag{B-9}
$$

With $\partial_{\tilde{\pi}}\phi(z;\tilde{\pi},\sigma) = \phi(z;\tilde{\pi},\sigma)\cdot\ (z-\tilde{\pi})/\sigma^2$ and $\int_{\underline{z}}^{\bar{z}}(z-\tilde{\pi})\phi(z;\tilde{\pi},\sigma)\,dz = -\sigma^2[\phi(\bar{z})-\phi(\underline{z})]$,

$$\int_{\underline{z}}^{\bar{z}} \frac{\partial\phi(z;\tilde{\pi},\sigma)}{\partial\tilde{\pi}} = \int \partial_{\tilde{\pi}}\phi(z;\tilde{\pi},\sigma)\,dz = \phi(\underline{z};\tilde{\pi},\sigma) - \phi(\bar{z};\tilde{\pi},\sigma)$$

so the bracketed term in Equation B-9 (which determines the sign of the derivative since $M(\cdot)$ is positive) gives:

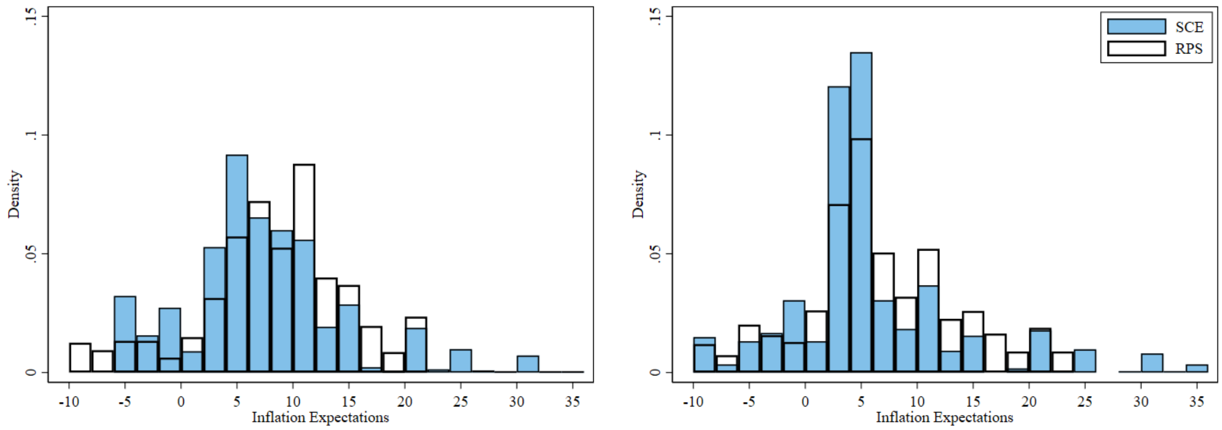
$$\operatorname{sign}\left(\frac{\partial s^*}{\partial\tilde{\pi}}\right) = \operatorname{sign}\left\{\underbrace{\frac{1}{\sigma^2}\int_{\underline{z}}^{\bar{z}} R_{add}(w,z)\,(z-\tilde{\pi})\,\phi(z;\tilde{\pi},\sigma))\,dz}_{\text{interior term}} - \underbrace{\bar{R}_{add}(w)[\phi(\underline{z};\tilde{\pi},\sigma)-\phi(\bar{z};\tilde{\pi},\sigma)]}_{\text{boundary term}}\right\}. \tag{B-10}$$

Dropping the boundary terms again by the same arguments as Section B-1,

$$\operatorname{sign}\left(\frac{\partial s^*}{\partial\tilde{\pi}}\right) = \operatorname{sign}\left\{\frac{1}{\sigma^2}\int_{\underline{z}}^{\bar{z}} R_{add}(w,z)\,(z-\tilde{\pi})\,\phi(z;\tilde{\pi},\sigma))\,dz\right\} \tag{B-11}$$

Showing the conditions under which search for additional work increases with mean inflation expectations follows the corresponding proof for the baseline model (see Appendix B-1) since we have already shown when $R_{\text{add}}(w,z)$ is increasing in z. A similar proof following the proof for uncertainty in B-1 follows for showing when the search for additional work increases with inflation uncertainty.

C Additional Tables and Figures

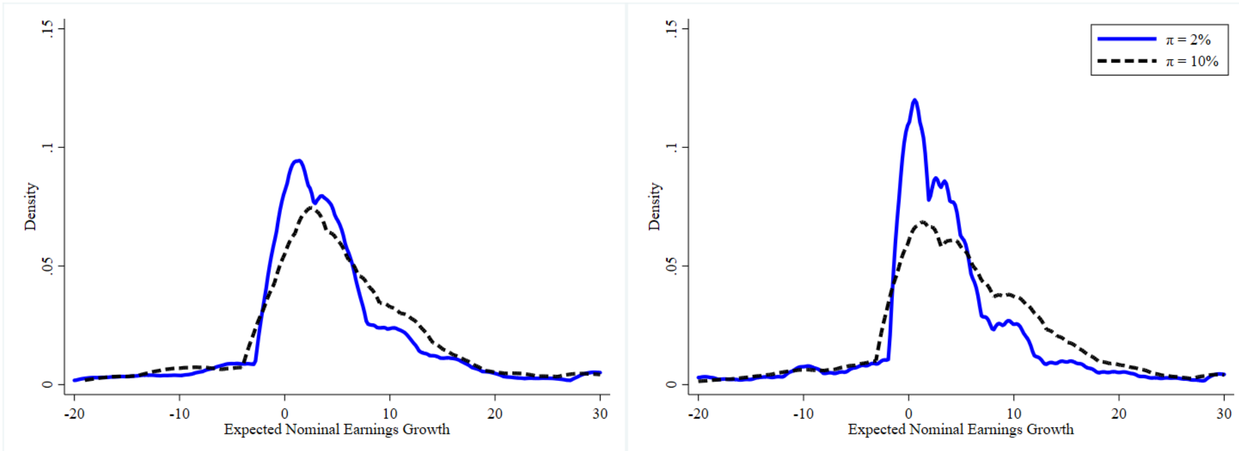


(a) October 2022 (b) February 2025

Figure C-1: Inflation Expectations in the Real-Time Population Survey

Notes: Before collecting expectations and planned actions under the different hypotheticals, we collected respondents' unconditional inflation expectations by asking the following: *By how much do you expect prices in the overall economy to change (the inflation rate) over the next 12 months? Please give your best guess.* Respondents reported these expectations as point estimates. We trim the top and bottom 5% of answers and present the distribution of the answers for each wave in Figure C-1. The figure also contains the distribution of trimmed inflation point forecasts from the Survey of Consumer Expectations for the corresponding month.

In October 2022, the median inflation expectation was 8%. This is close to the realized 7.7% year-over-year CPI inflation rate in that month. The distribution of responses is similar to that observed in the SCE.[47] In 2025, the realized inflation rate was considerably lower at 2.8%. In this period, the distribution of inflation expectations is more concentrated on lower inflation outcomes, with the median and modal inflation expectations at 5%. In the SCE in this period, responses are more concentrated on central values.



(a) October 2022 (b) February 2025

Figure C-2: Nominal Earnings Growth Expectations in the Real-Time Population Survey

Notes: The figure shows kernel densities of the distributions of earnings growth expectations in each the 2% and 10% inflation hypotheticals. Panel C-2a shows the data for the October 2022 wave and Panel C-2b shows the data for February 2025.

