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MARGINAL JOBS AND JOB SURPLUS: A TEST OF THE EFFICIENCY OF SEPARATIONS

Referent

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DATUM:
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UHRZEIT:
13:00 Uhr

ORT:
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We present a sharp test for the efficiency of job separations. First, we document a dramatic increase in the separation rate – 11.2ppt (28%) over five years – in response to a quasi-experimental extension of UI benefit duration for older workers. Second, *after the abolition* of the policy, the “job survivors” in the formerly treated group exhibit *exactly* the same separation behavior as the control group. Juxtaposed, these facts reject the “Coasean” prediction of efficient separations, whereby the UI extensions should have extracted marginal (low-surplus) jobs and thereby rendered the remaining (high-surplus) jobs more resilient after its abolition. Third, we show that a formal model of predicted efficient separations implies a piece-wise linear function of the actual control group separations beyond the missing mass of marginal matches. A structural estimation reveals point estimates of the share of efficient separations below 4%, with confidence intervals rejecting shares above 13%. Fourth, to characterize the marginal jobs in the data, we extend complier analysis to difference-indifference settings such as ours. The UI-induced separators stemmed from declining firms, blue-collar jobs, with a high share of sick older workers, and firms more likely to have works councils – while their wages were similar to program survivors. The evidence is consistent with a “non-Coasean” framework building on wage frictions preventing efficient bargaining, and with formal or informal institutional constraints on selective separations.