



EPUNet 2004 Short Session Summaries

E1 Demography 1

Chair: Marcia Taylor

The opening session in the EPUNet parallel stream focused on demography and included three papers. The first paper, *The Effect Of Young Adults' Nest-Leaving On Parental Happiness*, was by Jochen Kluge, considered the process of young men and women leaving their parental homes and acquiring autonomy and financial independence. Wide differences have already been observed in patterns of nest-leaving in Northern Europe (median ages are 21 for women and 23 for men) and Southern Europe (26 for women and 29 for men), explained by hypotheses based on labour market conditions, housing prices and parental preferences. Kluge focuses rather on the dynamic effect of the nest-leaving on the parents, utilising particularly the parent's self-reported assessment of financial satisfaction. Using ECHP data for waves 1 to 5 (1994-1998), he found that Northern European parents report systematic gains in financial satisfaction when their adult children leave home, while Southern European parents report systematic declines, larger when children leave when they are older. His research therefore attaches greater importance to the role of adult children in the support of their parents, particularly in Southern Europe where incomes are relatively low. This pattern points to an alternative model of the nest-leaving decision that emphasizes the role of adult children in supporting their parents, particularly in Southern Europe where incomes of the parental generation are relatively low. From a cross-country perspective this delayed nest-leaving process might be associated with high youth unemployment, more limited benefit availability, low housing costs, and a largely catholic population. Kluge presents evidence that the generally accepted assumption that parental utility increases after nest-leaving is true in Northern European countries only. In Southern Europe, it would seem that parents suffer a utility loss when young adults move out, because they no longer make any financial contribution to household income.

The second paper, '*Work-life balance, the family cycle and changes in satisfaction with leisure time*', was by Tiziana Nazio and John MacInnes. The paper employs the survey respondents' satisfaction with their amount of leisure time as a measure of the pressures on time that affect their lives. Rather than concentrating on the work aspects of the work-

life balance, it utilises variables measuring respondents' satisfaction with their amount of leisure time as a measure of the 'time pressure' in their lives. Nazio and MacInnes take advantage of the longitudinal nature of the ECHP, examining the impact of family transitions like partnership formation or the arrival of new children in a household upon such time pressure, and comparing women and men in different household types, with different employment histories and other characteristics (such as age, level of education, income). Particular emphasis is placed on a comparison of the effects of the arrival of children with other changes in respondents' status (such as changes in working time or activity status and the formation or dissolution of partnerships) on time pressure. The effect of different social policy contexts within different countries in Europe was studied using intra-country comparisons. The paper confirms the usefulness of the leisure time variable (pk004) as a useful measure of time stress and finds that a comparison of household characteristics (such as single vs. dual parents; presence, age and number of children; labour market situation of each of the parents; their relative contribution to the family income; and whether childcare is purchased) confirms the importance of children as a determinant of time stress. The researchers find that it is the age of the youngest child within the household which is the most significant factor in determining time stress, followed in importance by the type of paid work as well as the hours of work. Differential effects on men and women suggest that the "legacy of the male breadwinner" continues to exist despite the growing awareness of work life balance as a public issue.

In the third paper in this session, Wenke Apt of the Max Planck Institute for Demographic Research presented her research on *Health Status and Life Expectancy A cross-country comparison based on the European Community Household Panel*. The paper explores health profiles by marital status in eight European countries with regard to the theories of compression and expansion of morbidity. The Sullivan method is applied to age-specific death rates and age-specific prevalence of health states to statistically abstract the concept of health expectancy. The research covers the years 1995 through 1999 and analyses the concept of self-perceived health status using the outcome "Person is hampered in daily activities by any physical or mental health problem, illness or disability" from the European Community Household Panel.

Our research links national mortality to morbidity schedules in order to draw conclusions about the evolution of health at various stages of the individual life span along the observation period. Since health profiles may vary considerably across marital states, the married, divorced, widowed and never married population has been analyzed separately. The demand for institutional care largely depends on the marital status of the elderly. In view of the associated panel attrition, we assume the results of the married population to be the least biased and thus use it as reference category. We find a longevity advantage of the married population over its unmarried counterparts. Yet with respect to health, there is no evidence that any marital status is advantaged. The reported health status varies largely across countries. With great consistency throughout our analyses, people in Italy indicate the highest prevalence of good health and the highest healthy life expectancies, while people in Germany show the least favourable health profiles and the lowest healthy life expectancies. Remarkably for Germany and Finland are also the very high prevalence

of moderate disability. Over the observation period, we find country-specific developments of health. For males and females in Germany and the United Kingdom, there is a tendency towards an expansion of morbidity. This also applies to females only in Portugal and partially to their counterparts in Belgium and the Netherlands. In the evolution of these divergent health trends in Europe, we attribute a decisive role to the variety of institutional designs and national policy regimes and discuss this assumption with the help of OECD data on national social expenditures.

