Family background matters for early career, but not equally

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Abstract

This paper studies the effects of family background on labour market outcomes in the early career. The transmission of disadvantage is often explained through supply-side factors including lower education, cognitive and non-cognitive skills and less useful social networks of those who grew up disadvantaged. In order to explain why large differences exist in the estimation of the importance of family background this paper studies how the effect of family background differs depending on the regional unemployment rate. At times of low regional unemployment the differences depending on the household in which one grew up are small. At times of high regional unemployment the disadvantaged find themselves unemployed and in worse jobs disproportionally more often than their more advantaged peers. The study uses West German data from the SOEP, 1984 to 2011 and the analyses are carried out using random intercept models.