

# IAB-Colloquium

## zur Arbeitsmarkt- und Berufsforschung

### Discouragement in an Equilibrium Search Model With Type Uncertainty

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By relaxing a single assumption in a standard search-matching model of the labor market - certainty about a worker's job finding probability - this paper accounts for positive unemployment duration dependence of non-participation, and negative duration dependence in unemployment-employment hazards and wages. Prolonged unemployment acts as signal for low job finding chances, depressing a worker's threat point in wage negotiations and leading to discouragement as the result of rational negative updating about job finding chances. The mechanism highlighted in our model leads to different policy implications, and is at least as plausible empirically, compared to alternative explanations.

**Donnerstag, 08. Oktober 2009**

13:00 Uhr

Sitzungssaal 126a