

Working Paper

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**Social Classes at Risk?**

Class-specific unemployment in British and German life courses  
since the 1970s

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## Table of Contents

<b>1. Introduction.....</b>	<b>4</b>
<b>2. Britain and West Germany: The Comparative Perspective.....</b>	<b>5</b>
2.1 Trends in the Demand for Labour .....	5
2.2 Industrial Relations and labour market regulation.....	6
2.3 Education and training systems.....	7
2.4 Welfare provision.....	8
2.5 Summary: Class Risks from a Comparative Perspective.....	9
<b>3. Life-History Data and Operationalisation .....</b>	<b>10</b>
<b>4. Class-Specific Unemployment: Previous Evidence and Current Results.....</b>	<b>11</b>
4.1 Previous Evidence on Relative Unemployment Risks in Britain and Germany.....	11
4.2 Descriptive Findings.....	12
4.3 Model Results.....	14
<b>5. Conclusions for Cross-National Research.....</b>	<b>17</b>
<b>References.....</b>	<b>20</b>
<b>Appendix.....</b>	<b>23</b>

## Abstract

How is the risk of unemployment distributed among social classes, and can we see a trend in recent decades? Some commentators argue that societies are becoming increasingly individualised, with unemployment affecting a large proportion of the population, while social stratification researchers claim that significant class inequality in life chances persists. But are these processes similar across countries? Differences in education systems, welfare and labour market institutions may have implications for class risks. Britain and Germany differ significantly in these institutions.

Our key research questions are: how does the risk of unemployment vary by social class in different cohorts and across the two countries? Using life course data spanning nearly 30 years, we find that in both countries class is a good predictor of the risk of unemployment, though for most cohorts, there is less of a difference in class risks in Germany. We find no evidence of an equalisation of unemployment risks: our story is more one of rising inequality in Britain and persisting inequality in Germany. In conclusion we reflect on the interaction between social class and labour market institutions for labour market outcomes, and discuss the implications of our findings for the theory and measurement of class.

## 1. Introduction

The focus of this paper is the distribution of unemployment from a comparative, life course and cohort perspective. Unemployment has become a particularly salient risk for both individuals and societies in recent decades, rising, for example, from 2.7 per cent in 1973 to 9.3 per cent in 1999 in the European Union (OECD, 1997, 2000). These figures indicate an overall trend, but tell us nothing about the distribution of unemployment. It is precisely how the risk of unemployment is distributed across classes which is the core concern of this paper. How 'unequally' is the risk of unemployment distributed in different countries? Can we see a trend in this distribution over time?

Some commentators argue that due to changes like globalisation, societies are becoming increasingly individualised, with risks like unemployment and poverty affecting a large proportion of the population (Beck, 1986; Giddens, 1994). Beck (1986) argues that new risks have an equalising effect in that they affect all individuals, irrespective of economic and social resources. Western societies are undergoing a process of individualisation. Not least due to forces of globalisation, risks like flexible employment, unemployment and poverty affect most people, even the privileged middle classes. While subjective feelings of insecurity are emphasized, this approach also argues that more objective states like unemployment and poverty are no longer confined to disadvantaged groups, but have become a mass phenomenon. Society has moved from the 'class society' of the past to the 'risk society' of the present (Beck, 1986). Individualisation of social inequality means that the risk of unemployment is decoupled from social class over time (Giddens, 1994).

An opposing stream of research, from the social stratification tradition, claims that significant inequality in life chances persists between social classes (Goldthorpe, 2000; Breen, 1997; Mayer, 2001). For this approach, knowing an individual's social class can still tell us a considerable amount about their vulnerability to life course risks: unemployment does not affect the different classes equally. Using the Erikson and Goldthorpe classification scheme, those on a labour contract, both manual and unskilled non-manual workers will be most exposed to the risk of unemployment, and those protected from unemployment are those with a service contract (Goldthorpe, 2000). The routine non-manual workers and the supervisors would come in an intermediate position, a point echoed by Breen (1997).

But in any case, are these historical processes similar across countries? A vein of cross-national research on social inequality stresses the embeddedness of social stratification and labour market processes in different national contexts (Esping-Andersen, 1999; Mayer, 1997; Soskice, 1999; Gallie and Paugam, 2000). For this reason this paper compares these processes in two countries, Britain and Germany, which differ significantly in their national contexts. By this we mean primarily labour market structure, labour market institutions, the education system and the welfare system.

Our key research questions are: how does the risk of unemployment vary by social class in different cohorts and across countries? Are certain classes protected from unemployment, or can we see an increasing equalisation of such risks? Are the processes similar in Britain and Germany? Our purpose is not to try to explain the determinants of unemployment, but rather to

consider the relative risk of unemployment across classes.

In the next section we compare in detail both structural differences and institutional differences between Britain and Germany, and how we expect class inequalities in unemployment to differ across countries. In section 3 we describe the data and methods used to consider some of the predictions developed earlier in the paper, in section 4 we briefly review previous evidence and discuss the results of our own analysis, which uses a sample of young men<sup>1</sup>. In conclusion we reflect on the implications of our findings for theories of inequality and the theory and measurement of class.

