



# 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 account 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.

## Introduction

In an oft-cited landmark study on early-career job mobility, Topel and Ward (1992) showed that the typical (white male) worker will hold seven full-time jobs in the first decade of the working career. Over this time period, substantial wage gains are produced both within and across jobs. According to their estimates, nearly one-third of all wage growth experienced in the first 10 years was due to job changing. Clearly, early job mobility has an important impact on wages over the working lifecycle. What is left unaddressed in the Topel and Ward study, however, is how *cumulative* job mobility shapes the *overall* profile of wages. That is, does early-career job mobility actually pay for the typical worker?

The purpose of this study is two-fold. First, to document the timing and extent of job changing in the first 10 years of the working career in order to build comprehensive measures of cumulative job mobility. Second, to relate the identified pattern of job changing to wages in order to ascertain whether cumulative job mobility pays (i.e., steepens the overall wage profile).

The sample for analysis is drawn from the National Longitudinal Survey of Youth 1997 (NLSY97). Present within the NLSY97 data files are information detailing the entire employment history of each respondent. Using this work history, a complete employment timeline of all jobs held over the first ten years of the working career is constructed for each member of the sample using data from 1997 through 2017.

Table 1. Average cumulative jobs (full- and part-time) held by years of potential labor market experience

	2 Years	4 Years	6 Years	8 Years	10 Years
All respondents	2.07	3.08	3.93	4.64	5.23
Men (N=3,253)	2.05	3.09	3.95	4.68	5.27
Women (N=3,421)	2.08	3.06	3.91	4.61	5.19

## Job Mobility Analysis

Table 1 shows the average cumulative number of jobs held by workers in the sample by years of potential labor market experience, regardless of full or part-time status. Millennial workers hold about five and a quarter jobs (5.23) across the first 10 years of the working career. Nearly 40 percent of all jobs held occur in the first two years and almost 60 percent are held in the first four years, a pattern that holds for both men and women.

Table 2 shows the average cumulative number of full-time jobs held by years of potential labor market experience for the same sample of workers, with full-time defined as working an average of 30 or more hours per week. Millennial workers hold only 3.74 full-time jobs over the first ten years of the working career on average. This marks a notable decline from what has been reported by researchers working with data on earlier cohorts of workers (e.g., Topel and Ward, 1992).

Table 2. Average cumulative full-time jobs held by years of potential labor market experience

	2 Years	4 Years	6 Years	8 Years	10 Years
All respondents	1.39	2.13	2.78	3.31	3.74
Men (N=3,253)	1.48	2.30	3.00	3.58	4.06
Women (N=3,421)	1.30	1.98	2.57	3.06	3.44

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## 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.

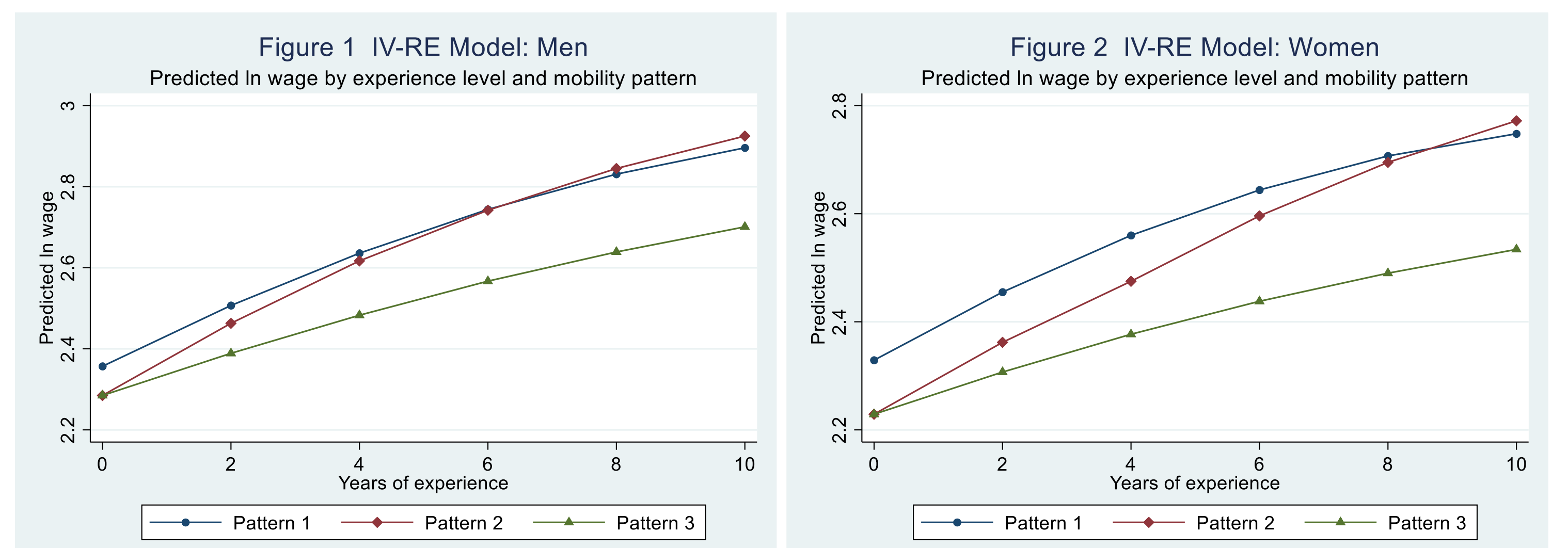
Table 3. Predicted log wage by pattern of job mobility and years of experience

	Years of experience						10-year diff.
	0	2	4	6	8	10	
<b>Panel A: Men</b>							
Mobility pattern 1 ("stayer")	2.357	2.507	2.636	2.744	2.831	2.896	0.539
Mobility pattern 2 ("matcher")	2.285	2.463	2.617	2.742	2.845	2.925	0.640
Mobility pattern 3 ("mover")	2.285	2.389	2.483	2.567	2.639	2.701	0.416
<b>Panel B: Women</b>							
Mobility pattern 1 ("stayer")	2.329	2.455	2.560	2.644	2.707	2.748	0.419
Mobility pattern 2 ("matcher")	2.229	2.362	2.475	2.596	2.695	2.772	0.543
Mobility pattern 3 ("mover")	2.229	2.307	2.377	2.438	2.490	2.534	0.305

## 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 a worker who remains with one employer over the entire ten-year span (zero job separations); the "matcher" is one who job shops 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 3. 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

- Hausman, Jerry A., and William E. Taylor, "Panel data and unobservable individual effects," *Econometrica*, 49, November 1981, 1377-1398.
- Topel, Robert H., and Michael P. Ward, "Job mobility and the careers of young men," *Quarterly Journal of Economics*, 108, May 1992, 439-479.