Labor Mobility

- Labor mobility is the mechanism labor markets use to improve the allocation of workers to firms.

- Mobility decisions are guided by comparing present value of lifetime earnings among alternative employment opportunities in different locations → geographic migration as a human capital investment.

- Improvements in economic opportunities available in a destination location increases the net gains to migration and raises the likelihood a worker moves → Improvements in economic opportunities available in the current location decrease the net gains to migration and lowers the likelihood a worker moves.

- An increase in migration costs lowers the net gains to migration, decreasing the probability a worker moves.
- A worker decides to move if the net gain from moving is positive.
- Migration occurs when there is a good chance the worker will recoup his investment in the move.

Internal Migration

The Impact of Region-Specific Variables on Migration

- The probability of migration is sensitive to the income differential between the destination and original locations.

- There is also a positive correlation between employment conditions (such as employment growth) and the probability of migration.

- Many empirical studies report a negative correlation between the probability and distance → distance is often interpreted as a measure of migration cost.

The Impact of Worker Characteristics on Migration

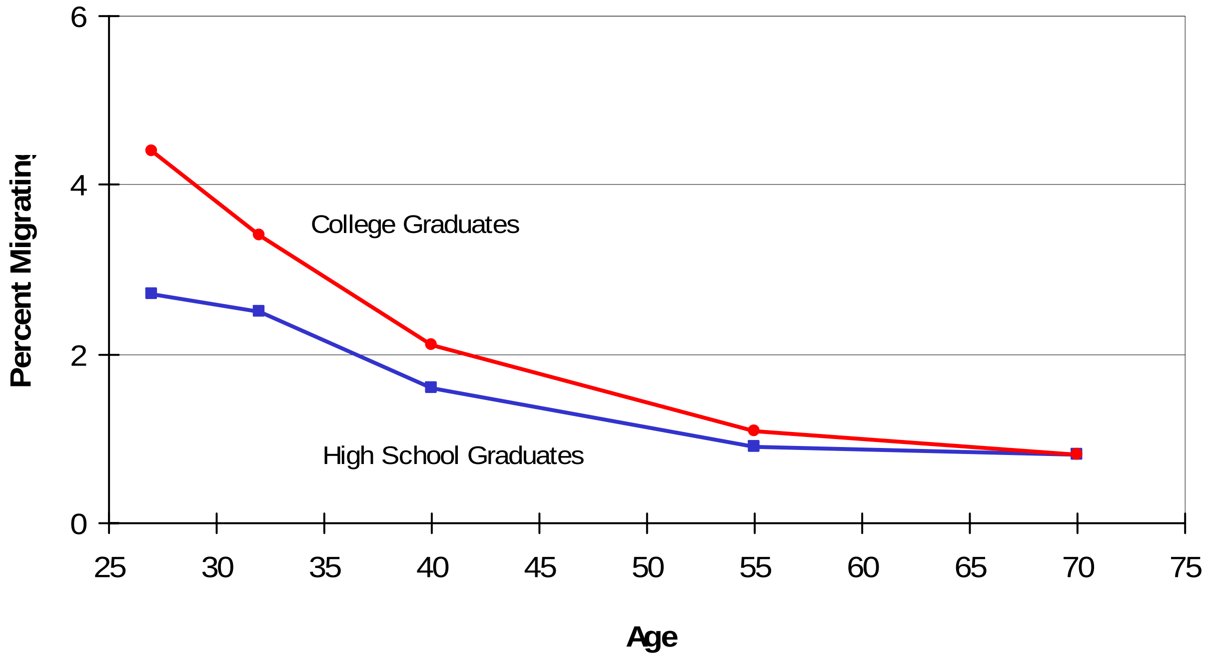
- Many studies indicate that demographic characteristic of workers, such as age and education, also play an important role.

- Migration is most common among younger and more-educated workers.

- Old workers are less likely to move since they have a shorter period over which they can collect the returns to the migration investment.

