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In brief

- The topic studied for ten EU countries was whether – after an intensive phase of reform and before the negative effects of the international crisis of 2008/09 were felt – more people had managed to enter employment than ten years earlier.
- The analysis of individual transitions showed that the labour markets in the countries studied had indeed become more absorbent than ten years before.
- However this was not equally the case everywhere. Germany was among the countries showing a positive balance.
- In all countries with the exception of the United Kingdom and Denmark, the newly adopted employment relationships were however linked to more instability.
- The likelihood of moving on to a permanent job from the state of unemployment had dropped by almost 8 per cent on average for the countries surveyed and in Germany by about 7 per cent.
- The sustained positive development on the German labour market indicates that the proportion of newly adopted employment to employment that has ended has also become more favourable in the long term.
- In labour market policy of the future, it will be a question of fostering transitions into higher-quality and more stable employment, without restricting the improved absorption capacities of the labour market.

Dynamics on the European labour markets

Are insecure contracts the price of more employment?

by Regina Konle-Seidl and Parvati Trübswetter

As in Germany, other European countries also witnessed more movement into and out of unemployment in the first decade of the twenty-first century. Have the European labour markets become more absorbent and "inclusive" through the increased dynamics in comparison to the 1990s? Have more out-of-work persons indeed managed to make the leap into employment? And: Are more insecure working relationships the flip side of this positive development?

We have examined individual transitions to employment and non-employment for the years 2007/2008 in comparison to 1997/1998, that is, after an intensive period of reform in Europe but before the negative effects of the international financial and economic crises of 2008 reached the labour markets. The change in direct transitions is analysed on the basis of the European Labour Force Survey for the following countries: Germany, Belgium, Denmark, France, Italy, Spain, Poland, the Czech Republic, Hungary and the United Kingdom.

■ The influence of institutional reforms on the transitions

Along with business cycles, labour market institutions – such as employment protection, minimum wages, or social security in the event of unemployment – influence both the dynamics and structure of national labour markets. Reforms towards a liberalisation of employment protection, for example through the deregulation of temporary employment or a stronger activation of those receiving benefits in accordance with the principle of "rights and responsibilities", are changing the way labour markets function.

An illustrative example of the interconnection between deregulation of temporary employment and employment dynamics is presented by the southern EU countries. As a result of the simplified approval of temporary working relationships in the middle of the 1980s in Spain, this form of employment spread strongly there. In France as well, the conclusion of temporary employment relationships was made easier as early

as the beginning of the 1980s and – as in Spain – more strongly regulated again in the 1990s. In Italy, the conclusion of temporary working contracts was permitted more strongly at the end of the 1990s. However the strict protection of regular contracts with high, legally binding severance payments was retained in all three countries. This led to evasive reactions, moving away from regular contracts towards less regulated forms of gainful employment and, at the same time, to generally more fluctuation on the labour market: when business was going well there was more recruitment; at times of crisis there were more losses of jobs than before the reforms (Boeri 2011).

While the reform agenda in the southern countries was marked by changes in the regulation of the labour market over the last two decades, in the United Kingdom (1996–2000), Denmark (1993–2006) and Germany (2003–2005) it was strongly characterised

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Definitions and data basis

According to the international classification of the ILO, every person of employable age (15–64 years) can be allocated a clear employment status: employed, unemployed (unemployed persons who are looking for work) and economically inactive (persons who were neither in employment nor unemployed during the period under review because they were in training, ill, unfit for work or in early retirement, were participating in labour market policy measures or did unpaid housework.) The unemployed and the economically inactive persons are defined together as the non-employed in which the group of economically inactive persons is considerably larger than the group of unemployed.

The European Labour Force Survey (ELFS) is a cross-sectional data set relying on individual data conducted on an annual basis. At the time of survey, employment status for the year before is enquired about along with current employment status; this allows transitions between employment, unemployment and inactivity to be depicted. The data only represent an approximation of actual mobility processes: as the change in employment status is registered between two points of time clearly distanced from each other (e.g. Spring 2007 and Spring 2008), multiple changes within this period of time cannot be identified. We used data from 1997, 1998, 2007 and 2008 each with the previous year covered by the retrospective question. Observations from 1997 and 1998 are defined as the first period of time and from 2007 and 2008 as the second so that possible economic shifts do not have too great an effect on the results as a two-year average is less susceptible to fluctuations. In addition, positive findings cannot be traced back to economic effects alone as, on average, the GDP growth rates in the years 1997/1998 were just as high or higher than the average for the years 2007/2008 in all countries with the exception of the Czech Republic.