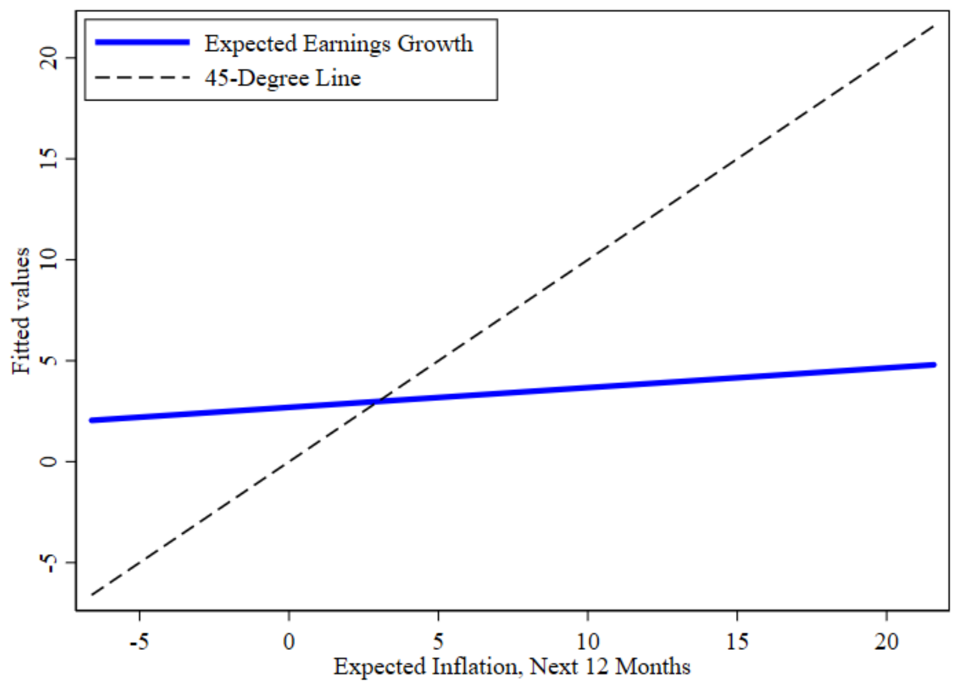


Figure C-3: The figure plots the fitted values of expected on-the-job earnings growth in the next twelve months against expected inflation in the next twelve months from the SCE. The slope being less than one implies that workers do not anticipate that their earnings on-the-job will grow at a rate matching that of the price level. This is consistent with the evidence we show in the Real-Time Population Survey in Section 2.2.

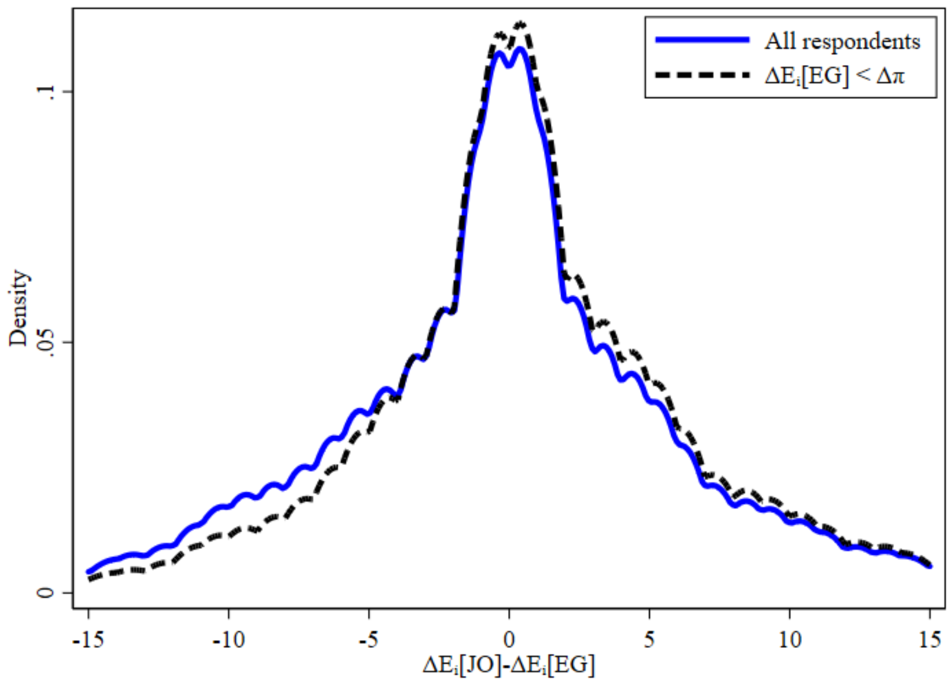
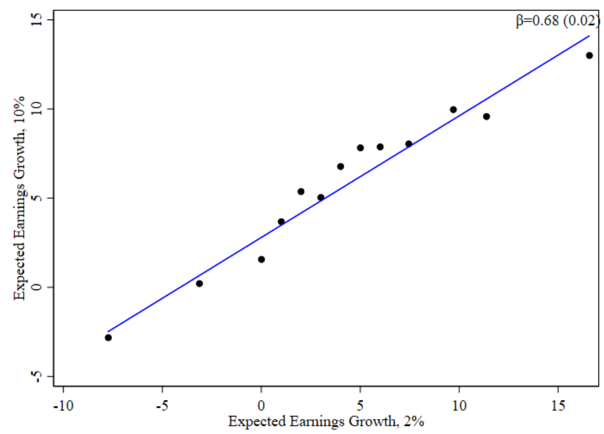
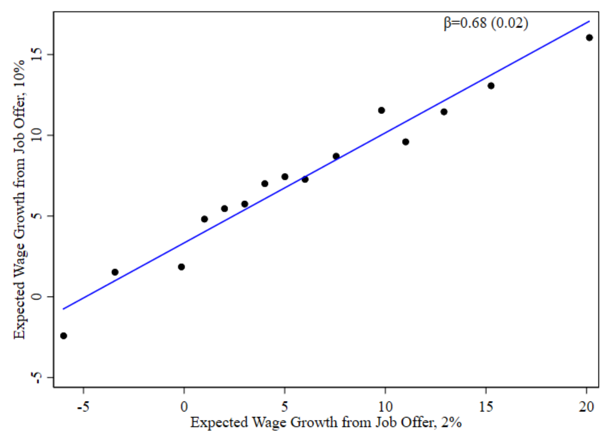


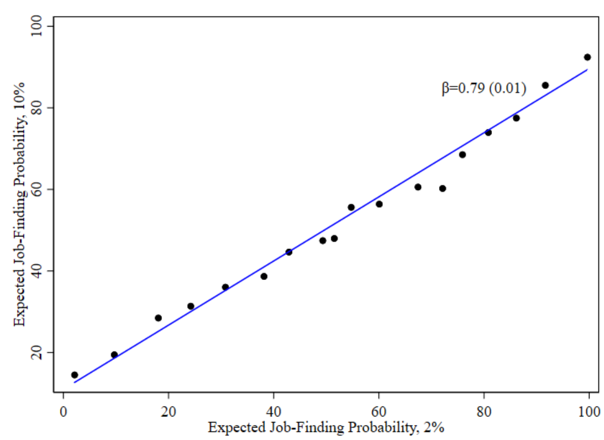
Figure C-4: The figure plots a measure of the flexibility of switcher wage growth to inflation relative to the same flexibility of on-the-job wage growth from the RPS. We calculate the change in expectations (of both job-offer (JO) wages for a similar job and earnings growth (EG) at the same employer) going from the low hypothetical to the high hypothetical: $\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$. These differences measure the number of percentage points that respondents believe outside offers or on-the-job earnings will increase. We then calculate $\Delta_i[JO] - \Delta_i[EG]$, which will be positive if respondents anticipate that outside offers respond more to inflation than do on-the-job wages. We plot the density of this value for the full sample in blue. The dashed black line shows the same series including only workers that perceive earnings on the current job to respond less than one-for-one with inflation (i.e. $\Delta E_i[EG] < 8$); these workers comprise 83% of the sample. The average $\Delta E_i[JO] - \Delta E_i[EG]$ is -0.19 (s.e. 0.28) for the full sample and 1.51 (0.26) for the sample that anticipates nominal rigidity in current wages.



(a) Expected On-the-Job Earnings Growth



(b) Expected Wage Growth from Job Offer



(c) Expected Job-Finding Probability

Figure C-5: The figure presents binscatter plots of each labor market expectation elicited in the February 2025 wave of the Real-Time Population Survey. The expectation at 10% hypothetical inflation is on the y-axis and the expectation at 2% hypothetical inflation is on the x-axis.

Table C-1: Labor Market Expectations at Different Hypothetical Inflation Levels, Trimmed

	$E_i^{\pi=2}$	$E_i^{\pi=10}$	$\Delta E_i = E_i^{\pi=10} - E_i^{\pi=2}$
Expected Earnings Growth			
Mean	3.4	5.2	1.9
Std. Dev.	4.5	5.7	4.6
N	2139	2140	2121
Expected Wage Growth from Job Offer			
Mean	5.5	7.2	1.6
Std. Dev.	5.8	6.5	5
N	2147	2142	2149
Expected Job Finding Probability, 0-100			
Mean	56.5	56	-1.4
Std. Dev.	30.8	30.3	10.3
N	2370	2366	2127

The table reports summary statistics of labor market expectations in each inflation scenario in the first two columns, as well as summary statistics for the change in expectations going from 2% to 10% hypothetical inflation in the third column. All data are from the RPS. Earnings growth and job offer expectations are trimmed at the 5% level; the job finding probability is not trimmed as it is bounded between 0 and 100. The within-individual differences for all three variables are trimmed after constructing the difference.

