

**LABOUR REALLOCATION AND EMPLOYMENT VOLATILITY THROUGH THE  
MICROSCOPE:  
EVIDENCE FROM CANADIAN PROVINCES**

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A macroeconomic VAR model for total unemployment and sectoral unemployment shares is estimated and tested for each Canadian province. Each province has been classified according to their levels of industrial agglomeration and specialization. We investigate how allocative shocks would affect unemployment rates and migration flows in each province. We test the hypothesis that the degree of job reallocation and the importance of idiosyncratic shocks in explaining unemployment and migration varies according to industrial concentration and intensity. The dynamics for each province is investigated by looking into the misspecification of the linear model by a series of tests. We test for GARCH effects and model effective labour reallocation and its effects via the feedback of the estimated variances in a VAR-GARCH-M model. The innovation analysis reveals the relative importance of aggregate and allocative shocks.

Keywords: Job Reallocations, Unemployment, Geographical Localization

JEL Classification: C22, C32, C50, E24, E32, J63

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