Captive Human Capital?
Mobility across employers

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OECD/KBC, 3.12.12
Why across-firm mobility?

- Facilitates job matching (Jovanovic’78) via reallocation of HC to best/highest purpose
- Driver of spillovers (Almeida/Kogut’99)
- Spawning of spinoffs (Klepper’07)
- New reality given demise of ILMs
Human capital classifications

- “You cannot separate a person from his or her knowledge, skills, health, and values the way it is possible to move financial and physical assets while the owner stays put” (Becker 1964:16)

- General vs. firm-specific
- task-specific (Gibbons/Waldman’04)
Keeping HC Captive

• Trade secret protection
  • Difficult to detect violations
  • “Inevitable disclosure”

• Instead, use employee non-compete
  • Usually of limited duration, scope, geography
  • 80% of execs, nearly half of engineers

• Separate workers from use of their skills
  • Outputs vs. inputs, DWL of skills
Non-compete enforcement
Non-competes and workers

- 8.1% mobility drop in Michigan v. controls (Marx/Strumsky/Fleming’09)
  - 2x for workers with specialized skills
  - Consistent with Fallick/et.al’07 CPS results

- “career detours” (Marx’11)
  - “[I had] an anti-compete as part of my employment. So, for two years I couldn’t have gotten involved in another speech recognition company in any case.”
But...don’t you sign a non-compete voluntarily?

<table>
<thead>
<tr>
<th></th>
<th>with job offer</th>
<th>After accepting, but before started</th>
<th>on 1st day</th>
<th>after started</th>
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<tr>
<td>30.5%</td>
<td>22.2%</td>
<td>24.5%</td>
<td>22.9%</td>
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- Nearly half told on or after first day

“No, I never received any information ahead of time before showing up to my first day: health insurance, 401(k), and non-compete. It was either sign it and work here or don't.”
But...don’t firms need to protect trade secrets w/non-competes?
But…don’t firms need to protect trade secrets w/non-competes?
“Brain drain” of talent & ideas

Share of inventors in non-enforcing states (3-yr avg)
Wrap-up

• Account for task-specific human capital

• Design policies that can protect trade secrets w/o blocking worker mobility

• Relevant to immigration debate?
  • 40% of MIT grad students from outside U.S.
  • Want to do startup, but no H1-B for entrep
  • Not zero-sum debate; these are job creators!
Fluidity in space: Immigration & entrepreneurship

- 4 in 10 MIT grad students on visas, must leave country after graduation
- Task-specificity of HC $\rightarrow$ less effective if cannot stay in same area
- Many want to found startups; no such visa
- Not merely zero-sum game over existing jobs at existing firms; new firms/jobs
Jon Rubinstein: no dummy!

- National Academy of Engineering
- Senior IEEE member
- Headed hardware engineering at NeXT
- Senior VP, Apple iPod division ("Podfather")
- Palm CEO, 2009-oblivion
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