

# **Wage changes through job mobility: does unemployment mean a penalty in Europe?**

José Ignacio García Pérez

centrA y Universidad Pablo de Olavide

Yolanda Rebollo Sanz \*

Universidad Pablo de Olavide y centrA

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*Abstract:*

This paper presents evidence on the relationship between job mobility and wage mobility for several European countries using the European Community Household Panel (ECHP, 1994-2000). While much of the earlier research uses least-squares regression to predict wages for individuals with different work experiences, we find that it is important to take account of possible non-random selection into job movers and job stayers and into voluntary and involuntary moves. Hence, we propose to estimate wage differentials by estimating endogenous switching regression models. We estimate the return from job mobility through an endogenous switching model and we show that it is relevant to differentiate job mobility by the type of separation from the job, mainly voluntary or involuntary. Our results indicate that wage differentials obtained from sample means incorrectly measure the wage returns or penalty from job mobility. In general terms, job mobility has positive returns in Denmark, Ireland, United Kingdom and France while involuntary job changes generate negative returns in all countries that range from 20% to 50%.

Keywords: wage mobility, job mobility, unemployment, endogenous switching  
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\* Departamento de Economía y Empresa, Área de Análisis Económico  
Universidad Pablo de Olavide  
Telephone 954 349353, e-mail: yfrebsan@dee.upo.es