

Macro Roundup Article

Headline: [Why Do Wages Grow Faster for Educated Workers?](#)

Article Link: <https://www.nber.org/papers/w31373>

Author(s)	David Deming
Publication	National Bureau of Economic Research
Publication Date	June 22, 2023

Tweet: [.@ProfDavidDeming finds that the college wage premium is driven by occupational sorting: workers with college degrees enter jobs with higher returns to tenure, suggesting the importance of on-the-job training.](#)

Summary: Shortly after graduating, workers with college degrees obtain jobs in professional, non-routine occupations with much greater scope for on-the-job learning and wage growth. Less educated workers hold jobs in similar occupations before and after completing schooling. Occupational sorting causes relative wages to grow especially rapidly for college graduates in the initial phase of their careers. However, after a few years, educated workers are less likely to switch jobs, and nearly 90% of life cycle wage growth occurs within rather than between jobs. Wages increase with job tenure much more in professional, nonroutine occupations, which are disproportionately held by college graduates. I estimate that occupational sorting explains at least half of the life cycle growth in the college wage premium. The college wage premium increases from 22% at age 26 to 49% at age 40 and 56% at age 60.

Related Articles: [Why Do Wages Grow Faster For Educated Workers?](#)

Primary Topic: College

Topics: Academic paper, College, Education, Wages/Income, Weekly, Workforce

PDF File URL: <https://www.edwardconard.com/wp-content/uploads/2024/07/w31373.pdf>

Permalink: <https://www.edwardconard.com/macro-roundup/profdaviddeming-finds-that-the-college-wage-premium-is-driven-by-occupational-sorting-workers-with-college-degrees-enter-jobs-with-higher-returns-to-tenure-suggesting-the-importance-of-on-the-job?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/06/Figure-1-Demmings-.jpg>