How Worker Productivity and Wages Grow with Tenure and Experience The Firm Perspective

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How worker productivity evolves with tenure and experience is central to economics, shaping, for example, life-cycle earnings and the losses from involuntary job separation. Yet, worker-level productivity is hard to identify from observational data. This paper introduces direct measurement of worker productivity in a firm survey designed to separate the role of on-the-job tenure from total experience in determining productivity growth. Several findings emerge concerning the initial period on the job. (1) On-the-job productivity growth exceeds wage growth, consistent with wages not being allocative period-by-period. (2) Previous experience is a substitute, but a far less than perfect one, for on-the-job tenure. (3) There is substantial heterogeneity across jobs in the extent to which previous experience substitutes for tenure. The survey makes use of administrative data to construct a representative sample of firms, check for selective non-response, validate survey measures with administrative measures, and calibrate parameters not measured in the survey.