

Does the internet increase the job finding rate? Evidence from a period of internet expansion*

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Abstract

The emergence of the internet has led to a considerable change in the efficiency of the individual job search process. In most of the cases, this shift is theoretically characterized as a beneficial one which is primarily driven by a massive reduction in search costs and information frictions. Using an instrumental variable strategy, the authors exploit data on municipal broadband availability to analyze how the outcome of the individual job search process is affected by a private internet access. While the internet's impact on the individual chances to (re-)gain employment is in focus of this study for the groups of unemployed, inactive and non-employed individuals, the effect on the likelihood to voluntarily move to a new position is investigated for workers. In contrast to the theory, the authors do not find any clear beneficial effects of residential internet access on the job finding rate for the groups of unemployed and non-employed individuals. For employed individuals only weak hints for a negative effect are found. The results suggest that previous related studies are more prone to problems of a positive selection on unobservables than expected. Moreover, they indicate that owning a private internet access is rather a signal for possessing more valued individual characteristics on the labor market than a determinant of (re-)gaining employment.

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