General Skills, Internal Careers: Worker Investment, Promotion, and Turnover under Asymmetric Information

Hibiki Kamoshita*

April 27, 2026

Abstract

This paper develops and tests an information-based theory of how worker-initiated general human capital investment affects labor turnover. In a two-period model with asymmetric information, workers choose general investment that the incumbent firm can observe but outside employers cannot. Because the external market cannot price unobservable effort, the returns to investment are realized primarily through internal promotion, creating a retention mechanism that reverses the classical prediction that general skills increase mobility. Using an eight-wave panel from the Japanese Panel Study of Employment Dynamics and a staggered difference-in-differences estimator, I find that initiating self-development—a proxy for worker-initiated general investment—reduces the probability of job change in the following year by 4.3 percentage points. The retention effect is three times larger for non-regular workers than for regular workers, and larger in small firms than in large firms, consistent with the prediction that the mechanism strengthens when external signals of worker quality are weaker. Wage effects are null across all specifications, a pattern the model predicts as equilibrium wage compression under information frictions rather than evidence against the theory.

Key words: Human capital investment, turnover, promotion, asymmetric information, staggered difference-in-differences

JEL Codes: J24, J62, J63, M51, D82

*Graduate School of Economics, Waseda University. Email: kamoshita.hibiki@gmail.com