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Beveridge Curve Shifts across Countries since the Great Recession

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by Hobijn and Sahin

Robert Shimer

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Beveridge Curve

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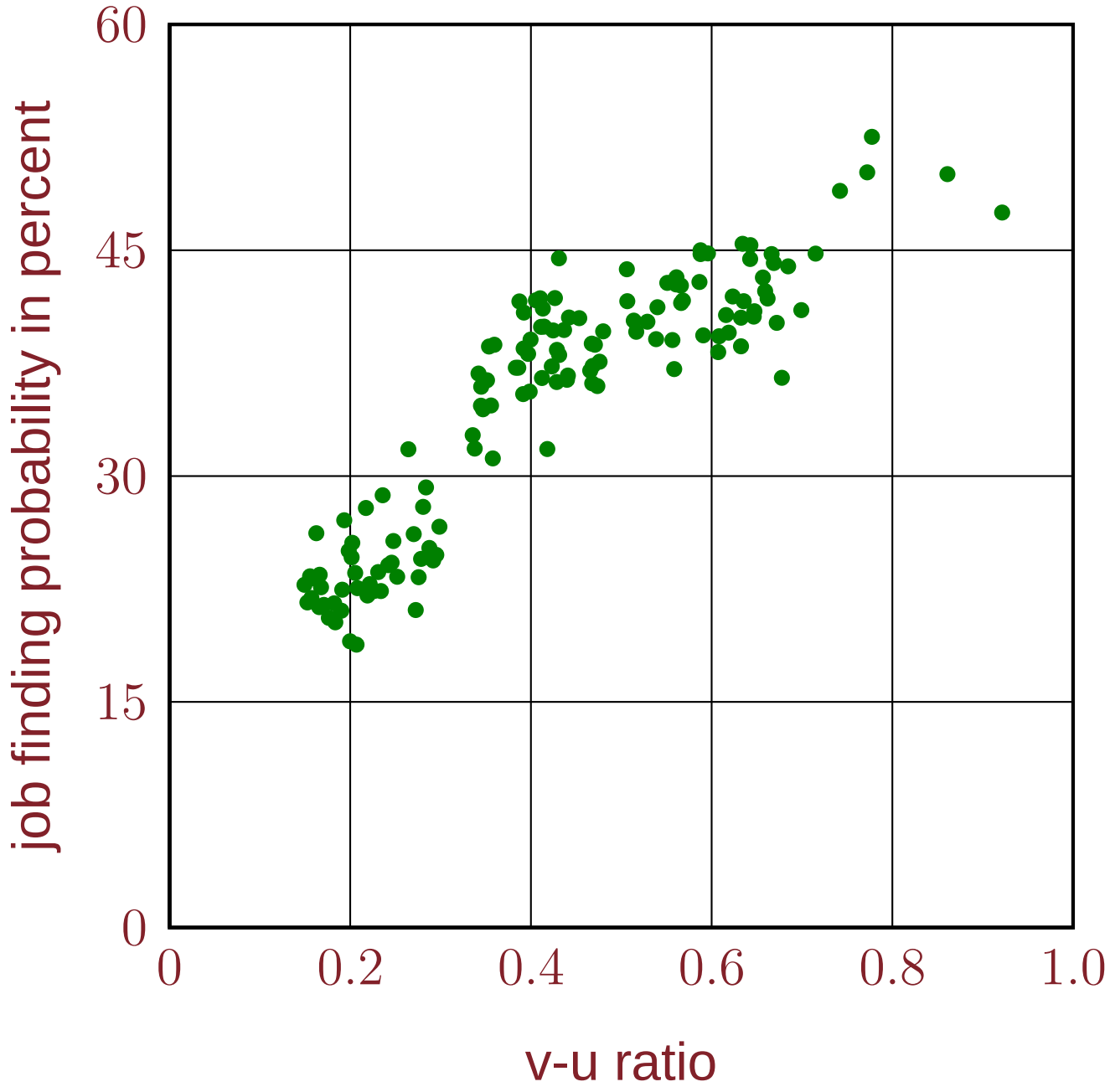
- outward shifts in the Beveridge curve attributed to two sources
  - increase in s_t
  - decrease in m_t
- maintained assumptions:
  - no movement in and out of the labor force (addressed in paper)
  - only unemployed workers search for jobs

Matching Function $m_t(u_t, v_t)$

- matching function is analogous to production function
  - production function Cobb-Douglas to match Kaldor facts
  - matching function Cobb-Douglas for convenience?

