

### Increasing employment instability among young people? Labor market entries and early careers in Germany since the mid-1980s

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**Increasing employment instability  
among young people?**

Labor market entries and early careers in  
Germany since the mid-1980s

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## **ABSTRACT**

In the light of rising economic uncertainty, employers increasingly try to transfer market risks to their employees and to establish more flexible employment relationships. Young people are supposed to be especially exposed to labor market flexibilization as the lack of seniority, work experience, lobby, and networks make it possible to shift precarious employment forms to them. In our paper, we investigate whether employment instabilities are indeed rising among young people in Germany and whether certain groups of young people are at a particularly high risk. Our analyses are based on data from the German Socio-Economic Panel (GSOEP) and refer to the period since the mid-1980s; they include young people from Eastern and Western Germany as well as migrants of three different educational cohorts. To capture employment instabilities among young people in Germany, we focus (1) on the duration of first job search, (2) on the risk of fixed-term employment in the first job, (3) on the risk of unemployment after having entered first employment, and (4) the re-entry chances of unemployed persons.

Our analyses show that young people face increasing difficulties at labor market entry in recent years: it takes them a longer time to find a first job; a rising share of them is confronted with unemployment directly after leaving the educational system; and starting the employment career in a fixed-term contract is more frequent nowadays. We find growing employment turbulence also in the early career: unemployment risks have been rising for those who have already found a job. Flexible forms of employment (fixed-term positions) seem to be particularly at risk to end in unemployment. Furthermore, it has become more difficult to reenter employment after a phase of unemployment. Employment instabilities do not hit all employees alike, but especially the lowly educated and the lower occupational classes as well as East Germans and migrants. The results indicate that qualification and class became increasingly important for young people's labor market chances since the mid-1980s. We thus find a relative strengthening of inequality structures among young people in Germany in an era of increasing labor market problems.

### **3 Increasing employment instability among young people?**

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#### **INTRODUCTION**

Recent economic developments such as increased internationalization and liberalization have strongly impacted the German labor market and economy, putting the concept of market regulation in Germany more and more under pressure. Unemployment rates have risen dramatically in the last two decades, and employers and enterprises complain about the rigidities of the comparatively highly regulated employment system in Germany and demand for more employment flexibility. However, so far market deregulation has remained relatively moderate in Germany, with the core of employees, namely male labor market insiders, being still highly protected (Kurz et al. 2002; Erlinghagen 2002). Men are covered largely through well-developed institutionalized regulations such as dismissal laws.

It seems likely that high levels of protection and regulation for this core of employees even under a worsening labor market situation and rising needs of flexibility in firms can only be achieved by imposing employment flexibility upon the margins of employment, such as women (Buchholz and Grunow 2003) and older workers (Buchholz 2004), but also labor market entrants. We expect that young people are especially exposed to labor market flexibilization, since in an insider-outsider market it is easiest to shift employment flexibilities to labor market entrants who lack work experience, lobby, networks and seniority.

The aim of this paper is to study (1) whether young people in Germany are increasingly confronted with long(er) durations of job search after completing education and a higher risk of employment instability in their early career and (2) which groups of young people are especially affected by decreasing employment stability and how social inequality structures have developed in the light of increasing labor market flexibility. In a first step, we compare the transition to the first job as well as the quality of the labor market entry between different cohorts of educational system leavers. In a second step, we focus on the development of the early career to examine whether young people face an increasingly long period of instability before establishing themselves as insiders in recent years. Our analyses are based on data from the German Socio-

Economic Panel (GSOEP) and refer to the years since the mid-1980s; they include young people from Eastern and Western Germany as well as migrants.

We proceed as follows. As national institutional settings strongly impact on how labor market entrants and early-career employees are affected by increasing demands for labor market flexibility (Mills and Blossfeld 2005), we start with a description of the three institutional systems that have a major influence on the employment career of young people: the economic system, the educational system, and the welfare state. Based on this institutional description we develop our research design and deduce the relevant employment processes that need to be considered when studying the impact of rising needs for economic flexibility on young people in Germany. Next, we outline our research hypotheses, and describe the data and methods we use. We then present the results of our empirical analyses before concluding with a short summary and discussion.

## **INSTITUTIONAL CONTEXT**

### **Type of economy and employment relationships**

Modern countries' response to increasing global pressures has varied tremendously (Regini 2000; Esping-Andersen and Regini 2000). While some countries, like Great Britain and Denmark, have taken the direction of extensive deregulation of the labor market, others were more cautious about introducing employment flexibility (Regini 2000).

Also in Germany, the system of employment regulation has become a highly debated topic in recent years. Employers increasingly demand more employment flexibility, especially numerical flexibility. As a reaction to these demands and in the light of rapidly growing unemployment rates, some reforms were introduced. But a closer look at these reforms reveals that the level of deregulation has remained comparatively moderate in Germany and has so far not fundamentally affected the German labor market insiders. Indeed, qualified men in their mid-career enjoy even today a highly stable employment situation and they are largely secured against labor market risks (Kurz et al. 2002; Wagner 2000; Holst and Maier 1998; Bosch 2001; Erlinghagen 2002). Thus, Germany can still be characterized as a flexibly coordinated economy with closed employment relationships (Soskice 1999; Mayer 1997). In these economies, investments in long-term, institutionalized forms of cooperation based on trust are at the core of employment relationships. Characteristics of this type of economy include strong unions and workers' councils, an active role of the state in the market, collective wage agreements, a highly standardized occupational system, a comparatively strong seniority system and relatively extensive safeguards against dismissal.

However, the degree of employment security and stability is not equally distributed in Germany; the system clearly favors the so-called 'insiders'. For example, the duration of firm membership increases protection against dismissal in general and in the case of mass-layoffs. Age as well as the family situation are

taken into consideration to compile severance schemes, and being employed in large firms gives additional security due to the existence and power of workers' councils (Mückenberger 1985). Also, current reforms target especially the 'margins' of employment. For example, extensive early retirement programs were introduced to relieve the German labor market from high unemployment and to offer firms some flexible staffing measures within the comparatively highly regulated economic system. As a consequence, working life was dramatically re-defined in Germany and labor force participation in old age dropped strongly. Also, the so-called 'Hartz reforms', put into practice in 2005, targeted labor market outsiders and not the insiders by cutting the financial security in case of long-term unemployment.

When studying labor market entries and early careers in Germany, it is of special importance to mention the 1985 Employment Promotion Act. This reform gradually extended the possibilities for fixed-term contracting and especially affected the situation of young people and labor market entrants as the regulations were designed for new employment contracts and employment contracts following vocational training. Before 1985, the possibilities for employers to offer fixed-term contracts were strongly restricted as they were only permitted in case of special reasons and limited to six months. With the reform, offering fixed-term contracts was made easier for enterprises as they no longer had to give a reason for a fixed-term contract under certain conditions. Additionally, the maximum duration of fixed-term contracts was gradually extended since 1985 (up to 24 months) and the number of fixed-term extensions a company can give before having to offer a permanent contract was increased (Mückenberger 1985; McGinnity, Mertens and Gundert 2005).

### **Educational system**

The German educational system has been characterized as highly standardized and stratified compared to other countries (Allmendinger 1989). Stratification starts at a very early age in Germany, namely at around age 10. At this age pupils are selected into three different tracks: the lower secondary school (*Hauptschule*), the middle secondary school (*Realschule*), and the upper secondary school (*Gymnasium* or *Fachoberschule*). Completing upper secondary school entitles young people to enter the university. Transitions between the three different tracks are possible, but quite rare and unusual.

General schooling is usually followed by vocational training or attendance of a technical college or university. Today, the majority of young people, namely around 60 percent (Geißler 2002), enter a vocational training in the dual system for two to three years. Successful participants of the dual system receive a standardized certificate, which allows them to move between firms, but at the same time hinders moves between occupations, as the training is highly occupation-specific and the strong standardization and stratification creates hurdles for those without certificates as well as for those without the appropriate certificate. In the dual system, theoretical learning in school is combined with

practical learning in a firm. This kind of training serves as a 'diving board' for young people in an insider-outsider labor market as it gives them the opportunity to build up networks and a bridge to the labor market during their training phase.

Like in many Western industrialized societies, a major characteristic of the German educational system was its expansion in the 1960s and 1970s. Reforms especially aimed at the expansion of secondary and tertiary education to improve the opportunities of girls and young women as well as of children from lower social backgrounds and of the countryside (Blossfeld 1985; Henz and Maas 1995). Before educational expansion, the majority of children, about 80 percent, attended lower secondary school, this share dropped to less than a third. At the same time, the share of those completing upper secondary school rose from around 13 percent in the 1950s to about a third. Accordingly, also the percentage of those starting university or college increased strongly since the 1960s (Geißler 2002).

