Gross Worker Flows over the Business Cycle

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We build a hybrid model of the aggregate labor market that features both standard labor supply forces and frictions in order to study the cyclical properties of gross worker flows across the three labor market states: employment, unemployment, and nonparticipation. Our goal is to assess the relative importance of frictions and labor supply in accounting for fluctuations in labor market outcomes. Our parsimonious model is able to capture the key features of the cyclical movements in gross worker flows and indicates an important role for both frictions and labor supply.