

Does Job Search Duration Affect Job Tenure in the First Job? Evidence from College and University Graduates in Japan

Mitsuhiro Nagano^{*†}

Osaka School of International Public Policy,
Osaka University

Abstract

This paper examines how job search duration influences the match quality of the first job, especially job stability. It makes three contributions to the body of knowledge on this topic. First, we clarify whether job search duration affects the match quality of THE FIRST JOB. Few studies focus on the match quality of the first job for the younger generation, even though it is a matter of great concern in developed countries. Second, in order to examine the relationship between job search and job stability, we utilize data derived from an online survey on job searching both before and after graduation. Third, we focus on the unique and uniform setting of the job searches of Japanese university graduates in order to control for several important factors that may cause ambiguous empirical results.

Standard search theory suggests that longer job search duration reduces job stability. Meanwhile, we must overcome the problem of endogeneity, which is caused by unobservable heterogeneity such as an individual's cognitive and potential abilities or motivation to work. We use three excluded instrumental variables: average job search duration, university graduate job-opening-to-application ratio, and number of job applications per month. These three variables are considered to be related to job search duration, but not to job stability.

The results of OLS estimation indicate that job search duration seems to have a significant negative impact on job stability. Note, however, that they ignore the existence of unobserved heterogeneity as noted earlier. To overcome the endogeneity problem of job search duration, we conduct IV estimation by using the three types of instrumental variables. We find that the negative relationship between job search duration and job stability disappears after removing

* I would like to thank Miki Kohara, Fumio Ohtake for their insightful comments and suggestions, which have helped to improve this study greatly. We are solely responsible for all errors and omissions.

† Osaka School of International Public Policy, Osaka University, 1-31 Machikaneyama, Toyonaka, Osaka 560-0043, Japan
Email address: m-nagano@osipp.osaka-u.ac.jp

the problem of endogeneity. These results suggest that the negative relationship is simply caused by unobserved heterogeneity. Hence, although a jobseeker spends a longer time finding a job, his/her job stability in the first job is unchanged. Robustness checks also indicate that our main result is robust.

JEL Classification: J63, J64, J68

Keywords: job tenure in the first job, job search duration, unique and uniform system for recruiting upcoming graduates in Japan