Long-term Trends in the Transition to the Labour Market in Germany

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Abstract: Successful transitions from school to work are decisive for success later in life. The situation of young people at this stage is therefore an issue not only for scientific research, but also for public discussion. A high level of institutionalised coordination has traditionally been a core element of the German educational system, not least with regard to education, training and employment, and this has been associated with comparatively smooth transition patterns. Discussion in recent years has, however, increasingly focused on the problems occurring at these transitions. When assessing this situation, it is not only important to know how many people finally make successful transitions, but also how extended and complex transitions are. Against this background, this paper asks whether and to what extent there has been a de-structuring of the transition to the labour market in Germany – and, linked with it, of the transition to adulthood – as it has been proposed by theories of individualisation. Possible indicators of such a de-structuring would be a de-standardisation of transition patterns, a decreasing social differentiation and a declining significance of school-to-work transitions for other domains of life.

Macro-level conditions of school-to-work transitions in Germany

Our discussion of the (West) German ‘transition system’ follows a model that distinguishes analytically between two kinds of macro-level conditions that shape transition patterns and influence their changes and long-term trends: institutions and market conditions.

Institutional configurations

Transition processes are guided by a whole number of rules, notably those associated with a wide range of state institutions and their regulations. Together these rules form typical life-course regimes shaping individual life courses.

Education and training system: The main characteristics of the German educational system include a stratified tripartite secondary school system, relatively standardised tertiary education and a standardised vocational training system in which combined school and workplace training (Dualer System) is prominent, but where there are also forms of full-time school-based training (Berufsfachschulen and other vocational schools). There appears to have been considerable continuity in the German educational system over the second half of the 20th century. Qualification paths have been clear and well-established, which has allowed for individual planning with a high level of information and a long time horizon.

While there are institutional differences among the various federal states, secondary school education essentially follows selective tracks, although in some states there have been major attempts of introducing comprehensive schools. In higher education, the ‘Bologna process’ – i.e., the idea of harmonising university degrees throughout Europe – has recently led to a shift from the conventional Diplom/Magister system to a system of Bachelor/Master courses. This shift is beginning to have an impact on career patterns, but it is too recent to affect the cohorts whose transition patterns are analysed in this paper. Vocational training has remained the standard experience of most young people, with an increasing number of school leavers with upper secondary education being included. The need for vocational training is commonly acknowledged and initial vocational training forms the basis for further skill acquisition. The German ‘training culture’ has led to a normative standard, giving high preference to vocational training instead of a fast transition to the labour market at any cost. The German employment system organises human capital in the form of vocations (Berufe), which allow individuals to perform a broad range of related, complex tasks and incorporate the concept of a long-term career with prospects on the basis of initial vocational training. Vocational training has been regulated by legislation. Both employers and the state have a long tradition of taking responsibility for a high level of transferable skills. Responsibility for training and certification is shared among different institutions; instructors are required to meet the standards, and formal qualifications are, therefore, widely recognised by employers.

This indicates that the education and training system is embedded in broader institutional settings, which also have a direct influence on the labour market. Political economies differ with respect to internal coherence, for example, between the financial sector, firm co-operation, and production strategies. Germany may draw near to the model of a ‘flexibly coordinated market economy’. This is generally characterised by corporatist decision making and long-term trust relationships. The qualification system and industrial relations also have a strong influence on work organisation. Germany can be regarded as a model for a combination of a widespread skilled occupational labour market, but also (higher level) internal and lower-level labour markets. Relatively rigid vocational tracks may, on the other hand, be an obstacle in meeting the increasing needs of retraining and, although the German training system is widely observed as an integral part of a ‘high skill’ production regime, it has recently come under increasing pressure to be more flexible. The employers’ willingness to provide vocational training has obviously decreased. This is due, partly, to competition resulting from an expansion of higher education where academic training only partially follows clear occupational boundaries. Deregulation and flexibilisation of the labour market have in general been a heavily debated issue in German politics for years. The most important step to deregulate employment contracts came with the Employment Promotion Act (Beschäftigungsförderungsgesetz) introduced in 1985, which was followed up by various amendments. It made it easier for employers to use fixed-term contracts, thus allowing the circumvention of dismissal protection. Besides a broad qualification system and a qualification-based labour market, there are additional features of the German institutional model which are directly relevant for transitions; many of these features can be associated with a specific welfare regime. According to the popular typology introduced by Esping-
Depending on the institutional situation in a society, structural changes can affect cohorts differently, giving preferences to either intra-cohort mobility or changes across cohorts. Welfare arrangements and labour-market regulations in Germany are likely to have a specific consequence in this regard: historical changes will not so much affect the mid-career phase but mainly events in the early life course such as labour market entry and family formation and events in the later life course like retirement. This may lead to observable differences across cohorts particularly with regard to the transitions at labour market entry. Finally, patterns of transitions from school to work are influenced by the fact that Germany has had military service (or alternate service) most of the observation period. For the life courses of young men, this has often led to a further extension of the phase of transition to the labour market.

