

# **EMPLOY State-of-the-art Report**

## **Atypical employment and welfare regimes**

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### **Introduction: the embeddedness of EU labour markets**

Sociological and economic literature has recently recognised that ongoing processes in the labour market cannot be regarded independently of the broader welfare state, for they are mutually embedded (Atkinson 1999; Esping-Andersen 1990, 1999; Mayer 2001; Wood 2001; Gallie and Paugam 2000). Means of regulating the labour market, forms of employment, their distribution and consequences vary according to the welfare model. Until now, however, the link between welfare and work has been reduced to a trade-off between welfare rights and labour market “efficiency”, i.e. labour market flexibility, by most scholars (OECD 1994, 1999). Only with the very last 2006 Employment Outlook (OECD 2006), international institutions started to ascertain whether such a trade-off actually exists, and what price such unverified assumption of a trade-off between equality and growth has exacted in the last decades from EU societies and populations.

Labour market flexibilisation has been proposed as a means to foster economic efficiency and growth, to combat mass unemployment and increase access for groups of persons traditionally less attached to the labour market (women, immigrants, less educated, unskilled). Although there have been doubts as to the straightforward connection between labour market deregulation and economic efficiency/employment growth (Bertola 1990; Blank 1994; Alogoskoufis et al. 1995), in recent decades European labour markets have witnessed increasing labour market flexibilisation together with an erosion of standard

(fordist) employment relationships (among others: Blossfeld 2001; Burchell et al. 1999; Felstead and Jewson 1999) and an increase in contingent work<sup>1</sup> (Blank 1998).

Furthermore, it has been argued that to fully profit from it, flexibilisation must be paralleled by a reduction of welfare state benefits. The evidence, however, is not clear (Atkinson 1999, 2001; Esping-Andersen and Regini 2000). The US/Anglo-Saxon liberal model, given its highly flexible labour market and low welfare incentives for people to escape from labour market commodification, has been proposed as the benchmark for the continental European labour markets, burdened by high levels of employment protection and higher levels of labour market exclusion. In this context it may be noted that at least one EU country ranks as high as the UK with regard to labour market flexibility: Denmark. At the same time, the Danish welfare state is still among the most universalistic and protective in the EU, and with respect to core social indicators, the Danish model proves to be more efficient than the liberal Anglo-Saxon welfare regime. This suggests that if there is a trade-off between labour market flexibility and welfare, it is nation-specific rather than universal, and that social protection, far from being an obstacle to labour market flexibilisation, can instead support labour market efficiency and prove to be more ‘socially efficient’, given that it reduces the social costs and the negative externalities that derive from increasing labour market insecurity.

Thus, in the context of these ‘new’ forms of employment, the welfare state receives a new and probably even more important role in protecting against social risks and in shaping the amount and structure of (persistent) inequality within societies.

These considerations imply that the focus on labour market flexibilisation should be widened in various directions: towards the economic and social well-being of the individuals in a society and the impact on the subsequent life-course, i.e. the persistency of social risks. Finally, this leads to the question about the structure of inequality in society as a whole. Hence, one has to investigate the role played by different kinds of welfare states in shaping both the structure and the consequences of these contingent or even precarious jobs. However, the prime interest is not in aggregate level measures of inequality, but in the mechanisms creating inequality. Therefore it is necessary to examine individual work histories and the concomitant social consequences in terms of persistent exclusion from the primary and/or skilled labour market as well as in terms of wider social exclusion: economic exclusion

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<sup>1</sup> The current use of the term ‘contingent work’ as well as ‘temporary’ or ‘atypical’ or ‘flexible’ refers to all jobs that involve non-standard employer-employee contracts, where a standard contract is assumed to be a full time, permanent employment relationship.

(marginalisation and poverty risks) as well as the impossibility to make the transition to adulthood (family formation) according to the proper timing.

In the next pages we will, however, mainly focus on labour market and the way the issue of “atypical occupations” has been tackled by social sciences – namely sociology and labour economics.

### **Atypical employment and the labour market in the EU**

Employment protection legislations have attracted particular attention in the past decade, as a potentially important cause of persistently high unemployment in Europe. In response to this concern, a considerable number of OECD countries have liberalised the rules governing employment. Many countries, however, followed what seems a “conservative/corporative” European pattern of LM de-regulation, pointing in first line on the de-regulation of so-called “non-standard” or “atypical” employment relations for particular/marginal groups within the labour market but leaving largely unchanged “standard” employment and already existing work contracts for the core/qualified (male) workforce.

