Motivation

- **Uncertainty shocks drive recessions through wait-and-see**
  Bloom '09
  - An uncertainty shock is a **mean-preserving spread** $\rightarrow$ wider bands, not worse news
  - Firms postpone investment and hiring
    Martínez-Matute–Urtasun '22 · Kumar et al. '23
  - The **investment** side is well understood

- **This talk: the hiring side**
  - Search-and-matching models **cannot match the magnitude** of the hiring freeze
    Leduc–Liu '16 · Den Haan et al. '21

What are we missing when we model labor markets under uncertainty?

Replacement hiring

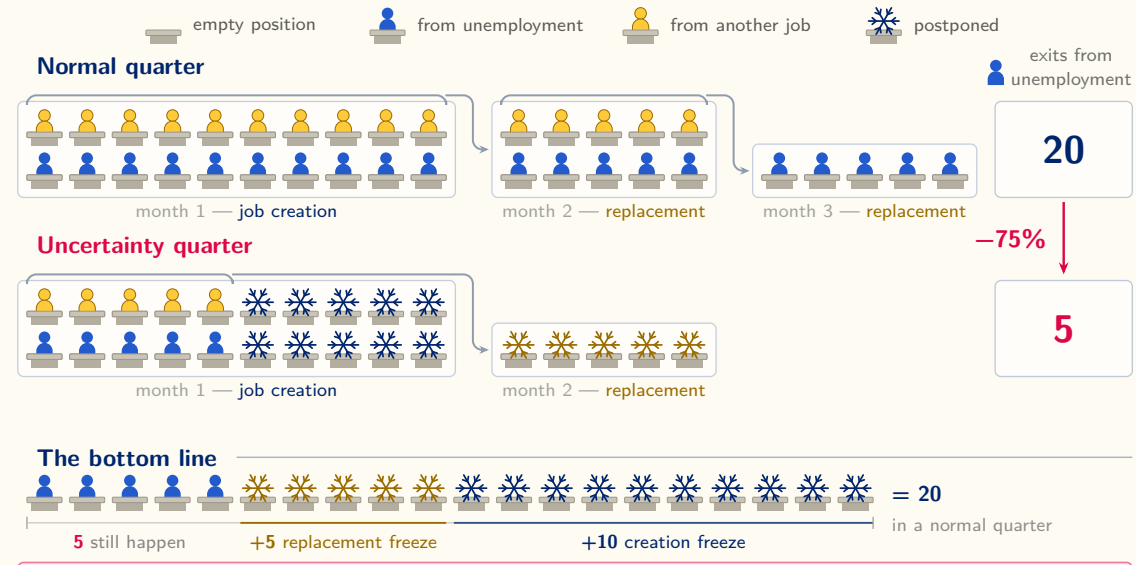
- While firms wait, capital and employment stocks **depreciate**
- *Your excavator won't tell you it found a better employer. Your worker will.*
- Under the hood of a stable employment stock, lots of job-to-job transitions happen
- **Half of all US hires** are quit replacements

How does replacement hiring respond to uncertainty,
and does it matter for unemployment?

DATA It **freezes**.

MODEL Replacement can **dampen or amplify** unemployment, depending on labor-market structure.

An illustrative replacement-hiring freeze



Measuring the replacement response

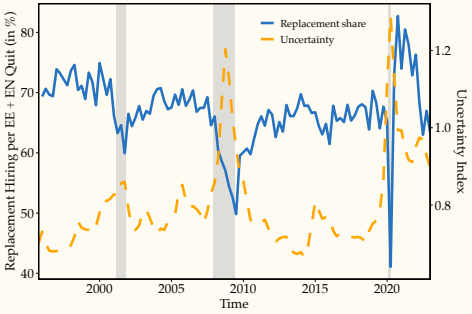
$$\text{Replacement share}_t = \frac{h_t^{RP}}{q_t^{EE} + q_t^{EN}}$$

wait-and-see → share falls↓

waiting extends to refilling desks

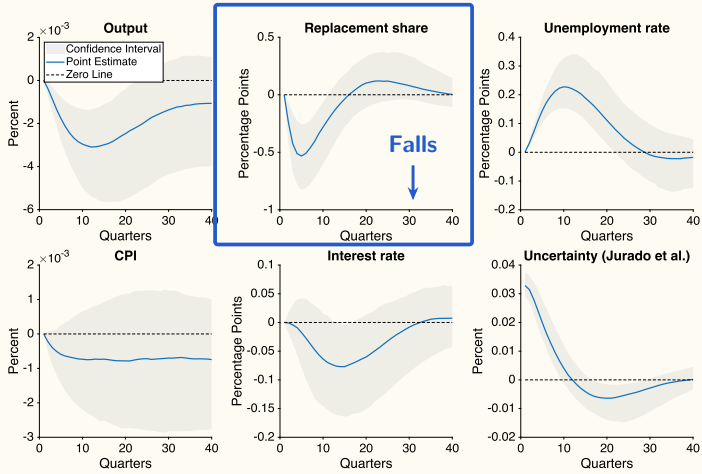
congestion relief → share rises↑

fewer rivals hiring, cheaper refills



Negative comovement — let's check for causality.

An uncertainty shock freezes replacement hiring



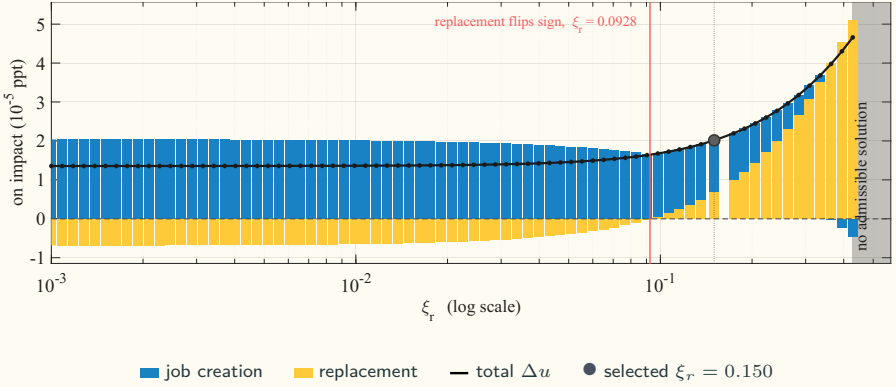
SAMPLE	LAGS	PRIOR	IDENTIFICATION	BANDS	UNCERTAINTY
1995Q4–2019Q4	4	normal-diffuse	Cholesky, uncertainty last	90%	unforecastable macro volatility [Jurado et al. '15]

Replacement hiring can dampen or amplify

Firms choose when to create and refill jobs. **Empty positions survive while firms wait.**

Deep parameter ξ_r: responsiveness of replacement posting to its cutoff.

Labor-market structure, including skill scarcity, shapes this responsiveness.



Below $\xi_r \approx 0.093$: dampening
Congestion relief dominates.

At $\xi_r = 0.150$: amplification
The incentive to wait dominates.

On-impact unemployment accounting. Vary ξ_r, recompute the steady state, and hold the other estimated parameters fixed.

Conclusion

What I do

- Add **replacement hiring** to a search-and-matching model of uncertainty shocks, with **viable empty positions**.

What I find

1. Replacement hiring **freezes** under uncertainty, in the data *and* in the model.
2. Depending on **labor-market structure**, replacement hiring can **dampen or amplify** the unemployment response.
3. At the selected calibration, the option to wait dominates: replacement hiring **amplifies** the uncertainty shock.

Outlook

- A frozen labor market pushes job seekers into **worse matches**

  $\hookrightarrow$ mismatch that outlasts the uncertainty itself