Recap: 2-period search Model

- **Setup:** 2-periods, unit measure of households, initially unemployed. Search frictions means job finding rate $p(\theta) < 1$.
- **Households:** Log utility. If employed, wage w; else, home production h; $w > h$. No savings.
- **Firms:** Use labour and TFP to produce output $y_t > h$. Single firm-worker pair. Vacancy posting cost κ. Vacancy filling rate $q(\theta)$. If filled, produce y_t each period. Job separation rate s_t. If unfilled, no production in period. Decide whether to post vacancy next period.
- **Timing:** (i) firms observe TFP z_t;

  (ii) firms decide whether to post vacancies at unit cost κ;

  (iii) job separation occurs with probability s_t; newly separated cannot search immediately;

  (iv) unemployed decide whether to search;

  (v) search and matching occurs;

  (vi) production (home and market) occurs and households consume.