CHANGING WELFARE STATES

Losing a job has, in modern societies, been one of the most important causes of downward social mobility. Recent debates suggest that nowadays, workers face even greater risks on the labor market than before. Against this background, *The Impact of Losing Your Job: Unemployment and Influences from Market, Family, and State on Economic Well-Being in the US and Germany* provides an in-depth analysis of economic insecurity due to unemployment in the US and Germany. Building on life course sociology, it considers influences from market, family, and welfare state on the impact of losing a job. Household panel data has been used to analyze the occurrence of losing a job, its consequences, and the coping strategies found among the working-age population between the 1980s and the late 2000s.

Both in the US and in Germany, economic insecurity due to losing a job is unevenly distributed among social strata. Groups that are already disadvantaged lose their jobs more often and have fewer private resources to cope with the loss. However, the German welfare state mitigates this disparity to a higher degree than its American counterpart. Yet, economic insecurity associated with risks on the labor market increased in Germany while we see no such trend in the US prior to the Great Recession.

Martin Ehlert is a researcher at the WZB Berlin Social Science Center. He has also published journal articles in *Social Science Research, Research in Social Stratification and Mobility,* and *Kölner Zeitschrift für Soziologie und Sozialpsychologie.*

ISBN: 978-90-8964-805-1

9 789089 648051

AUP.nl

Ehlert

The Impact of Losing Your Job

CHANGING WELFARE STATES

Martin Ehlert

The Impact of Losing Your Job

Unemployment and Influences from Market, Family, and State on Economic Well-Being in the US and Germany

Amsterdam University Press

The Impact of Losing Your Job

Changing Welfare States

For quite some time, a key finding and theoretical puzzle in comparative welfare state research was welfare states' remarkable stability. In the last decade, however, it has become clear that advanced welfare states were (far) less immovable than they seemed at first. In fact, speaking of *changing welfare states* captures much better the actual reforms that were taking place. This series is about the trajectories of those changes. Have there been path-breaking welfare innovations or are the changes incremental instead? Are welfare states moving in a similar or even convergent direction, or are they embarking on divergent trajectories of change? What new policies have been added, by which kind of political actors, how, and with what consequences for competitiveness, employment, income equality and poverty, gender relations, human capital formation, or fiscal sustainability? What is the role of the European Union in shaping national welfare state reform?

This series answers these and related questions by studying the socioeconomic, institutional and political conditions for welfare state change, its governance, and its outcomes across a diverse set of policy areas. The policy areas can address traditional "old" social risks like old age, unemployment, sickness (including the health care system), disability and poverty and inequality in general, or "new" social risks that have arisen mainly due to post-industrialization, such as reconciling work and family life, non-standard employment, and low and inadequate skills. In addition to focusing on the welfare state more narrowly defined, the series also welcomes publication on related areas, such as the housing market. The overriding objective of the series is tracing and explaining the full trajectories of contemporary welfare state change and its outcomes.

The Impact of Losing Your Job

Unemployment and Influences from Market, Family, and State on Economic Well-Being in the US and Germany

Martin Ehlert

Amsterdam University Press

Cover illustration: https://www.flickr.com/photos/katerha/4537732566

Cover design: Coördesign, Leiden
Lay-out: Crius Group, Hulshout

Amsterdam University Press English-language titles are distributed in the US and Canada by the University of Chicago Press.

ISBN 978 90 8964 805 1
e-ISBN 978 90 4852 635 2 (pdf)
DOI 10.5117/9789089648051
NUR 740

Table of Contents

List of Figures and Tables

Figures

Tables

Acknowledgments

This book would not exist in its current form without the help and support of a large number of people. I would first like to thank Heike Solga and Ulrich Kohler, who supported me through the whole process from the first draft to the final submission of the manuscript. They helped me to improve my ideas far beyond what I initially expected.

This book largely resulted from my work in the project 'The Economic Consequences of Key Life Risks in Germany and the US and Their Evolution since the 1980s' led by Ulrich Kohler and funded by the Deutsche Forschungsgemeinschaft (DFG) (grant no. KO 2239/2). I would like to thank my colleagues Jan Paul Heisig and Anke Radenacker for their continuous help and support in every regard, especially given the pitfalls of certain panel data sets. I also owe thanks to Jens Alber, Britta Grell, and Markus Wörz for sharing their knowledge about institutional differences between Germany and the US with me and for providing constructive critique.

