Career Dynamics in the Labour Market for Talent

Thomas Peeters, Erasmus School of Economics

Stefan Szymanski, University of Michigan

Abstract

In this research project we empirically investigate career dynamics in the labour market for workers with highly specific talents. If firms cannot observe worker talent before employment, theory predicts that they will hire an inefficiently low amount of new workers and rehire too many experienced workers. We find strong support for this hypothesis in a uniquely detailed database on careers of English football managers over the period 1975-2011. We further show that more talented workers have a higher probability of upward career mobility. We finally explore the importance of social network ties to explain why some poorly talented workers are rehired, while others are not.