## **2. Britain and West Germany: The Comparative Perspective**

While the preceding discussion of unemployment risks was at a rather more general level, in this section we narrow our focus to consider reasons why we expect the risks attached to social classes to differ in Britain and Germany. For the purposes of conceptual clarity, we adopt a somewhat simplified perspective on the process by which unemployment risks among different social classes evolve. We treat global shocks such as technological change as ‘exogenous’ to our model. These have an impact firstly on the demand for labour in the economy. This impact may differ across countries, and hence we compare the structure of employment in Britain and Germany. We then consider how institutions influence the risk of unemployment of individuals in social class groups. The institutions we consider important for the risk of unemployment are the education and training system; the system of employment regulation and industrial relations, and the welfare system. Borrowing the term from Mills and Blossfeld (2001), we see institutions as ‘filters’, which affect how risks from globalisation are transmitted to different classes. These institutions may not influence class risks in a consistent way, but we argue that to understand class risks, it is important to consider multiple institutions and the interaction between them, like DiPrete et al. 1997. In these key institutions Britain and Germany are shown to differ in crucial ways, which makes the cross-national comparison particularly fruitful.

### *2.1 Trends in the Demand for Labour*

An important part of the story for unemployment risks is to consider some aspects of the demand for labour – the demand for various jobs in each country, and how these have changed over time.

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<sup>1</sup> Women are excluded from the analysis for a number of reasons. Work histories for women are often considerably more complex and their labour market status not as clearly defined; the measurement of social class is also more problematic for women. Our focus on early labour market careers is discussed in section 3.

**Table 1: Sectoral Distribution of Employment, Britain and West Germany, 1960, 1980, and 2000**

	1960		1980		2000	
	West Germany	Britain	West Germany	Britain	West Germany	Britain
	%	%	%	%	%	%
Primary Sector	14.0	4.7	5.6	2.6	2.5	1.5
Industrial Sector	47.0	47.7	44.2	37.8	30.8	25.4
Service Sector	39.1	47.6	50.3	59.6	66.8	73.0

Source: OECD Labour Force Statistics, 1984, 2001.

Both Britain and Germany have undergone a significant restructuring of their economies in the past 40 years. From table 1 we see a shifting balance in total employment, away from industry and agriculture towards services in both Britain and Germany in the period 1960-2000. The shift from agriculture in Germany is more marked in the period. The decline in industry, particularly manufacturing, is more pronounced in Britain. Conversely, in Britain we see a more sustained growth in services, which constituted 73 per cent of employment in 2000. In West Germany this figure was just under 67 per cent in 2000, with an especially low proportion in unskilled service jobs.

How do we expect these differences in the distribution of jobs to affect the risk of unemployment in the two countries? Our initial hypothesis is a rather simple one: as the demand for manual jobs has fallen in both countries, manual workers will be much more vulnerable to unemployment than the service class. However, because we do not see such a decline in industry in Germany (see table 1), and there is some evidence that structural change in the German labour market affects entry cohorts, with the jobs of existing manual workers being protected (Blossfeld, 1989), we expect that manual workers will not be as much at risk of unemployment there. *In summary, our hypothesis is that while manual workers will, in general, be more at risk of unemployment, this will be less the case in Germany than in Britain.*

## 2.2 Industrial Relations and labour market regulation

Industrial relations and labour market regulation systems can determine how easy it is for employers to dismiss employees, and who will find it difficult to get a job initially. Britain and Germany are almost always placed in different categories - whether in comparisons of industrial relations (Crouch and Streeck 1997), 'production regimes' (Soskice, 1999) or dismissal protection (Büchtemann and Walwei, 1996).

Regarding industrial relations, wages in Germany are set by collective bargaining agreements between specific industrial unions and regionally-based employers' associations. In 1995, 84 per cent of German workers were covered by collective bargaining arrangements (Bispinck, 1997). British industrial relations falls into two distinct periods - 1960s and 1970s and then 1980s and 1990s. The conservative government elected in 1979 embarked on a programme of labour market reform effectively dismantling centralised wage bargaining, and reducing employment

protection. Wage bargaining in Britain is currently company based and uncoordinated (Deakin and Reed, 2000). On dismissal protection, German legislation and practice is more restrictive than in Britain, as seen in a wide range of measures from legislation through to employer attitude surveys (Büchtemann and Walwei, 1996)<sup>2</sup>. It is thus much easier for employers to dismiss employees in Britain than in Germany.

How do these institutional differences affect social classes and associated labour market risks? Recent class theory proposes that employment relationships (service and labour contracts) evolve because of problems of supervision, and the specificity of skills involved in the job (Goldthorpe, 2000: 213). As such this theory is an employer-centred theory, as the employer determines the conditions of the contract and this leaves no role for either (a) institutional constraints on employers (i.e. high dismissal costs for many workers) (b) powerful trade unions. As Esping Andersen (1993) notes '...orthodox class theory is nested in an institutionally 'naked' world, an Adam Smithian world of unfettered markets' (Esping Andersen, 1993: 8).

We argue that employment relationships may be the product of more diverse factors like, for example, trade union bargaining and employment protection. In Germany the role of works councils is highly relevant, and institutional constraints faced by employers differ rather substantially between the two countries<sup>3</sup>. The key point: the employment relationship in Germany is not negotiated as an individual contract between employer and employee, but collectively agreed. Germany thus diverges more from the orthodox class theory than Britain.

Though we should stress that while Britain never had the employee protection or the extent of collective wage agreements as Germany, we see diverging trends in the two countries, with the British system becoming more decentralised, and various legislative changes giving more power to the employer. *In terms of unemployment risk, our overall hypothesis is that the differences between classes (i.e. particularly between service class and skilled manual workers) will not be as great in Germany as in Britain, and we expect the cross-national differences in class risks to become more pronounced in recent decades.*

### 2.3 Education and training systems

Our third main hypothesis concerns cross-national differences in the system of education and training in the two countries. In modern labour markets, the education system is an important mediator between supply and demand in the labour market. Education systems may differ substantially as to how they match their outputs with labour market demand, and this is one reason why a country's education system may play an important role in determining unemployment risks.