After the project ended, I continued to work on this book in Heike Solga's research unit 'Skill Formation and Labor Markets'. I am grateful to all of the colleagues in the unit for the friendly welcome and the great intellectual atmosphere I found there. I would especially like to thank the participants of the 'Dok Kolloquium' for their comments on earlier versions of my work. Also, a big 'thank you' goes to my colleagues in the BEST-UP project, Alessandra Rusconi and Claudia Finger.

While writing this book I profited from the context of the WZB. I thank Jutta Allmendinger for building opportunity structures within the institute. I owe thanks, too, to the WZB's administrative staff, the IT department, the library, and the department for career development for their help. The publication of this book has been financially supported by the WZB's career development funds.

There are also less formal structures within the WZB that I profited from while writing this book. I thank the NAWIs for *'geteiltes Leid ist halbes Leid'* and many great NAWI outings. Another important group was the CO:STA crew. I thank Christian Rauh and Merlin Schaeffer for many discussions about methods and other important things in life.

Many more people provided constructive critique on earlier versions of this work. I thank David Brady, Tom DiPrete, Juan Fernandez, Fabian Pfeffer, Martin Schröder, Leen Vandecasteele, and R. Kent Weaver for their comments. I also thank the anonymous reviewers for AUP for their suggestions.

Furthermore, I thank Tyler Cloherty for excellent language editing and the staff at AUP for their help during the production of this book.

A study like this would not have been possible without great panel data sets. I thank the Deutsches Institut für Wirtschaftsforschung (DIW), Berlin for the GSOEP, the Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor for the PSID, and the Department of Policy Analysis and Management, Cornell University, Ithaca for the CNEF. The collection of the PSID data used in this study was partly supported by the National Institute of Health under grant number R01 HD069609 and the National Science Foundation under award number 1157698.

Most importantly, I thank my parents for their help throughout the course of my life. And I am grateful that my friends have always been there for me. Finally, I cannot thank Petra enough for her encouragement and love. You helped me whenever I thought I could never finish this work.

1 Introduction

Job loss and unemployment are major problems of modern capitalist societies. It is beyond question that employment instability is connected to many unfavorable outcomes for individuals and countries. At the same time, such instabilities are, to some degree, inevitable elements of labor markets in capitalist economies. Despite the existence of employment protection legislation in most countries, there are always firms that displace employees for a variety of reasons. For those affected, losing a job has severe consequences for many aspects of their lives (Brand 2015). This is even more pronounced if they are not able to obtain a new job after displacement and enter a longer spell of unemployment. Among all of the negative consequences that job loss entails for individuals, I focus on the most obvious in this study: decreases in individual economic well-being. While there are other important effects of job loss, for example on life satisfaction as well as on physical and mental health, the effects on economic well-being are arguably the most far-reaching. The aim of this study is to advance the knowledge about economic insecurity that job loss causes over the life course. In particular, I want to find out which factors offset and which factors increase the impact of displacements on economic well-being.

Labor income is the prime income source in most households, except for those who are retired. Therefore, large parts of the population rely on stable jobs to maintain their standard of living. This concerns both those who are employed and their dependents in the household, because labor income is usually pooled and shared within a household. Even though the actual allocation of income within households may be unequal, total pooled labor income in a household is a good indicator of the household members' economic well-being. If job loss and subsequent unemployment hit one household member, the whole household experiences a decrease in its economic well-being. Thus, job loss is one of the important causes of income insecurity over the life course (Western et al. 2012). Income loss in households implies that levels of consumption cannot be upheld, and rents and mortgages can no longer be paid. Also, the economic insecurity that job loss creates makes it difficult to plan ahead, to decide about investments or savings. This has negative effects on individual life courses and societies as a whole. On the individual level, income losses cause downward social mobility. On the aggregate level, if job loss and unemployment affect a large part of the population, decreases in domestic demand may send the economy into a downward spiral and reduced social cohesion may breed political instability.

Nevertheless, the effects of job loss and unemployment on economic well-being are not determined by losses in labor income alone. Because of the risks entailed in job loss, all modern welfare states implement some form of unemployment insurance. These programs usually replace a fraction of the lost wage for a certain amount of time. Thus, at least for a while after job loss, the welfare state cushions some of the losses in income if re-employment does not occur. Furthermore, there are two other ways through which downward income mobility after job loss may be mitigated. First, rapid re-employment in a well-paid job may maintain economic well-being. Second, other household members could provide income to offset the losses. Hence, the extent of economic insecurity after job loss emerges from the nexus between the market, the family, and the state. This also implies that there are variations between individuals, families, and nations in the effects of job loss on economic well-being. The present study starts from this observation and asks how job loss and unemployment affect the economic well-being of individuals in different contexts. In doing so, I want to carve out the mechanisms that shape economic well-being after job loss. This knowledge is important to devise ways of reducing economic insecurity due to job loss.

