

What prevents inter-industry labor reallocation?*

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Abstract

Finding an efficient way for labor reallocation is an important issue in Macroeconomic policies, especially under the shrinking working-age population. At the same time, however, it is widely known that an inter-industry job change is often associated with a substantial reduction in earnings. This paper investigates what prevents inter-industry labor reallocation by estimating the determinants of inter-industry worker-flow and the earnings regression after job change. We find that the difference in required skills is an important reason of the reduction in earnings after inter-industry job change, and thus it is a major obstacle for inter-industry mobility. On the other hand, industry performance does not affect labor inflow significantly, implying the lack of spontaneous labor reallocation from less productive to more productive sectors.

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