



Stepping-stones or traps? the consequences of labour market entry positions on future careers in West Germany, Great Britain and Italy

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ABSTRACT

This article addresses the question of whether the first job functions as a 'stepping stone' or as a 'trap'. It does so by using individual longitudinal data to estimate the consequences on future occupational attainment of entry into the labour market via (a) 'under-qualified' jobs or (b) via temporary contracts. A cross-national comparison of West Germany, Great Britain and Italy allows assessment of the impact of different labour market structures on this allocation process. With regard to 'under-qualified' positions, the findings are not consistent with the stepping-stone hypothesis but provide some support for the entrapment hypothesis. Despite the greater mobility chances of over-qualified workers, the initial disadvantage associated with status-inadequate jobs is not fully overcome during their future careers. The article shows, however, that the negative effects are not due to the mismatch as such but rather to the relatively lower level positions. These effects are mediated by the national labour market structure, with the British flexible model providing the best chances of making up for initial disadvantages, and the more tightly regulated and segmented markets in Germany and Italy leading to stronger entrapment in lower status positions. No negative effects of the type of contract are found for later occupational positions in any of the countries.

Introduction

Labour market entry and a successful transition from school to work are of crucial importance for subsequent career chances and risks. It is for this reason that research has focused closely on the unemployment experience

of labour market entrants. The results are straightforward: starting a labour market career with unemployment almost certainly engenders problems later on (OECD, 1998), so it seems reasonable to try to push education leavers into the labour market by whatever means possible. Flexibilizing the labour market – especially for new entrants – is seen as one way to achieve this goal, and almost all European societies have taken steps in this direction. This has given rise to a marked increase in fixed-term and other kinds of atypical employment, together with an evident decrease in employment stability – at least during the first years in the labour market (Blossfeld, 2003; Burchell et al., 1999; Felstead and Jewson, 1999; Kalleberg et al., 2000; Konietzka, 1999; Korpi and Levin, 2001; Kurz et al., 2002; OECD, 1996).

Less straightforward and less investigated are the consequences of such ‘flexible’ entry. Nevertheless, there is a growing body of research on the matter, as it is of crucial relevance to the current debate on deregulation (Blossfeld, 1985; Booth et al., 2000; Contini et al., 1999; Dolton et al., 1994; Giesecke and Groß, 2002; Hannan and Werquin, 1999; Inkmann et al., 1998; OECD, 1998, 1999; O’Higgins, 1994). While some of these authors emphasize the potentially positive effects of flexible work arrangements on unemployment avoidance (Korpi and Levin, 2001; Schizzerotto and Pisati, 2003), others place more stress on their negative consequences, like temporary insecurity and career instability (among others Kalleberg et al., 2000).

This article follows this line of research and investigates the impact of different forms of labour market entry on individuals’ future career chances. More precisely, it investigates the implications of two kinds of non-optimal labour market entry: via ‘under-qualified positions’¹ i.e. taking up a position that is educationally inadequate,² and via fixed-term contracts.

The literature envisages different scenarios of the consequences attendant on non-optimal forms of labour market entry. According to the *entry port* hypothesis,³ non-optimal entry positions are transitional steps in the career trajectory and do not entail any negative consequences for the later career. The *stepping-stone* hypothesis not only denies the existence of negative consequences but also predicts that non-optimal entry positions will bring relative advantages for the subsequent career. Larger mobility steps are necessary to make up for the initial disadvantages of non-optimal occupational entry positions, which is where the idea of stepping-stones arises. Both scenarios envisage a gradual labour market entry process and a slow matching convergence of qualification and occupational position. They also expect the market to tolerate the initial mismatches. The idea of a worker–job educational mismatch enables introduction of the notion of under-qualified jobs and, respectively, over-qualified workers.

The opposite scenario is predicted by the ‘*entrapment*’ hypothesis, which assumes that unsuccessful entry has long-lasting negative consequences for the subsequent work history because workers are ‘trapped’ in their job or labour market segment.

The aim of this study is to conduct empirical investigation into which of the afore-mentioned scenarios is correct and to determine in which institutional framework they might apply. Comparison among three countries allows assessment of the context factors. The article starts with some theoretical reflections, followed by description of the data and methods before setting out the empirical results. The article concludes with a summary and discussion of the empirical findings.

Theory and hypotheses

One can draw on a series of theoretical reflections and empirical results to derive hypotheses concerning the implications of non-optimal labour market entry. The *entry port hypothesis* emphasizes the temporary character of the first job and assumes fast upward mobility and a stabilization of the career (Contini et al., 1999). With respect to educationally inadequate positions, the hypothesis is derived from the *theory of career mobility* (Sicherman, 1991; Sicherman and Galor, 1990), which states that employees accept educationally unchallenging jobs because they offer better chances of more rapid promotion: that is, these positions serve as *stepping-stones* for the future career. If this expectation were well founded, it would imply (1) greater upward mobility from these jobs than from educationally appropriate positions (where the employees would not be promoted as quickly). As a result, workers overcome their initial disadvantages, so that (2) these have no negative consequences on their future careers. This argument, however, entirely ignores other factors that might induce workers to accept non-optimal jobs. Moreover, Büchel and Mertens (2000) argue that the reported confirmations for the theory of career mobility are derived simply from the fact that low-status positions are not limited in their mobility by ceiling effects. They show that the mobility advantage of the over-qualified worker disappears when the kind of positioning is controlled for, and that it may even turn into a disadvantage.

The same hypotheses can be derived from the model of *firm internal labour markets* (Marsden, 1990; Maurice et al., 1979),⁴ which assumes a strong linkage between entry position and certain career ladders, and therefore with positive career opportunities. This corresponds to the classical idea of an entry portal to a (firm internal) labour market in which the employee, once s/he has entered, moves through successive stages towards higher positions. For a career ladder to exist, the firm must be of a certain size, which excludes very small firms from the scope of the hypothesis.

