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Racial Penalty in Job Ladder Transitions

Abstract

We study the role of job transitions and firm pay in the Black-White earnings gap in the US. We use population-wide administrative data on employer-employee matches from 2005-2019 to study worker mobility in a generalization of the AKM framework, which we let include history-dependent firm effects along with worker fixed effects. We provide two main findings. First, there are systematic patterns of race-specific asymmetric pay: losses from transitions down the job ladder are meaningfully larger than gains from transitions up the job ladder, with asymmetry factors of 25% for White workers and 50% for Black workers per dollar of earnings change. Second, there is a significant racial penalty in job mobility: Black workers who transition down the job ladder lose additional \$0.24 for every \$1 decrease in White workers' earnings, so that we uncover career setbacks as a novel causal pathway in the dynamics of racial earnings gaps. Additional analysis shows that the racial penalty is driven by differential employment dynamics rather than differential pay. Our findings have implications for the modeling of wage earnings determination and dynamics and for equality policies in the American labor market.