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DO LABOR MARKET NETWORKS HAVE AN IMPORTANT SPATIAL DIMENSION?

**Judith K. Hellerstein, Mark J. Kutzbach, David Neumark**

**Cities and Innovation**

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**ABSTRACT:** We test for evidence of spatial, residence-based labor market networks. Turnover is lower for workers more connected to their neighbors generally and more connected to neighbors of the same race or ethnic group. Both results are consistent with networks producing better job matches, while the latter could also reflect preferences for working with neighbors of the same race or ethnicity. For earnings, we find a robust positive effect of the overall residence-based network measure, whereas we usually find a negative effect of the same-group measure, suggesting that the overall network measure reflects productivity-enhancing positive network effects, while the same-group measure may capture a non-wage amenity.

JEL Codes: J15, J30, J63

Keywords: Networks, job matches, wages, turnover.

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