Unemployment, Vacancies, Wages

Peter Diamond
December 8, 2010
Outline

• A retail market example
• Labor market flows
• Beveridge Curve
• Research motivation
(as a percent of workers with initial status)

Data constructed by Robert Shimer. For additional details, please see Shimer (2007) and his webpage http://sites.google.com/site/robertshimer/research/flows.
Average Monthly In- and Outflow Rates across Countries

Source: Michael Elsby, Bart Hobijn, and Ayşegül Şahin “Unemployment Dynamics in the OECD”, Federal Reserve Bank of San Francisco, August 2009, Figure 1.
Quarterly Job and Worker Flows for the U.S. Private Sector 1990:2-2009:4 (as a percent of employment)

Shift in Aggregate Activity (c)

Source: Olivier Blanchard, Peter Diamond “The Beveridge Curve” Brookings Papers on Economic Activity, Vol. 1989 No.1., Figure 3.
United States, December 2000–Aug. 2010

2008-2010 data in red

Source: Robert Shimer, personal correspondence.
“What does this change in the relationship between job openings and unemployment connote? In a word, mismatch. Firms have jobs, but can’t find appropriate workers. The workers want to work, but can’t find appropriate jobs.

… it is hard to see how the Fed can do much to cure this problem.

… the Fed does not have a means to transform construction workers into manufacturing workers.”

Vacancy Yield, measured as $H(t)/V(t-1)$
January 2001 — September 2010

Source: Davis, Faberman and Haltiwanger, work in progress
<table>
<thead>
<tr>
<th>Duration of Unemployment</th>
<th>October 2009</th>
<th>October 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 weeks</td>
<td>20.3</td>
<td>17.5</td>
</tr>
<tr>
<td>5 to 14 weeks</td>
<td>21.9</td>
<td>21.8</td>
</tr>
<tr>
<td>15-26 weeks</td>
<td>19.8</td>
<td>16.8</td>
</tr>
<tr>
<td>27 weeks and over</td>
<td>38.0</td>
<td>43.9</td>
</tr>
</tbody>
</table>