In contrast, the *entrapment hypothesis* maintains that sub-optimal labour market positions have significantly long-lasting negative consequences. The hypothesis can be deduced from the *segmentation* and *signalling theories*, both of which lead to the same conclusions, albeit on the basis of different mechanisms. The theory of dual labour markets assumes that the labour market divides between a primary 'good' segment and a secondary 'bad' one and

argues that non-optimal – i.e. low qualified jobs or precarious positions – are found to a greater extent in the secondary labour market segment (Doeringer and Poire, 1971). The constituting features of the labour market segments are the limited mobility flows between them, so that entrants in sub-optimal positions are more likely to be *entrapped* in a secondary labour market segment, and therefore in disadvantaged positions.⁵

Signalling theory (Spence, 1973) starts from the idea that certain signals help solve the problem of insufficient information faced by employers. In its original form, the theory refers only to the signalling effect of the educational credentials on which employers base their recruiting decisions. But the idea of signals can be extended to other significant features of the individuals considered for employment. For example, besides an applicant's education, his/her previous occupational career also serves as a signal of his/her potential productivity. If the applicant has not previously been considered worthy of a job, why should s/he be so now? The more closely the (initial) misplacement is linked to her/his (possibly unobserved) individual characteristics, the greater the stigma. Here, however, a problem arises at least with regard to the statistical models: It is not just unfavourable circumstances that induce persons to accept non-optimal or inadequate positions; the decision may also result from a *de facto* lack of abilities and skills – regardless of the given level of formal qualification. As long as we cannot control for these characteristics of the person, we cannot be sure that potential negative consequences are due to the job position rather than to the characteristics of the persons concerned.

However, 'under-qualified' jobs, low-skill jobs in general, as well as fixed-term contracts can also be seen as indicative of the applicant's lack of qualities, because such *positions* are not accompanied to the same extent by opportunities for further training (formalized or otherwise) within the job.⁶ This gives rise to an overall lower accumulation of (specific) human capital among applicants (at a constant level of education), and therefore constitutes an additional disadvantage for the employee. Consequently, also in the light of human capital considerations, non-optimal positioning can be expected to have negative effects on future career opportunities. An exception may be training contracts, since these by definition offer opportunities for further qualifications.

Less theoretical analysis has been conducted on temporary contracts than on under-qualified jobs. The picture is instead dominated by some key empirical findings. Studies which focus on the temporal aspect alone emphasize the tendency of temporary jobs to reproduce themselves and to lead more often to unemployment than permanent jobs (OECD, 1998, 1999). Combining temporal aspects with characteristics of the occupational position reveals the high concentration of these positions in certain low-skilled labour market segments, so that labour market segmentation theories become relevant. However, the empirical evidence is not entirely straightforward in this respect, because a flexibilization of contracts has also taken place at the upper end of the labour market hierarchy (Bernardi, 2003).

The role of the national context

The consequences of non-optimal labour market entry also depend on features of the national context, such as the structure of the labour market. In this regard, comparison among three strategically chosen countries enables detailed investigation to be made of the role of the institutional context. West Germany,⁷ Great Britain and Italy differ in the way that labour market entry takes place, the kind of labour market segmentation, typical mobility patterns within the market, and the extent of stigmatization based on previous work history (CEDEFOP, 1998; OECD, 1996, 1999; Ryan, 2001; Scherer, 2001). In sum, they differ in their mobility structures and their signalling effects.

If, for example, labour market entry via educationally inappropriate positions is commonplace in a country, and therefore considered a normal step in the process, then the stigma should be low: first because a widely shared feature cannot be a distinguishing characteristic; and second because we can assume that there is stronger selectivity with rare events. The diffusion of entry positions alone offers no more than a clue, however, because entry positions may also be related to a relatively large secondary labour market segment, and therefore prevent the drawing of conclusions on the mobility mechanisms. Hence, the change of distribution in the career course is of greater interest if pure composition effects are to be avoided.

If the analysis concentrates more closely on the structural level, the labour market segmentation comes into focus. The more saturated this is by mobility impediments, the more difficult it is to leave a segment once it has been entered. In contrast, open and flexible markets facilitate mobility – which occurs in all directions, however. The following arguments are based on the existing differences in mobility restriction among the countries considered.

Great Britain is the most flexible of the European labour markets and is therefore (within certain bounds) characterized by the greatest permeability. Qualifications are not as binding as they are in other countries, and ‘atypical’ (entry) processes occur quite frequently because of this greater flexibility. Accordingly, mobility barriers are lower in Britain because of its less segmented labour market, and the effects of lower-level previous jobs are less stigmatizing. We can therefore expect an educationally inappropriate entry to have a moderately negative effect on the future career trajectory. The German and Italian labour markets are far more segmented and regulated in comparison. Both countries have a relatively strongly protected primary labour market sector and a clearly demarcated secondary sector (to use the dual labour market terminology). Segmentation in Germany primarily takes place on the basis of qualifications and occupationally defined fields. Access to the first labour market is strongly regulated by educational credentials. Because of comparatively strong impediments to mobility between different labour market segments – not necessarily between jobs – we may expect a non-optimal entry to have clearly negative effects on the later career. The ‘entrapment’ scenario therefore seems more applicable, which means that the idea of a job trap more closely matches

reality in Germany than it does in Great Britain. The same scenario should occur in Italy; with the difference, however, that mobility in Italy is already very limited at the job level, while for Germany it is instead the case that people remain trapped in a certain segment. As regards the Italian labour market, its rigidity is often said to be responsible for strongly limited individual mobility, which overall should give rise to an even stronger entrapment effect.

The Italian labour market has also been described as being primarily structured by internal labour markets (Schizzerotto and Cobalti, 1998),⁸ which means that the career mobility model is more likely to apply. As mentioned above, access to internal career ladders in this case is made possible via certain entry positions, and initial disadvantages are therefore likely to be overcome. This should at least hold true for large firms, but the Italian labour market consists mainly of small firms. Thus, expectations are not entirely clear in the case of Italy.

As we have seen, two opposite hypotheses on the consequences of non-optimal labour market entries can be derived from general theoretical analysis: the rapid recovery of the initial disadvantage on the one hand, and ongoing entrapment in sub-optimal positions on the other. The validity of these hypotheses also depends on the institutional frameworks of individual countries. In the discussion that follows, the structure of national labour markets and the mobility restrictions imposed by it are of particular importance.

