Class, mobility, and earnings

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## Results

This section outlines the main results of the paper. First, I explore the prominence of mobility in the sample. Second I outline the wage differences between movers and non-movers. Third, I present the results of four fixed-effects linear models which estimate the effect of mobility on earnings, controlling for a range of time-variant measures. For each section, I consider the social class differences in mobility, earnings, and both, as well as the overall differences. I conclude the section with a brief discussion of the hypotheses.

### Mobility types

Table 1 presents mobility statistics in two ways, between observations, and between respondents. Columns 1, 2, and 3 consider observations. In total, 79% of all responses capture instances where people remain in the same job with the same employer. 4% of observations capture promotions, 1% capture a lateral move, and 15% capture an exit from the firm, either voluntary or involuntary. Columns 4,5, and 6 consider respondents. Between respondents 88% experience staying in the same job with the same employer at least once during the study. Further, 10% experience a promotion at least once, and 3% experience a lateral move (within the firm) at least once. Finally 31% of respondents experience an exit from the firm, wither voluntary or involuntary, at least once during the study.

Mobility types, overall

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Mobility type | Observations | Total | Percent | Respondents | Total | Percent |
| Same | 35,567 | 45,018 | 79.01 | 14,109 | 15,939 | 88.52 |
| Promotion | 1,978 | 45,018 | 4.39 | 1,632 | 15,939 | 10.24 |
| Lateral | 553 | 45,018 | 1.23 | 507 | 15,939 | 3.18 |
| Exit | 6,920 | 45,018 | 15.37 | 5,094 | 15,939 | 31.96 |

Three points are worth mentioning about Table 1. First, the majority of respondents do not change jobs. Most workers remain in the same job with the same employer. Second, when respondents do change jobs, they are most likely to change employers as well as jobs. The most common form of mobility in the sample is exit to a new employer or firm. This mobility likely contains a mix of voluntary (quits to new opportunities) and involuntary (redundancy, dismissal, firm closure etc.) changes. Lastly, Promotions, which are voluntary forms of mobility, occur rarely in the data, suggesting they are unique opportunities for workers. This does not mean that exit to a new employer cannot provide earnings premiums to workers, the literature suggests that quits to a new employer, expecially when they are direct changes, can yield significant earnings growth and premiums. However, such changes are impossible to isolate in the RLMS survey. Instead these changes sit within the exit category.

Social class groups experience unequal chances of exit, lateral changes, and promotion. As Goldthorpe (ref) suggests, high social class groups are tied to “service relationships” with their employers, who sees these workers as an investment to be secured over the long-term. Meanwhile, employers see low social class groups as “contractual agreements”, where compensation is tied to pay on a short-term basis. For this reason, we will split mobility across three broad social class groups, mentioned earlier. It should be noted that mobility between social class groups also exists, although it is generally rare.

Mobility types, by social class

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Social class | Mobility type | Respondents | Total | Percent |
| High | Same | 6,143 | 7,158 | 85.82 |
| High | Promotion | 1,073 | 7,158 | 14.99 |
| High | Lateral | 182 | 7,158 | 2.54 |
| High | Exit | 1,590 | 7,158 | 22.21 |
| Medium | Same | 2,331 | 3,009 | 77.47 |
| Medium | Promotion | 226 | 3,009 | 7.51 |
| Medium | Lateral | 78 | 3,009 | 2.59 |
| Medium | Exit | 819 | 3,009 | 27.22 |
| Low | Same | 7,136 | 8,423 | 84.72 |
| Low | Promotion | 261 | 8,423 | 3.10 |
| Low | Lateral | 227 | 8,423 | 2.70 |
| Low | Exit | 2,966 | 8,423 | 35.21 |

In this section, we will focus only on class differences between respondents. Starting with the High social class group, 22% of these workers exit the firm at least once, and 15% of these workers are promoted at least once. These changes are unique when compared to Middle class workers. Here, just 7% experience a promotion, and 27% experience an exit. Among middle class workers, promotion is less common and exit is more common than among High EsEC groups. Working class respondents have starker differences, just 3% experience a promotion, and 35% experience an exit to a new employer. Lateral moves within firms are equally unlikely for all social class groups. Overall, there is a clear class hierarchy in terms of access to promotion, at least over the five year period chosen for the study.