Market conditions
Important as institutions are, they are not sufficient to fully explain patterns of transitions and their developments. Individual life situations are also a function of available resources, opportunities and constraints which receive their significance from situations of competition. This illuminates the importance of specific market conditions, i.e. factors of supply and demand on the training and labour markets. These conditions change over time, so that single cohorts may be confronted with very specific situations leading to discontinuities in the transition from school to work. Historical trends of the supply side of the German labour market during the last decades can be summarised under the following headings: demographic changes and cohort fluctuations; educational expansion and qualification upgrading; and increasing female labour market participation.

After World War II, there has been significant variation in the size of birth cohorts, and as a result of that, in the size of the cohorts that left the educational system. Together with demand side (business-cycle) effects, this may have led to considerable differences in the labour market situation of particular cohorts beyond long-term trends. The birth cohort 1964 was the largest cohort ever born in the Federal Republic of Germany, so it might have been confronted with a particularly difficult situation at labour market entry. However, the main trend affecting the supply side of the labour market has been educational expansion since the 1950s, characterised by qualification upgrading and gender equalisation. It started with higher rates of participation in the intermediate and upper tracks of the general school system, but then it affected higher education as well. What is sometimes overlooked is the massive expansion also in the vocational training system. Another important aspect is gender equalisation. Since the 1980s, girls have overtaken boys with regard to success in the general school system. The closure of the traditional gender gap in education has manifested itself also in the steadily growing participation of women in vocational training. Regarding the overall trend, educational expansion was successful: The proportion of people attaining non-vocational training has decreased quite dramatically across cohorts, especially in the case of women. However, the remaining minority of the low-qualified increasingly faces the risk of stigmatisation. Another consequence is growing selectivity of particular (lower-level) educational tracks. A sufficient level of general education is a major precondition for successful transitions to vocational training and employment. This directly raises the issue of social inequalities in education. Such inequalities were already one of the major topics of the public debate on education in the 1960s. Since then, some dimensions of inequality in education have been greatly reduced, including gender, region or religion. It is just over the recent years that the major educational inequalities related to the migration background of students have received attention in both the scientific and the public discourse. Most persistent have been educational inequalities with respect to social origin. In absolute terms, educational expansion did increase the attainment rates in all social classes, but relative differences have remained significant. While sociological research has for a long time reported the close association between educational attainment and social background, large-scale comparative studies like PISA have recently brought this phenomenon to public attention again. There is evidence that origin-related inequalities in education decreased considerably during the major phase of educational expansion until the 1970s, but then levelled off.

The demand side of the labour market has also followed both long-term structural change and short-term fluctuations (business cycles). Structural change in the system of available jobs has been associated with fundamental shifts in the economy, like the downsizing of the agricultural sector and a trend towards services. Compared to other Western countries, these shifts happened relatively late (and the latter to a minor extent), but they were significantly driven by technological developments and rising productivity. The level of formal qualification has become increasingly important for recruitment. Most of the new arising jobs require specific skills as well as high educational attainment, while job losses mainly occur in unskilled segments. After a problematic phase in the immediate postwar period, the German labour market was almost balanced for around 15 years. Since the 1970s, the overall situation on the German labour market has become increasingly difficult. Along with cyclical fluctuations, unemployment has followed a clear upward trend. However, there has been a clear and growing differentiation by level of qualification. Returns to education as measured by indicators like income and job status have on the whole been relatively stable, especially with regard to higher-level qualifications, though there are also specific developments in particular sectors. Not least as a consequence of educational expansion, women have increasingly taken part in the labour market. Given their more unstable employment careers, they may have particularly been subject to the increasing demands of firms for an even more flexible work force. As a consequence of these varying market conditions, a long-term trend towards prolonged transitions from school to work can be expected. However, our considerations also suggest that members of particular cohorts may have faced specific conditions for transitions even
against the long-term trend. This applies to both large cohorts and cohorts whose members have entered the labour market in times of economic downturns.