Data and methods

In what follows we investigate two kinds of non-optimal labour market in detail: (a) temporally limited employment relationships established by fixed-term contracts and jobs of very short duration, and (b) entry via educationally inappropriate positions (Büchel, 2001; Büchel and Mertens, 2000).⁹ With regard to contracts, we will consider fixed-term contracts (where available) as well as special training contracts: *Contratti Formazione e Lavoro (CFL)* in Italy, and *Government Training Schemes (GTS)*, primarily *Youth Training (YT)*, in Great Britain. Employment episodes of less than 12 months duration are classified as short employment episodes.

Further clarification is required of the concept of educationally inadequate positions. These are positions with an obvious mismatch between the actual and necessary qualification, meaning that the formal qualification is not accompanied by the usual accomplished returns to educational credentials. Including this definition is clearly an extension of research in this area, which usually focuses on contractual information only. In this article, employment in an 'under-qualified' job is operationalized by the prestige of the job accepted. If the prestige of the job is at least one standard deviation¹⁰ below the medium prestige scores of the respective educational group, then the person holding it is considered to be 'over-qualified', and the position to be 'under-qualified'. Because of the relativity of the concept, country differences are adjusted for the general

importance of education in assignment to occupational positions. This means that country differences in the extent and consequences of the *mismatch* become visible, not the differences in the importance of education between countries, whose existence is documented by other studies.

Two strategies were used to evaluate the career chances associated with a certain entry position and to test the different scenarios: observation of destination-state-specific exit rates out of first employment, and the hierarchical positioning in the future career trajectory. This allowed consideration to be made of mobility aspects as well as the influence on the exact occupational placement in the future career.

Issues like these can only be addressed on the basis of longitudinal data. The empirical analyses therefore drew on data from representative national longitudinal studies: for Germany the Socio-Economic Panel (SOEP), for Great Britain the British Household Panel (BHPS), and for Italy the Indagine Longitudinale sulle Famiglie Italiane (ILFI) (SOEP Group, 2000, Taylor et al., 1998; University of Trento, 1997).¹¹ The analyses are restricted to the time span from 1983 to 1998, and specifically 1997 for Italy. In the case of Germany, only the West German part of the population was included in the sample. Only those people that had exited the full-time educational system within the observation window (apprenticeship in the dual German system being treated as education) and had already entered their first occupational position (after education) are considered in the analysis. Time information is exact to the month. Occupational positions are considered in the form of prestige measures. Despite the problems that it may cause, prestige offers the most precise instrument available for measuring occupational change (Hannan et al., 1997). Owing to the different measurements in the three countries, *z*-standardized values are used here.¹² The values therefore represent relative positions within the nation's distribution. Education is measured by the CASMIN classification (Brauns et al., 2003). An overview of the scheme is provided in the appendix. Besides individual characteristics, the models include so-called macro conditions, like the youth unemployment rate at a particular time (time-varying covariate),¹³ regional unemployment rates, and competition at career entry, roughly operationalized through the size of the birth cohorts. The results of the macro indicators prove to be surprisingly stable and robust against any changes in the model. Their inclusion also serves for exact description of the institutional differences between the countries, controlled for economic differences and fluctuations, at least in part.

Empirical results

Positions of labour market entry: distribution and determinants

Table 1 offers a first description of the employment situation at entry into the labour market. It reports the share of under-qualified positions, contractual

status, employment status and mean duration of the first job, and the situation two and five years after labour market entry.

Educationally inappropriate positions are by far the least frequent in Germany: hardly more than 10 percent of those entering the labour market do so as over-qualified workers. In Great Britain, and especially in Italy, the rates are higher: 13 percent and 19 percent. Apparent in both countries is a significant reduction over career trajectories, which might be a first indication of upward mobility, whereas in Germany the level is consistently low.

Fixed-term contracts at the beginning of the career are much more common in Germany than in Italy. If the observation window were extended to apprenticeship training contracts, percentage rates of more than 70 percent could be expected (OECD, 1996). Since the 1990s the CFL, as one type of fixed-term contract, has gained importance in Italy. Interestingly, CFLs are already nearly as significant as the GTS in Great Britain, even when observed irrespective of historical time. Self-employment is traditionally of great importance in Italy; and this also holds true for the beginning of the career. The following analyses, however, will not take self-employment into further consideration.

A mobility indicator is provided by the duration of particular employment episodes, broken down by employment status. Although an increase in career stability can be observed in all three countries, it differs in extent and amount. The comparatively high job mobility in Germany at the initial career may come as a surprise, but it reflects the ease with which qualifications are transferred within the German labour market. Accordingly, mobility between jobs may be high while mobility between different qualification segments remains low (Allmendinger and Hinz, 1998). In fact, occupational and hierarchical mobility are low, and mainly lateral moves are observed. It is in Italy that career trajectories are the most stable from the beginning. The negative aspect of this stability is, as we will see later, the limited chances of (upward) mobility.

Before investigating the consequences of certain entry positions, we now briefly address the determinants structuring labour market entry via under-qualified jobs. The results are not displayed here.¹⁴ Overall, the models are rather limited in their ability to explain the phenomenon. In Great Britain and Italy some higher educational credentials are associated with a greater risk of non-educationally adequate employment (with the exception of the lower tertiary level). Thus, difficulties in immediately finding an appropriate job exist at the upper end of the educational distribution (see also Brynin, 2002). Interestingly, this is the case of the two labour markets offering relatively few high-qualified positions. In Germany it is once again vocational training that plays the crucial role: it generally prevents entry to educationally inappropriate positions regardless of the level of qualification. The results for Great Britain and Italy point towards factors beside formal education, which gain in importance as soon as jobs become scarce. The increasing risk of entering via under-qualified jobs is not correlated with the increased frequency of training contracts, as far as this can be determined.