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<sup>2</sup> Employment protection for those in employment usually refers to the difficulty in firing people and is measured as a combination of firing costs (such as severance pay), notification period, priority rules (such as seniority) and procedural obstacles.

<sup>3</sup> Though note that not all German employees are protected from dismissal: employees in small firms or those with a temporary contract do not enjoy this security. And our focus is on young people, who are disproportionately found in temporary employment in Germany, see McGinnity and Mertens (2002).

In particular, the extent and nature of vocational training is thought to be salient in determining the matching process in the labour market. While Britain lacks a standardised and widespread system of vocational training, there is much stronger vocational orientation in Germany, and segmentation along occupational lines (Müller et al., 1998). Vocational training may be viewed as a way of improving matching between individuals and employers by providing individuals with specific skills which they can use on the job, and by sending a very clear signal to employers about the potential productivity of a given jobseeker. Indeed many German apprentices are retained in the firm in which they did their apprenticeship, thus avoiding a potential period of unemployment completely. As many authors have noted, in this way the German system facilitates a smooth transition from school to work (Hillmert, 2001; Müller et al., 1998).

So, those with an apprenticeship (or alternatively higher educational qualifications) are protected from unemployment. However, a very small number receive no vocational training, and they are very vulnerable to unemployment (Brauns et al., 1999). Only those with an apprenticeship will occupy a skilled position, and many unskilled do not have an apprenticeship. Thus the key distinction in Germany is not between manual and non-manual workers, but between skilled and unskilled workers. In Britain, with its much more general education system, there is much larger group with no formal qualifications. Unskilled workers are not such a marginal group in the labour market, or as vulnerable to unemployment. Formal skills are less salient in the British labour market: so too is the 'skill divide'. *So, our hypothesis here is that unskilled workers in Germany - both manual and non-manual - will have a particularly high risk of unemployment, relative to other classes; this is much less the case in Britain.*

#### 2.4 Welfare provision

In the following discussion we focus on welfare provision for the unemployed, as this is the most relevant aspect of welfare for considering unemployment risks. We are primarily interested in aspects of welfare which may influence the transition *to* unemployment, as the focus in this paper is the risk of becoming unemployed, not the duration of unemployment.

In typologies of welfare for the unemployed, as with employment protection and industrial relations, Britain and Germany almost always fall into different categories (e.g. Esping-Andersen, 1999; Gallie and Paugam, 2000). These typologies typically contrast the predominantly status-based insurance system (Germany) versus predominantly needs-based, means-tested system (Britain). Insurance benefits are paid to the individual, provided they satisfy the contribution conditions. In Germany most benefits are based on previous earnings, while in Britain benefit rates are not linked to previous earnings, and tend to be low. On average, though this is not true for all individuals, most authors would argue that benefits are somewhat more generous in Germany.

An influential hypothesis in both political and academic circles is that high unemployment benefits cause higher unemployment: individuals entitled to generous benefits are more likely to become (voluntarily) unemployed. The fact that German benefits aim to preserve income and British benefits are flat-rate means that we might expect a greater disincentive for higher earners (service class I and II) to become unemployed in Britain than in Germany. However, this

hypothesis rests on the assumption that benefits are granted unconditionally to unemployed workers. Given that there are benefit penalties (i.e. withdrawal of benefit) for voluntary unemployment in both countries, this hypothesis seems problematic (McGinnity, 2001:109-110). In addition, as there is little unambiguous previous evidence showing the effect of benefit levels on transitions into unemployment, it is not clear that this effect would be present.

The funding of unemployment benefit also differs – in Germany the principal benefit, unemployment insurance, is funded from ear-marked contributions, separately administered by the Federal Labour Office. In Britain all benefits are funded from general taxation, and the state has full control over unemployment compensation (McGinnity, 2001). Some authors (e.g. Esping-Andersen, 1993, 1999) argue that the higher fixed costs of labour in Germany, the result of the funding of welfare, inhibits low wage unskilled jobs, leading to more unemployment among unskilled. This supports the hypothesis based on the education system discussed above, i.e. that unemployment in Germany will be particularly high among those without an apprenticeship, namely the unskilled. *Once again then, our hypothesis is that unskilled workers in Germany will be particularly vulnerable to unemployment.*

#### *2.5 Summary: Class Risks from a Comparative Perspective*

Summarising the cross-national differences in unemployment risks, our hypothesis from the discussion of employment protection and the industrial relations systems is that in general there will be less differences between the classes in Germany than in Britain. But also our discussion of trends in the demand for labour leads us to expect a lower risk of unemployment among manual workers, both skilled and unskilled, in Germany.

However, against this hypothesis, at least for unskilled manual workers, was the hypothesis following our discussion of the education and training systems, i.e. the fact that those with no qualifications from the German system fare very badly in the labour market. In addition, the contribution welfare system means there are also less jobs for those with no skills. So, while there may be less inequality of risk between classes in Germany than in Britain, this applies most clearly to the intermediate and particularly to the skilled manual classes. Unskilled workers in Germany will fare worse – in fact may be just as badly off relative to the service class in Germany as they are in Britain, depending on the varying influences of education system and the welfare system on the one hand, and structural change and industrial relations on the other.

Regarding unemployment risks in the early labour market career we expect to find a lower risk of unemployment in Germany, remaining stable over the period. We argued above that the apprenticeship system facilitates the first transition to employment in Germany, and the clear qualifications achieved tend to ensure a good match. In Britain we expect the overall risk of unemployment to be higher, with the difficult first transition to employment, but that this risk will fall in subsequent years, as the 'match' is made.