E2 Labour I

Chair:

Eric Marlier

Eliane Jankeliowitch-Laval, senior lecturer of economics at the University of Nancy 2 (France) working in the field of social policies (especially female labour participation and family economics), presented the first paper in the first session on Labour on *Female Part-time Work in the European Union: an empirical study based on the ECHP*, written together with two colleagues from Nancy (Sabine Chaupain-Guillot and Olivier Guillot). The paper is based on an in-depth study of data from the 1994-2000 waves of the *European Community Household Panel* (ECHP), covering all EU-15 countries. The purpose of the paper is twofold: a) to describe the labour market transitions of women working part-time, and b) in the case of mothers with young children, to identify the determinants of the choice between full-time work, part-time work and non-employment. The paper shows that in many countries part-time work, especially work involving less than 20 hours/week tends to be concentrated in low-skilled, low-paid jobs. The first part of the paper analyses the transition from part-time to full-time employment: Does the transition rate vary from one country to the next? What are the characteristics of those female part-time workers who are most likely to move into full-time employment? For this purpose, the ECHP sample is restricted to individuals whose employment status was observed each year (at the survey date) at least from 1997 until 2000. Rather than studying the subsequent changes in employment status among a sub-sample of employees working part-time in a given year, the paper focuses on the (short-term) occupational trajectories of individuals who *entered* into part-time work in year t . The data relating to all entrants into part-time jobs of years 1995 to 1998 are pooled to obtain sufficient sample sizes. Transitions between years t and $t+1$, as well as transitions between years t and $t+2$ are examined. The second part of the paper concentrates on the labour supply decisions of mothers with young children in each of the 15 Member States. The objective of the analysis is to investigate whether the effects of individual and family characteristics on the part-time/ full-time choice vary across EU countries and the extent to which the differences observed in the impact of such factors can be explained by the specificities of national family policies, regarding the conciliation of working and family lives? The data are drawn from the 2000 wave of the ECHP, including mothers, aged 18-59, whose youngest child is under 12 years old. Given the small size of some of the national samples, it was not possible to restrict the study to the case of women with younger children. Both ordered logit and multinomial logit models are used to analyse the choice between full-time work, part-time work and non-employment (separately for each of the 15 countries). Explanatory variables are: mother's hourly wage rate (estimated by regression, using Heckman's two-step procedure), marital/ cohabiting status, number of

children (aged 0-17), age of youngest child, husband's (or partner's) employment status and level of earnings, and some other control variables.

The second paper, entitled *Gender Specific Effects of Unemployment on Family Formation – Evidence from a Cross-National View*, was by Christian Schmitt, of the German Socio-Economic Panel Study (SOEP) at the DIW Institute in Berlin. With a rising female labour market participation on the one hand and the need to form an economic basis prior to family formation on the other, the transition to parenthood currently takes place at a later stage in life-course than it did a few decades ago. Consequently fertility rates remain low in most western European countries. In view of this fact, Christian investigates the impact which the rising prevalence of precarious employment careers has on reproductive behaviour, by looking at unemployment cycles of men and women. More concretely, based of Gary Becker's work, he addresses the two following questions: a) do unemployed people have a significantly different chance of entering parenthood than people with continuous employment careers, and b) is there a gender-specific difference in the effect of unemployment on the transition to parenthood. Combining a rational choice perspective with a life course approach, he uses a regression model combining information that is supposed to affect the immediate decision for parenthood such as current income, with biographical information that is expected to have an inherent effect, such as the duration of a relationship or the educational attainment. Furthermore, he considers the status of every person's partner (if any) in terms of education, income and employment status. On the one hand, this is done in order to take into account the fact that in the paper's approach the decision for parenthood is understood as the result of a bargaining process among partners; the aforementioned status variables are seen as reflecting the relative bargaining power. On the other hand, certain levels of income or education are expected to have a compensating effect on a partner with an unemployment spell, who might, without the backing of the partners' resources, reject parenthood. The paper controls for unobserved heterogeneity. The suggested model focuses only on four countries: Germany, France, Finland and the UK. The population of analysis consists of a longitudinal sample of the 1994-2001 waves of the ECHP (1997-2001 waves only in the case of Finland). The preliminary evidence of the analysis shows a weak effect between unemployment and the postponing of parenthood for men what underlines the assumption that an insecure economic background delays family formation. Initial estimates show no positive effect between unemployment and motherhood for women. If these results prove to remain stable, this leads to the assumption that economic independence as well as the notion to share economic coverage seems to be becoming more prevalent among women.

