RECENT CHANGES IN THE EUROPEAN EMPLOYMENT STRUCTURE:
THE ROLES OF TECHNOLOGY AND GLOBALIZATION

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ABSTRACT

This paper shows that recent changes in the employment structure of 16 European countries have been similar to those taking place in the US and the UK. At least since the early 1990s, the employment shares of high-paid professionals and managers as well as low-paid personal services workers have increased at the expense of the employment shares of middling manufacturing and routine office workers – a process known as job polarization. To explain job polarization, we present a simple model to capture the many channels that determine the demand for different types of labor and several new datasets are exploited to test its predictions in various ways. In line with recent evidence for the US and the UK, our estimates are consistent with the task-biased hypothesis of technological progress proposed by Autor, Levy and Murnane (2003) – that technology can replace human labor in routine tasks but (as yet) cannot replace human labor in non-routine tasks. We find some support for the hypothesis that mainly routine jobs have been offshored recently, although the estimated employment impact is smaller and less pervasive than that of technological progress. Finally, we show that institutional differences between countries and changes in the relative demand for labor due to changes in income cannot explain much of the variation in employment.

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