For Germany we use data from the German "Mikrozensus" of the corresponding year as the ELFS data from EUROSTAT are only available for Germany as of 2002 for legal reasons. The reprocessing of Mikrozensus data has formed the basis for the ELFS since the 1960s. From the beginning of 2005 onwards, the German LFS has been carried out as a continuous survey of monthly partial samples, hence comparability of data of earlier years with data as of 2005 is limited.

by reforms in social benefits and activation strategies. Eligibility for benefits, the definition of whether a job offer was reasonable or not, as well as the level and/or duration of unemployment benefits were already modified radically in Denmark at the beginning of the 1990s, in the United Kingdom in the middle of the 1990s, and in Germany at the beginning of the 2000s. At the same time, activation strategies in the sense of "rights and responsibilities" (Fördern und Fordern) were carried out (Eichhorst et al. 2008). In France, by contrast, the fundamental nationwide reform of benefits and activation strategies was not implemented until the end of the 2000s. Spain and Italy – countries with a low level of coverage in the event of unemployment – have hardly undertaken any activation reforms worth mentioning up to now. In the Eastern European states of Poland, the Czech Republic and Hungary, the 1990s were marked by a reduction in available labour by means of generous early and invalidity pensions. An activating labour market policy did not move more strongly into the foreground in those countries as well until accession to the EU in 2004 (Clasen/Clegg 2011).

According to premises of labour market policy, reforms of benefits and activation measures encourage transitions from unemployment to employment: in other words, lower net wage replacement rates or the obligatory participation in a particular measure lead to the intensification of efforts to look for a job and to the acceptance of lower reservation wages. While – according to the search theory – job-seekers who are "activated" are quicker in finding employment again, the quality of the match between the employee and the job can become worse. This may lead to the new job relationship only being of short duration.

As it is difficult to codify the extent and intensity of institutional reforms and to quantify them in empirical macro models, changes in connection with fluctuation or transition rates cannot, as a rule, be ascribed causally to activation. As no longitudinal data at the individual level (panel data) are available for the period relevant to the reform from the middle of the 1990s to the middle of the 2000s, it is not possible to observe the labour market behaviour of one and the same person before and after the reform.

For this reason we concentrated on the analysis of changes in individual labour market transitions at two points in time (see Info box on the left). By using the calculation of transition rates out of and

into non-employment on the basis of probit models (see **Info box** below right) we examined

- whether the employment chances of the unemployed were better in 2007/2008 than in 1996/1997, and
- how the rates of change in transitions into and out of unemployment are constituted in comparison from one country to another.

■ Labour market transitions

We calculated both the probability of gaining employment the next year from a state of non-employment (unemployment and inactivity, see the **Info box** on the left of page 2) as well as the opposite case of becoming unemployed the next year from the state of having employment. The estimated figures for the average development of transition rates for all countries as a whole can be found in **Table 1** (page 4) and the estimated figures for each individual country in **Table 2** (page 5).

Transitions from non-employment into employment

We started by calculating the individual probability of transition from non-employment into employment at the two set periods of time. From the aggregated transition probabilities it becomes clear that the probability of finding a job in 2007/2008 was 1.6 per cent higher on the average for the ten countries than ten years before. A separate consideration of the transition probabilities for unemployed persons and inactive persons shows that, in principle, the unemployed are more likely to make the transition into the labour market than the inactive. The increase in the transitions of the group of inactive persons is however in total higher than that of the unemployed in the ten-year comparison (see **Figure 1**).

The influence of socio-demographic characteristics such as gender, age and level of education on the probability of transition was examined with the help of regression analysis. The findings are shown in **Table 1**: men find work more easily than women; persons under 20 and those over 50 have more difficulty finding a job than those out of work of main working age. Moreover, a higher level of education leads to a higher probability of finding a job.