Finally, Konstantinos Tatsiramos, who since the 2004 EPUNet conference has moved to the University of Cyprus as a post-doc researcher, presented his paper on *Geographic labour mobility and unemployment insurance in Europe: a cross-country comparison using the ECHP*. The purpose of Kostas' paper is to study how unemployment insurance benefits affect the incentives of unemployed to accept a job which requires a geographical move. "Conventional wisdom" suggests that unemployment benefits create

a stronger geographic attachment by lowering the willingness of the unemployed to accept job offers. The paper develops a stylised model of job search in which the incentives for benefit recipients to move for a new job are enhanced if benefits are used to subsidise the cost of moving. It assesses empirically the effect of benefits on geographic mobility using individual data from the ECHP (1994-1999) for Germany, Spain, France, Italy and the UK. Contrary to the conventional wisdom, Kostas finds that unemployment benefits do not create an adverse incentive effect on the probability to move for a new job. In particular, he predicts that among recipients the probability to move is the lowest for those in the UK, which has the least generous benefit system. The estimation is based on binary choice panel data models. To account for endogeneity of the unemployment and benefit status with unobserved individual heterogeneity, Kostas follows Chamberlain (1980) by estimating random and fixed effects models. The results for the effect of unemployment benefits on mobility are invariant to the estimated model. Apart from the effect of unemployment benefits, Kostas provides evidence on the effect of labour market status and other individual characteristics on mobility. The empirical findings, he concludes, confirm the results in the literature according to which the unemployed are more likely to move compared to the employed. Young individuals are more mobile in the North (Germany, France and the UK) compared to Spain and Italy, reflecting the importance of family and its effect on the decision of young to move the parental home. Being married and the number of children have also a negative effect on mobility in Italy and Spain, while they are not significant for the other countries. Higher education enhances mobility, which may be justified by the fact that highly educated individuals have access to the national labour market compared to the low skilled who tend to search more into the local labour market. Home ownership is found to prevent mobility confirming Oswald's hypothesis, which states that owners are less mobile due to the costs associated with buying and selling their home.

E3 Inequality

Chair: Toni Schizzerotto

The session dealt with theoretical, empirical and methodological issues related to the analysis of current economic and social inequalities in the European Union. Regarding the first point, the need for more accurate definitions of concepts such as social inequality, social justice, social exclusion, social and economic deprivation, and alienation was stressed both by official speakers and scholars who intervened in the discussion. Papers and interventions offered also some interesting and rather innovative proposals on the matter. Turning to the second topic, papers provided an accurate overview of the empirical problems arising from the limited availability of EU harmonised indicators of social inequalities and economic deprivation and stressed the usefulness of ECHP data-sets in order to overcome these problems. Moreover, papers supplied some interesting examples of suitable multivariate regression models for longitudinal micro-data. Also in this case, a stimulating discussion helped to further clarify substantive and statistical questions. Finally, the problem of the effects of missing data from ECHP datasets on the reliability of micro-analysis regarding socio-economic inequality was raised and discussed.

As can be inferred from the above remarks, the papers given in the session reciprocally integrated very well. Moreover, the lively discussions that followed each of them contributed to a better integration of different substantive and methodological approaches to longitudinal and comparative studies of socio-economic inequalities in contemporary EU.

The first paper – *Deprivation and Social Exclusion* by Bossert, D’Ambrosio and Peragine – was concerned with the definition and the measurement of social exclusion, both at the individual and at the aggregate level. More precisely, the paper suggested that social exclusion has two basic determinants: a) the lack of identification with other members of society; and b) the aggregate alienation experienced by an agent with respect to those who are better. Moving from this general idea, the paper adopted an axiomatic approach to develop a theoretical framework for the measurement of social exclusion and used some of these measures to identify socially excluded groups in the EU member states from 1994 to 2000.