All in all, educational expansion was a partial success in Germany. At university and in general schooling, girls caught up with boys; today girls are even slightly overrepresented at upper secondary school. However, gender differences do still prevail in the choice of university subjects and of vocational training fields (Geißler 2002; Cooke 2003). The 'female types' of education lead to jobs which are typically connected with lower income, less security and worse career opportunities compared to 'male jobs' (Beck-Gernsheim 1984; Osterloh and Oberholzer 1994). With regard to social background, even today strong inequalities exist in Germany. Although children from lower classes improved their chances in middle educational levels, their chances became relatively worse for higher secondary and for tertiary degrees (Baumert and Schümer 2001). Especially disadvantaged in the educational system are migrants. Children with non-German parents are clearly overrepresented in lower educational groups and underrepresented in middle and higher educational levels. In 2000, their share at lower secondary school was around twice as high as for children with German parents, while their share at upper secondary school was about a half of it. Thus, today their educational participation is comparable with the situation in 1970 in Germany (Baumert und Schümer 2001).

### **Welfare state**

Germany is classified as belonging to the conservative welfare model (Esping-Andersen 1990). For this welfare regime, it is typical to focus less on active, employment-sustaining measures than on providing economic security for those who are out of the labor market, for example through a generous unemployment insurance. The welfare state is strongly transfer-oriented and tries to buffer employment insecurities by mitigating the effects on the not-employed population, or, in short, by decommodifying instead of creating jobs and bringing people into employment (Esping-Andersen 1990). Thus, it is not surprising that active labor market policy expenditures are comparatively low and unemployment is of longer duration in Germany (see for example Hofäcker

and Pollnerová 2006). The social security system is closely linked to the individual's employment history and was developed upon the idea of standard employment relationships, namely continuous and life-long full-time employment. For example, the level of unemployment benefits depends on service years and paid contributions. Thus, the German welfare state also favors labor market insiders over outsiders.

Another important characteristic of the conservative regime is the concept of a traditional gender contract with the female partner doing the unpaid reproductive and care work at home and the male partner being employed (Esping-Andersen 1990; Holst and Maier 1998). This implies that while men's integration into the German social security system is *directly* secured via paid work, a woman's social security is supposed to derive *indirectly* from the employment status of the head of her household, whether that be her father or her husband (Parkin 1971). This policy framework makes discontinuous careers, part-time work, flexible work arrangements, and less secure employment relationships attractive or at least tolerable to married women (Kurz et al. 2002). In such an environment it seems likely that employers interested in a flexible work force, hire women for the less secure positions and keep secure, full-time employment for men. This would be in line with the interests of men, too: given the institutional and cultural support for the male breadwinner model, they have strong motivations for working in secure, well-paid full-time positions (Kurz et al. 2002). In sum, a tradeoff between work and family is characteristic for female labor market participation in Germany (Buchholz and Grunow 2003). As a result, women's careers cannot be defined as clearly as for men. Instead, women's careers are marked by substantial periods of interrupted employment (Mayer 1991; Lauterbach 1994). Within this framework, women thus hold a strong potential alternative role outside the labor market (Offe 1977).

## **RESEARCH DESIGN: STUDYING LABOR MARKET ENTRIES AND EARLY CAREERS IN GERMANY**

The three interrelated institutions – the educational system, the employment system and the welfare regime – shape life course transitions such as the employment entry and the developments throughout the early employment career (see for example DiPrete et al. 1997; Mills and Blossfeld 2005; Leisering 2003). The institutional package also influences what labor market transitions are most important to investigate when we want to understand whether and in which ways the early phase of labor market participation has become riskier across cohorts of school leavers. An important characteristic to look at is the duration of job search until first employment. The duration should be rather low in Germany as the institutional link between education and employment is quite strong. For example, the dual system which most young people in Germany go through builds a direct bridge to the labor market. Additionally, the strong standardization of educational certificates secures a clear-cut matching to jobs



and reduces intensive screening when hiring persons to new jobs. At the same time, Germany is characterized by an insider-outsider labor market which favors the insiders. When labor market problems increase it is most likely that those who want to enter employment face the biggest problems, meaning essentially that it will take them more time until they find a first job.

Another important issue is the quality of the job at employment entry. Problems such as entry into employment below one's educational level ('over-qualification') are probably not an important issue given the close link between educational certificates and occupational positions. More at stake is probably the question of employment protection. With the 1985 Employment Promotion Act and subsequent legislations, the possibilities of offering fixed-term contracts to labor market entrants have been extended. Fixed-term contracts are one of the rare sources of circumventing dismissal protection for employers. Therefore, these contracts are of special importance when evaluating the quality of employment entrance and changes therein over time. Thus, we will investigate whether successive cohorts of school leavers face a growing risk of receiving a fixed-term contract.

Regarding the further development of the employment career, the most interesting question is whether school leavers – once they have found a job – are able to establish themselves securely in employment or whether they face high risks of losing their freshly gained grounds again. This boils down to the question whether the traditional German system of protecting insiders is on its way of dissolving gradually with new entrants into the employment system. In this context it is of particular interest whether employment entrants with fixed-term jobs are more at risk of unemployment than those with permanent ones. Or to put it differently: is precarious work a trap or does it serve as a bridge to favorable employment conditions? But not only is the risk of unemployment an important issue, but also the chances of reentering employment out of unemployment. While long durations of unemployment would indicate that the German system has remained quite closed, short durations would suggest that the system has become more permeable and flexible.

## **HYPOTHESES**

### **Have opportunities of labor market entrants and young employees worsened since the mid-1980s?**

Our data refer to the period from 1984 to 2002. In this period, the labor market situation changed noticeably in Germany. After a first peak in the mid-1970s, unemployment started to rise again at the beginning of the 1980s. At this time, the demand for training places in the dual system exceeded the vacancies (Winkelmann 1996). In the second half of the 1980s, unemployment rates dropped slightly. With reunification, the German labor market experienced a short phase of economic boom, mainly caused by the opening of new markets.

But already from 1993 on, unemployment rates rose again, especially in Eastern Germany. Today, the unemployment rate in Eastern Germany is around twice as high as in Western Germany.

In our analyses, we thus expect that labor market entry chances worsened since the mid-1980s, especially for those young people who completed education after 1993. For them, the duration until first employment should be higher than for young people of earlier cohorts and they should face a higher risk of starting their employment career in a fixed-term contract. We also expect early employment careers of later cohorts to be less stable; our analyses should thus show growing unemployment risks in the early career across cohorts.

### **Who is affected by worsening opportunities at labor market entry and in early career?**

#### *Educational qualification and class*

Not all labor market entrants and young employees should be equally affected by increasing labor market insecurity. We expect a clear stratification of risks for the transition to employment after completing education and for employment risks in early career.

First of all, finding a first job should be easier for those young people who participated in vocational training in the German dual system. Their labor market entry should be comparatively smooth as they are well qualified and hold a standardized occupational certificate. Also, employers invested in the human capital of apprentices and are thus less likely to let them leave. Most importantly however, the dual system offers an institutionalized bridge to the labor market. In contrast, the chances of young people without occupational qualification should be by far worse at labor market entry. They just hold poor qualifications and as the definition of occupations is relatively rigid in Germany, they are usually tied to unqualified positions which have been cut down tremendously in Germany with increasing technological progress in production processes.

But also after labor market entry, we expect a strong stratification of labor market risks among young people. As Breen (1997) argues, we should find a dividing line between employees with clearly defined and checkable tasks and employees whose tasks are less easy to control by employers. Thus, one has to distinguish between employment relationships in highly qualified service occupations and less qualified and very low qualified occupations (Erikson and Goldthorpe 1992). In the first case, the exchange is more diffuse, so that employers' willingness to offer employment stability is higher as they are interested in these employees' commitment. Consequently, highly qualified persons should be less exposed to a shift of market risks than low(er) qualified employees (Breen 1997).

### ***Firm size***

It is well-known that labor markets are segmented with the different segments offering different degrees of employment stability. In this context, internal labor markets of larger companies are of special interest as they offer a more secure career perspective and high employment protection (Doeringer and Piore 1971). In Germany, the role of internal labor markets is reinforced since the existence and power of workers' councils depends on the size of a firm. We thus expect that young employees in bigger firms enjoy a lower risk of unemployment than employees in smaller firms.

