

# **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

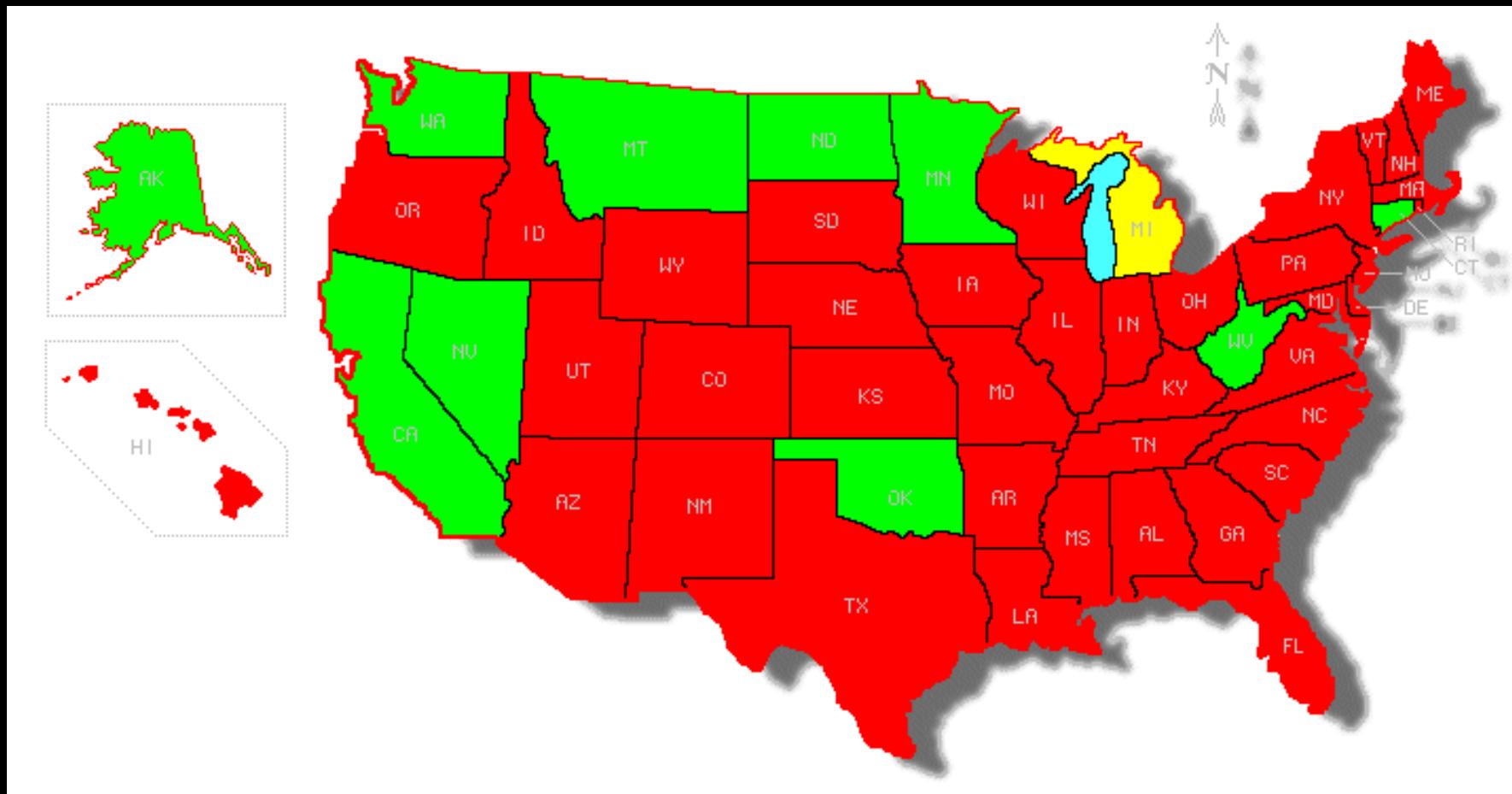
# Human capital classifications

- *"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.”*