The second paper – *Social Security and Social Justice* by Jürgens – provided a comparative analysis of the links occurring between the conception of social justice prevailing in different welfare regimes and its distributive effects. A fourfold typology of welfare regimes – Scandinavian, conservative, individualistic and Latin – was used and four countries – Norway, Germany, UK and Italy – were selected in order to represent those regimes. Waves from 1997 to 2001 of ECHP and Norwegian Level of Living Studies were used in order to capture – by means of logit models for longitudinal data – the impact of social justice conceptions on five different dimensions of inequality: income, employment, health, education and housing. Moreover, the paper evaluated the performances of each welfare regime in guaranteeing minimum social standards. Results from these analyses suggest that the Scandinavian model is the most successful in limiting poverty and providing social security standards. Thus, it comes closest to social justice conceptions. Both the Latin and the conservative model come second in combating poverty. But, when considering labour market, the individualistic regime performs better than Latin and conservative ones.

The third presentation – *Gaps, Traps and Springboards in European Minimum Income Systems* by Nicaise, Grönez, Adelman, Roberts and Middleton – presented indicators for income security in 13 EU countries and examined the effectiveness of guaranteed minimum income systems in those countries, focusing on actual coverage, patterns of mobility and causes of insufficient protection, exclusion and inclusion. These topics were studied using the first five waves of the ECHP. Concretely, empirical estimates of the extent of the coverage gap of national minimum income systems were presented. Then, the results of two multivariate models (one on the macro-, and one on the micro-level) intended to explain the risk of under-protection were given. Finally, the paper analysed life course mobility between five states of social protection called, respectively, “insufficient protection”, “minimum income”, “other social security”, “work”, and “other income”. One of the most interesting and, perhaps, surprising results of the above analyses is that everywhere unemployment benefits seem to be more effective than active labour policies in guaranteeing income security.

The last paper – *The Effects of Income Imputation on Micro Analyses* by Nicoletti and Peracchi – was methodological in character and dealt with the negative effects on the reliability of analyses such those presented earlier in the session when missing data are not properly taken into account. The authors argued that it is unlikely that a sample of respondents in a survey is – *stricto sensu* – a random sample. Therefore the missing data problem has to be explicitly tackled by social scientist before starting with their empirical analyses. The papers maintained that the best way to face the above problem consists in filling the missing variables through imputation. Relying on ECHP data set and using income variables and poverty measures as examples, authors offered some suitable guidelines for data imputation and suggested two methods for assessing the effects of imputation procedures.

E4 Labour Markets 2

Chair: Dorothy Watson

The four papers in this session dealt with labour market transitions: from school to work; from employment to retirement; from short-term unemployment to employment and labour market entry. The session was well-attended, with a full room throughout.

The first paper, “*School-to-work transitions in the European Union: evidence from the ECHP*” by Gianni Betti, Achille Lemmi and Vijay Verma of the University of Siena, was presented by Gianni Betti. The paper analysed the employment decisions of individuals as a function of the time elapsed since the completion of education or training and developed an index of ‘employment poverty’.

The authors used the ECHP longitudinal data for 12 of the countries (excluding the Netherlands, Luxembourg and Sweden) to identify, at the time of each wave, the person’s level and timing of completing education and training, and study this in relation to the person’s current employment situation and other characteristics. The focus was on persons age 16 to 59 and not in education or training at the time of observation and the unit of analysis is the observation period. The paper examines the association between employment level and educational level, equivalised household income, and time elapsed since the completion of education/training.

One of the innovative aspects of the paper is the development of an index of ‘employment poverty’. This index takes account of unemployment among the economically active; economic inactivity among those in the working age; self-employment among those working; part-time work also among the working; and temporary and/or part-time work among those in employment.

The discussion noted the usefulness of going beyond a focus on unemployment to incorporate other indicators such as economic inactivity and part-time employment, but raised some questions about the relative scaling of these different dimensions in constructing an indicator of ‘employment poverty’. The need for sensitivity testing of different methods of constructing such an index was noted.

The second paper “*Labour force behaviour of elderly two adult households: Evidence from Belgium, Finland and Germany*” was written and presented by Matthias Deschryvere. Using the 1994-2001 ECHP data for Finland, Belgium and Germany, the paper dealt with the effect of individual and spousal characteristics on the labour force participation of older (age 50-69) two-adult households. The countries chosen are very different in terms of female labour force participation: it is high in Finland and relatively low in Belgium and Germany. Results of multinomial logit model estimations suggest that country differences are substantial and that men and women behave differently across different channels out of employment. There was also some interesting evidence that the wife exerts a stronger influence on the husband’s retirement decision than vice versa. One explanation may be found in asymmetric complementarities of leisure: the husbands’ enjoyment of non-employment may depend much more on the wife also being non-employed than vice versa. There is evidence that the “assortative mating” effect dominates the “added worker” effect. The results are in line with evidence from the U.S. and have some important implications: Simulations of the effect of changes in the pension system on men’s retirement may yield incorrect answers if spill-over effects are ignored.

