

Estimating Vacancy Stocks from Aggregated Data on Hires: A Methodology to Study Frictions in the Labor Market

Download Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Leonardo Fabio Morales-Zurita Dávalos Eleonora Raquel Zapata

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Monday, 17 of April 2023 Abstract

We develop a methodology that recovers an estimate of the average stock of vacancies using the information on aggregated hires. We show that our prediction of the vacancy stock is unbiased, and it captures well the level and the dynamics of the United States job opening positions reported in the Job Openings and Labor Turnover Survey. We use the methodology to predict vacancies in Colombia for formal and informal salaried workers; together with unemployment, we estimate Beveridge curves and matching functions by occupations, which allows us to study the nature of the efficiency, frictions, and mismatches for different occupations. We find that the formal labor market of technicians is the most inefficient of them all; this inefficiency comes from the mismatch between the abilities of the workers and the requirement of the vacancies. Reducing friction in this occupation will require education and job-oriented training policies. In contrast, the frictions in the market for unskilled workers come from informational lacks. The reductions of friction, in this case, will come from better intermediation and active search policies.