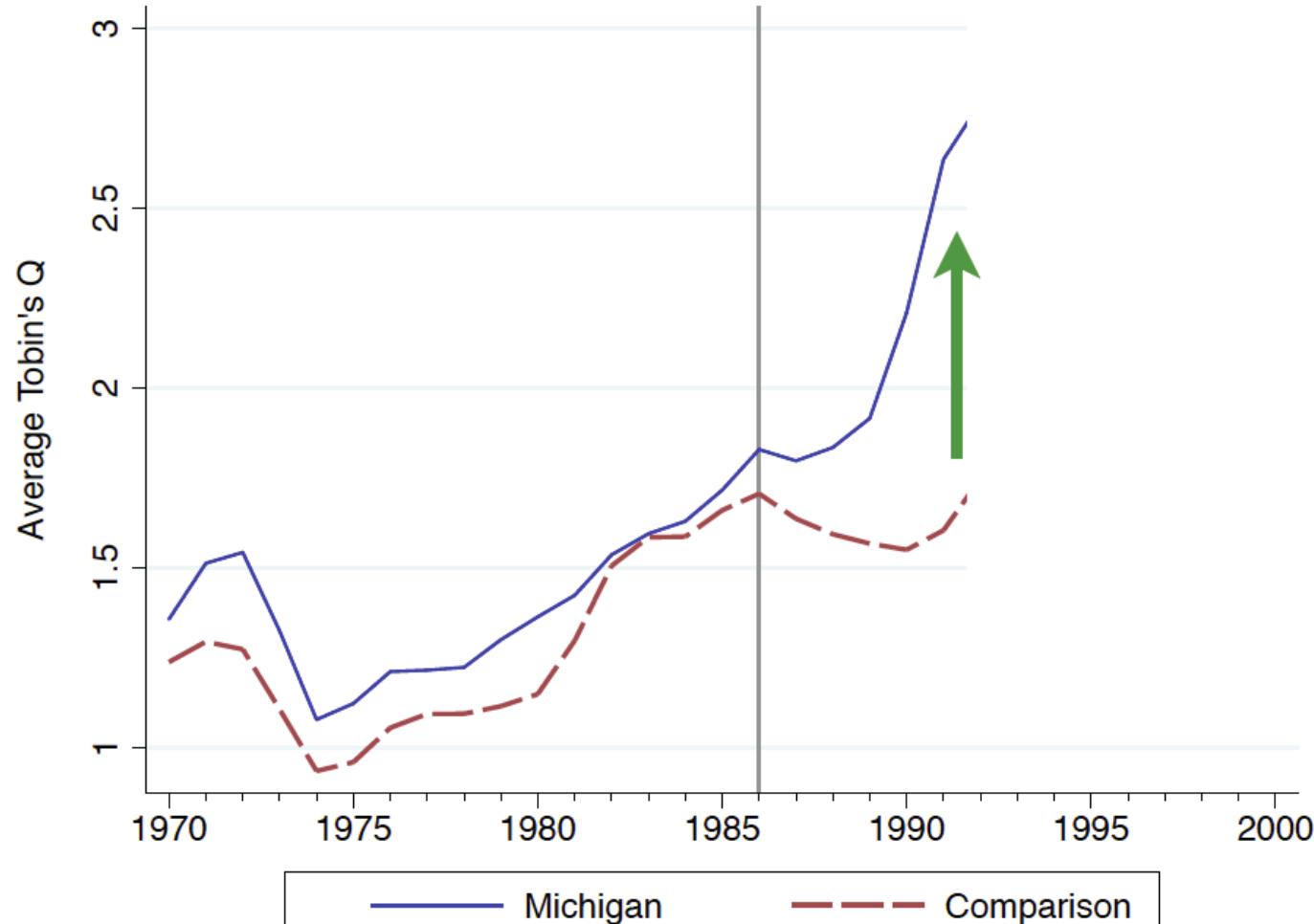
# But...don't you sign a non-compete voluntarily?

with job offer	After accepting, but before started	on 1 <sup>st</sup> day	after started
30.5%	22.2%	24.5%	22.9%

