

## Employment inequalities in Europe during the 2008 financial crisis

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### Key points

- During the economic crisis in Europe employment inequalities appeared more pronounced and people at a disadvantage prior to the crisis experienced more fragmented employment trajectories.
- During the financial crisis women and low educated people experienced more turbulent and fragmented employment pathways compared to men and highly educated people.
- Educational attainment played a larger role for women: gender differences, mainly in rates of inactivity and employment, became less evident at higher levels of education.
- Flexible labour markets, such as those in Denmark and Sweden, offered the most equal chances of employment to workers, independently of their gender and education level. In contrast, workers in countries with partially deregulated labour markets, such as those in Greece and Italy, experienced the most turbulent trajectories and the highest incidence of inactivity and unemployment.
- An important implication of the findings is that, during a time of economic crisis, flexibility without security or with partial deregulation of the markets may lead to further segmentation and an increase in employment inequalities.

### Introduction

During the last decade, Europe has been in a financial and debt crisis, which spread in 2008 from the U.S. to the European countries. Each sub-group of the European population was affected to a different extent depending on their socio-demographic characteristics. In particular, the increase in non-standard forms of employment led to even more fragmented labour markets, offering different employment opportunities and different levels of job quality and security to workers based on their individual characteristics such as gender, age, education and country of residence. This study aimed to investigate employment inequalities, focusing on the impact of individual characteristics and country of residence on individual labour market trajectories before and during the 2008 financial crisis across European countries.

### Data, sample and methods

The data analysed is the longitudinal component of the EU-SILC dataset and more specifically the panels of 2005-2008 and 2009-2012. The sample of analysis includes individuals residing in 11 European countries aged between 25 and 64 years old. The outcome variable contains



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monthly labour market information and consists of seven states: full-time employment, part-time employment, full-time self-employment, part-time self-employment, unemployment, inactivity and retirement. Sequence analysis was applied in order to study and describe labour market transitions in a dynamic and holistic way and cluster analysis to identify labour market typologies before and during the financial crisis.

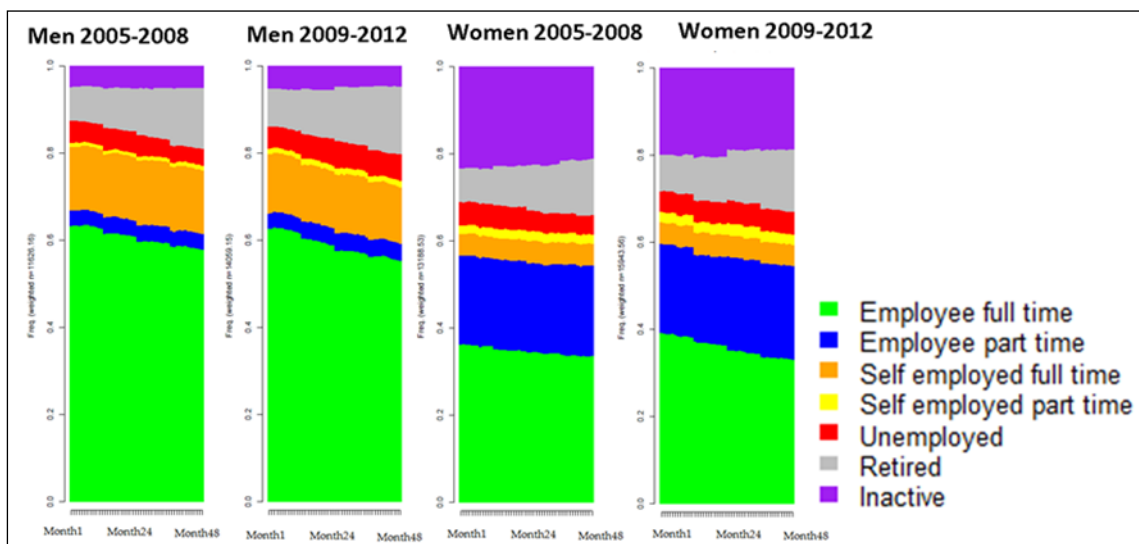
### Gendered labour market trajectories...

#### ...before and during the crisis

Women are generally at a disadvantage in the labour market when compared to men and are more susceptible to economic shocks

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**Figure 1 – Monthly proportion status plots by gender, 2005-2008 & 2009-2012**

(Karamessini & Rubery 2014). In particular, women are more often employed in unstable, low-qualified and low-paid jobs with limited opportunities for promotion and on-the-job training. Nonetheless, the 2008 crisis hit male-dominated occupational sectors harder, namely construction and industry, leading to an increase in male unemployment during the first years of the crisis. Interestingly, at the same time, women were pushed from inactivity into the labour market in order to contribute to the household income. Figure 1 demonstrates a clear male dominance in full-time employment, both dependent and self-employment, as well as gender differences concerning mainly inactivity (in purple) and part-time employment (in blue), both states being substantially more frequent among women, during both periods. Moreover, the study found that after the start of the economic crisis women’s labour market pathways more often included more than two transitions between labour market states, indicating more fragmented pathways when compared to men.