### Mobility and earnings

We find differences in the frequency of mobility between and within workers, but what are the consequences of these differences? Is there a difference in earnings between movers and non-movers? This section considers such differences in the sample overall, and between social class groups.

Average earnings of stayers and movers

|  |  |  |
| --- | --- | --- |
| Change | Ever exited (mean wage) | Ever promoted (mean wage) |
| No | 21,507.42 | 19,546.46 |
| Yes | 22,144.03 | 26,629.98 |

The first column shows the mean wage between workers who exited the firm at least once, and those who have not exited (over the five-year period). The second, considers the mean wage of those who were promoted at least once, and the earnings of those who were never promoted. First the earnings of movers, in both columns are typically higher than the earnings of non-movers. Second, the earnings of those who are promoted (even if only once) are higher than those never promoted (over the five year period). Although exits may contain a premium, this premium is likely lower than the premium tied to promotions. Table 3 suggests that promotions (in themselves) carry financial premiums. An alternative explanation would suggest that promotions and exits do not hold financial premiums (in themselves), and these differences in wages stem from other differences between those who are promoted and those who are not, such as age, experience, and efficiency of workers. As before, it’s likely that class differences exist in the effect above. Table 4 considers the wage differences between those who quit and those who are promoted, across social classes.

Average earnings of stayers and movers, by social class

|  |  |  |  |
| --- | --- | --- | --- |
| Social class | Change | Ever exited (mean wage) | Ever promoted (mean wage) |
| High | No | 24,405.48 | 22,662.58 |
| High | Yes | 27,039.89 | 29,733.47 |
| Medium | No | 20,989.98 | 19,186.64 |
| Medium | Yes | 20,125.98 | 23,603.98 |
| Low | No | 18,184.54 | 17,264.51 |
| Low | Yes | 19,429.91 | 21,090.20 |

The third column lists the average earnings of those who quit at elast once, and those who never quit by social calss. High EsEc workers report higher earnings among “exiters” (27,000+) than “non-exiters” (24,000+). Middle and lower class groups see no differences in earnings between “exiters”" and “non-exiters”, although lower class groups may see a small difference between those who leave (19,000+) and those who remain (18,000+). Middle group exiters appear to earn less on average (20,100+) than non-exiters (+20,900), although this difference is minor.

The effect is different for respondents who receive promotions, and those who never receive promotions (Column 4). In each social class group, those who receive at least one promotion typically report higher earnings than those never promoted (during the study). Further, this difference appears largest for high class groups (+7,000), than middle (+4,000) and low EsEC groups (+4,000).

Generally, low EsEC groups earn the least and high EsEc groups earn the most. Further, mobility carries the largest premium for High EsEC groups than for low or middle EsEC groups. This is especially true for respondents who experienced a promotion, but also applies to High EsEC groups who experience employment exit. A natural question then emerges, does mobility, in itself carry a premium for workers, or can these differences be explained by worker specific measures, who self-select for promtoion or employment exit?

Although the tables above point to interesting correlations, the difference between groups may be explained by other, unmeasured factors. Job mobility is not a random event, and class differences may be capturing other characteristics of movers and non-movers. Further class-differences in earnings and premiums could account for other factors such as age, and managerial responsibilities, which typically fall on more senior respondents. We explore the unbiased effects on mobility in the neext section, controlling for a range of measures.

### Mobility’s effects on earnings

This section uses linear fixed effects estimation to consider the impact of job mobility on earnings growth.

