

Reply to the Referees

I want to thank the referees for the general assessment of my paper with highly constructive and instructive recommendations. In the following, I address the major concerns in the chronological order of the referee reports.

Referee 1

1) The referee argues that the simultaneity of the decision of accepting lower wages and improving job characteristics is not accounted for appropriately. The main question is whether, e.g., "improve commuting" is rather a second outcome than a determinant. The referee is right because the locality of the new firm is precisely known before the transition. The same holds for fringe benefits because the working contract includes information about such payments. One possibility to avoid this particular problem is the reduction of the control variables to the job-characteristics strain, flexible work schedules, subjective security of the job, and a match-specific component (the use of skills improved/worsened) which are offered by the employer independently of the marginal willingness of the worker to pay for amenities. In addition, these amenities are not outcome variables because they can not be exactly evaluated before the transition to the new employer.¹

2) The referee argues that the author tries to make inference about all workers. In fact, I try to analyze the consequences of voluntary quits. In a new draft, I work out more clearly that the focus is on voluntary quitters rather than all mobile individuals. Generally, I will attempt to set out the paper in a manner which makes it less likely that misinterpretations of this nature can be made.

¹This also holds for flexible schedules which might be mentioned in working contracts. The application of flexible work time regulations, however, can only be assessed when working at the new employer.

Referee 2

1) I completely agree that the paper should discuss different strands of literature.² The referee argues that pure concentration on commuting and homeownership is not convincing. I will conduct a series of robustness checks which include estimation of the effects by gender or other characteristics (e.g., cyclical upswing vs. cyclical downturn, young vs. old worker). These robustness checks might provide valuable insights.

The referee is right when saying that commuting does not coincide with amenities of jobs but more with classical economic arguments. However, it seems to be very problematic to calculate commuting expenses and commuting time as part of the wage. I can make effort to include information about the change in commuting distance (in kilometer). This would reduce the time horizon (1998-2007). As mentioned above, I should reduce the analysis to the job-characteristics strain, flexible work schedules, subjective security of the job, and the use of skills.

The referee's recommendation to use the variable "improvement of the job" as dependent variable in order to test the different potential determinants of compensating wage differentials is a very interesting topic for a completely new paper which might be incorporated into the broad literature about interdependent preferences and the determinants of subjective well-being.

2) Why no statement about the wage cut in Euro? I think this interesting point should be addressed in a new draft. Regarding the considered population, the strategy is to follow quitters who reveal their willingness to pay for amenities. An assumption is that quitters only accept lower wages if the improvement in amenities compensates for the loss in utility introduced by lower wages. In a new draft, I also reduce the sample to individuals with permanent contracts to rule out possible bias introduced by mobility between permanent and fixed-term contracts. Application of a multivariate probit is problematic because stayers do not compare job characteristics between jobs. In other words, information about improvements in job characteristics is not available.

3) I follow the referee's suggestion and concentrate on hourly wages. Specifically, the

²Many thanks for the literature mentioned in the minor points.

GSOEP allows for construction of different hourly wage measures based on information on the hours worked, overtime, and the contractual working time.

4) Right.

Referee 3

1) The referee asks whether the considered transitions are really voluntary. I impose three restrictions to reveal voluntary mobility:

- a) The individual changes employer,
- b) The intervening unemployment period between two jobs does not exceed one month,
- c) The worker states a voluntary transition.

In a new draft I might contribute to the robustness of the results by application of different definitions of mobility between employers. Precisely, I make effort to restrict the sample to individuals changing during cyclical upswings/downturns and I should account for mobility caused by fixed-term contracts.

2) The referee argues that some explanatory variables appear to be endogenous. One possibility is to reduce the analysis to the job-characteristics strain, flexible work schedules, subjective security of the job and a match-specific component (the use of skills) which are offered by the employer independently of the marginal willingness of the worker to pay for amenities.

Minor remark 1) Although the GSOEP is a quite large data set, the sample size of voluntary quitters roughly is comparable to the sample size considered in Villanueva (2007, Industrial and Labor Relation Review) who utilizes the time horizon from 1984 to 2001.

Many thanks for the instructive "minor points (remarks)" which are not addressed in this response letter. Many of these points will be included in a new draft of the paper.