

On-the-job search in cities*

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Abstract

This study develops an on-the-job search model involving spatial structure. In this model, workers are either employed and commuting frequently to a central business district (CBD) or unemployed and commuting less frequently to a CBD to search for a job. When an unemployed worker succeeds in off-the-job search, the quality of the job match is determined stochastically: a good match yields high-productivity whereas a bad match yields low-productivity. Although a high-productivity worker does not search for a new job, a low-productivity worker decides whether to on-the-job search, which would require additional commuting to the CBD. Analysis of this model demonstrates that in equilibrium, the relocation path of workers corresponds to their career path, while welfare analysis demonstrates that such a spatial structure distorts firms' decision regarding the posting of vacancies.

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