Summary

This paper analyzes labor market frictions caused by heterogeneity among traders on the demand side (firms). Vacancy numbers per firm created at once can vary, and this heterogeneity affects the application probability of workers through the wage settings of firms, which determines the overall matching efficiency. I present a directed search model in which vacancy distribution among firms is asymmetric, in order to investigate matching efficiency and equilibrium wage levels. In this paper, the model considers a monopsony market with two firms that have multiple vacancies each. The model indicates that the derived equilibrium is generally not constrained efficient, and that matching efficiency can deteriorate with concentration, depending on the concentration level and worker-vacancy ratio. These results are consistent with my empirical findings of regional labor markets. Further, positive wage differentials are usually not obtained, while firm productivity differentials can be one of the factors that explain them.