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# Higher Education, Productivity Revelation and Performance Pay Jobs

Jisun Baek and WooRam Park \*

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## Abstract

This paper examines the impact of college education on workers' subsequent careers, based on a direct role of college graduation on the revelation of workers' individual ability. Using NLSY79, we document a positive relationship between ability and signaling behavior for high school graduates and a non-positive relationship for college graduates. Moreover, we show active job mobility for high ability high school graduates. We argue that these patterns are the result of post-schooling signaling of high school graduates whose individual ability, unlike college graduates, is not observed in the beginning of their careers.

**JEL code:** I20; J24

**Keywords:** productivity revealing; off-the-job training; performance pay jobs; job mobility; college education; NLSY79

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## I INTRODUCTION

Since Spence (1973), a well-known function of higher education includes the signaling of ability. In the traditional signaling model, individuals with high ability reveal their ability by sorting into higher education. However, a recent paper by Arcidiacono, Bayer, and Hizmo (2010) (ABH (2010) hereafter) documents that college graduation plays a direct role in revealing the productivity of individuals to the labor market rather than simply categorizing them as college graduates. In particular, ABH (2010) documents that the wages of college graduates are correlated with their own abilities while the wages of high school graduates are not, at least not in the beginning of their careers.<sup>1</sup> There are several additional studies that document pooling of young high school graduates. For instance, Bishop (1994) and Rosenbaum (1990) demonstrate that having both cognitive and non-cognitive skills—both of which are believed to be related to productivity—is not reflected in the wages of young high school graduates. Thus, at the early stages of their careers, high ability high school graduates tend to be “pooled” with low ability high school graduates.

The goal of this paper is to document the effects of higher education on post-schooling careers of workers based on the role of higher education in revealing ability. In particular, based on the evidence of the role of higher education in revealing ability, we argue that this role yields clear implications regarding workers’ productivity revealing behaviors after they enter the job market. To be concrete, if individual ability of high school graduates is not directly observable, high ability high school graduates will not be appropriately compensated. Thus their wages will be set based on the average ability of high school graduates. As a result, it is likely that high ability high school graduates will engage in activities that will separate them from low ability high school graduates after they start their careers. More specifically, we predict that the high ability high school graduates will be more likely to obtain off-the-job training, and more

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<sup>1</sup>Many aspects of college education make the abilities of young college graduates readily identifiable. In particular, as Hoxby (1997) documents, the abilities of college students are homogeneous within a university but heterogeneous across universities. Given the sorting of students by ranking or selectivity of colleges, potential employers can obtain relatively accurate information about college graduates by simply observing the names of their alma maters.

likely to sort themselves into performance-pay jobs in which wages are closely related to individual ability.

Unlike high school graduates, high ability college graduates are not expected to engage in costly activities to separate themselves from those with low ability since the abilities of college graduates are already apparent from the beginning of their careers. Thus, the probability of participating in off-the-job training and sorting into performance pay jobs would not be positively correlated with the measure of ability among college graduates at the early stages of their careers. Moreover, we expect that the job mobility of high ability high school graduates will be higher than that of their low ability counterparts since they move to better jobs and differentiate themselves from low ability workers by revealing their ability. However, the job mobility of college graduates will not necessarily depend on ability, since they are assigned to jobs according to their abilities from the beginning of their careers. Thus, the job mobility of college graduate workers will be determined by the factors that are not related to a worker's ability such as a random job match between employer and employee. This mechanism provides an alternative explanation as to the traditional search theory that has been applied to explain the positive return to job mobility among high school graduates in Topel and Ward (1992).

We examine these patterns of worker's post-schooling behaviors using NLSY79 data by documenting the different relationships between AFQT scores and productivity revealing activities across high school and college graduates. Those patterns coincide with the prediction of the signaling model under a different degree of asymmetric information between employers and workers across those two groups.

This paper contributes to the literature by illustrating the role of post-schooling signaling as a possible mechanism explaining that wages of high school workers eventually reflect their individual abilities. Since the seminal work by Farber and Gibbons (1996), the role of the employer learning on wage dynamics—the wages of young workers eventually being positively related to AFQT scores—has been well documented by several papers (Altonji & Pierret, 2001; Bauer & Haisken-Denew, 2001). The

basic employer learning model hinges on the public or symmetric employer learning which assumes that the current employer's information about the workers is being shared with *all* potential employers. However, the existence of private or asymmetric learning of employers—and the game theory issues related to it—makes the plausible mechanism of employer learning complicated. As a result, only a small number of papers—Schoenberg (2007) and Pinkston (2009)—proposed an employer learning mechanism that explains wage dynamics under the private or asymmetric learning of employers. However, given the high mobility of high school graduates in the early stages of their career (Topel & Ward, 1992), it seems unrealistic that information about average young workers could be accumulated in a short time and then passed to outside employers through a rather complicated process without a significant loss in the information.

