

Using the Unemployment Duration to Distinguish Voluntary and Involuntary Mobility

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When analyzing the effect of job mobility on wages, the distinction between voluntary and involuntary mobility is crucial. For instance, there is evidence for the USA of positive wage effects after a voluntary quit for younger workers (Topel and Ward 1992). In contrary, laid-off workers are negatively selected which could result in lower pre-displacement wages (Gibbons and Katz 1991).

Although it is of particular interest to differentiate between voluntary and involuntary mobility, the reason for job termination is not available in all data sources. Therefore, some authors distinguished quits and layoffs by the length of the unemployment duration after job termination (see e.g. Blien and Rudolph 1989). In these studies, job changes are classified as voluntary when subsequent unemployment periods are shorter than one month and as involuntary mobility when subsequent unemployment exceeds one month.

Exploiting data from the German Socio-Economic Panel Study (GSOEP), this paper provides a critical analysis of using the length of the subsequent unemployment period as proxy for voluntary and involuntary mobility. Within the standard Mincer-regression framework considering unobserved individual heterogeneity, wage effects of quits and layoffs are compared with wage effects of job changes with and without unemployment periods of 1 month.

The empirical results suggest that the approximation works well as the coefficients of the wage regressions are similar in sign and significance although the real effect is slightly underestimated. The results remain unchanged when investigating different samples by gender, age and education. In Germany, voluntary job changers switch in more than 90% straight from one position to another. In contrast, approximately 40% of laid-off workers experience an unemployment spell of more than 1 month after job loss.

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