U.S. Matching Function 2000-2012



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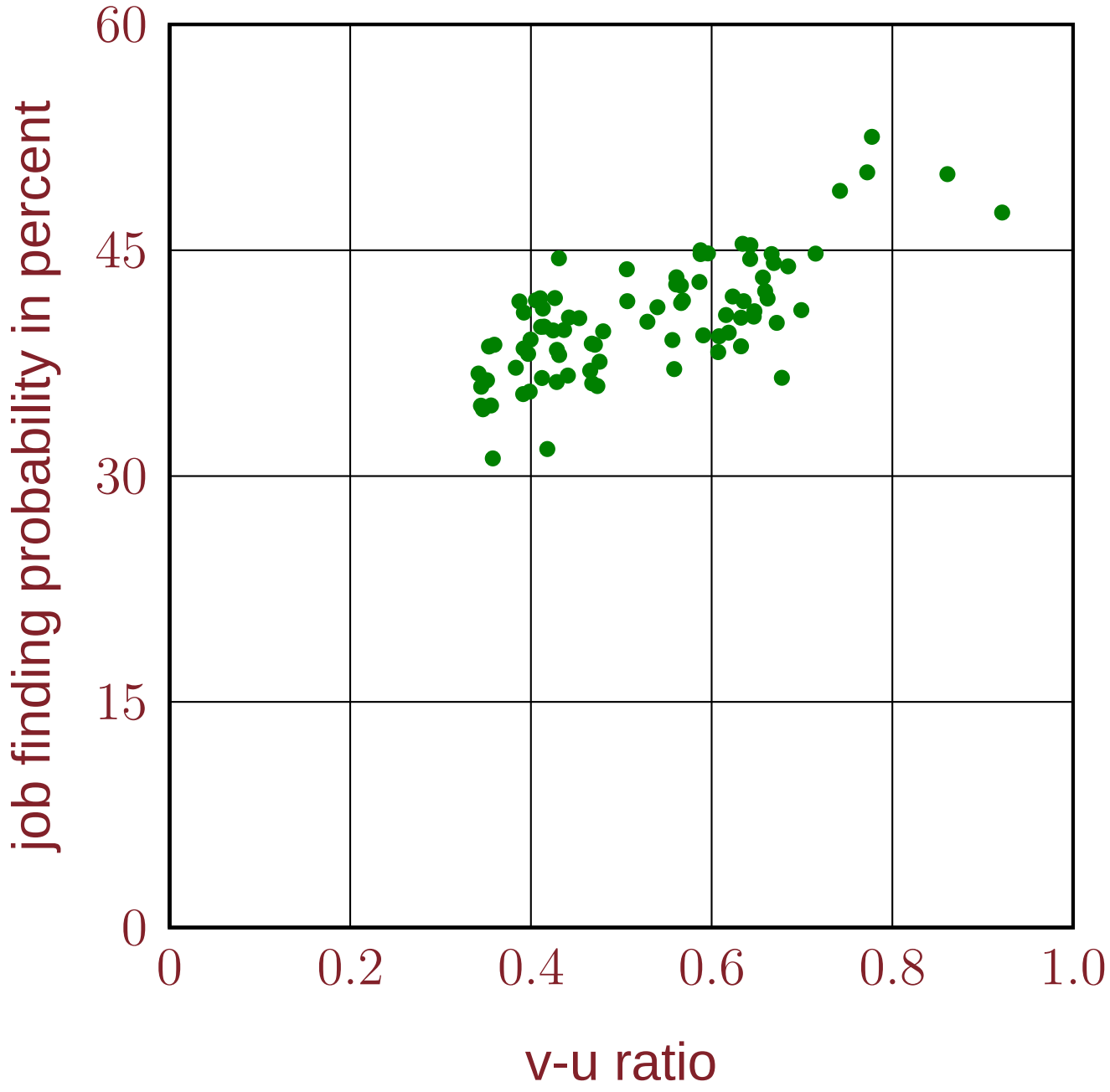