Table 1 Description of the first job, 2 and 5 years after entering first employment(%): 'under-qualified' employment, contractual status, employment status and duration

	<i>Germany</i>			<i>Italy</i>			<i>Great Britain</i>		
	<i>1st job</i>	<i>2 years</i>	<i>5 years</i>	<i>1st job</i>	<i>2 years</i>	<i>5 years</i>	<i>1st job</i>	<i>2 years</i>	<i>5 years</i>
'Under-qualified' employment									
One standard deviation	9.7	10.1	11.1	19.0	13.1	10.8	13.1	7.2	5.4
Half a standard deviation	21.0	21.4	22.0	33.8	26.1	21.5	20.4	13.6	11.5
Type of contract (among the dependent employed)^a									
Permanent	54.3	70.9	81.7	53.2	69.1	79.8			
Fixed-term	45.7	29.1	18.3	16.5	9.3	9.0			
Training contract				12.0	8.4	3.6			
None				18.2	13.2	7.6			
Employment status									
Self-employed	1.5	2.7	4.5	19.4	20.0	21.4	2.6	3.3	4.5
Full-time employment	88.0	91.6	88.5	63.1	67.3	71.9	71.7	86.8	89.8
Part-time employment	10.5	5.6	7.0	7.9	6.0	3.8	13.5	5.9	5.1
GTS / CFL ^b				9.7	6.7	2.8	12.2	4.0	0.6
Duration period^c by status (in months)									
Self-employed	20.7	33.3	44.1	48.1	67.3	80.6	24.5	48.3	58.2
Full-time	17.8	34.4	49.0	46.1	65.9	81.2	24.3	46.1	60.7
Part-time	8.5	21.9	28.3	30.1	49.2	69.8	11.4	31.4	35.6
GTS/CFL				23.7	43.4		11.1	22.7	12.3
<i>N</i>	3303	2662	1817	1528	1259	925	2711	2193	1378

Source: SOEP, ILFI, BHPS: Entrants between 1983 and 1997/8

Notes:

^aInformation on contracts (other than the Government Training Schemes – GTS) is not available in the dataset for Great Britain.

^bGTS = Government Training Schemes for Great Britain include primarily the Youth Training (Schemes). CFL = Contratti Formazione e Lavoro for Italy; fixed-term training contracts for entrants. For Germany, training contracts are not included in the sample because of the specific characteristics of the apprenticeship system.

^cDuration is calculated on the basis of the single spells (in month).

In none of the countries is the waiting-period before entry correlated with the risk of inadequate positions. Thus, the 'reservation prestige' seems not to decrease with waiting time. This is an interesting result in that it suggests that waiting time is used for the purpose of finding adequate employment. Women in Italy are more affected; moreover, only in Italy does a 'tense' (i.e. high unemployment) labour market situation foster entry via inappropriate jobs. However, this applies only to men, while women tend to stay out of the labour market altogether. When combined with the finding that an increase in unemployment rates accelerates entry in Italy, this feature suggests that, under better economic conditions, young adults in Italy wait until they can find an adequate job. Only when the available positions become (even) scarcer will more job-seekers accept non-optimal positions.

Consequences of the entry job

We now turn to the implications of non-optimal employment for future career chances, and to the empirical tests of the two scenarios mentioned above. If under-qualified jobs really function as entry portals or stepping-stones by, for instance, giving access to career ladders, we would expect there to be fast upward moves towards an occupational improvement. To test this hypothesis, a dynamic approach is needed. We consequently start by investigating mobility out of the first employment position. If, however, the entrapment scenario is accurate, we would expect not just lower upward mobility chances but also a long-lasting negative impact of the initial position on the future career. As a second step, therefore, we investigate the impact of the first position on later hierarchical occupational positions, measured as prestige scores. Use of this procedure makes it possible to assess not only the dynamic underlying the effects observed but also the size of the impact, and to test the hypothesis empirically.

We accordingly concentrate on occupational positions and the mobility between them. Obviously, this is just *one* possible way to study the impact of certain job positions. It omits a large share of career instability – like unemployment risks, which are of special interest with regard to fixed-term contracts.

Mobility out of first occupational position

Table 2 presents the effects of initial educationally inadequate and fixed-term contracts on exit rates out of the first job. The following events are distinguished: upward mobility – defined by an upward movement on the prestige scale of at least ten percentage points – and the analogously defined downward mobility, as well as transition into unemployment and labour market exit. Mobility into a higher-status job is of particular interest. Owing to very low numbers of cases, results for leaving the labour force should not be interpreted.

We estimated a *continuous time competing risk piecewise constant exponential transition rate model* using TDA (Rohwer and Pötter, 2002). For reasons of space, we present the interesting coefficients only, i.e. effects of the first job position. Several models are reported (M1 to M4), each of them successively controlling for additional variables.

At first, still in line with the stepping-stone hypothesis, labour market entry via a job of too low status, i.e. as an over-qualified worker, is associated with higher upward mobility chances and a lower risk of shifting further downwards. At the same time, these workers face a much greater unemployment risk. Comparing M1 and M2 suggests that this greater unemployment risk results from characteristics of the occupational position, and not from the mismatch between formal education and occupational position as such. The same holds true for reduced downward mobility and, with an exception for Italy, also for greater upward mobility chances. Büchel and Mertens (2000) argue that the existing positive effects of over-qualification on upward mobility are simply the result of a ceiling effect.¹⁵ This interpretation is (almost) fully supported by the findings of this article: as soon as the model controls for the actual occupational position, the positive effect of over-qualification on upward mobility disappears, or is at least greatly reduced. On adding the educational credentials of individuals, it shows for all countries that entry into the labour market as an over-qualified employee is a hindrance: Model M3 and M4 no longer report a positive effect on upward mobility for any of the countries. Thus, labour market entry via educationally inadequate positions is not associated with better chances of recovering the initial disadvantage. The results do not support the springboard hypothesis.

Likewise, the additional analysis reported in Table 2 displays the consequences for job mobility of entry via a fixed-term contract. For Germany, fixed-term jobs are accompanied by lower upward mobility chances than are permanent jobs. No such effect exists in Italy, although employees on fixed-term contracts face higher unemployment risks in that country. The results vary considerably across cohorts. With the massive expansion of these contracts since the mid 1990s, unemployment risks increase substantially, while the chances of mobility improve as well (results not reported). In Germany, employees working on a fixed-term basis also manage to avoid unemployment beyond expiry of their current contract.

