Height and Labor Market Outcome: Evidence from Panel Data

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Previous studies show that tall people have better labor market outcomes, but controlling for their abilities reduces the size of height effects. This implies that a failure to properly control for one's ability could overestimate the OLS estimate. This paper contributes to the literature by being the first to control for individual fixed effects (FE) and to examine height effects on the probability of one's attaining a leadership position. The data used are panel data of a cohort obtained during the cohort's middle and high school years. In OLS estimation, this paper finds positive height effects for boys. However, when controlling for individual fixed effects, the estimate is not statistically significant. For girls, the height effects are found on neither OLS nor FE model.

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I. Introduction

Previous studies show that tall people have better labor market outcomes. For example, Lindqvist (2012) analyzes Swedish male data to find that a 1 cm increase in height is associated with 0.2 percentage point or 2.7% increase in the probability of obtaining a managerial position. Case and Paxson (2008) analyzes U.S. and U.K. data to find that increasing height by one inch raises weekly wage by 1.4–2.6% for males and 1.4–2.9% for females. In addition, Park and Lee (2010) shows that a 1 cm increase in height increases hourly wage of Korean males by 1.5%.1)

Why do tall people have better labor market outcomes? There are several hypotheses that explain this phenomenon. One hypothesis is that tall people are likely to be healthy and their healthiness makes them successful in labor markets. Unhealthy people are more likely to be absent at work for illness, and thus they are not likely to be promoted or have high wages. Another is that tall people sort into high-paying occupations and short people sort into low-paying occupations. This hypothesis holds true for jobs that include tasks that tall people are better at than short people. Basketball players or policemen could be included in these jobs. A third hypothesis is that tall people have better cognitive abilities because nutrition in childhood is used for both height growth and cognitive ability development, creating a correlation between the two.

Regarding the third hypothesis, the studies described above show that controlling for cognitive abilities reduces the sizes of height effects. Lindqvist (2012) shows that controlling for cognitive and non-cognitive abilities measured in a military enlistment test reduces the effects of height on the probability of obtaining a managerial position by half. Case and Paxson (2008) finds that if one’s cognitive test score measured at the age of 5–11 years

1) Studies also analyze the effects of one’s appearance on labor market outcomes to find that (labor) market discriminates for people with good appearance. See Hamermesh and Biddle (1994), Biddle and Hamermesh (1998), Moberg and Rosenblat (2006), Price (2008), Berggren et al. (2010), Johnston (2010), and Belot et al. (2012).