In the country comparison, the United Kingdom shows the highest rates of transition from non-employment into employment after Denmark. Germany is in third place. The unemployed in Italy, Hungary,

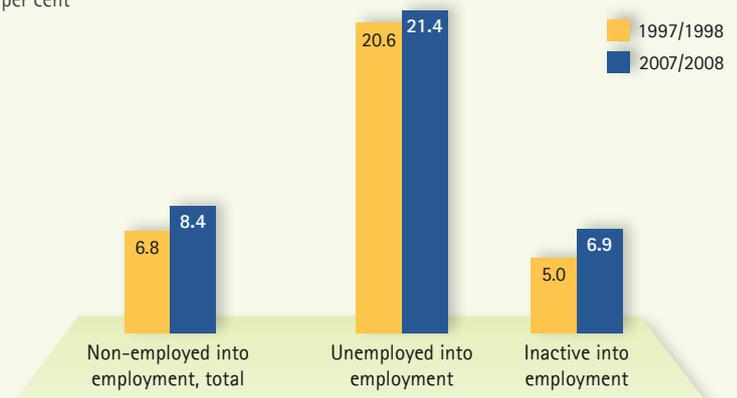
Belgium and Poland have lower chances of making the transition to employment (see **Table 1**, column 1, page 4).

The changes in transition rates into employment can be depicted for individual countries when the regressions are carried out separately for each country (see estimated results in **Table 2**, column 1, page 5). On the average for all countries, the individual chances of taking up a job have risen by 6 per cent. The chances that the unemployed in Denmark have of finding a job have increased the most (by 14.7%). There – starting at an already relatively high level – the transition rates showed a clear increase. In Spain as well, the transition rates from unemployment into employment rose over the ten-year period by 11.4 per cent, in Germany by 4.5 per cent. Only in

Figure 1

Transition from non-employment to employment

1997/1998 and 2007/2008, transition rates (average for ten EU countries) in per cent



Example: The probability that someone moved from non-employment to employment in the period 1997/1998 was 6.8 per cent. Ten years later this had risen 1.6 percentage points to 8.4 per cent.

Source: European Labour Force Survey and the German Mikrozensus, own calculations. © IAB

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Methodological explanations

The calculation of transition probabilities between various labour market statuses takes place by means of a probit model. What is explained are various changes of labour market status e.g. from unemployment to employment. The dependent variable in this model is 0 if the status of the person has not changed (e.g.: the person has remained unemployed) and 1 if the status has changed (e.g. the person has found work).

This transition variable is explained by the time of observation, personal factors such as gender, age and education as well as sectors and indicators for the country in which the person has been observed. First, estimations for all countries are combined so that an average development of the transition rates over time can be seen (see **Table 1**, Marginal effects in per cent). After that, the same transition probabilities are estimated for each country (see **Table 2**).

Table 1

Determinants in the transition probabilities between various labour market statuses

Probit model, marginal effects¹⁾ in per cent

	Transition probability from ...					
	non-employment to employment	unemployment to employment	non-employment to temporary employment	unemployment to permanent employment	employment to unemployment	unemployment to inactivity
Period (Reference: 1997/1998)						
Year 2007/2008	0.023*	0.057*	-0.077*	-0.077*	-0.004*	0.066*
Gender (Reference: Woman)						
Man	0.050*	0.071*	0.036*	0.056*	-0.002*	-0.090*
Age groups (Reference: 16 to 20 years old)						
21 to 25 years old	0.084*	0.057*	0.166*	-0.002	0.002*	-0.064*
26 to 30 years old	0.128*	0.031*	0.235*	0.027*	-0.007*	-0.050*
31 to 40 years old	0.097*	0.003	0.282*	0.023*	-0.014*	-0.035*
41 to 50 years old	0.048*	-0.024*	0.270*	0.022*	-0.019*	-0.014*
51 to 65 years old	-0.075*	-0.136*	0.185*	0.01	-0.020*	0.144*
Education²⁾ (Reference: Low education)						
Average education	0.058*	0.081*	0.041*	0.027*	-0.009*	-0.069*
Higher education	0.117*	0.154*	0.072*	0.027*	-0.015*	-0.109*
Countries (Reference: United Kingdom)						
Belgium	-0.096*	-0.178*	0.129*	0.117*	0.006*	0.093*
Denmark	0.021*	0.072*	0.150*	0.247*	0.008*	-0.035*
Germany	-0.019*	-0.098*	-0.137*	-0.015	0.015*	-0.077*
France	-0.074*	-0.058*	-0.101*	-0.103*	0.021*	-0.058*
Italy	-0.109*	-0.128*	0.074*	0.081*	-0.003*	0.147*
Poland	-0.085*	-0.103*			0.007*	0.015*
Spain	-0.079*	-0.043*	-0.273*	-0.327*	0.022*	-0.160*
Czech Republic	-0.074*	-0.049*	0.167*	0.221*	0.005*	-0.118*
Hungary	-0.101*	-0.099*	0.243*	0.168*	0.015*	0.068*
Sectors³⁾ (Reference: Services)						
Agriculture			-0.117*	-0.166*		
Industry			0.063*	0.041*		
Pseudo-R ²	0.1324	0.0414	0.0963	0.0874	0.0448	0.0921
Number of observations	1,696,835	304,823	189,269	77,910	2,475,153	304,823

