

Vacancy chain length in a matching model*

Munetomo Ando[†]
Nihon University

Minoru Kitahara[‡]
Osaka Metropolitan University

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Abstract

We study vacancy chains in matching markets where firms cannot dismiss incumbents and recruit only into vacant positions, a feature that captures labor markets with strong employment protection. Starting from an arbitrary individually rational and feasible matching, which need not be stable, we formally define vacancy chains triggered by the exit of a set of workers or the addition of new positions, and analyze how the length of vacancy chains depends on the initial matching.

We first show that a natural static intuition is misleading: a matching ν that weakly Pareto-dominates another matching μ for workers need not generate shorter vacancy chains. We then identify conditions that, together with Pareto dominance, suffice to establish a well-defined ordering of vacancy-chain lengths. The key condition is priority consistency, which requires that no firm ranks any outsider above any newcomer under ν relative to μ . If ν weakly Pareto-dominates μ for workers and satisfies priority consistency over μ , then for any exit set, both the minimal and maximal vacancy-chain lengths starting from ν are weakly shorter than those starting from μ .

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[†]E-mail: ando.munetomo@nihon-u.ac.jp.

[‡]E-mail: mkitahar@omu.ac.jp.