

## **The Aggregate Significance of Labor Reallocation**

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A number of micro studies suggest that reallocation of inputs across heterogeneous firms can be a source of productivity growth within narrowly-defined industries, usually in manufacturing. We provide evidence that micro reallocation can also matter for aggregate outcomes. We use a matched worker-firm data set from Sweden that allows us to track almost every worker as they move among firms producing over 90 percent of value added. We find that in some periods movements of workers from low- to high-marginal product firms increased GDP by about 1 percent. Since GDP growth averages about 3 percent over our sample period, we conclude that reallocation is indeed significant for aggregate outcomes.