The Economics of Search

• If I spend more time searching, I can get a better deal.
  – I will pay less for a new car
  – I will get a better deal on …
  – I will get a higher paying job

• But time is money
The Economics of Search

- Every hour I spend searching brings a higher wage.
- Every hour costs something.

The Economics of Search

- While I am searching, I may not be working. The BLS will count me as unemployed.

What is going on

- Search. People search for the right jobs and employers search for the right employees.
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• Search takes time.
• People searching are unemployed.

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From the perspective of an employer

- You are running a business. You have a vacancy.
  - You are expanding, or someone quit or got fired.
  - Should you take the first applicant? Not necessarily.

Complications

- In many cases, search will lead you to decide to leave the labor market or never to enter the market.
- You may be able to do your search while still holding your old job.
- Your search may be complicated by uncertainty or error about your market wage rates.

End