Regarding the trend in these risks of over time, our hypothesis is that the cross-national differences outlined above will be maintained for the period. If anything we may see a divergence between the countries. Changes to the industrial relations system and the changing industrial structure in Britain may mean we may see a polarisation of risks, with the service

class being relatively immune to these changes, and the other classes all suffering a higher risk of unemployment. From the discussion above we have no reason to suspect that such a polarisation will take place in Germany.

### 3. Life-History Data and Operationalisation

As we are interested in long-term trends over time in the relative risk of unemployment among individuals, retrospective work history data provides the most suitable empirical basis for this analysis. The data on Germany are taken from the German Life History Study (GLHS) (Mayer/Brückner 1989; Brückner/Mayer 1995; Corsten/Hillmert 2001) in which retrospective data was collected for a variety of life domains<sup>4</sup>. In our analysis, only West German cohorts were included, containing only German citizens. The data on Britain stems from the British Household Panel Study (Taylor et al. 1996)<sup>5</sup>. This dataset is designed to be representative of England, Wales and the largest part of Scotland, and the analyses make use of joint work-history files which combine retrospectively collected life-history data on employment status with panel data (see Halpin 1997). As the birth cohorts in the GLHS were selected in clusters, comparable groups were also selected in the British data, as presented in appendix table A1 (see also Hillmert, 2001). We also select the British data to cover the same period of the work histories as in the German data, i.e. the early labour market career. While somewhat short, we argue that our analysis considers a highly significant part of the labour market careers of these individuals.

Retrospective work history data is not unproblematic, however. Due to memory effects (Dex, 1995; Reimer 2001), it is likely that unemployment is underestimated in the retrospective reports, especially if there has been a long interval between the event and the interview. Short-term spells of unemployment are also more likely to be forgotten than long-term spells. However, we do not expect that this under-reporting will substantially affect our estimation of *relative* risks between classes.

Social class was coded according to the Erikson-Goldthorpe-Portocarero (EGP) schema (Erikson and Goldthorpe, 1993). The class position of unemployed people is defined by the social class of the last job. To focus on a more specific part of the employment system, we do not consider self-employed and agricultural workers. For reasons of sample size, we aggregate the other classes into four groups, which are theoretically relevant for our investigation, namely (1) Upper service class, EGP I & II; (2) Routine service class and supervisors, EGP IIIa and V; (3) Skilled manual workers EGP VI and (4) Unskilled manual and non-manual workers, EGP VIIa and IIIb. These are very similar to the groups discussed by Breen (1997) and Goldthorpe (2000) with the important exception that we distinguish skilled and unskilled manual workers.

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<sup>4</sup> Prospective (panel-design) data like the German Socio-Economic Panel is not suitable for our purposes as the period covered by the work history calendar is relatively short.

<sup>5</sup> The British data used in this paper were made available through The Data Archive and were originally collected by the ESRC Research Centre on Micro-social Change at the University of Essex. The German Life History Study is conducted by the Max Planck Institute for Human Development, Berlin, Center for Sociology and the Study of the Life Course.

The class distributions for young men, aged 27 are presented in table A1. What are the overall trends? Consistent with sectoral changes described in table 1, in appendix table A1 we see a general decline in the working class, and a rise in the service class over the cohorts in both countries. These data are generally consistent with class distributions and trends reported in previous research (e.g. Müller et al., 1998; Marshall et al., 1988).

Turning to individual class sizes of interest to us, we find generally more in classes I and II in Britain. The proportion for these 27 year olds is about the same as the entire workforce for Britain, though the proportion in classes I and II is lower for Germany, especially in the 1964 and 1971 cohorts (Marshall et al., 1988; Müller, 1998). We expect this may be linked to the education system in Germany, where those in higher education may not be finished by 27, whereas in Britain they are. There are also interesting differences in the manual classes between the two countries. Overall the decline of the manual class has been much less marked in Germany, consistent with the discussion of sectoral shifts described in section 2.1. But in particular there are more skilled manual workers in Germany (class VI), and in recent years this difference has become more marked.

The class-specific risk of unemployment is measured by the following proportion:  
(number of men in class X who are unemployed at time t or experience unemployment within the next four years) / (number of men in class X who are in the labour market at time t). The definition of an extended 'risk period' allows for relatively 'smooth' curves that are based upon monthly calculated values; brings a longitudinal dimension into the cross-sectional concept of proportions; and accounts for the fact that labour market risks attached to class positions may show up not in direct transitions to unemployment, but in unemployment following a preceding change in class position. Note that this operationalisation is rather a measure for 'spread' (incidence) than 'amount' (volume) of unemployment in each class and that this does not necessarily match official unemployment rates. For cohorts that have only been observed until relatively young ages, there may be some decline in the risk of unemployment towards the end of the observation window, due to the fact that the four-year risk period lies (partly) out of this observation window.

## **4. Class-Specific Unemployment: Previous Evidence and Current Results**

### *4.1 Previous Evidence on Relative Unemployment Risks in Britain and Germany*

There has been little previous research looking at the relative risk of unemployment among different social classes, and nothing comparing Britain and Germany directly. While the results do indicate class inequalities in the risk of unemployment, the evidence is not systematic, or systematically comparable. The work focuses on different time periods, and different groups at risk.

For Britain, Layte et al. (2000), looking at transitions from employment to unemployment in the period 1975-1992, find that compared to the upper service class (I & II), all classes are significantly more likely to become unemployed. The manual classes are most likely to move to

unemployment, particularly the unskilled manual class. For Germany, recent evidence on transitions from the first job for the period 1984-1998, finds the higher service class (I) significantly less likely to become unemployed than the skilled manual workers and supervisors (V/VI) (Kurz et al., 2001). Unskilled workers are significantly more likely to move to unemployment than skilled manual workers and supervisors. Other class differences in the transition to unemployment are not statistically significant, though note that the sample is more limited than in the British study.

