TABLE IV

PREDICTED AND OBSERVED HAZARD RATES

Week	Observed Proportion Employed by Week i Given Unemployed Up to Week i	Predicted Proportion Employed by Week i Given Unemployed Up to Week i
1	.313	.313
2-13	.131	.141
14-26	.134	.135
27-39	.074	.127
40-52	.153	.117
53-65	.044	.105
66-78	.000	.097
79-91	.051	.090
92-104	.171	.083
105-117	.185	.076
118-130	.136	.070
131-143	.000	.064
144-156	.000	.059
157-166	.000	.054

durations is not real, but either a result of the small sample or of recall error. Comparing the predicted accepted mean wage given the sample freqency of duration, i.e., $\sum f_t E(w_t \mid w_t \geq \xi_t)$ where f_t is the sample proportion of individuals who searched exactly t weeks (completed spells in Table I), with the observed mean wage provides another indication of how the model conforms to the data. In particular, for the entire sample the predicted accepted mean wage is 193 dollars, which is quite close to the observed figure of 205 dollars in Table III. The calculated figures for the four groups used in specification 2 are not quite as close to the respective groups; reading down the column in Table III, they are 261, 250, 182, and 175, as compared to 221, 204, 206, and 177.

The maximum number of periods that any individual searched is 166. Thus, as noted, an unrestricted model in which reservation wages are not necessarily related period to period would contain those 166 parameters plus $\tilde{w}$, Π_0, Π_1, σ_u, and ρ. The restricted model given by specification one in Table II, however, contains only eight parameters, not including T. The log likelihood of the unrestricted model was estimated to be -373.06. The χ^2 statistic for the likelihood ratio test with respect to specification one is thus 122.32 with 161 degrees of freedom, so the restrictions of the search model are not rejected at conventional significance levels.[16]

Reservation wages are quite low and decline continuously. For the specification without wage regressors, the reservation wages in the first period of search is 113

[16] In 127 of the weeks no individual took a job. In forming the unrestricted likelihood the probability of working was assumed to be zero in those periods, and implicitly an infinite reservation wage was estimated. Because an infinite reservation wage fits the data perfectly in the periods in which no individual was observed to take a job while the restricted model does not fit those data perfectly, one degree of freedom is used up in the restricted model for each of those periods.