

Duration Dependence in Finding a Job: Applications, Interviews, Job Offers

Abstract

The job finding rate decreases with the duration of unemployment. While this is a well-established fact, we know little about the underlying reasons. We use longitudinal monthly data from job search diaries for a larger number of job seekers, which record all applications they send, along with employer callbacks and job offers. Accounting for heterogeneity, we document a decline in the number of applications and a decline in the chances of a callback over time, whereas the chances of receiving a job offer after being interviewed are found to be slightly increasing. Individual heterogeneity plays a role mostly before the interview stage. Our empirical findings can be rationalized in a job search model with statistical discrimination. Firms use elapsed unemployment duration as a signal of applicants' productivity when making callbacks decisions and make job offer decisions based on new information revealed during the job interview. As duration negatively impacts job seekers' chances of getting a job, those react endogenously by lowering their search effort over time.