### ***Sector***

Likewise, in the German public sector, employment security was traditionally high. However, the question is whether this still applies to younger generations entering the labor market in the past two decades. Since the 1980s, we find financial cutbacks and employment stagnation in the public sector. Only directly after re-unification did the public sector experience a short phase of slight growth. Since the German public sector favors the insiders and those with long work histories, we expect that this sector no longer offers higher security for young people in general, but only in times of public sector growth.

In the German transformative sector, collective agreements as well as workers' councils are strong which makes us expect that employees in this sector enjoy higher employment security. But at the same time, it is especially this sector which experienced a strong crisis in recent years, especially since the early-1990s. Thus, employment protection should have decreased for industrial employees.

In sum, we therefore argue that the level of employment instability of early-career workers is strongly dependent on the economic situation of given sectors.

### ***Population groups***

Due to the turbulence on the East German labor market after reunification and in the 1990s, we expect that young people in Eastern Germany will have more problems entering the labor market and face more employment instabilities in their early career than West Germans.

As migrants hold lower educational degrees (Baumert and Schümer 2001; Alba, Müller, and Handl 1994; Seifert 1992), we also expect them to face worse opportunities at labor market entry and in the early career. But as collective agreements are dominant and workers' councils are active in the industrial sector, where many male migrants are working, we do not expect strong ethnic discrimination (Hinken 2001). Thus, when controlling for educational and occupational qualification or class, we expect differences between migrants and West Germans to vanish.

### **Gender**

It is well-known that women in Germany are more likely to have flexible employment contracts (see for example Blossfeld and Rohwer 1997; Kurz 1998; Buchholz and Grunow 2003). This is especially true for women in Western Germany who use part-time work and interrupted work histories to combine job and family. But as women at labor market entry usually do not have children, we do not expect that they voluntarily seek flexible employment relationships. However, we cannot rule out that employers offer women worse opportunities than men even in the early labor market phase, because they assume that women might interrupt their career in the future due to family reasons. This would be visible in worse entry chances, a higher likelihood of unemployment as well as longer unemployment episodes for women. Additionally, we find a strongly segregated labor market in Germany: women are underrepresented in large firms where employment protection is usually stronger and they generally work in occupations with more limited career opportunities and less security (Beck-Gernsheim 1984; Osterloh and Oberholzer 1994).

### **DATA AND METHODS**

Our analyses are based on data from the German Socio-Economic Panel (GSOEP), a representative yearly household panel that started in 1984. In the first wave in 1984, the GSOEP included around 6,000 households and 12,000 individuals (Hanefeld 1987; Haisken-DeNew and Frick 2002). Every year data on education, employment and family events are collected for household members from the age of 16 up. The GSOEP includes different samples for different parts of the German population. We use the West and East German sample as well as the sample for migrants in which former 'guest workers' from Turkey, Italy, Greece, Spain and former Yugoslavia and their descendants are included. East Germans have only been part of the GSOEP since 1990.

For studying the *transition to first employment*, we defined a sample with different cohorts of educational system leavers. We included persons who completed general schooling, vocational training or tertiary education between 1984 and 2001 (for Eastern Germany between 1990 and 2001). To identify those persons, in the first step we used yearly information from the GSOEP: if a respondent was classified as being in school, in vocational training or in tertiary education in year  $x$ , but as being not any more in education at the time of interview in year  $x+1$ , we defined a person as educational system leaver. In the next step, we used monthly information of the GSOEP to reconstruct the employment history of a respondent after he or she completed education. Based on the monthly information of the GSOEP, it turned out that some respondents who classified themselves as working in the yearly interview, actually only interrupted their education for a short duration (up to six months). In these cases, we corrected our classification and defined persons as being still in education.

We also closed little gaps if persons, especially young men (for whom military or community service is obligatory in Germany), waited for starting their military or community service. If they began military or community service within six months after leaving the educational system, we started the observation of these persons after they finished the military or community service respectively following education.

Unfortunately, the GSOEP does not offer information on the entire educational history of respondents. Thus, we do not know for sure whether a given educational episode is the first or a later one. To tackle this problem, we restricted our sample to persons who were not older than 32 when they left the educational system. By this definition we can secure that the persons in our sample are in their early career. Based on these definitions, our starting sample includes 3,207 young men and women of whom are 1,798 West Germans, 639 East Germans, and 770 migrants.

Our dependent variable 'transition to first job' we defined as entering full-time or part-time employment and not being in full-time education at the same time. Small jobs of less than 15 hours a week were not counted. Respondents who started military or community service or who re-entered education were treated as right-censored. Our definition of cohorts is based on the labor market situation in the year persons left the educational system (Kurz 2005): cohort 1984-89 completed education when unemployment rates were still comparatively moderate, but rising in Germany; members of cohort 1990-93 made the labor market entry after re-unification when unemployment rates had dropped slightly; cohort 1994-01 left the educational system when the general labor market situation in Germany had clearly worsened and unemployment rates reached a climax.

In another step of our analyses, we focus on the development of early careers since the mid-1980s to investigate whether young people are in a secure position as soon as they have entered employment. For this purpose, we study the *risk of unemployment* of those young people who succeeded in finding a first job.<sup>1</sup> For young people who were right-censored in our analyses on the transition to first employment, we took the first employment episode after completing further education respectively military or community service. For this reason, we have a larger starting population in our analysis on unemployment risks after having entered first employment (3,008 persons) than we have events for finding a first job (2,799 events) in our first analysis.

In a last step, we investigate the *re-entry chances after unemployment* for young Germans of the different cohorts. The basis of these analyses are those young people who exited first employment due to unemployment.

For our longitudinal analyses, we use piecewise constant exponential models as well as product-limit estimations (Blossfeld and Rohwer 2002). For calculating the risk of fixed-term contract in the first job we use logit models (Agresti 1990, Aldrich and Nelson 1984). Explanatory variables are shown in Table 3.1

Table 3.1 Explanatory variables

<i>Variables</i>	<i>Measures and categories used</i>
<i>Population groups</i>	West Germans, East Germans, migrants
<i>Educational cohorts</i>	Cohort 1984-89, cohort 1990-93, cohort 1994-2001 (based on the year a person left the educational system)
<i>Labor market situation</i>	Yearly average unemployment rate (for East and West Germany)
<i>Gender</i>	Men versus women
<i>Type of contract</i>	Fixed-term contract, permanent contract, self-employment
<i>Duration of first job search</i>	Duration until entering first job after leaving the educational system (in months)
<i>Indicators for vertical structure</i>	
Occupational class	based on Erikson-Goldthorpe (1992) classification
Educational and occupational qualification	5-point scale on the basis of CASMIN (see for example, Brauns and Steinmann 1999)
<i>Indicators for horizontal structure</i>	
Firm size	4 categories based on the number of employees
Sector	based on Singelmann (1978) classification; modified by collapsing private market services into one category

*Note:*

We control for missing information in our models.

## RESULTS

### Labor market entries since the mid-1980s

#### *Duration until first employment after completing education*

In Figures 3.1 to 3.3, we present the results of product-limit estimations for the duration until first employment after leaving the educational system for the different cohorts under study:

First, it becomes clear that the transition into employment is quite smooth in Germany for the majority. Most of the young people in our sample can realize a relatively immediate transition from education to employment: already after one month 65 to 74 percent of the West Germans, 53 to 70 percent of the migrants and 55 to 68 percent of the East Germans have found a first job. In the following months many of the remaining young people can make the transition into

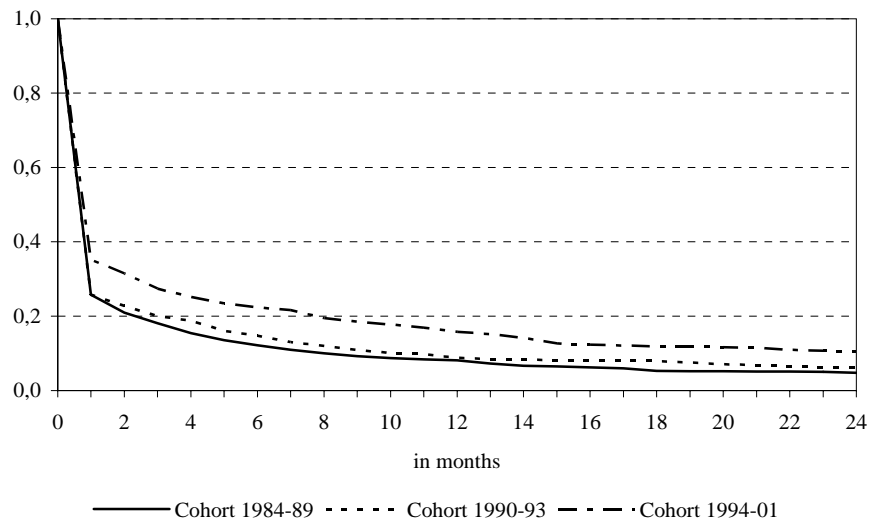


Figure 3.1 Duration until first employment after leaving the educational system, West Germans (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