Table C-2: Predictors of Changing Additional Work Search Plans Across Inflation Scenarios

	$\Delta search\ additional_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0029	-0.0002	0.0003
	(0.0126)	(0.0007)	(0.0014)
$\Delta E_i[EG]$	0.0072	-0.0004	0.0008
	(0.0135)	(0.0007)	(0.0015)
$\Delta E_i[JF]$	-0.0139**	0.0007**	-0.0015**
	(0.0057)	(0.0003)	(0.0006)
N	2289	2289	2289

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation 2 estimated using RPS data. The dependent variable $\Delta search\ additional_i$ is an ordinal variable equal to -1 if the respondent would search for additional work under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would search for additional work under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. We include the controls described in Section 2.5. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta searchadditional_i$ — more search under higher inflation — more likely. The marginal effects are interpreted as the change in the probability of $\Delta search\ additional_i$ taking on a given value for a one-unit change in the independent variable. The results suggest that greater optimism about job-finding reduces the probability that a respondent will look for additional work.

Table C-3: Predictors of Changing Plans to Ask for A Raise Across Inflation Scenarios

	$\Delta raise_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0095	-0.0006	0.0009
	(0.0143)	(0.0009)	(0.0014)
$\Delta E_i[EG]$	0.0138	-0.0009	0.0014
	(0.0141)	(0.0009)	(0.0014)
$\Delta E_i[JF]$	-0.0086	0.0005	-0.0009
	(0.0056)	(0.0004)	(0.0006)
N	2289	2289	2289

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation 2, estimated using RPS data. The dependent variable $\Delta raise_i$ is an ordinal variable equal to -1 if the respondent would ask for a raise under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would ask for a raise under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. We include the controls described in Section 2.5. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta raise_i$ —asking for a raise under higher inflation — more likely. The marginal effects are interpreted as the change in the probability of $\Delta raise_i$ taking on a given value for a one-unit change in the independent variable.

Table C-4: Predictors of Changing Search Plans Across Inflation Scenarios, excluding controls

	$\Delta search_i$		
	Coefficient	Marginal Effect, -1	Marginal Effect, 1
$\Delta E_i[JO]$	0.0341**	-0.0012**	0.0033**
	(0.0138)	(0.0005)	(0.0014)
$\Delta E_i[EG]$	-0.0143	0.0005	-0.0014
	(0.0151)	(0.0005)	(0.0015)
$\Delta E_i[JF]$	0.0019	-0.0001	0.0002
	(0.0068)	(0.0002)	(0.0007)
N	2289	2289	2289

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table gives coefficients and marginal effects from the ordered logit model expressed in Equation 2, estimated using RPS data. The dependent variable $\Delta search_i$ is an ordinal variable equal to -1 if the respondent would search under $\pi = 2\%$ and not under $\pi = 10\%$, 1 if the respondent would search under $\pi = 10\%$ and not under $\pi = 2\%$, and 0 if they would not change their plans. $\Delta E_i[JO]$, $\Delta E_i[EG]$, and $\Delta E_i[JF]$ are the respondent-specific differences in expectations at 10% and 2% inflation in expected wage growth from job offers, on-the-job earnings growth, and job finding probabilities, respectively. In this version, we exclude controls aside from the wage and unconditional inflation expectations. A positive coefficient indicates that increases in the variable make higher realizations of $\Delta search_i$ — more search under higher inflation — more likely. The marginal effects are interpreted as the change in the probability of $\Delta search_i$ taking on a given value for a one-unit change in the independent variable.

Table C-5: Inflation Expectations (SCE Measure) and Search, 2014 - 2019

	(1)	(2)	(3)	(4)
$E_{it}[\pi_{t+12}]$	0.0051*	0.0049*	0.0058**	0.0056**
	(0.0030)	(0.0030)	(0.0027)	(0.0028)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	0.0053	0.0070		
	(0.0108)	(0.0109)		
$log(wage_{it+1})$	-0.1753***		-0.1714***	
	(0.0467)		(0.0466)	
J2J between t-1 and t	-0.2993***		-0.3006***	
	(0.0577)		(0.0586)	
N	6061	6061	6061	6061
R^2	0.668	0.662	0.667	0.661
Other Expectations	✓	✓		
Current Job	✓		✓	
Respondent FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓
Survey Tenure FE	✓	✓	✓	✓

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes: The table reports the estimates from Equation 3. It differs from Table 4 in that it uses the SCE's measures of expected inflation and inflation uncertainty rather than the estimates derived using the method proposed by Ryngaert (2023). The SCE's measure fits a distribution to respondents' probabilistic forecasts in isolation of the point estimate whereas Ryngaert (2023)'s measure considers the point estimate in addition to probabilistic forecasts in fitting the distribution. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent searched for new work. All regressions includes survey date, survey tenure, and respondent fixed effects. Column (1) presents our baseline instruments containing all controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. The sample includes data from June 2014 (the month prior to the first labor market supplement in which all our control variables are available) to November 2019 (the last labor market supplement prior to the COVID-19 pandemic). Columns (2)-(4) show that the coefficient on expected inflation is stable to the choice of controls. Column (2) omits controls describing the respondent's current work situation. Column (3) omits controls describing the respondents other macroeconomic and labor market expectations. Column (4) omits all controls.

Table C-6: Inflation Expectations and Search, 2014 - 2019

	Search, New		New or Additional	
$E_{it}[\pi_{t+12}]$	0.0038**	0.0069**	0.0043*	0.0047
	(0.0019)	(0.0029)	(0.0022)	(0.0034)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	-0.0037	0.0015	-0.0024	-0.0005
	(0.0057)	(0.0080)	(0.0064)	(0.0091)
$log(wage_{it+1})$	-0.0205*	-0.1740***	-0.0385***	-0.1402***
	(0.0124)	(0.0467)	(0.0136)	(0.0516)
J2J between t-1 and t	-0.0307	-0.3006***	0.0223	-0.3312***
	(0.0409)	(0.0576)	(0.0447)	(0.0660)
N	7686	6043	7686	6043
R^2	0.047	0.668	0.067	0.671
Demographic Controls	✓		✓	
Respondent FE		✓		✓
Time FE	✓	✓	✓	✓
Survey Tenure FE	✓	✓	✓	✓

Standard errors are clustered at the respondent level
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes. The table reports the estimates from Equation 3 as well as an equation replacing ω_i with demographic controls including age, age squared, indicators for household income, census region, gender, race, ethnicity, and whether the respondent is a parent , using data from the SCE. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent participated in a particular kind of search and 0 otherwise. We consider the search for a new job in the first two columns and search for new or additional work in the second two columns. All regressions include survey date and survey tenure fixed effects as well as controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. The first and third columns estimate the model with demographic controls rather than respondent fixed effects. The second and fourth columns substitute respondent fixed effects for these controls. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. The sample includes data from June 2014 (the month prior to the first labor market supplement in which all our control variables are available) to November 2019 (the last labor market supplement prior to the COVID-19 pandemic). In the specifications with individual fixed effects, singleton observations are dropped from the regression count.

D Additional Empirics

D-1 Heterogeneity in Effect

We showed in Section 2.4 that, for a significant portion of workers (15%), the perceived $\gamma_o \approx \gamma_s$. Workers whose expectations about γ_s and γ_o match case (iii) of Proposition 1 will search more under high inflation only if their preferences are such that consumption losses at lower levels of wealth impose a greater utility loss than proportional losses at higher levels of wealth. Therefore, $\eta > 1$ is likely important in explaining search as a response to expected inflation. This implies that real wage losses will be more painful at lower levels of consumption. If workers do have CRRA utility of this form, we should expect to see that workers who are particularly sensitive to real wage losses should respond more to expected inflation with search.

In this appendix, we explore this prediction in both our new survey data and in the SCE data.

