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In and out of employment: Effects in panel and life-history data

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ABSTRACT

Longitudinal data collected through panel studies or life-history surveys represent a rich source for analysing movements in the labour market over the life-course. However, concerns arise over the proper design to collect these data reliably. This paper addresses the substantive issue related to the determinants of movements in the labour market tackling the methodological concerns referring the reliability of different survey designs (prospective versus retrospective) for that purpose. The focus, in particular, is on the extent to which the survey design can affect the results of the analysis of mechanisms underlying labour markets dynamics. Using discrete-time event history models, the effects of factors possibly affecting labour market transitions using prospective and retrospective surveys are estimated and compared (the German Socio-Economic Panel and the German Life-History Study). Overall, few differences are found across surveys. Such differences are mainly in effect sizes and rarely in their directions. The most significant differences are found in the effects of human capital investments. In some cases, familial responsibilities connected with marriage and children also show different effects. However, results confirm that career investments and disinvestments protect from exiting and hinder re-entry, respectively. Familial responsibilities hamper employment participation for women, while increasing it for men. No clear evidence of temporal connections in recalling between work and family spheres are found. The paper contributes to raising the awareness of the pros and cons of different types of surveys collecting longitudinal data.

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1. Introduction

Already in the 1980s, in sociology, as well as in economics, there was a growing interest in individual career patterns, which are determined both by individual characteristics (agency) and the labour market structure (Akerlof & Yellen, 1985; Blossfeld, 1986; Horvath, 1982). Possible shifts in career patterns have encouraged a vast literature on labour market dynamics, while the increasing availability of longitudinal data (long-running panel surveys as well as retrospective surveys) contributed to improving the knowledge of the underlying mechanisms. While the labour economics tradition relies particularly on panel data, the sociological tradition, and the growing life-course literature in particular, has largely relied on

retrospective data. Furthermore, panel and retrospective data are sometimes combined within a survey,¹ which increases the relevance of research into the relative reliability of the two types of data.

This paper aims at analysing the determinants of labour market transitions, unravelling differences across two different longitudinal survey designs: prospective panels and retrospective life histories.² In this sense, the methodological concerns related to data reliability are

¹ This strategy has been used in national as well as comparative panel surveys, to collect information on the life histories of the respondents entering the panel, usually in the first wave, but sometimes at later waves, to collect specific information on previous biographies (work, marital, etc).

² In the course of the paper these two types of designs are referred to using the terms prospective data/prospective surveys or panel data/panel surveys are used and retrospective data/survey or life-history data/surveys, respectively.

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taken into account in the substantive investigation of the mechanisms underlying labour market dynamics.

This paper is strongly concerned with data reliability. A note is necessary in this context. *Reliability* refers to the accuracy of the actual measuring instrument or procedure. Such concept differs from *validity*, which instead refers to whether what is being measured corresponds to some external reference, thought to be largely error free. Ideally, one would be able to validate both surveys against an authoritative additional source. Other authors (e.g. Biewen & Wilke, 2005) have used administrative records to study bias in survey data. However, the use of such data would not necessarily solve the problem of validity. In fact, it should not be taken for granted that such records are always error free. A range of conceptual problems can lead to mismatches between recall and independent records: such data are often gathered with different purposes and through different procedures, which can also affect data quality and reliability and make the comparison with survey data even trickier. It is much easier to measure reliability than validity. Some methods of measuring reliability make a closer approximation to measuring validity than others, but, strictly speaking, measures of reliability do not provide measures of validity.

While previous research (Manzoni, Luijkx, & Muffels, 2011) showed lower transition probabilities in retrospective data, here the focus is on whether differences exist in the direction and the size of the effects, which refers to whether prospective and retrospective data lead to the same or different conclusions concerning the determinants of labour market movements, focusing specifically on exit and re-entry.

