Labour Economics 17 (2010) 655–666

Contents lists available at ScienceDirect

Labour Economics

journal homepage: www.elsevier.com/locate/labeco

Occupational change in Britain and Germany

Simonetta Longhi [a,b,*], Malcolm Brynin [a]

[a] Institute for Social and Economic Research, University of Essex, UK
[b] IZA, Germany

ARTICLE INFO

Article history:
Received 18 June 2009
Received in revised form 8 December 2009
Accepted 6 February 2010
Available online 12 February 2010

Keywords:
Job change
Occupation change
Britain
Germany

ABSTRACT

We use British and German panel data to analyse job changes involving a change in occupation. We assess: (1) the extent of occupational change, taking into account the possibility of measurement error in occupational codes; (2) whether job changes within the occupation differ from occupation changes in terms of the characteristics of those making such switches; and (3) the effects of the two kinds of moves in respect of wages and job satisfaction. We find that occupation changes differ from other job changes, generally reflecting a less satisfactory employment situation, but also that the move in both cases is positive in respect of change in wages and job satisfaction.

1. Introduction

Why do some workers change their occupation, that is, the nature of the work they do, rather than simply their job? Some of this movement reflects a natural career progression when, for instance, a working engineer becomes a manager; some reflects career adjustment, a response to an initially poor career decision or to changing preferences; but some might also occur because of changes in the nature of employment opportunity. Can we use measures of occupational change as an indicator of problems in the functioning of the labour market? Two studies based on the US Panel Study of Income Dynamics (PSID), Kambourov and Manovskii (2008) and Parrado et al. (2007), provide evidence for high levels of occupational change over time and suggest that this is associated with a loss of occupation-specific skills, which in turn leads to poor relative wages.

This claim gives rise to a number of questions which are left unanswered by the previous literature. First, how can we develop a measure of occupational change? In both of the above papers this is identified as a change in respondents' occupational code. As this measure relies on information on occupation at two time points, if one of these is wrong, and occupational coding is notoriously unreliable, the measure of change is wrong. Second, is there something specific to *occupational* change compared to the case of a change of job while remaining in the same occupation? The comparison of these two groups of changers is important if we want to analyse the causes and consequences of careers involving specifically occupational changes. Third, do the American findings apply equally to other countries? In this paper we use British and German panel data to assess the extent of occupational change while taking into account the possibility of measurement error involved in assessing such change. We then test whether the work situation of occupational changes differs from job changes within the occupation, controlling as far as possible for the characteristics of those making such switches. Finally, we estimate the effects of the move in terms of wages and job satisfaction. Occupational movers might leave poor employment situations but arrive in a better job because they are now doing the work that suits them. In this case we cannot characterise high levels of occupational movement as a necessarily negative indicator of the state of the labour market.

2. Quantifying occupational change

2.1. The meaning of occupational change

It seems likely that changing occupation is harder in some respects than changing job while remaining in the same occupation, and therefore more unlikely. Kambourov and Manovskii (2008) argue that "a substantial amount of human capital may be destroyed upon switching occupation or industry" (page 41). Parrado et al. (2007) find that in the US occupational movement is associated with lower earnings, even controlling for selection effects. Using the British Household Panel Survey, Zangelidis (2008) shows positive returns to "occupational experience" (though also that these returns vary across occupations), implying that longevity in occupations pays. It is also possible that with the decline of internal labour markets, career development depends on movement not only between jobs (Osterman, 1994) but between occupations. The erosion of clearly defined paths is likely to lead to more wrong turnings for some, if greater opportunities for others. The drive to find a new occupation rather

* Corresponding author. Institute for Social and Economic Research, University of Essex, UK.
E-mail addresses: slonghi@essex.ac.uk (S. Longhi), brins@essex.ac.uk (M. Brynin).

0927-5371/$ – see front matter © 2010 Elsevier B.V. All rights reserved.
doi:10.1016/j.labeco.2010.02.001

than a new job in the same occupation is therefore likely to result from a difficult current work situation, whether specific to the individual or to the state of the economy. It has for instance been argued that increasing global competition has encouraged employers to enforce more flexible work arrangements, whether through temporary contracts and part-time employment (Muffels, 2008) or work intensification (Green, 2006), either of which might generate greater dissatisfaction not only with a job but with the type of work done, and therefore more occupational turnover. The addition of a change in occupation to a change of job implies a greater underlying labour market turbulence than can be inferred from data on job change alone.

In contrast to this general idea, some occupational change is clearly the result of natural career progression, for example as a result of promotion from a practical to a managerial position. We would obviously expect such moves to have positive outcomes in terms of wages but also perhaps of other indicators such as job security or the use of skills. Indeed, there is strong evidence that on average the quality of work is improving on a number of dimensions (e.g. Gallie, 1996; Green, 2006), which implies amongst other things increasing opportunity to make effective use of skills over the career. Some occupational movement will also be positive even without career progression. For instance, proponents of the 'flexicurity' thesis argue that high job (and therefore potentially occupational) mobility is associated with high long-term employment security. In a comparative analysis Muffels and Luijkx (2008) find that in the 1990s the UK with its relatively liberal regime did in fact have high occupational turnover (where this is defined in terms of class, or groupings of occupations), with predominantly positive outcomes, in some contrast to continental countries such as Germany.