* The marginal effect is with a probability of 95-per cent different from nil.

Note: The dependent variable can have two values: "1" if the transition from the starting status to the end status is positive; otherwise "0". In the calculation, dummy variables were used for time of observation, gender, age group, education, countries and sectors as explanatory variables; the data for Italy and the Czech Republic only refer to 1998, for the United Kingdom only to 1997.

¹⁾ A marginal effect means that the change of the explanatory variable from 0 to 1 brings about a percentual change in the probability to the level of the marginal effect *100. The effect of a change can therefore be read off directly. Example: In 2007/2008, the probability of moving from non-employment to employment for all countries was 2.3 per cent higher than in the year 1997/1998 (1st figure, 1st column).

²⁾ The educational category "low education" covers persons up to the lower secondary school leaving certificate; "average education" persons with an upper secondary school leaving certificate or who have completed occupational training; "higher education" persons with a degree, a diploma from a college of advanced vocational studies, or a doctorate.

³⁾ Poland is not covered in the regressions dealing with the economic sectors as no information is available in this respect.

Source: Own calculations on the basis of the European Labour Force Survey and the German Mikrozensus.

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Poland and the Czech Republic has the probability of taking up employment from a state of unemployment dropped significantly.

Transitions into unemployment

At the macroeconomic level, unemployment decreases when the exits out of unemployment rise and/or the entries into unemployment drop. Whether more transitions into employment also lead in general to more employment and less unemployment therefore also depends on the way in which entries into unemployment from employment develop. From the longitudinal comparison of all entries into unemployment at two points in time, we can make assertions about whether the probability of becoming unemployed in 2007/2008 was generally higher or lower than a decade before. However, on account of the fact that the European Labour Force Survey (ELFS) does not have a panel structure we cannot examine whether persons who made the transition into the labour market were able to be integrated there on a permanent basis.

Table 2 (column 2) shows that the probability of becoming unemployed from the state of employment has dropped by roughly 0.4 per cent on average of all countries surveyed. This was clearest in Denmark, Germany and the Czech Republic. Only in Belgium was the probability of becoming unemployed in 2007/2008 significantly higher than ten years before.

Transitions from unemployment into inactivity

Taking up a job again on the regular labour market is in principle the most successful way of exiting unemployment. At the macroeconomic level, however, unemployment does not only drop if more people of working age (15 to 64 years old) take up a job or less people lose their jobs; according to statistics on joblessness, it also drops if more of the unemployed become inactive because they withdraw from the labour market, take up training, participate in a labour market policy measure, are classified as not fit for work or go into (early) retirement. In these cases they are no longer visible in the unemployment statistics.

International comparisons suggest that in the 1980s and 1990s particularly in so-called "success countries" in terms of labour market policy such as the United Kingdom and Denmark, the decrease in unemployment could not entirely be explained by more people taking up jobs but also to a not incon-

siderable degree by an increase in the rates for inactivity (Konle-Seidl 2009).

At the end of the 2000s as well, the transition probabilities from unemployment to inactivity rose further, on the average for our ten sample countries by 6.6 per cent. Table 2 (column 3) shows that the rise in Italy, Spain, Poland and Belgium in particular was above average while in comparison that of Germany was below average at 4.4 per cent. Only Denmark had significantly less unemployed at the end of the 2000s than ten years before.

