Changes in Returns to Multidimensional Skills across Cohorts[*]

JOB MARKET PAPER

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Abstract

This paper presents an empirical investigation incorporating technology, tasks, and skills. From 1984 to 2020 in Germany, I document a significant decline in routine and a substantial increase in social tasks. By using a dynamic model of human capital formation, I estimate changes in returns for a set of multidimensional skills, while accounting for skills endogeneity and unobserved heterogeneity. Consistent with the theoretical framework, the findings provide evidence of increasing returns to social skills, aligning with the growing demand for occupations intensive in social tasks. However, I also find decreasing returns to non-cognitive skills, a measure of diligence, and an offsetting effects of high non-cognitive skills on the increasing returns to social skills. This outcome arises due to the comparative advantage of non-cognitive skills in performing routine tasks.

Keywords: Multidimensional Skills, Return to Skills, Task Framework, Technological Change, Dynamic Models