



Mobility across firms and occupations among graduates from apprenticeship[☆]



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HIGHLIGHTS

- We carefully distinguish between mobility across firms and across occupations.
- Causal wage effects of mobility among graduates from apprenticeship in Germany.
- IV approach exploits variation in regional labor market characteristics.
- Pure firm changes and occupation-and-job changes result in average wage losses.
- Occupation change within the training firm results in persistent wage gains.

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ABSTRACT

Distinguishing carefully between mobility across firms and across occupations, this study provides causal estimates of the wage effects of mobility among graduates from apprenticeship in Germany. Our instrumental variables approach exploits variation in regional labor market characteristics. Pure firm changes and occupation-and-job changes after graduation from apprenticeship result in average wage losses, whereas an occupation change within the training firm results in persistent wage gains. For the majority of cases a change of occupation involves a career progression. In contrast, for job switches the loss of firm-specific human capital seems to dominate.

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1. Introduction

A large literature has documented sizeable mobility across firms and occupations in the US and Western European labor markets.¹ During the time period of 1979–2006 monthly occupational mobility rates in the US were at about 3.5% of overall employment – even higher than the 3.2% average rate of job mobility across firms (Moscarini and Thomsson, 2007). For Denmark, Groes et al. (forthcoming) report that the annual occupational mobility rate lies close to 20%. While a large literature emphasizes the loss of firm-specific or occupation-specific human capital (e.g. Kambourov and Manovskii, 2008; Gathmann and Schönberg, 2010; von Wachter and Bender, 2006; von Wachter et al., 2009), mobility may very well be associated with career progression or job shopping in labor markets with frictions (Topel and Ward, 1992), thus resulting in wage gains after mobility (Groes et al., forthcoming; Fitzenberger and Spitz-Oener, 2004; Fitzenberger and Kunze, 2005). Furthermore, mobility across firms and occupations may be an important adjustment mechanism in a dynamic labor market. For instance, the tasked-based approach introduced by Autor et al. (2003) argues that there is a decline in the demand for routine intensive occupations, to which workers may adjust through occupational mobility (Cortes, 2012; Gathmann and Schönberg, 2010). Most of the literature referred to so far is restricted to an analysis of either job mobility or occupational mobility.² Based on high-quality administrative data, our analysis allows distinguishing the wage effects of job mobility and occupational mobility. In Germany, vocational training in an apprenticeship involves a job in the training firm and training in a specific occupation. Our analysis estimates the wage effects of mobility right after graduation from an apprenticeship in Germany.

Graduates from apprenticeship constitute a large share of the German workforce, and the apprenticeship combines practical training at the training firm with part-time school-based training, thus involving both general and occupation-specific skills.³ Graduates may continue to work as a regular employee in their training firm, possibly in their training occupation or in another occupation. At graduation, there is no employment protection in the training firm. Given the combination of firm-based and school-based training the skills acquired during an apprenticeship are often thought to be largely transferable across jobs, thus allowing for worker mobility after graduation from apprenticeship (Euwals and Winkelmann, 2002, 2004; Clark and Fahr, 2002). Indeed, retention rates are only about 60–75% of all graduates (Bougheas and Georgellis, 2004; Euwals and Winkelmann, 2004; von Wachter and Bender, 2006). The high mobility after graduation is a particularly interesting case to analyze. On the one hand, a change across firms involves the loss of the training investment for the training firm (Wolter and Ryan, 2011) and a change of occupation (firm) may imply a loss of the occupation- (firm-) specific human capital acquired through apprenticeship training (Kambourov and Manovskii, 2008; Gathmann and Schönberg, 2010). On the other hand, firms may use the apprenticeship as a screening device for young workers, and they may only retain those apprentices after graduation who perform well (Euwals and Winkelmann, 2002; Werwatz, 2002; von Wachter and Bender, 2006). Graduates from apprenticeship may search for better job offers as a form of career progression (Topel and Ward, 1992; von Wachter and

Bender, 2006; Fitzenberger and Spitz-Oener, 2004), and non-training firms may make attractive job offers to well trained graduates from apprenticeship, i.e. there is an incentive for poaching (Wolter and Ryan, 2011). A better match for the employee may also involve working in a different occupation within the training firm, an issue which has received little attention in the literature so far.

