



## Fast lane or down the drain? Does the occupation held prior to unemployment shape the transition back to work?



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### ABSTRACT

In this article, we analyse transitions from unemployment into re-employment from 1993 to 2010 among German men and women, and ask whether gender differences in unemployment trajectories can be explained by the fact that men and women work in different occupations prior to unemployment. In particular, we focus on whether the sex composition of the pre-unemployment occupation plays a crucial role in structuring unemployment trajectories, or whether other occupational characteristics, such as occupational closure, are more important. We test this framework by means of retrospective life histories drawn from the German National Educational Panel Study. This individual level data is linked to aggregated occupational information, which is constructed from the German Microcensus and the Sample of Integrated Labour Market Biographies. The results of the Cox proportional-hazard models indicate that occupational characteristics predict gender differences in unemployment trajectories. Working in a male-dominated occupation prior to unemployment influences the transition rate into employment positively. At the same time, our analyses reveal that the effects of occupational characteristics differ substantially between men and women.

### 1. Introduction

Experiences of unemployment have increased in Germany in recent decades, and workers at all stages of their careers are affected (Buchholz & Kurz, 2008; Kurz, Hillmert, & Grunow, 2006; Strauß & Hillmert, 2011). In the past, men's working lives were characterized by standard employment relationships. Yet current research suggests these have been replaced by "patchwork careers" (Mills, Blossfeld, & Bernardi, 2006: 4), in which workers move between different employers and experience unemployment more frequently. This change implies that unemployment can be seen as a temporary phase in an individual's employment biography, one that is associated with different constraints on and opportunities for labour market re-entry (Gash, 2008). However, it is unclear whether gender constitutes such a constraint. Even though women receive lower wages (Achatz, Gartner, & Glück, 2005) and are less likely to experience upward mobility than their male counterparts (Manzoni, H & rkönen, & Mayer, 2014), scholars dispute whether they also face disadvantages in re-employment. Prior studies arrive at contradictory conclusions: while some posit longer unemployment durations and greater income losses in re-employment among women (Dieckhoff, 2007; Edler, Jacobebbinghaus, & Liebig, 2015; Gangl, 2004b; Kaiser & Siedler,

2001; Strauß & Hillmert, 2011), others point to a male disadvantage in the transition back to work (Beblo & Wolf, 2002, 2003; Mavromaras, 2003).

Earlier research seeking to explain gender differences in labour market returns has emphasized the explanatory power of occupations, as men and women continue to work in different fields (Busch, 2013b; England, 2005). However, studies on the transition from unemployment into employment in Germany have paid little attention to how occupations shape transitions back to work and instead focus on individual (Lüdemann, Wilke, & Zhang, 2006; Strauß & Hillmert, 2011) and institutional (Ehlert, 2012; Gangl, 2004a, 2004b; Pollmann-Schult & Büchel, 2005) determinants. This research gap is surprising, as occupations are considered an important institution for shaping employment histories in Germany (Solga & Konietzka, 1999). The choice of an educational field and the subsequent entry into the labour market entail processes of occupational selection (Blossfeld, 1987), where significant barriers hinder entry into new occupations (Allmendinger & Hinz, 1997). Since acquired educational certificates and prior labour market experience are bound to occupations, individuals are more likely to stay in one occupation for their working lives than to change occupation (Manzoni et al., 2014; Mayer, Grunow, & Nitsche, 2010).

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Occupations should therefore be an important dimension for understanding the transition from unemployment into employment. There are a number of ways in which occupations could influence such transitions. For instance, some occupations might enable their holders to re-enter the labour market more quickly, because labour supply in these occupations is restricted by educational credentials. Another example relates to temporal changes in the occupational structure, such as the shift to service sector employment, which might increase the demand for labour in some occupations, making others redundant. If these occupational features systematically vary between male- and female-dominated occupations, they could explain gender differences in transition processes. Therefore, we raise the question of *whether the occupation held prior to unemployment influences the transition back to work*. In particular, we ask *if the share of women is the decisive factor for shaping gender differences in re-employment or if the differences are driven by other, associated occupational characteristics*. To answer these questions, we test three mechanisms that could mediate the influence of occupational sex composition on re-employment, namely the *crowding hypothesis*, *occupational closure*, and *temporal changes in the occupational structure*. On the one hand, female-dominated occupations might be *overcrowded*, that is, individuals in these occupations may suffer from increased competition due to an oversupply of labour. They may also be characterized by a lower degree of *occupational closure*, which indicates that female-dominated occupations are less protected by occupational credentials. On the other hand, *shifts in the occupational structure in recent decades*, particularly the decrease in routine manual work, could result in lower re-employment opportunities among incumbents of male-dominated occupations.

To assess whether re-employment after job loss is mediated by occupations, we focus on unemployment durations in Germany from 1993 to 2010. Empirically, the study draws on retrospective life histories from the National Educational Panel Study (NEPS), and combines these individual unemployment trajectories with occupational level information based on the Sample of Integrated Labour Market Biographies (SIAB) and the German Microcensus. In what follows, we will briefly discuss prior research (Section 2) and present a framework for conceptualizing the influence of occupations on the transition from unemployment into employment (Section 3). After describing the data and the methodological design (Section 4), we will present the results (Section 5). The final section summarizes and elaborates on the findings (Section 6).