D-1.1 Heterogeneity in the RPS

First, we consider if lower wage workers are more likely to respond to higher expected inflation with search. Lower wage workers are more likely to report that they would search in the low inflation hypothetical, a pattern that can be seen in Figure D-1a. For this reason, we consider search behavior in the higher hypothetical inflation scenario conditional on search behavior in the lower hypothetical inflation scenario.[48] We find that the likelihood of beginning to search in the 10% inflation hypothetical (after not searching at 2% inflation) is declining in the workers' wage - see Figure D-1b. The same is true of the likelihood of continuing to search at hypothetical 10% inflation (after reporting that they would search at 2% inflation) - see Figure D-1b. While the slopes of these lines are not statistically significant, we may still consider this suggestive of search response differing across the wage distribution.

In addition to hypothetical labor market actions, we asked respondents if they would do several consumption-savings behaviors at a particular inflation rate. While not the subject of the current paper, some of these questions may allow us to characterize respondents who are particularly sensitive to declining real wages. For example, one of the possible actions was "Reduce day-to-day spending." We categorize respondents who replied that they would do this at 2% inflation (59% of the sample) as relatively more sensitive to real wage losses. We find that the change in the share of searchers (going from 2% to 10% inflation) among respondents *not* in this group is 4.9 percentage points. This change is 3.5 (s.e. 1.9) percentage points higher among those more sensitive to lost wages, suggesting that this group does respond more to expected inflation with search.

D-1.2 Heterogeneity in the SCE

To investigate this in the SCE, we split the sample into subgroups by wage and by the marginal propensity to consume out of lost income. We then re-estimate Equation 3 for each subsample.

[48] Because lower wage workers are more likely to report $search_i^{\pi=2} = 1$, they are more likely to have $\Delta search_i = 0$.

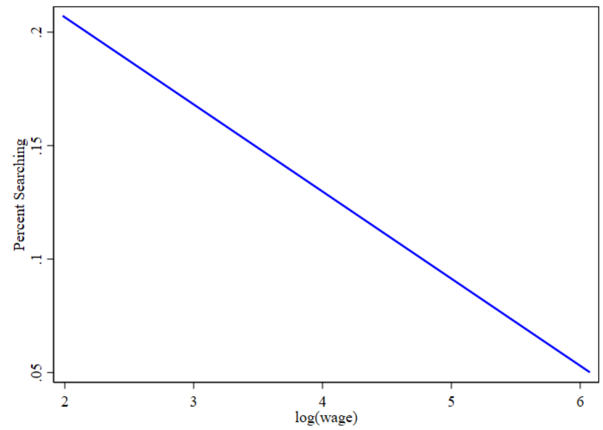
First, we consider lower-wage workers, defined here as reporting a wage that is below the median reported wage in the survey at least once during the respondent's survey tenure. The first two columns of Table D-1 provide estimates of β_1 for lower-wage and higher-wage respondents. For lower wage respondents, the point estimate increases to imply that a one percentage point increase in expected inflation increases the probability of search by roughly 1 percentage point. For higher wage respondents, the point estimate falls and becomes statistically insignificant. Although the difference between the two estimates is not statistically significant, the results nonetheless suggest that respondents who are lower wage and, therefore, more sensitive to consumption losses are more responsive to expected inflation with search.

Table D-1: Heterogeneity in Effect of Inflation Expectations on Search for New Work

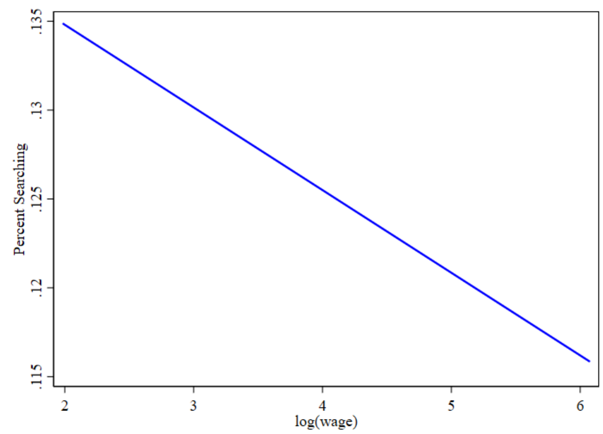
	Wage		MPC	
	Lower Wage	Higher Wage	High MPC	Low MPC
$E_{it}[\pi_{t+12}]$	0.0096***	0.0015	0.0092**	0.0024
	(0.0036)	(0.0046)	(0.0042)	(0.0036)
N	2923	3120	3306	2737
R^2	0.670	0.676	0.665	0.679
p-value	0.17		0.22	

The table reports the coefficient on inflation expectations from Equation 3 separately subgroups of workers. The dependent variable is equal to 1 if the respondent searched for new work and 0 otherwise. In the first two columns, we divide the sample by wage and in the second two columns, we divide the sample by reported marginal propensity to consume. We include respondent and survey date fixed effects and indicators for the respondent's survey tenure as well as all controls described in Section 3.2 in all regressions. We present the coefficient on inflation expectations for each group as well as the p-values for a test of equality of coefficients in each pair of columns.

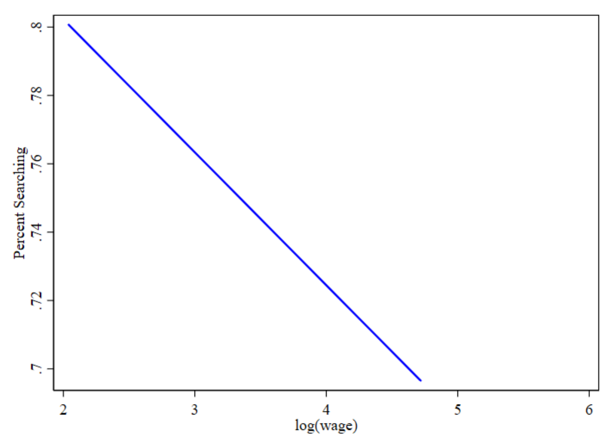
We therefore consider separately their likelihood of continuing to search at high inflation, conditional at searching at low inflation, and their likelihood of taking up search at high inflation after not searching at low inflation.



(a) Search at $\pi = 2$



(b) Search at $\pi = 10$, $search_i^{\pi=2} = 0$



(c) Search at $\pi = 10$, $search_i^{\pi=2} = 1$

Figure D-1: The figure plots weighted lines of best fit showing the relationship between search in response to hypothetical inflation in the RPS survey and wages. Panel D-1a plots $search_i^{\pi=2}$ against wages. Panels D-1b and D-1c plot $search_i^{\pi=10}$ against wages for those respondents for whom $search_i^{\pi=2} = 0$ and $search_i^{\pi=2} = 1$, respectively.

We find similar results when we split the sample by the marginal propensity to consume out of lost income. In the SCE's triannual household spending supplement, respondents are asked, *"Imagine that next year you were to find yourself with 10 % less household income. What would you do?"* and are asked to quantify the share of this loss they would make up by cutting spending, reducing savings, and increasing debt. We estimate a respondent's marginal propensity to consume as the average share they assign to cutting spending. We then re-estimate Equation 3 for those with above median and below median marginal propensities to consume out of lost income. We find that for high-MPC respondents, who would have to give up more consumption following a decline in real income, the estimate of β_1 is larger than the estimate on the full sample presented in Section 3.3. For low-MPC respondents, the coefficient again falls and is statistically insignificant. As with the wage subsamples, the difference between the coefficients for each subsample is not statistically significant. They are suggestive, but not conclusive, evidence that sensitivity to real wage losses prompts a stronger search response to expected inflation.

D-2 Coefficient Stability and Oster (2019) Test

The estimated effect of inflation expectations on search is robust to various specifications of the control vector, $\mathbf{X_{it}}$. Table D-2 provides estimates for the coefficient of interest, β_1, from Equation 3 repeated with different combinations of controls and with $search_{it+1}$ describing the decision to search for new work. We separate these controls into two categories: those describing the respondent's other expectations and those describing the respondent's current job characteristics. The former includes expected nominal earnings growth at the current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The latter includes the log hourly wage, a dummy variable for a job-to-job transition prior to the search period, and a vector of dummies giving the respondent's detailed labor market status. We include time, individual, and survey tenure fixed effects in all regressions as these are necessary to pinpoint the variation used to estimate our regression. The choice of time-varying observables barely alters our estimates. This is reassuring, since stability with respect to observable heterogeneity suggests stability with respect to unobservable heterogeneity.