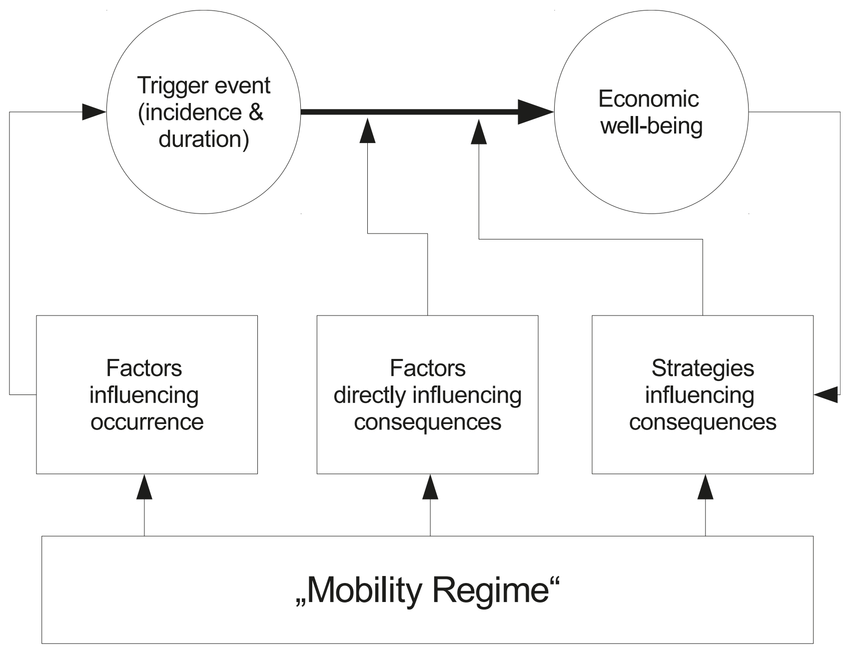
Economic insecurity recently received much public and academic attention. Books such as Jacob Hacker's (2006) *The Great Risk Shift* or Peter Gosselin's (2009) *High Wire* describe a trend toward growing volatility of incomes and, consequently, economic insecurity in the United States. According to them, this is due to the government and corporations retreating from safeguarding against risks. Instead, individuals now carry the burden of most risks themselves. These accounts gained much public attention in the United States. In Germany, this issue also surfaces in public debates. For example, in the German magazine *Der Spiegel,* journalists see the advent of an "era of insecurity" (Dettmer et al. 2010: 82; translation M.E.) in Germany. Especially the growth of atypical employment, such as contract work and temporary employment, and the recent turn to employment-centered social policy are often held responsible for this development. Therefore, Butterwegge (2012) discusses a "crisis of the welfare state," brought about by politicians dismantling social protection. He argues that the German welfare state, which has traditionally been more generous than its counterpart in the United States, becomes "Americanized" (cf. Starke et al. 2008; Alber 2010) and, consequently, economic insecurity grows.

In the academic discourse, research on economic insecurity is a growing sub-field in the study of social stratification (Western et al. 2012). A growing body of research not only considers inequalities in the cross-sectional perspective, but also risks and instabilities that occur over the life course. The dynamic perspective on social stratification is especially appealing to researchers, because it comes closer to the experiences in everyday life than cross-sectional perspectives on inequality. Also, this perspective illuminates mechanisms through which cross-sectional inequality changes or persists. In their overview of the field, Western et al. (2012) distinguish two branches: first, research that analyzes economic insecurity more generally by considering, for example, income volatility. And second, research that focuses on the influence of "trigger events" (DiPrete 2002) on economic insecurity. In this line of research, the focus is on adverse events or risks over the life course and their consequences for economic well-being. The present study falls in the second group.