By focusing on the incentives of high ability workers to reveal their productivity, this paper provides an alternative story for the wage dynamics of young workers. Unlike the employers who do not have an incentive to reveal information about their high ability workers, the high ability workers have a strong incentive to reveal their abilities to their potential employers through productivity revealing activities. Since the worker will signal their abilities to all potential employers, one does not have to consider the transmission of information across employers. Moreover, explaining the wage dynamics using workers' incentives is more intuitive than relying on employer learning as it emphasizes the role of workers who will actually gain from the revelation of productivity and its related wage increases.<sup>2</sup>

The rest of the paper is organized into the following sections. Section II provides an overview of NLSY79 and the sample construction. In section III, we describe individual's sorting behavior into higher education, and draw testable implications regarding subsequent aspects of post-schooling careers followed by the identification strategy and the estimating equations. In Section IV, we present the main empirical results that verify the hypotheses regarding productivity revealing activities and job mobility of

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<sup>2</sup>The employers will be indifferent about the wage distribution in this setting as long as the average wage equals the average productivity of workers.

workers. Section V presents concluding remarks.

## II DATA

To empirically verify our hypotheses regarding workers' post-schooling careers, we use NLSY79 data for 1979-2006 period. The data have been collected annually since 1979 and biannually since 1994. The respondents were aged between 14 and 22 at the beginning of the survey. The data have a number of advantages for analyzing post-schooling signaling behaviors. In particular, NLSY79 is focused on the early stage of respondents' career when productivity revealing activities are most likely to have an impact. Moreover, for the analysis of post-schooling behaviors that are a focus in this paper, information regarding workers' ability is essential. NLSY79 contains the results of AVSAB test which can be converted to an AFQT score. The AFQT score in NLSY79 has been widely accepted as a pre-market measure of ability. Lastly, the data contain detailed information about the training of workers and their job characteristics, including the payment structure of jobs.

For the main analysis, we restrict the sample to white males in order to avoid tracking the variations in careers that might arise from differences in race and/or gender. Following ABH (2010), we also limit the sample to the respondents who have completed 12 or 16 years of education and exclude high school dropouts and individuals who have completed some college education. We exclude respondents who have military jobs or, jobs without pay, who are self-employed in CPS (main) jobs, or who work for a family business. We also drop labor market experience accumulated before individuals left school for the first time. Furthermore, we restrict our scope of the analysis to individuals for whom potential experience is less than 13 years, thereby focusing on the early stages of their careers.<sup>3</sup> Another reason for this criterion of sample construction, as explained in ABH (2010), is to keep the analysis simple by focusing on the approximately linear region of the relation between log wages, AFQT scores, and potential experience.

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<sup>3</sup>The potential experience is defined as the number of years since a respondent first finished schooling.

The measure of ability, AFQT score, is constructed using the definition provided by the Department of Defense, and is standardized by the age of the individual at the time of the test. The construction of the performance pay indicator variable follows Lemieux, MacLeod, and Parent (2009). The performance pay indicator variable takes a value equal to one if the wage of CPS jobs includes a variable pay component such as a bonus, commission or piece-rate. For the off-the-job training variable, we follow Parent (1999) and re-classify 12 training categories into three groups—on-the-job training (OJT), off-the-job training (OFT), and apprenticeship. In particular, the OFT indicator variable takes a value equal to one if the respondent took any form of OFT—business colleges, nursing programs, vocational-technical institutes, etc.—in a given year. We use the hourly wage rate of CPS jobs from the work history file as a measure of wages and obtain the real wage by using the CPI index. The number of jobs in a given year is used as a proxy for the job mobility of workers.

Table 1 shows the summary statistics for the main analysis sample. As expected, the average of log wages and the average AFQT scores are higher for college graduates than for high school graduates. College graduates are more likely to sort themselves into performance pay jobs and to obtain training. Additionally, the compositions of training differ between the two groups as high school graduates are more likely to obtain OFT and apprenticeships and are less likely to obtain OJT. However, there is little difference in the number of jobs per year between college and high school graduates.