Estimated fixed-effects of mobility, overall

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Term | m1 | m1\_sig | m2 | m2\_sig | m3 | m3\_sig |
| marrMarried | NA | NA | -0.052 | \*\* | -0.090 | \*\*\* |
| marrSeparated | NA | NA | -0.040 | . | -0.070 | \* |
| mob\_finalPromotion | 0.102 | \*\*\* | 0.102 | \*\*\* | 0.097 | \*\*\* |
| mob\_finalLateral | 0.024 |  | 0.023 |  | 0.048 | . |
| mob\_finalExit | -0.001 |  | -0.002 |  | -0.006 |  |
| age | 0.091 | \*\*\* | 0.092 | \*\*\* | 0.003 |  |
| hours | 0.007 | \*\*\* | 0.007 | \*\*\* | 0.006 | \*\*\* |
| firm\_size | NA | NA | NA | NA | 0.000 | \* |
| round21 | NA | NA | NA | NA | 0.132 | \*\*\* |
| round22 | NA | NA | NA | NA | 0.252 | \*\*\* |
| round23 | NA | NA | NA | NA | 0.319 | \*\*\* |
| round24 | NA | NA | NA | NA | 0.374 | \*\*\* |

The models in Table 5 list the stimated fixed effect of moving to a new position, controlling for a number of important measures, mainly changes in marital status, changes in age, changes in hours worked by individuals, changes in the number of people employed in the firm, and changes over time throughout the panel. The most basic model captures the effect of mobility, while controlling for age and daily working hours. Promotion and lateral moves both have a positive effect on earnings, but only promotions have a significant effect (10%). Employee exits from the firm have no significant effect on earnings, suggesting that workers who move directly from one firm to another are able to recreate their pay with a new employer. Changes in age have a positive effect on earnings, as workers age, they see a premium in pay. Changes in working hours also lead to significant positive changes in pay.

Model 2 controls for changes in marital status, which typically lead to earnings growth. In our case however, transitions in marriage and out of marriage lead to a significant fall in earnings, even when controlling for changes in working hours. Importantly, the significant effect of promotion on earnings growth remains, even when we control for changes in household composition. The effects of age and working hours are largely unchanged.

Model 3 controls for changes infirm\_size, and changes between survey rounds. Changes in firm size have an extremely small but positive and significant effect on earnings growth. This makes sense, as the firm grows, so too may the earnings of those working in the firm, even if the respondents themselves remain in the same job with the same employer. The effects of rounds is also positive and signifficant. This effect also fully explains the changes in earnings tied to age (which is no longer significant). Once agains, the estimated effects of mobility are not explained by the models.

### Class differences between mobiltiy types

Estimated fixed-effects of mobility, by class

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Term | mHi | mHi\_sig | mMid | mMid\_sig | mLo | m3\_Lo |
| marrMarried | -0.049 |  | 0.078 |  | 0.009 |  |
| marrSeparated | 0.032 |  | -0.093 |  | -0.003 |  |
| mob\_finalPromotion | 0.083 | \*\*\* | 0.097 | . | -0.048 |  |
| mob\_finalLateral | -0.017 |  | 0.184 | . | 0.010 |  |
| mob\_finalExit | -0.002 |  | 0.029 |  | -0.043 | \*\* |
| age | 0.000 |  | 0.006 |  | -0.016 |  |
| hours | 0.015 | \*\*\* | 0.006 |  | 0.004 | \* |
| firm\_size | 0.000 | \*\* | 0.000 |  | 0.000 |  |
| round21 | 0.130 | \*\*\* | 0.106 | \*\* | 0.159 | \*\*\* |
| round22 | 0.275 | \*\*\* | 0.220 | \*\* | 0.275 | \*\*\* |
| round23 | 0.341 | \*\*\* | 0.336 | \*\* | 0.354 | \*\*\* |
| round24 | 0.406 | \*\*\* | 0.338 | \* | 0.407 | \*\*\* |