

Organisational change, wages and job stability

There is a broad scientific discussion trying to identify reasons for the employment situation of the low-skilled worsening in comparison to the more skilled labour force not only in Germany during the last three decades. Effects of technological and organisational changes play a major role in explaining this development. While a series of studies conclude that both technological and organisational changes lead to adverse employment effects for unskilled employees due to layoffs, there is only little research dealing with the effects of organisational change on wages and external job mobility.

However, responding to this question is still relevant, especially as regards the employment situation of low-skilled workers. On the one hand, wages could be assumed to increase as a consequence of organisational change and therefore to impede further hirings as total labour costs will increase at establishment level or also to affect the quitting behaviour of employees. On the other hand, the discussions on productivity effects and a “skill bias” of organisational changes show that wage cuts for low-skilled employees could also be possible as they do not have to contribute to performance gains directly. As a consequence, such wage effects may enforce the drift of “unequal” employment prospects for differently skilled people. Hence, it is not possible to determine clearly the wage effects of organisational changes either from a theoretical or from an empirical point of view. Wages could be affected in both directions by organisational changes.

Against this background, this paper picks up the arguments dealing with the wage and employment effects of organisational change. Based on linked employer-employee data of the Institute for Employment Research in Nuremberg, the effects of organisational change on individual wages and external job-mobility are investigated. Exploiting data at employee level allows a better use of the employees’ individual characteristics. Furthermore, it is possible not only to distinguish employees by their formal qualification but also to estimate the wage and employment effects of organisational change for different occupational groups. This procedure shows a more sophisticated picture of the wage and employment effects of organisational change.

Applied panel estimations show as a result that the wage effects of the investigated measures of organisational change (for example teamwork or the delegation of managerial decisions to lower levels within the hierarchy) for different occupational groups are very heterogeneous. Some measures of organisational change even show positive wage effects for low-skilled workers. But positive effects are observed more often for managers and other high-skilled employees. Negative effects for both skill groups are seldom. Overall, the results support the hypothesis of a skill-biased organisational change in favour of high-skilled employees. Furthermore, the results suggest that organisational change generally induces more positive than negative wage effects, which is also confirmed by the use of different estimation methods.

Regarding job mobility, panel approaches do not give a uniform picture, either. Here, the central result is that on the one hand teamwork decreases external job mobility while on the other hand the delegation of decision making and the establishment of profit centres increase job mobility. Additional empirical approaches that make it possible to examine different occupational groups show that the external job mobility of medium- or high-skilled employees is mainly decreased by teamwork, supporting the hypothesis of a skill-biased organisational change. As a further result of additional estimates, the destabilising effect of establishing profit centres applies to the job mobility of high-skilled employees, technicians and engineers only.

The results also show that individual measures of organisational change either affect only wages or only job mobility in most cases but seldom take effect in both directions. Measures of organisational change affect job mobility more often than wages. Here, job mobility is more often influenced towards stabilisation than destabilisation of em-

ployment. According to the results, organisational change has only a small indirect effect on external job mobility via wages. Therefore, there is also no evidence that organisational change reduces external job mobility due to increasing wages.