### III EMPIRICAL FRAMEWORK

This section describes the implications of post-schooling careers based on the role of higher education. We also explain the estimation equation to test those implications.

As briefly noted in Section I, some literature suggests that college graduation plays a direct role in revealing individuals' abilities. Thus, given the competitive labor market, college graduates will receive wages according to their individual abilities. However, in regards to wages, high school graduates will be pooled at the beginning of their careers, since employers cannot verify the individual abilities of fresh high school



graduates. Given these initial wages of high school graduates, some proportion of high ability high school graduates have incentives to engage in productivity revealing activities to separate themselves from low ability high school graduates, and to ultimately get paid for their individual abilities. However, high ability college graduates will not engage in costly productivity revealing activities since they are already separated from *both* high school graduates and low ability college graduates. We exploit this difference in productivity revealing activities such as off-the-job training and sorting into performance pay jobs between high school and college graduates to identify the effects of higher education on individual's post-schooling careers. In addition, we argue that the job mobility will exhibit different patterns among high school and college graduates.

The different patterns of relationship between ability and outcomes among high school and college graduates confirm our hypothesis. We claim this difference as evidence supporting the effects of higher education on the subsequent careers of the workers. To be specific, we verify a positive and statistically significant relationship between the incidence of productivity revealing activities and the ability among high school graduates, while we find a non-positive relationship among college graduates. We attribute this difference between the two groups to the differences in the productivity revealing activities across the two groups given the role of college graduation.

The main empirical specification regresses the outcome variable on a measure of ability, potential experience and the interaction of the two. The following equation will be estimated separately for high school and college workers:

$$Y_{it} = \beta_0 + \beta_1 AFQT_i + \beta_2 Exp_{it} + \beta_3 AFQT_i * Exp_{it} + \delta_t + \Phi' X_{it} + \epsilon_{it} \quad (1)$$

where  $Y_i$  is the outcome variable such as the wages of the workers, the number of jobs held in a given year and the dummy variable for a having performance pay jobs and engaging in off-the-job training. The coefficient of  $AFQT_i$ ,  $\beta_1$ , indicates the correlation between the outcome variable and AFQT scores at the beginning of individual's career—when their potential experience is equal to zero. The coefficient of the in-

teraction term,  $\beta_3$ , captures the difference in the correlation between experience and outcome across workers with different ability. Our hypothesis will be supported by the examining difference in the statistical significance and the sign of coefficients in each group.

## IV RESULTS

This section provides the empirical results that verify our hypotheses regarding productivity revealing activities and job mobility of workers.

### Off-the-Job Training

The previous literature on training focuses mainly on the human-capital-mediated effect of training on wage increases or job mobility (Lynch, 1991, 1992; Parent, 1999). In contrast, we view training mainly as a mean to reveal the productivity of workers. In particular, off-the-job training (OFT) is similar to schooling in the sense that the worker bears the cost of the training, and the contents of the training are not firm-specific. Given the similarities between off-the-job training and schooling, off-the-job training can be also used as a signaling device. Thus, as traditional signaling theory (Spence, 1973) would predict, high ability workers would be more likely to obtain OFT than their low ability counterparts if they are not differentiated from their low ability counterparts.

Therefore, for the high school graduates whose abilities are not revealed at the beginning of their careers, the probability of getting off-the-job training will be positively related with their AFQT scores, as high ability high school graduates would participate in OFT to reveal their ability. However, for college graduates whose individual abilities are already apparent, the probability of obtaining OFT will not necessarily depend positively on the measured ability. Moreover, since the return of being separated from low ability workers decreases with time, the probability of getting OFT will decrease faster with experience for high ability high school graduates compared to their low ability counterparts. In other words, the experience gradient will be steeper for

high ability high school graduates whose motivation for taking OFT depends on both signaling (revelation of productivity) and human capital accumulation. However, we do not expect different experience gradients across abilities among college graduates since high ability college graduates do not have additional incentives to receive OFT in the early stage of their careers.

Table 2 confirms our hypotheses, summarizing the results from the regression (1) regarding off-the-job training. The probability of taking OFT does not depend positively on the AFQT scores of college graduates in the early stages of their careers as the AFQT coefficient in column (6) is not statistically significant at 5%. Further, the coefficient of the interaction term between AFQT scores and potential experience is positive which is the evidence against the possibility of OFT being used as a productivity revealing device for high ability college graduates. In other words, if OFT is used as a productivity revealing device, it is likely to be used more intensively by high ability college graduates in the early stages of their careers. Overall, the evidence supports the view that for college graduates, revealing productivity is not a dominant motivation for receiving OFT. Column (4) shows that there is little correlation between the incidence of off-the-job training and individual ability in the first 13 years of the careers of college graduates.