Regarding changes over time, work by Gallie et al. (1998, ch. 5) suggests that the relative risk of unemployment between the manual classes and the service class in Britain has remained stable over time, at least in the period 1979 to 1992. There is no similar evidence for Germany. We know of no other study so far comparing unemployment risks across classes and across cohorts in Britain and Germany.

#### *4.2 Descriptive Findings*

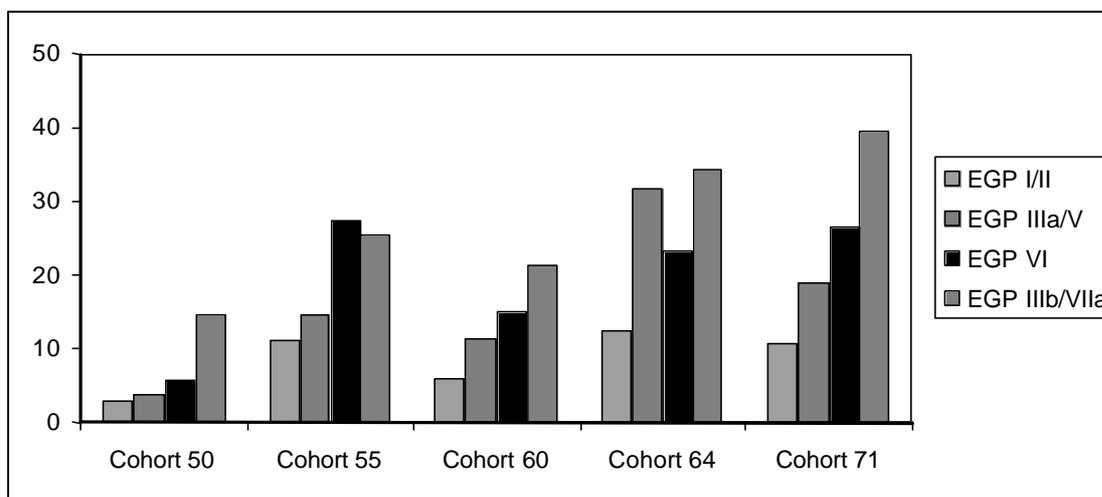
What do we learn about relative unemployment risks using the data and methodology described in section 3? Figure A1 in the appendix gives an example of the detailed results of unemployment risks using monthly data. For reasons of space and clarity we present results for just one birth cohort: here the example chosen is the cohort born around 1955. On average, this cohort turned 20 in 1975 and 30 in 1985.

There are a number of points we can distinguish from this graph. Firstly, we see different levels of unemployment for the two countries. In Britain, unemployment has clearly been higher for most classes throughout the observation window. Secondly, we can see differences between classes. These also differ between the two countries. In Britain, both skilled manual workers (EGP VI) and low or unskilled workers (EGP IIIb/VIIa) face a consistently higher risk of unemployment than people in the service class (EGP I/II) or non-manual employees and people in (manual) supervisory positions (EGP IIIa/V). In Germany, it is rather the group in unskilled positions which stands apart from the other three. Thirdly, we observe some life-course dependencies. While in most instances, the level of risk has been rather stable with respect to age, unskilled workers in Germany have clearly faced increasing risks of unemployment during their early careers.

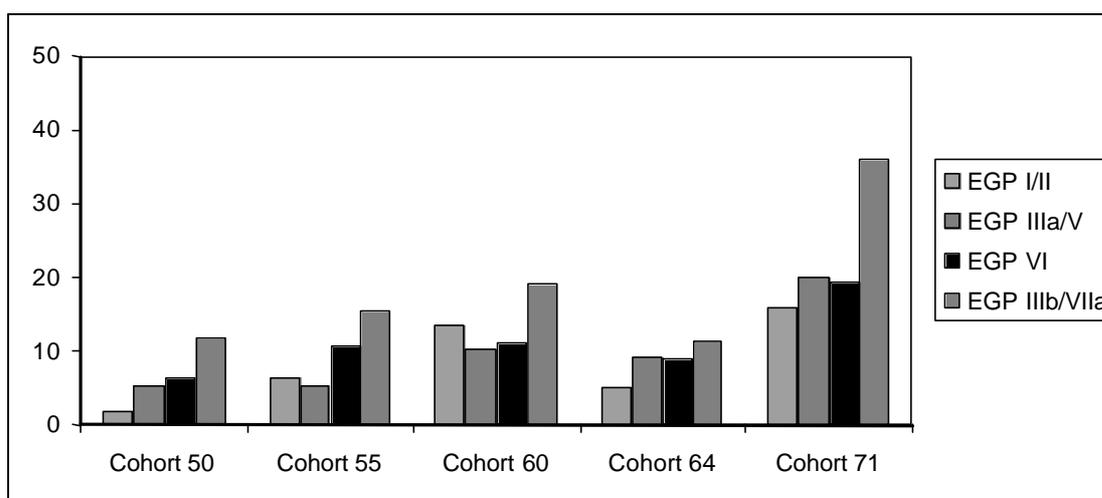
To reduce the complexity of these various dimensions, we first ignore the focus on life-course effects and compare unemployment risks across countries, cohorts, and classes. Figure 1 presents the class-specific risk of unemployment for each cohort at a given age.

Figure 1: Class-specific risk of unemployment, by birth cohort, age 25

Britain



Germany



Note: Class-specific risk measured at age 23 for the birth cohorts 1971, due to limited observation periods.

