



Lecture Recap

Labor Market Glossary

► Labor Force (L_t) = Employed (N_t) + Unemployed (U_t)



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- ▶ Definitions:
 - ▶ Job Separation Rate (s)
 - ▶ Job Finding Rate (f)
 - ▶ Unemployment Rate $u_t = U_t/L_t$



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- ▶ Labor market flows: *fluid* vs *sclerotic*.



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- ▶ Labor market flows: *fluid* vs *sclerotic*.
- ▶ Expected unemployed duration: $1/f$.
- ▶ Expected employed duration: $1/s$.



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- ▶ Labor market tightness $\theta_t = V_t/U_t = v_t/u_t$
- ▶ Vacancy filling rate $q(\theta)$ is decreasing in θ .
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Lecture Recap

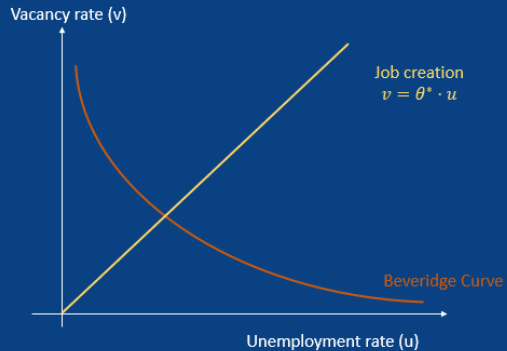
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 - ▶ $f(\theta) = \theta q(\theta)$
- ▶ Value of a filled position J_t ; cost of posting a vacancy c_t .
- ▶ Firms post vacancies until $q(\theta)J_t = c_t$.

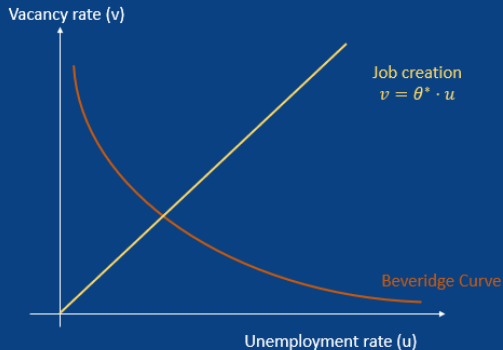
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Beveridge Curve



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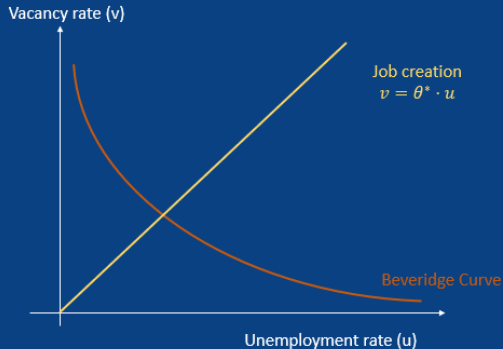


- Beveridge curve (BC) obtained from steady-state relationship between u and v .

$$u = \frac{s}{s + f(\theta = v/u)}$$

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Beveridge Curve



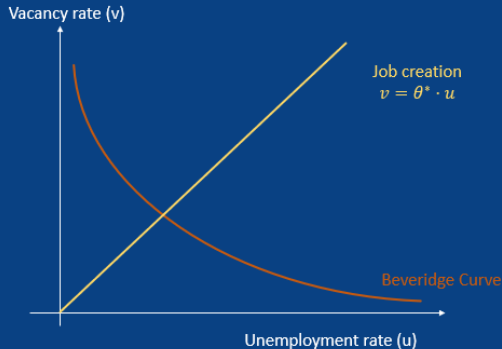
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- Lower matching efficiency A shifts BC outwards.

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Beveridge Curve



- ▶ Beveridge curve (BC) obtained from steady-state relationship between u and v .

$$u = \frac{s}{s + f(\theta = v/u)}$$

- ▶ Lower matching efficiency A shifts BC outwards.
- ▶ Job creation curve rotates with change in θ^* .
 - ▶ θ^* increases with match efficiency A , value of a filled job J , and decreases with vacancy creation costs c .