

# Search and Matching in Structural Labour Supply modelling — Discussion

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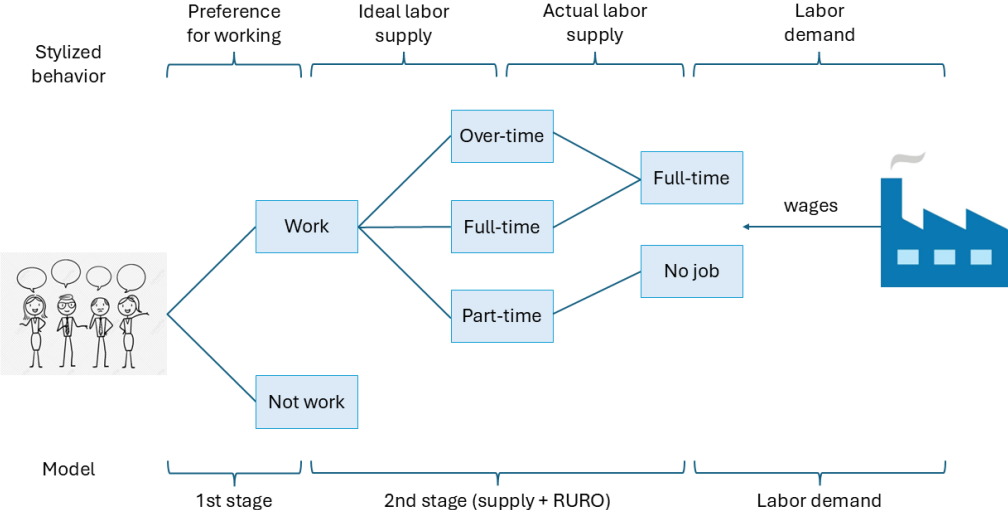
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July 4, 2025

## What we learn from this paper

- ▶ This is a great paper!
- ▶ Importance of accounting for both policy-responsiveness of probability of unemployment and involuntary unemployment
- ▶ Very well-executed exercise to highlight labor demand-side adjustments
- ▶ In general, opens the way and discussion on behavioral expansions for microsimulation

# A small recap before making comments



## Some big picture points: what if firms could also adjust hours?

- ▶ Labor demand effect come in through wages but **firms could adjust both vacancies and hours**:
  - ▶ Job hours opportunities available are the result of firms' decisions within the legal environment
  - ▶ Model does not connect vacancies to probability distribution of opportunities
  - ▶ Could complicate firm's problem by having 3 types of vacancies (PT, FT, OT)
  - ▶ Workers' expectations about opportunities are given by the  $f(\cdot)$  function and by labor market tightness: could be expanded to take into account expected vacancies created
  - ▶ Demand-side feedback could become quantitatively more relevant in the model
  - ▶ To check if hours-type adjustment is relevant, could unpack Figure 1 (distributional impact) to show IWB with and without RURO

## Some minor/technical points

- ▶ If the first step has to be purely taste-based, could avoid using strictly economic variables like consumption and hours at this point
- ▶ Even in a unitary household model, spouses' opportunity sets could be correlated (for instance because of assortative mating)
- ▶ Since the utility uses most of the same variables in both the first and second stage of the estimation, the error terms are likely to be correlated between stages: this changes the likelihood expression
- ▶ Maybe a policy simulation that spans all quintiles could help make the labor demand aspect even more salient