Points made in the discussion included the need to include consideration of national differences in early retirement schemes; the possibility of a lagged (delayed) spill-over effect. An appeal was also made for an extension of the analysis to more of the EU countries.

The third paper “*Unemployment Transitions Among Older and Younger Persons in Europe: Is There a Unique State-Socialist Pattern?*” by written by Didier Fouarge, Wilfred Uunk and Ruud Muffels of the Department of Social Cultural Sciences at Tilburg University, was presented by Wilfred Uunk. The paper compares the age-related unemployment transition patterns in the former socialist or transition countries to the transition patterns in western capitalist countries. The authors use a regime type analysis to ask which type of regime the former socialist societies come closest to. Do they come closest to the Southern regime, to the market-oriented liberal countries or to the publicly oriented social democratic countries or do they form a separate regime quite different from the other regime types?

Data for males age 24 to 58 for 13 countries of the European Union and two former socialist countries (Hungary and Poland) are used. The data are from the Consortium of Household Panels for European Socio-Economic Research (CHER). This international comparative panel database incorporates the ECHP and Hungarian and Polish panel data (among others).

The authors put forward three competing hypotheses on cross-country differences in unemployment odds. The first hypothesis stresses the uniqueness of the transition societies and its path-dependency on state-socialist experience. A second hypothesis stresses the role of the institutional setting and posits that former state-socialist countries share much of the characteristics of countries of the Southern welfare state regime. A third hypothesis stresses

cross-national similarity in unemployment odds due to universality of the economic consequences of the economic cycle on unemployment and unemployment exit.

The findings suggested that younger workers in the Eastern and Southern countries shared higher unemployment risks than those in the Social Democratic, Liberal and Conservative regime countries, but young workers in Eastern countries tended to have higher exit probabilities from unemployment.

The discussion following the paper noted the importance of country-specific institutional factors in affecting transitions into employment and there was some discussion of the role of temporary contracts in Southern European countries.

The fourth paper, "*Labour market insecurity and its impact on labour market entry and early career. A Comparison of Germany, Britain and Spain*", was written and presented by Katrin Golsch from the University of Cologne. The author is interested in the link between the emphasis on flexibility in the labour market and employment precarity. Using the ECHP data for Britain, Germany and Spain, as well as data from the German SOEP, the paper focuses on youth labour market integration in these three countries in the 1990s. These countries entered on disparate and rather fast-paced flexible paths that are deeply rooted in their country-specific institutional context which in turn may impose different types, levels and consequences of insecurity. The analysis employs multinomial logistic regressions, discrete-time, competing risks models and ordered probit regressions to examine the transition into employment, satisfaction with job security and the longitudinal employment profile of young adults.

The main conclusions of the paper are that labour market flexibility is likely to come at the cost of greater instability in the early stages of young people's careers. There are important differences by country -- young people in the Spanish insider-outsider labour market hardest hit by labour market insecurity, with German youth faring best and by level of educational and occupational qualification.

The discussion following the paper noted that a focus on a small number of countries had the advantage of permitting greater depth in the elucidation of the importance of the institutional context in shaping the country differences.

Wages I (E5)

Chair: Philippe Van Kerm

The session focused on labour market issues in the European Union. The topics of analysis were the gender differential in pay, wage dynamics and job mobility among young workers, and nominal wage flexibility. The papers presented achieved an interesting balance between methodological econometric issues and substantive comparative results. Two of the presentations clearly illustrated the usefulness of the ECHP since it is the longitudinal nature of the data that permits the analysis of wage dynamics.

Ample time was left after each presentation for a lively discussion of the methods and results presented. Knowledgeable experts were present in the audience and each presenter received very detailed comments and suggestions on their work.

