

Consequences of job mobility for the subsequent earnings at the beginning of the employment career in Germany and UK

Institutional context for indirect and direct job mobility

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This paper investigates the implication of job mobility on wages at the beginning of employment career in Germany and UK. From the “job shopping” perspective direct job mobility (mobility without interruption gap) in the early employment career might guarantee income and status rewards. While direct job mobility is usually associated with wage increase there are competing hypotheses concerning job mobility via unemployment. On the one hand, *search and matching* models argue that a voluntary unemployment phase might be used for an active job search and might result in higher earnings. On the other hand, *human capital* theory predicts wage losses because of the devaluation of job specific human capital. Unemployment might also serve as a *signal* for employers to differentiate between ‘good’ workers and ‘bad’ workers. From this perspective, job mobility via interruption reflects rather job-hopping between insecure and poorly paid jobs. In this paper I argue that in the German institutional context, the explanatory plausibility of search and matching models is rather limited. Since employment protection legislation (EPL) in Germany is strict, employers’ hiring practices are risk-averse. Thus, the stigma attached to the unemployed should be more pronounced in Germany than in countries with less strict EPL like UK.

I use the German Socio-Economic Panel 1984-2006 and British Household Panel 1990-2006 and apply within estimator. The analyses show that compared to the stayers *direct job mobility* improves wages in Germany and UK. However more detailed analysis shows that only *voluntary* job mobility improves wages.

For *indirect job* mobility I observe a different picture between UK and Germany. First, while indirect job mobility has long-lasting consequences for future earnings in Germany there is no scar effect on subsequent earnings in UK. Second, high wage penalties for *voluntary job movers in Germany* stand in contrast to the results for liberal countries (UK). Voluntary indirect movers in UK are rewarded by wage increase upon re-entering labour market which is in line with off-the-job *search and matching* models.

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