- The positive impact of education on migration rates might arise because highly educated workers may be more efficient at learning about employment opportunities in alternative labor markets.

[Figure 1] Probability of Migrating across State Lines in 2005−2006, by Age and Educational Attainment



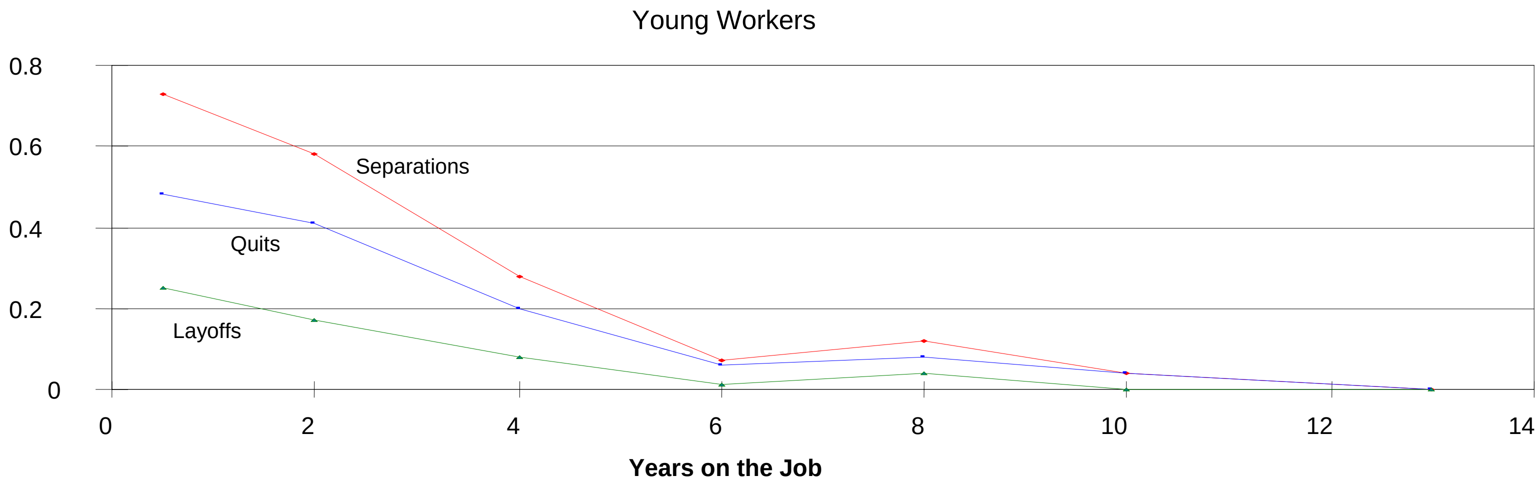
Job Turnover: Some Stylized Facts

- Newly hired workers tend to leave their jobs within 24 months of being hired, while workers with more seniority rarely leave their jobs.

- The rate of job loss is highest among the least educated workers.

- There is a strong negative correlation between a worker's age and the probability of job separation → labor turnover can be an investment in human capital and same logic of older worker story in internal migration can be applied.

[Figure 2] Probability of Job Turnover over a 2-Year Period for Young and Old Workers



Job Match

- Quits and layoffs are commonly and persistently observed in competitive labor market.

- Each particular pairing of a worker and employer has its own unique value.

- Workers and firms might improve their situation by shopping for a better job match.

- Efficient turnover is the mechanism by which workers and firms correct matching errors and obtain a better and more efficient allocation of resources.

