

[Job Search, Job Findings and the Role of Unemployment Insurance History](#)

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Standard search theory suggests that (1) job search intensity increases with the relative gain from searching, and that (2) job search intensity increases the job finding probability. Firstly, this paper presents new empirical findings that are at odds with these theoretical predictions when workers are categorised by their unemployment insurance (UI) history. Particularly, the observed job search intensities amongst unemployed workers with a UI history (either current or former UI recipients) are higher than that amongst unemployed workers without a UI history (non-UI recipients). Moreover, the empirical job finding probabilities of unemployed workers with a UI history are significantly lower than that of unemployed workers without a UI history despite the former having higher observed search intensities.

To reconcile with these empirical findings and explore their macroeconomic implications, I propose a model of job search censoring and duration-dependent job search inefficiency based on a stochastic general equilibrium search-and-matching framework where job search intensity, job separations, job formations, vacancies and UI extensions are endogenously determined. The model delivers optimally higher observed job search intensities for workers with a UI history, but job search censoring and job search inefficiency lower their effective search intensities which eventually lead to lower job finding probabilities.

After calibrating the model to the U.S. economy, I find that the observed aggregate search intensity becomes acyclical and significantly overestimates the true or effective aggregate search intensity. This is particularly the case in recessions with UI extensions since there is a higher share of unemployed workers with a UI history who possess higher observed job search intensities. Without correcting for the share of workers with a UI history and their lower effective search intensities, one may substantially overestimate the decline in the matching efficiency during recessionary episodes with UI extensions based on the acyclical observed search intensity. Additionally, I find that the effects of UI extensions on unemployment and its duration are overestimated when job search inefficiency is not taken into account. Lastly, I find that the presence of job search inefficiency leads to dampened labour market fluctuations as well as more persistent unemployment and its duration.