

## **Job and worker flows in high adjustment cost settings\***

**José M. Varejão**

Faculdade de Economia do Porto and CETE, Rua Roberto Frias, 4200-464 Porto, Portugal  
(e-mail: varejao@fep.up.pt)

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**Abstract.** This paper analyses the relationship between the size of adjustment costs and the intensity of labor market flows. I argue that high adjustment costs inhibit adjustment to temporary shocks, leaving adjustment to long-lived shocks unchanged. Worker turnover is also reduced because of the negative impact that adjustment costs have on churning.

**Key words:** Adjustment costs – Job flows – Worker flows

**JEL Classification:** J23, J63

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