The first paper of the session “*Measuring Selectivity-corrected Gender Wage Gaps in the EU*” by Miriam Beblo, Denis Beninger, Anja Heinze and Francois Laisney proposes different techniques to assess the gender pay gap in the European Union. The pay gap is decomposed both at the mean, following Oaxaca (1973) and Blinder (1973), and across the wage distribution, as proposed by Juhn, Murphy and Pierce (1993). As the literature on wage equation estimation is very rich, the authors concentrate on methods most widely used in the gender gap literature (i.e. OLS and Heckman) on the one hand, and on the other hand on very recently developed methods (Lewbel, 2002). The empirical application, based on the European Community Household Panel (ECHP) for the five largest European countries (France, Germany, Italy, Spain and the United Kingdom), shows that at most half of the difference in earnings between the sexes can be attributed to differences in characteristics. However, the size of this endowment effect differs considerably between countries and depends on the choice of estimator. The results suggest that correcting for self-selection has a significant impact on both the wage estimates and the pay gap decomposition. Another main result of the study is derived from the pay gap decomposition over quantiles of the wage distribution. Remarkable differences are revealed within as well as between countries. A further recommendation derived from the analysis would therefore be to pay careful attention to differences over the wage distribution when drawing policy conclusions. Focusing only on the mean pay gap may conceal politically relevant aspects of the problem.

The second paper presented, “*Job mobility and wage mobility at the beginning of the working career: young European workers escaping from badly-paid jobs*” by Maria Davia, studies the reward to job mobility. Does it lead to wage growth and help escaping situations of low pay? The analysis focuses on a sample of young people (under the age of 30 in 1994) from thirteen different countries. The paper estimates a fixed-effects model where the endogenous nature of job mobility is taken into account and where the marginal wage increase for movers is not only determined but also split into different explanatory factors. Results show that, on average, young workers who move across employers (being initially worse paid than the stable ones) achieve a positive increase in their wages vis-à-vis those who remain with the same employer. This would mean that job mobility has a compensatory role on the income of youngsters affected by job turnover. However, this advantage in the wage dynamics is not homogeneous across all types of young workers, being even negative for certain groups. Finally, this wage premium is far more important for those exiting very low pay jobs than for the rest and, interestingly, is hardly noticeable for those whose initial wage is in the second quartile of the earnings distribution in their country.

The last paper, “*Nominal wage flexibility and institutions: micro-evidence from the Europanel*” by Orietta Dessy, also provides evidence on wage dynamics, with a focus on nominal wage flexibility. Annual wage changes of full-time employees who are staying with the same employer for the whole year are compared across twelve European countries. For all the European countries Dessy finds evidence of nominal wage rigidity. The percentage of employees receiving no wage changes is different across countries, with Germany and Ireland ranking at the top and the bottom respectively. At the same time, nominal wage cuts are not rare. The impact of bargaining structure and institutions

in the European labour markets on the extent of nominal wage flexibility are also considered. The issue of measurement error in wage change is carefully discussed.

E6 Demography II

Chair: Joachim Frick

The session focused on the analysis of recent demographic developments in selected countries of the European Union, namely fertility and child-care. While identifying socio-economic correlates for decreasing fertility rates and increasing trends in the amount of time fathers spend for child care across Europe, the authors tried to control for eventual welfare-regime effects which also increases the relevance of their findings for policy-makers.

From the lively participation in the discussion following the three presentations it can be inferred that the papers in this session fit very well together. The consideration and incorporation of various comments and suggestions made by the knowledgeable international audience will yield further improvement of the methodological approaches and the interpretation of “inscrutable” results.

The first paper “*Childbearing and well-being: a comparative analysis of the European Community*” by Arnstein Aassve, Mazzucco and Lateizia Mencarini provided a comparative analysis of the impact of childbearing on individuals’ wellbeing, based on a sample of women drawn from the ECHP. Multidimensional measures of wellbeing were developed to overcome the simple dichotomy of poverty head count as a proxy of individual well-being. Difference-in-Difference estimators were combined with Propensity Score Matching techniques as to provide unbiased parameter estimates of the economic impact of childbearing events on the measures of economic wellbeing. The magnitude of these effects depended not only on the measure of wellbeing, but also on the welfare regime under consideration. The empirical results reveal estimates which are pretty much in line with welfare regime theory: while women in the (Scandinavian) Social Democratic regime “suffer” the least from childbearing (in economic terms), those in Conservative and Mediterranean regimes lose significantly more in terms of economic well-being. Finally, the results for women under Liberal regimes are somewhat ambiguous and depend on the chosen indicator of well-being.