**Transition patterns**

The following analyses take a closer look at the consequences of these long-term aggregate changes for individual transitions from school to work. Central is the question of a possible de-structuring of labour market entry as it is indicated by the life-course aspects of timing, activities and work content as well as social differentiation of transition patterns. Indicators of a de-structuring on the individual level would be that transitions become less universal and specific sequences less typical; events become temporally de-standardised, i.e. less time-specific; the impact of social differentiation diminishes; and there is less significance of the school-to-work transition with regard to other dimensions of the transition to adulthood.

An obvious consequence of educational expansion since the 1950s has been that more people have spent longer times in education and training and, as a consequence, have entered the labour market at a higher age than in older cohorts. One indicator is the rising median age for the attainment of a first vocational or academic degree (if any); median age reached a level of 21 years in the 1971 birth cohort. Again, the change across cohorts has been much more significant in the case of women of whom only a minority had attained vocational qualifications in the older cohorts. Another important aspect which contributes to relatively high ages at labour market entry is the phenomenon of multiple episodes of training: In the younger cohorts, about one third of the cohort members have completed two or more different episodes of training when they reach the mid 30s; in many cases this has meant that they have further upgraded their level of qualification.

Overall educational expansion should, however, not hide the fact that the particular groups have found it increasingly difficult to gain access to basic forms of vocational training. Today the majority of school leavers without school qualifications – but also of those with lower secondary school degrees (Hauptschüler) – do in fact not enter a regular form of vocational training in the form of an apprenticeship (Lehre in the dual system) or full-time school-based training (e.g., at a Berufsfachschule). Rather, they move into training measures which may allow making up for deficits in general qualifications or basic vocational skills, but which do not offer regular vocational qualifications on the apprenticeship level.

Such measures may consist of a Berufsvorbereitungsjahr, special training programs, etc. This so-called ‘transition system’ or auxiliary system has grown considerably in its volume, nowadays accounting for a significant share of more than one third of yearly entries into the vocational education and training system. A data source which provides detailed individual-level life-course data and allows making long-term comparisons between cohorts is the German Life History Study. This project consists of a series of retrospective cohort studies which were conducted at the Max Planck Institute for Human Development, Berlin, since the mid-1980s. A specific way of analysing transition is looking at the timing of specific transition events. The analyses presented in figure 1 distinguish between two different definitions of ‘entry’ into the labour market, the very first job (i.e., the first employment ever) and the first ‘stable’ job (i.e., the first employment with a minimum duration of 24 months). On the basis of these definitions, they compare the median age of labour-market entry across cohorts.

**Figure 1: Median age (in years) at entering (stable) employment, by birth cohort**

![Figure 1](image)

Product-limit estimates. First ‘stable’ employment: first employment with a minimum duration of 24 months. Data: West German Life History Study, own calculations

One can see that from one cohort to another, entry into the labour market has happened at a later age, not least due to longer periods of education and training. However, there is also an increasing difference between the beginning of first jobs and first stable jobs. This means that a growing number of young people have experienced an extended period of ‘settling in’ in the employment system before reaching some degree of stability in their careers. In addition to long-term trends, there have also been rather short term fluctuations in the transition behaviour. At least at the very beginning of employment careers, the life course situation of specific cohorts has often been influenced more by these specific circumstances than by long-term trends.

The analyses now turn to employment subsequent to labour market entry and also draw various dimensions of employment careers together. Figure 2 shows the stability of first employment as indicated by the dimensions: first employer, entry occupation and entry class position. The median durations are presented for these dimensions, again on the basis of both the very first job and the first stable job. It can be seen that the stability of (very) first jobs has declined at least across the first four cohorts that have been sampled. Most interesting is a comparison of the various configurations formed by the three dimensions. The median durations of entry occupation (and social class) have been much longer than the equivalent entry jobs; at least at labour market entry, occupations (and even more so, social class positions) have been much more stable than jobs. This indicates that, on average, people have stayed in their occupation (and their class position) when leaving their first employer. Strong occupational labour markets do exist and occupation-specific human capital can be transferred between different employers. The basic pattern of the three median durations has been remarkably stable over time, especially regarding the first stable job. In separate analyses for men and women (that are only summarised here), the results become even clearer. It can be seen that, compared to the time in their first job, most German men remained in their initial occupation for a very long time.