While the stability of the coefficient to control choices assuages concerns about omitted variable bias, Oster (2019), building on the work of Altonji, Elder and Taber (2005), argues that it cannot fully describe bias; it is also important to account for how much of the dependent variable the controls can explain, or movements in R^2 induced by including these controls.

The Oster (2019) bias-corrected coefficient takes the form $\beta^* \approx \beta^C - \delta[\beta^{UC} - \beta^C]\frac{R^{max} - R^C}{R^C - R^{UC}}$ where β^C and R^C are coefficient the coefficient of interest and within-R^2 of the regression including all controls and β^{UC} and R^2 are the same objects for the uncontrolled regression. The values of β^C and R^C and β^{UC} and R^{UC} correspond to the coefficient and R^2 values from Columns (1) and (4) of Table

Table D-2: Coefficient Stability - Search for New Work

	(1)	(2)	(3)	(4)
$E_{it}[\pi\_t+12]$	0.00685**	0.00651**	0.00716***	0.00675**
	(0.00288)	(0.00288)	(0.00271)	(0.00272)
N	6043	6043	6043	6043
R^2 (within)	0.0216	0.0042	0.0192	0.0018
Other Expectations	✓	✓		
Current Job	✓		✓	
Respondent FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓
Survey Tenure FE	✓	✓	✓	✓

Standard errors are clustered at the respondent level.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates of a regression of search for new work on inflation expectations and various combinations of controls. The sample includes employed workers in the Survey of Consumer Expectations in the years 2014 to 2019. We group our discretionary controls into two categories. The first, "Other Expectations" captures respondents' other macroeconomic and labor market expectations including the respondents' inflation uncertainty, expected nominal earnings growth at their current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The second set of time-varying controls describes a workers' current job situation. This includes the hourly wage (in logs), an indicator for a job-to-job transition in the month before the search period. Column (1) includes all controls. Columns (2) and (3) omit the current labor market situation and expectations controls, respectively. Column (4) omits both sets of controls. We include respondent, date, and survey tenure fixed effects in all columns.

D-2, respectively.[49] Oster (2019) introduces the concept δ as the coefficient of proportionality that describes the relative selection on unobservables and observables. A $\delta = 1$ means that unobservables and observables are equally related to the independent variable of interest - in our case $E_{it}[\pi_{t+12}]$ - while a $\delta > 1$ would mean that unobservables are more related to $E_{it}[\pi_{t+12}]$ than are the observed controls. $\delta < -1$ would mean that the unobservables are more related than observables to the independent variable and that they generate omitted variable bias in the opposite direction.

R^{max} represents the within R^2 of the regression in which the control vector X_{it} includes all relevant controls such that there is no omitted variable bias. This value is unobservable and depends on the empirical context. Following Oster (2019), we adopt $R^{max} = \Pi R^C$, which allows the unobservables to explain Π times the variation in the dependent variable explained by both the variable of interest $E_{it}[\pi]$ and the observable controls, $\mathbf{X_{it}}$.

We report two statistics to assess the degree of coefficient stability. The first is the value of δ necessary to drive $\hat{\beta}_1$ to zero for a chosen R^{max} Oster (2019) argues that δ should be greater than 1 in absolute value, so that selection on unobservables would have to be more important than

[49]Defining β^C and R^C as the values from Columns (2) or (3) also each satisfy the Oster criterion.

selection on observables in generating omitted variable bias.[50] Allowing $\Pi = 3$, which Oster (2019) suggests is conservative, we find $\delta = -30.6$. [51] The second is the bias-corrected coefficient assuming equal selection on observables and unobservables ($\delta = 1$). The bias corrected coefficient increases very slightly to 0.0071, again suggesting a very stable coefficient.[52]

Table D-3 the same exercise this time defining $search_{i,t,t+1}$ as equal to 1 if the respondent searched for either new or additional work 0 otherwise. The coefficient on $E_{i,t}[\pi_{t+12}]$ in this regression also exhibits considerable stability.

Table D-3: Coefficient Stability - Search for New or Additional Work

	(1)	(2)	(3)	(4)
$E_{it}[\pi_{t+12}]$	0.00472	0.00428	0.00469	0.00441
	(0.00335)	(0.00339)	(0.00316)	(0.00319)
N	6043	6043	6043	6043
R^2 (within)	0.0203	0.0051	0.0166	0.0006
Other Expectations	✓	✓		
Current Job	✓		✓	
Respondent FE	✓	✓	✓	✓
Time FE	✓	✓	✓	✓
Survey Tenure FE	✓	✓	✓	✓

Standard errors are clustered at the respondent level.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates of a regression of search for new work or additional work on inflation expectations and various combinations of controls. The sample includes employed workers in the Survey of Consumer Expectations in the years 2014 to 2019. We group our discretionary controls into two categories. The first, "Other Expectations" captures respondents' other macroeconomic and labor market expectations including the respondents' inflation uncertainty, expected nominal earnings growth at their current job, expected probabilities that unemployment, stock prices, and interest rates on saving accounts will increase over the next twelve months, the expected probability of losing one's job in the next 12 months, and the expected probability of finding a new job similar to ones own within three months. The second set of time-varying controls describes a workers' current job situation. This includes the hourly wage (in logs), an indicator for a job-to-job transition in the month before the search period. Column (1) includes all controls. Columns (2) and (3) omit the current labor market situation and expectations controls, respectively. Column (4) omits both sets of controls. We include respondent, date, and survey tenure fixed effects in all columns. Specifically, using Column (1) as the controlled regression and Column (4) as the uncontrolled regression and specifying an R^{max} of $3 \times R^C$, the degree of selection δ necessary to induce a coefficient of 0 is large in absolute value and negative because the apparent omitted variable bias is negative with $\beta^C > \beta^{UC}$ ($\delta = -7.4$). The bias adjusted β assuming equal selection increases to 0.0054.

[50]From the equation $\beta^* \approx \beta^C - \delta[\beta^{UC} - \beta^C]\frac{R^{max} - R^C}{R^C - R^{UC}}$, it is straightforward to show that the sign of δ depends on sign of the difference between the uncontrolled and controlled coefficients.

[51]$\Pi = 3$ is also the value chosen by Flynn and Sastry (2024) in their application of the Oster test in a different macroeconomic setting.

[52]We compute this value using unrounded estimates of the coefficients and R^2 values. Accordingly, the estimated

D-3 Allowing Indirect Dynamic Effects in the Back-of-Envelope

The evidence presented in Table 4 suggests that workers who have recently changed jobs are significantly less likely to search. This implies that expected inflation will have both a direct effect on the job-to-job transition probability via search and an indirect dynamic effect as search allocates workers to new jobs. To capture these dynamic effects, we extend the simple statistical model from Section 4 to allow the probability of search to differ by recent transition status. Denote a_t as the share of workers with a recent job-to-job transition. A worker belongs to the set $\mathcal{A}$ if she has recently changed jobs and to its complement, $\mathcal{A}^{\sim}$, if she has not. The probability of search $\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A})$ depends on expected inflation, $\tilde{\pi}$, membership in set $\mathcal{A}$, and other factors Z_t. The probability of changing jobs – or the combined probability of job offer arrival and acceptance – at date t depends on search status, with $\Pr(\text{J2J}_t|\text{search}) = \varepsilon_t^S$ and $\Pr(\text{J2J}_t|\text{no search}) = \varepsilon_t^N$. The overall job-to-job transition probability at date t will then be:

$$\begin{aligned}\Pr\left(\text{J2J}_t\right) = a_t \times \Big[&\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}) \times \varepsilon_t^S + (1 - \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A})) \times \varepsilon_t^N\Big] \\ &+ (1 - a_t) \times \Big[\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim}) \times \varepsilon_t^S + (1 - \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim})) \times \varepsilon_t^N\Big]\end{aligned}$$

where we define

$$\Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}) = \delta Z_t + \beta\tilde{\pi}_t + \theta \;\; \text{and} \;\; \Pr(\text{search}|\tilde{\pi}_t, Z_t, \mathcal{A}^{\sim}) = \delta Z_t + \beta\tilde{\pi}_t$$

and θ is the mean difference in the search probability of recent job-changers, which our evidence suggests is negative ($\theta < 0$). The job-to-job transition probability at date t then simplifies to:

$$\Pr\left(\text{J2J}_t\right) = \left[\delta Z_t + \beta\tilde{\pi}_t\right](\varepsilon_t^S - \varepsilon_t^N) + \varepsilon_t^N + a_t\theta(\varepsilon_t^S - \varepsilon_t^N)$$