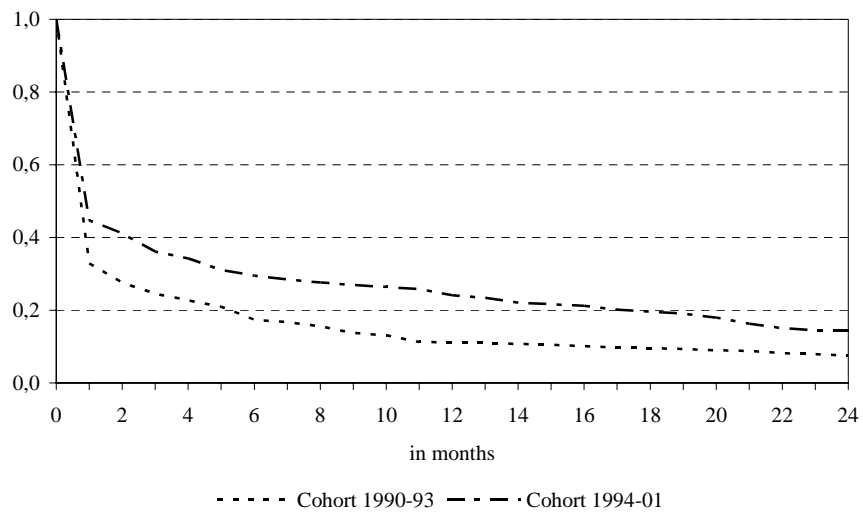


Figure 3.2 Duration until first employment after leaving the educational system, East Germans (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

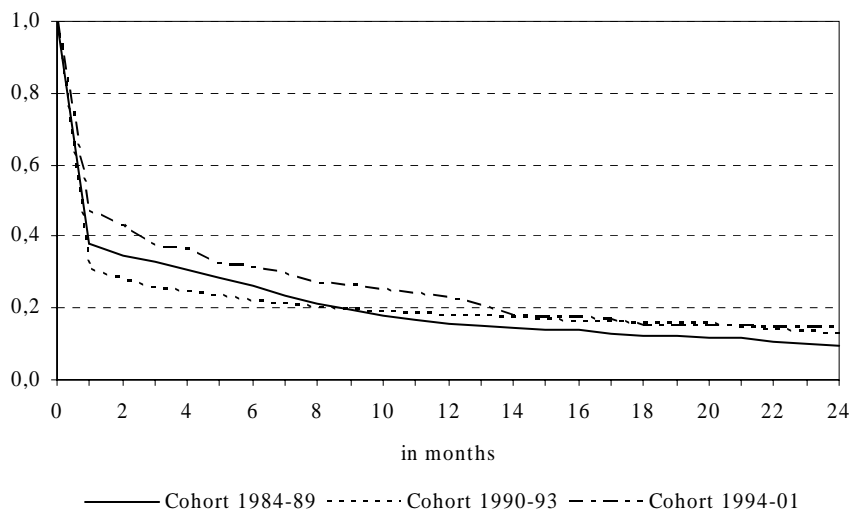


Figure 3.3 Duration until first employment after leaving the educational system, migrants (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

employment: after five additional months between 30 to 50 percent of those who remained without employment after a month are employed.

Second, the results show that the opportunities of labor market entrants in Germany worsened since the mid-1980s. Compared to the oldest cohort under study, less members of the youngest cohort can realize a direct transition to employment after leaving education: while around three quarters of the West Germans of cohort 1984-89 found a first job within a month, it was not more than two thirds in cohort 1994-01; while about two out of three East Germans of cohort 1990-93 had a first job within a month, it was only somewhat more than half of them in cohort 1994-01; while almost two thirds of migrants of cohort 1984-89 entered employment within a month, it was only slightly more than 50 percent in cohort 1994-01. Additionally, the proportion of young people who need a longer period of job search (more than 9 months) clearly increased across cohorts – this is especially true for East Germans. This pattern is also supported by the results shown in Table 3.2: members of cohort 1994-01 are in a disadvantaged position at labor market entry compared to earlier cohorts. Furthermore, we can see that the entering chances of young people are strongly determined by the general labor market situation: the higher the general unemployment rate in a year, the less likely it is for young people to find a first job. Thus, German labor market entrants experienced a strengthening of their outsider position with the rapidly increasing average unemployment rates in the past 20 years.



Table 3.2 Duration until first employment after leaving the educational system since the mid-1980s (piecewise constant exponential models)

	1	2
<i>Periods</i>		
up to 3 months	-0.60**	-0.30**
3 to 6 months	-2.00**	-1.71**
6 to 9 months	-2.31**	-2.02**
9 to 12 months	-2.67**	-2.38**
12 to 24 months	-2.90**	-2.60**
24 and more months	-3.98**	-3.64**
<i>Sample</i>		
West German (ref.)	-	-
Migrant	-0.31**	-0.31**
East German	-0.21**	0.02
<i>Cohort<sup>a</sup></i>		
1984-89	-0.01	
1990-93 (ref.)	-	
1994-01	-0.23**	
Yearly average unemployment rate		-0.04**
Events		2,799
Total persons		3,207
Censored persons		408
-2*diff (LogL)	3,366.28	3,352.28

Source: Own calculations based on the GSOEP (1984-2002).

Note:

\*\* Effect significant at  $p < 0.01$ ; \* effect significant at  $p < 0.05$ ; + effect significant at  $p < 0.10$ .

a Cohort 1984-89 also differs significantly from cohort 1994-01; members of this cohort enter employment earlier than members of the latest cohort.

Third, we find considerable differences between East Germans, migrants and West Germans at labor market entry in recent years. West Germans are in the best position. On the other hand, especially for East Germans of cohort 1994-01, it takes a long time to find a first job (after 18 months there are still around 20 percent of them who have not entered employment yet), while the migrants in this cohort can at least reduce the gap between themselves and the West Germans (see Figures 3.1 to 3.3).

Table 3.3 shows the results of parametric models for the duration until first employment for the different cohorts under study when considering additional factors. As already demonstrated by the product-limit estimations, the likelihood of entering employment is by far the highest in the first three months after leaving the educational system in all cohorts. Afterwards the chance of entering a

first job clearly decreases and if it takes more than two years after completing education, the likelihood of entering employment is very low.

Young women have more problems entering employment; in all cohorts they need more time finding a first job than men. Unfortunately, we cannot distinguish whether women are *generally* disadvantaged or whether their disadvantaged situation has to be traced back to the fact that they chose educational tracks that lead to jobs where labor market chances are worse.

Concerning differences between migrants, East Germans, and West Germans, we find an interesting development of inequalities across cohorts. Migrants are disadvantaged at labor market entry in all cohorts compared to West Germans; it takes them more time to find a first job (models 1 and 2). While migrants were *generally* disadvantaged in the earliest cohort, the pattern of inequality changed since the 1990s. When controlling for educational and occupational qualification (models 3), we no longer find significant effects for migrants in cohort 1990-93 and cohort 1994-01, while in cohort 1984-89 the effect just becomes weaker and remains significant. Thus, for the two younger cohorts, the migrants' lesser opportunities at labor market entry can be fully traced back to their general lower qualification level and disadvantaged position in the educational system. There are no longer signs of a general discrimination against migrants.

Directly after reunification, the young East Germans' labor market entry chances were comparable to the opportunities of West Germans; the two groups did not significantly differ from each other. However, the East Germans' situation worsened notably afterwards. In cohort 1994-01, we find highly significant effects for East Germans. Compared to West Germans, they have lesser chances finding a first job. Why did the young people's situation in Eastern Germany become worse since 1994? In the first years after reunification, the unburdening of the Eastern German labor market took place mostly at the expense of the elderly, women, and the disabled (Ernst 1996). For example, a special early retirement program allowing older employees to withdraw very early from the labor market (at age 55) was introduced in Eastern Germany by the end of 1992. The massive use of this program reduced the problem of over-employment directly after reunification and protected younger East German employees from the negative effects of the shift from a planned to a market economy. But since these programs ran out and the potential of women and the disabled to leave employment was exhausted, the younger employees and labor market entrants also felt the force of the bad economic situation in Eastern Germany.

