

# Job rotation or specialization? A dynamic matching model analysis \*

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## Abstract

Which is better in job assignment in firms, rotation or specialization? To answer this question, extending Kurino's (2014) dynamic matching model with indivisible goods, we develop a dynamic firm model of matching (indivisible) jobs and workers. First, in a simple model without overlapping generations (all workers are either under or after training in each period), we calculate the profits under the so-called "Japanese system" characterized by job rotation, lifetime employment, and seniority wages and those under the so-called "U.S. system" characterized by job specialization, non-lifetime employment, and non-seniority wages. Then the model shows that the two systems are only the variations that can be optimal in terms of profits, and does which system is better depends on the uncertainty about job continuation in the future and the costs of rotation. These cast a doubt on the argument that the Japanese system is "unique" and the U.S. system is "universal." Next, we incorporate the overlapping generations structure, in which workers under and after training coexist in each period, to the benchmark model. In this extended model, we show that the profit-maximizing stationary allocation is either a rotation or a specialization.

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