

**The Dynamics of
Labour Market Participation,
Unemployment and Non Participation
in Great Britain, Germany and Sweden:
Similarities, Differences and
Changes over Time**

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Wolfgang Strengmann-Kuhn, Dr. Richard Layte, Henrik Levin

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1. Abstract

This paper aims to provide a descriptive analysis of the changing patterns of labour market participation, non-participation and unemployment in Great Britain, Sweden and Germany. Since the mid 1970s, most European countries have experienced two parallel developments: on the one hand they have witnessed a huge growth in the proportion of women participating on the labour market. On the other however, they have experienced the return of mass unemployment and a growing insecurity of employment for those in work. In this paper, a typology of work histories is constructed using decade periods. Retrospective and panel data from Germany, Britain and Sweden are then used to compare the effects of different employment and welfare regimes on the proportions of respondents with different types of work histories and how these are combined with unemployment.

2. Introduction

From a cross-sectional point of view one can distinguish between three main types of employment status: employment, unemployment and non-participation. The aim of this paper is to analyse movements from one employment status to another through time. To this end, we develop a typology of work history patterns which we use to investigate how typical work histories in three European countries have changed between the mid 1970s and mid 1990s.

During these periods most European countries experienced two developments that have influenced typical work histories: changing labour market behaviour and changing labour market conditions. Although the proportion of women participating in paid employment had been increasing steadily in the post war period, this process quickened after 1970 and these women were more likely to work part time and take career breaks than male workers. However, the return of mass unemployment in some European countries and the growing insecurity of employment in all meant that men were more likely than before to experience unemployment and inactivity. However, these developments have had different effects in different countries. To investigate whether this is due to the institutional context, this paper uses data from Great Britain, Germany and Sweden.

After this introduction and a description of the underlying data sets the paper consists of two parts. At first we describe the differences and changes of labour market participation and non-participation in the three countries. This gives us a general background for the analysis of unemployment experiences. To exclude effects due to differences in retirement and labour market entry, we generally focus on work histories of prime aged people, i.e., work histories from the age of 25 to 55. In both main parts we will first analyse work histories of all prime age persons and then investigate gender specific differences and changes.

Since the publication of Gøsta Esping Andersen's book *The Three Worlds of Welfare Capitalism* in 1990, his typology has become a standard for comparative studies of welfare states regimes. Moreover, the typology is eminently suitable for our purposes since, although the typology is based on differences of welfare state systems, Esping Anderson makes it clear that a countries labour market is intimately tied to it's welfare state regime:

“If it can be argued that the labour market is systematically and directly shaped by the (welfare) state, it follows that we would expect cross-national differences in labour market behaviour to the attributable nature of the welfare-state regimes” (Esping Anderson 1990: 144).

Esping Andersen categorises modern western welfare states into three categories of welfare regimes: the ‘liberal’, ‘conservative’ and the ‘social-democratic’ systems. One main characteristic of his classification is the level of ‘commodification’ (see Esping Andersen 1990: 21f.). By commodification, he is referring to the process whereby income becomes dependant on the labour market in capitalist societies. In pre-capitalists periods it was not usual that labour was sold on a labour market, while during the development of modern capitalist societies this became customary. In the pure capitalist model there is a strong connection between labour and income. In this sense labour became just another commodity. This is the process of commodification. Installing a welfare state usually means in contrast, that receipt of income is possible without the necessity of selling ones labour on the free labour market. That is what Esping Andersen called the process of de-commodification. The level and the kind of commodification essentially separates the three welfare state regimes.

In the *liberal welfare state* commodification is very strong. The market is the central mechanism for allocation and the labour market is hardly influenced by the state. Active

labour market policies are scarce, and the state is at best responsible for a framework that guarantees the adequate functioning of market forces. Social security in such a regime is only responsible for a small minority at the bottom of the society who are in need. Means-tested benefits are typical decommodification measures under this type of regime.

The *conservative welfare state*, also called the ‘corporative welfare state’, has a higher level of decommodification. The state and, additionally, non state organisations like unions, associations etc. play a major role. This type of welfare state is characterised by a highly regulated labour market, education and training system. Moreover, the role of the family is emphasised under this regime through the promotion of women’s traditional role patterns by the state. These types of welfare states typically have highly developed social insurance systems which are linked to previous employment and are oriented towards a ‘typical’ male breadwinner.

The *social democratic regime* has the highest level of decommodification. Social equalisation is an explicit goal of policy. It is characterised by active labour market policies which aims for a high level of full time employment amongst both men and women. As in the conservative regime, the social democratic regime has a large public sector and a system of general basic social security with high coverage rates. Social security is mainly financed by taxes and is directed more towards vertical redistribution rather than contribution financed with the aim of horizontal distribution, as in the conservative welfare state.

In contrast to most, especially most economic, labour market theories, Esping Andersen argues that welfare state regulations and labour market characteristics are strongly linked to each other. In most theories, the labour market is considered as a self-regulating system and the welfare states plays a role only as an exogenous factor for micro economic decisions about labour supply. For example, there is much discussion of the effect of the welfare state on work incentives (see for example Atkinson/Morgensen 1993), but little attention is paid to the role of the welfare state in structuring labour market regulations. Esping Andersen discussed three ‘instances (‘windows’) where working life and social policy are most evidently interwoven’ (Esping Andersen 1990: 149). For our purposes the most important is the influence of the welfare state regime on labour supply. Rather than adopting the narrow micro-economic approach and looking at incentives to work, Esping Andersen examines the

varied ways labour market policy may encourage participation and the consequences this has for labour market entry, interruption and exit.

As discussed above, in the liberal welfare state regime, labour supply is not directed by the state. The contrary is true for the other two regimes, but they differ greatly in their policies. The social democratic welfare regime has the explicit aim of gaining the highest possible rate of full time employed workers, while it is a characteristic of the labour market policy of the conservative regime, to relieve the labour market by reducing the labour supply. The consequences of the latter are relatively late labour market entries, a high number of early retirements and a low participation rate amongst women due to the welfare state incentives for women to stay at home.

