

# Segmented Life-cycle Labor Markets – Portuguese Evidence

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## ABSTRACT

The paper contrasts the pattern of returns to human capital in different economic sectors. As job mobility, especially across sectors, is limited, it is argued that coefficients of experience in earnings regressions may capture or be interpreted as the growth rate – net of depreciation – of earnings ability propitiated by schooling when years of education are also included in the right hand-side of the equation. As a consequence, under long-term contracts, labor market equilibrium is compatible with different “gross” rates of return to schooling, provided initial earnings levels allow for the same accumulated present value. That implies a special relation between the intercept and experience coefficient of earnings regressions performed for different sectors.

**JEL Classification:** J24, J31, J42, I2, G30, C13, C39.

**Keywords:** Returns to schooling, earnings, wage determinants, segmented labor markets, human capital risk.

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