

Human Capital Specificity and Mobility in Japan

Ayaka Nakamura

Graduate School of Economics, Osaka University

Abstract

I estimate the effects of employer- and occupation-specific experience on wages based on OLS and instrumental variable method, and examine the probability of employer and occupation switch using the Japan Household Panel Survey (JHPS/KHPS) for the 2004-14 period. I find that employer tenure is the most important determinants of wage payments. Everything else being constant, the first 5 years of employer tenure are associated with a seven percent increase in wages of after correcting a bias due to unobserved matching quality. On the other hand, occupation tenure has little effect on wages. The average mobility across employer and occupation are around 5% and 20% over 2004-14, respectively. Also, there are no significant difference in the pattern of transition across occupations between when workers switch an employer and when they do not. These results suggest that human capital is employer specific in Japan, and that there is no evidence to support the existence of occupation specific human capital.