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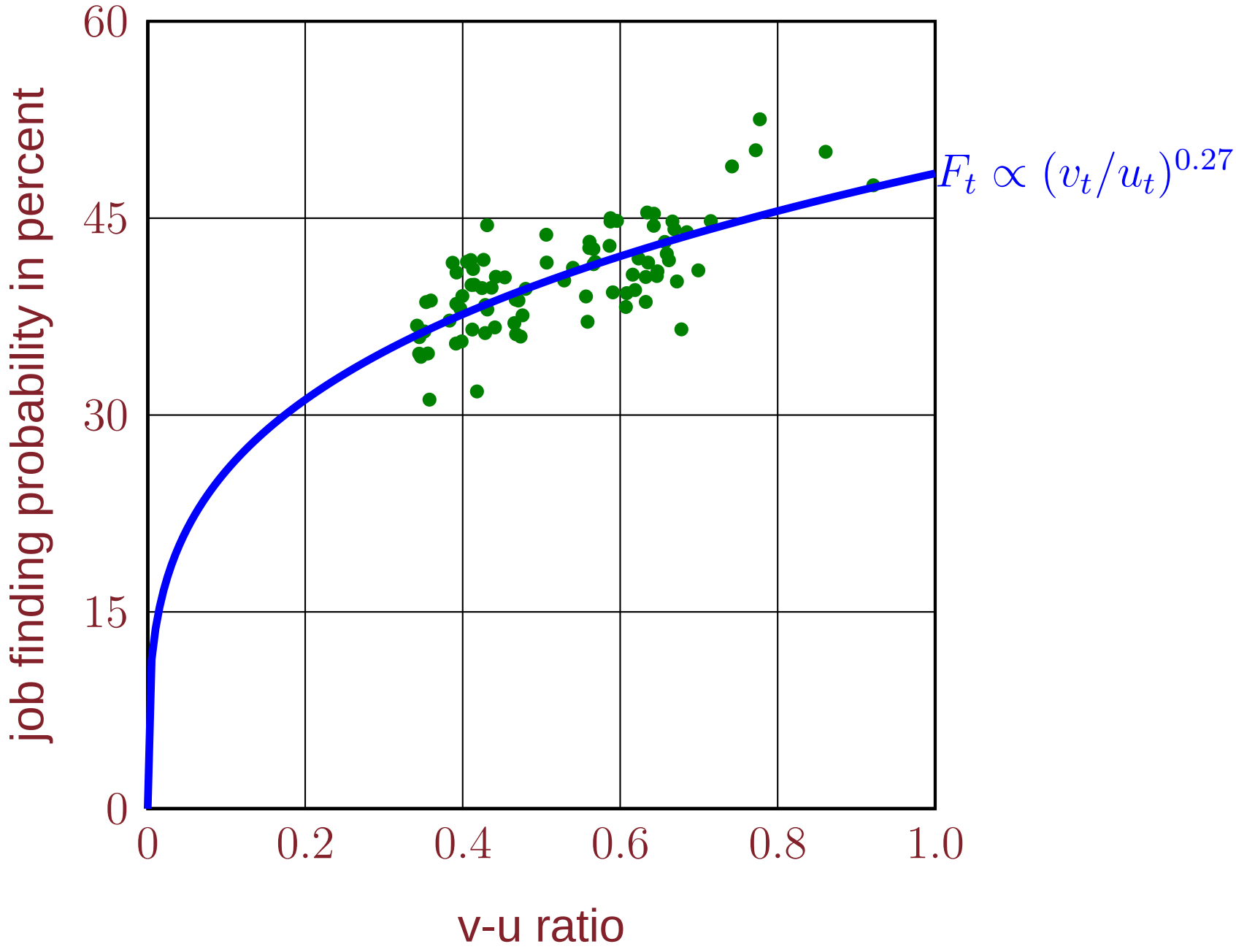