However, for high school graduates, the results coincide with the hypotheses that high ability high school graduates will receive OFT to reveal their individual productivity. The AFQT coefficient in column (3) is positive and significant, which implies that high ability high school graduates are more likely to engage in OFT than their low ability counterparts at the beginning of careers. Moreover, the negative coefficient of the interaction term between AFQT scores and potential experience implies that high ability high school graduates are more likely to undertake an OFT at the beginning of their careers compared to low ability high school graduates. This result also supports our hypotheses since the return for revealing productivity through OFT is higher in the early stages of a career. Thus high ability high school graduates will engage in OFT more intensively in the earlier stages of their careers.

## Performance-Pay Jobs

A recent paper by Lemieux et al. (2009) asserts that due to the imperfect information about workers, high ability workers will have an incentive to sort themselves into performance pay jobs so that they can reveal their high productivity and receive wages that more closely reflect their abilities. Lemieux et al. (2009) supports this argument by comparing the average AFQT score of the workers in performance-pay jobs with that of the workers in non-performance-pay jobs. Adopting their view on performance-pay jobs, one can categorize sorting behavior into performance-pay jobs as a means to reveal individual worker's productivity. Thus, given the role of higher education, the relation between ability and having a performance-pay job among high school graduates will be different from that among college graduates.

To be more specific, since high school graduates are pooled with each other at the beginning of their careers, high ability high school graduates will try to sort themselves into performance-pay jobs and to receive pay in relation to their individual abilities. However, unlike high school graduates, college graduates are differentiated by their ability from the beginning of their careers. Thus, high ability college graduates will have little incentive to have performance-pay jobs and to pay additional monitoring costs to reveal their high abilities. In other words, it is not necessary for high ability college graduates to sort themselves into performance-pay jobs; in fact, it could be considered wasteful in the early stages of their careers. In sum, the probability of getting performance-pay jobs will depend positively on AFQT scores among high school graduates in the early stages of their careers, whereas among college graduates the correlation between the probability of working at performance-pay jobs and AFQT scores will not be positive.<sup>4</sup>

Our estimation results also support the described difference in sorting behavior into performance pay jobs between high school and college graduate workers. As

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<sup>4</sup>The difference in the probability of working at performance-pay jobs between high school and college graduate workers can still exist, as college graduates are more likely to sort themselves into performance-pay jobs. This fact does not contradict our explanation since the difference between average high school and college graduates can be explained by other factors such as the differences in job characteristics of college and high school graduates.

shown in column (1) of Table 3, the probability of having performance-pay jobs depends positively on the AFQT scores for high school graduates in the first 13 years of their careers. Thus, the result implies that high ability high school graduates are more likely to sort themselves into performance-pay jobs. However, for college graduates, AFQT scores do not affect the probability of obtaining performance-pay jobs during the early stages of their careers as the coefficient in column (4) is not statistically significant. Moreover, columns (3) and (6) also show that our estimation result using the potential experience and the interaction term between AFQT scores and experience is fairly consistent with our hypothesis. In particular, the result shows that for high school graduates, the probability of having performance-pay jobs is positively correlated with ability in the beginning of their career. Moreover, the sign of the coefficient on the interaction term implies that high ability high school graduates are less likely to sort themselves into performance-pay jobs as they gain experience, thus their productivity is revealed. This result is consistent with our prediction that high ability high school graduates will work at performance-pay jobs to reveal their ability in the early stage of their career. However, the magnitude and the sign of the coefficients on AFQT score and the interaction term in column (6) suggest that, unlike to high school graduates, high ability college graduates have little incentive to sort themselves into performance-jobs under productivity revealing motives.

#### Job Mobility(Number of Jobs)

The positive relationship between job mobility and wage increases for young high school graduates is well documented by Topel and Ward (1992). They interpret the results as supportive evidence for the search theory, viewing job mobility as an important means for wage increases and as a step toward stable long-term employment for high school graduates.

In our paper, the positive return of job mobility among high school graduates is regarded as a result of the positive return to productivity revealing activities. More concretely, high ability high school graduates will have higher job mobility than low

ability high school graduates as they engage in productivity revealing activities to differentiate themselves from their low ability counterparts and move to better jobs. Thus, there will be a positive relation between wage increases and job mobility among high school graduates, as high ability high school workers move to better jobs with higher wages. Moreover, as high ability high school graduates obtain the jobs they deserve, the incentive to move to other jobs will decrease over time, and their careers will eventually stabilize. This implies that the negative relationship between job mobility and potential experience will be steeper for the high ability high school graduates than for low ability high school graduates.

