

CELMR Research Digest



Editors' Corner

Welcome to the third CELMR Research Digest! We have had an excellent reception to the first two editions and are pleased to bring you further highlights of some of the recent papers and projects authored by faculty and students associated with CELMR. As always, we intend that the summaries will be as nontechnical as possible to allow for the widest dissemination of the ideas and findings from CELMR research. We hope that you find it of interest and continue to welcome any feedback that you might have about this publication or the summaries contained here.

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What is CELMR?

CELMR is the Centre for European Labour Market Research and made up of 12 faculty from the Economics Department at the University of Aberdeen plus associate members from across the world. The Centre prides itself on high quality, policy relevant research examining a whole range of labour market issues based primarily around four themes:

- Education, Skills and Labour Mobility
- Inequality in the Labour Market
- Health and Work
- Wage Determination

More information about CELMR can be found on our website:

<http://www.abdn.ac.uk/business/research/celmr/index.php>

CELMR News Quick Hits

- **Welcome Dr Fraser Summerfield!** CELMR is happy to welcome Dr Summerfield as the CELMR Research Fellow. He recently defended his PhD from the University of Guelph in Canada where he investigated educational mismatch. In addition to this topic, he will be helping CELMR staff in a variety of projects.
- **Mismatch Conference in October.** CELMR is sponsoring an upcoming conference entitled 'New Research in the Economics of Educational and Skills Mismatch' organised by Dr Harinder Battu (h.battu@abdn.ac.uk) for 13-14 October 2014. This conference includes presentations by both academics as well as policy makers. The schedule is found here: <http://homepages.abdn.ac.uk/h.battu/pages/>.
- **New MSc in Applied Economics.** The Economics Department is excited to announce a new MSc in Applied Economics starting in Autumn 2014. CELMR members will be heavily involved in this MSc given its applied focus. More information on the MSc can be found here: <http://www.abdn.ac.uk/study/courses/postgraduate/taught/appliedeconomics>

Globalisation is perceived as having caused deep changes in the way governments can and do manage their economies. The increasing ‘foot-looseness’ of firms allegedly challenges the financial sustainability of public programmes by constraining governments’ control of the tax revenue, and the distortionary effects of taxation are perceived as a threat to the international competitiveness of firms and industries. Against this background, doubts are frequently expressed about the compatibility of generous welfare state provisions with a country’s successful participation in the global economy. And yet, the vertical fragmentation of the production chain across national borders, and the increasing competition that industrialised countries face from emerging economies, generate deep fears of increasing inequality and reduction in job security which in turn result in growing demands for welfare protection.

Welfare states are considered expensive and, some would argue, unsustainable. Yet, it is clear that a one-size-fits-all approach to policy and policy reform is not the answer to the dilemmas that governments face.

Globalisation and international shocks do not affect all countries uniformly. For example, during the Great Recession we observed a high variability in output and employment adjustments across countries. It is certain that these different performances have been influenced by different policies and labour market institutions, but the reality is that we still know fairly little about how these interact with globalisation forces in determining aggregate employment and productivity performance.

Only by capturing nuanced interactions between the microeconomic and macroeconomic adjustments that result from globalisation shall we be able to gain a better understanding of the role of welfare state policies in countering the labour market and income inequality effects of globalisation.

Current research on these issues tends to suffer from a ‘micro/macro dichotomy’ that is only too common in economics. On the one hand, the effects of welfare state policies on labour markets have often been studied at a microeconomic level. For instance, the bulk of existing evaluations of Active Labour Market Policies focus on their effects on individuals that took part in a given programme – thus ignoring the opportunity costs of the different programmes. On the other hand, many studies of the economy-wide labour market effects of globalisation focus on adjustments that occur across industrial sectors.

This project aims to overcome this dichotomy. Some recent work by Catia and others suggests that countries’ aggregate performance is very much influenced by microeconomic adjustments that occur at the industry level across individual firms and workers. The premise of this project is that only by capturing nuanced interactions between the microeconomic and macroeconomic adjustments that result from globalisation shall we be able to gain a better understanding of the role of welfare state policies in countering the labour market and income inequality effects of globalisation, thus addressing some of today’s most pressing policy dilemmas.