This process of LM flexibilisation has been referred to by some authors as “*partial and targeted deregulation*” (Esping-Andersen and Regini 2000) and by others with what the last 2006 OECD Employment Outlook has labelled as “*a partial reform strategy*” (OECD 2006).

If both approaches stress the nature of a *limited* LM deregulation (as not applicable to the already existing labour contracts) the former focuses on its *age-targeted* characteristic (that is, completely devoted to deregulate LM conditions for new entrants and/or for young people hiring, as it was originally in the 80s-90s Spain, and subsequently in Italy, and in France up to the recent CPE rebellion...) while the latter focuses more on the *skill divide* in the workforce (skilled-protected Vs unskilled-deregulated and precarised workers), independently from any cohort cleavage. Notwithstanding their similarities, the first “way” of de-regulating LM is exemplified by the sub-protective, Mediterranean countries, while the “skill-centred” strategy is best clarified by Germany and other Central European countries.

Many social scientists, from economics (Saint-Paul 1996; Saint-Paul et al. 1996) to sociology (Streeck 2001) criticised what they named the “insider disease”: in short, the creation of a two tiered labour market with, on the one side highly protected workers (civil servants and holders of permanent contracts, mostly in large companies) and on the other one, highly flexible jobs (internships, short term contracts, temporary jobs) for young people, new entrants, immigrants and/or unskilled workers. *The result, it is now largely recognised, has*

*been the creation of a dualistic, strongly segmented insider-outsider labour market, which pushes the growth of new forms of social inequality, especially in those countries where social rights are strictly tied to occupational position, that is to say in the bismarckian central and south EU welfare states<sup>2</sup>.*

We are not going to discuss here if these peculiar forms of LM deregulation (and the parallel welfare state retrenchment as well) that have been implemented in EU countries, have to be understood – from a *political science* point of view – as the result of the resistance of powerful groups of welfare-state clients (insider workers, retirees) who managed to address welfare and LM reforms towards the (non-organised) new cohorts of LM entrants, as it is argued in the “*new-politics*” perspective, or as a result of distributive conflicts between major interest/political groups, given the post-industrial changes generating budget deficits and government attempts to promote cuts, as it is stressed in the “*power-resources*” perspective. This debate is quite authoritatively lead by Pearson and Korpi (see Korpi 2003) but only of minor interest for our purposes. One thing to be noted, however, is that this literature makes us aware that politics and welfare state institutions did play a significant role in shaping both the forms and the social consequences of these processes. Following this neo-institutionalist approach, it has been said that the specific form that the LM deregulation process adopted in different EU countries was also influenced by the previous form taken, in each country, by the fordist, neo-keynesian compromise: welfare state and LM institutions - namely Employment Protection Legislation (EPL) and Education and Training System (ETS) - therefore shaped the way in which the LM flexibilisation was realised. This kind of argumentation drives to the current “flexicurity” debate – the Danish mode of combining high degrees of flexibility in the labour (and product) market with high levels of social protection (briefly: the trade-off is between protecting workers in the LM, instead of protecting jobs, as it is the case in Central and Southern Europe) - variously conjugated with the “transitional labour market (TLM)” literature. We will not further develop this debate here (see Madsen 1999, 2002; Madsen et al. 2005; Schmid and Schömann 2003).

Nowadays, even the “mainstream” economic literature admits that there is evidence that a partial/targeted reform strategy, which relaxes limitations on the use of temporary employment while maintaining strict EPL on regular contracts, may have adverse long-term effects (Blanchard and Landier 2001; Dolado et al. 2002; OECD 2004 Chapter 2; OECD 2006

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<sup>2</sup> The need for better protection of the rights of workers on temporary contracts is now receiving attention by the policy debate, but very few has – up to now – really been done (with a possible partial exception represented by Spain).

Chapter 5). When regulations on regular contracts remain overly strict, employers tend to recruit mainly through temporary contracts and are reluctant to convert these contracts into permanent ones: laying off permanent workers is so difficult and costly that companies have a strong preference for temporary jobs, even if it is at the expense of productivity (training new hires is a sunk cost). The result is an increased concentration of labour turnover on work-force groups who are over-represented in temporary/atypical jobs, potentially trapping some of them into a future of “precarious” jobs that implies high levels of employment insecurity (OECD 2006, Chapter 5), as well as under-investment in human capital which wastes part of their productivity potential. Workers cycling between fixed-term contracts, casual employment and time out of employment may also fail to qualify for unemployment benefits and be exposed to a high level of income insecurity.