When one looks at all the change rates in Table 2 it becomes apparent that on average for the countries studied in the years 2007/2008 more unemployed managed to make the transition into employment than ten years before without more persons becoming unemployed at the same time. The results may therefore be interpreted as showing that the labour markets became more absorbent over this ten-year period.

■ The quality of the new jobs

The expansion of atypical forms of employment (temporary employment, marginal part-time work, temporary agency work) and a low-wage sector that is gradually spreading out through Europe suggest that more transitions into employment are taking place as the cost of the quality of employment. For instance, in comparison to total figures for employment, the share of temporary employment relationships rose since 1999 in Poland in particular, but also in Italy, Hungary, France, the Czech Republic and Germany. On the other hand, in Belgium, Denmark and the United Kingdom this share has dropped slightly. Clearest of all is the drop in Spain as a result of the reform of 2006 which was aimed at curbing the widespread use of temporary working relationships once again. Nonetheless, Spain still shows the highest rates for fixed-term work Europe-wide by a long way (see Figure 2). Fixed-term employment relationships have been expanding there strongly since deregulation in the middle of the 1980s.

We measured the quality of employment on the basis of the employment relationship taken up and differentiate between permanent employment on the one side and temporary and marginal employment relationships on the other. Temporary agency work, which in Germany only increased sharply over the last few years, cannot (yet) be identified for the years 1997/1998 using ELFS data. Further analyses

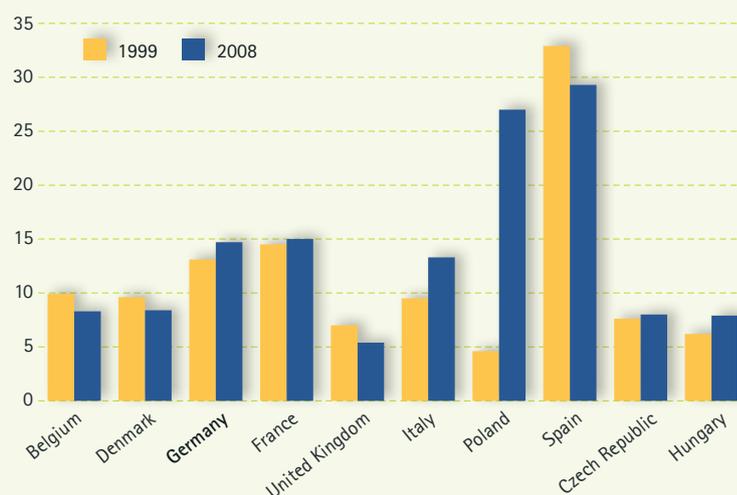
relating to sustainability and to income levels in newly adopted working relationships are also not possible on the basis of the ELFS.

Analogue to the analysis of the transition probability, we calculate whether the probability

Figure 2

Share of temporary employment in total employment

in per cent



Note: In the data of EUROSTAT, apprentices are also seen as persons in temporary employment. Apprenticeship contracts are per se fix-termed. According to the Federal Statistical Office, 8.9 of all working contracts in Germany in 2009 were fixed-term contracts, excluding apprenticeship contracts. Of the working relationships subject to social security contributions, this share was 9.3 per cent (IAB Establishment Panel).

Source: EUROSTAT.

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Table 2

Change in transition rates from 1997/1998 to 2007/2008

in per cent

Countries	from unemployment to employment	from employment to unemployment	from unemployment to inactivity
Belgium	6.4	0.3	7.8
Denmark	14.7	-2.2	-5.3
Germany	4.5	-1.1	4.4
France	3.0	-0.6	6.7
United Kingdom	4.5	-0.2	-0.8 ¹⁾
Italy	1.6	-0.1	19.1
Poland	-2.4	-0.4	9.1
Spain	11.4	-0.6	13.2
Czech Republik	-9.8	-0.9	3.4
Hungary	-0.2 ¹⁾	0.1 ¹⁾	-0.6 ¹⁾
Average of all countries	6.0	-0.4	6.6

Notes: Marginal effects from probit regressions; further control variables: gender, age, education and country (only for the average of all countries). The data for Italy and the Czech Republic only refer to 1998, for the United Kingdom only to 1997. The figures of all countries compared differ significantly from the German figures.