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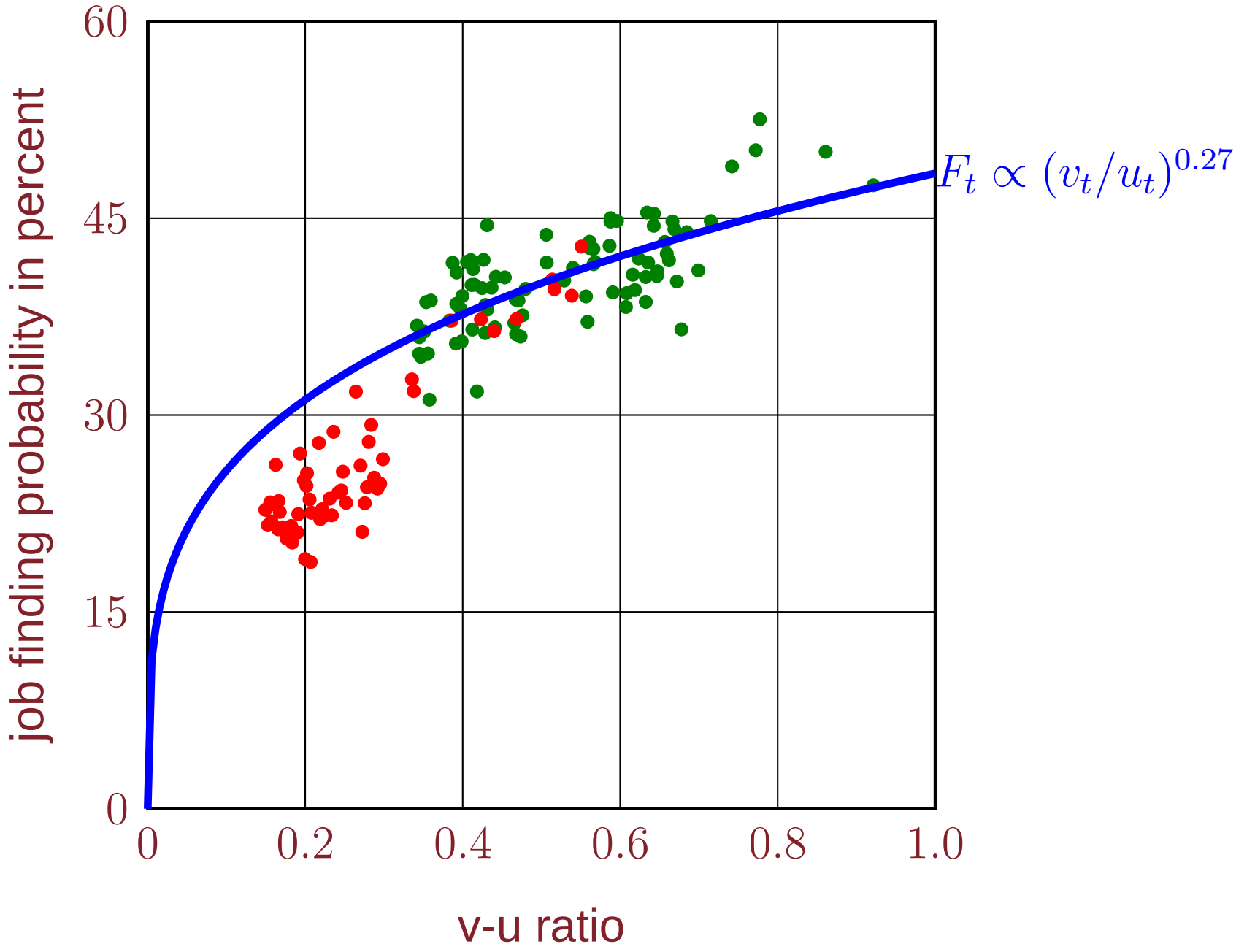

