

Abstract

Burgess (1993) and Burda and Wyplosz (1994) find that hiring rates for the unemployed do not move proportionately to changes in the overall hiring rate. Burgess hints at employed job seekers who start looking in tight conditions and crowd out the unemployed. But he leaves the search behaviour of firms unaddressed. Russo et al. (2000, 2001) on the other hand, show that firms switch their preferred recruitment channel in changing labour market conditions. They, however, do not link their findings to the endogenous search behaviour of job seekers. In this paper we develop and test the hypothesis that endogenous search behaviour on both sides of the market implies that the unemployed obtain less than their 'fair share' of the job offers: they search in the wrong channel when conditions tighten. Consequently, the gap between the aggregate and the unemployed hiring rate increases in tighter market conditions. We use panel data from the Netherlands to test our hypothesis and find that indeed the least confident and educated do not switch to the channel where most intense searching takes place in an economic recovery.