Additional analysis of the waiting time before entering first employment provides evidence that a long wait is in most cases unproblematic – at least with regard to subsequent career chances. As expected, no effect of waiting time is to be observed on future mobility chances in Italy, where a longer search period before entry into the first job is common and not stigmatizing. In Great Britain, however, negative effects tend to be found for upward as well as downward mobility, although these effects are not significant. Finally, in Germany a longer wait seems to pay off and creates better mobility chances, even when the kind of occupational position is kept constant.

Table 2 Consequences of educationally inappropriate employment, fixed-term contracts, and the waiting period before entry: mobility rates out of the first job. Piecewise-constant competing risk exponential transition rate model. Only the coefficients of variables of interest are reported

<i>Germany</i>					
Under-qualified employment					
	<i>controlling for ...</i>	<i>Upward</i>	<i>Downward</i>	<i>Unemployed</i>	<i>Not-employed^c</i>
M1	sex, cohorts	0.85***	-0.98*	0.61***	1.01***
M2	+ 1. job prestige	0.44	0.20	0.30	1.23**
M3	+ education	-0.23	0.38	0.61	1.12**
M4	+ region, macro variables + LM sector	-0.35	0.46	0.56	1.10**
Fixed-term contracts^b					
	<i>controlling for ...</i>	<i>Upward</i>	<i>Downward</i>	<i>Unemployed</i>	<i>Not-employed</i>
M1	sex, cohorts	-0.86***	-0.41*	-0.40*	-0.74***
M2	+ prestige	-0.86***	-0.40	-0.39*	-0.75***
M3	+ education, LM sector, region, macro variables	-0.69**	-0.18	-0.58**	-0.94***
Waiting period before entry					
	<i>controlling for ...</i>	<i>Upward</i>	<i>Downward</i>	<i>Unemployed</i>	<i>Not-employed</i>
M1	sex, cohorts	-0.21***	0.10	0.06	0.16*
M2	+ prestige	0.18**	0.19	0.02	0.12*
M3	+ education, LM sector, region macro variables	-0.04*	-0.37	-0.03	0.01

Source: SOEP, ILFI, BHPS: Career trajectories of education-system leavers between 1983 and 1997/8.

Upward = Upward mobility, measured by an increase in prestige scores of at least ten percentage points.

Downward = Downward mobility, measured by a decrease in prestige scores of at least ten percentage points.

Unemployed = Transition into unemployment.

Not-employed = Transition into a state of not being employed, exit from the labour market.

^a For the BHPS two data sources, a retrospective and a panel part, were combined (see paragraph 3, Halpin, 2000), which is not entirely unproblematic. Controlling for the source of information (and only in the British case is this possible) we find, perfectly in line with results from other research, that unemployment risks are significantly lower in retrospective data (the control-variable for the source of information, coded 1 for the Panel, reaches coefficients of around 2.1). However, none of the other mobility events seems to be affected, so that the main results can be interpreted without problem.

Table 2 cont. on p. 381

Subsequent occupational positions

The transition rate models yield insights into the mobility dynamics. They do not, however, permit explicit statements to be made about the subsequent positioning per se. Therefore, the next step is to examine the consequences of the entry position on the future (hierarchical) occupational position, measured in z -standardized prestige scores. The models include all the available subsequent employment episodes, and thus multiple observations of each individual with the number of observations varying between individuals. We therefore use a

Table 2 Continued

Italy				Great Britain ^a				
Under-qualified employment				Not-	Not-			
	Upward	Downward	Unemployed	employed	Upward	Downward	Unemployed	employed
M1	1.43***	-0.98**	0.64**	2.06***	0.94***	-1.00***	0.81***	0.35
M2	1.02***	-0.15	0.14	1.85***	-0.54	-0.71	0.12	-1.03**
M3	-0.27	-0.09	-0.06	2.17**	-0.84*	-0.39	0.34	-1.59***
M4	-0.76	-0.28	-0.23	2.30*	-0.76	-0.46	0.40	-1.59***
Fixed-term contracts				Not-	Not-			
	Upward	Downward	Unemployed	employed	Upward	Downward	Unemployed	employed
M1	0.21	-0.10	0.53***	0.29	n.d.	n.d.	n.d.	n.d.
M2	0.26	-0.22	0.54***	0.34	n.d.	n.d.	n.d.	n.d.
M3	0.16	-0.64**	0.05***	0.40	n.d.	n.d.	n.d.	n.d.
Waiting time before entry				Not-	Not-			
	Upward	Downward	Unemployed	employed	Upward	Downward	Unemployed	employed
M1	0.00	-0.00	0.00	-0.01	-0.48	-0.32	0.05	0.09
M2	0.00	0.00	0.00	0.00	-0.55	-0.32	0.04	0.08
M3	0.00	0.00	0.00	0.00	-0.54	-0.37	-0.11	0.01

^b Contractual status is available only for Germany and Italy. Employment without a contract (irregular employment) is not considered. Information on this is primarily available for Italy. ^c The transition into not being employed is hard to interpret because of the low number of cases. For Italy, the influence of the fixed-term contracts varies greatly with the entry cohort: in parallel with the extension of fixed-term contracts, the associated unemployment risks increase on the one hand, while subsequent upward mobility chances increase on the other.

Significance: *** at 1% level, ** at 5% level and * at 10% level.

model, which controls for unobserved heterogeneity by including a random effects term on the individual level.¹⁶

Analysis of the actors affecting labour market entry via specific employment situations (non permanent or educationally inadequate jobs in our case) shows that these entries are not evenly distributed across the population; rather, they are 'concentrated' among certain subjects/subgroups or categories of individuals. The recent literature on causal estimation argues that this results in a bias of the coefficients of conventional OLS estimates due to the uneven distributions of the observed covariates for the sub-samples that do and do not experience the event in question. The literature refers to this problem as *treatment effects* and offers several solutions for it (DiPrete and Engelhardt, 2000; DiPrete et al., 2002; Winship and Mare, 1992). A relatively simple method to

deal with this possible bias is based on a Heckman correction, which in its turn uses the 'inverted Mills' ratio (Heckman's two-step method for estimating selection models: that is, including estimates of the probability of entering the labour market via non-optimal positions in the equation estimating the consequences of these positions), so that the means to control for this bias is included in the regression model (Greene, 2000).¹⁷ In short, this procedure was used to estimate the unbiased effect of the variable in question. All the following models in Tables 3 and 4 include this correction, although statements do not differ substantially with and without this control. It should be emphasized, however, that the intention of this article is not to assert strict causality, but rather to give a description of the different career-trajectory events.