In the trigger events approach, economic insecurity due to adverse events is disaggregated into two factors: the risk of experiencing the event, and its immediate and long-term consequences (DiPrete and McManus 2000a; DiPrete 2002). The advantage of this disaggregation is the identification of mechanisms that influence economic insecurity. On the one hand, there are mechanisms that influence the occurrence; on the other hand, there are mechanisms that influence the consequences. The latter set of mechanisms may be again divided into factors that offset the consequences directly and strategies that individuals pursue to offset the negative consequences of the event. The mechanisms in this framework derive from institutions: they generate events, mediate consequences, and set incentives for individual strategies. Together, these institutions constitute "mobility regimes" that govern social mobility over the life course. This framework offers a set of categories that are useful starting points for this study. It integrates the above-mentioned market, family, and state influences on the consequences of job loss with a perspective on economic insecurity by considering the occurrence of the event as well. Empirical work in the trigger events framework consists of three steps: first, an analysis of the incidence of the adverse event; second, an analysis of the consequences of the adverse event focusing on the factors that directly cushion the consequences; and third an analysis of the occurrence and magnitude of strategies to offset the consequences. Figure 1.1 graphs the trigger events approach.

Research on economic insecurity using the trigger events approach is rooted in the field of life course research (Elder et al. 2003; Mayer 2000, 2009). This connection is obvious, yet rarely stated explicitly. I argue that analyzing economic insecurity and trigger events as parts of life courses generates important insights. Life course research is an interdisciplinary

Figure 1.1 The trigger events approach

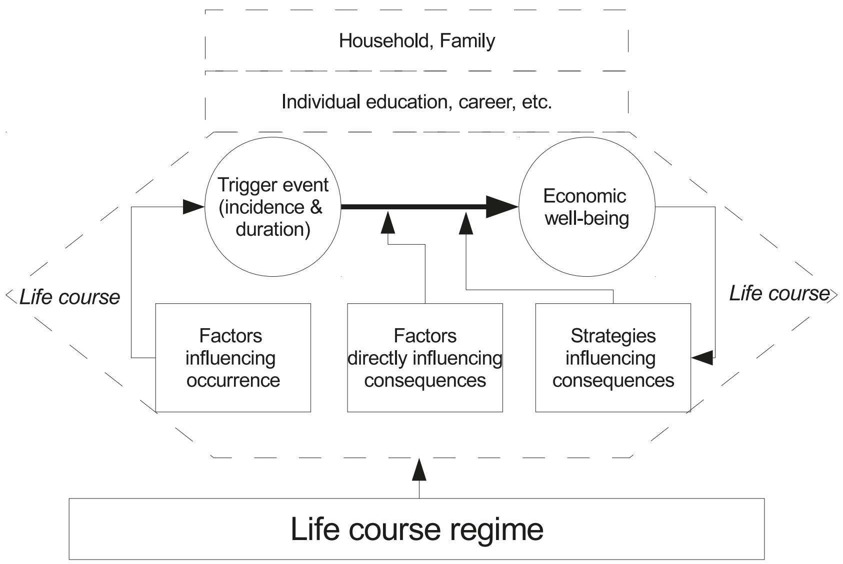


endeavor to understand the whole course of peoples' lives from birth to death. According to Mayer (2004), life courses are shaped by self-referential, multidimensional, and multilevel processes. Self-referentiality implies that life courses have to be considered in their entirety. Thus, specific transitions within a life course can only be understood in the context of the whole life course up to the transition. Furthermore, life courses are multidimensional because they proceed in different life domains, such as work and family. Finally, life courses are influenced on different levels, such as the labor market or the welfare state.

The theoretical background of this study builds on the trigger events approach and embeds it in the sociology of life courses to broaden its scope. Thus, instead of focusing on events and consequences only, I aim at a more encompassing approach that situates trigger events within the life course and the different dimensions and levels in which it proceeds. I begin with the notion that individual life courses are shaped by nation-specific "life course regimes" consisting of a specific institutional configuration (Mayer 1997, 2001, 2005). These institutions not only structure the life course, but also influence the incidence and the impact of adverse life events. The welfare state is a form of "social risk management" that cushions risks generated by the labor market (Leisering and Leibfried 1999; Schmid 2006). These notions are similar to DiPrete's "mobility regimes." Yet, they are based on a holistic view of the life course and not just on trigger events. A major drawback of all of these approaches is that they mainly focus on the labor market and the welfare state. Yet, as mentioned earlier, the family and the household are also important providers of income security, because they pool incomes and risks. To include this into the theoretical framework, I use the concept of "linked life courses" inside families and households (Elder 1994; Moen 2003). Following this notion, I conceptualize economic insecurity due to job loss as embedded in (previous) life courses and influenced on different levels (individual, household, and welfare state) and in different life domains (work life and private life). Figure 1.2 provides a graphical illustration of my approach. Compared to Figure 1.1, the events, consequences, and mechanisms of the trigger events approach are now embedded in the life course. The individual life course, in turn, consists of several domains and levels (family, career). Finally, the nation-specific life course regime shapes all of these processes. This framework will be described in greater detail in the following chapter.