Several studies analyze the individual labor market effects of mobility after apprenticeship – mainly for Germany and Switzerland. However, the existing studies typically do not distinguish between a pure firm switch without occupation switch and a simultaneous switch of firm and occupation (a complex switch according to Neal, 1999), and occupational mobility within the training firm is typically ignored. Von Wachter and Bender (2006) estimate a large immediate negative causal wage effect of a switch of firm after graduation. However, the negative effect vanishes five years afterwards. The study emphasizes that OLS estimates of the wage effects after five years are severely downward biased due to the negative selection of the firm switchers. In contrast, a negative wage effect of a firm switch is found by Bougheas and Georgellis (2004) for a six year period after training, and other studies find small positive wage effects of leaving the training firm (Euwals and Winkelmann, 2004; Göggel and Zwick, 2012). For Switzerland, Müller and Schweri (2009, forthcoming) find no wage differential between stayers and pure firm switchers one year after graduation from apprenticeship. Göggel and Zwick (2012) find a small negative immediate wage effect of a switch in occupation. Bougheas and Georgellis (2004) find a positive wage effect of a switch in occupation without switch of firm relative to stayers during the first six years after training. A simultaneous switch of occupation and firm is associated with wage losses both in Germany (Bougheas and Georgellis, 2004) and in Switzerland (Müller and Schweri, forthcoming).

There exist some further studies considering mobility later during the career among prime-aged German workers holding an apprenticeship degree that provide further insights into the topic. Dustmann and Schönberg (2012) estimate the transferability of skills obtained through apprenticeship training for a sample of male workers. The survey data contains information provided by workers on how well they can apply skills obtained through apprenticeship training in their current job. Dustmann and Schönberg (2012) estimate that relative to stayers, pure firm switchers can apply 4.5% less of these skills in their current job. In their current job within-firm occupation switchers can use 8.6% less of their skills obtained through apprenticeship training, while across-firm occupation switchers can use up to 34% less of these skills. These results suggest that occupational mobility is associated with large losses in human capital, especially if a simultaneous firm change occurs. In contrast to this, Clark and Fahr (2002) find that only changes across 1-digit occupations entail wage losses while within 1-digit occupations the skills obtained through apprenticeship training are transferable. Regarding the wage effects of occupational mobility among prime-aged workers, other studies also draw a rather positive picture of occupation changes as they find average wage gains (Werwatz, 2002; Fitzenberger and Spitz-Oener, 2004; Fitzenberger and Kunze, 2005). Werwatz (2002) finds a negative wage effect of occupational mobility only for the small group of occupation switchers who state that in their current job they can only apply very little or none of the skills obtained through training. Similarly, Gathmann and Schönberg (2010) find that the wage loss implied by a switch in occupation increases with the differences in task inputs between the source occupation and the target occupation.

Our study provides causal estimates of the wage effects of mobility across firms and occupations among graduates from apprenticeship in Germany. Our data consist of about 14,200 male graduates who completed apprenticeship training during the period of 1992–1997. We contribute both to the literature on the economic effects of occupational mobility as well as to the literature on labor mobility among young workers. Apprenticeship graduates are very likely selected into the different types of mobility based on unobservables, which may bias OLS

¹ Among others, see for the US: Topel and Ward (1992), Neal (1999), Moscarini and Thomsson (2007), Kambourov and Manovskii (2008, 2009); for France: Lalé (2012); for Germany: Fitzenberger and Kunze (2005), von Wachter and Bender (2006), von Wachter et al. (2009), Gathmann and Schönberg (2010); for Denmark: Groes et al. (forthcoming); and for Germany and the UK: Longhi and Brynin (2010).

² Studies which investigate mobility across firms and occupations include Neal (1999), Kambourov and Manovskii (2008), Longhi and Brynin (2010), or Müller and Schweri (forthcoming).

³ For a detailed description of the German dual system of vocational training see e.g. Hoeckel and Schwartz (2010). A graduate from apprenticeship obtains a certified degree in one out of 350 training occupations. In 2009 about 60% of German youths aged between 16 and 24 years entered vocational training (Gerick et al., 2011).

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