

Abstract for the 8th ESPAnet Conference

Stream: 9.2. Employment Policies Requested – Social Risks and Risk Management of Globalised Economy

Title: The changing economic consequences of job-loss in the United States and Germany

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Summary:

The United States and Germany generally exhibit opposing social models, which is especially visible in employment policy. Recently however, analysts on both sides of the Atlantic claimed that these models have changed. In Germany, this is often termed an “Americanization” of social policy, while in the United States the “great risk shift” (J. Hacker) allegedly moved the social model even further away from its European counterparts. Both debates share the observation that public coverage of life course risks like job-loss has decreased. The sources and the extent of this change however remain a controversial issue. While some claim that welfare-state retrenchment worsened the outcomes for persons becoming unemployed, others argued that institutions remained unchanged but did not adapt to structural changes on the labor market. To test the merits of these propositions, both institutional changes and outcomes on the micro level are analyzed in this paper. We begin with a description of the social protection of unemployment and important changes over time in the two countries. Then micro panel data from the PSID and the GSOEP ranging from the 1980s until the mid-2000s are used to describe the incidence rates of job-loss and the composition of the inflow into unemployment to test for structural changes. Finally, household income trajectories around unemployment at different points in time are calculated from the data. To assess the capability of the state to buffer income losses due to unemployment, the difference between market income and disposable income is determined. We expect to find a greater income cushioning in Germany, but cut-backs in both countries should decrease this effect. Also, with the rise of atypical employment, the inequality of outcomes should increase in both countries since fewer employees are eligible for benefits.

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