Mobility Constraints and Labor Market Outcomes: Evidence from Credit Lotteries

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Abstract

In this paper, we examine the effect of individual mobility on labor market outcomes. We exploit exogenous time-series variation in individual mobility through credit lotteries that randomly allocate credit designated for motorcycle purchase to participants of a financial product in Brazil. We find that upon access to a motorcycle, individuals exhibit higher employment rates and earnings, and are more likely to start a new business. Consistent with an underlying mobility channel, we observe that individuals move to jobs further apart from their home and harder to reach by public transportation. These effects are strongest for individuals residing in areas with less developed public transportation and sparse local labor markets.

JEL Codes: D14, G23, J62, R20, R23.

Keywords: access to credit, entrepreneurship, household finance, labor mobility, spatial mismatch.

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