In all cohorts, completing tertiary education or vocational training helps young people entering employment. Those without vocational training have the biggest problems finding a first job. Thus, vocational training clearly seems to serve as a bridge to employment. However, we find a devaluation across cohorts. In cohort 1984-89, participants of vocational training form a homogenous group with university and college graduates, independently of the level of their general school degree. In cohort 1990-93, those with an occupational qualification, but

Table 3.3 Duration until first employment after leaving the educational system (piecewise constant exponential models)

	Cohort 1984-89			Cohort 1990-93			Cohort 1994-01		
	1	2	3	1	2	3	1	2	3
<i>Periods</i>									
up to 3 months	-0.58**	-0.49**	-0.51**	-0.60**	-0.53**	-0.64**	-0.85**	-0.78**	-0.88**
3 to 6 months	-1.99**	-1.89**	-1.85**	-2.22**	-2.13**	-2.20**	-2.13**	-2.05**	-2.09**
6 to 9 months	-2.07**	-1.97**	-1.93**	-2.31**	-2.21**	-2.27**	-2.76**	-2.68**	-2.70**
9 to 12 months	-2.48**	-2.37**	-2.34**	-2.54**	-2.43**	-2.49**	-3.16**	-3.07**	-3.09**
12 to 24 months	-2.95**	-2.84**	-2.81**	-3.40**	-3.28**	-3.35**	-2.87**	-2.77**	-2.79**
24 and more months	-4.21**	-4.07**	-4.02**	-4.08**	-3.90**	-3.96**	-3.81**	-3.69**	-3.81**
<i>Sample</i>									
West German (ref.)	-	-	-	-	-	-	-	-	-
Migrant	-0.38**	-0.39**	-0.25**	-0.26**	-0.24*	-0.14	-0.24**	-0.24**	-0.11
East German				-0.10	-0.09	-0.16+	-0.24**	-0.24**	-0.22**
<i>Sex</i>									
Men (ref.)		-	-		-	-		-	-
Women		-0.20**	-0.20**		-0.20**	-0.22**		-0.16*	-0.17**
<i>Qualification</i>									
Lower secondary degree without occupational qualification			-0.54**			-0.47*			-0.93**
Lower secondary degree with occupational qualification (ref.)			-			-			-

Table 3.3 continued

	Cohort 1984-89			Cohort 1990-93			Cohort 1994-01		
	1	2	3	1	2	3	1	2	3
Upper secondary degree without occupational qualification			-0.60**			-0.39+			-0.44**
Upper secondary degree with occupational qualification			0.16*			0.26**			0.15+
College or university degree			-0.01			0.20+			0.44**
Events			1,006			755			1,038
Total persons			1,094			835			1,278
Censored persons			88			80			240
-2*diff (LogL)	1,343.00	1,352.49	1,405.42	1,031.00	1,038.08	1,065.33	1,003.08	1,009.26	1,090.26

Source: Own calculations based on the GSOEP (1984-2002).

Note:

- \*\* Effect significant at  $p < 0.01$
- \* Effect significant at  $p < 0.05$
- + Effect significant at  $p < 0.10$ .

holding only a *lower* secondary school degree start differing from university and college graduates, while those with vocational training and *upper* secondary school degree still enjoy the same chances as those with the highest qualification. In cohort 1994-01, both young people with upper *and* lower secondary degrees significantly differ from university and college graduates; their occupational certificate offers them no longer the same chances at labor market entry as a tertiary degree.<sup>2</sup> In sum, we thus find an increasing importance of qualification and a rising stratification of opportunities at labor market entry in times of worsening economic conditions in Germany.<sup>3</sup>

### *Quality of labor market entry*

That the chances for young people in Germany worsened in the last two decades is also supported by our analyses on the quality of labor market entry (Table 3.4 and Table 3.5). Table 3.4 gives information on the employment state in the first episode after leaving the educational system. Being unemployed after completing education became more and more a reality for young people in Germany: for West Germans the unemployment rate amounted to 13.9 percent in cohort 1984-89, in cohort 1990-93 it stood at 11.1 percent and increased to 16.4 percent in cohort 1994-01; for young East Germans the unemployment rate increased from 20.2 percent in cohort 1990-94 to 30.6 percent in cohort 1994-01; the unemployment rate for migrants was 16.7 percent in cohort 1984-89, decreased to 9.6 percent in cohort 1990-93 and more than doubled in cohort 1994-01 (23.4 percent). The large differences in the risk of unemployment after completing education in the latest cohort again support that young East Germans and

Table 3.4 *Employment status in the first episode after leaving the educational system, by cohort and sample*

	<i>West Germans</i>			<i>Migrants</i>			<i>East Germans</i>		
	<i>1984-89</i>	<i>1990-93</i>	<i>1994-01</i>	<i>1984-89</i>	<i>1990-93</i>	<i>1994-01</i>	<i>1990-93</i>	<i>1994-01</i>	
Full-time	72.0%	71.1%	59.8%	59.1%	69.0%	52.8%	68.7%	54.2%	
Part-time	3.9%	4.2%	10.8%	3.1%	2.1%	5.3%	2.5%	6.1%	
Unemployed	13.9%	11.1%	16.4%	16.7%	9.6%	23.4%	20.2%	30.6%	
Not employed	6.7%	9.3%	8.2%	16.7%	16.0%	15.1%	3.5%	6.4%	
Other	3.8%	4.2%	4.7%	4.4%	3.2%	3.4%	5.0%	2.7%	
Total	100.3%	99.9%	99.9%	100.0%	99.9%	100.0%	99.9%	100.0%	
(n)	776	450	572	318	187	265	198	441	

Source: Own calculations based on the GSOEP (1984-2002).

Table 3.5 Fixed-term contract in the first employment episode after leaving the educational system (logit models)

	1	2	3
Constant	-0.90**	-1.14**	-1.00**
<i>Cohort</i>			
1984-89	-0.16	-0.07	-0.19
1990-93 (ref.)	-	-	-
1994-01	0.50**	0.54**	0.51**
<i>Sample</i>			
West German (ref.)	-	-	-
Migrant	-0.16	-0.16	-0.26
East German	-0.11	-0.02	-0.09
<i>Sex</i>			
Men (ref.)	-	-	-
Women	-0.08	0.03	0.05
<i>Qualification</i>			
Lower secondary degree without occupational qualification		0.79*	
Lower secondary degree with occupational qualification (ref.)		-	
Upper secondary degree without occupational qualification		1.57**	
Upper secondary degree with occupational qualification		-0.20	
College or university degree		0.71**	
<i>Occupational class</i>			
High service class			0.60**
Low service class			-0.26+
Qualified routine non-manual employees			-0.07
Unqualified routine non-manual employees			-0.40
Skilled manual workers, masters, technicians (ref.)			-
Unqualified workers			0.57**
Number of cases			1,792
-2*diff (LogL)	307.43	378.82	345.85

Source: Own calculations based on the GSOEP (1984-2002).

Note:

\*\* Effect significant at  $p < 0.01$ ; \* effect significant at  $p < 0.05$ ; + effect significant at  $p < 0.10$ .

a Categories: permanent contract, fixed-term contract.

migrants face a worse situation at labor market entry than West Germans. Additionally, the results presented in Table 3.4 indicate that for those young people who can realize a direct transition to employment the situation also worsened since the mid-1980s: although even today most of them get full-time contracts (85 percent and more), the share of part-time contracts more than doubled across cohorts.

As outlined above, the 1985 Employment Promotion Act extended the possibilities of fixed-term contracting for firms and this reform especially targeted labor market entrants and early-career employees. Indeed, we observe a higher likelihood of starting the employment career in a fixed-term contract instead of in a permanent contract across cohorts (see Table 3.5). Since 1994, the likelihood of a fixed-term contract in the first job is significantly higher than for earlier educational cohorts. Interestingly, we find no differences between migrants, East Germans and West Germans and between men and women, although we found a longer duration of first job search for East Germans and migrants as well as for women in the above presented analyses. Consequently, their less smooth transition to the first job compared to West German men is not accompanied by a higher risk of receiving a fixed-term contract.

We find a higher likelihood of entering the labor market via fixed-term employment for lowly as well as for highly qualified young people: persons without vocational training and young people holding a tertiary degree have a higher risk entering fixed-term employment (model 2). When controlling for occupational class instead of qualification, this pattern is again supported (model 3): both, unqualified labor market entrants and members of the high service class show a significantly higher risk of fixed-term employment in the first job. This result might seem contradictory at first since we hypothesized more employment security for higher qualified labor market entrants. But one has to keep in mind that fixed-term employment is usually not precarious for highly qualified employees. On the contrary, for them fixed-term contracts are a common instrument for negotiating and increasing wages (Schömann et al. 1998; Booth et al. 2002). In contrast, for lowly qualified employees fixed-term contracts are not voluntary, but an insecure and flexible employment status. Indeed, other empirical studies have shown that fixed-term employment is widespread at both sides of the occupational respectively educational hierarchy (Bielenski et al. 1994, Kim and Kurz 2001).

