Segregation and Disaggregated Sorting

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Abstract

We study a matching model where each individual belongs to a pool, and searching for a match outside one's pool is more costly than within it. We are interested in the effects of lowering search costs (within and outside each pool) on the equilibrium sorting patterns. As search costs diminish, the incentives of intermediate skill types to "search up" increase. As such, the intermediate types become "less interested" in matching with low skill types, who therefore have lower returns, and refrain, from searching outside of their pool. We relate this result to the empirical observation that secularly matches at the top of the skill distribution have become less assortative (high skilled workers have become less likely to marry other high skilled workers), while matches at the bottom of the skill distribution have become more assortative. In a separate empirical section, we interpret segregation as a measure of search costs across pools within the same commuting zone and validate predictions of the model.

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