Welfare state regimes may also effect work histories by influencing labour market mobility (see Allmendinger/Hinz 1998). In the liberal welfare state, the level of commodification is the highest and the level of labour market regulation the lowest. As a consequence, social security in case of dismissal is low. This makes dismissal and hiring within this regime easy. Changes from one kind of job to another are also made easier by education and training systems within the liberal regime which are far less stratified. The corollary of this is that mobility should be lower in the conservative and social democratic welfare state regimes. Here, the labour market is more highly regulated, which makes it more complicated to dismiss and to employ. However, conservative regimes tend to have many more elements of stratification than the social democratic regimes. Therefore movements from one position to another should be less frequent in the conservative welfare state.

Three countries were chosen for analysis in this paper to represent Esping Andersen's classification: Great Britain, Germany and Sweden. Previously we discussed the liberal, conservative and social-democratic welfare state as ideal types. In reality, of course, countries are more complicated than a single ideal type and usually contain elements of more than one welfare regime. Esping Andersen clustered several countries due to their degree of conservatism, liberalism and socialism using several indices. The typical representative of the conservative welfare state is Austria with a high degree of conservatism and a low degree of liberalism and socialism. Germany also has a high degree of conservatism, but there are also characteristics (to a medium degree) of liberalism and socialism. Sweden is the typical example for the social democratic regime with a high degree of socialism and low degrees of conservatism and liberalism.

For liberalism, the best example is the United States, while within Europe, Switzerland or Great Britain can be seen as representative. However, although the degree of conservatism is low in Great Britain, it retains many elements of socialism. Nevertheless, Britain can still be seen as a representative of the liberal type welfare regime. This paper tries to find out the influence of these regimes on the typical work history careers in the three countries. Do the three kinds of welfare capitalism produce different kinds of work histories?

In this paper we only distinguish between three different employment statuses: employment, unemployment and outside the labour force. Other studies are more differentiating. Allmendinger/Hinz 1998 investigate job and class mobility in Great Britain, Germany and Sweden using information of the kind of jobs, people had, but they are only interested in mobility of people in work and not of unemployed or inactive persons. Berger *et al.* 1993 studied movements between different employment statuses in a manner similar to the present paper, however, they differentiated among more employment categories and focused primarily on employment instability in work histories in Germany upto 1984. Here, we analyse developments in the two decades up to 1995 for three countries. One limitation of our paper as well as the papers by Allmendinger/Hinz 1998 and Berger *et al.* 1993, is that we do not take the household context into consideration. However, investigations of employment status in a household context in comparative studies are scarce and investigations of their dynamics are much more complicated.

3. Data Sets

For our analysis we use retrospective data and panel data from four representative data sets of the three countries. For Germany we use data from the German *Socio-Economic Panel* (GSOEP), which starts in 1984 and for Sweden, *the Level of Living Survey* from 1981 and in 1991. The data used for the British figures are the *Social Change in Economic Life Initiative Survey* (1986) for the 70s and the *British Household Panel Survey* (BHPS) for the 80s.

The German Socio-Economic Panel (see Schupp/Wagner 1995 for a more detailed description of the data set) is a representative longitudinal data set which starts in 1984 with 5912 interviewed households. Additionally each household member aged 16 or older

is interviewed (more than 12,000 interviews in 1984). Each year every member of these households is interviewed again, including new members of the household. Additionally, if a household splits or dissolves, the members are followed up and all new members of the new households are now interviewed. The data contain at first information about the current status at the time of the interview, which is usually April or May. Additionally, information are gathered about every month of the previous calendar year; that is in 1984 (or wave 1) people were questioned on a number of subjects about every month in 1983. Furthermore, at first interview each person aged over 15 is asked questions about their employment biography. For every year since the age of 15, a respondent has to state their employment status. Because, employment status might change during one year, respondents are able to give a number of statuses. Finally, in 1984, people were asked about unemployment during the last ten years. There are three questions: Have you been affected by unemployment? How often? And, how many months in total? All four of these kinds of information are used in our analysis.

The data for Sweden are taken from the Swedish Level of Living Survey. Each observation wave, from 1968, 1974, 1981 and 1991, is based upon interviews with approximately 6000 randomly selected individuals between the ages of 15 and 75, except for 1991, when the youngest individual was 18 years old. In order to maintain the representativeness of the panel data, the surveys after 1968 were complemented by the inclusion of young people and new immigrants. The 1991 survey was extended by work histories provided by interviews with individuals between the ages of 25 and 65, which resulted in about 3500 individual work histories. Each work history starts with the first job lasting at least 6 months or more. The work histories continue with subsequent employment and non-employment spells up to the date of the interview. It is possible to distinguish between the states employed, self-employed, farmer, unemployed, studying, parental leave, housework/non-employed, pensioner, military service and other non-employment. Events need to last at least one month to be counted. With respect to unemployment, there are no 'requirements' regarding benefit receipt, job search etc.

For Great Britain two different data sets are used, the Social Change in Economic Life Initiative Survey (SCELI), which was gathered in 1986/7 is used for the period 1975 to 1985, whilst the British Household Panel Study (BHPS) first gathered in 1991 is used for the period from 1985 to 1995. The Social Change in Economic Life survey was carried out in two phases, the first, or 'Main Survey' in 1986 and the second, or

‘Household and Community Survey’ (HCS) six to nine months later. The research was carried out in six urban labour markets selected to provide contrasting labour market conditions. In the first survey 6111 respondents were interviewed and their work histories collected retrospectively. The BHPS was first collected in 1991 and has been collected every year since. In 1992, some work history information was collected and this was augmented in 1993 and subsequently added to every year since. As in the GSOEP, all household members aged 16 or more are interviewed each year and new households formed from existing panel households are followed up and interviewed. In 1991 9912 people were interviewed with an additional 352 ‘proxy’ interviews taken for absent household members. In 1995, 5998 full and complete work histories were available for analysis in this paper.

4. Labour Market Participation and Non-Participation

4.1. Cross-sectional Results

We will first examine cross sectional participation rates to get a background for our own longitudinal investigations. Table 1 shows the participation rates for Germany, Britain and Sweden between 1977 and 1996. It is clear from table 1 that amongst ‘prime age’ respondents at least, participation has increased in all three countries over the period, although there has been a slight fall in Sweden since 1992, which might be a consequence of the growing unemployment in Sweden since 1991 (see table 5).