As Kurz (2005) has shown in a more detailed study on the quality of the first job, fixed-term contracts go often hand in hand with part-time employment. Thus, we frequently find a combination of both insecure employment forms: low income security (part-time employment) *and* low temporal security (fixed-term contract).

### **Early careers since the mid-1980s**

In the previous section, we studied how young people in Germany make their transition to employment in the light of growing labor market problems. The

results clearly indicate that young people face increasing difficulties in finding a first job since the mid-1980s: we find longer periods of job search at labor market entry, a rising share of unemployment after completing education, more part-time work among those who make a direct transition to employment after leaving the educational system, and a higher likelihood of starting the employment career in a fixed-term contract. In the second step of our analyses, we focus on early-career transitions to examine whether those who entered employment enjoy a comparatively stable employment situation or whether they are still in an 'outsider position' which makes them vulnerable for the shift of market risks. Therefore, we study (1) the risk of unemployment after having entered employment as well as (2) the transition back to employment after unemployment and test for the impact of individual and firm characteristics on these transitions.

### ***The risk of unemployment after having entered employment***

In Figures 3.4 to 3.6, we present the results of product-limit estimations for the duration until unemployment after having entered first employment for the different educational cohorts:

As a general trend, we find increasing employment instability among young people in the past two decades. Early-career employees increasingly have to face unemployment after having succeeded in finding a first job. Especially since the 1990s, the risk of unemployment rose considerably.

However, the level of loss of employment stability differs between migrants, East Germans and West Germans. The group with biggest increase in the risk of unemployment across cohorts are West Germans. Their risk rose strongly, especially in the latest cohort 1994-01. However, despite this decline in employment stability West Germans are still the group best protected against unemployment.

East Germans face by far the highest risk of unemployment in their early career. Additionally, the results indicate that members of the East German cohort 1990-93 could not convert their better chances at labor market entry and their shorter duration of job search into a stable employment career and a protection against unemployment when the economic situation in Eastern Germany started to become dramatically worse.

The shape of the curves indicate that the risk of unemployment is especially in the first two years very high but decreases with rising employment experience. At the same time it takes longer for later cohorts to be protected against unemployment: cohort 1984-89 enjoyed considerable employment stability early (West Germans after 18 months, migrants after 30 months); in later cohorts unemployment continues to be a threat even after this time.

Table 3.6 shows the results of parametric models for the transition to unemployment after having entered first employment for the different cohorts under study when considering additional factors:



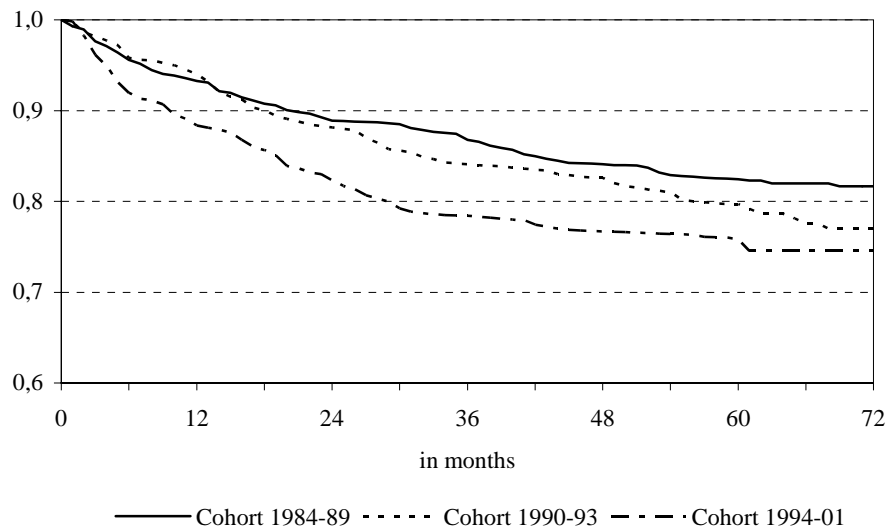


Figure 3.4 Unemployment risk after having entered first employment, West Germans, by educational cohorts (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

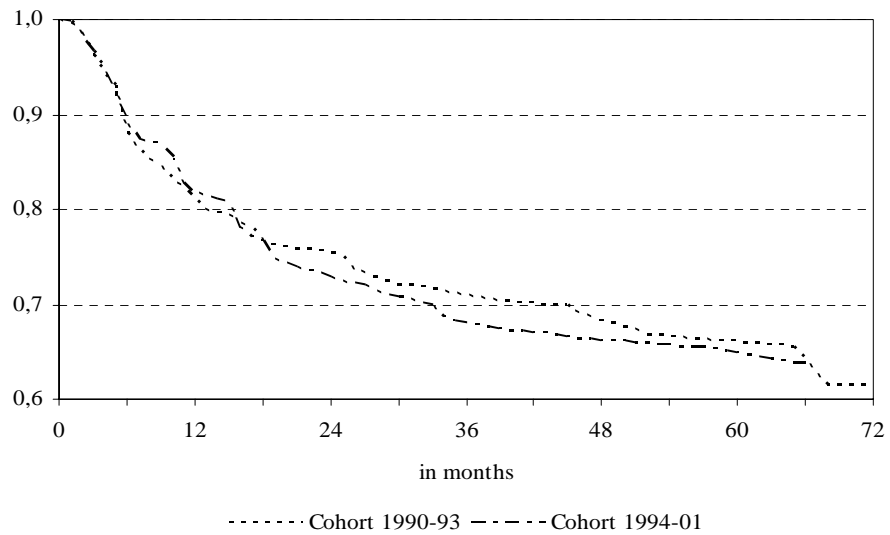


Figure 3.5 Unemployment risk after having entered first employment, East Germans, by educational cohorts (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

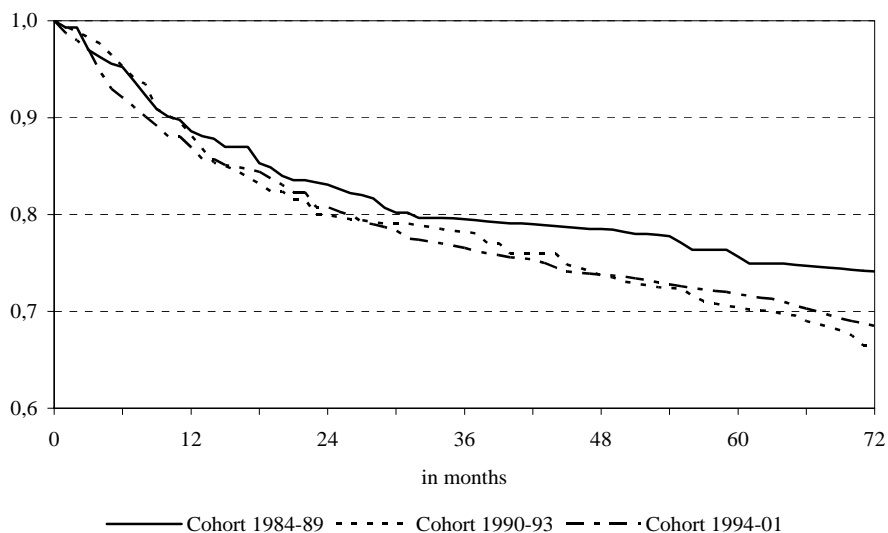


Figure 3.6 Unemployment risk after having entered first employment, migrants, by educational cohorts (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

The duration of first job search has a highly significant effect on the risk of unemployment in all cohorts. The longer a person needed for finding a first job, the higher the person's risk of becoming unemployed later. Thus, a disadvantaged situation at labor market entry negatively affects the chances in the early career. This means labor market entrants in Germany are not automatically 'insiders' as soon as they succeeded in finding a first job. The stability of their employment situation strongly depends on the speed of employment entry. This is different from the situation in other modern societies. For example the major challenge for young people in Italy is to find a first job, while they enjoy high employment stability afterwards (Scherer 2005).

