

Unemployment risks in four European countries

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The paper deals with a comparative analysis aimed at detecting the variations across Denmark, Germany, Italy and UK in the risks of unemployment experienced by incumbents of 9 occupational classes defined according to a newly developed class scheme, called ESeC, which, in turn, is based on Isco.88.com. The four countries have been selected in order to represent the main variations of institutional arrangements and labour market regulations existing in EU-15 countries. More precisely, Denmark represents countries where the state plays an important role in the functioning of the whole society; UK represents countries that attribute a great importance to the market in the workings of the society; Germany and, above all, Italy represent societies where family has a crucial position. Moreover Denmark and UK are intended to show the effects of rather flexible labour markets, while Germany and Italy are designated to display the consequences on unemployment of more regulated labour markets. To carry out the analysis, data coming from the waves from 1994 to 2001 of the European Community Households Panel (ECHP) were used.

Both risks of unemployment and the length of employment episodes were studied. The former were measured with reference to the incidence rates of unemployment, i.e. the ratio of the duration of an unemployment spell to the sum of this duration and that of the employment episode immediately preceding the unemployment one. We used this offset in order to standardise the length of unemployment spells or, to put it otherwise, in order to control that length for the duration of the individuals' participation in the labour force. Inequalities among ESeC occupational classes and their variations across the above mentioned four EU countries were analysed on the basis of a Poisson regression model.

In order to study the variations between ESeC classes in the length of employment episodes and the shape of these variations in the four selected countries, the survivor functions in employment for every class were studied separately in each country. An observation window covering the 60 months subsequent the individuals entrance in one of the ESeC class was adopted.

Main results of the above analyses are as follows.

First, the average number of months passed as unemployed, expressed as a percentage of all those spent in the labour forces, by members of each ESeC classes differ from the corresponding average of the remaining classes in all the four countries we studied. Yet, ESeC class being equal, UK displays the lowest unemployment incidence rates, followed by Denmark, Germany and Italy. Hence, it would seem that the risk of losing a job and the duration of search for a new job are definitely lower and shorter in societies with flexible labour market, like UK and Denmark. On the contrary, societies with quite rigid labour markets – like Germany and Italy – are more likely to exhibit longer duration of unemployment episodes whatever the class considered. The strength of market orientation of a society and the generosity of its welfare system seem also to play a role in determining the size of unemployment risks affecting each ESeC class. Actually, the average unemployment incidence rate affecting most ESeC classes proves to be definitely lower in the UK compared to Denmark. Precisely because labour market regulation and welfare arrangements are rather similar in Germany and Italy, the differences between these two countries in the average unemployment incidence rates of each ESeC class are not really pronounced.

Second, the shapes of survivor functions are quite different between ESeC classes, but follow the same general trend in the four countries. Yet, the survivor functions of each ESeC class constantly display lower values in the UK and Denmark in comparison with Italy and Germany.