

Job Hunting: A Costly Quest*

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Abstract

Searching for a job requires time, which unemployed individuals typically can spare, and monetary resources, which they often lack. To study the implications of pecuniary search costs, which mostly affect search decisions of liquidity-constrained unemployed individuals, we embed such costs in a model of incomplete-insurance markets with search-and-matching frictions where heterogeneous-agents make endogenous job search decisions. To quantitatively discipline the model, we use administrative data from random job-search audits of unemployed individuals claiming UI benefits. We use the model to study the aggregate economic impact of different government policies aimed at increasing the fraction of unemployed searching for a job.

JEL Classification: E24; J64; J65.

Keywords: Job search; Search costs; Unemployment insurance; Liquidity constraints.

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