The ranking is the one implied by the categorisation of welfare states. Sweden has the highest participation rate and Germany the lowest. Germany and Great Britain are rather closer together. The rates for the 90s in Germany are higher than before because the figures refer then to unified Germany, and participation rates in East Germany are higher than in West Germany, especially for women.

Table 1: Labour Market Participation in Great Britain, Germany and Sweden of prime age persons, 25 to 55 year old

Year	Men and women			Men			Women		
	GB	G	S	GB	G	S	GB	G	S

1977	n/a	74.7	86.6	n/a	95.2	95.5	n/a	54.1	77.5
1978	n/a	75.0	87.4	n/a	95.1	95.3	n/a	54.6	79.3
1979	n/a	75.4	88.4	n/a	94.9	95.3	n/a	55.4	81.1
1980	n/a	76.0	89.3	n/a	94.7	95.4	n/a	56.6	82.9
1981	n/a	76.6	90.0	n/a	94.6	94.9	n/a	57.8	84.8
1982	n/a	76.9	90.4	n/a	94.6	94.9	n/a	58.3	85.9
1983	n/a	76.7	91.0	n/a	94.3	95.0	n/a	58.3	87.0
1984	81.1	76.8	91.5	95.4	94.2	94.9	66.7	58.5	88.1
1985	81.5	77.2	92.1	95.4	94.2	95.2	67.5	59.5	88.9
1986	81.8	77.5	92.6	94.9	94.0	95.3	68.7	60.3	89.8
1987	82.0	77.5	92.2	94.9	93.6	94.3	69.3	60.8	90.0
1988	82.7	77.8	92.4	94.7	93.1	94.3	70.6	61.8	90.3
1989	83.4	77.7	92.6	94.9	92.1	94.6	71.9	62.6	90.5
1990	83.9	78.0	92.8	94.8	91.2	94.7	72.9	64.1	90.8
1991	83.7	83.4	92.0	94.5	94.3	94.0	72.8	72.2	90.0
1992	83.8	83.2	90.9	94.0	93.7	92.9	73.5	72.3	88.9
1993	83.7	83.2	89.5	93.4	93.4	91.3	73.8	72.5	87.6
1994	83.5	83.2	88.0	93.0	93.3	89.8	74.0	72.8	86.0
1995	83.4	82.5	88.4	92.7	92.5	90.6	74.0	72.1	86.2
1996	83.3	n/a	87.9	91.9	n/a	90.0	74.5	N/a	85.8

Source: OECD 1997

If we look at male participation rates in table 1, it is clear that there are much smaller differences among the countries than for men and women together. Participation rates for prime aged men are nearly identical and they decrease only slightly, from about 95 to 92 per cent in all the countries. There are much larger differences in table 1 for prime aged women. In all countries labour market participation of prime age women is increasing. Participation rates amongst women between 25 and 55 in Sweden are highest and, at around 90 per cent in 1990, are nearly as high as amongst Swedish men. The lowest participation rates are found, as expected, in Germany, but they are also increasing strongly from about 55 per cent in the 1970s to about 65 per cent in 1990. From 1991 on, the participation rate of women is due to the inclusion of women from the former GDR who have higher participation rates than West German women.

To summarise, we found the following ranking from the classification of welfare regimes. Participation is typically highest in Sweden, followed by Great Britain and is

lowest in Germany. However, the results are almost entirely due to differences in the participation of women.

4.2. Hypotheses and Questions

In the following sections, we will focus on longitudinal questions. What we cannot see from the cross sectional data is if labour market participation is permanent or not. This is the question which we will analyse below. To begin, we need to formulate hypotheses and questions based on the classification of welfare states and based on the cross sectional results about permanent non-participation, labour market interruption and permanent participation.

Following the classification of welfare states, we could assume that we will find the highest proportion of *permanent non-participation* in Germany and the lowest in Sweden. It has been argued that in the conservative regime labour force participation in general is lower because reducing labour supply is a component of labour market policy. Further, more traditional role patterns are encouraged in this regime. The contrary is true in social democratic regimes. Here, there is a policy to enforce labour market participation, especially for women. This ranking can be observed for cross sectional non-participation rates, and we will need to check whether it can be confirmed as well for permanent non-participation.

We assume that the proportion with an *interrupted work history* has increased over time in all the countries. As discussed earlier, we can expect mobility to be greater in Great Britain compared to Sweden and it to be lowest in Germany. This has been observed for job and class mobility (see Allmendinger/ Hinz 1998). It may also be true for movements between participation and non-participation. Therefore, we should find the most stable work histories in Germany and the most movements from one employment status to an other in Great Britain.

Besides an increase in labour market interruptions there might also be an increase in *labour market exits* amongst prime age persons, and especially among women. This may be because of growing unemployment. After the loss of a job people may move out of the labour market, or not re-enter the labour market again after a break.

Because of the hypothesised contrary developments of permanent non-participation on the one hand and labour market interruption on the other, it is difficult to have set

expectations on the pattern of *permanent participation* that we should observe. It can be argued that this group is decreasing, because of higher number of labour market interruptions which are not compensated for by greater participation. Similarly it is not clear how permanent participation may vary between countries. From the cross sectional results one may assume that the ranking is Sweden, Great Britain, Germany, but is this necessarily true longitudinally?

It is possible that the results we have just seen are entirely due to the higher participation rate of women. It may be that there have been different developments among men and women. For instance, we may see a greater level of labour market interruptions among men and large differences between the levels that they experience in different countries. Are typical work history patterns converging or diverging?

4.3. Operationalisation

From a cross-sectional point of view one can distinguish between the active and the inactive population. From a dynamic or longitudinal perspective there are at least three groups: Two groups who spend all the observed time period in one employment status (either active or inactive), and a third group of movers from one group to the other. However, the latter, has to be distinguished into further subgroups. Two important groups of movers between participation and non-participation are those who enter the labour market and those who move out of the labour market. A third important group of the movers are those who interrupt their working career for several reasons, the most important of which will be presumably child bearing. One group often discussed, are those who leave the labour market, even though they are not of retirement age. There are two main reasons for leaving. The first one is a move out of the labour market because of 'discouragement'. It is assumed that there are many, who leave the labour market because they became unemployed and after a period of job searching gave up and left the labour market. The second one is more typical for women. Many women leave the labour market when they marry or when they get children. For many of these this is just an interruption and they will return to working or looking for work. However, for various reasons, some do not re-enter the labour market.