Table 3 reports the effects of labour market entry via under-qualified jobs, controlling for all the variables listed (Model 1). Model 2 reports the effect while also controlling for the prestige of the entry job. Control variables analogous to those of Model 1 are not illustrated.

Inspection of model 1 shows that entry via an educationally inappropriate job is not a transient event, but has long-term negative consequences for the future career trajectory: entering the labour market as an over-qualified worker has a strongly negative influence on subsequent occupational positions in all three countries. The negative effects are much more pronounced in Italy and, especially, Germany than in Great Britain, which bears out the hypothesis of stronger 'entrapment' in those countries. As shown by the interaction term of labour market experience and under-qualified employment, the negative effect of the initial inappropriate employment decreases only minimally over the career, so that there is no evidence that the initial disadvantage is overcome. A person needs 13 years in Germany, 30 in Italy, and 13 in Great Britain to recoup the initial disadvantage, if a strictly linear effect is assumed.¹⁸ In Great Britain the more rapid amortization arises primarily from the smaller differences between the different forms of entry, while in Germany there is a significant reduction in the negative effect over time. Consequently, not to include the interaction term in the models reduces the effect of under-qualified employment particularly in Germany (0.74) and to a lesser extent in Italy and Great Britain (0.57 and 0.31). Thus far the empirical results contradict the contentions of career mobility models and the stepping-stone hypothesis.

However, if we control for prestige scores of the entry position (analogue to the above mentioned transition rate models), it becomes clear that the negative effect of over-qualification can be traced back to the relatively lower occupational position: according to the definition, the prestige scores of those inappropriately employed are significantly lower than those of the education reference group. Technically speaking, when controlling for education level, as well as occupational prestige, the over-qualification variable measures an interaction effect between them, and thus the *mismatch*. The effect of inappropriate employment clearly diminishes in Germany, and it disappears in Italy, while in Great Britain the effect even becomes positive, meaning that it is over-qualified employees, i.e. those with relatively higher education levels, who manage to

Table 3 Consequences of educationally inappropriate employment in the first job for subsequent occupational positions (z-standardized prestige scores): all further occupational positions without the first job (if not noted otherwise). Random effects linear model

	Germany	Italy	Great Britain
Model 1			
Under-qualified employment	-0.95 ***	-0.59 ***	-0.37 ***
Correction variable ^a	0.44	2.24 ***	0.12
Labour market experience^b	0.02	0.04	0.04 ***
Interaction LM.exp. * underqualified emp.	0.08 ***	0.02	0.03 *
Sex: Female	-0.04	0.43	-0.07 **
Education: Ref: CASMIN 1ab			
CASMIN 1c	0.07	0.08	0.09
CASMIN 2b	0.36 ***		0.20 ***
CASMIN 2a	0.58 ***	1.41 ***	0.23 ***
CASMIN 2cg	0.72 ***	2.87 ***	0.57 ***
CASMIN 2cv	0.77 ***	2.66 ***	0.63 ***
CASMIN 3a	1.64 ***	2.42 ***	0.85 ***
CASMIN 3b	1.57 ***	3.39 ***	1.64 ***
Social origin: Ref: Father: Worker			
Father: Self-employed	-0.08	-0.09	0.14 **
Father: Professional	0.13	-0.41 *	0.13 **
Father: Employee	0.04	-0.01	-0.32
Father: Unqualified	-0.00	-0.21 **	-0.06
Entry cohorts: Ref: 1983–84			
1985–89	0.08 **	0.13	0.02
1990 +	0.12 **	0.25	-0.03
Regional unemployment rate	0.00	0.04 **	0.03 **
Regions Ref: South (G, GB), Northwest (I)			
Centre	-0.06	0.32 **	0.02
North, Northeast(I)	-0.08	0.53 ***	-0.7
South (I)		-0.29 **	
Intercept	-1.22	-5.43	-0.97
Sigma_u	0.64 ***	0.43 ***	0.48 ***
Sigma_e	0.51 ***	0.60 ***	0.70 ***
Rho	0.61	0.34	0.32
N observations	6473	1244	5001
N individuals	2081	674	1893
Model 2: Controlling for the prestige of the first job – Model controlling for the above variables			
	Germany	Italy	Great Britain
Under-qualified employment	-0.17 **	-0.06	0.16 **
Prestige in the first job	0.59 ***	0.39 ***	0.40 ***

Table 3 *Continued***Model 3: Including the first job** – Model controlling for the above variables

	Germany	Italy	Great Britain
Under-qualified employment	-1.25 ***	-1.18	-0.95 ***

Source: SOEP, ILFI, BHPS: Career trajectories of those exiting the educational system between 1983 and 1997/8 (without the first job, Model 3 including first job).

Notes:

The additional control of further macro indicators does not add essential information to the model and these are therefore not considered; the effects of the first job remain unchanged.

^a Inverted Mill's ratio.

^b Measured in years

Significance: *** at 1% level, ** at 5% level and * at 10% level.

move out of low-level jobs. This, however, does not occur directly after the first job, as we saw when discussing the transition rate models from Table 2. *Thus, although we find that the initial disadvantage persists, it is not the mismatch as such that is responsible for the negative consequences in the subsequent career, but rather the relatively lower entry position in relation to the occupational placement.* Only in Germany does the coefficient still remain negative, which is indicative of a stigma attaching to educationally inadequate employment.¹⁹

These results also hold true for large firms, where the stepping-stone scenario would be more likely because of the existence of career ladders. Inspection of the interaction between firm size and under-qualified employment does not reveal significantly better chances of overcoming initial misplacement in larger firms, other things being equal (results not given).²⁰

Unlike the transition rate models presented above, this modelling does not consider the time aspect and, hence, the duration of the first job (even though it controls for work experience). The 'job trap' metaphor was introduced to signify that people cannot or do not leave their first jobs. Furthermore, the descriptions of Table 1 have already suggested substantial country differences with regard to mobility out of the first job and employment stability respectively. It can therefore be argued that the negative influence of inappropriate employment can only be fully grasped by including the first job in the analysis. Comparing the extent of change between the two models (with and without the first job) should highlight the aspects of mobility out of the first job. Model 3 in Table 3 presents the relevant coefficients for the comparison. The model does not control for first job prestige. As expected, the effects of initial under-qualified employment on the prestige scores increase substantially when the first job is included. Also these results suggest that the entrapment scenario is more appropriate to Germany and Italy than it is to Great Britain. However, the increase (in comparison to Model 1) is larger in Great Britain and Italy than in Germany, which is indicative of greater mobility in those countries. From additional analysis we know that mobility in general and in any direction is

greatest in Great Britain, while in Italy mobility is rather restricted at the job level. But if Italians do move, their mobility steps seem much larger than in the other countries – and mostly upward.