The second presentation, “*Couples’ careers and fertility. An event-history analysis of the ECHP samples of Denmark, Spain, and United Kingdom*”, by Pau Baizán proposed an international comparative approach to reveal national patterns on how couples’ labour force status influences fertility. In detail the paper investigates the effects of combined labour force participation differentiating unemployment, temporary contracts and part-time jobs on second and higher order births. Event-history methods were used modelling several events simultaneously, i.e., outcomes of one process were entered as time-varying covariates in the other processes. Making use of longitudinal ECHP data for Denmark,

Italy, Spain, and United Kingdom for 1993-2000, the modelling strategy accounts explicitly for the endogeneity of the processes of labour force participation and fertility by considering the correlation between unmeasured factors across processes. Preliminary results showed significant correlations between labour force participation and fertility in all countries considered except for Denmark. After controlling for unobserved heterogeneity factors, the effect of employment on births was still negative. Unemployed women had even lower birth rates in Spain and Italy, the effect for the UK being reversed. The results showed that women experiencing job instability had lower fertility, while women working part-time or in the public sector showed higher birth rates. Finally, exit from the labour force was accelerated by pregnancy or by the birth of a child. However, entry into the labour force is not significantly affected by a birth.

The last presentation, “*When did you last see your father? European fathers and the time they spent looking after children (1994–2001)*” by Alison Smith examined paternal time (time spent looking after children) of fathers across the European Union between the years 1994–2001. Using ECHP data, it specifically sought to answer the questions of whether there were significant differences in paternal time across member states (also with reference to gender inequalities and trends across time), what individual and household specific characteristics made a difference to paternal time, and how it was affected by workplace characteristics. The results suggested (using pooled cross-sectional analysis and random effects models) that both paternal time and gender inequalities varied greatly across the EU. The paternal time was increasing over time, and certain individual and household specific characteristics, such as education level, having a working spouse and having a step or adopted child in the household, are positively linked to paternal time. On the other hand, working conditions such as public sector employee and working hours are negatively associated with parental time.

E7 Wages II

Chair: Ruud J. A. Muffels

The session was split in two parts. In part one, the focus was on wage changes and downward nominal wage rigidity and the relationship between wage change and voluntary or involuntary job moves using the eight waves of the ECHP. In the second part, the focus shifted to issues of income inequality and earnings inequality also using the ECHP. The papers show that the availability of an increasing number of waves of the ECHP (the eight wave became available as of January 2004) has rendered ample and unique opportunities for researchers to enrich their study of income and earnings dynamics in Europe using a common questionnaire and an equivalent survey design and methodology. Issues of downward wage rigidity, the impact of voluntary or involuntary moves on wage changes, the correlation between income inequality and subjective health status, and the decomposition of earnings inequality between and within population groups, all of them have an indisputable and obvious relevance for the design and content of national and European socio-economic policies.

The animated discussion after each paper resembled the clear and interesting paper presentations. Questions were informative as well as critical to the utilised methodologies, the relevance for policies and the reliability and robustness of the outcomes for different ways of measurement or for using different indicators for the model variables (e.g. health status) and for measurement problems in the datasets. The valuable comments were greatly acknowledged by the authors and the suggestions for improvement made by the broad audience coming from across all Europe will undoubtedly result in the improvement of the papers and in raising the relevance of their research for European socio-economic policies.

The first paper “*Downward Nominal Wage Rigidity in Europe. An Analysis of European Micro Data from the ECHP 1994-2001*” presented by Christoph Knoppik and written jointly with Thomas Beissinger provided a comparative longitudinal analysis of the existence and extent of downward nominal wage rigidity in Europe based on a sample of employees drawn from the ECHP stretching the full eight year observation period. The authors used the non-parametric histogram-location approach to gain evidence on the existence and extent of wage rigidity in Europe, its divergence across countries and its determinants. They were able to test the theoretical claim that nominal wage rigidity will disappear under sustained low inflation conditions, since the ECHP data cover a period of low inflation. According to the institutionalist approach wage rigidity might occur due to the existence of particular labor market institutions such as collective bargaining and employment protection regulations (EPL). They found strong evidence for the existence of downward nominal wage rigidity in Europe at rates varying according to various specifications of the model between 32 and 37%, showing that it is a rather important, widespread but also quite divergent phenomenon across Europe.

The second paper “*Wage changes through job mobility in Europe: A multinomial endogenous switching approach*” presented by Yolanda Sanz and written jointly with José Perez used the seven wave dataset of the ECHP to analyse wage changes but taking into account possible non-random selection into job movers and job stayers and into voluntary and involuntary movers. They presumed, for well-known reasons, that the wage career patterns might be quite different for these different groups of workers. Voluntary moves are expected to result in substantial wage gains whereas involuntary moves indicated by a previous unemployment spell will result in substantial wage losses over time. The novel aspect of the paper lies in the use of a multinomial switching regression model correcting for the selection bias. They estimated separate earnings functions for the three groups and two selection equations. By comparing potential wages they were able to estimate the returns and costs (in terms of foregone wages) to voluntary and involuntary moves. The results show that controlling for selection bias leads to a higher wage penalty due to involuntary moves than if they had not corrected for selection. The wage losses turn out to be quite divergent across Europe especially when compared to the wage gains of voluntary job movers.