To summarise, there are five main types of work histories: 1) permanent participation, 2) labour market interruption, 3) labour market exit, 4) labour market entry, and 5) permanent non-participation.

As stated above we will investigate two periods of ten years length for all the three countries. For Germany and Great Britain we analyse the periods from January 1975 to December 84 and from January 1985 to December 94. For Sweden, data are only available up to 1991. Therefore the periods for Sweden are from Jan. 1971 to Dec. 80 and Jan. 1981 to Dec. 90. We only analyse persons who are between 36 and 55 at the time of the interviews, that is in 1985 and 95 in Germany and Great Britain, and 1981 and 1991 in Sweden.

We operationalise the work history types in the following way. Permanent participation is defined as participation (employed or unemployed) in the beginning and in the end of the period, and not outside the labour market in between. If someone is participating in the beginning and not in the end we define that as labour market exit. In the case of non-participation in the beginning and participation in the end, it is defined as labour entry if the first labour market spell ever lies in between and it is defined as labour market interruption if there has been a participation spell before the analysed period. Additionally we have labour market interruption if someone is participating in the beginning and in the end of the period and is not participating sometime in between. All other cases are of the following kind: not participating in the beginning and not in the end, but participation in between. We call that type ‘temporary participation’ in the tables.

4.4. Longitudinal Results

4.4.1. General Results

We hypothesised that *permanent non-participation* will be highest in Germany and lowest in Sweden, while it should be decreasing in all the countries. Looking at table 2, one can see that this hypothesis is confirmed. In Germany 13.8 per cent of the prime age population between 36 and 55 are permanently not participating in the first period, but this figure declines to about 5 per cent in the second period. The figures for Great Britain are below this and the number decreases - like in Germany, but more modestly -

from 6.8 to 4.4 per cent. In Sweden this share is lowest with 2.6 per cent in 1981 and it is even decreasing to only 0.8 per cent ten years later. That means that more than 99 per cent of the prime age population in Sweden is at least a short time participating during the ten year period from 1981 to 1990.

Table 2: Dynamics of Participation and Non-Participation (men and women)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Permanently participating	66.2	62.1	69.9	76.1	70.8	75.0
Participating, but not all the time	27.0	33.5	16.3	19.0	26.6	24.1
Labour market interruption	17.1	21.3	10.3	11.0	18.6	16.9
Labour market exit	6.6	8.6	4.4	5.3	3.6	4.3
Labour market entry	[0.1]	[0.1]	0.8	(0.4)	3.5	2.6
Temporary participating	3.2	3.5	0.8	2.2	(0.9)	[0.4]
Not participating all the time	6.8	4.4	13.8	5.0	2.6	(0.8)
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	2795	2746	4210	4524	1449	1856

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

We also hypothesised that *labour market interruption* has increased over time, and that, because of the higher mobility, the proportion of ‘labour market interruptions’ would be the highest in Great Britain and the lowest in Germany. Indeed, the lowest shares of labour market interruption can be found in Germany. It has been only 10.3 per cent in the first decade and 11 per cent in the second. The percentages in Sweden and Great Britain are higher, but the development is different. In the first period we found the highest proportion of labour market interruptions in Sweden, but the percentage is decreasing from 18.6 to 16.9 per cent. On the other hand we found a high increase of labour market interruptions in Great Britain from 17.1 to 21.3 per cent. In the second period then, we observed the highest share of labour market interruptions in Great Britain.

We also assumed that the numbers of *labour market exits* will be increasing because of the worsening labour market situations at least in Great Britain and Germany. In table 2 one finds that in all the countries, the proportion of ‘labour market exits’ are indeed

increasing, from 6.6 to 8.6 per cent in Great Britain, from 4.4 to 5.3 per cent in Germany and from 3.6 to 4.3 per cent in Sweden. We will see below, if these increasing labour market exits are combined with unemployment experiences or not.

Because of the different hypothesised directions of development of permanent non-participation on the one hand and labour market interruption and exit on the other, we were not able to predict whether *permanent participation* would be increasing or decreasing, but we assumed that there are differences between the countries because of the different participation rates. However, as can be seen from table 2, the differences between the three countries are quite small: in the first decade, between 66.2 per cent (in Great Britain) and 70.8 per cent (in Sweden) permanently participating. In the second period there is greater divergence. In Great Britain, which had already had the lowest rate in the first decade, the share of permanent participation decreases to 62.1 per cent in the second decade, while it increases in Germany and Sweden. In the latter two countries, the share of permanent participators is about 75 per cent in the second period, where the highest number of permanent participation can be found in Germany with 76.1 per cent. Although Germany has the lowest participation rate from a cross sectional point of view it has the highest permanent participation rate. The reason for this is the relatively low number of labour market interruptions in Germany.

The reasons for the different developments in the three countries can be explained from the different progresses in labour market interruptions and permanent non-participation. In Great Britain, there has been a high increase of labour market interruptions and only a modest decrease of permanent non-participation, while in Germany the contrary is true (modest increase of interruptions and large decrease of permanent non-participation). The decrease of permanent non-participation is so high, that the permanent participation rate in Germany is in the second period even higher than in Sweden, although there the number of permanent participation and the number of interruptions as well are decreasing.

4.4.2. Gender specific differences

We now ask the question if our hypotheses can be confirmed amongst men and women separately. Looking at table 3, at first we see that for men there are only small differences between the countries on the one hand, and also between the first and the

second decade on the other. In all the countries, there are negligible numbers of men in the 'permanently not participating' category and only a small proportion of men are not permanently participating. In Germany we find only about 5 per cent of men not permanently participating, and the rate is even decreasing. We neither find a much higher number of labour market interruptions nor a higher number of labour market exits. The contrary is true for Great Britain. Here we also find an increase in labour market interruptions (from 3.0 to 7.0 per cent) and a higher proportion of labour market exits (from 2.8 to 6.2 per cent). Both percentages more than doubled between the periods. In Sweden there is no change in labour market exits, but we find, as in Great Britain, an increase of labour market interruptions for men from 5.9 to 8.8 per cent. However, men are usually permanent participating in all the three countries.