Provided that the probabilities of transition conditional on search status are stable, the change in the job-to-job transition rate relative to some base period can be expressed as a combination of the changes Z, $\tilde{\pi}$, and a.[53]

Set $\varepsilon_t^S = \varepsilon^S$ and $\varepsilon_t^N = \varepsilon^N$ and express the *change* in the job-to-job transition rate between t and some t' as:

$$\Delta_{t,t'}\Pr\left(\text{J2J}\right) = [\delta\Delta_{t,t'}Z + \beta\Delta_{t,t'}\tilde{\pi} + \theta\Delta_{t,t'}a](\varepsilon^S - \varepsilon^N) \tag{D-1}$$

Using this identity, we can calculate counterfactual changes in the aggregate job-to-job transition probability relative to a base year t using different assumptions on θ from Table 4, along with data on changes in inflation expectations. As we are interested in the ceteris paribus change in job-to-job transitions due to higher expected inflation, we abstract from $\Delta_{t,t'}Z$ (i.e. we impose $\Delta_{t,t'}Z = 0$).

We first calculate the effect of inflation expectations ignoring any dynamic effect of changing the

values of δ and the bias corrected coefficient using the rounded values from the table will be slightly different.

[53]If these probabilities are not stable, the change in the job-to-job transition rate will be a combination of these changes multiplied by the transition probabilities at the end date and

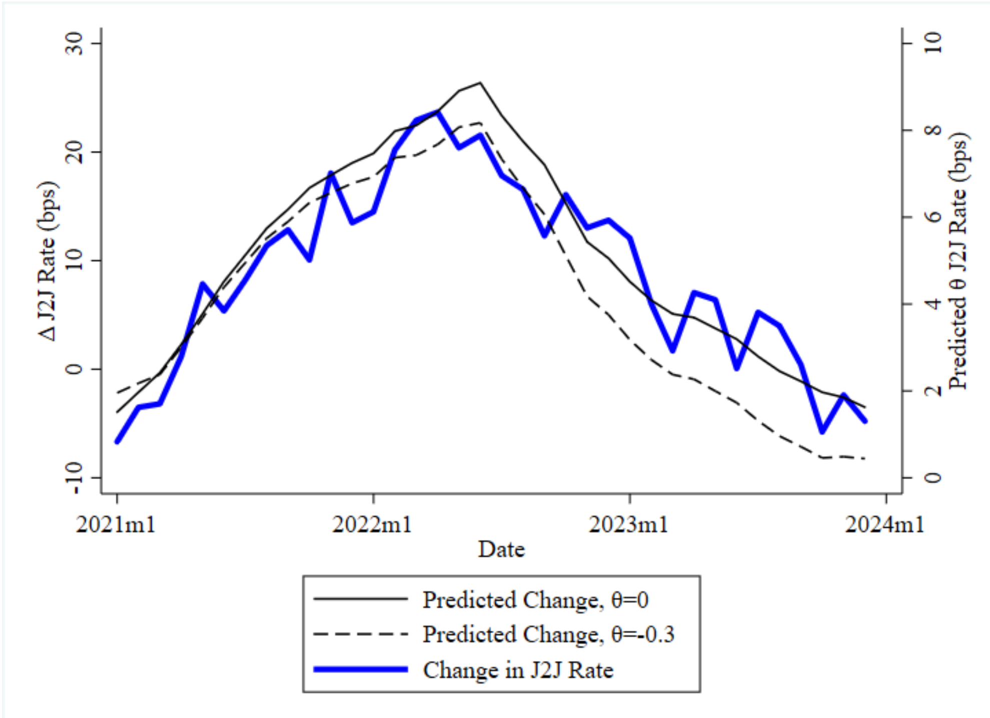


Figure D-2: Predicted Job-to-Job Transition Rates

Notes. The figure shows centered five-month moving averages of the in the Fujita, Moscarini and Postel-Vinay (2024) EE transition rate less its 2019 average as well as the corresponding predicted change due to expected inflation described in Equation D-1. All series are measured in basis points. The thick light blue line shows the realized series, or what we are trying to predict. We show estimated predicted changes using four different combinations of the marginal effect of expected inflation on search (β) and the effect of recent job-to-job transitions on search (θ). The solid black line ignores the dynamic effect of expected inflation. That is, we allow those who have recently changed job to continue to search in the same way as those who have not ($\theta = 0$). The dashed line accounts for this dynamic effect. We consider all additional predicted job-to-job transitions to move to the set of recent job changers for the remainder of the sample. This group has reduced search intensity θ and we use the marginal effect of a recent job-to-job transition from Table 4 as estimates of θ.

job-to-job transition rate, i.e. setting $\theta = 0$. This approximates an "upper bound" on the effect of inflation expectations on Pr(J2J) and is identical to the evidence we presented in Section 4. We set β equal to our estimates of the effect of expected inflation on search in the next month from Table 4. The results along with actual change in the job-to-job transition rate appear in Figure D-2. The blue line shows the realized change job-to-job transition probability, expressed as the difference (in basis points) from the 2019 average, while the black solid lines show our counterfactual estimate. We see that our predicted series move closely with the realized series and that the predicted series peak in June 2022. In this month, the predicted change in the job-to-job rate due to expected inflation accounts for 42% of the overall observed change.

This estimate ignores the indirect dynamic effect of expected inflation on $\Delta_{t,t'}\text{Pr(J2J)}$. As workers match to new jobs, they may be less likely to search and change jobs again. Failing to account for this can overstate the effect of inflation expectations on job-to-job transition probabilities in later periods. We now assume that any additional predicted job-to-job transitions move to set $\mathcal{A}$ for the remainder of the exercise.[54] As we accumulate job-to-job transitions, $\Delta_{t,t'}a$ grows and more workers have a reduced probability of search, θ. We approximate this probability with the coefficient on a recent job-to-job transition from Table 4, $\theta \approx -0.3$. The resulting series also appears in Figure D-2 as a dashed line. Adjusting for the effect of past job-to-job transitions, the dynamics of inflation expectations can now explain 38% of the change in job-to-job transitions in June of 2022 relative to 2019.[55]

[54] This is the other extreme, as the probability of search is not reduced forever for job changers.

[55] As a caveat, search due to expected inflation may also have changed other factors in the search decision in $\Delta_{t,t'}Z$ that are more difficult to observe than discrete job changes and may have led to other dynamic effects of expected inflation on the job-to-job rate.

E SCE Results for the Post-Pandemic Period

Redoing our analysis from Section 3.2 using data from 2021-2023 produces some results that, on their face, appear to contradict those in Table 4. Specifically, when we estimate the Equation 3 defining $search_{i,t,t+1}$ as equal to 1 if the respondent has searched for new work and 0 otherwise, we find a negative coefficient on expected inflation and a positive coefficient on inflation uncertainty.[56] We present these estimates as well as estimates from the regression defining $search_{i,t,t+1}$ as the search for additional work or as the search for either type of work in Table E-1.

Table E-1: Inflation Expectations and Search, 2021-2023

	Search, New	Search, Additional	New or Additional
$E_{it}[\pi_{t+12}]$	-0.0055**	0.0028	-0.0027
	(0.0026)	(0.0019)	(0.0027)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	0.0356***	-0.0182*	0.0174
	(0.0136)	(0.0096)	(0.0135)
N	3287	3287	3287
R^2	0.660	0.548	0.668

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates from Equation 3. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent participated in a particular kind of search and 0 otherwise. We consider the search for a new job in the first column, search for work in addition to one's current job in the second column, and search for new or additional work in the last column. All regressions include respondent, survey tenure, and survey date fixed effects as well as controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. Singleton observations are dropped from the regression count. Standard errors are clustered at the respondent level.

Two features of the SCE complicate identification of the effect of inflation expectations on search in 2021-2023. For these reasons, we view the RPS estimates presented in Section 2.3 - both of which are estimated during the post-pandemic period - as more reliable.