Overall, we consider the factors indicating a negative basis to occupational change as more compelling. For every teacher who reaches a managerial position, which requires exceptional ambition and the right circumstances, how many teachers drop into less demanding work because of the strains of their job, or family circumstances, or because a poor labour market situation had initially pushed them into the wrong type of work? Only empirical analysis can tell, but it also has to be borne in mind that changing occupation will on average entail some loss of human capital, and is therefore a different decision from a change of job within the occupation.

2.2. The measurement of occupational change

Before assessing whether occupational change is broadly positive or negative we need to measure its extent. Is the phenomenon as widespread as suggested by the American studies? These reveal very considerable occupational (and industry-level) mobility in the US in the period examined (roughly the 1970s through to the mid-1990s). Kambourov and Manovskii (2008) find that 13% of workers change occupation, when measured at the one-digit level, 15% at two-digits and 18% at three. Parrado et al. (2007) find a 7–11% change at one digit. However, the definition of occupational change they use is problematic. In both cases the authors define it as any change in occupational code during the panel period. Generally this means year-to-year transitions as most people have periods of continuous employment. But for some people there might have been some time out of employment or of the labour market. Should this be included or not? Kambourov and Manovskii (2008) argue that excluding career breaks would underestimate change. However, the relationship between occupational change and breaks in employment probably varies by gender, as for women the change of occupation is often a secondary outcome of a different decision. As a result Kambourov and Manovskii use a sample of men only, thus losing important information. We see no obvious reason to exclude women if their data are available. In contrast, Parrado et al. (2007) include women but compensate by excluding employment interruptions, which could distort the results. In our descriptive and regression analysis we include both men and women while also, at least in some of the descriptive analysis, including career breaks.

The second and more important methodological issue is that both of the above papers identify occupational change from differences in occupational codes over time. However, occupational coding is error-prone (Lynn and Sala, 2006). This is a big enough problem at the cross-sectional level; in a panel it introduces spurious indicators of change and amplifies the problem. For instance, an IT specialist could be coded as such in one year then, although still doing the same work, as an electrical engineer the next. The claims for reliability in the two PSID-based papers derive from the fact that the original two-digit codes in the PSID were retrospectively recoded to three and, in the process, information about past and future jobs was used to increase the accuracy of the codes. But is this enough? Putting aside the possibility of some genuine change being wrongly discounted as a result, if jobs are misreported, incorrect or insufficient detail is given, or are perhaps subject to equally viable but different descriptions over time, it could be that in some cases no point in the triangulation process is unambiguous. In our analysis we restrict the definition of an occupational change to instances where a change of job is also reported, as in virtually all cases the former requires the latter. This procedure could lead to a minor problem insofar as respondents might interpret job change in different ways, a point we address in our analysis, but it will eliminate most spurious changes.

In sum, we accept the implication of the two studies referred to above that occupational change possibly reflects some sort of turbulence in the labour market, but suspect that the extent of this might be smaller than they suggest. On this point we also differ from Zangelidis (2008), who includes occupational and industry changes within a particular employer. Job changes while staying with the same employer are inherently interesting but difficult to identify because people might not themselves recognise such a change; furthermore a movement within the firm reflects the operation of an internal labour market, which is probably a different kind of transition from a change in job and, even more so in occupation. For these reasons we code these cases as no change.

Given the risk associated with an occupational change relative to a change of job within the occupation, the expectation would be that the former will reflect negative aspects of employment in terms of wages, skill use, and perceived job quality. For instance, those who change occupation might be relatively overqualified in perhaps both the previous and new job and have lower wages than either those who change jobs with no switch of occupation or those who do not change at all. We test this descriptively first, then through analysis of the factors associated with occupational moves, and finally through models of the effect of the move on changes in wages and satisfaction with the job.

3. Data and methods

3.1. Data

We use two panel datasets: the British Household Panel Survey (BHPS), and the German Socio-Economic Panel (GSOEP; the 'West' German sample only). The BHPS has 16 waves (1991–2006) and the GSOEP 23 (1984–2006). In our descriptive analysis we do not examine trends but pool waves in order to maximise the number of transitions we can analyse. Our main focus is on employment spells across pairs of adjacent waves, though we do not take account of possible employment changes over the year, such as a brief spell of unemployment. Our sample includes men and women of working age (16–64 for men and 16–59 for women) and working at least 10 hours a week at both time points. Hence, we include part-time workers in the analysis. However, since the transitions between part and full-time work can be for some as important as moves in and out