The regulation of economic insecurity through the market, the family, and the welfare state is a topic where research on economic insecurity and life courses overlaps with research on welfare state regimes. This line of research identified systematic differences in the set-up of welfare states between countries. Early work in this field mainly concentrated on the nexus between the market and the state. Esping-Andersen (1990) showed that there are different modes of taming the labor market ("decommodification") and the distribution of benefits ("stratification") in welfare states. From this observation, he identified his well-known three ideal types of welfare states. However, feminist scholars criticized that Esping-Andersen's analysis omits the role of households and gender (Sainsbury 1999). Therefore, Orloff (1993) proposed to expand the analysis to the nexus between the market, the state, and the family. Clearly, the focus of the two fields differs: Research on welfare states aims to explain the emergence and stability of these institutions, whereas in research on life courses, institutions are used to explain outcomes such as income losses. Nevertheless, the two traditions have strong influence on one another. For example, Mayer's above-mentioned "life course regimes" build on Esping-Andersen's typology. Thus, it is not surprising that the framework omits the role of the family. Therefore, the feminist critique also applies to life course regimes. As argued above, this can be amended through the inclusion of the family as a unit where life

Figure 1.2 The trigger events approach embedded in the life course



courses are linked and the treatment of life courses as multidimensional processes that incorporate different life domains.

Based on these considerations, this study aims to make both theoretical and empirical contributions. On the theoretical side, I integrate the trigger events framework into life course sociology, especially in the sub-field of the family. On the empirical side, I want to provide a comprehensive analysis of the impact of job loss on economic well-being over the life course that not only includes labor market and welfare state influences, but also considers the family and the household as determinants. The main *research question* is therefore: How do the market, the family, and the state influence economic insecurity due to job loss? Of special interest to this study are differences in the impact of job loss between social strata and household types that follow from the influence of the market-family-state nexus. To answer this question, I compare the occurrence of job loss and its consequences between individuals, households and countries. I measure the consequences in terms of changes in household net income in the short- and in the long run after job loss. Additionally, I analyze which income sources buffer losses in labor earnings due to displacement. Finally, I look into strategies to offset income losses that households pursue after job loss. Thus, I analyze the full set of factors that DiPrete (2002) proposed in his trigger events framework for the analysis of mobility generating events. Yet, going beyond this, I consider group differences that derive from the integration of this framework into life course sociology.

The results generated in this study address important scientific and public debates about economic insecurity, social inequality, and welfare states. First, I can show to what extent job loss and unemployment contributed to the growth in economic insecurity as described above. Also, the results are of interest for contemporary debates about the interrelationship of risk and social inequality in western societies. Some researchers argue that risks increasingly affect everyone, regardless of their position within social stratification. Beck (1986) argues that the “risk society” is the successor of the class society, where risks were concentrated on certain individuals. Likewise, Leisering and Leibfried (1999) conclude from their research that poverty is increasingly temporal and hits large numbers of people at least once during their life courses. According to these accounts, life becomes more precarious for everyone. Other scholars, however, suggest a different distribution of risk in modern societies. They argue that existing inequalities, structured, for example, by class or education, still shape the occurrence of risks (Breen 1997; Layte and Whelan 2002; Groh-Samberg 2004). One social mechanism that may generate such a concentration of risk is “cumulative disadvantage” over the life course, which means that existing disadvantages within a life course cause further disadvantages (DiPrete and Eirich 2006). Accordingly, life course trajectories are mainly shaped by initial conditions such as education (Manzoni et al. 2014). These claims can be evaluated with regard to the risk of job loss using the data in the empirical chapters.

