

Lifelong Gains from a Strong Start: Early Career Fit and the College Wage Premium

Paul Jackson, National University of Singapore

Abstract

This paper studies the role of uncertainty regarding one's best career fit in shaping the college wage premium. We document stark differences in the first half of workers' careers by educational attainment. College-educated workers switch occupations and separate into unemployment at a low rate, while experiencing rapid wage growth. Non-college workers change occupations frequently, exhibit a high separation rate, and experience sluggish wage growth. To account for these patterns, we build a life-cycle search model with learning about career fit and endogenous human capital accumulation on the job. Workers who are more certain that they are in a good match with their career invest more in human capital accumulation and experience higher wage growth. Our quantitative analysis finds large disparities in career uncertainty by educational attainment, and these differences account for a substantial portion of the overall skill premium.