From figure 1 we can see that in general there is a higher risk of unemployment for later cohorts, and no class is immune to unemployment. Even with an underestimation of unemployment using life course data, we still find a high incidence of unemployment, particularly in the youngest cohorts. For virtually all cohorts, the level of unemployment has been higher in Britain than in Germany.

While there have been different patterns of class-related unemployment in the two countries, they are not always clear-cut. In general the risk of unemployment is lowest for the upper service class (I & II) and highest for the unskilled workers (VIIa/IIIb), though there are exceptions to this.

### 4.3 Model Results

One of the problems with examining each of the cohorts in detail, as in figures 1 and A1, is that there may be considerable fluctuation due to both sampling error and short-term economic influences, which makes the overall trend difficult to disentangle. Moreover, for simplicity we have presented the unemployment risks at one particular age: the picture may be somewhat different when looking at different ages.

To minimise this fluctuation and give more systematic evidence for the 'bigger picture' which interests us, we combine these dimensions by estimating an overall model for the risk of unemployment, depending on country, cohort, age, and social class, using all the available data. The dependent variable is the dichotomous variable 'experiencing unemployment within the risk period' vs. 'not experiencing unemployment' (operationalised as above). For each individual we have calculated the risk for four different age periods, so each individual can contribute up to four units of analysis, depending on how long we observe them for.

The results are presented in table 2. In model 1 the focus is on the cross-national comparison, including age and class effects and how these vary between the two countries. In model 2 we also introduce terms for how the class effect varies across countries over time. The reference country in both models is Britain, thus the 'main effects' (except the coefficients for the cohorts) refer to Britain: the effects for Germany are represented by the main effects plus interaction terms.

#### **Cross-national differences in unemployment risks**

For the discussion of cross-national differences in unemployment risks we consider the results from model 1. For the moment we are not interested in structural trends over time, so this model is more appropriate as it allows a general comparison of the countries for the entire period. The model shows a higher risk of unemployment for successive cohorts, and somewhat lower unemployment in Germany, both of which are consistent with the overall unemployment rate and figure 1.

In support of the class stratification approach we find that in Britain class is a good predictor of the risk of unemployment. The service class is much less vulnerable to unemployment than either the intermediate class (IIIa/V), the skilled manual class (VI) or the unskilled classes (IIIb/VIIa). This is shown by the class main effects.

That said, we also see, by the negative and significant interaction terms for Germany that, for the most part, there is less of a difference in class risks in Germany than in Britain. This is most clearly the case for the intermediate class and the skilled manual class. These findings are consistent with our hypothesis that there will be less class differences in unemployment risks in Germany because the system of employment protection acts to protect all workers. In spite of this cross-national difference, if we sum the main effects and interaction terms, we still find class to be significantly associated with unemployment in Germany.

However, the position of German unskilled workers is somewhat different to that of other German classes. For German unskilled workers the interaction term is negative but not significant, suggesting that they are in fact in a somewhat similar position vis a vis the service class as in Britain. While in general class differences in unemployment are less in Germany, this

is not the case for the unskilled. This finding fits with our discussion of the education systems, where we stress that those who have no qualifications in Germany, the unskilled, fare very badly indeed. We also suggested that the contribution-based welfare system may lead to lower job opportunities for those with no skills. The effect of an education system which particularly marginalizes the unskilled counteracts our overall hypothesis of less class inequality in Germany.

The most pronounced difference in class risks between Britain and Germany concerns the risk of unemployment among skilled manual workers. Skilled workers are a protected group in Germany, compared to Britain. We suggest that for skilled manual workers, not only differences in the employment protections system play a role, but also the less dramatic decline in industry in Germany. All of these factors led us to expect a lower risk of unemployment among manual workers in Germany, and this is indeed what we find in model 1.

Regarding cross-national differences in the distribution of risk in the early labour market career, our hypothesis was of a stable risk of unemployment through the period for young Germans, with, if anything, a falling risk of unemployment for young people in Britain. From model 1 we find no significant differences in unemployment risk for the different age groups specified, implying a relatively stable risk of unemployment through the period in both countries<sup>6</sup>. Bear in mind that the observation period is relatively short in life course terms: a more comprehensive investigation of life course effects would require a longer observation window.

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<sup>6</sup> One should note that this model does not allow us to really separate age/life course and period effects. For example, it is plausible that the risk of unemployment falls over the early life course, but as unemployment has been rising throughout the period, this counteracts the life course effect, resulting in a stable risk of unemployment.

**Table 2: The risk of becoming unemployed (logit-coefficients); birth cohorts 1950-1971**

	Model 1	Model 2
Constant	-2.92**	-3.07**
<i>Country</i>		
Britain (Ref.)	0	0
Germany	-0.34+	0.23
<i>Birth Cohort</i>		
1950 (Ref.)	0	0
1955	0.97**	0.92**
1960	1.00**	0.93**
1964	0.91**	0.84**
1971	1.31**	1.35**
<i>Age</i>		
21 (Ref.)	0	0
25	-0.07	0.18
29	0.11	0.42
<i>Social Class</i>		
EGP I/II (Ref.)	0	0
EGP IIIa/V	1.11**	-1.31
EGP VI	1.72**	0.69
EGP IIIb/VIIa	1.83**	0.09
<i>Interactions</i>		
Age 25 * Germany	0.00	-0.14
Age 29 * Germany	-0.18	-0.39*
EGP IIIa/V * Germany	-0.53*	0.95+
EGP VI * Germany	-0.73**	0.19
EGP IIIb/VIIa * Germany	-0.35	0.81
EGP IIIa/V * linear trend		0.78**
EGP VI * linear trend		0.34+
EGP IIIb/VIIa * linear trend		0.60**
EGP IIIa/V * linear trend * Germany		-0.47*
EGP VI * linear trend * Germany		-0.29**
EGP IIIb/VIIa * linear trend * Germany		-0.39**
N (Persons*age-groups)	8578	8578
Df	15	21
chi <sup>2</sup>	468.0	507.9

+ p < 0.1, \* p < 0.05, \*\* p < 0.01

### **Trends in relative unemployment risks**

In model 2 we introduce some variables to capture how class specific risks in the two countries vary over time. In this model we specify a linear trend across cohorts, which is the simplest, given that we have no clear assumptions about the shape of this trend.

