The Effect of Cumulative Job Mobility on Early-Career Wage Development: Does Job Mobility Actually Pay?

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Abstract

Using a diverse sample drawn from the National Longitudinal Survey of Youth 1997, a series of wage models are estimated which control for both the timing and frequency of job changes over the first decade of the working career as well as for complex interactions between job mobility, actual work experience and job tenure. The wage estimates indicate that workers who demonstrate moderate job changing in the first two years after labor market entry but then taper their mobility thereafter actually raise their log-wage path above that of either immobile workers or persistent job changers. This finding is significant because previous studies have often found a negative relationship between cumulative job mobility and wages, with immobile workers typically earning the highest wages.

Wage Analysis

A series of panel wage models are estimated which control for both the timing and frequency of job changes as well as for complex interactions between job mobility, actual work experience and job tenure. To account for potential correlation between the job mobility variables and the person-specific component of the error term, a random-effects wage model is estimated using the instrumental variables procedure developed by Hausman and Taylor (1981). The Hausman-Taylor instrumental variables random-effects (IV-RE) estimator uses the deviations from within-person means of each endogenous and exogenous time-varying regressor, the within-person means of each endogenous and exogenous regressor, and the exogenous time-invariant regressors as instruments.

Table 1. Predicted log wage by pattern of job mobility and years of experience

<table>
<thead>
<tr>
<th>Years of experience</th>
<th>0</th>
<th>2</th>
<th>4</th>
<th>6</th>
<th>8</th>
<th>10</th>
<th>10-year diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility pattern 1</td>
<td>2.357</td>
<td>2.507</td>
<td>2.636</td>
<td>2.744</td>
<td>2.831</td>
<td>2.896</td>
<td>0.539</td>
</tr>
<tr>
<td>Mobility pattern 2</td>
<td>2.285</td>
<td>2.463</td>
<td>2.617</td>
<td>2.742</td>
<td>2.845</td>
<td>2.925</td>
<td>0.640</td>
</tr>
<tr>
<td>Mobility pattern 3</td>
<td>2.285</td>
<td>2.389</td>
<td>2.483</td>
<td>2.567</td>
<td>2.639</td>
<td>2.701</td>
<td>0.416</td>
</tr>
</tbody>
</table>

Results

The estimated coefficients from the IV-RE models are used to predict wages for three illustrative patterns of job mobility at experience levels of zero years, 2 years, 4 years, 6 years, 8 years and 10 years. The three mobility patterns capture the more realistic behavior of the stereotypical job “stayer,” job “matcher,” and job “mover.” The “stayer” is one who jobs early in search of a better match and finds more durable employment relationships over time (5 job separations); the “matcher” is one who jobs early in search of a better match and finds more durable employment relationships over time (5 job separations); the “mover” is one who changes jobs repeatedly and regularly throughout their first decade of work (5 job separations).

Predicted log wages are shown in Table 1. Regardless of gender, the worker corresponding to the job stayer (mobility pattern 1) starts with the highest wages in year zero (a fact confirmed in the actual data). However, it is the job matcher (mobility pattern 2) that experiences the greatest wage growth over the ten-year span. For men (Figure 1), the wage of the job matcher achieves parity in year 6 and overtakes that of the job stayer thereafter. For women (Figure 2), the wage of the job matcher overtakes that of the job stayer after nine years of employment.

Conclusions

The reason this study finds such a strong positive effect from early-career mobility can be found in closer examination of the mobility interaction variables in the wage models. The most influential of the interaction terms is that between number of job separations in the first two years and actual experience. As the worker begins to accumulate experience, early job changes become enhanced in value. At the same time, longer job tenures in the very early career retard the wage growth that comes from job mobility. In contrast, after the first two years, cumulative job mobility only enhances wages through longer tenures. This points directly to the need for job shopping to occur and succeed early in the career in order to spend as much time as possible in the most productive job matches after the initial churn.

References


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