Estimating Vacancies from Firms' Hiring behavior: The Case of a Developing Economy

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Vacancies are the center of any job creation process. In this paper, we study firms' hiring behavior in a way that is directly related to vacancies. To understand the dynamic relationship between hires and vacancies, we estimate what we called a hiring function. Even though we cannot observe vacancies in our data, we propose an original procedure that allows recovering an estimate of vacancies. For this purpose we use firms' standard information on hires and separations. Monte Carlo experiments show that the prediction of vacancies from this procedure is consistent. Using this prediction, we analyze the firm and aggregated level behavior of vacancies for the Colombian labor market. We find that 73% of all vacancies are created by large firms but, relatively, small firms create more new positions. The method we propose may be useful in developing economies, where there are no good sources of information on vacancies.

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