Additionally, the results indicate that employment stability is eroding for labor market entrants, and early careers have become increasingly precarious in the past two decades. As demonstrated above, young people of the latest cohort are significantly more often confronted with fixed-term contracts at the beginning of their employment career (see Table 3.5). In Table 3.6, we can see that fixed-term contracts did not only become more frequent, but also more risky since the mid-1980s (models 1): in cohort 1994-01, holding a fixed-term contract significantly increases the risk of becoming unemployed in general, while this was not the case in the earlier educational cohorts 1984-89 and 1990-93.<sup>4</sup> That fixed-term contracts are connected with a higher unemployment risk started already in the middle cohort: although we find no general tendency of unemployment for

Table 3.6 Unemployment risk after having entered first employment, by educational cohorts (piecewise constant exponential models)

	Cohort 1984-89				Cohort 1990-93				Cohort 1994-01			
	1	2	3	4	1	2	3	4	1	2	3	4
<i>Periods</i>												
up to 6 months	-5.57**	-6.30**	-5.82**	-5.99**	-5.90**	-6.07**	-6.82**	-6.79**	-5.55**	-5.40**	-5.84**	-6.01**
6 to 12 months	-5.49**	-5.92**	-5.43**	-5.61**	-5.40**	-5.31**	-6.02**	-5.96**	-5.45**	-5.18**	-5.61**	-5.76**
12 to 18 months	-5.79**	-5.87**	-5.38**	-5.54**	-5.53**	-5.22**	-5.92**	-5.84**	-5.34**	-4.98**	-5.40**	-5.53**
18 to 24 months	-5.94**	-5.77**	-5.25**	-5.39**	-6.33**	-5.84**	-6.54**	-6.44**	-5.27**	-4.82**	-5.20**	-5.29**
24 to 36 months	-6.59**	-6.30**	-5.75**	-5.88**	-6.34**	-5.73**	-6.42**	-6.30**	-5.62**	-5.12**	-5.47**	-5.50**
36 to 48 months	-6.53**	-6.17**	-5.59**	-5.71**	-6.77**	-6.15**	-6.80**	-6.68**	-6.33**	-5.79**	-6.14**	-6.18**
48 to 60 months	-6.84**	-6.43**	-5.80**	-5.91**	-6.34**	-5.78**	-6.44**	-6.33**	-7.05**	-6.45**	-6.80**	-6.83**
60 and more months	-7.09**	-6.86**	-6.24**	-6.32**	-6.31**	-5.86**	-6.49**	-6.34**	-6.88**	-6.28**	-6.60**	-6.71**
<i>Sample</i>												
West German (ref.)	-	-	-	-	-	-	-	-	-	-	-	-
Migrant	0.26+	0.06	0.06	0.07	0.46*	0.28	0.21	0.27	0.08	-0.13	-0.15	-0.10
East German					0.69**	0.68**	0.69**	0.66**	0.40**	0.31*	0.31*	0.30*
<i>Sex</i>												
Men (ref.)	-	-	-	-	-	-	-	-	-	-	-	-
Women	-0.20	-0.27	-0.33* <sup>5</sup>	-0.40*	0.03	0.22	0.33+	0.30+	-0.13	0.05	0.13	0.07
Duration of first job search	0.05**	0.03**	0.03**	0.03**	0.04**	0.03**	0.03**	0.03**	0.03**	0.02**	0.02**	0.02**
<i>Contract</i>												
Fixed-term	0.41	0.49+	0.44	0.51+	0.36	0.37	0.66*	0.82**	0.72**	0.68**	0.78**	1.02**
Permanent (ref.)	-	-	-	-	-	-	-	-	-	-	-	-
Self-employed	-0.14	-0.00	-0.16	-0.51	0.02	-0.12	-0.10	-0.35	-0.60	-0.76	-0.72	-0.97
Missing information	0.68**	0.12	0.04	0.02	0.70**	0.20	0.18	0.14	1.83**	1.07**	0.94**	0.92**

Table 3.6 continued

	Cohort 1984-89				Cohort 1990-93				Cohort 1994-01			
	1	2	3	4	1	2	3	4	1	2	3	4
<i>Occupational class</i>												
High service class		-0.49	-0.71	-0.65		-1.24**	-1.15**	-1.09**		-1.65**	-1.58**	-1.41**
Low service class		-0.14	-0.48+	-0.38		-0.98**	-0.81**	-0.71*		-0.93**	-0.82**	-0.69**
Qualified routine non-manual employees		0.03	-0.29	-0.24		-0.60*	-0.45	-0.43		-0.81**	-0.73*	-0.61+
Unqualified routine non-manual employees		0.77*	0.49	0.50		-0.20	-0.17	-0.17		-0.86*	-0.86*	-0.79+
Skilled manual workers, masters, technicians (ref.)		-	-	-		-	-	-		-	-	-
Unqualified workers		0.70**	0.66**	0.72**		0.42+	0.41+	0.38		0.43*	0.41*	0.32
Missing information		2.35**	1.87**	1.93**		1.46**	1.03**	0.86*		0.79**	0.43	0.15
<i>Branch of industry</i>												
Extractive industry			-0.79	-0.84			1.20*	1.19*			0.49	0.39
Transformative industry			-0.79**	-0.77**			0.71*	0.68*			0.50*	0.50*
Private services			-0.09	-0.14			0.59*	0.51+			0.30	0.23
Social services (ref.)			-	-			-	-			-	-
Missing information			0.13	0.03			1.25**	-0.33			0.93*	0.55
<i>Firm size</i>												
up to 19 employees				0.52*				0.23				0.57**
20 to 199 employees (ref.)				-				-				-
200 to 1,999 employees				-0.00				-0.19				-0.51+
2,000 and more employees				-0.10				-0.51*				-0.64*
Missing information				0.25				1.16*				0.88*

Table 3.6 continued

	<i>Cohort 1984-89</i>				<i>Cohort 1990-93</i>				<i>Cohort 1994-01</i>			
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Events				188				184				240
Total persons				1,056				802				1,150
Censored persons												
-2*diff (LogL)	120.80	216.87	232.89	240.42	108.84	196.09	210.09	224.31	230.15	305.36	313.63	349.19

Source: Own calculations based on the GSOEP (1984-2002).

Note:

- \*\* Effect significant at  $p < 0.01$
- \* Effect significant at  $p < 0.05$
- + Effect significant at  $p < 0.10$ .

fixed-term employment in cohort 1990-93 (model 1), the results indicate that fixed-term contracts outside the public sector already led to a higher likelihood of becoming unemployed in cohort 1990-93 (model 3).

As for the transition to first employment, we again find a rising stratification of employment risks among young people across cohorts. The occupational class increasingly influences whether an early-career employee becomes unemployed or not. While also in the earliest cohort, the unemployment risk is highest for the unqualified, belonging to upper occupational classes becomes increasingly important as a safeguard against unemployment for later cohorts.<sup>6</sup> The importance of firm size has also risen across cohorts: while firm size only slightly influenced the risk of unemployment in the two earlier cohorts, it exerts a crucial impact in current years. The bigger the firm, the less likely it is for early-career employees to experience unemployment. This probably results from the existence and power of workers' councils as well as from the employment security of internal labor markets.

The public sector (i.e. the social service sector) only offers the members of cohort 1990-93 extraordinary protection against unemployment. When cohort 1990-93 made its labor market entry, the German public sector experienced a short period of expansion after the financial cutbacks since the mid-1980s and before growth stagnated again (Abelshauser 2004: 312). Today, the transformative sector is the branch in which the risk of becoming unemployed is the highest for young employees, while it offered highest security in cohort 1984-89. This strong decrease in employment security for industrial employees could be traced back to the landslide collapse in the transformative sector since the 1990s and the increasing economic competition these firms face due to the breakdown of the Eastern Bloc. In sum, our analyses indicate that the relative economic and growth situation in a given branch of industry at the time of labor market entry strongly determines the chances of early-career employees.

In general, women of all cohorts enjoy the same protection against (open) unemployment as men despite they need a longer time to find a first job (models 1 and 2).<sup>7</sup> However, in cohort 1990-93, young women could not profit from the short period of expansion of the public sector despite that this is the sector in which they are overrepresented (model 3).

As already demonstrated by the product-limit estimations, the results presented in Table 3.6 show that West Germans made most losses in employment stability across cohorts: although they are still better off than East Germans, they lost their significant lead over migrants in the latest cohort. The migrants' higher unemployment risk in the two earlier cohorts could be traced back to their lower qualification level as well as to the fact that it takes them a longer time to find a first job.

### ***The chances of re-employment after unemployment***

In the last step of our study, we focus on the re-entry chances of those who became unemployed. For the transition to first employment, the quality of the

first job as well as for the unemployment risk after having succeeded in finding a first job, we found that opportunities of young people in Germany became worse across cohorts. This does not apply for the transition back to employment after unemployment: the unemployed of later cohorts do not face worse opportunities for re-entering employment compared to earlier cohorts (see Table 3.7). Thus, the higher risk of *becoming* unemployed in later cohorts is not accompanied by a higher risk of *remaining* unemployed.

