

DISSERTATION ABSTRACT:
INTERMITTENT EMPLOYMENT HISTORIES AND LABOR MARKET OUTCOMES

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The effects of intermittent employment histories on earnings (job market paper)

In my job market paper, I am revisiting the traditional Mincerian earnings equation. The traditional experience measure, which reflects post-schooling investment in human capital, is calculated as the difference between an individual's actual age and his (estimated) age at completion of schooling. While a potential experience measure approximates the amount of time an individual could have been working, it does not necessarily reflect actual acquired experience, especially for those with interrupted careers. With this in mind, I am augmenting the Mincerian earnings function with additional variables that take into account time not working. In my empirical analysis, I am using the National Longitudinal Survey of Youth, a nationally representative sample of men and women, interviewed from 1979 to 2004. I find that in the traditional specification the returns to experience are overestimated for young adults, and the returns to education are overestimated for all population groups, as compared to the specifications with an array of employment history variables I propose.

I find striking differences in employment gaps (time spent not working, in year equivalents) across the educational categories, gender and race. Based on 2004 data, when survey respondents completed their education and established their careers, average employment gaps were the highest for female high school drop-outs, while they were negligible for male and female college graduates. This suggests a negative correlation between gaps in experience and education, further implying that highly educated individuals are likely to earn more not only due to their higher investments in human capital through schooling, but also due to their higher attachment to the labor market.

The fact that the traditional experience measure inaccurately reflects actual working experience can be treated as an omitted variables problem. To properly estimate the returns to work experience, I introduce additional variables, like gaps in experience, in the Mincerian equation. However, these variables are correlated with the level of education and the unobservables in the earnings equation, which likely biases the estimated coefficients. A Hausman test confirms the endogeneity of the employment gaps variables. To remedy the possible biases caused by such correlation, I use instrumental variables, such as the unemployment rates in the region of residence. Additionally, to purge the effects of unobserved heterogeneity I am exploiting the longitudinal nature of the data and using a fixed effects specification. Furthermore, I correct for sample selection as a means to adjust for non-random participation in the labor market, which is especially important for the female subsample.

To better understand the effects of experience on earnings, I split the sample into two age groups. Young adults (between ages 23 to 29), who are in the early stages of their careers, are likely to experience high income growth, while for the individuals older than 30 years of age, whose careers are established, income growth patterns are less steep. The fit of the model improves when accumulated older employment gaps and most recent non-working spells are included into the specification. Moreover, negative effects of previous years not working are more prominent for younger adults, while the magnitude diminishes for older adults who have spent more time working altogether, with females more heavily penalized for each year not working.

There is also an important implication of this work for the analysis of wage differentials: employing improved measures of work experience helps explain the differences in earnings based on the

nature and quality of labor market experience acquired, and not necessarily based on gender or race differences alone. This is supported by the decreased estimated coefficients for the race/ethnicity dummy variables when additional measures of experience gaps are introduced.

How many is too many? An analysis of the effects of frequent job changes on earnings

In this paper I focus on the consequences of job changes for labor market outcomes, using the NLSY79 data (1979-2006). I find evidence that there are some benefits associated with moderate job mobility, as well as some penalties of changing jobs too often.

For the analysis, I define a job change as associated with a change in employer (and not necessarily with the promotion within the same company). The record of all reported jobs, along with the duration of unemployment spells, constitute the employment histories I am considering in this study. Most people change jobs several times over their careers, but some people do it more often than others. When it comes to changing jobs, how often is too often? How many prior jobs still tell a future employer that an individual is a valuable asset to the company, given his or her previous experience, and how many prior job holdings signal an inability to stay with any one employer long enough to make a contribution to the company?

To properly examine the effects of the job changes on earnings, I am augmenting the traditional earnings function with more comprehensive measures of quality of work experience. Along with the number of years of labor market attachment, I am using number of job holdings, tenure at each job, unemployment spells and occupation/industry changes.

Job mobility in transition economies

In this paper I study the effects of job mobility on individual earnings, and compare the results for transition economies (using the example of Russia) with those for developed economies (using the example of the US). I conjecture that in transition economies most recent employment events have a stronger effect on current earnings, than pre-reform labor market histories. This is different from the findings for developed economies, where all accumulated work experience matters.

Generally low unemployment rates in the pre-reform Russia imply a high labor force attachment among the majority of the population. After the Soviet Union's collapse, various economic reforms lead to significant changes in the labor market, and were associated with a wave of layoffs and involuntary job changes. While pre-reform employment histories were similar among different types of individuals, there is a lot of heterogeneity in labor market experiences after the reforms. Moreover, pre-reform experience is not fully transferable to the post-collapse economic environment. Furthermore, most of the job changes (including employer, occupation, and industry changes) during the early years of the transition were the result of a macroeconomic shock, and can be considered exogenous. Because individuals were forced to change their jobs, then the individual characteristics and attitudes, both observed and unobserved, became crucial factors determining further labor market outcomes. Initiative, motivation and entrepreneurship allowed some individuals to realize their potential, and seize the opportunities of the transition period, thus ensuring significantly higher increases in earnings compared to those with more conservative careers and less rewarded characteristics.

For this analysis, I am using a nationally representative sample of the Russian Federation from the Russian Longitudinal Monitoring Survey (1992-2004), which allows me to perform cross-sectional and panel data estimations.