

Who Benefits from Job Mobility?

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The changes in labor market increased the dynamism of the economy and hence job mobility in the labor market. Classic theories, such as the human capital and the theory of search and matching do not provide a satisfactory explanation of the implications of job mobility in the new labor market – the effect of mobility on the wage growth. Other researchers in this field have reached to various conclusions (Le Grand & Tåhlin, 2002; Fuller, 2008). Lack of consensus at theoretical level, conflicting findings at empirical level, and the shortage of research into the issue of the effect of distinguishing between the short and long term, all raise the need to expand the methodical knowledge base on this subject.

The study aimed to systematically examine the connection between wage growth and job mobility, and to answer three questions. First, how if at all does the impact of job mobility differ for the low paid and others; secondly, is the short term effect different from the long term effect for each of the pay bands; does this impact vary when we relate to different time periods and why, and thirdly, how does the pay yield vary between different economic periods. Distinction was made between voluntary and involuntary movers.

These questions were examined on the basis of the administrative database of the tax authorities in the years 1990-1995. In order to overcome the bias arising from endogeneity due to heterogeneity fixed in time and endogeneity that changes over time, I used "fixed effects" and "treatment effects" methods which controlling unobserved heterogeneity.

In general, "stayers" not only enjoy a stable income stream that contributes to their welfare, but also have a higher wage growth than the "movers" (which a large proportion of them are low paid). The findings could provide support for policy changes affecting the social security - unemployment benefit, vocational education and training systems.

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