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## Article

## Introduction

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## Introduction

The papers in this special issue of *Schmollers Jahrbuch* are a selection of those presented at the Sixth International Conference of German Socio-Economic Panel Study Users (SOEP2004), held in Berlin from June 24 to June 26, 2004, in conjunction with the Second International Conference of Users of the European Community Household Panel (EPUNet2004). Not only do these papers illustrate the multidisciplinary nature of SOEP data users; they also give evidence of the global spread of SOEP, with presenters coming from Australia, North America and throughout Europe. At the same time, the conference papers reflect an increasing interest in methodological research as well as cross-national comparisons.

German reunification, and the concomitant transition from a socialist to a market driven economy, has always been a subject of great interest for diverse analyses, and SOEP data offers a unique source of information on this process. Two papers in this special issue investigate its effect on the labor market. *Gathmann* provides estimates of the relative wage loss of older workers during this transition, and shows that older workers lose up to 30 % of their earnings through the depreciation of socialist work experience. *Anger*, on the other hand, focuses on the differences between East and West Germany in unpaid overtime, which is strikingly high in the East. She finds partial evidence that workers use overtime to signal higher productivity in order to reduce the risk of losing their jobs.

There has for some time been a broad discussion in the social sciences about the welfare state, fundamentally calling into question its size and critically investigating its effects. Several papers in this volume deal with these issues. *Baumgartner* and *Steiner* evaluate the effect of the German federal student financial aid scheme on enrolment rates in higher education by exploiting the exogenous variation introduced through changes in the repayment regulations in Germany effective since 1990. Their results show that student aid does not contribute to raising enrolment rates. The German tax reform of 2000 is the topic of the *Haan* and *Steiner* paper. Using a behavioral micro-simulation model, the authors show that this reform produces a significant increase in net household income and, given the increasing relative gains in taxable income, in income inequality. *Schneider* and *Uhlendorff* analyze the effects of German welfare payments on the transition from social assistance to employment. They find that the ratio between estimated potential labor income and the level of welfare payments has a positive effect on the probabil-

ity of going off social welfare. This effect is particularly relevant for households with a potential labor income higher than their welfare payment level. The role of occupational pensions in voluntary job mobility in Germany is investigated by *Rabe*. The author finds that the loss in pension rights experienced by workers when changing employers has the effect of reducing mobility. *Mertens* and *McGinnity* focus on the high level of employment protection in Germany and the introduction of fixed-term contracts designed to increase flexibility in the labor market. In particular by introducing the distinction between privileged and un-privileged fixed term contracts, the authors provide evidence that workers in the privileged group earn only slightly less than their permanent counterparts.

Two papers deal more specifically with labor market issues. *Geishecker* investigates the link between outsourcing and wages in Germany. While outsourcing is found to be statistically insignificant for manual and non-manual workers' wages, the author finds evidence that when applying a more accurate skill definition, a one percentage point increase in the outsourcing measure reduces real wages of low-skilled workers by 1.7%, while it increases real wages of high-skilled workers by 2.2%. *Fagan*, *Halpin*, and *O'Reilly* compare Germany and the UK in terms of employment in the service sector, where low-skill, low-wage jobs usually predominate. One of the most significant differences in the composition of service sector employment in the two countries is the higher proportion of intermediate jobs in the UK. These jobs play an important role in Britain, absorbing those who are upwardly mobile from both skilled and unskilled manual service sector jobs as well as those who were previously employed in higher-status professional and managerial jobs.

Another group of papers deal with income as one of the most important measures of economic outcomes, and the interaction between income and health, happiness, and demographics. *Lillard* and *Burkhauser* investigate whether self-reported health at a given age varies systematically with the degree of income inequality at that age and income at younger ages. They find little evidence of a link between self-reported health and current income inequality, but strong evidence that past income is highly correlated with subsequent self-reported health in Germany, Great Britain, and the United States. *Cawley*, *Lillard*, and *Grabka* analyze the relationship between obesity and earnings in the U.S. and Germany, accounting for the endogeneity of body weight. In both countries, they find that heavier women tend to earn less. Their results yield no evidence, however, of a causal impact of weight on earnings for women in Germany or for men in either country. *Headey*, *Muffels*, and *Wooden* use income, wealth, and consumption data from five countries – Australia, Britain, Germany, Hungary and The Netherlands – to reconsider the impact of economic well-being on happiness. Their main conclusion is that happiness is affected considerably more by economic circumstances than previously believed. *Kreyenfeld* and *Zabel* compare the determinants of

the transition to the second child in Germany and Great Britain with a special focus on the role of (higher) education. Their findings provide only partial support for the hypothesis that the differences between these two countries are driven by the different welfare regimes.

Last but not least, this volume reflects increasing interest in various methodological aspects of panel studies. Comparing current and one-year retrospective data on unemployment, *Jürges* finds that individuals with weak labour force attachment, e.g., women with children or individuals close to retirement, have the highest propensity to underreport unemployment retrospectively. *Basic, Marek and Rendtel* investigate whether SOEP data can help to assess the non-coverage bias in the German Micro-Census (MC) caused by the non-follow-up of mobile households in this rotating panel, and find that for labour force flows, the bias of the MC appears to be only moderate in size. *Schäfer, Schräpler, Müller, and Wagner* present and empirically test new tools for the identification of faked interviews in surveys. One method is based on Benford's Law, and the other exploits the empirical observation that fakers most often produce answers with less variability than could be expected from the whole survey. Focusing on SOEP's special wealth questionnaire of 1988, *Serfling* investigates response behavior to questions on financial items with respect to item nonresponse, questionnaire nonresponse, and panel attrition. He finds no evidence for the existence of a cooperation continuum.

While the editors of special editions receive credit for their work by having their names appear on the cover, those "behind the scenes" often go unrecognized although they are equally important for making the entire project happen. The organization of the SOEP conference – which included everything from booking the venue to arranging the logistics, catering, cultural events, and conference website, and acting as a constant liaison with participants – was handled exceptionally efficiently and professionally by Christine Kurka, Uta Rahmann, Floriane Weber, and Gabi Freudenmann, who also prepared the papers for publishing. Special thanks go to Deborah Anne Bowen for ensuring a consistent use of English. We sincerely thank our current and former SOEP colleagues who served as referees for the papers presented in this volume.

Finally, we dedicate this special issue to our dear friend and colleague Prof. Dr. Felix Büchel, program chairman of SOEP2004, who passed away in July 2004, shortly after this conference. He will be greatly missed.

*Conchita D'Ambrosio, Joachim R. Frick*

Berlin and Milan, February 2005