

Heterogeneous effects of job mobility on wages in Germany and the UK

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Abstract

Empirical studies have shown that voluntary job-to-job changes have a positive effect on wage mobility. However, recent theoretical approaches argue that external and in-firm job offers should be jointly considered in wage determination. Following these theoretical approaches, in this paper, we simultaneously investigate the effect of employer changes and within-firm job changes on year-to-year wage mobility. Following considerations of on-the-job search models, we suggest that the effect of a job change on wage growth depends on the position in the wage distribution. Moreover, we investigate the role of alternative explanations to the effect of job mobility on the wage. These alternative explanations refer to the skill level, the type of the contract change and the local labour market conditions. Our empirical model uses panel data from the UK and Germany. We show that a change of employer results into a wage increase for the low-paid workers but not for the high-paid workers. Within-firm job changes produce, on average, moderate wage gains for the low-paid workers in the UK, but have no effect in Germany. In the UK, conditioning the effect of the job change on the skill level leads to considerably different results. There is a wage premium to a job change for high-skilled workers but a wage penalty for their low-skilled colleagues. Local labour market conditions matter for in-firm shifts in the UK. The bargaining power of workers disappears when the local unemployment rate increases further than 7%.

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