The present study also aims to provide empirical data on contemporary debates in welfare state research. In these discourses, job loss and unemployment are hotly debated topics. Everyone agrees that unemployment has negative consequences in many dimensions. Nevertheless, there is little agreement on the best policy solution ameliorating the impact of job loss. Some see private initiative as the key and demand that social policy should primarily generate incentives for rapid re-employment, for example through low unemployment benefits. Others believe that the government should do more to enable the unemployed to help themselves, for example by providing retraining and education. Yet another fraction does not believe that high unemployment benefits discourage re-employment. They argue that these benefits enable the unemployed to find good jobs because they are freed from economic pressures. This list is not exhaustive, but it shows that there are different assumptions about how social policy interacts with individual behavior in shaping living situations. One way of evaluating the different policy approaches is to assess how people fare after job loss.

Following Goodin et al. (1999), I argue that research should focus on the economic well-being of households to compare different welfare states. In comparison to other approaches, such as the analysis of macro data, this approach captures the joint impact of the market, the family, and the state. In particular, the role of the family has rarely been studied in research on unemployment and social policy.

In this study, I apply a comparative research design. The two countries studied are the United States and Germany. Generally, these two countries constitute opposing models of government influence on society. In the United States, the government intervenes less into the economic sphere than in Germany (Hall and Soskice 2001). This is mirrored in the configurations of the respective welfare states, where the "liberal" regime in the United States only provides little safeguard against social risks while the "conservative" German regime alleviates the adverse consequences of most risks during the life course (Esping-Andersen 1990). Thus, in the United States, private initiative to overcome financial hardship is much more important than in Germany. Labor market institutions in the two countries also conform to this general notion. The labor market in the United States is characterized by low employment protection and low occupational boundaries through a focus on general skills. In Germany, the opposite is the case. Together with social policy, this leads to labor market mobility regimes where the "individualist" regime in the United States leads to high labor market turnover while the "collectivist" regime in Germany leads to lower turnover (DiPrete et al. 1997).

Yet, this well-known characterization of Germany mainly applies to West Germany. East Germany differs in many regards, because it is still influenced by the economic turmoil following reunification and a distinct institutional legacy (Mayer et al. 1999; Matysiak and Steinmetz 2008). Therefore, I conduct the cross-national comparisons mainly between the United States and West Germany. However, in some cases I will exploit the institutional divergence within Germany. One of the main differences is family policy. In East Germany, the availability of childcare is much higher than in West Germany (Kreyenfeld and Hank 2000). As a consequence, more women work full-time. Since one aim of this study is to analyze family income support after job loss, I use the variation in family policy to explore its impact on income after job loss.

The United States and Germany are clearly "dissimilar systems" in terms of institutions (Przeworski and Teune 1970). This design does not allow the separation of single institutions' influences, because the two countries vary on many dimensions. Instead, I focus on the influence of the whole nation specific regime – the sum of all institutions – on the outcomes. Therefore, I provide thorough descriptions of the institutional structure and formulate expectations about differences in micro processes between the two countries. Then, I test whether these expectations are supported by the micro analyses. The comparison of such distinct social models also has practical relevance, since the two countries often serve as role models in public debates about unemployment.

This study proceeds with the following steps: In the following section, I review the existing empirical literature about the incidence and the consequences of job loss, highlighting where this study advances this literature. Then, in Chapter 2, I develop a theoretical framework for this study. This is supplemented by a description of institutions and labor market structures in the United States and Germany in Chapter 3. I use both Chapters 2 and 3 to develop hypotheses about the impact of job loss on economic well-being. These hypotheses are stated at the beginning of each of the three empirical chapters. Chapter 4 then describes the data and methods used to test these hypotheses. Before I turn to the analysis of income trajectories after job loss, I consider the incidence of job loss in Chapter 5. Since job loss only occurs to a fraction of the total population, it is important to describe and explain differences in incidence rate between groups to understand the resulting income trajectories. Chapter 6 presents analyses of income trajectories after job loss both cross-nationally and for sub-groups. Next, I focus on families' capacities to buffer income by analyzing the employment behavior of the unemployed's partners in Chapter 7. I aim to find out whether an "added worker effect" exists and which factors shape its magnitude. Finally, Chapter 8 summarizes the findings and provides an outlook.

Existing research

In this section, I give an overview of existing research in the three important dimensions of the trigger events framework: the incidence of job loss and unemployment; the economic consequences of job loss and unemployment; and strategies to offset the negative impact of job loss. Based on this, I identify research gaps and indicate where this book advances the knowledge about income mobility after job loss. Clearly, the literature on each of these fields is vast (Brand 2015). Therefore, I mainly concentrate on work that considers the effects of the market-family-state nexus on incidences, consequences, and strategies, at least in part. Also, I primarily cover literature on the United States and Germany. I begin with literature on the incidence of job loss and unemployment and then move on to the economic consequences and household strategies to offset these.

