Abstract
Why are firm and job turnover rates so similar across OECD countries? We argue that this may be due to the joint regulation of product and labor markets. For our analysis, we build a stochastic equilibrium model with search frictions and heterogeneous multiple-worker firms. This allows us to distinguish firm entry and exit from hiring and firing in a model with equilibrium unemployment. We show that firing costs, sunk entry costs and bureaucratic flow costs have countervailing effects on firm and job turnover as different types of firms select to operate in the market.