

Macro Roundup Article

Headline: [The Internet, Search Frictions and Aggregate Unemployment](#)

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Summary: We found that the internet led more firms to recruit online. It further caused a 9% decline in the duration of posted vacancies and 13% fewer unsuccessful hiring attempts. Next, we showed that the expansion increased job finding rates by 2.4% and starting wages by 6% among the unemployed. However, we found no evidence of changes in job-to-job mobility or wage growth for the employed. Through the lens of the calibrated model, we found that search technology is the primary mechanism behind the quasi-experimental evidence. Our calculations indicated that the broadband internet expansion may have caused a 14% decline in the steady-state unemployment rate. Our paper sheds light on two recent macroeconomic trends. First, the falling rates of worker mobility in the US have fueled a concern about the causes and consequences of declining labor market mobility. Our results suggest that online job search and recruitment may have improved match quality by providing more information about potential jobs and better tools to screen potential candidates. In turn, this improvement may have reduced the need to switch employers in search for a better match – consistent with a more optimistic view of recent trends in job mobility. Second, our evidence helps explain the inward shift in the Beveridge curve observed in Norway and in other countries from the 1990s to the early 2000s. Our evidence suggests that without the near-universal internet adoption rates, the unemployment rate after the Great Recession would have reached even higher levels.

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