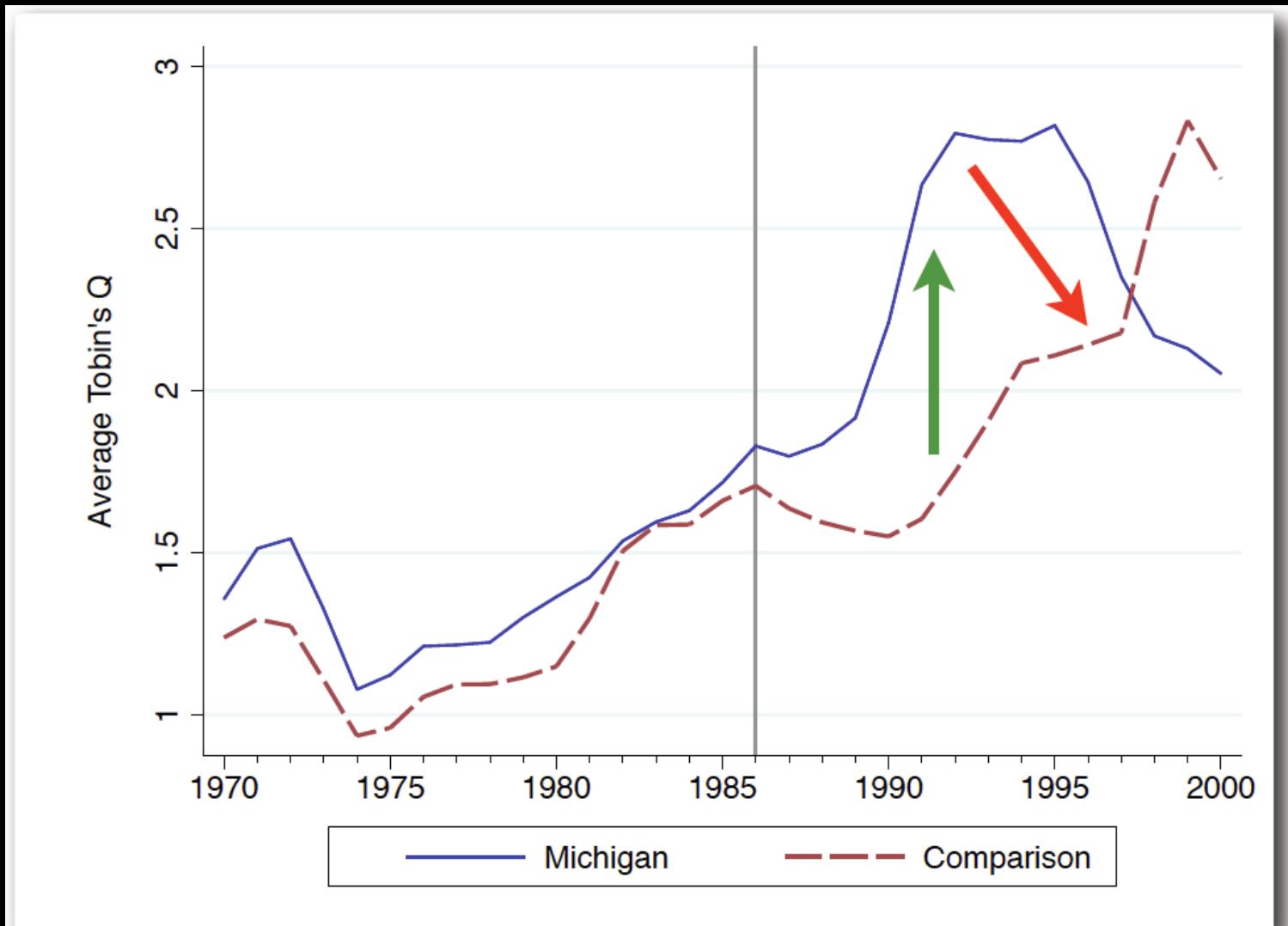
- Nearly half told on or after first day

*“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?