**... and across European countries**

Two Nordic countries, Denmark and Finland, together with Portugal offered the most equal chances of full-time employment for men and women (Figure 2). In countries where part-time employment is commonly used, namely the Netherlands, Sweden and the UK, women were frequently

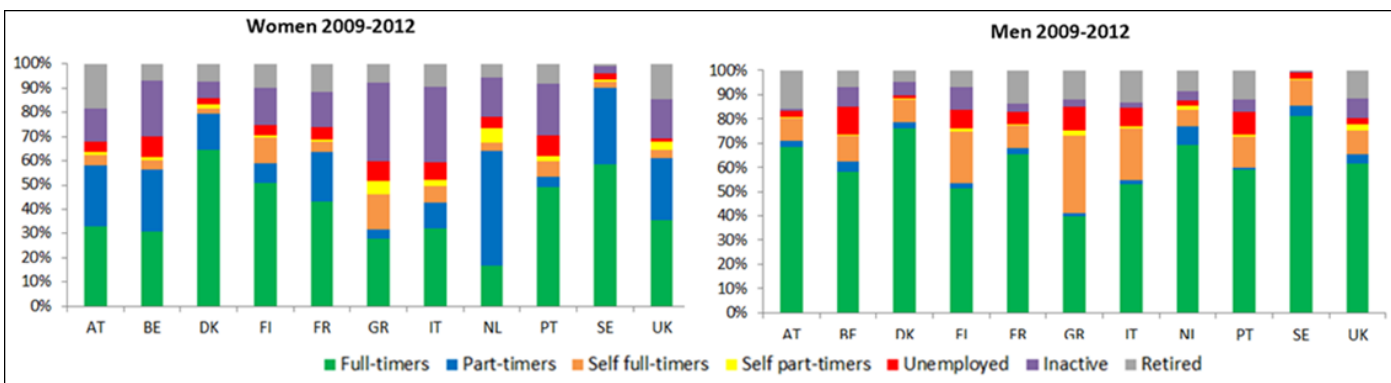
employed as part-time workers. Self-employment was more commonly used among men, especially in Greece, Italy and Finland, countries that, together with Portugal, also registered a notable female share in full-time self-employment. Finally, female inactivity was

worryingly high in Greece and Italy, followed by Portugal, countries known for their limited policies in support of women combining family and work, as well as for a high share of unpaid female workers in family business (Anxo et al. 2007; Karamessini & Rubery 2014).

During the financial crisis, men registered a decrease in full-time employment in almost all the countries, especially in Greece and the UK, and an increase in unemployment, especially in Greece, Italy and Belgium. At the same time, female full-time employment increased in most countries and especially in Sweden, while female part-time employment increased in Austria, Belgium, Finland, Sweden and Italy. Furthermore, female inactivity decreased almost in all the countries analysed and especially in Austria, the Netherlands, Italy and Greece, while female unemployment increased in the three Southern European countries. In essence, after the start of the Great recession, the gender disparities regarding full-time employment appear slightly more contained in almost all the countries under investigation. Nonetheless, overall gender employment inequalities still remained pronounced during the Great recession. In fact, the gap in employment (especially in full-time forms of employment) between men and women persisted during the crisis, with women registering more turbulent and fragmented employment trajectories compared to men, especially in Greece and Italy.

**Low educated workers: more affected by the crisis?**

Overall, highly educated people appear to be advantaged in



**Figure 2 – Labour market clusters by gender and country (%), 2009-2012**

the labour market over less educated people both before and during the financial crisis. Figure 3 shows clearly that, between 2009 and 2012, high educated people (upper/post-secondary and tertiary education) were more frequently in stable dependent employment and the incidence of non-employment among their trajectories was not common. On the other hand, people with low levels of education (up to lower secondary education) besides being more often in inactivity (purple) and unemployment (red), experienced more turbulent and fragmented employment sequences, especially during the economic crisis. During the crisis an expansion in higher education was observed together with a decrease in job vacancies and an increase in unemployment, circumstances which often lead to the phenomenon of crowding-out (Barakat et al. 2010). According to this phenomenon, low educated people are pushed either out of the labour market or to worse employment situations by highly educated people, who are obliged to accept jobs for which they were over-qualified. Nonetheless, the decrease in labour demand and the high unemployment rate observed during the economic crisis also had an impact on highly educated people. In fact, highly educated people presented the highest decrease in full-time employment during the financial crisis (-3%).