Both retrospective and panel data have been widely employed to study labour market issues. However, no comparative work has been done, to the best of my knowledge, with the exception of Solga (2001) for East Germany and Manzoni et al. (2011) for West-Germany, though they did not focus on disentangling possible differences in the determinants of employment dynamics. Yet, this is a relevant question since the interest in social science research is not only in the levels of change and in trends in overall (in)stability in the labour market (Bergemann & Mertens, 2004; Winkelmann & Zimmermann, 1998), but also in the mechanisms underlying these changes.

Germany offers an ideal country case for this study, since two carefully designed socio-economic datasets are available: the German Socio-Economic Panel (GSOEP) and the German Life-History Study (GLHS).

The paper first (Section 2) introduces the main features of retrospective and panel surveys. In Section 3, the datasets, the methodology and the variables are explained, outlining the implications of differences in their effects across surveys. Results and conclusions follow in Sections 4 and 5, respectively.

2. Retrospective and panel surveys

Retrospective life histories and panel surveys largely differ in their design. In retrospective surveys, respondents are asked to recall their behaviour over a specified prior

period, stretching over a very long time. In panel surveys, instead, individuals are repeatedly asked about their current situation, using the same questionnaire at each interview.

For an extensive account of the advantages and disadvantages of both the types of surveys, the reader should refer to the previous literature (Blossfeld & Rohwer, 1995; Manzoni et al., 2011; Scott & Alwin, 1998; Taris, 2000). One of the most important features to remember in this context is the reliability of the data. In particular, retrospective life-history data provide an extremely valuable source of information to study long-term changes, allowing the observation of the entire life-course of different cohorts; however, there is an ongoing debate about their reliability, due to either selective survival³ or, of greatest concern, recall bias. Panel surveys, instead, do not usually permit a very long time perspective, either due to attrition or to their short(er) life; on the other hand, they are not (or are less) accused of poor reliability.

Although the general belief is that life-course data are less reliable than panel data, due to memory bias, some concerns might also be raised for panel surveys. First, they rely on some sort of short-term (i.e. referring to the previous year) retrospective information to provide monthly data, and they might be affected by recall bias as well.⁴ Second, one of the most well-known problems when dealing with panel data is attrition,⁵ which occurs when some sample units participating in the survey at the first wave are lost or refuse to participate in later waves, leading to right-censored spells, which might also occur because of the end of the follow-up time. Attrition may affect sample size and create problems with population representativeness over time when drop out does not occur at random (Hagenaars, 1990; Pyy-Martikainen & Rendtel, 2003). This last issue has been studied extensively, especially by economists in the context of labour market data. Most research suggests that attrition is selective on unobservables, but the substantive impact on estimates is very small. Previous studies could not reject the assumption that right censoring is independent of spell duration: attrition is neither related to the elapsed time of the spell nor the remaining spell length (Pyy-Martikainen & Rendtel, 2003). Furthermore, attrition is thought not to constitute a problem for multivariate analyses if factors which explain it are included in the regression models.⁶

³ Selective survival might be problematic in retrospective surveys given the strong correlation between mortality and labour market outcomes (Klein & Unger, 2002), which makes it more likely to miss a large proportion of people with precarious employment histories. This should not be a big problem given the sample selection, which excludes respondents interviewed at old ages.

⁴ Many studies have researched the reliability of short-term retrospective information in panel data and in the GSOEP in particular (Biewen & Wilke, 2005; Jürges, 2005; Kraus & Steiner, 1998; Paull, 2002).

⁵ See Haisken-DeNew and Frick (2005) and Kroh and Spiess (2008) for a specific discussion about attrition in the GSOEP.

⁶ A popular strategy for coping with panel attrition is weighing. Yet, it is not clear how effective it is in reducing attrition bias (Vandecasteele & Debels, 2007). Some authors argue that relying on weighed estimates may be dangerous in regression problems (DuMouchel & Duncan, 1983), may lead to estimates of regression outside the set of logically possible values (Horowitz & Manski, 1998), or it can be superfluous (Hoem, 1989).

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