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Heterogeneous labor market response to monetary policy: small versus large firms

1. What is the main question(s) raised in the paper (the issue)?

   This paper studies the effect of monetary policy shocks on the labor market of small and large firms and demonstrates the effect of monetary policy depending on the size of the firm and the direction of the shock.

2. Why should we care about it (the significance)?

   Since recent literature finds weak evidence on the influence of monetary policy on aggregate variables, disaggregated data reveals the effect that cannot be shown in the previous work. Heterogeneous firms emphasize the channel of monetary policy transmission to the labor market. The proportion of employment by small firms and large firms has been in the forefront of policy discussions.

3. What is the author's answer (the findings)?

   A monetary contraction decreases the hiring and employment growth for all firms, but decreases more for large firms; in contrast, an expansion increases the growth for all firms, yet more for small firms. The asymmetric result shows that contraction effects realize faster than expansion. The effect of monetary policy is bigger in hiring growth than in employment growth, highlighting the importance of the flows in the labor market.

4. How did the author get there (the strategy, empirical approach)?

   This paper shows the empirical result using Quarterly Workforce Indication (QWI) dataset. The method to estimate the target monetary policy shocks is Jorda(2005)'s local projection method, with Jorda, Schularick, and Taylor(2015)'s panel application.