Fixed-term and sometimes very short contracts are often discussed as potential entry portals. We therefore extend the analysis on temporal aspects and consider the type of contract (fixed-term and training) and the time spent in the entry job (see Table 4).

Overall, the type of contract has no negative effects on the prestige of subsequent occupational positions. It can thus be assumed that fixed-term contracts and special training contracts (CFL, GTS) somehow serve as entry portals to the qualified labour market. However, it should be stressed that we concentrate on occupational positions only, so that statements cannot be made about precariousness in terms of temporal instability. Table 2 confirms the sometimes-greater unemployment risks of fixed-term contracts. Higher unemployment risks and the tendency of fixed-term contracts to reproduce (that is, not to lead to permanent employment but to cause further employment instability) are results well established by other research (Kalleberg et al., 2000; OECD, 1998).

Nor do very short employment spells seem to have any further implications for subsequent occupational position in Italy and Germany, which supports the findings of Contini et al. (1999). Even though long duration periods at the beginning of the career predominate in Italy (see Table 1), short-term contracts have no stigma effects on the future career. In Great Britain, however, short employment spells have a negative impact on prestige, also when controlling for job position. It might thus be assumed that very short employment spells signal very precarious careers in the British case.

In sum, fixed-term contracts and to some extent also short employment episodes may serve as entry portals into the labour market when concentrating on the occupational position, while (too) low placement in the labour market instead has negative consequences.

Table 4 Consequences of the entry position for subsequent occupational positions (z-standardized prestige scores). Random effects linear model (excerpt of the entire models)

	<i>Germany</i>	<i>Italy</i>	<i>Great Britain</i>
Fixed-term contracts	-0.06	0.05	/
Training contracts	/	0.11	0.4
Very short employment spells	-0.8 *	-0.06	-0.15 ***

Note: See comments on Table 3

Summary and conclusions

This article has investigated whether non-optimal entry positions can serve as *entry portals* into the labour market, or even as *stepping-stones* to a future career, so that they are short-term phenomena without further negative conse-

quences, or whether they are instead *career traps* with permanent negative effects on the subsequent career. The focus has been on the concept of educationally inappropriate positions – that is, ones in which the employee is over-qualified for his/her position – and fixed-term contracts. These forms of employment are widely discussed as means to reduce (youth) unemployment. Hence the question of the consequences of non-optimal initial employment prompts discussion of the chances and risks associated with the introduction of certain labour market policies or increasing the flexibility of the (youth) labour market. Is any job really better than none? Thorough evaluation of the consequences of this form of entry is not possible here, for the question ‘what would happen if?’ goes beyond the scope of this article. Likewise we cannot assure that employment positions have causal effects, rather than conjecturing that workers who lack abilities and skills are concentrated in non-optimal labour market positions. Nevertheless, it is possible to put forward some ideas about the effects of non-optimal career entries and the conditions under which they are exerted.

In sum, our results contradict the contentions of career mobility theory and suggest the presence of a mechanism that complies with the ideas of the signalling theory and labour market segmentation. A choice between the two cannot be made here; both give rise to the same predictions and are not mutually exclusive. For explaining country differences, however, segmentation theories and the differing permeability of segments are of obvious relevance.

As regards educationally inappropriate entry, the empirical results furnish a clear answer to the question ‘stepping-stone or trap?’: in all three countries, entering the labour market via ‘under-qualified’, less prestigious job positions is a major disadvantage, with negative consequences that may only balance out over a long period of time. This was evidenced by analysis of the exit rates out of the first job, as well as the impact on the subsequent occupational positions. Even though labour market entry as an over-qualified worker is accompanied by greater upward mobility chances, these positions have long-lasting negative effects on future career positions. The positive effect on upward mobility initially observed can be explained by less upward mobility restriction (ceiling effects) on these kinds of lower-status positions. And the reason for the negative impact of under-qualified employment is *not* educational mismatch but placement in overall worse positions.

In contrast to lower level occupational positions, fixed-term, training, or very short contracts do not reduce career chances: only in Great Britain are very short job spells associated with lower status positions. In a sense, jobs of limited duration seem to fulfil their function as entry portals into the labour market, although they are associated with higher instability and unemployment risks.

The country comparison has shown that different labour market structures and the mobility opportunities associated with them have a crucial bearing on the consequences of entry jobs on future careers. Primarily, it seems to be flexibility and permeability, accompanied by greater mobility opportunities, that define the implications of the first job for the future career. In Italy and espe-

cially Germany, the lasting negative effects of over-qualification are noticeably more pronounced than they are in Great Britain. Generally lower mobility chances in Italy, and the strongly segmented labour market in Germany, inhibit exit out of a labour market segment once it has been entered. Put simply: Italians remain trapped in their jobs and Germans remain trapped in their occupational segment. In addition there seems to be a stigma going along with an educational mismatch in Germany: The effect of over-qualification remains negative also after controlling for occupational position. In Great Britain, a more flexible labour market seems to some extent able to prevent 'entrapment' in certain positions, and also apparently enhances the chances of belated utilization of educational credentials despite non-optimal entry: Over-qualification – apart from the problems associated with lower-status positions – has a positive effect, so that if anyone is promoted out of lower status positions, it is those with accordingly higher levels of education. This, however, is not the case of the job directly after the first job.