## 2. Prior research

Unemployment is a trigger event (McManus & DiPrete, 2000) that has both immediate and long-term consequences. While the immediate implications of losing one's job include, for example, wage loss and the risk of income poverty (Vandecasteele, 2011), the indirect effects of unemployment encompass disadvantages in subsequent career development, such as a lower quality of work (Gangl, 2004a), long lasting income penalties (Ehlert, 2013), or an accumulation of further unemployment experiences (Arulampalam, 2001: 585–587). From a cross-nationally comparative perspective, the German welfare state, particularly its unemployment benefits, ameliorate indirect scarring effects and hinder status losses in re-employment (Gangl, 2006; Pollmann-Schult & Büchel, 2005). While unemployment benefits in Germany have undergone several changes in the past decades, most substantially through the Hartz reforms in 2005, the system continues to include both wage-related unemployment insurance (currently known as *Arbeitslosengeld I*, or unemployment benefit I) and a means-tested basic income scheme (currently known as *Arbeitslosengeld II*, or unemployment benefit II) (Gangl, 2004b; Eichhorst, Grienberger-Zingerl, & Konle-Seidl, 2010; Würz, 2011). Since 1998, unemployment benefit I has covered 67% of the recipient's previous net wage (or 60% for non-parents) for 12 months, provided that unemployment was preceded by at least two years of employment with statutory insurance

payments. By contrast, unemployment benefit II targets individuals who are not eligible for unemployment benefit I or have exhausted its maximum duration. Unemployment benefit II in its present form only emerged after the Hartz reforms; prior to that, means-tested income support consisted of unemployment assistance and social assistance. The Hartz reforms consolidated these two types of support into one new benefit that provides unemployed workers a flat rate income, while simultaneously enforcing stronger activation requirements (Ehlert, 2012; Eichhorst et al., 2010).<sup>1</sup> The type and duration of unemployment benefit affects search behaviour, encouraging unemployed people to accept work towards the end of their benefit period (Caliendo, Tatsiramos, & Uhlendorff, 2013; Caliendo & Uhlendorff, 2011). In addition to institutional factors, prior research on the transition from unemployment into employment in Germany has shown that obtaining work after job loss varies by educational level (Dieckhoff, 2007; Manzoni, 2012), prior labour market experiences (Lüdemann et al., 2006), and family and partner constellations (Jacob & Kleinert, 2014; Winterhager, 2006).

The research on gender differences in the transition back to work reveals inconsistent findings as to which sex experiences greater disadvantages in unemployment durations and subsequent career development. On the one hand, studies show that women display lower re-employment rates after unemployment (Dieckhoff, 2007; Falk, 2005; Kaiser & Siedler, 2001). Additionally, the findings of Kunze (2002) and Strauß and Hillmert (2011) point to greater income losses in subsequent employment among West German women than men. On the other hand, in an analysis of West German men and women in 1990–1995, Beblo and Wolf (2003) conclude that unemployment leads to larger penalties in subsequent wage trajectories among men than women, a finding that supports those of other studies (Beblo & Wolf, 2002; Mavromaras, 2003). Comparing these contradictory results is challenging, as the studies differ in terms of time frame, data, and methodological design. Yet, with the exception of Falk (2005), none of the aforementioned studies systematically takes into account the fact that men and women predominantly work in different occupations. This is surprising, as the German labour market displays persistently high levels of gender segregation (Busch, 2013b).

In this respect, occupational sex segregation has implications for the employment patterns of men and women. A substantial number of studies have reported on wage penalties for incumbents of female-dominated occupations (see e.g. Achatz et al., 2005; Leuze & Strauß, 2014; Busch, 2013a). Researchers also find that women working in female-dominated occupations have longer parental leave durations (Ziefle, 2009) or family related employment interruptions (Stuth & Hennig, 2014) and are more likely to work in jobs for which they are overqualified in their early career stages in West Germany (Trappe, 2006). Regarding unemployment durations, few studies have analysed the effect of occupations on the transition from unemployment back to work. Edler et al. (2015) assess whether occupation-specific participation in further education and the occupational unemployment rate influence re-entry wages. The results indicate that income penalties related to unemployment are larger in occupations requiring a continuous adjustment of skills. Higher occupational unemployment levels are also associated with lower re-employment wages (Edler et al., 2015). Yet these authors do not account for the occupational gender composition or consider other alternative explanations on the occupational level. Furthermore, the occupational characteristics are based on broad occupational groups (i.e. 54 groups), which might neglect differences between occupations within each group. Falk (2005), in turn, analyses unemployment trajectories in East Germany between 1985 and 2000 and finds that the occupational gender composition explains women's longer unemployment durations on the individual

<sup>1</sup> For a detailed discussion on eligibility criteria, changes in unemployment schemes over the last decades, and activation measures, see Eichhorst et al., 2010; Würz, 2011.

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