The third paper, “*Earnings inequality in Europe: Evidence from the ECHP*” presented by Ioannis Cholezas and written together with Panos Tsakloglou examined the variation in the within and between group earnings inequality across European countries using the

ECHP for all the available years 1994-2001. The results using different measures of earnings inequality and using one-way decomposition show, that the inequality varies widely across Europe with respect to the level of inequality that may be attributed to differences in education levels, age class and gender. In Portugal almost 40% of the observed differences may be attributed to differences in education level whereas this is only 5% in the UK. Correlation analysis also shows that the level of inequality is larger the higher the rate of return to schooling, the more progressive the tax system is and the higher the level of centralisation of the wage bargain. The results are confirmed using econometric modelling techniques applied to the 1994-2001 dataset. In a next step using the four variables in a multi-way decomposition technique to assess the level of inequality between and within now rather homogenous groups show, that differences across the countries are also in this case impressive. The four variables account for half of the earnings disparity in Portugal and Greece and only 10 to 20% in Denmark, Germany and the UK. Estimating the marginal effects of participation in a particular group shows that compared with the mean effects the differences are generally very modest.

In the last paper "*Income inequality and Self-Rated Health Status: Evidence from the European Community Household Panel Survey*" presented by Philippe van Kerm and written jointly with Vincent Hildebrand the impact of increasing inequality on individual self-rated health status is examined using the ECHP. The hypothesis that income inequality is detrimental to subjective health has been tested for different measures of inequality and for different levels of geography. They also test the hypothesis for men and women separately and they found consistent evidence that indeed there exists a negative correlation between income inequality and subjective health and that this relationship is slightly stronger for women than for men. They also tested the assumption whether more inequality is detrimental to all people in society or only to the least well-off and whether it is absolute or relative income that matters most in explaining the negative relationship between inequality and subjective health. The negative relationship appears stronger for low-income households and the results show that absolute as well as relative income seems to matter. The use of the longitudinal data allowed them to control for potential confounding effects of unobservable individual (fixed) effects in the relationship. They estimated a random and fixed effect probit model on health status. The fixed effect specification allowed them to eliminate the effect of time-constant covariates that are associated with health (differences in norms and values or public policies). The results turn out to be robust across the various models.

E8 Methods

Chair: Peder J. Pedersen

The session contained three important papers on methodologies and options regarding evaluation of specific problems in the use of panel data. The main focus in the papers was on attrition and measurement errors and on ways to reduce and evaluate their impact. The presentations were followed by discussions, questions and comments showing great commitment to improve and apply methods used to evaluate these problems and to reduce the consequences from attrition which are to some extent unavoidable in panel data.

The first paper *Latent Markov Chain Analysis of Income States with the European Community Household Panel (ECHP): Empirical Results on Measurement Error and Attrition Bias* by Basic and Rendtel analyses the impact of measurement errors and attrition regarding income data by using the option of comparing the survey data in the ECHP containing self reported incomes with register-based information on income for respondents and of also including register data on non-respondents. This was possible for the Finnish ECHP data for the years 1995 to 1999. The paper uses Markov models to evaluate the extent of incorrect classification of income states. One of the important results is the finding with the Finnish data that much of the observed movement into and out of poverty when using survey data is the result of errors in the measurement of income.

The second paper *Comparing estimation strategies in the presence of panel attrition. Empirical results based on the ECHP* by Behr focus on the consequence of attrition for estimates of earnings equations by comparing the results from the use of four different estimation methods on the first five waves of the ECHP in 14 countries. A main result is the interesting finding that attrition is no reason for great concern when using the ECHP to estimate earnings equations. It turns out that the estimation strategies to correct for attrition tend to increase coefficient variances more than the intended reduction in biases. Therefore, the paper concludes that uncorrected estimation is superior in relation to earnings equations.

The third paper *Modelling attrition in the European Community Household Panel: The effectiveness of weighting* by Vandecasteele and Debels focuses on the efficiency of weighting procedures to correct for the impact from panel attrition. The empirical part of the paper is based on data from the first seven waves of the ECHP for eleven countries. The study focus on the impact of poverty on attrition using different econometric specifications of the drop-out risk from the sample. It turns out that results differ a significant amount between countries. The main conclusion then is that weighting procedures as an instrument to correct for non-random attrition have to be worked out differently in the individual member countries