

**THE WELFARE STATE, THE LABOR MARKET,  
AND THE STABILITY OF HOUSEHOLD  
INCOME: A COMPARISON OF THE U.S. AND  
GERMANY**

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**Abstract**

The stability of an individual's economic status depends on that individual's job changes, but also on household dynamics. Events like family formation, union dissolution,

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and partner's job shifts can produce potentially large shifts in household income and living standards. A comparison of the U.S. and Germany shows that household income tends to be more stable in Germany than in the U.S. This disparity is partly due to greater turbulence in labor earnings in the U.S. and partly due to the more effective public social insurance system in Germany. The source of the greater income stability in Germany than in the U.S. appears to vary depending on location in the income distribution. At the top the protection stems primarily from institutional forces that reduce the rate of negative events relative to the U.S. At the bottom this protection is reinforced by policies that limit the negative impact of these events on income loss.

**Key Words:** welfare state, labor market, household income, income distribution, cross-national inequality