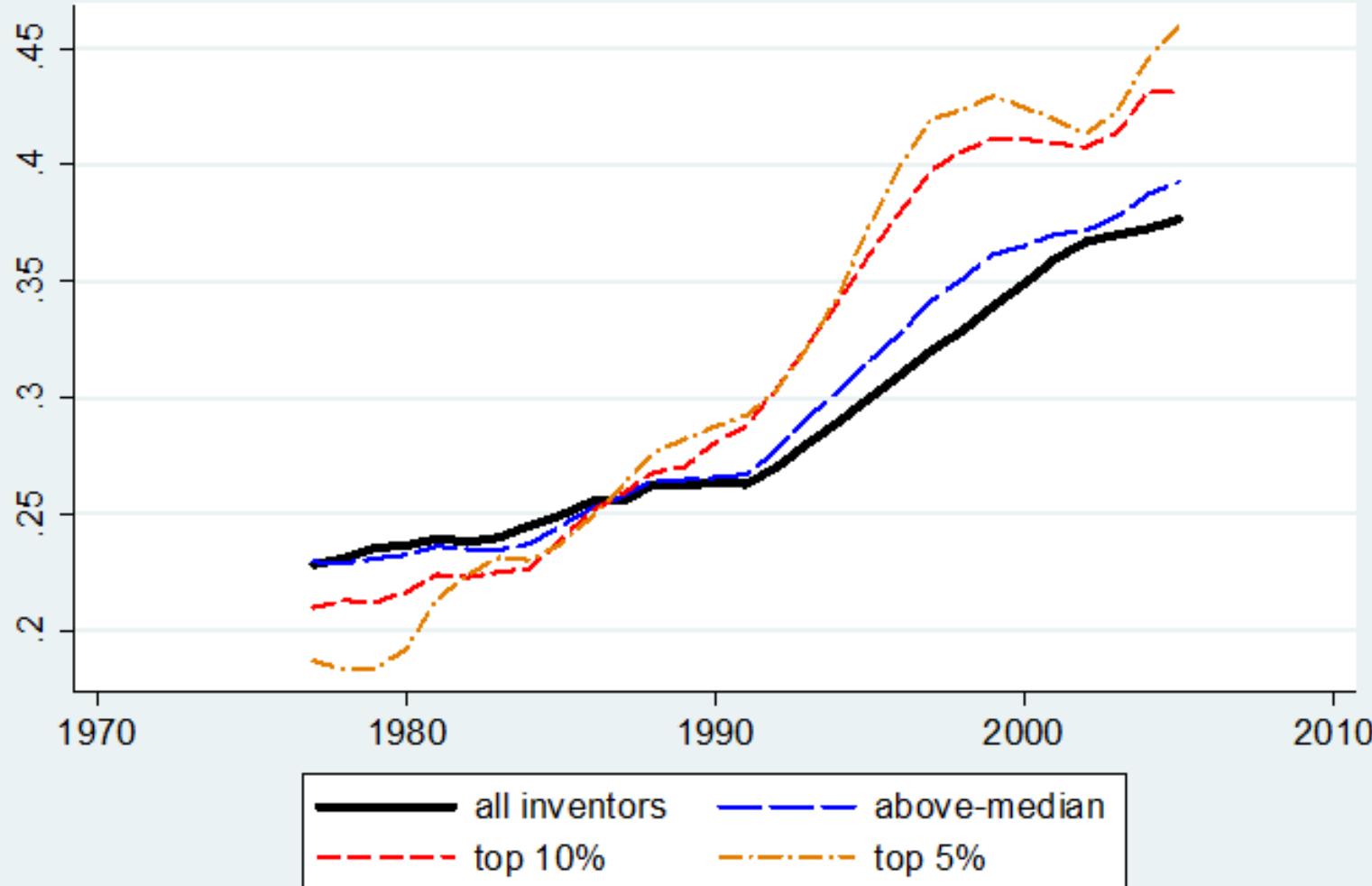


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# “Brain drain” of talent & ideas

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!

