**Panel: Horizontal Europeanization. Europe as an emerging social entity between the**

**national and global sphere**

**Title: The Public Sector Dilemma: Marginal Flexibilization as a Consequence of European Crisis Management and Fiscal Austerity.**

In the wake of the European crisis management, some member states have been forced to accept structural reforms and austerity measures in order to get financial support. Against this background, the governments of these countries are faced with a dilemma: On the one hand, they have to cut spending and consolidate their budget in order to proof their credibility to the international lenders. On the other hand, they are also crucial employers who have a responsibility to their employees and whose wage and employment policies are subject to close public scrutiny. In this paper, we employ power and labor market theories and ask which new cleavages or conflicts arise from the solution of this dilemma and how this will affect the working conditions of certain employment groups. Using EU-SILC data from 2010-2014, we find that the solution of the public sector dilemma resulted in a transformation of the public wage and employment structure through marginal flexibilization (i.e., labor market newcomers are much more affected by job and wage cuts than the established employees) and led to an increasing dualization along the age dimension.