

IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Dynamics of Household Joblessness at the Micro Level: Evidence from Australia 2001-2007

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This paper investigates the persistence of living in a jobless household over time, aiming to disentangle state dependence and unobserved heterogeneity. In addition, potential heterogeneity of state dependence is examined through estimation of interaction terms with the lagged household joblessness variable. Finally, the robustness of results is explored through the use of alternative definitions of household. Using the two definitions that are most different, we find that there is substantial state dependence under both definitions which is larger for women than for men. That is, being in a jobless household in the previous year increases the probability of currently living in a jobless household by 7.7 to 17.2 percentage points for men and 12.7 to 25.1 percentage points for women. Although state dependence clearly is an important aspect, as are a number of observed characteristics, unobserved heterogeneity also plays an important role for men and women: 32 to 40 per cent of the unexplained variance can be attributed to unobserved heterogeneity for men, and for women this is 42 to 46 per cent. A few characteristics (age, disability, student status, living outside of major cities, having a university degree, presence of preschool children) seem to affect the level of state dependence, with the most important factor appearing to be the individual's age, where older persons (particularly men) have a larger state dependence coefficient. However, aside from this effect, which can increase state dependence by up to 50 per cent for men aged 60 to 64, the level of state dependence seems fairly homogenous amongst men and amongst women.

**Donnerstag,
14. April 2011**

11:00 Uhr

Sitzungssaal 126a