

***‘Social Exclusion, Occupational Dynamics, and Intergenerational Income Mobility
– Germany and the United States Compared***

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The effects of economic and social origins work through different mechanisms: the first involves family conditions and parental stimulation in early childhood, the second reflects the decisions people make at crucial transition points in the education system, the labor market, or their personal preferences in their individual life planning (Chadwick and Solon 2002), the third is related to institutional settings, policy measures and macroeconomic indicators, and to the historical context.

Studies on the individual labor market behavior and occupational choice adopt the logic of the neoclassical human capital approach. Persons decide their labor supply and their occupational choice in maximizing the discounted present value of their potential lifetime earnings face to individual and family background conditions (Becker 1964, Mincer 1974). Women frequently reduce their labor supply to reconcile work and family (Simon 1995, O’Reilly and Bothfeld 2003), which may lead to occupational segregation, limited opportunities for career progression and individual and family income penalties (Williams 2000, Jacobs and Gerson 2001).

The structural hypothesis of intergenerational economic and social mobility (Becker and Tomes 1986, Solon 1992, Solon 1999, Solon 2002) is based on the human capital theory and suggests at least two explanations for the correlation of income across generations: (i) the need for financing the investment in human capital and the borrowing (or credit) constraints that may arise, and (ii) the ability of parents to influence their children’s innate skills and the ability to produce income. In this setting, the parental investments increase the children’s human capital, which in turn increases the children’s wages and earnings and build the link between the income variables of different generations. Limited parental resources during childhood may restrict the economic status and the social and economic mobility of adult children. There is an implicit stress on human capital development with poorer and socially

excluded families lacking sufficient resources for investments in children. Among the endowment conditions parental education, employment behavior, occupational choice, the family role modeling, as well as the social capital environment are of importance.

This paper aims to analyze the channels underpinning intergenerational economic and social dynamics and to evaluate the inequalities that arise from the intergenerational transmission of low income, social isolation, personality traits or genetic attributes. The paper analyzes the intergenerational dynamics of employment behavior, occupational segregation and intergenerational economic and social disadvantage against the background of individual and family background characteristics, as well as community-level structural economic and social factors. The analysis focuses the situation in Germany and the United States - two countries with different institutional labor market settings, redistribution policy measures, family-work reconciliation settings, as well as family role patterns (Dustmann 2004). Due to a stronger link between generations in more traditional societies we suppose the influence of family background characteristics to be more pronounced in Germany. To analyze the individual labor market behavior and the occupational choice we employ approaches based on the human capital theory. To evaluate the degree of occupational segregation we adopt the Karmel and Maclachlan (1988) index and decompose it into a "pure" gender component and components attributable to the gender distribution of individual and family characteristics (Spriggs and Williams 1996). To analyze intergenerational occupational mobility we employ a multinomial logit model (Mc Fadden 1973, Maddala 1983, Heckman 1981). In the analysis of the intergenerational income mobility trends we employ linear and non-linear regression approaches on different permanent income variables of different parent-child pairs in different time windows (Björklund and Jäntti 2000, Hertz 2004, Couch and Lillard 2004).

The empirical analysis is based on longitudinal data (GSOEP-PSID CNEF 1980-2008) providing nationally representative socioeconomic data of individuals and households. The paper is organized in four sections. The first discusses the related literature of the concepts of employment behavior, occupational segregation, and intergenerational income and occupational mobility. The second reports the data base and the methodological issues. In section three the empirical results are discussed. Section four concludes with a summary of findings and implications and recommendations for economic and social policy.

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