

Wage - employment patterns and mobility between sectors in a segmented labour market: the case of Britain

by

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Abstract

The thesis examines the existence, or otherwise, of labour market segmentation in the UK labour market. Three different hypotheses are investigated. The existence of two self-contained labour market sectors, the difference in the wage and employment mechanisms across the two sectors and the lack of employee mobility among them. The first two hypotheses are investigated using cross-sectional data from the fifth wave of the British Household Panel Survey (BHPS) in the context of a switching regression model with endogenous selection and known sample separation. The existence of two separate sectors and the difference in wage and employment mechanisms in the two of them are both established. Returns to education are on average lower in the secondary sector than in the primary, while previous part-time or unemployment experience has a negative effect on the individual's sector attachment probability in the primary sector and on his or her earnings in that sector. The third hypothesis is investigated by using the panel element of the BHPS data set. Very little mobility exists for secondary sector employees and a small probability that they would move to primary sector employment, in the short, medium or longer run. There is also evidence of secondary sector employment and no employment. The factors affecting an individual's entrapment in the secondary sector are examined in the framework of a bivariate model with partial observability, chosen to address the problem of endogenous selection into the individual's initial sector attachment state. Full-time employment status, firm size, trade union coverage, and male gender have a significant negative effect on the probability of employee entrapment in the secondary sector in the short, medium and longer run. However, their magnitude reduces substantially the longer the time period considered. Educational qualifications could act as springboards pushing secondary sector employees, eventually, into primary sector employment.

Key words: Labour market segmentation, mobility, employee entrapment