

Macro Roundup Article

Headline: [Size Matters: Matching Externalities and the Advantages of Large Labor Markets](#)

Article Link: <https://www.nber.org/papers/w32250>

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Tweet: Large labor markets are more liquid and improve matching. A 1% increase in market size results in an increase in the 1-year re-employment probability following a firm closure by .14 and .023 for high school and college graduates respectively. @MoisesYi3

Summary: We use administrative data [Longitudinal Employer-Household Dynamics reporting] to compare the job search outcomes of workers originally in large and small markets who lost their jobs due to a firm closure. Workers in larger markets experience significantly shorter non-employment spells and smaller earning losses following a closure than workers in smaller markets, indicating that larger markets partially insure workers against idiosyncratic employment shocks. We find that the effects are larger in industries where human capital is more specialized and less portable. Related: Changes in the U.S. Economy and Rural-Urban Employment Disparities and The World's Rust Belts: The Heterogeneous Effects of Deindustrialization on 1,993 Cities in Six Countries and Exodus From America's Big Cities Slowed Last Year as Pandemic Receded

Primary Topic: Unemployment/Participation

Topics: Academic paper, Database, Productivity, Unemployment/Participation, Urban vs Rural, Weekly, Workforce, Workforce Reorganization

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