

## **Occupational Reallocations within and across Firms: Implications for the Labor Market Polarization**

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### **Abstract**

This paper analyzes how the labor market friction interacts with the firms' decisions of reallocating workers in different occupations when the economy is facing a labor market polarization. First, using two datasets in the US, we measure occupational reallocations within firms. Second, we compare the patterns of occupational reallocations within and across firms between the US and Germany. We show that within-firm reallocations contribute more to the decline of routine occupation employment in Germany, where labor market institutions are presumably stronger than in the US. Third, we construct a general equilibrium model of firm dynamics to quantitatively analyze the impact of firing costs on the patterns of occupational reallocations and macroeconomic outcomes.