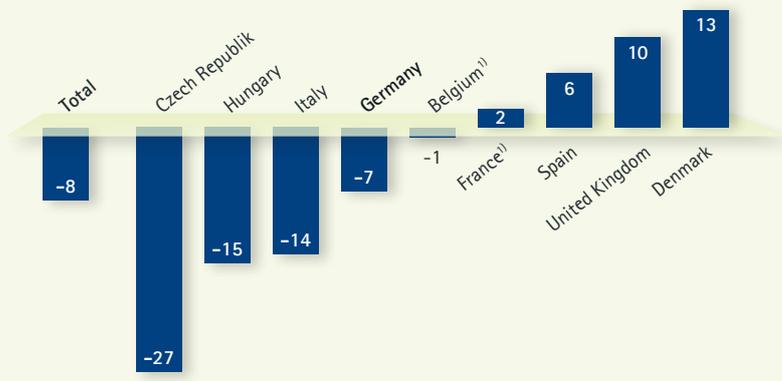
¹⁾ Non-significant values; all others are significant (with a 95-per cent probability different from nil).

Source: European Labour Force Survey and the German Mikrozensus, own calculations. © IAB

Figure 3

Change in transition rates from unemployment to permanent employment 2007/2008 in comparison to 1997/1998

Shares in per cent



Notes: Marginal effects from probit regressions; further control variables: gender, age, education and country (only for total regression); without Poland (as the sectoral information is not available, estimations cannot be directly compared). The data for Italy and the Czech Republic only refer to 1998, those for the United Kingdom only to 1997. The figures of all countries compared differ significantly from the German transition rates.

¹⁾ Not significantly different from nil.

Source: European Labour Force Survey and the German Mikrozensus, own calculations. © IAB

rary employment relationships in 2006 contributed to the fact that in 2007/2008 relatively more unemployed persons took up permanent employment than ten years earlier. In comparison with the other countries, however, the probability of finding a permanent job from a state of unemployment is still lowest in Spain (see Table 1, column 4).

While in Denmark and the United Kingdom the increased transitions into employment did not take place at the cost of permanent employment relationships, the chances that the unemployed in Germany take up permanent employment sank by 7 per cent. In the Czech Republic, Hungary and Italy, the chances of gaining a permanent working contract dropped even further. In Poland the decline is actually over 40 per cent. However, as the Polish data do not include any indication of sectors, the estimated results cannot be directly compared which is why they are not included in Figure 3.

Conclusions

of finding permanent (full- or non-marginal part-time) employment was smaller in 2007/2008 than in 1997/1998. And the regression results do indeed show that the probability of changing to a permanent job from non-employment has dropped on country average by 7.7 per cent (see Table 1, column 3). From unemployment (without inactivity) it has likewise fallen by 7.7 per cent (see Table 1, column 4).

Men adopt a permanent occupation more often than women; persons of main working age (26–50 years old) more often than younger and older employees. If one only looks at the transition rates from unemployment (without inactivity) into permanent employment, then only a very mild age effect is apparent. Those not in employment but with an average or higher education have better chances of finding permanent employment than persons with a low education. Persons not in employment are most likely to find employment in industry and least likely in agriculture.

Apart from Spain, only in Denmark and the United Kingdom – that is in countries with traditionally liberal employment protection – did more unemployed take on a permanent employment in 2007/2008 than ten years before (see Figure 3). As already mentioned, Spain is a special case: starting from an extremely high rate of temporary work, statutory changes in favour of the containment of tempo-

The labour markets in the ten European countries studied have become more absorbent over the ten-year period of comparison: that is what the current analysis of individual transitions between various different statuses on the labour market shows. On balance, more people moved on into employment in 2007/2008 from a state of unemployment or inactivity than ten years before. Albeit there were marked differences between countries.

Along with Denmark and the United Kingdom, Germany belongs to the group of countries in which not only more unemployed persons found employment but also fewer employed became unemployed. In addition, in Denmark and the United Kingdom, transitions out of unemployment and into inactivity declined. In the middle of the 1990s, the unemployment rate had dropped in both countries but the inactivity rates had risen through the temporary or permanent withdrawal of unemployed persons from the labour market. The latter was much less the case at the end of the 2000s. This allows the conclusion to be made that, there, not only more unemployed persons had been successful in entering the labour market, but that there were probably among them those groups of persons who had had placement problems and who had had even more problems in finding work a decade earlier. Official German statistics likewise confirm that the long-term unemployed were more successful in

making the transition from unemployment to employment in 2007/2008 than a decade earlier (BA 2011). The labour markets in Germany, Denmark and the United Kingdom – countries that have implemented fundamental reforms in social benefits and activation since the middle of the 1990s – have thus become more inclusive. There the chances of exiting unemployment in favour of gainful employment have risen more strongly than the risk of becoming unemployed or inactive through the loss of gainful employment.

