Discussion of Career Concerns and Career Choice

BY

Marc Blatter and Andras Niedermayer
The Model

1. Each worker receives a private imperfect signal about his ability: talented or untalented.
2. Competitive firms operate in 2 sectors, high-visibility and low-visibility.
3. Workers choose a sector in which to be employed.
4. Talented workers succeed with probability $p(e)$ and untalented workers never succeed.
5. In the second period, workers in the high-visibility sector receive their expected product conditional on first-period output.
6. In the second period, successful workers in the low-visibility sector do not receive their full expected product.
1. workers may exert less effort in high-visibility jobs in a career concerns setting.

2. firms may invest more in general human capital in more visible jobs.
This is a clever paper that makes an original point.

The model is notationally burdensome.

There would be little loss of generality and a potentially significant gain in clarity by setting the payoff from failure to 0 in both sectors and the payoff from success to 1 in the low-visibility sector and to $\theta < 1$ in the high-visibility sector.

There are other PBE in this model.
What happens when the assumption that only workers who fail in the first period in the low-visibility sector ever switch jobs is relaxed?

Better intuition for why firms might invest more in the high-visibility sector is needed.

As with most signaling models, banning the high-visibility sector would raise total output. When is this a Pareto improvement?