

Occupational and locational substitution: measuring the effect of occupational and regional mobility.

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Abstract

The paper analyzes effects of occupational and regional mobility on the matching rate. The main contribution of the paper is measuring the effect of substitutability between vacancies for different occupations and vacancies in different regions on the matching rate. The three-level CES model is estimated using the disaggregated panel on regional and occupational levels. The estimates indicate higher regional mobility in West Germany but higher occupational mobility in East Germany. The results show that in the absence of regional mobility, the number of matches would have been smaller by about 10-25% on average. If occupations were not substitutable the number of matches would have dropped by about 3-5% in the West and by 6-10% in the East. If occupations were perfect substitutes, the number of matches could increase by some 5-9%. Perfect regional mobility could increase matchings by 15% in the West and 5% in the East. It is also shown that partial aggregation causes a downward bias in the substitutability estimates.