While there are few differences among men between the first and the second period in Germany, for women we found substantial changes. The proportion of permanent non-participation drops down from 27.6 to only 9.6 per cent. However, in Great Britain and Sweden the shares of permanent non-participation are decreasing, and are still lower than in Germany. In Sweden the figure was only 5 per cent in the 70s and this has dropped to 1.4 per cent in the 80s. In Great Britain it decreases from 13.4 to 7.4 per cent.

Table 3: Dynamics of Participation and Non-Participation (men)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Permanently participating	93.6	85.3	94.3	95.2	89.1	85.9
Participating, but not all the time	6.0	13.9	5.3	4.6	10.8	13.9
Labour market interruption	3.0	7.0	2.3	2.7	5.9	8.8
Labour market exit	2.8	6.2	(1.8)	1.4	(2.3)	(2.7)
Labour market entry	-	-	(1.2)	[0.4]	(2.6)	(2.3)
Temporary participating	[0.2]	[0.7]	[0.0]	[0.0]	-	-
Not participating all the time	[0.4]	(0.8)	[0.4]	[0.3]	[0.1]	[0.2]
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	1221	1251	2191	2235	732	949

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

Table 4: Dynamics of Participation and Non-Participation (women)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Permanently participating	37.9	42.7	44.9	57.3	52.2	63.7
Participating, but not all the time	48.7	49.9	27.5	33.1	42.8	34.8
Labour market interruption	31.7	33.3	18.4	19.2	31.7	25.4
Labour market exit	10.6	10.5	7.0	9.2	4.9	5.8
Labour market entry	[0.1]	[0.2]	(0.5)	(0.4)	4.5	(2.9)
Temporary participating	6.3	5.9	1.6	4.4	(1.8)	[0.8]
Not participating all the time	13.4	7.4	27.6	9.6	5.0	(1.4)
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	1574	1495	2019	2289	717	907

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

The increase in permanent participation of *women* is largest in Germany. As expected, we found an increase in all the countries, although permanent participation is highest in Sweden. However, although the cross sectional participation rates are much higher in Great Britain than in Germany, the number permanently participating is higher in Germany than in Great Britain, and in the second period the permanent participation rate in Germany is nearer to Sweden than to Great Britain. The reason for this a priori

unexpected result is that in Great Britain we find the highest number of labour market interruptions and the lowest in Germany. In Great Britain about one third of women had a labour market interruption, while this rate is below 20 per cent in Germany. In both countries, the shares of labour market interruption are increasing. However in Sweden, the percentage of labour market interruptions of women declines.

Nevertheless, in all the countries there are great differences between men and women. Amongst permanent participation rates, the smallest differences are found in Sweden. But even there, the difference between 85.9 per cent permanent participating men and 63.7 per cent permanent participating women in the 80s is enormous and could not be expected from the cross sectional participation rates. In Germany and Great Britain, the difference of about 40 percentage points between the permanent participation rates of men and women is even larger.

4.5. Summary

In Germany there has been little change for men, but a large change among women. In Germany the vast majority of men will permanently participate, whereas German women have the highest proportion of permanent non-participation of our three countries. However, this rate is declining, and declining quickly. On the other hand permanent participation has increased a great deal and now more closely resembles Sweden than Great Britain.

In Great Britain we have fewer people in permanent participation as well as permanent non-participation. The reason being the number of labour market interruptions in Britain, which is relative high and increasing for women as well as for men.

In Sweden, we observe an increase in labour market interruptions for men and as a consequence a decreasing number of permanently participating men. Nevertheless, in Sweden 85 per cent of men are also permanent participating in the 80s. For women, developments have been different. Here the number of labour market interruptions is decreasing.

The difference between Swedish men and women is larger than one may expect from the cross sectional results. Nevertheless, the differences between men and women are larger in Great Britain and Germany. In Germany the proportion of 'permanently

participating' women is higher than in Great Britain where 'labour market interruptions' are higher.

5. Unemployment

5.1. Cross-sectional Results

There are distinct differences in the levels of unemployment for prime age persons in the three countries. Large scale unemployment did not reach Sweden until around 1992. Before that the unemployment rates were continually below 3 per cent. In contrast, high unemployment arrived in Germany and Great Britain at the beginning of the 1970s, though to a greater extent in Great Britain (except in 1989, 1995 and 1996) than in Germany.

A further difference between the countries is the unemployment risk for women. While in Germany, women have considerably higher unemployment rates than men, this is not true in Great Britain and Sweden. In the 1990s unemployment rates of prime age women in Great Britain and Sweden are even lower than of men.

Table 5: Unemployment rates in Great Britain, Germany and Sweden of prime age persons, 25 to 55 year old

Year	Men and women			Men			Women		
	GB	G	S	GB	G	S	GB	G	S
1977	n/a	3.3	1.3	n/a	2.6	1.1	n/a	4.4	1.5
1978	n/a	3.1	1.6	n/a	2.5	1.5	n/a	4.3	1.7
1979	n/a	2.7	1.4	n/a	2.0	1.3	n/a	3.8	1.6
1980	n/a	2.7	1.4	n/a	2.0	1.1	n/a	3.8	1.6
1981	n/a	3.8	1.7	n/a	3.1	1.6	n/a	5.0	1.9
1982	n/a	5.6	2.2	n/a	5.0	2.0	n/a	6.5	2.4
1983	n/a	6.9	2.4	n/a	6.3	2.3	n/a	8.0	2.4
1984	9.5	7.0	2.2	9.4	6.4	2.1	9.7	8.1	2.2
1985	9.5	7.0	1.9	9.5	6.4	2.0	9.4	7.8	1.9
1986	9.4	6.8	1.9	9.4	6.1	1.9	9.3	8.0	1.8
1987	9.3	7.0	1.6	9.4	6.1	1.5	9.1	8.5	1.6
1988	7.5	7.1	1.3	7.4	6.0	1.3	7.6	8.7	1.3
1989	6.2	6.4	1.1	6.0	5.4	1.1	6.5	7.9	1.2
1990	5.8	5.7	1.2	5.6	4.7	1.3	5.9	7.1	1.2
1991	7.0	5.4	2.4	7.6	4.2	2.7	6.3	7.1	2.0
1992	8.5	6.5	4.5	9.9	4.9	5.4	6.7	8.6	3.5
1993	8.7	7.6	7.1	10.4	6.0	8.4	6.6	9.7	5.7
1994	8.3	8.0	6.9	9.8	6.5	7.8	6.4	10.0	5.8
1995	7.4	7.8	6.6	8.5	6.4	8.5	6.0	9.7	5.9
1996	7.0	8.0	7.0	8.0	7.0	8.6	5.6	9.3	6.7

Source: OECD 1997

5.2. Hypotheses, Questions and Operationalisation

In the previous section we were not able to predict the development of the share of permanent participation, and also the empirical results show divergent trends. But, we can assume that because of increasing unemployment the share of permanent *employment* is decreasing. After introducing unemployment into our analysis it is possible to check this hypothesis.

