

Michael Gebel  
Mannheim Center for European Social Research (MZES)

Dr. Johannes Giesecke  
Social Science Research Center Berlin

### **Labour Market Flexibility and Inequality: The Changing Skill-Based Temporary Employment and Unemployment Risks in Europe**

European labour markets have been burdened with increasing international competition and uncertainty through globalisation. While economists argue that these structural changes increased low-skilled unemployment in Europe due to rigid labour market institutions, DiPrete et al. (2006) develop the sociological perspective that European labour markets have become more flexible and absorbed uncertainties by allocating an increasingly large share of low-skilled workers to temporary jobs. They interpret temporary employment as a crucial new social inequality in Europe.

In this paper, we will evaluate these two conflicting perspectives on labour market flexibility and skill-related labour market inequality. We expect differences in skill-related inequality trends in Europe due to the institutional heterogeneity in labour market flexibilisation strategies. For example, some Western European countries have experienced a two-tier selective deregulation, i. e. the combination of high employment security for workers on permanent contracts and the removal of many barriers for the use of flexible temporary contracts. We expect higher risks for low-skilled especially in those countries, while other countries should have experienced increasing skill-related unemployment risks.

The empirical analyses are based on a pooled cross-sectional design by using yearly data from the European Labour Force Survey for the period from 1992 to 2005. This database provides unique large-scaled, standardised micro data of national labour force surveys. We supplement the data with harmonized national labour force surveys from Germany and UK such that we end up with a sample of fifteen Western European countries.

We apply multilevel models implemented in a two-step estimation procedure to investigate contextual influences on individual skill-related temporary employment and unemployment risks. At the micro level we take into account standard demographic characteristics such as age and gender, a respondent's educational level and (in case he or she is working) information on the occupational position as well as on the firm he or she is working at. At the macro level we focus on the effect of employment protection legislation, but control for other structural and institutional influences.