First, workers who have searched and adjusted on some margin (such as a job change or a raise) due to higher inflation expectations will both have higher inflation expectations and be *mechanically* less likely to be currently searching. As both inflation expectations and job-to-job transitions increased in the post-pandemic period, we are less likely to detect a relationship between search and inflation expectations in the cross section. Indeed, we show that inflation expectations predict resolved search (as measured by accepted offers) in the post-pandemic period.[57] This means that the identifying variation in inflation expectations is no longer orthogonal to recent labor market adjustments and omitted variable bias from this source is a greater concern in this period.

[56] We impose the same sample restrictions and use the same set of controls as we did in Section 3.2.

[57] We do not observe such a relationship in the baseline results presented in Section 3.3.

Second, the SCE forces a single-category response (new vs. additional vs. none), whereas the RPS allows respondents to say that they would choose both types of work and suggests overlap in the two behaviors. According to our RPS evidence, when inflation expectations rise, people are more likely to engage in both types of search behavior, an option that they cannot express in the SCE. In SCE data for this period, inflation expectations positively predict the answer "search for additional work." The substantial overlap in search behaviors in the RPS suggests that some of the respondents who report searching for additional work are also searching for new work, but we do not detect them.

Both of these features pull the estimated effect on the search for new work in Table E-1 down, but accounting for these issues simultaneously yields a statistically insignificant effect near 0. This suggests that, if one could adequately control for all forms of resolved search and properly measure those searching for new work, inflation expectations would continue to play a role in explaining the search for new work and thus job-to-job transitions.[58]. Indeed, when we perform our back-of-the envelope using estimates from 2021-2023 accounting for these issues, the predicted job-to-job series still matches the true series well (see Section E-3 below).

E-1 Increased Mobility and Resolved Search

Workers do not remain searchers indefinitely but search until they are successful or decide they prefer their current employment relationship to the available set of offers. When search has been incentivized for some time, we may have a harder time detecting the effect of expectations on search as the *ceteris paribus* assumption will not hold. The post-2020 period was characterized by elevated inflation expectations; if these expectations encouraged the search for jobs and quickly reallocated workers to new work situations, we would expect a smaller estimated coefficient on expected inflation, particularly if expectations increased persistently. Here, we consider such a possibility in our cross-sectional data.

Consider the following regression:

$$resolved_{i,t-3,t} = \alpha + \beta E_{it}[\pi_{t+12}] + \delta \mathbf{H}_{it} + \omega_i + u_t + \sum_j \mathbf{1}(j)_{it} + \varepsilon_{it} \tag{E-1}$$

where $resolved_{i,t-3,t}$ describes some change in the respondent's labor market status that realized between $t-3$ and the start of the search period in t. ω_i and u_t are respondent and survey date fixed effects, respectively and $\sum_j \mathbf{1}(j)_{it}$ is a vector of indicators for a respondents' survey tenure. $\mathbf{H}_{it}$ is a vector of controls for respondents' macroeconomic expectations. We exclude respondents personal labor market expectations and current job characteristics from this regression as these are measured in time t and therefore correspond to the respondent's new job. This job is the result of their prior search activities, not the driver of those activities.

In the labor market survey, each respondent reports up to three offers that she has received in

[58] We caution that the estimated coefficient is not a deep parameter, and we would not necessarily expect it to be the same when estimated in different samples and in different periods.

the last four months. For each offer, she reports if she has declined, accepted, or is still considering the offer. Using this data, we construct an indicator variable that is equal to one if an employed respondent has received an offer between $t-3$ and $t+1$. As our timing specifies the search period as t to $t+1$, we would like to distinguish between offers that are accepted during the search period (and are therefore more likely to be the product of this search) and those that are accepted before the search period begins (and are therefore likely to discourage search in this period). We define $resolved_{i,t-3,t}$ to be equal to 1 if the respondent accepted an offer in the last twelve months but did not report a job-to-job transition *during the search period* and reports the same detailed labor market status in t and $t+1$.[59]

Table E-2 reports the results. The coefficient on expected inflation implies that an increase in inflation expectations correlates with entering the search period with a recently accepted offer (a one percentage point increase is associated with an increased probability of resolved search of 0.27 percentage points). We caution that our measure of resolved search might not fully capture labor market adjustments. For example, respondents may not consider on-the-job wage adjustments or other negotiations with the current employer (for flexible hours or work from home) to be accepted offers.

Table E-2: Inflation Expectations and Search Resolved Prior to Search Period, 2021-2023

	$resolved_{i,t-3,t}$
$E_{it}[\pi_{t+12}]$	0.0027*
	(0.0016)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	-0.0109
	(0.0086)
N	3287
R^2	0.462

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table reports the estimates from Equation E-1. The dependent variable in the is an indicator variable equal to 1 if a respondent accepted offer between $t-3$ and t and 0 otherwise. The resgression includes respondent, survey tenure, and survey date fixed effects as well as controls for respondents' inflation uncertainty, unemployment, stock price, and GDP growth. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. Singleton observations are dropped from the regression count. Standard errors are clustered at the respondent level.

Given this, we now consider the effect of expected inflation on the search for various types of work, conditioning on *not* having resolved search. Table E-3 repeats the analysis in Table E-1, this time excluding observations where the respondent reports recently resolved search ($resolved_{i,t-3,t} =$

[59] The detailed labor market status includes full-time, part-time, and student designations. We include this measure in the definition to account for the possibility that accepted offers result in additional employment rather than job-to-job changes.

1). We find that in the regression defining search as the search for new work, the point estimate of the coefficient on inflation expectations becomes less negative, consistent with the idea that responses with higher inflation expectations and recently resolved search were pulling the point estimate down. This would happen if a worker's inflation expectations increased between search periods leading them to search, accept an offer, and stop searching, even as their expectations remained elevated. The coefficient on inflation expectations in the search for additional work, on the other hand, increases slightly and becomes statistically significant. We next discuss the role of the search for additional work in explaining the results for this period.

Table E-3: Inflation Expectations and Search Excluding Recently Resolved Search, 2021-2023

	Search, New	Search, Additional	New or Additional
$E_{it}[\pi_{t+12}]$	-0.0046*	0.0031*	-0.0016
	(0.0026)	(0.0019)	(0.0027)
Uncertainty, $log(\sigma_{it}[\pi_{t+12}])$	0.0364***	-0.0196**	0.0168
	(0.0139)	(0.0094)	(0.0139)
N	3099	3099	3099
R^2	0.680	0.543	0.686

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

This table recreates and extends Table E-1, omitting observations where $resolved_{i,t-3,t} = 1$, or where workers have an accepted offer pre-dating the search period. The dependent variable is $search_{i,t,t+1}$, which takes a value 1 if the respondent participated in a particular kind of search and 0 otherwise. We consider the search for a new job in the first column, search for work in addition to one's current job in the second column, and search for new or additional work in the third column. All regressions include respondent, survey tenure, and survey date fixed effects as well as controls for respondents' other expectations and labor market situation, described in detail in Section 3.2. We present coefficient estimates for expected inflation, $E_{it}[\pi_{t+12}]$, as well as selected controls. Singleton observations are dropped from the regression count. Standard errors are clustered at the respondent level.

E-2 Search for Additional Work

As the results in Table E-3 suggest, in 2021-2023, it appears that higher inflation expectations predict the search for additional work. In the SCE, unlike in the RPS, respondents do not have the option to indicate that they searched for both types of work. What respondents answer in the SCE is therefore the type of work they view as most representative of their behavior.

While overlapping search behavior is not recoverable in the SCE's explicit search question, the labor market supplement contains other variables that may suggest that those searching for additional work are open to new work as well. For example, the SCE asks workers to posit probabilities that they will be in different labor market arrangements in four months. We look specifically at respondents' reported probability that they will be with a new employer in four months.[60] We run the following regression and present the results in Table E-4:

$$\begin{aligned}\Pr_{i,t+1}(\text{New Emp.}) = \beta_0 + \beta_1 search^{New}_{i,t,t+1} + \beta_2 search^{Additional}_{i,t,t+1} + \beta_3 \mathbf{1}(2021-2023)\\ \beta_4 search^{New}_{i,t,t+1} \times \mathbf{1}(2021-2023) + \beta_5 search^{Additional}_{i,t,t+1} \times \mathbf{1}(2021-2023) + \varepsilon_{i,t+1}\end{aligned}$$

The average self-reported probability of being with a new employer in four months among non-searchers is β_0 pre-2020 and $\beta_0 + \beta_3$ in 2021-2023. This average is similar in both periods and small, around 5 percent. The coefficients β_1 and β_2 give the differences (relative to non-searchers) in the average reported probability among those searching for new work and additional work, respectively. Unsurprisingly, those actively searching for new work assign an additional 25 percentage points to this outcome. The average probability among those searching for additional work is between the averages of the other two groups. In the high inflation period, the average probability among new work searchers falls by 3.4 percentage points in 2021 to 2023. Among additional work searchers, the probability actually increases by 2.8 percentage points over the same series. Pre-2020, the gap between the average probability of the two is roughly 17 percentage points. In this high inflation period, it falls to roughly 11 percentage points. Overall, this means that the two types of searchers look *more similar* in the high inflation period, suggesting a higher degree of overlapping search behaviors.

