

Discussion on "Unemployment and worker-firm matching: theory and evidence from East and Western Europe"

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 - *matching efficiency* (disembodied efficiency and RTS)
 - macro policies or external shocks (low V wrt S)
 - **on-going transition (high S)**

In transition from market to plan, models predict:

(1) initial rise in S (2) gradually decline of S as the private sector takes off

Observation I:

- S is not larger in transition economies than in WG (but for EG)
- the reverse is often observed (esp. for CZ)
- over the last period (00-05), S rose in WG

Observation II (table 1):

- WG: S and O \nearrow over the period, U \nearrow
- EG & PL: S \nearrow and O fluctuates $\Rightarrow U$ \nearrow
- SK: high U and \nearrow and rather constant S and O
- CZ: S and O \nearrow and U \nearrow
- HU: S $\nearrow \searrow$ and O $\searrow \nearrow \Rightarrow U$ $\nearrow \searrow$

Observation III:

- 2 different transition stories: from "plan to market" (90's) and "globalisation" (after 99)
- persistent district ranking for U (stock) and S
- district ranking is strongly modified for V : rank correlation closer to zero

$$\Rightarrow O = M(\underset{+}{U}, \underset{+}{V})$$

- ... but U/V is slightly modified

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Matching function discussion

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- IRS in $M \Rightarrow$ DRS in \bar{U}

since $O = AU^\beta V^\gamma S^\delta = S \quad \Rightarrow \quad U = A^{-1/\beta} S^{\frac{1-\delta}{\beta}} V^{-\gamma/\beta}$

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- 6 **partial adjustments**

Goal: validate the methodology explained above

Display estimate for WG (97-05) for the each one of the steps:

- OLS estimate: DRS_M even when size adjusted (is size a right indicator?)
- random effects or fixed effects: DRS_M bias remain
- within transformations: 1st dif. or mean deviation +IV \Rightarrow much higher estimate for β and $\gamma \Rightarrow IRS_M$
- 1st dif. + IV (various specifications) + important role of new inflows
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- why is 1st dif. +IV preferred to mean-deviation+IV?
- why are you experimenting with partial adjustment and forget it after?

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- trends in $O \geq 0$ (but in CZ and EG)

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- Why to consider a structural break in 97?

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- Isn't strange to say that PL has: high U , low V and low O => matching problem