# Coworker Networks in the Labour Market

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**Abstract**

This paper studies the role of coworker-based networks for individual labour market outcomes. I analyse how the provision of labour market relevant information by former coworkers affects the employment probabilities and, if hired, the wages of workers who have previously become unemployed as the result of a firm closure. To identify the causal effect of an individual worker's network on labour market outcomes, I exploit exogenous variation in the strength of these networks that is due to the occurrence of mass-layoffs in the firms of former coworkers. The empirical analysis is based on German administrative data that comprise the universe of workers who were employed in Germany between 1980 and 2001. My results suggest a strong positive effect of a higher employment rate in a worker's network of coworkers on her re-employment probability after displacement. Accordingly, a 1 percentage point increase in the prevailing employment rate in the network increases the re-employment probability by 1.4 percentage points. In contrast, I find no evidence of a statistically significant effect on wages.

Key Words: Networks, Labour Markets, Employment, Wages

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