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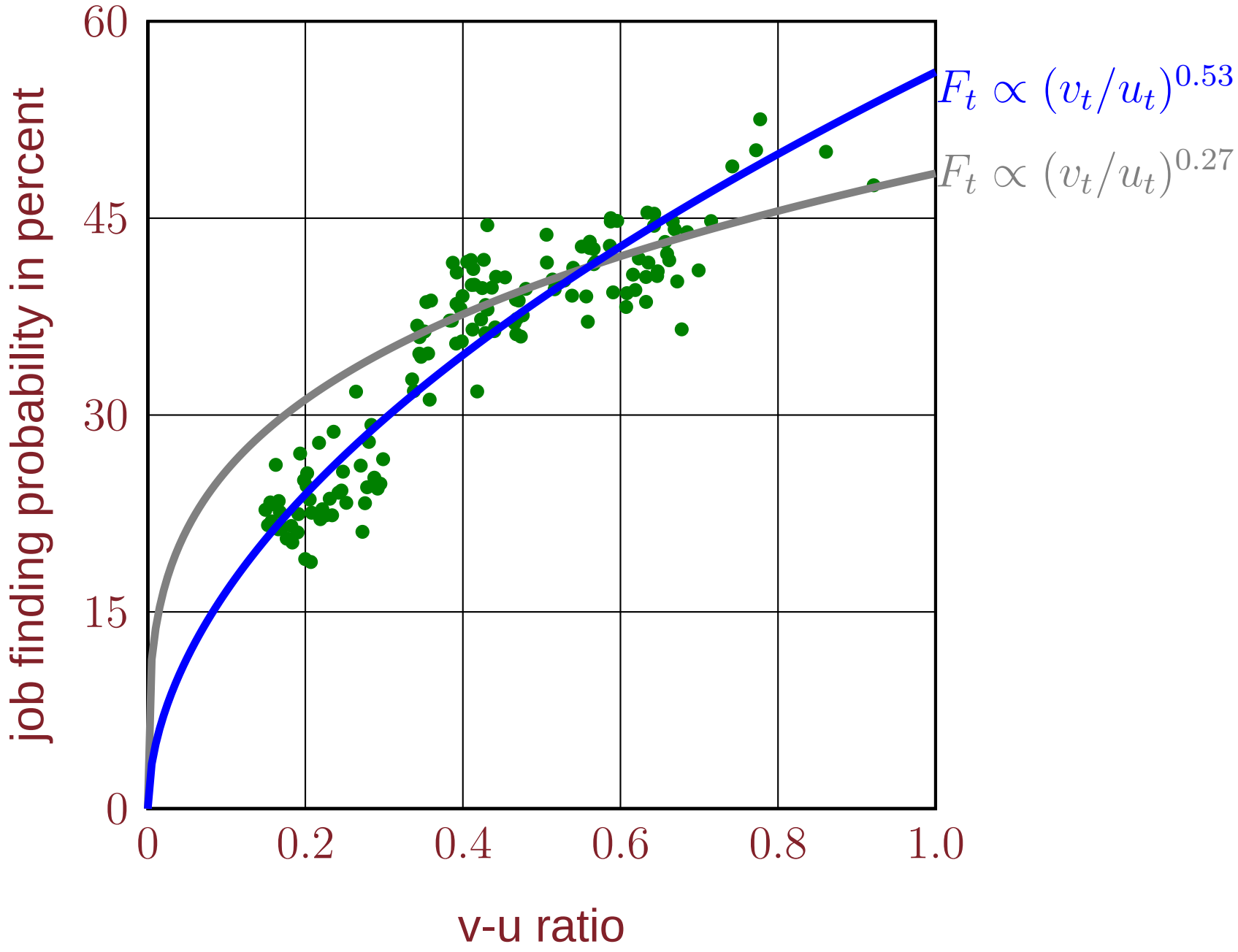