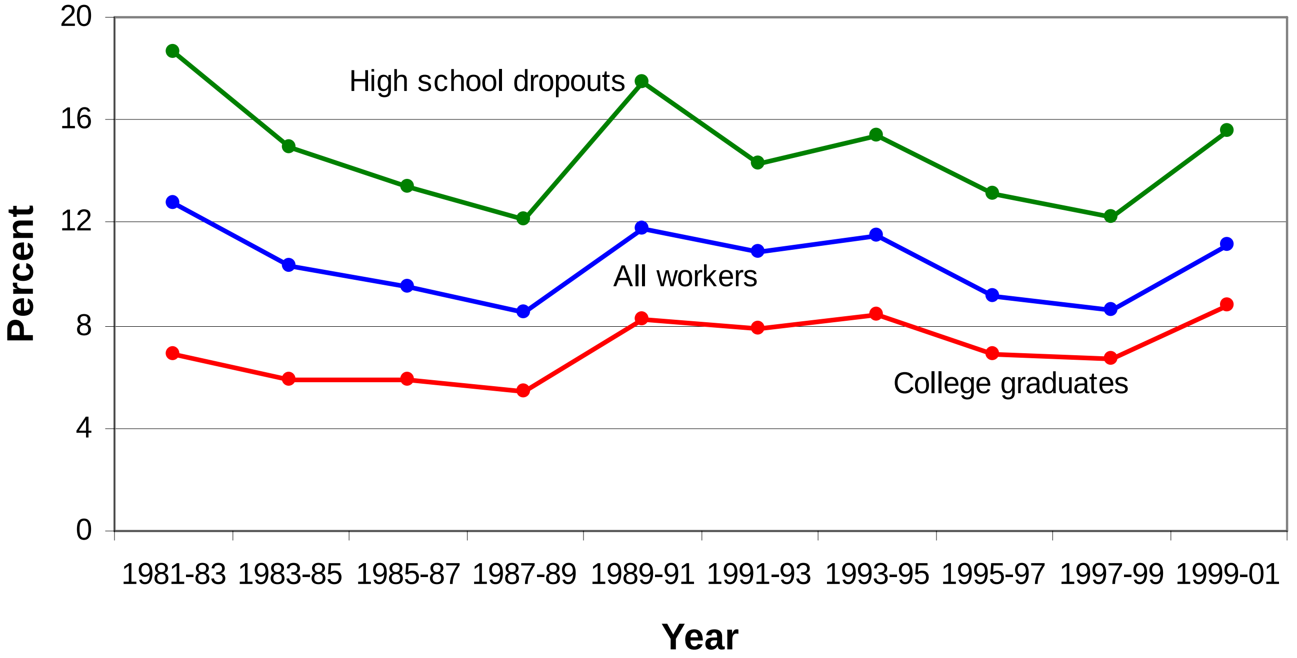
Specific Training and Job Turnover

- When a worker receives specific training, his productivity improves only at the current firm.

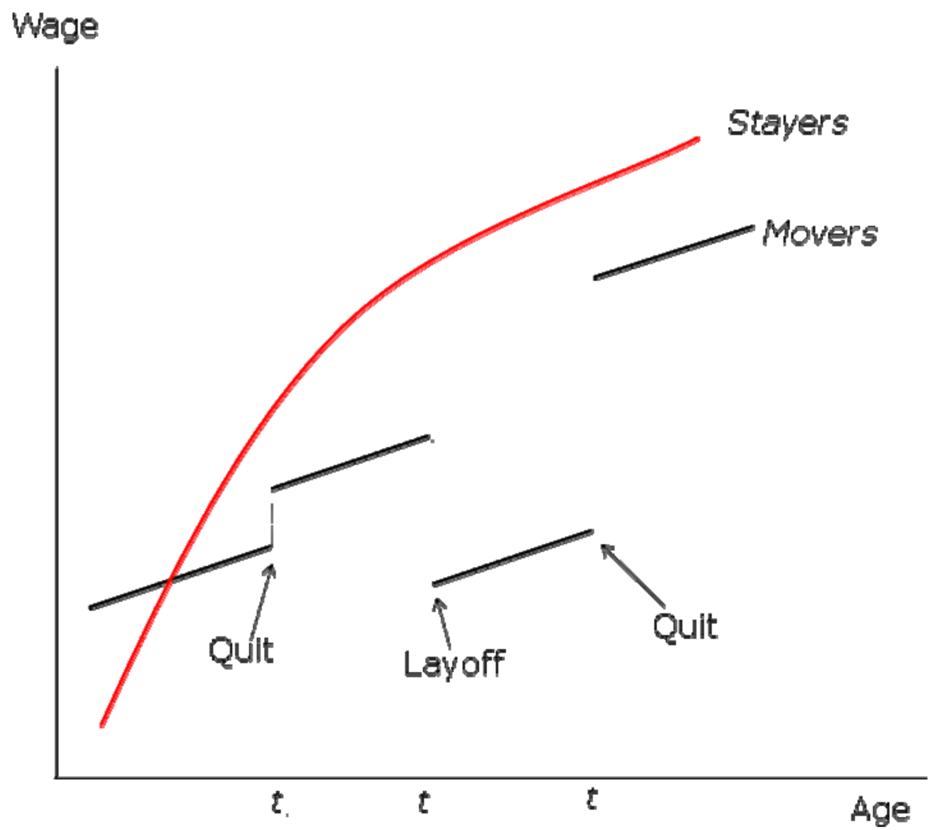
- This implies there should be a negative correlation between the probability of job separation and job seniority.