One main aim of this section is to investigate the proportion of people with experience of unemployment within the last ten years. We presume that this figure is increasing, but it should be lower in Sweden than in Germany and Great Britain. This should be equally true for those who are permanently participating and those who have

had a labour market interruption. But, it is an interesting question as to which groups are the most affected in the different countries and if this changes over time. Because of labour market conditions, the number of people who leave the labour market after an unemployment experience, so called 'discouraged workers', should expand, especially in Great Britain and Germany.

If one introduces unemployment as a third possible status, the previous types of work histories can be further distinguished. There are several kinds of movements between unemployment and the other types of labour market status, each concerned with other situations and with other implications for social policy and labour market policy.

First of all, there are work histories without leaving the labour market, i.e. movements only between employment and unemployment. Here we can ask whether only a small group is affected by unemployment, or whether there is a large group of the labour force that has experience of unemployment during a specific time period. Another question is the kind of unemployment experience. Is the usual experience of unemployment long or short term? If we have the information about the whole ten year period, long time unemployment means more than 12 cumulated months of unemployment during the 10 years. In some cases the observation window was less than ten years. Then a person is considered as short time unemployed, if the number of cumulated unemployment months 10 per cent or less than the totally observed months in the period.

An interesting question revolves around the issue of discouraged workers. Discouraged workers are employed persons who became unemployed and after looking for a job for some time, stop searching and thus can be classed as having left the labour market. Finally, it might be that interruptions in participation are related to unemployment. It could be, for instance, that many women are not counted as unemployed because they withdraw from the labour force after a short period of unemployment, only to re-emerge later when economic conditions improve.

5.3. Longitudinal Results

5.3.1. General Results

Before analysing work histories with unemployment experiences we can now firstly answer the question if the shares of permanent employment increased or decreased. Concerning this there are different developments in the three countries (see table 6). Sweden had the highest percentage of permanent employment already in the first decade with 69.8 per cent which even increases to 72.4 per cent. On the other hand, Great Britain had the lowest percentage which decreases from 55.8 to 50.5 per cent. Germany lays in the middle and its percentage is nearly constant with a slight decrease from 56.7 to 56.0 per cent. Here we find a divergence of the three countries.

Now analysing unemployment, we find, as expected, that the share of people with unemployment experience increased in all the countries, with the highest levels being found in Great Britain and Germany. Nevertheless, in Sweden we observe a large increase in the proportion of people experiencing unemployment. The percentage trebles from 2.0 to 6.1 per cent, although the cross sectional figures did not increase during the analysed period.

However, the figures in Great Britain and Germany are much higher. The highest shares of people with an unemployment experience can be observed for Germany, although the cross sectional unemployment rates are higher in Great Britain. In the first decade 18.2 per cent of all people in Germany between 36 and 55 at the end of the period experienced unemployment to some degree. This figure increased up to 25.7 per cent ten years later. In Great Britain this share increased from 13.3 to 22.2 per cent. In both countries, about one fourth of all prime age persons are affected by unemployment from 1985 to 1994.

We hypothesised that the increase of unemployment experience can be observed for permanent participation, labour market interruption and labour market exit. We also asked which kinds of work histories would be most affected by unemployment in the different countries. In Sweden, the number of unemployed, even in the 80s was quite low, so that we will discuss these more differentiated analyses only for Germany and Britain. In both countries, most of the prime age people in the first period with an

unemployment experience are permanently participating (10.4 of 13.3 per cent in Britain and 13.2 of 18.2 per cent in Germany). The percentage increased in both countries, although more so in Germany. In Germany people with unemployment experiences are usually permanently participating, about 80 per cent of people with unemployment experiences and one fifth of the whole prime age population. In Great Britain this percentage increased only from 10.4 to 11.6 per cent. Additionally, we find there a large increase in unemployment experiences within the category ‘labour market interruption’.

Table 6: Work histories with and without unemployment (men and women)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Without unemployment	86.8	77.7	81.8	74.3	98.0	93.9
Permanent employment	55.8	50.5	56.7	56.0	69.8	72.4
Labour market interruption	15.2	14.5	7.7	8.0	17.9	14.4
Labour market exit	5.9	5.6	2.7	3.0	3.5	3.8
Labour market entry	[0.1]	[0.0]	(0.5)	(0.3)	3.3	2.3
Temporary participating	3.0	2.7	(0.4)	2.0	(0.8)	[0.3]
Not participating all the time	6.8	4.4	13.8	5.0	2.6	(0.8)
With unemployment	13.3	22.2	18.2	25.7	(2.0)	6.1
Permanent participation	10.4	11.6	13.2 ¹	20.0	(0.9)	2.6
Short unemployment	5.3	7.4	6.5	9.3	[0.6]	1.9
Long unemployment	5.1	4.2	4.7	10.7	[0.3]	(0.8)
Labour market interruption	2.2	6.8	2.5	3.0	(0.7)	2.5
Labour market exit (discouraged workers)	(0.6)	2.9	1.7	2.4	[0.1]	[0.5]
Labour market entry	-	[0.1]	(0.3)	[0.1]	[0.2]	[0.3]
Temporary participating	[0.1]	(0.8)	(0.3)	(0.2)	[0.1]	[0.1]
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	2794	2746	4210	4524	1449	1856

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

¹: including 2.0% with unknown length

Although the proportion of people experiencing short term unemployment in Great Britain increased between the first and second period, the proportion of people who are

permanently participating and unemployed for 12 months or more decreased from 5.1 to 4.2 per cent. In Germany, in contrast, this percentage is strongly increasing from 4.7 to 10.7 per cent of the whole prime age population. It seems that unemployment in Great Britain often leads to labour market interruptions. A hint about this is the increasing number of labour market interruptions which are connected with unemployment. In Great Britain this percentage increased from 2.2 to 6.8 per cent, whilst in Germany it increased only half a percentage point from 2.5 to 3.0 per cent. However, it is not possible for us to decide why this is so and what the consequences will be. Is the growing unemployment a reason for an increasing number of labour market interruptions or is the risk of becoming unemployed increasing mostly for people with a labour market interruption?