The incidence of job loss and unemployment

Generally, job loss and unemployment are two different, albeit connected risks: the risk of becoming displaced and the risk of staying without a job. While there are factors that influence both risks, it is important to separate the two, because there are also different mechanisms at work in each risk. The risk of job loss mainly depends on factors on the demand side of the labor market, i.e. labor market opportunities for workers. Staying unemployed, on the other hand, depends on both opportunities and the unemployed's choices given the opportunities (labor supply) (cf. Logan 1996). In the following, I first review literature on the incidence of job loss and then on the incidence and prevalence of unemployment after job loss.

A part of the debate about growing economic insecurity centers around the question of whether employment relationships became more unstable over time and thus the risk of becoming displaced increased (for an overview, see: Hollister 2011). The results of these studies are mixed: While there is some evidence that average employment tenure decreased over time in both the United States and Germany (Farber 2008b; Bergemann and Mertens 2004), the results for the trends in the rates of job loss are inconsistent. In the United States, Valletta (1999) for example finds an increase in the risk of job loss over time whereas Gottschalk and Moffitt (1999) find no such trend. More recent analyses in the United States show that the risk of job loss remained level even though the economy became stronger (Stewart 2002; Keys and Danziger 2008). This could also be interpreted as an increase in relative risk. In Germany, Bergemann and Mertens (2004) concluded that the risk of job loss has increased overall since the 1980s. Erlinghagen (2005) also finds a slight increase in the rate of involuntary job loss. At the same time, the number of voluntary job terminations also grew. He thus concludes that there has been no major change on the German labor market in terms of employment insecurity. Instead, the business cycle dominates the trend in displacements.

Looking at sub-groups, however, there are clear trends in employment insecurity in both countries. Giesecke and Heisig (2010) show that low educated individuals face increasing rates of job loss over time whereas there are no trends for other groups in Germany. Likewise, Erlinghagen

(2006) finds an increasing polarization in employment insecurity over time. Klein (2015) argues that the polarization is mainly due to worsening macroeconomic conditions over time in Germany. The results in Giesecke et al. (2015), on the other hand, suggest that the trend is secular and likely to be caused by structural changes on the labor market and welfare state reforms. Evidence from the United States also indicates that employment instability increased for certain already disadvantaged groups such as blacks and high school dropouts (Neumark et al. 1999; Stewart 2002). Overall, the literature shows that rates of job loss vary with the business cycle and differ between groups. There are a few signs of a decline in job security over time, but this mainly affects already disadvantaged groups. Hence, existing individual differences seem to become more important over time.

Beyond these trends over time, job loss seems to belong to the "cumulative disadvantages" over the life course in both the United States and Germany (DiPrete and Eirich 2006). That is to say, job loss often hits those who are already disadvantaged because of earlier events during their life course. Education, in particular, has a large effect: High school dropouts in the United States and people without vocational or university training in Germany face much higher risks of job loss than other educational groups (Keys and Danziger 2008; Bergemann and Mertens 2004; Wilke 2005). Additionally, workers with low tenure lose their jobs more often than workers with high tenure (Farber 2008a). Thus, seniority not only increases wages, but also employment security. However, in Germany, the incidence of job loss increases with age, especially above age 55 (Gangl 2003). This is partly due to the possibility of de facto early retirement after job loss for people over the age of 58, which was in place until 2008 (Mauer and Mosley 2009). Thus, some people who lost their jobs were actually entering early retirement. Beyond these disadvantages, which are rooted in the life course, job loss rates also vary with ethnicity. Blacks in the United States and migrants in Germany seem to be disadvantaged in this respect (Keys and Danziger 2008; Erlinghagen 2006). The incidence of job loss also depends on company characteristics. The risk of job loss is higher among those working in small firms in Germany (Erlinghagen 2005, 2006). This may be because larger firms are less likely to close down. Also, work councils have a greater influence on decisions about change in personnel in larger firms and may use this to stop mass lay-offs. Similarly, in the United States, job losses are more common in the private sector than in the public sector where unions are still stronger (Farber 2008a).

In addition to individual and labor market influences, there are also institutional influences on the occurrence of job loss. Employment