

The Link Between Personality and Labor Market Outcomes

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Overview

WAGES

On balance the evidence suggests that an internal LOC is associated with earning higher wages.

Andrisani (1977, 1981);
Osborne Groves (2005);
Semykina and Linz (2007);
Duncan and Morgan's (1981);
Duncan and Dunifon (1998);
Anger and Heineck
(forthcoming)

Personality traits (usually Big 5) appear to have labour market returns that are both occupation- and gender-specific

Mueller & Plug (2006); Nyhus
& Pons (2005); Cobb-Clark &
Tan (forthcoming)

Gender differences in personality (mainly Big Five and LOC) have a significant, but rather modest, role in explaining the gender wage gap

Braakmann, 2009; Fortin, 2008;
Linz & Semykina, 2008;
Manning & Swaffeld, 2008;
Mueller & Plug, 2006; Tan,
2009; Cobb-Clark & Tan
(forthcoming); Antecol &
Cobb-Clark (2010)

OCCUPATION

An internal LOC is associated w/ employ. in better occupations and faster occupational advancement	Andrisani (1977)
Occupation choices are driven in part by personalities.	Filer (1986); Borghans, ter Weel, & Weinberg (2008); Krueger & Schkade (2008); Ham et al. (2009)
Personality has also been linked to the propensity to work full time	Braakmann (2009)
Women are employed in safer jobs, or in jobs with lower earnings risk consistent with their tendency to be more risk averse than men.	DeLeire & Levy (2004); Grazier & Sloane (2008); Bonin et al. (2007)
Psychosocial traits (self-assessed intelligence, impulsivity, masculine traits) are important (but incomplete) explanation for gender segregation fields of study and occupations.	Antecol and Cobb-Clark (2010)

Unemployed Job Search

An internal LOC is associated w/ a higher probability of reemployment and w/ shorter spells of unemployment.

Gallo et al. (2003) and Uhlenborff (2004)

An internal LOC is associated with greater search intensity and higher reservation wages. It appears that LOC affect search behavior through beliefs about the efficacy of job search rather than productivity per se.

McGee (2010); Caliendo, et al. (2010)

Job search strategies have also been linked to workers' impatience.

DellaVigna & Paserman (2005).

Broader Labor Market Success

Positive core self evaluations (including high self-efficacy) are positively correlated w/ accepting more challenging jobs, better job performance and an ability to translate early advantage into later economic success.

Judge et al. (2000); Judge & Bono (2001); Judge & Hurst (2007)

Recent experimental evidence suggests that often-observed gender differences in risk-taking or competitive behavior depend on the specific social context.

Booth & Nolan (2009a,b)

My Take-Away Message

- Literature has been reasonably successful in establishing an association between specific personality traits (in particular Big 5 and LOC) and a range of labor market outcomes. However,
 - (i) we need to know more about which aspects of personality are important in which domains;
 - (ii) it is not clear these relationships are always economically meaningful; and
 - (iii) it is not always clear that cognitive skills have been completely accounted for.
- We are some ways off from establishing a firm causal link.
 - (i) We need to know more about nature of personality traits themselves. Are they stable over time and across the life-cycle? Are they exogenous wrt the things we care about?
 - (ii) We need to understand more about the interactions between the dimensions of personality, e.g. self-esteem and LOC, and between non-cognitive and cognitive skills.
- Evidence is emerging that LOC is can be related to expected returns to HC investments as suggested by psychologists. But, in general we don't know much about the mechanism underlying the association between personality traits and labor market outcomes. Why are personality traits related to labor market outcomes?
- Without a causal mechanism policy options are limited.

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