This paper studies sources of cumulative wage growth and its sensitivity to unemployment history for two education groups in the US. I assume that ex ante homogenous workers stochastically live through several stages of career, giving rise to ex post within-age and between-age heterogeneity. Mobility rates and the ability to acquire and retain skills differ across career stages, and firms post stage-specific offers taking these differences into account. In the calibrated model the equilibrium offers range is very wide initially, it contracts in mid-career, and shifts down later on. With a wide job ladder mobility can account for 57 percent of the total wage growth over the first career decade and it can become a negative factor afterwards because workers move to search within a lower range of offers. I find that workers lose up to 6.6 percent of their lifetime wage increase due both to depreciation of skills in unemployment and foregone skills accumulation. Finally, lifetime earnings of college graduates are found to be especially sensitive to unemployment history.

http://portal.idc.ac.il/en/schools/economics/about/Pages/seminars.aspx