- As age increases, the probability of job separation decreases.

[Figure 3] The Rate of Job Loss in the United States, 1981−2001



[Figure 4] Impact of Job Mobility on the Age−Earnings Profile



- Firm-specific training implies a negative correlation between the probability of job separation and job seniority for a given worker.

- Cross-sectional estimation results show that longer job seniority is associated with lesser job separation → problem: examines the different workers having different job seniority.

- We need to consider the behavior of the same worker in the firm over the time period → need to control for individual's innate taste for job change.

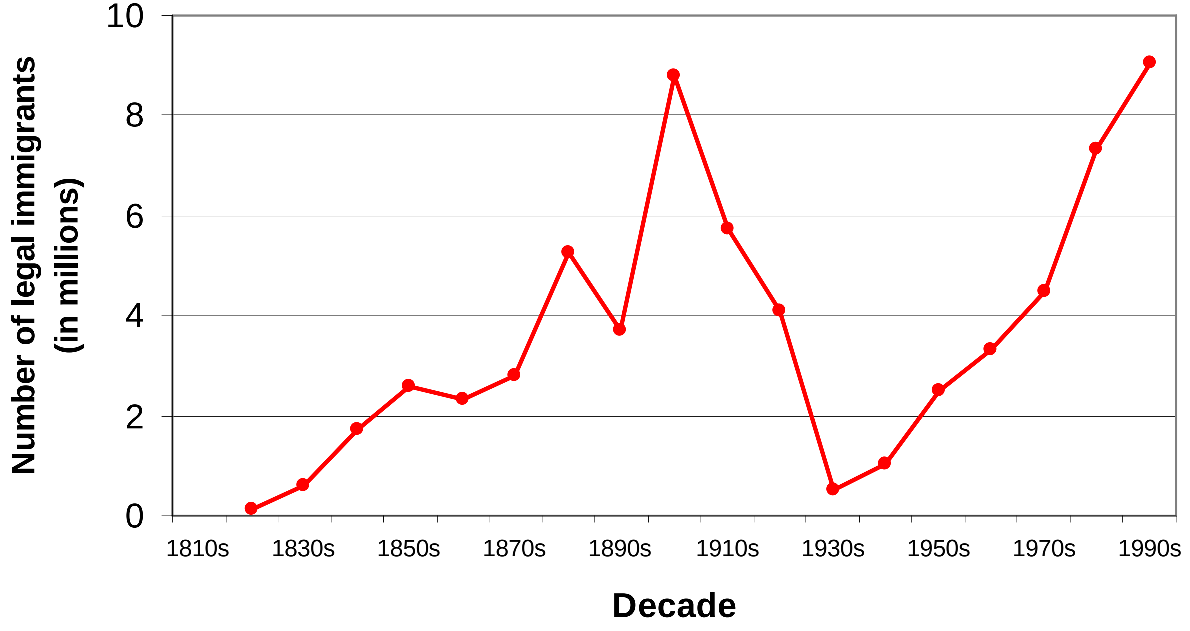
Immigration

- There has been a resurgence of immigration to the United States in recent decades.