[60] This is measured from the labor market supplement question that asks respondents "What do you think is the percent chance that four months from now you will be...Employed and working for a different employer?" We assume this response is a 0 if respondents leave this option blank and fill the remaining bins with answers summing to 100.

Table E-4: Probability of New Employer, by Search Status and Time Period

	(1) $\Pr_{i,t+1}$(New Emp.)
$search^{New}_{i,t,t+1}$	25.16***
	(0.86)
$search^{Additional}_{i,t,t+1}$	8.08***
	(0.82)
$\mathbf{1}(2021-2023)$	0.10
	(0.27)
$search^{New}_{i,t,t+1} \times \mathbf{1}(2021-2023)$	-3.43**
	(1.39)
$search^{Additional}_{i,t,t+1} \times \mathbf{1}(2021-2023)$	2.81*
	(1.58)
Constant	5.30***
	(0.16)
N	16571
R^2	0.246

Standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The table shows the results of regressing respondents' reported probability of being with a new employer in four months by search status and time period. The excluded group is non-searchers.

We do not know for certain why higher inflation expectations prompt respondents to characterize their search behavior as searching for new work before 2020 and as searching for additional work post-2020.[61] We *do know* that when respondents are free to answer that they would search for both types of work, a substantial share does so. We can discipline the extent of this overlap using our RPS data. First, we quantify the share of respondents that say that they would search for *both* types of work conditional on reporting that they would search for additional work. In the hypothetical 2% inflation scenario, this share is roughly 22% in the October 2022 wave and 31% in the February 2025 wave. The share of those searching for both types of work, conditional on searching for additional work, further increases in the higher inflation hypothetical, going to 35% in 2022 and 38% in 2025. This implies that increasing the level of expected inflation (via the movement from hypothetical 2% inflation to hypothetical 10% inflation) increases not only the search for additional work (as we saw in Section 2.3), but also the overlap between the additional work search and new work search. If overlap in these two activities is selected on inflation expectations, we would expect the coefficients on inflation expectations in Columns (1) and (3) of Table E-3 to be potentially understating the effect of expectations on the search for new work.

[61] Theoretically understanding why inflation expectations would make workers more inclined to indicate that they search for additional work over new work (even when they search for both) when underlying inflation is high would require strong assumptions on the offer distributions for both new and additional work.

E-3 Implications for Prediction Exercise

We now consider a similar back-of-the-envelope exercise to what we showed in Section 4, accounting for the role of uncertainty and accounting for both resolved prior search and the search for additional work. Adjust Equation 4 from Section 4 to allow the change in the job-to-job transition rate between t and some subsequent t' to depend on both the change in inflation expectations and inflation uncertainty. The effect of expected inflation and uncertainty on the probability of job-to-job transitions via a particular type of search will be given by:

$$\Delta_{t,t'} \Pr(\text{J2J}) = [\beta \Delta_{t,t'} \tilde{\pi} + \delta \Delta_{t,t'} log(\sigma_{it}[\tilde{\pi}])](\varepsilon^S_{t'} - \varepsilon^N_{t'}) \tag{E-2}$$

where β and δ correspond to the coefficients in Table E-1.

We can also map our estimates from Table E-2 of the effect of inflation expectations and subjective uncertainty on resolved search into a predicted change in job-to-job transitions. As this variable measures accepted offers over three months, we must first adjust it to match the monthly measurement of the search variable and make assumptions on the share of these accepted offers that result in job-to-job transitions rather than other changes in the work situation. We convert the estimates from Table E-2 to monthly estimates by dividing by three. We further assume that workers who have accepted a *full-time* offer have made a job-to-job transition. Roughly 75% of those with resolved prior search have accepted a full-time offer with the remainder reporting an accepted part-time offer. The change in job-to-job transitions predicted from the effects of changing expected inflation and inflation uncertainty on offers accepted prior to the search period is therefore:

$$\Delta_{t,t'} \Pr(\text{J2J}) = \frac{\beta \Delta_{t,t'} \tilde{\pi} + \delta \Delta_{t,t'} log(\sigma_{it}[\tilde{\pi}])}{3} \Pr(\text{J2J}|\text{accepted offer}) \tag{E-3}$$

We calculate predicted job-to-job transitions for this period using the predictions from Equation E-2 for (i) the search for new work and (ii) the search for additional work as well as that from Equation E-3. The evidence suggests that inflation expectations and uncertainty may have acted through all three of these channels in the post-2020 period. We plot the resulting series in Figure E-1. The pattern of predicted job-to-job transitions still matches well the path of actual job-to-job transitions, particularly in the first half of the high inflation episode when both series are increasing. In June 2022, the predicted change in the job-to-job rate due to the joint changes in inflation expectations and inflation uncertainty accounts for 53% of the overall observed change. This effect is driven primarily by $\Delta_{t,t'} \tilde{\pi}$.

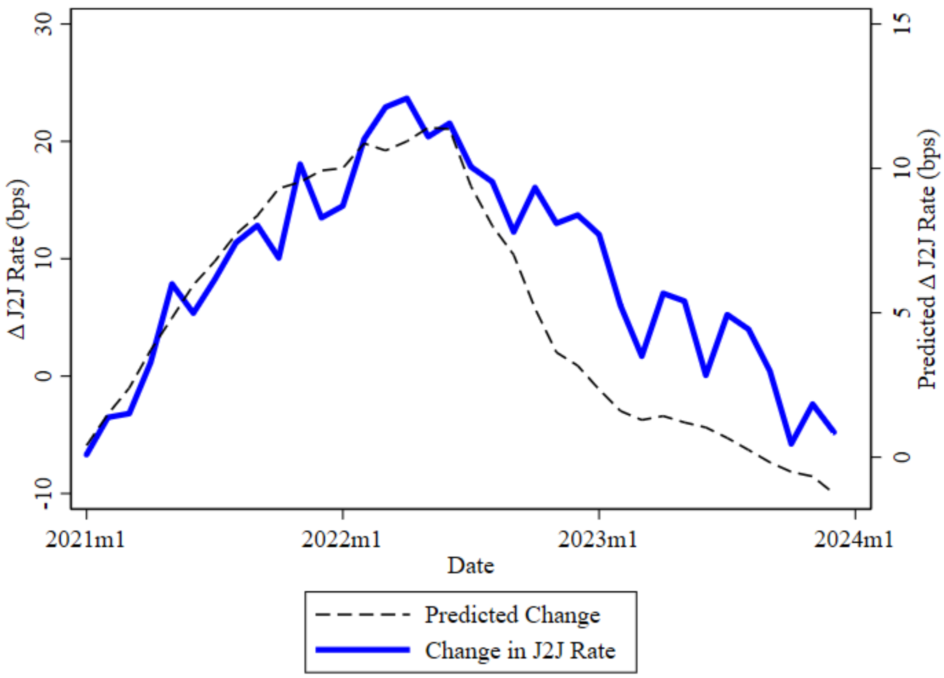


Figure E-1: Predicted Job-to-Job Transition Rates

The figure shows centered five-month moving averages of the Fujita, Moscarini and Postel-Vinay (2024) job-to-job transition rate less the 2019 average, as well as the total of the predicted changes described in Equation E-2 for both the search for new work and search for additional work and the predicted changes described in Equation E-3. Both series are measured in basis points. The solid blue line shows the realized series, or what we are trying to predict. The dashed black line shows the predicted change in the job-to-job transition rate, using the marginal effects of expected inflation on search and previously resolved search estimated in Tables E-1 and E-2 and the difference in the monthly survey average inflation expectation and uncertainty from their 2019 means.