Beveridge Curve Shifts across Countries since the Great Recession

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Beveridge Curve Shifts across Countries since the Great Recession 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 \( m_t \)
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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

![Graph showing the relationship between v-u ratio and job finding probability in percent.

The graph plots the job finding probability in percent on the y-axis against the v-u ratio on the x-axis. The data points form a scatter plot, indicating a positive correlation between the two variables.]
U.S. Matching Function 2000-2012

- v-u ratio vs. job finding probability in percent

Discussion of Hobijn-Sahin - p. 4
U.S. Matching Function 2000-2012

Discussion of Hobijn-Sahin

\[ F_t \propto \left( \frac{v_t}{u_t} \right)^{0.27} \]
U.S. Matching Function 2000-2012

The graph illustrates the job finding probability in percent as a function of the v-u ratio. The equation $F_t \propto (v_t/u_t)^{0.27}$ is shown, indicating the relationship between the v-u ratio and the job finding probability.
$F_t \propto (v_t/u_t)^{0.53}$

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$\text{CES} = 0.37$
Matching Function $m_t(u_t, v_t)$

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    - $\frac{d \log m_t}{d \log v_t}$ rose from 0.27 to 0.84 during recession?
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- 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 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)
  - Portugal ⇒ housing
  - Spain ⇒ housing
  - UK ⇒ housing
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- 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?

- 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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