

Employment Mobility and the Effects of Wage Level and Tenure

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Abstract : One result of the growing dynamicity of labor markets in recent decades is a wider scope of employment mobility – i.e., transitions between employers, either within or between careers. Employment mobility decisions are primarily affected by the current employment status of the worker, which is reflected in wage and tenure. Using 34,328 observations from the National Longitudinal Survey of Youth 1979 (NLS79), which were derived from the USA population between 1990 and 2012, this paper aims to investigate the effects of wage and tenure over employment mobility choices, and additionally to examine the effects of other personal characteristics, individual labor market characteristics and macroeconomic factors. The estimation strategy was designed to address two challenges that arise from the combination of the model and the data: (a) endogeneity of the wage and the tenure in the choice equation; and (b) unobserved heterogeneity, as the data of this research is longitudinal. To address (a), estimation was performed using two-stage limited dependent variable procedure (2SLDV); and to address (b), the second stage was estimated using femlogit – an implementation of the multinomial logit model with fixed effects. Among workers who have experienced at least one turnover, the wage was found to have a main effect on career turnover likelihood of all workers, whereas the wage effect on job turnover likelihood was found to be dependent on individual characteristics. The wage was found to negatively affect the turnover likelihood and the effect was found to vary across wage level: high-wage workers were more affected compared to low-wage workers. Tenure was found to have a main positive effect on both turnover types' likelihoods, though the effect was moderated by the wage. The findings also reveal that as their wage increases, women are more likely to turnover than men, and academically educated workers are more likely to turnover within careers. Minorities were found to be as likely as Caucasians to turnover post wage-increase, but less likely to turnover with each additional tenure year. The wage and the tenure effects were found to vary also between careers. The difference in attitude towards money, labor market opportunities and risk aversion could explain these findings. Additionally, the likelihood of a turnover was found to be affected by previous unemployment spells, age, and other labor market and personal characteristics. The results of this research could assist policymakers as well as business owners and employers. The former may be able to encourage women and older workers' employment by considering the effects of gender and age on the probability of a turnover, and the latter may be able to assess their employees' likelihood of a turnover by considering the effects of their personal characteristics.

Keywords : employment mobility, endogeneity, femlogit, turnover

Conference Title : ICLEIR 2018 : International Conference on Labor Economics and Industrial Relations

Conference Location : Venice, Italy

Conference Dates : November 14-15, 2018