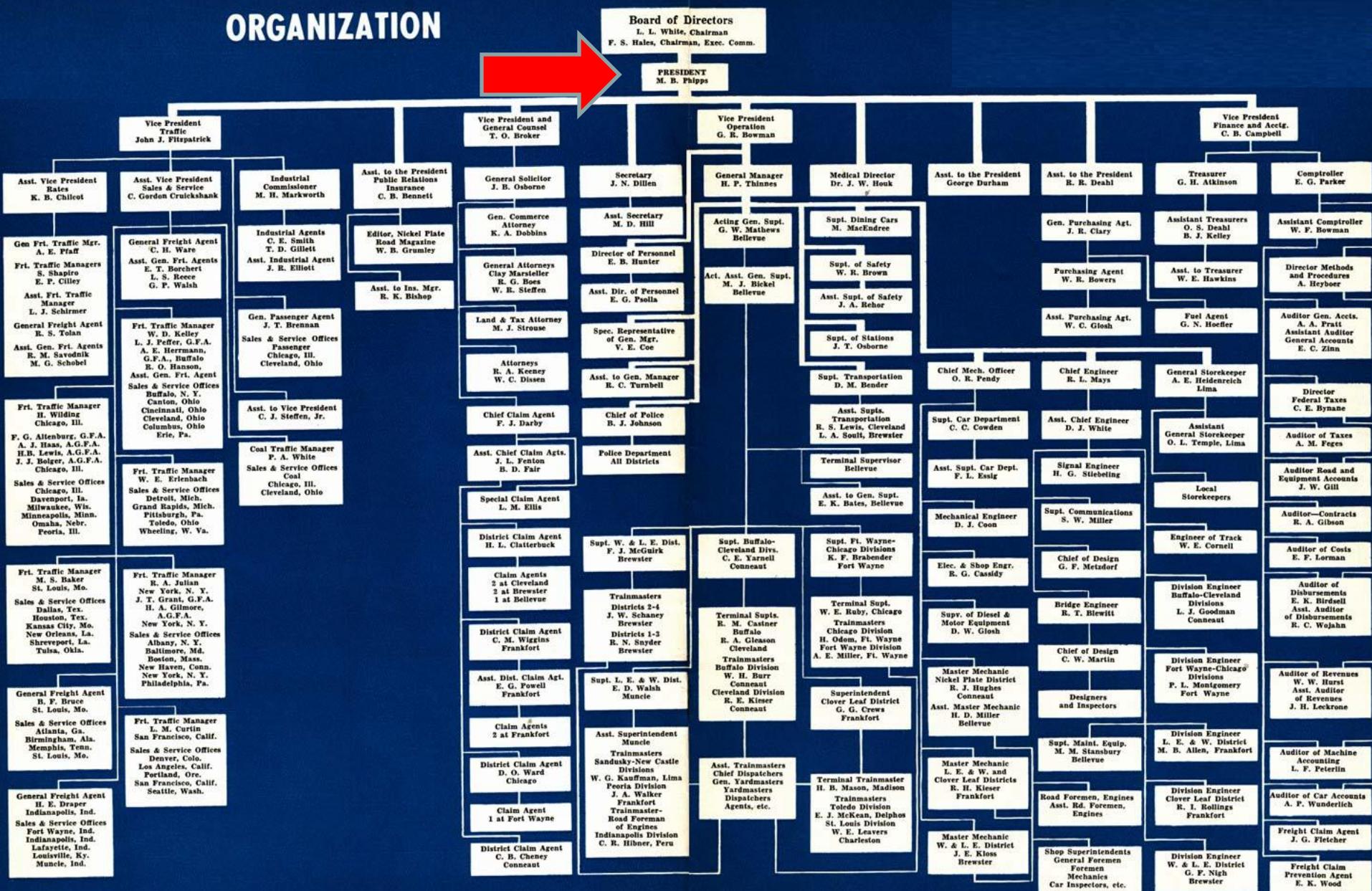




# Fluidity in space: Immigration & entrepreneurship

- 4 in 10 MIT grad students on visas, must leave country after graduation
- Task-specificity of HC → 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

## ORGANIZATION





# 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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