The southern countries Spain and Italy also show positive rates of change as regards transitions from unemployment into employment, but at the same time there is a high rise to be seen in the transition rates from unemployment to inactivity. For what reasons more unemployed persons there have withdrawn from the labour market – either temporarily or permanently – must be examined in a further analysis. It can be presumed, however, that in the case of those moving on into inactivity it is especially a question of young persons without entitlement to benefits who have not been able to build up any entitlements on account of temporary, and often only short-term, working contracts. In Belgium and the Eastern European countries, the results are in general less conclusive.

In principle, our analysis confirms that the exit rates from unemployment on the European labour markets have risen on average.

Studies using administrative data come to similar results: for Germany, Klinger and Rothe (2010) show that the Hartz reforms raised chances of employment for both the short-term and long-term unemployed, even if the dynamics on the German labour market have not increased in general. At the same time, however, the number of fixed-term hires has also risen over the last years (Hohendanner 2010) and transitions from Hartz IV into employment are usually only of short duration (Koller/Rudolph 2011).

Also on the average for the ten countries, the quality of employment in respect to the type of employment relationship taken up has deteriorated. The probability of switching to a secure, permanent working relationship from non-employment has fallen by 7.7 per cent. In Germany transitions to a permanent working relationship dropped by roughly 7 per cent, while at the same time transitions to temporary and marginal employment have risen. Movements on the labour markets in Italy, Hungary, the Czech Republic and Poland were linked to an

above-average increase in transitions to temporary or marginal employment.

However more employment did not mean more insecurity everywhere: in Denmark and the United Kingdom – countries with liberal employment protection – the chances of taking up permanent employment from the state of non-employment have even increased in comparison to ten years earlier. While in Spain there were also more transitions to permanent employment relationships than a decade before, this had taken place from a clearly higher starting level for the rate for temporary work.

Although the differences between countries in respect to changed transition rates (marginal effects) cannot be ascribed causally in our analysis to institutional reform, our descriptive findings can be interpreted as implying that benefit and activation reforms carried out over the last fifteen years in Denmark, Germany and the United Kingdom have had a positive influence on transitions into/out of unemployment and inactivity. Moreover, differences in the quality of the newly adopted employment relationships (permanent versus temporary/marginal) point at the interplay between employment protection regulations, the system of unemployment support, and active labour market policy, particular to the country in question. Differing interactions between labour market institutions and the social system would appear to lead to different dynamics on the individual labour markets concerned.

A more dynamic labour market cannot only be seen however as something unconditionally positive. On the one hand, dynamics mean more placements and the creation of new jobs but on the other also more dismissals and the ending of working relationships. In the southern EU states in particular a more



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effective combating of the "negative dynamics" has been in discussion for some time now, which had been induced by the only partial reform of employment protection. The admissibility of temporary forms of employment while retaining strong employment protection for "insiders" has led to more labour market flows but it has also led to a stronger segmentation of the labour market. The negative results of higher temporary rates in Spain and Italy and the very low transition rates for temporary to permanent employment in France became especially apparent during the crisis. For instance, more than 70 per cent of the job losses in Spain were at the expense of temporary employees, with young people and young adults overproportionally affected.

In contrast to other European countries, the German labour market has survived the latest economic crisis surprisingly well. With approximately 41 million persons in employment, Germany is currently reporting an employment record of historical proportions and at 6.4 per cent the lowest unemployment rate since reunification. The more favourable ratio between the increase in employment and the drop in unemployment since the middle of the 2000s indicates that we are dealing with a long-term positive trend.

Nevertheless, it is not only more transitions from unemployment into employment by means of "work first" activating that will be talked about in the coming years but also the qualitative improvement of gainful employment has to be put more prominently on the policy agenda. In doing so, it will especially be a question of how to induce jobs of higher quality and more stable employment by supporting the up-skilling of the newly hired.

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