

Matching Efficiency, Frictional Unemployment and Job Rationing

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【Abstract】

In this paper, we develop and estimate a dynamic stochastic general equilibrium model including search and matching friction in which unemployment is decomposed into two-types of unemployment: rationing unemployment reflecting the shortage of job rationing and frictional unemployment reflecting additional unemployment due to some matching frictions. To start with, we investigate the existence of job rationing. We show that the ad-hoc assumption on wage schedule imposed in ? is no longer necessary for the existence of job rationing but the scale of firm's hiring (recruiting) cost is crucially important to determine the level of rationing/frictional unemployment. Through a quantitative analysis based of the U.S. aggregate data, this study finds that rationing unemployment accounts for a large component of total unemployment, especially in the recession. Furthermore, fluctuations in the matching efficiency are less important to explain the cycle of each unemployment than technology shock and investment efficiency shock.

Keywords: Rationing Unemployment, Frictional Unemployment, Hiring costs, and Matching Efficiency Shock

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