We assumed that the number of discouraged workers is also increasing. In fact, this can be observed, but on a quite low level. In Great Britain the share of discouraged workers of all prime age persons increased from 0.6 to 2.9 per cent and in Germany from 1.7 to 2.4 per cent. In Germany less than 10 per cent of people who are affected by unemployed move out of the labour market, and in Great Britain even less. Nevertheless, the total number of discouraged workers is not negligible. In Germany, for example 2.4 per cent of the population from 36 to 55 years in 1995 means about 460.000 people.

5.3.2. Gender specific differences

Firstly, we look again at the permanent employment. While for the whole countries we find divergent tendencies in the three countries we found the same developments for men and women separately. The percentages for men are decreasing in all the countries, from 77.8 to 65.5 per cent in Great Britain, 76.3 to 72.4 per cent in Germany and 87.7 to 82.7 per cent in Sweden (see table 7). For women, the contrary is true. The share of permanently employed women is increasing in all countries, from 33.0 to 38.0 per cent in Great Britain, from 36.6 to 39.9 per cent in Germany and 51.6 to 61.6 per cent in Sweden (see table 8).

If we distinguish between men and women we find further differences between the countries. In Great Britain many more men than women have had an unemployment experience. The figures for women are almost half of those for men. However, for both

men and women the percentage is increasing rapidly, for men from 17.8 to 28.5 per cent and for women from 8.6 to 16.9 per cent.

Table 7: Work histories with and without unemployment (men)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Without unemployment	82.3	71.5	79.8	75.2	97.3	93.8
Permanent employment	77.8	65.5	76.3	72.4	87.7	82.7
Labour market interruption	(1.9)	2.2	1.2	1.7	4.9	6.6
Labour market exit	(2.2)	2.8	(1.2)	(0.5)	(2.2)	(2.1)
Labour market entry	-	-	(0.7)	[0.3]	(2.3)	(2.1)
Temporary participating	[0.1]	[0.2]	-	[0.0]	-	-
Not participating all the time	[0.4]	(0.8)	[0.4]	[0.3]	[0.1]	[0.2]
With unemployment	17.8	28.5	20.2	24.8	(2.7)	6.2
Permanent participation	15.8	19.8	18.0 ¹	22.8	[1.2]	3.2
Short unemployment	8.6	12.5	8.7	10.8	[0.7]	(2.2)
Long unemployment	7.2	7.3	6.4	11.9	[0.6]	[1.0]
Labour market interruption	(1.6)	4.8	(1.1)	(0.9)	[1.0]	(2.2)
Labour market exit (discouraged workers)	[0.4]	3.4	[0.6]	(0.9)	[0.1]	[0.6]
Labour market entry	-	-	[0.5]	[0.1]	[0.3]	[0.2]
Temporary participating	[0.1]	[0.5]	[0.0]	-	-	-
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	1220	1251	2190	2235	732	949

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

¹: including 2.9% with unknown length

Table 8: Work histories with and without unemployment (women)

	Great Britain		Germany		Sweden	
	75-84	85-94	75-84	85-94	71-80	81-90
Without unemployment	91.4	83.0	83.9	73.3	98.9	94.0
Permanent employment	33.0	38.0	36.6	39.9	51.6	61.6
Labour market interruption	29.0	24.8	14.4	14.2	31.2	22.5
Labour market exit	9.7	8.0	4.3	5.4	4.9	5.5
Labour market entry	[0.1]	[0.1]	(0.3)	(0.3)	4.3	(2.4)
Temporary participating	6.2	4.7	(0.9)	3.9	(1.7)	[0.6]
Not participating all the time	13.4	7.4	27.5	9.6	5.0	(1.4)
With unemployment	8.6	16.9	16.1	26.7	[1.1]	6.0
Permanent participation	4.8	4.7	8.3 ¹	17.4	[0.6]	(2.1)
Short unemployment	1.9	3.2	3.0	7.8	[0.6]	(1.5)
Long unemployment	2.9	1.5	4.3	9.5	-	[0.6]
Labour market interruption	2.9	8.5	4.0	5.0	[0.4]	(3.0)
Labour market exit (discouraged workers)	(0.7)	2.5	2.7	3.7	-	[0.3]
Labour market entry	-	[0.1]	[0.2]	[0.1]	[0.1]	[0.4]
Temporary participating	[0.2]	(1.1)	(0.7)	(0.4)	[0.1]	[0.2]
	100.0	100.0	100.0	100.0	100.0	100.0
N (unweighted)	1574	1495	2016	2289	717	907

[]: case number below ten, (): case number below 30, - : no case

Data Sources: Great Britain: SCEL1 1985, BHPS 1995, Germany: German Socio-Economic Panel, Sweden: Swedish Level of Living Survey.

¹: including 1.0% with unknown length

In Germany from 1975 to 1984, more men had an experience of unemployment (20.2 per cent) than women (16.1 per cent). However, since then the figures for women have been increasing at a greater rate than for men such that, ten years on, 24.8 per cent of men had an unemployment experience, but 26.7 per cent of women.

In Sweden, the number of men and women, who are affected by unemployment is almost the same. In the 80s we observe about 6.0 per cent of both with an unemployment experience (in the 70s there are too few cases to observe significant differences).

In Germany, almost all men with an unemployment experience are permanently participating. In the first period 20.2 per cent had an unemployment experience and 18 per cent had an unemployment experience while permanently participating, in the second period 22.8 of 24.8 per cent are permanently participating. This result for Germany is not surprising, since 95 per cent of all men are permanently participating and this is also true for those who are affected by unemployment. In Great Britain this has also been the case in the first decade with 15.8 of 17.8 per cent having an unemployment experience but also participating permanently. In the second decade, the percentage of men experiencing unemployment in general increased, as did the percentage of men who had an unemployment experience while permanently participating. However there was also a rise in the proportion exiting the labour force after unemployment (discouraged workers) and an increase of labour market interruption connected with unemployment. This confirms the presumption stated above, that more people, and also men, temporarily move out of the labour market, when they become unemployed.