From model 2 we can see that, for Britain, consistent with the class stratification perspective, class does not decline in salience as a predictor of unemployment risks over the period. This finding contradicts the individualisation perspective, i.e. that new risks have broken the logic of the class structure and that unemployment is decoupled from social class (Beck, 1986; Giddens, 1994). In fact, for all three classes the gulf in unemployment risks compared to the service class has actually widened. Compared to older cohorts, younger cohorts of intermediate and manual workers are even more at risk of unemployment relative to the upper service class. This finding tends to support the arguments of Breen (1997) that the intermediate group will also suffer increasing economic risk due to technological changes and increases in monitoring by employers.

For Germany, this rise in inequality is not evident, as the interaction terms for the class groups rather neutralise the trend for Britain. For all three class groupings the change in risks relative to the upper service class is significantly less than in Britain. While we do not find a rise in inequality, we do not find a reduction in inequality for Germany either. The class inequalities we found in model 1 persist throughout the period. So for Germany too, our findings rather support the class stratification perspective (e.g. Goldthorpe, 2000) and lend no support to the claims that inequalities in class risks have been diminishing over the period. Though note that the discussion here is of relative risks between classes: as seen in figure 1, the absolute risk of unemployment rose for all classes.

Comparing the two countries over time, the fact that inequalities in class risk are increasing in Britain but not in Germany is consistent with our hypothesis of cross-national divergence over time. We argue that the combination of institutional changes (like to the system of industrial relations) and structural changes (the sharper decline in employment in industry) have led to increased inequality in Britain, changes we have not found for the same period for Germany. Put crudely: global shocks like technological change and resulting rising labour market insecurity have been 'processed' by these countries in rather different ways. Manual workers have indeed borne the brunt of rising insecurity in Britain: in Germany labour market risks have been more evenly distributed, though some inequality persists.

## **5. Conclusions for Cross-National Research**

The key research question in this paper was how does the risk of unemployment vary by social class in different cohorts and across countries? The two countries chosen, Britain and Germany, differ in both key institutions and the structural change they have undergone. Unemployment is a salient and topical life course risk in both countries.

What are our main findings and what can we learn from them? Firstly we find different patterns

of class inequalities between countries. In our interpretation, we link these different outcomes to institutional differences between the two countries. In general we find less inequality between classes in the risk of unemployment in Germany than in Britain. This is consistent with our hypotheses following the discussion of differences in employment regulation and structural change in the two countries. However, we find little difference in the position of unskilled workers in the two countries: this is in keeping with our hypothesis following the discussion of the different education systems. Our second important finding is different trends between the countries over time. We detect a diverging trend between the countries in terms of class inequality regarding the risk of unemployment: class inequality is rising in Britain, and not in Germany. This fits with the preceding account of changes in both legislation and labour demand which particularly affected Britain. So, not only do class inequalities differ cross-nationally, but developments over time indicate that these differences are becoming even more salient.

This paper was written in the context of debates on persisting inequality versus the declining salience of social class. While no class is immune to rising unemployment, our evidence tends to contradict arguments proposing the declining salience of class for labour market outcomes, and to give more credence to the persisting inequality approach. Yet our main contribution to this debate is the following: when considering class inequalities in labour market risks it is crucial to consider cross-national differences and any analysis which assumes that these processes will be the same across countries is very problematic. We clearly reject the idea that there are universal trends, and that all countries are subject to similar processes and change in a similar way.

We should also note at this juncture that we expect our findings to be a conservative estimate of the relative differences in unemployment risks between classes. As we exclude women from our sample, we ignore cross-national differences in female employment in Britain and Germany. We can only assume that the addition of women to the analysis of class risks would lead to even greater cross-national differences. We also focus on young people and should bear in mind that comparing older workers in Britain and Germany might yield rather different results.

The analysis and results of this paper have also led us to some reflections on the class schema and the theory of class underlying it for measuring inequality from a comparative perspective. These observations are on three levels: theoretical (concerning the class theory itself) empirical (relating directly to our results) and measurement (relating to our experience of using the class schema for cross-national research).

The first issue is the role of skill. Class theory is based on the employment relationship. While skill plays a role in the classification used, skill is not an integral part of the theory itself (see also Marshall et al., 1988). A closely related point concerning measurement issues is that as skill measurement has no 'theoretical foundations', its measurement may not be optimal, and in practice, it may be difficult to distinguish skilled from semi- or unskilled workers. However, even with an approximate skill division, our results for skilled manual workers in Germany show clearly that skill is important for labour market risks. We would argue that the skill differences are important enough to warrant inclusion in the theory of class itself, if one aim of class analysis is to investigate the importance of class in shaping life chances.

A second issue is the lack of focus on institutions. On an empirical level, our results show less class inequalities in the risk of unemployment in Germany, suggesting that institutional

differences affect the employment security of different social classes. There are two possible interpretations of our findings, each of which have different implications for class theory.