To sum up: labour market entry via a low-qualified job – matching the formal qualifications or otherwise – may avert unemployment for the time being, but it is associated with less prosperous career chances and higher unemployment risks later. In more tightly regulated and highly segmented labour markets this is even more the case. Employment contracts of limited duration, however, despite being accompanied by higher career instability, do no harm to future occupational positions. Consequently, if anything serves as an entry portal it is a fixed-term contract.

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Appendix

Table A1 CASMIN Scale

	Level	Track gen./voc.	CASMIN	Description
Tertiary	High		3b	Higher tertiary education: the completion of a traditional, academically-oriented university education.
	Low		3a	Lower tertiary education: lower-level tertiary degrees, generally of shorter duration and with a vocational orientation.
Secondary		Voc	2c_voc	Vocational maturity: full maturity certificates including vocationally-specific schooling or training.
	High	Gen	2c_gen	General maturity: full maturity certificates (e.g. the Abitur, Matriculation, A-levels).
	Mediate	Voc	2a	Intermediate vocational qualification, or secondary programmes in which general intermediate schooling is combined with vocational training.
		Gen	2b	Intermediate general education. Academic or general tracks at the secondary intermediate level.
	Low	Voc	1c	Basic vocational training above and beyond compulsory schooling.
		Gen	1b	General elementary education. Social minimum of education. It generally corresponds to the level of compulsory education.
Primary		Gen	1a	Inadequately completed general education.

Notes

- 1 'Under-qualified' jobs are those jobs which are, given the national standard, of too low status for the achieved level of education, i.e. for which the person is 'over-qualified'. The labels 'under-qualified jobs' and 'over-qualified persons' are used synonymously in the text.
- 2 The term 'educationally inadequate' refers solely to positions that require a *lower* qualification than the person holding the position possesses, i.e. those for which the incumbent is over-qualified.

- 3 The term 'entry port' is employed loosely in the literature. In general, it is used in the sense of entry port into the labour market (for example, among others by the OECD (1998), or in the only empirical comparative study on this topic that I know of, by Contini et al. (1999)). In a more narrow sense the term is used in connection with entry into 'internal labour markets' (Marsden, 1990), so that it refers to access to a certain career within firms. In this article 'entry portals' will denote entry into the labour market in general.
- 4 The two models draw on the same idea in principle but specify different mechanisms. The theory of career mobility argues on the basis of selection by employees; the model of firm internal labour markets on that of structural forces.
- 5 It should be emphasized that concept of over-qualification is operationalized *relative to the educational level* and *not* through the labour market or occupational position. Even though this concerns *relatively less* advantaged occupational positions, it still does not imply that only non-qualified positions are being referred to – at least this is not the case of the highly qualified. For example, in Great Britain this means that 82 percent of over-qualified workers with tertiary educations are positioned in the unqualified segment (EGP VIIab + IIIb) in the first job, and only 2 percent among the educationally adequate employed. In Germany the figures are 60 percent and 5 percent respectively (with very low case numbers, however). In Italy they are 26 percent and 0 percent. This also illustrates that, because of its relativity, the concept of over-qualification in fact includes different positions. Numbers are based on SOEP, BHPS and ILFI data samples.
- 6 This argument refers to the kind of occupational positioning, holding the educational level constant. Büchel (2002), on the other hand, suggests an overall more positive situation for the over-qualified at constant occupational position.
- 7 The analysis is confined to the old Bundesländer, given the specific situation in the eastern part of the country. Moreover, no information is available on the GDR for the chosen time-window.
- 8 The Italian labour market is characterized by a comparatively high number of (very) small firms, for which the formal regulations are substantially less binding, and which at the same time offer their employees fewer opportunities for upward mobility. Nevertheless, the idea that internal labour markets predominate is still put forward in the literature. (Schizzerotto and Cobalti, 1998: 259, 260)
- 9 Different concepts prevail in the literature. The main differences are between the so-called subjective and objective measuring concepts (Büchel, 2001; Hartog, 2000).
- 10 Alternatively, the definitions were tested with half a standard deviation. The results did not differ substantially.
- 11 The SOEP is a panel instrument; the BHPS is a combination of a panel and a retrospective longitudinal survey (Halpin, 2000), and ILFI is (so far) a retrospective survey, since only data on the first wave are available. Comparing panel and retrospective data is not entirely unproblematic, for retrospective data tend to underestimate mobility in general, and especially non-pleasant events like unemployment. Nevertheless, they are the best longitudinal data to hand at the moment. As always, cross-checking the results with other data sources would be a valuable exercise.

- 12 Germany: Treiman; Italy: De Lillo-Schizzerotto; Great Britain: Hope-Goldthorpe Score. Standardization takes place independently in each country.
- 13 Macro-indicators are put into operation on a yearly basis. The information is from the EUROSTAT database NEW CRONOS (1999).
- 14 The results described were obtained from Probit models for the dichotomy event entry into the labour market via educationally inadequate jobs versus adequate ones or even as an under-qualified employee. Models were estimated separately for the three countries.
- 15 This means that positions in the lower part of the prestige scale are far less limited by upward-mobility obstacles and therefore have higher potential upward opportunities than positions with higher status, which offer little to no upward mobility opportunities.
- 16 I thank one of the reviewers for this suggestion.
- 17 Mill's ratio is predicted including sex, education, social origin, entry cohort, region of residence and a set of macro variables like aggregate youth unemployment rate, GDP growth and the size of the birth cohort, crudely measuring competition at labour market entry. As discussed above, the explanatory power of the models is limited.
- 18 Extrapolating for this comparably long time span is not unproblematic because the estimates are based on shorter time horizons for most individuals. See also the remarks on sample construction.
- 19 The negative effect disappears also for Germany when *not* controlling for the interaction term between labour market experience and under-qualified employment.
- 20 Firm size is available only for Italy and Germany. Firms with more than 200 employees were classified as large firms, although the results do not change substantially if the limit is increased to 500. Firm size refers to the entry firm. For both countries, the interaction effects of firm size and under-qualified jobs are around -0.10 and not significant, controlling for the variables mentioned earlier. In addition, as a well known result, we find that high-prestige jobs are more common in larger firms.

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