But as can be seen in Figure 3.7, the transition back to employment is harder for the unemployed than for those who just completed education: compared to the transition into first employment (see Figure 3.1 to 3.3 above), finding a new job in case of unemployment takes longer in Germany. The median duration for finding a first job was less than one month for East Germans, for West Germans and for migrants in all cohorts; the median duration of unemployment amounts to around six months and more. This result confirms the passive character of the German institutional framework which focuses less on active, employment-sustaining measures in case of unemployment.

The migrants' chances finding a new job in case of unemployment are slightly worse than for West and East Germans. Surprisingly, the level of qualification has no effect on the chances of exiting unemployment: higher qualification is not connected with better re-entrance opportunities for the young unemployed although qualification proved to be an important safeguard against a long duration of first job search as well as against becoming unemployed. But *if* the

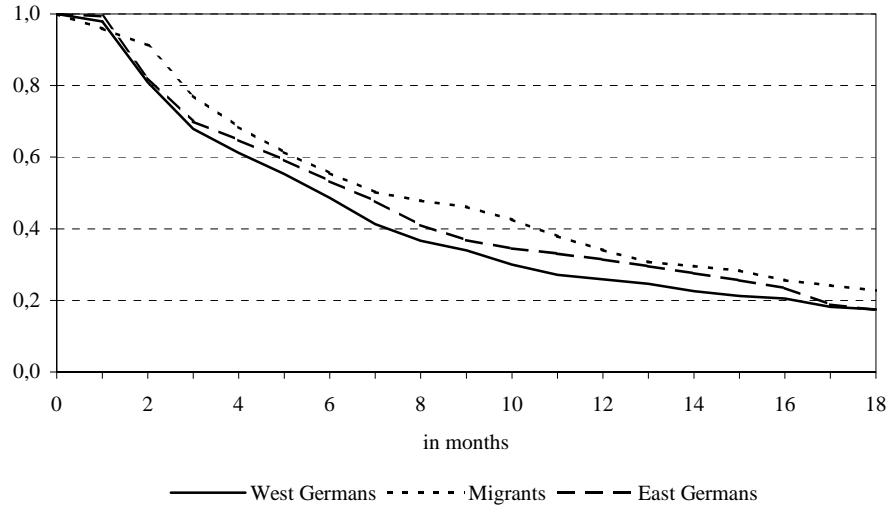


Figure 3.7 Re-employment after first unemployment, by sample (product-limit estimation)

Source: Own calculations based on the GSOEP (1984-2002).

Table 3.7 Duration until re-entry into employment after first unemployment (piecewise constant exponential models)

	1	2	3	4
<i>Periods</i>				
up to 3 months	-2.77**	-2.76**	-2.66**	-2.60**
3 to 6 months	-1.84**	-1.83**	-1.72**	-1.66**
6 to 9 months	-1.93**	-1.92**	-1.79**	-1.72**
9 to 12 months	-2.25**	-2.24**	-2.08**	-2.02**
12 to 18 months	-2.43**	-2.42**	-2.22**	-2.15**
18 and more months	-3.23**	-3.22**	-2.77**	-2.70**
<i>Sample</i>				
West German (ref.)	-	-	-	-
Migrant	-0.22+	-0.22+	-0.17	-0.19
East German	-0.03	-0.03	0.06	0.07
<i>Educational cohort</i>				
1984-89	-0.04	-0.04	-0.02	-0.04
1990-93	-0.04	-0.04	-0.08	-0.09
1994-01 (ref.)	-	-	-	-
<i>Sex</i>				
Men (ref.)		-	-	-
Women		-0.02	-0.03	-0.01
Duration of first job search			-0.03**	-0.03**
<i>Qualification</i>				
Lower secondary degree without occupational qualification				-0.05
Lower secondary degree with occupational qualification (ref.)				-
Upper secondary degree without occupational qualification				-0.48
Upper secondary degree with occupational qualification				-0.07
College or university degree				-0.14
Events				406
Total persons				612
Censored persons				206
-2*diff (LogL)	89.44	89.49	116.39	119.30

Source: Own calculations based on the GSOEP (1984-2002).

Note:

\*\* Effect significant at  $p < 0.01$ ; \* effect significant at  $p < 0.05$ ; + effect significant at  $p < 0.10$ .



highly educated become unemployed they are as disadvantaged as the lower qualified.

Again, we find a highly significant effect for the duration of first job search: those who were disadvantaged at labor market entry and needed a longer time to find a first job, also have to struggle with worse chances for exiting unemployment. Thus, labor market risks among young people concentrate on one group: having problems finding a first job results in a higher unemployment risk as well as in worse re-entrance chances in case of unemployment.

## CONCLUSIONS

The aim of this paper was to investigate how the employment chances of young people as well as social inequality in the early employment stage developed in Germany in the light of rising labor market problems.

In the first step, we studied the transition to employment after leaving the educational system as well as the quality of the labor market entry for different cohorts. Our results showed that young people face increasing difficulties at labor market entry since the mid-1980s: it takes them longer to find a first job, a rising share of young people is confronted with unemployment directly after leaving the educational system, part-time employment became more and more a reality for those who can make a direct transition from education to employment and starting the employment career in a fixed-term contract is nowadays more frequent.

In the second step, we investigated the employment stability for those who succeeded in finding a first job and studied the risk of becoming unemployed as well as the re-entry chances in case of unemployment. Our analyses indicate that early-career employees increasingly face employment turbulence since the mid-1980s and need longer to become established as labor market insiders: later cohorts face a higher unemployment risk, unemployment is still at a later career stage a reality, and flexible employment forms, namely fixed-term contracts, became increasingly risky while fixed-term employment did not result in higher unemployment in earlier cohorts. However, labor market risks in the early career are not equally distributed, but concentrate especially on those who experienced a disadvantaged labor market entry: for those who had problems finding a first job, the risk of becoming and remaining unemployed is very high. The quality of the labor market entry thus strongly determines future protection against labor market risks in Germany.

With regard to social inequality structures, we find that qualification and occupational class became increasingly important across cohorts. While the duration of first job search as well as the risk of unemployment concentrated in the earliest cohort on the unqualified and those without vocational training, nowadays those with vocational training and middle class occupations also face employment insecurities. Thus, middle educational and occupational levels have lost ground since the mid-1980s in Germany. Also internal labor markets became

increasingly important for being sheltered from unemployment. All in all, we therefore find a relative strengthening of inequality structures in Germany in an era of increasing demand for flexibility as hypothesized by Breen (1997).

By far, young East Germans are those who face the worst labor market entry and early-career chances. The migrants' higher risk of unemployment and problems finding a first job can be largely attributed to the fact that they hold lower educational degrees. West Germans are those with the best chances although they show the highest losses with regard to protection against unemployment across cohorts.

This increase in economic uncertainty and delayed establishment as insiders in recent years strongly impacted the life-course planning of young people. As Blossfeld et al. (2005) as well as Kurz (2005) demonstrated, increasing employment insecurities resulted in postponed partner and family formation with the effect that fertility rates dropped sharply in Germany. Rising employment instability among young people thus deeply impacts the *entire* German society.

## NOTES

- 1 For studying the risk of unemployment after having entered first employment as well as for our analyses on re-entry chances after unemployment, we selected just those young people who entered the first job within 5 years after leaving the educational system (this is the case for 99.5 percent of the persons in our sample).
- 2 This was the result of additional analyses in which the reference group for qualification was changed to university or college degree.
- 3 Further analyses in which interaction terms for cohort and educational degree were introduced indeed showed that tertiary qualification became significantly important across cohorts. The fact that young people with lower secondary degree and occupational qualification differ from university and college graduates could be attributed to the fact that tertiary educated have better employment entry opportunities in cohort 1994-01.
- 4 As men, in particular male migrants are overrepresented among the unqualified manual workers, men could not convert the good performance of the transformative sector in cohort 1984-89 into higher protection against unemployment. As soon as an interaction term for male migrants is introduced in the model, the significant effect for women in model 3 and 4 vanishes.
- 5 Additional analyses showed that in cohorts 1984-89 and 1990-93 fixed-term employment especially concentrated among those who had a disadvantaged labor market entry and needed a long time finding a first job. This is no longer true for cohort 1994-01. In cohort 1994-01, fixed-term employment is no longer concentrated among those with a disadvantaged labor market entry, but has become widespread among early-career employees in general.
- 6 That occupational class gained in importance across cohorts was supported by additional analyses in which interaction terms for occupational class and cohort were introduced. The results showed that skilled manual workers of the two later cohorts are increasingly confronted with unemployment and nowadays significantly differ from higher occupational classes.

- 7 We also find no significant effects for women in all cohorts when not controlling for duration of first job search.

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