However, high ability college graduate workers will not have an incentive to move between jobs at the cost of firm-specific human capital, since college graduates are offered jobs according to their individual abilities from the beginning of their careers. That is, high ability college graduate workers will not have to engage in costly job searches, thus the related job mobility to separate themselves from their low ability counterparts will not be exhibited in the early stages of their careers. Moreover, the relationships between job mobility and potential experience will not differ across ability among college graduates since high ability college graduates do not have high job mobility at the beginning of their careers.

Table 4 describes the empirical results for the job mobility of workers. As expected, the job mobility of high school graduates is positively related with ability at the beginning of their careers. The coefficient of AFQT in column (3) is positive and significant at the 5% level. In particular, one standard deviation increase in AFQT is associated with 0.12 more jobs per year in the early stage of high school graduates' careers. The coefficient for the interaction term is negative and significant for high school graduates. This result coincides with our hypothesis regarding the career of high ability high school graduates which eventually stabilizes over time. In other words, the potential experience gradient is steeper for high ability high school graduates since they would take more jobs in the beginning of their careers than low ability high school graduate workers would take, but they would have similar job mobility later in their careers.

Column (1) also shows that the job mobility in the first 13 years of career is positively related with the ability for high school graduates.

However, the results for college graduates display different patterns. In particular, the result in column (6) suggests that, unlike the high school graduates, job mobility does not depend on AFQT scores for college graduates. The coefficients on both AFQT scores and the interaction term are statistically insignificant for college graduate workers. These results suggest that other factors that do not depend on the abilities of workers, might be major determinants of the job mobility among young college graduates. The results from column (4) also show that job mobility and ability are not positively related in the first 13 years of college graduates' careers.

Overall, the results show that job mobility exhibits different patterns among high school and college graduates. These differences could shed light on the source of return from job mobility described in Topel and Ward (1992). In particular, the results suggest that the return from job mobility among high school graduates arises from the correlation between ability—which is positively related with wages in the long run—and job mobility.

## V CONCLUSION AND DISCUSSION

In this paper, we document the effects of higher education on post-schooling careers of workers based on the role of higher education in revealing abilities. In particular, we argue that high ability high school graduates will actively engage in productivity revealing activities while high ability college graduates will not actively participate in those activities. Moreover, we expect that high ability high school graduates will have higher mobility than low ability high school graduates at the beginning of their careers as they are differentiated from low ability high school graduate workers by revealing their ability and move to the better jobs. Unlike high school graduates, the job mobility of college graduates will not positively depend on their ability since the high ability college graduates will have decent jobs from the beginning of their career and will not have an incentive to move between jobs at the cost of firm specific human

capital. Using NLSY79 data, we test our hypotheses by regressing the measure of job mobility and productivity revealing activities on the measure of ability separately for high school graduates and college graduates. Overall, the data precisely confirm our hypotheses.

Our findings highlight the importance of the role of higher education in understanding post-schooling behavior of high school and college graduates. In particular, the traditional signaling model and the employer learning literature that categorize young workers into two groups—high school and college graduates—could be misleading since the employers will more closely observe heterogeneity among college graduates. We believe that acknowledging the role of higher education in revealing abilities will improve traditional signaling theory, giving it richer empirical implications.



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Table 1: Summary Statistics

	High School		College		Total	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
AFQT	0.2303	0.7761	1.2391	0.4569	0.4753	0.8329
Number of jobs per year	2.2212	0.9003	2.2025	0.7362	2.2167	0.8641
Log of real wage	6.4233	0.4856	6.8430	0.5913	6.5227	0.5428
Potential experience	6.4272	3.2861	5.6792	3.3683	6.2495	3.3210
% Performance pay	23.21		42.64		29.69	
Training (%)	9.42		16.94		11.21	
% On the job training	34.12		61.11		43.81	
% apprenticeship	10.65		0.51		7.01	
% Off the job training	55.23		38.38		49.18	
Region(%)						
Northeast	19.25		25.82		20.8	
North Central	36.73		30.79		35.32	
South	27.66		28.06		27.75	
West	16.36		15.32		16.12	
Urban residence(%)	70.89		86.73		74.60	
Observations	11258		3507		14765	
# of individuals	1815		569		2384	

The average and standard deviations are calculated over individual-by-year observations coming from a panel of 1979-2006. S.D. stands for standard deviation. Please refer to Section II for the detailed description of the variables.

