

# Do Commuting Subsidies Drive Workers to Better Jobs?

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## Abstract

An unappreciated possible benefit of commuting subsidies is that they can expand the choice set of feasible jobs for workers in a way that facilitates better job match quality. Variation in wages and initial commuting distances, combined with major reforms to the commuting subsidy formula in Germany, generates worker-specific variation in commuting subsidies. We study the effect of changes in these subsidies on job match quality. Increases in the generosity of commuting subsidies induce longer commutes and workers switching to higher paying jobs. Finally, increases in commuting subsidies induce workers to switch to better quality employers. But, commuting subsidies enhance assortativity in the labor market by disproportionately benefiting high-ability workers.