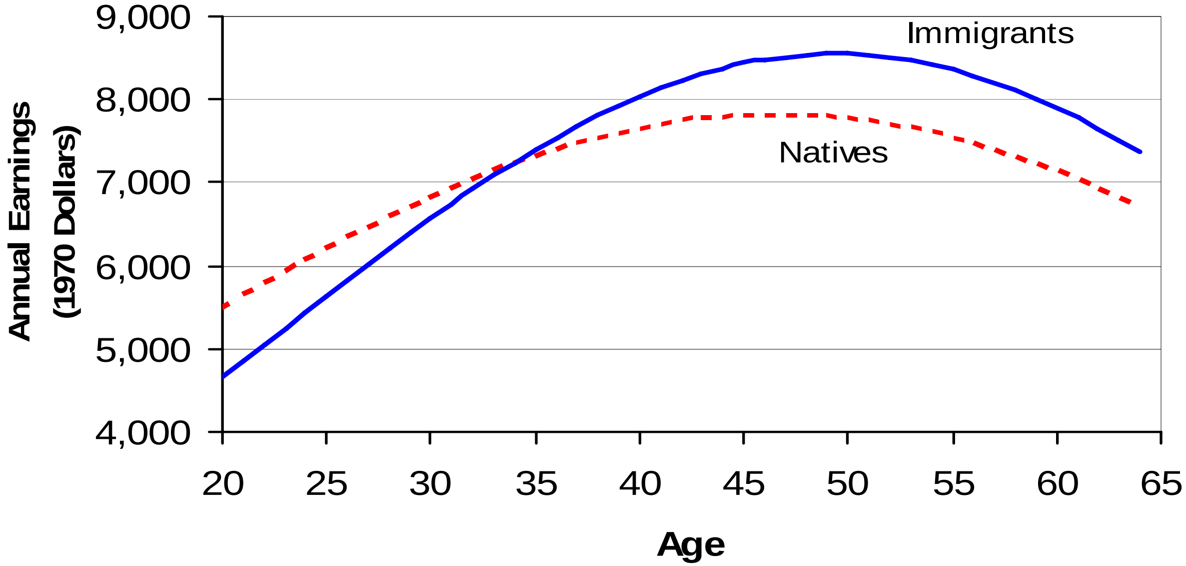
- The United States receives the largest immigrant flow in the world.

- The mix of countries of origin has changed substantially over time → In the 1950s, 6% of immigrants came from Asia and presently, 31% of immigrants come from Asia.

[Figure 5] Legal Immigration to the U.S. by Decade, 1820−2000



[Figure 6] The Age-Earnings Profiles of Immigrant and Native Men in the Cross Section

