

Distant job search, labor market outcomes and the impact of mobility assistance

Steffen Künn (UM-SBE), Macro Caliendo (Uni Potsdam), and Robert Mahlstedt (IZA)

Abstract: The appealing idea of geographically relocating unemployed job seekers from depressed to prosperous regions and hence reducing unemployment, leads industrialized countries to offer financial support to unemployed job seekers when searching and/or accepting distant jobs. In this paper, we aim to answer the question whether the existence of so-called mobility programs indeed affects the job search strategy of the unemployed and how this affects labor market outcomes. While job search theory clearly predicts a shift in individuals' search effort from local to distant labor markets, the net effect on search effort and consequences for job finding probabilities remain ambiguous. We use survey data on German unemployed job seekers and apply an instrumental variable approach to identify empirically the causal impact of distant job search, as triggered by the availability of mobility programs, on job search strategies and subsequent labor market outcomes. The results show that the existence of mobility programs increases individuals' willingness to apply for distant jobs without affecting the total number of applications. However, the increase in search radius causes higher employment probabilities and wages.