Worker Mobility and the Diffusion of Knowledge*

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Abstract

Workers can search on-the-job and leave their team to start a new team, carrying some of their knowledge with them. In contrast to standard sorting models, a firm's type is no longer exogenous; it is coworker human capital. Using a new methodology, we estimate the knowledge diffusion process and the degree of worker complementarities in production with micro wage data and job mobility patterns from the LEHD. Our estimated parameters imply both positive peer effects and strong production complementarities.

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