

Returns to Mobility in the Transition to a Market Economy*

Tito Boeri
Università Bocconi and IGIER

Christopher J. Flinn
New York University

December 5, 1997

Abstract

In spite of ongoing dramatic changes in labor market structure, we present statistical evidence that transitional economies display rather low worker flows across sectors and occupations. Such low mobility can be explained by low returns to job changes as well as by market segmentation in the allocation of job offers. We develop an econometric model which enables us to characterize intertemporal changes in probabilities of dismissal, remuneration, and offer arrival rates on the basis of information on observed transitions and wage payments. The model is estimated using data from the Polish Labor Force Survey. Our results indicate a significant degree of segmentation in the allocation of job offers, more stability in public sector versus private sector jobs, and little, if any, rewards to tenure and age in the private sector.

JEL: P23, J63

Keywords: Transitional economies; Job search; Segmented labor markets.

*The authors wish to thank Randolph Bruno for skillful statistical assistance and Robert Willis for comments on an initial draft. Financial support from the Volkswagen Foundation [within the project "Labour Market Policies in Transition Countries: Monitoring and Evaluation"] and from the CV Starr Center is gratefully acknowledged.