

[IZA News](#)[About IZA](#)[Organization Chart](#)[People](#)[Research](#)[Labor Policy](#)[Publications](#)[Discussion Papers](#)[Policy Papers](#)[Standpunkte](#)[Books](#)[Research Reports](#)[IZA Compact](#)[IZA in the Press](#)[Publication Record](#)[Journals](#)[Events](#)[IZA Prize / YLE Award](#)[Teaching](#)[Links / Resources](#)[Press](#)

IZA



The Cyclicalty of Effective Wages within Employer-Employee Matches in a Rigid Labor Market

by Silke Anger
(February 2011)

revised version published in: Labour Economics, 2011, 18 (6), 786-797

Abstract:

This study analyzes real wage cyclicalty for male full-time workers within employer-employee matches in Germany over the period 1984-2004. Five different wage measures are compared: the standard hourly wage rate; hourly wage earnings including overtime and bonus pay; the effective wage, which takes into account unpaid overtime; and monthly earnings, with and without additional pay. None of the hourly wage measures exhibits cyclicalty except for the group of salaried workers with unpaid overtime. Their effective wages show a strongly procyclical reaction to changes in unemployment. Despite acyclical wage rates, salaried workers without unpaid overtime experienced procyclical earnings movements if they had income from extra pay. Monthly earnings were also procyclical for hourly paid workers with overtime pay. These findings suggest that cyclical earnings movements are generated by variable pay components, such as bonuses and overtime, and by flexible working hours. The degree of earnings procyclicalty revealed for the German labor market is comparable to the United States.

Text: See [Discussion Paper No. 5489](#)



[Back](#)