One interpretation is that the theory is valid as it stands, and in some sense 'universally applicable'. The role of institutions is in modifying class outcomes, rather than how employment relationships are determined. In this case, we can maintain a theory of class based on labour and service contract, but we need to introduce 'institutional modifications' when examining class outcomes like unemployment. Employment protection, for example, may affect the risk of unemployment among different classes, but not the theory of class itself. A second interpretation implies a more radical reworking of class theory. This is that in Germany both how the employment relationship is negotiated (the industrial relations system) and the institutional protection afforded to most employees fundamentally affect the employment relationship and associated risks, as suggested in section 2.2. This interpretation suggests that class theory needs to incorporate institutional differences into the theory itself to be effective for comparative research (see also Esping-Andersen, 1993). This latter argument is given further backing by measurement problems arising from the fact that the remuneration and some work conditions of many jobs in Germany are dictated by agreements between employers and trade unions. How these jobs are classified in terms of their legal and contractual status may be at odds with the kind of work performed and promotion prospects (see for example Brauns et al., 2000). The relevance of this for cross-national research is that individual jobs may be classified in different classes, because of differences in how these aspects of the job are determined.

However while our findings may support such an interpretation, a more rigorous test of this second interpretation would require showing that employment relationships do not evolve simply as employers' responses to problems of workers supervision, but are affected by other factors such as the strength of trade unions (see also Breen and Rottman, 1995: 460). In practice this would involve investigating the employment relationship associated with each individual job title separately, rather than relying primarily on occupational titles, as is current practice<sup>7</sup>. If it were shown, for example, that many manual workers had service class contracts in one country and not in another, this would seriously undermine the usefulness of the class schema for cross-national empirical research, for after all, the schema 'must be judged by the value that it proves to have in enquiry and analysis' (Erikson and Goldthorpe, 1993: 46). This investigation remains a pressing task for future comparative class analysis.

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<sup>7</sup> Some work of this kind has recently been carried out for Britain (Evans and Mills, 2000).

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## Appendix

*Table A1: Class distribution at age 27<sup>8</sup> (in %) - Data description*

Cohorts born around...	1950	1955	1960	1964	1971
<b>West Germany</b>					
EGP I	6	7	7	12	5
EGP II	19	23	21	13	13
EGP IIIa	10	14	11	14	15
EGP IIIb	2	2	2	1	2
EGP IVa	1	2	2	1	1
EGP IVb	0	0	2	1	0
EGP IVc	1	1	0	1	1
EGP V	11	9	9	10	9
EGP VI	35	28	31	31	40
EGP VIIa	14	13	15	16	12
EGP VIIb	2	1	1	1	2
Year of interview	1981-83	1989	1989	1998-99	1998-99
Design					
Birth cohorts	1949-51	1954-56	1959-61	1964	1971
N= (Men)	365	522	512	644	628*
<b>Britain</b>					
EGP I	15	14	12	14	9
EGP II	16	16	19	17	14
EGP IIIa	8	8	9	10	9
EGP IIIb	1	1	2	1	2
EGP IVa	2	3	4	2	1
EGP IVb	5	8	8	9	10
EGP IVc	1	0	1	3	1
EGP V	6	8	8	10	12
EGP VI	23	20	18	13	12
EGP VIIa	21	21	19	20	28
EGP VIIb	3	0	1	2	2
Year of interview	1992-	1992-	1992-	1992-	1992-
Design					
Birth cohorts	1948-52	1953-57	1958-62	1963-65	1970-72
N= (Men)	409	428	559	366	414

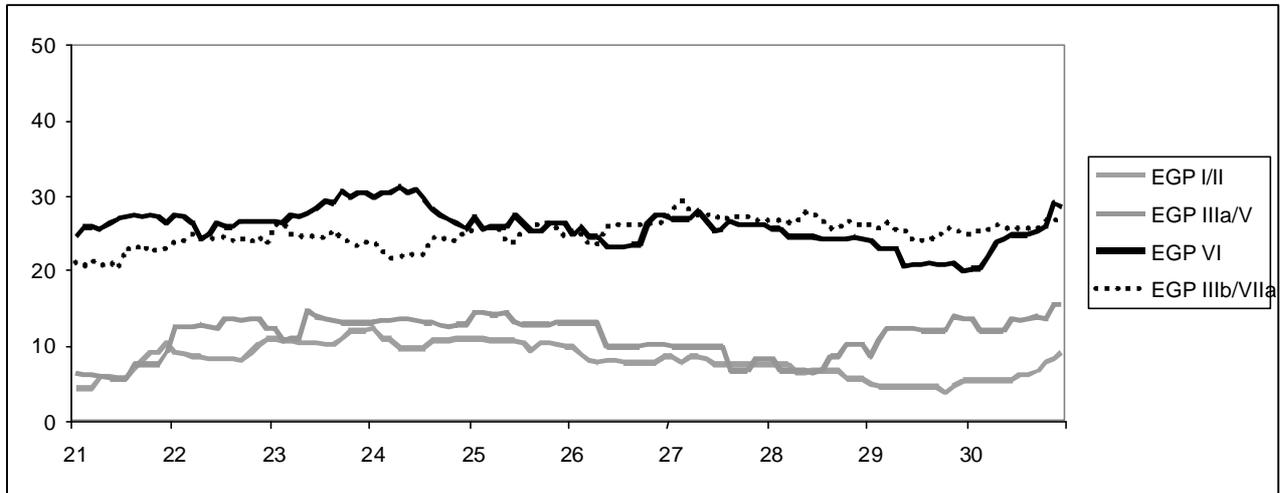
<sup>8</sup> Age 25 for the 1971 cohorts.

\* Analyses for the 1964 and 1971 German cohorts were made using an edited (85%-) sample of the full dataset.

Figure A1: Class-specific risk of unemployment, by age - 1955 birth cohort

Class-specific risk of unemployment, by age

Britain



Germany

