

Cities, Education and the Creative Wage Premium

Does Creativity Matter for Individual Wages in Different Types of City Structures and Local Milieus?

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Abstract: Does your creativity matter for the wage you receive and does this return to creativity depend on the local milieu of the workplace? The literature has predominantly dealt with the importance of creativity using regional data and often focussed on larger urbanities. For instance, discussion on urbanization is merited by the emphasis of amenities catering for what is labelled creative classes (Florida, 2002; Florida, Mellander and Stollarick, 2008). Additionally, the discussion is extended with the focus of creativity and/or rather some other factors related to human capital and education (Glaeser, 2005). While these contributions focus on the importance of creativity for the development of larger geographies, a more recent contribution deals with the micro perspective of creativity (Bode and Vilar, 2016). By considering the importance of micro phenomenon that depends on local milieu and creativity, this paper offers new insights into the intersection of creativity, urban structures and job market dynamics. Rather than considering aggregate measures of creativity, the current approach is to dive into the micro foundation of the importance of creativity. By doing so, current study presents a unique identification method to isolate the importance of creative jobs for wages based on employee-employer matched data at individual level over the period 2006 to 2011. Using micro data provides several advantages in our identifications strategy. For instance, we can identify, when a person changes jobs from a non-creative occupation to creative type occupation (or vice versa). Another advantage is that using micro data allows us to exclude cases, where a person changes education level which help us in isolate the effect of creativity only. Similarly, we can also identify the effects for different types of urban structures using a typology of such urbanities in Denmark. For empirical analysis, we construct three groups of individuals: control group, treatment group 1 and treatment group 2. Control group consists of those individuals who must never change job and remains in a non-creative job. Treatment group 1 belongs to those individuals who change their job from non-creative to creative types of job keeping their education level constant. Finally, treatment group 2 comprises of those individuals who change their jobs from non-creative to creative occupation with holding same level of education. The unique identification approach therefore builds on three crucial aspects: 1) wage effects of creativity as a measure of human capital isolating effects of education, 2) wage effects from job change and 3) wage effects conditional on different urban milieus.

Key words: Job change: creative vs non-creative occupation; wage premium

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