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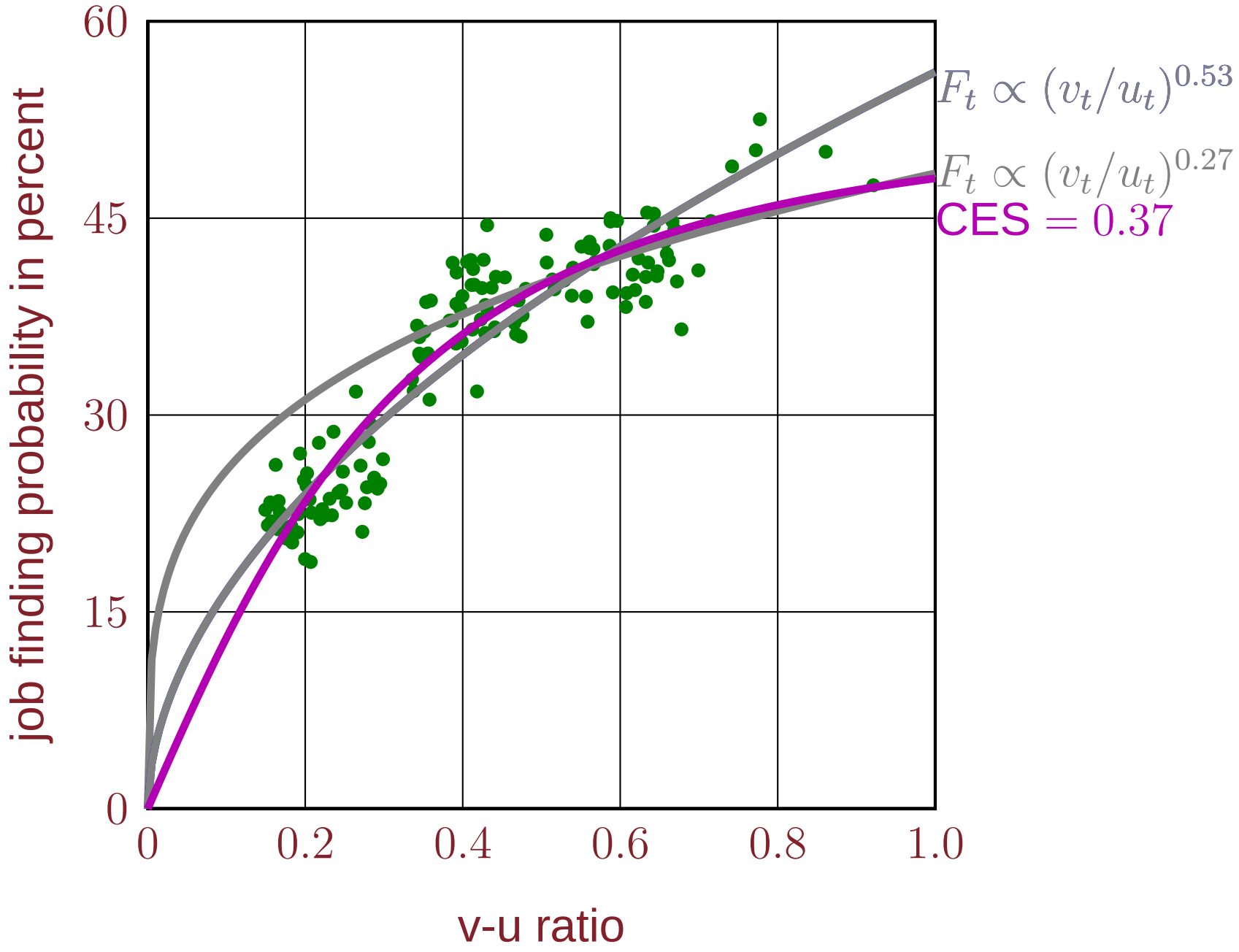

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    - $\frac{d \log m_t}{d \log v_t}$ rose from 0.27 to 0.84 during recession?
- matching function shocks are analogous to TFP shocks
  - TFP shocks now largely viewed as model mis-specification
  - matching function shocks are reduced form for something
    - geographic or skill mismatch?
    - shifts in labor supply?
  - not clear how much we can tell just from aggregate data

Separation Rate $s_t(u_t)$

- separation rate is normally decreasing
  - separations to unemployment plus separations to a new job
    - U.S.: measure directly from JOLTS data
    - OECD: infer from job tenure data
  - this is not the object that we want to measure
- separation rate has fallen unusually much in the U.S.
  - partially offsets the decline in matching efficiency

Other OECD Countries

- decrease in match efficiency
  - ~~Norway (not much increase in unemployment rate)~~
  - Portgual $\Rightarrow$ housing
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  - Portgual $\Rightarrow$ housing
  - Spain $\Rightarrow$ housing
  - UK $\Rightarrow$ housing
- increase in separation rate
  - Portugal (layoffs due to austerity measures)
  - Sweden (extension of UI benefits in 2007)
- decrease in separation rate
  - Spain (deterioration of the workings of the labor market)

Comments

- is reduced-form matching function the best way to model mismatch?
  - shameless plug: Shimer (2007) “Mismatch” AER
- focus on Beveridge curve is misleading
  - substantive analysis looks at s_t and m_t separately
- insurmountable data limitations?
  - poor measure of vacancies
  - no direct measure of separations to unemployment
  - no data for Iceland, Ireland, Greece, Denmark, NZ, Mex, Lux
- conclusions are based on story-telling

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