Table 2: Off-the-Job Training

Model	High School			College			Test : College=HS P-value		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AFQT	0.0111*** (0.00268)	0.0255*** (0.00601)	0.0238*** (0.00603)	-0.000465 (0.00928)	-0.0291* (0.0172)	-0.0287 (0.0177)	0.255	0.002	0.003
Exper	-0.0253*** (0.00771)	-0.0234*** (0.00767)	-0.0223*** (0.00774)	0.0150 (0.0116)	0.00768 (0.0125)	0.00817 (0.0127)	0.008	0.054	0.068
AFQT*Exper/10		-0.0227*** (0.00866)	-0.0216** (0.00867)		0.0518* (0.0274)	0.0518* (0.0280)		0.006	0.008
Observations	10,559	10,559	10,254	3,386	3,386	3,238			
R_sq	0.015	0.015	0.017	0.022	0.023	0.025			
Additional Controls	No	No	Yes	No	No	Yes	No	No	Yes

All specifications include a year fixed effect and a cubic in potential experience. Specifications (3) and (6) additionally control for the location of residence. In column (7), we report the p-values for the difference in the coefficients from specifications (1) and (3). Similarly, specifications (8) and (9) provide pairwise comparison between (2) & (4), and (3) & (6), respectively. The White/Huber standard errors in parentheses control for the correlation at individual level.

\*\*\* statistical significance at the 99% level

\*\* statistical significance at 95% level

\* statistical significance at 90% level

Table 3: Performance Pay Jobs

Model	High School			College			Test : College=HS P-value		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AFQT	0.0335*** (0.0109)	0.105** (0.0505)	0.102** (0.0508)	-0.0503 (0.0326)	-0.154** (0.0720)	-0.149** (0.0726)	0.014	0.004	0.004
Exper	0.00888 (0.0728)	-0.00428 (0.0736)	-0.000391 (0.0741)	0.237*** (0.0633)	0.219*** (0.0646)	0.223*** (0.0655)	0.020	0.025	0.038
AFQT*Exper/10		-0.0785 (0.0545)	-0.0768 (0.0547)		0.164 (0.103)	0.166 (0.103)		0.047	0.030
Observations	2145	2145	2,128	1093	1,093	1,076			
R_sq	.009	0.010	0.014	0.019	0.022	0.031			
Additional Controls	No	No	Yes	No	No	Yes	No	No	Yes

All specifications include a year fixed effect and a cubic in potential experience. Specifications (3) and (6) additionally control for the location of residence. In column (7), we report the p-values for the difference in the coefficients from specifications (1) and (3). Similarly, specifications (8) and (9) provide pairwise comparison between (2) & (4), and (3) & (6), respectively. The White/Huber standard errors in parentheses control for the correlation at individual level.

\*\*\* statistical significance at the 99% level

\*\* statistical significance at 95% level

\* statistical significance at 90% level

Table 4: Number of Jobs

Model	High School			College			Test : College=HS P-value		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AFQT	0.0389*** (0.0110)	0.126*** (0.0255)	0.126*** (0.0257)	-0.0738** (0.0295)	-0.0970 (0.0699)	-0.0971 (0.0710)	0.000	0.000	0.001
Exper	-0.0643** (0.0310)	-0.0528* (0.0311)	-0.0453 (0.0315)	0.106** (0.0439)	0.100** (0.0473)	0.0875* (0.0483)	0.014	0.024	0.030
AFQT*Exper/10		-0.137*** (0.0327)	-0.135*** (0.0328)		0.0420 (0.0942)	0.0301 (0.0950)		0.053	0.139
Observations	10,559	10,559	10,254	3,386	3,386	3,238			
R_sq	0.029	0.031	0.035	0.082	0.082	0.082			
Additional Controls	No	No	Yes	No	No	Yes	No	No	Yes

All specifications include a year fixed effect and a cubic in potential experience. Specifications (3) and (6) additionally control for the location of residence. In column (7), we report the p-values for the difference in the coefficients from specifications (1) and (3). Similarly, specifications (8) and (9) provide pairwise comparison between (2) & (4), and (3) & (6), respectively. The White/Huber standard errors in parentheses control for the correlation at individual level.

\*\*\* statistical significance at the 99% level

\*\* statistical significance at 95% level

\* statistical significance at 90% level

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