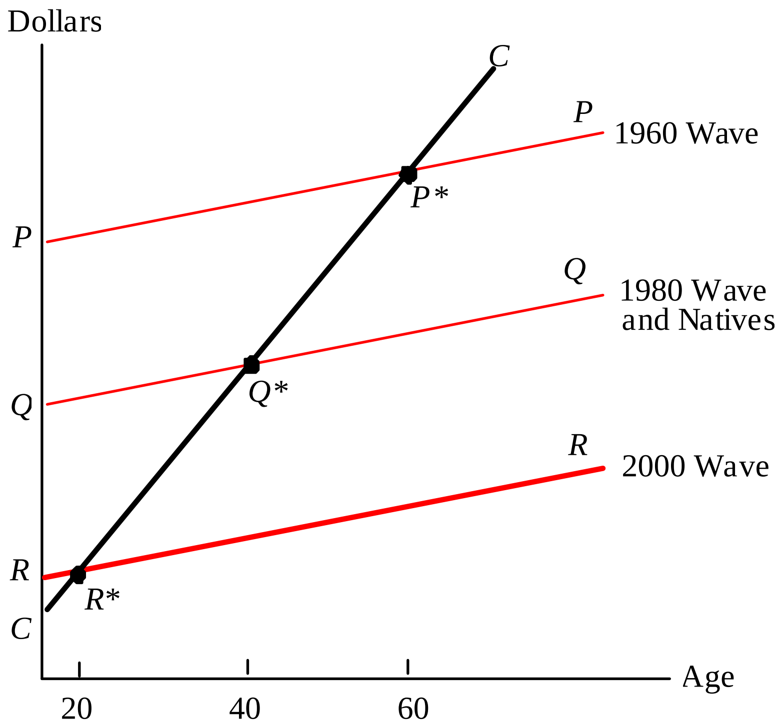


- Immigrant earnings are initially below the earnings of natives.

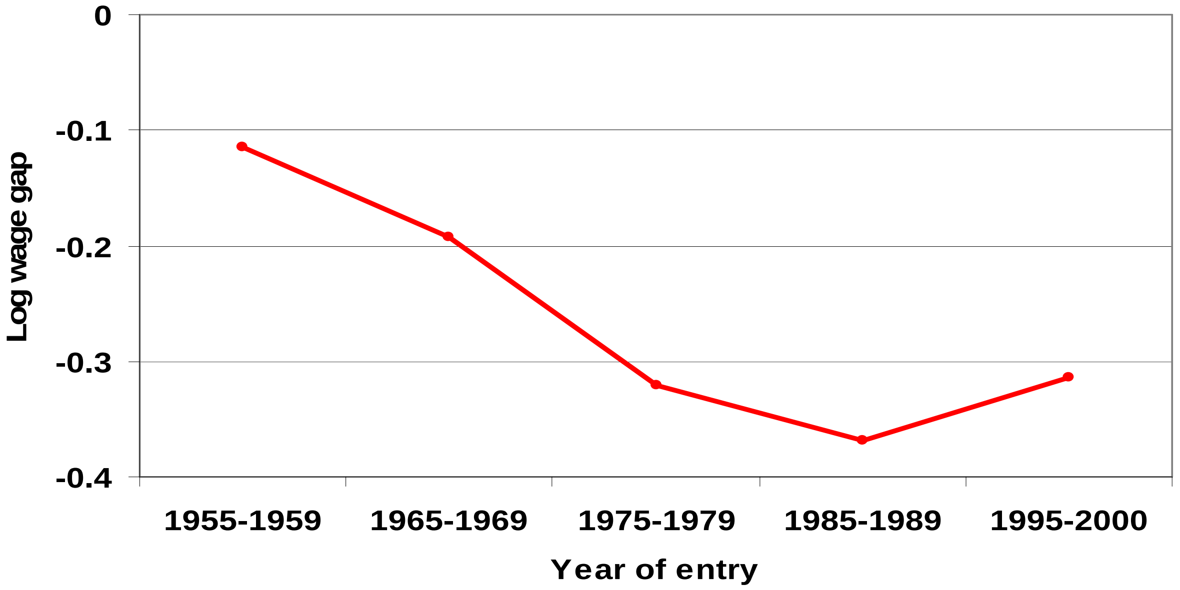
- The immigrant age-earnings profile is steeper than the native age-earnings profile → the human capital model implies that greater volumes of human capital investment steepen the age-earnings profile, so called "assimilation effect".

- Immigrants eventually earn more than natives → selection story saying that immigrants have exceptional ability or motivation.

[Figure 7] Cohort Effects and the Immigrant Age–Earnings Profile



[Figure 8] The Wage Differential between Immigrants and Native Men at Time of Entry



[Figure 9] Evolution of Wages for Specific Immigrant Cohorts over the Life Cycle