(For further information please contact Prof Montagna: c.montagna@abdn.ac.uk)

Recent decades have witnessed a rising interest in the inequality measurement from a multidimensional perspective, although it has remained largely theoretical. This study presents an empirical application of a methodology developed by Abul Naga and Geoffard (*Economics Letters*, 2006, 362-367). It offers practical insights on how multidimensional inequality can be measured over two attributes (wealth and health) in the developing country context. The proposed methodological framework allows the decomposition of multidimensional inequality into two univariate inequality indices and a third term measuring the association between health and wealth, also known as the socio-economic gradient in health. To ensure comparability across countries, the methodology is then illustrated using data from the World Health Surveys 2002-3. Specifically, this study presents the first comparative analysis on multidimensional inequality for five Middle East and North African (MENA) countries: Comoros, Mauritania, Morocco, Tunisia and the UAE.

Several interesting findings and key implications that emerge from our empirical analysis are worth making. First, health is much more equally distributed than wealth. Second, countries exhibiting more wealth inequality do not necessarily exhibit more health inequality. Indeed, unlike

wealth which can grow indefinitely, our health attribute is captured using an anthropometric measure, which has its own “biological” bounds dictated by the process of accumulation of nutritional status (e.g., length-to-age and body mass). Third, decomposition results reveal that the multidimensional inequality indices mimic the inequality ordering of the wealth distributions.

The finding that the correlation between attributes has a significant contribution in the quantification of inequality has important policy implications since it reveals that it is not only wealth and health inequalities per se that matters in the measurement of welfare inequality but

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also the associations between them. Thus, reducing inequalities in welfare seems to be also a matter of reducing these associations through appropriate health-related policies. Typically, policies that subsidize the consumption of essential food elements for the poor improve the health outcomes of these groups. Such policies make the patterns of socioeconomic inequalities pro-poor and in doing so reduce the health gradient, hence, contribute to promote greater welfare equality.

(For further information, please contact Dr Abul Naga: r.abulnaga@abdn.ac.uk.)



'Multiple Job Holding, Skill Diversification, and Mobility

G.A. Panos, K. Pouliakas and Alexandros Zangelidis

Industrial Relations, Vol. 53, 2014, pp. 223-72.



Dr Alexandros Zangelidis

The Great Recession and the austerity measures introduced have immense disruptive consequences for the labour markets of Europe, with recent figures sketching a gloomy picture for the UK labour market. Unemployment rates had risen to a record high since mid 1990s, accompanied by a notable increase in the number of part-time jobs and other atypical employment. The competition in the labour market was also quite intense with an average of roughly 6 unemployed people per job vacancy, and in almost a quarter of all Local Authorities with at least 10 people chasing every vacancy. The rise in atypical and precarious work patterns created new poverty risks among the employed.

Multiple job-holding can act as a means of tackling financial constraints, ensuring uninterrupted employment spells and as a conduit for further career progression via the accumulation of necessary occupational expertise. However, taking up a second job may also enable individuals to gain relevant training or acquire new credentials that may foster subsequent occupational mobility. This study examines the links between multiple job-holding and job and occupational mobility in the UK.

The analysis reveals that multiple job-holding, in addition to being a temporary response to hours-constraints, increased labour market uncertainty,

Results suggest that individuals may be using multiple job-holding as a conduit for obtaining new skills and expertise and as a stepping stone to new careers, particularly ones that involve self-employment.

and financial shocks, contains a permanent labour

market element as it appears to be persistent over time. Individuals facing increased commitments or financial constraints are found to be more likely to do the same occupation in both their primary and secondary job, exploiting the higher earnings opportunities that their accumulated occupational experience may entail. Nevertheless, individuals who enjoy a relative sense of financial security are more likely to explore different occupational paths in their secondary employment.

Multiple job-holding is estimated to increase the probability of becoming self-employed or getting a new job, while it decreases the probability of becoming unemployed or inactive, compared to staying at the same job. The occupational choices that individuals make as multiple job-holders play an important role in the occupational paths that they follow afterwards. Individuals doing different occupations in their secondary employment are more likely to change jobs in the following year. This suggests that individuals may be using multiple job-holding as a conduit for obtaining new skills and expertise and as a stepping stone to new careers, particularly ones that involve self-employment.

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