**Figure 2: Median durations (years) of various characteristics of first job (left), first stable job (right), by birth cohort**

![Figure 2](image)

Product-limit estimates. Jobs: Median tenure with first employer; Occupation: Median tenure in entry occupation (two-digit international standard classification); Social class: Median tenure in entry social class (11 categories according to the Eriksson/ Goldthorpe/Por tocaro classification): First ‘stable’ job: 24 months minimum duration. Data: West German Life History Study, own calculations

The phase of entry into the labour market has become more extended and the difference between transitory and stable entry jobs has increased significantly for the younger cohorts. Apart from this period of ‘settling in’, however, the first position at labour market entry has proved to be highly significant for the quality of the further career. This means that basic structures of the labour market entry – salience of formal qualifications and occupational labour markets – have been quite stable over time. Institutional regulation and coordination has remained relatively strong, at least with regard to the labour-market ‘core’ of skilled wor-
Since the mid-1990s, among young employees under 30 years of age, the organisation of collective interests along the lines of becoming a parent. This has been clearly postponed since the 1960s, and it has become decoupled from both household and union formation. The postponement of fertility can reasonably be interpreted as a consequence of the extended periods of education and training but also increasing discontinuities and insecurities that confronted the younger cohorts on the labour market. For both men and women, the median age of the event leaving home has shown a long-term decline, at least until the cohorts born around 1960 (cf. figure 3). Leaving home has become an individualised life event which is no longer bound to marriage and family formation. The median age of union formation has remained rather stable across cohorts, but cohabitation has increasingly taken the place of marriage. The most striking changes concern the event of becoming a parent. This has been clearly postponed since the 1960s, and it has become decoupled from both household and union formation. The postponement of fertility can reasonably be interpreted as a consequence of the extended periods of education and training but also increasing discontinuities and insecurities that confronted the younger cohorts on the labour market.  

Figure 3: Median ages (years) of important life events, by birth cohort  

Women (left) – Men (right)  

Product-limit estimates. In some of the younger cohorts less than 50% (of the women or men of the particular cohort) had experienced the specific event at the time of the interview. Data: West German Life History Study, own calculations  

Summary and conclusions  

On the basis of long-term, inter-cohort comparisons, our analyses have demonstrated both significant changes and remarkable continuities regarding processes of transition to the labour market in (West) Germany. So let us finally turn back to the general question: is there evidence for a de-structuring of school-to-work transitions and transitions to adulthood in general? There is obviously no simple answer to this question, but there are a number of important elements:  

(1) Significant changes in the patterns of labour-market entry can be associated with the remarkable expansion of education since the 1950s. This is especially obvious in the case of young women. For both genders, attaining a vocational or an academic degree and entering the labour market have become universal and, together with leaving home, the first events in the sequence of transition to adulthood. The prolongation of educational careers has led to later entries into the labour market. This means that first transitions to the labour market can no longer be equated with ‘youth transitions’; they may also concern young adults at age 30 (and, in some cases, even beyond). Another consequence is increasing selectivity of educational tracks. Together with a general upgrading of educational attainment this has led to unequal starting positions at labour market entry and has constantly degraded the labour market position of the low qualified.  

(2) Problems of getting entry into (stable) employment have increased, leading to extended periods of ‘settling in’. After a period of rather high mobility at the beginning of their careers, however, most people have experienced relatively stable forms of employment. In many cases, individual mobility may be interpreted as an individual solution against the background of institutional stability. These patterns have remained relatively stable across cohorts. Major differences in career patterns remain highly correlated with formal qualifications, and deficits in formal education carry risks of exclusion. As a consequence of both social inequality in education and significant returns to education, social inequality is transferred across generations through the educational system to a high degree. These ‘traditional inequalities’ have remained strong.  

(3) In addition to such long-term trends, there have also been rather short term fluctuations in the conditions that members of particular cohorts faced for their school-to-work transitions. At least in the short run, the situation of specific cohorts has often been influenced more by these specific circumstances than by long-term trends. The same is likely to be true for cohorts that are younger than those in our sample, so their specific situations always need to be evaluated in detail.  

(4) In spite of a clear inter-individual differentiation of labour market risks, associated most prominently with formal qualifications, subjective insecurity – deriving most prominently from the labour market – is experienced by a large share of younger cohorts, including the high qualified. Such ‘new insecurities’ are a likely cause of external effects like the postponement of fertility decisions. How could at least the most dramatic inequalities and external effects be attenuated? There is certainly no definite solution, but traditional inequalities like social inequalities in the school system remain high on the agenda. However, while the renewed public interests in questions of education may be productive, there are some doubts whether demands for


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