

Skills and Firms

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We Have Considered the Following Topics So Far:

- Inequality and Social Mobility
 - i. Measures (wealth, income, earnings, health, employment)
 - Evidence and quality of evidence
 - Which unit (person, household, extended family unit)?
 - Debates on measures of income and mobility
 - Importance of measurement: divergent pictures emerge using different measures

Figure 1: Larrimore (2014)

TABLE 1

ESTIMATED AVERAGE ANNUAL PERCENTAGE CHANGE IN THE SIZE-ADJUSTED HOUSEHOLD INCOME GINI COEFFICIENT ATTRIBUTABLE TO FACTOR COMPONENTS BY BUSINESS CYCLE

	1979–89	1989–00	2000–07	1979–07
(1) Actual Gini average annual percentage change	0.97	0.08	0.10	0.40
<i>Average annual percentage change accounted for by:</i>				
(2) Marriage rates	0.13	0.05	0.10	0.09
(3) Male head employment	0.03	-0.02	0.05	0.02
(4) Male head earnings distribution	0.65	0.36	-0.35	0.29
(5) Female head employment	-0.15	-0.16	0.08	-0.10
(6) Female head earnings distribution	0.09	0.01	0.17	0.08
(7) Spouses' earnings correlation	0.14	0.02	-0.05	0.04
(8) Non-head labor earnings distribution	-0.01	-0.10	-0.02	-0.05
(9) Non-head labor earnings correlation	0.03	-0.03	-0.02	0.00
(10) Private non-labor income distribution	-0.09	0.04	0.08	0.00
(11) Private non-labor income correlation	0.08	-0.01	-0.01	0.02
(12) Public transfers distribution	0.01	-0.06	0.02	-0.02
(13) Public transfers correlation	0.06	-0.01	0.03	0.02

Notes: References to male and female head employment and earnings refer to those of both the household head and his or her spouse.

Due to changes in the March CPS data collection procedures between 1992 and 1993 that limit comparability between those years, inequality changes from 1992 to 1993 are suppressed using the procedure from Atkinson *et al.* (2011) and described in the main text.

Source: Author's calculations using March CPS data.

ii. So far, we have investigated the roles of:

- Skills and prices; skill prices versus rates of return
- Transfers and social insurance (are taxes really flat rate?)

iii. We are currently addressing which skills are relevant:

- Schooling?
- On the Job Training?
- Traits (IQ and personality)?
- Complexity as a skill

iv. Tasks and Skills

- Definition of tasks
- Endogenous tasks

v. Markets and Technology (**Today**)

- Monopsony and monopoly
- Technology: AI and innovation; role of robots; skill-biased technical change

Capital-Skill Complementarity

- Krussell et al. (2000) *Econometrica*

- $Y = F(\underbrace{L_1}_{\text{low skill}}, \underbrace{L_2}_{\text{high skill}}, K)$

$$\frac{\partial^2 Y}{\partial L_1 \partial K} < 0 \text{ substitutes}$$

$$\frac{\partial^2 Y}{\partial L_2 \partial K} > 0 \text{ complements}$$

- **Facts:** Price of capital (in the U.S.) declined starting in late 1980.
- $K \uparrow$ creates a growth in skill premium.

To Come:

vi. How are skills acquired?

- Genes
- Life cycle skills
 - Traditional human capital models (OJT, schooling)
 - Learning by doing
 - Imitation and emulation
- Role of family influence
 - Investment
 - Credit constraints
- Family structure and demography
- Sorting and peer effects
- Parental influence: parenting, parental styles

vii. Interventions to Promote Skills