While men with an unemployment experience are mostly permanently participating, this is not true for women. In the first period in Great Britain and Germany about half of all women with an unemployment experience were permanently participating. However, as for men there are different developments in the two countries. In Great Britain the share of permanent participating women with an unemployment experience is nearly constant (4.8 per cent from 1975 to 1984 and 4.7 per cent from 1985 to 1994), while unemployment of women with other work histories in Great Britain is increasing. For Germany the share of women who are permanently participating increased much more than the share of other work histories. It doubles from 8.3 to 17.4 per cent. As a consequence, in the second period about two thirds of women with an unemployment experience are permanently participating.

5.4. Summary

In all three countries the share of people with an unemployment experience is increasing. This is also the case in Sweden, although the cross-sectional rates are not increasing. In Germany and Great Britain about one quarter of all prime age persons had some experience of unemployment in the period from 1985 to 1994. In Germany most prime age people with unemployment experience are permanently participating, but an increasing proportion of these are unemployed for longer periods. In Great Britain there is a considerable number of unemployed who move out of the labour market at least temporarily. This is not only the case for women, but also for men.

6. Conclusion

The starting point of our investigation were two developments in West European countries during the last two decades: a change of labour market behaviour and worsening labour market conditions. We asked what the consequences of these two developments were for the typical pattern of work histories in three different countries with differing labour market and welfare state regimes.

For women indeed distinct changes can be observed. In all our countries, women are increasingly participating permanently on the labour market. In Germany, the proportion of permanent non participating women has dropped down exceptionally quickly, but it still has the highest rate among the three countries. The corollary of this is that women are more often permanently participating in all the countries, and again especially in Germany. Here, Britain has lower proportions than the other two countries, while Germany and Sweden are closer together. The reason for this is that the highest proportion of labour market interruptions is, as expected, observed in Great Britain, while it is lowest in Germany. In Germany, women are typically either permanently participating or permanently not participating, but it seems that this 'polarisation' (Berger *et al.* 1993: 57) is disappearing fast, as the number of permanently not participating shrinks.

For men, fewer changes were found. While Germany had the largest degree of change amongst women, there has been little change amongst German men. 95 per cent of German men are permanently participating, and the number having a spell of non-

participation is tiny. In Great Britain and Sweden, we find increases in the proportion of labour market interruptions for men. Nevertheless, here as well, permanent participation is much more typical with rates between 85 and 90 per cent, and the difference to women is, even in Sweden, quite large.

The highest number of labour market interruptions are found in Great Britain. This result is not only a consequence of changing attitudes to work, but also has something to do with increasing unemployment. While in Germany the consequence of the high unemployment rate is an increasing number of people with long unemployment spells, in Great Britain, unemployment can lead to spells of labour market inactivity. This result was not expected and should be investigated further. What we expected was an increasing number of labour market exits as a result of increasing unemployment. We found an increase in labour market exits, and especially of labour market exits connected with unemployment, for all the three countries. However, the percentages as well as the increases are not very large.

In Germany and Great Britain, the two countries with high unemployment, about one quarter of prime age respondents are affected by unemployment, while three quarters had no unemployment experience during the previous ten years. A majority of prime aged people, especially men, is permanently employed. The theory of a two thirds society (Glotz 1984) with a split of a majority with stable employment and low unemployment risk and a large minority who are more or less affected by unemployment seems to be confirmed by this result.

Our longitudinal description of labour market participation, unemployment and non-participation gives a more detailed picture of the labour market changes and the changing importance of unemployment in the three worlds of welfare capitalism than can be drawn from cross-sectional results. Nevertheless, our results are just a starting point for more analytic investigations to answer the questions: What are the factors that influence the kind of work history and what are the consequences of changing patterns of work histories on social inequality?

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Biographical notes on the authors:**Wolfgang Strengmann-Kuhn:**

Wolfgang Strengmann studied economics at the University at Bielefeld. After receiving his Diploma in Dec. 1992, he was a Research Assistant at the faculty of sociology at the University of Bielefeld. Since Dec. 1995 he has been an assistant lecturer (wissenschaftlicher Mitarbeiter) at the faculty of economics at the Goethe University Frankfurt/Main. Wolfgang Strengmann-Kuhn has worked on issues related to poverty, social security, labour market and labour supply. He is writing his dissertation on poverty and employment.

Universitaet Frankfurt am Main

Fachbereich Wirtschaftswissenschaften

Institut fuer Volkswirtschaftslehre

Mertonstr. 17 (Juegelhaus)

D - 60054 Frankfurt am Main

Tel.: ++49 69 798-22671

Fax.: ++49 69 798-28287

Email: strengmann@wiwi.uni-frankfurt.de

Richard Layte:

Richard Layte studied sociology in Oxford. After finishing a doctorate on the household allocation of work time at Nuffield College in 1996, he remained there as a Research Officer on the EPUSE project until September 1998. He is presently a Research Officer at the Economic and Social Research Institute (ESRI), Dublin. Richard Layte has worked on issues related to unemployment, employment insecurity and social and economic inequality.

Economic and Social Research Institute

4 Burlington Road

Dublin 4

Tel: +353 1 6671525

Fax: +353 1 66862

Email: Richard.Layte@esri.ie

Henrik Levin

Henrik Levin studied sociology at the University of Stockholm. From 1992 to 1994 he was a Research Assistant in the Sociology Dept. at the University of Stockholm. Since 1994 he has been a Phd-student and Research Assistant at the Swedish Institute for Social Research. His dissertation is on unemployment, atypical employment and labour market mobility. One of the main objectives is to investigate the consequences of the increased instability of employment in terms of long-term precarity and marginalisation. The principal focus is on the Swedish labour market in the 1990s.

Swedish Institute for Social Research (SOFI)

Universitetsvägen 10 E,

S-106 91 Stockholm,

Tel: + 46 08-16 22 30

Fax: + 46 (0) 8 - 15 46 70

E-mail: henrik.levin@sofi.su.se