### Education matters more for women

Did the gender differences that emerge in Figure 1 remain stable across levels of education? The study found this not to be the case. Gender employment differences became smaller among highly educated people. Although full-time employment was always prevalent for men independently of their level of education, the gap became smaller between highly qualified men and women. Furthermore, education mattered substantially for the inactivity incidence among women. This incidence accounted for 41% among women with low levels of education versus 9% among highly educated women, pattern that remained similar across time.

### European variation in the effects of education on employment outcomes during the years of crisis

Full-time dependent employment was significantly more frequent among highly educated people in all the countries

but to a different extent. The Swedish labour market seemed to offer equal chances for full-time employment to everyone, independently of their education level (a gap between low and high educated equals to 3 percentage points). The second and third more contained gaps regarding full-time employment belonged to the Netherlands (11 points) and Denmark (14 points). The wider gap between high and low educated regarding full-time employment was registered by Portugal, Greece and Finland, followed by the UK, Belgium, France, Italy and Austria.

The use of part-time employment was more frequent among highly educated people in the Netherlands (21% versus 13% of the low educated in stable part-time employment), Belgium and Sweden. On the contrary, part-time employment was more frequent among low educated people in the United Kingdom (11% versus 6%) among highly educated people). A possible explanation may lie in the quality of the part-time contracts, such as the security they offer to employees. Finally, full-time self-employment was more frequent among low skilled people in the Scandinavian countries, Greece and Portugal, while the opposite trend emerged from the Continental countries, Italy, the Netherlands and the UK.

### Conclusions

Women and low educated workers are generally disadvantaged in the European labour markets. During the 2008 financial crisis, men were more affected by the economic instability resulting in an increase in male unemployment, while women transited from inactivity to the labour markets. That does not mean that women had an advantage; actually female employment trajectories during the years of crisis appeared more fragmented and turbulent compared to male trajectories. The gender gap in employment decreased at high levels of education: highly educated men and women presented more similar employment sequences compared to low educated women and men.

A significant heterogeneity emerged between European countries regarding individual labour market sequences and employment inequalities: the effect of gender and education on employment outcomes varied substantially

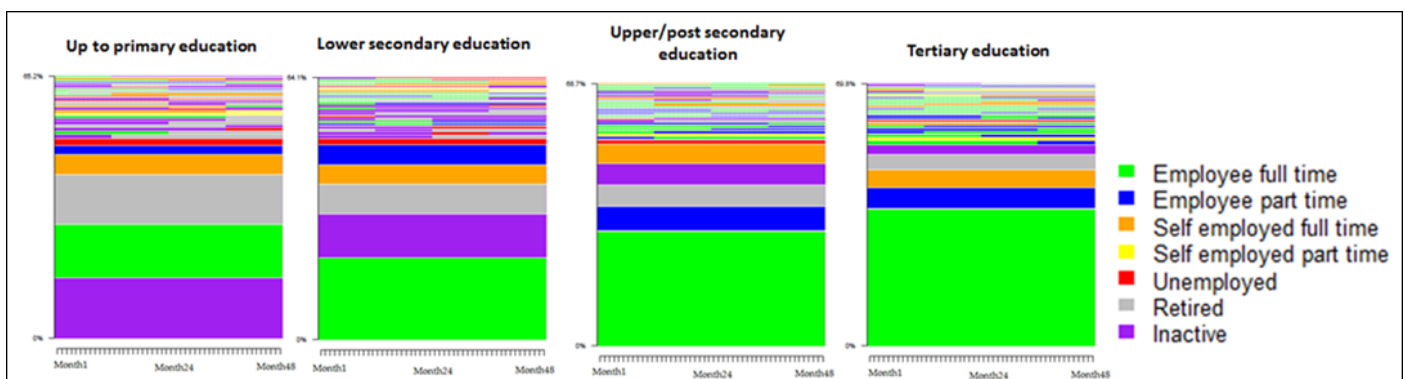


Figure 3 – Sequence frequency plots (30 most frequent sequences) by education level, 2009-2012

across countries. The most



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equal labour markets before but also during the economic hardship were the Danish, Finnish and Swedish offering higher chances of employment to all workers, independently of their gender and education level. Southern European countries and especially Greece and Italy, i.e. countries with strict employment legislation, implemented during the crisis a partial deregulation of their labour market. In other words, they allowed for less strict hiring procedures and, at the same time, maintained high level of protection for the permanent workers. There is a need to be cautious about the implementation of policies which increase flexibility without security or with partial deregulation of the markets, because they may lead to further segmentation and an increase in employment inequalities. In recent years the concept of a 'transitional labour market' has been put forward, i.e. a labour market that would encourage, but also secure, labour market transitions. It would promote flexible forms of employment, especially when in need to adjust the labour force because of decrease in labour demand, and at the same time secure these forms of employment, i.e. offer social protection to workers (pensions, unemployment benefits, employment insurance, etc.) (Schmid 2016).

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