Put differently, partial EPL reforms that focus exclusively on freer use of temporary/atypical contracts, though possibly facilitating job creation – *but this point is still quite controversial* - may have negative side-effects in the longer term which run counter to good labour market performance.

### **New forms of atypical employment**

We saw in the previous paragraph how, during the 1980s and 90s, in European industrialised countries the regulation of the standard, full-life/full-time employment relationship remained substantially stable (OECD 1999) and deregulation of the national labour markets was reached by the introduction or expansion of atypical work contracts (fixed term contracts, pseudo-self-employment, job on call, week-end work contracts, “work and training” arrangements, apprenticeship, part-time etc.). At the same time new forms of solo-self employment, sub-contracting and pseudo-self employment became more accessible and economically convenient for firms willing to compete on the basis of strategies of labour costs reduction. Breen (1997) argues that for employers in modern societies, the attraction of long-term commitments declines due to the volatility of labour, capital, commodity, and financial markets. Companies respond to this phenomenon by transferring market risks to their employees. For these processes, Breen uses the notion of ‘*recommodification of risks.*’

As a consequence of this process of recommodification of risks, atypical employment has grown in a number of OECD countries during the past two decades, though the *share* of temporary jobs differs quite substantially between OECD countries, with the strong growth experienced in several European countries being a far from universal pattern.

Turning to facts, a glance at trends in the recourse to temporary jobs across Europe reveals both similarities and differences. Temporary jobs accounted for 50% of total French employment *growth* in the period 1991 to 2001. The corresponding number is 40% for the Netherlands and almost 100% for Germany, Italy, and Austria (permanent jobs in these countries actually declined during the 1991 to 2001 period (OECD 2003); in Italy, just in the very last years this trend seems to have reached a stop). Some countries have special institutional arrangements that provide the basis for distinctive adjustments. The German system, for instance, generates a large number of fixed-term apprenticeships that pay low, entry-level wages, which likely constitute a mechanism of adjustment to macroeconomic shocks (McGinnity and Mertens 2002)<sup>3</sup>. Like France, however, Germany has a large number of workers on fixed-term contracts (FTC) with relatively low rates of conversion to permanent contracts (PC) and a high risk of unemployment at the end of their FTC (McGinnity and Mertens 2002).

The starkest contrast with France or Germany seems to come from Scandinavia. Temporary jobs account for less than 20% of total employment gains in Sweden whereas temporary employment actually fell in Denmark during the past decade relative to permanent employment (OECD 2003). Denmark spends a high share of its GDP on active labour market policies to boost the employment rate. These policies include job rotation schemes, which, on one hand, provide subsidies for workers to leave their jobs for further training, education sabbaticals, or parental leave, and on the other hand, for firms to replace them with unemployed workers hired on temporary contracts. The expected impact of these schemes is that the temporary jobs thus created will provide training for the unemployed so that they are in a better position to find a permanent job. Denmark also conditions eligibility to unemployment insurance benefits for young, unskilled, long-term unemployed workers on required additional job training. These active labour market policy measures are thought to have raised the Danish 15- to 64-year-old employment-to-population ratio up to 76.4% by 2002 (80.2% for men, 72.6% for women), which contrasts favourably with the corresponding French rate of 61.1%, for instance (68.1% for men, 54.3% for women). According to the reviewed literature, there still is no direct assessment of trends in the link between skill and job insecurity in Denmark (Hygum 1999; Kruhøffer 1999; Larsson 1999; OECD 2003; Schmid 1999).

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<sup>3</sup> We note that the choice to consider apprenticeship as a form of “atypical” employment could be questionable. Given the specific ETS system, apprenticeship is actually the “proper”, institutional, way to become a skilled, guaranteed, worker in the German LM.

The Netherlands presents yet another distinctive institutional context. Although the number of temporary jobs grew considerably during the 1990s, the conversion rate of FTC to PC in the Netherlands was 90%, which is much higher than the French 33% (Auer 2000). During the 1980s and 1990s, the Netherlands also pursued an employment intensive strategy that consisted of increased wage flexibility during collective bargaining and rapid intensification of part-time work (33% of all jobs in the Netherlands were part-time in 2001; OECD 2003), implemented through negotiated arrangements between unions and firms that reduced the wage and pension penalty for working part-time (Schmid 2002). During the 1990s, the Netherlands raised its employment-to-population ratio by more than 10 percentage points to reach 73.2% by 2002 (81.5% for men, 64.7% for women), which again compares very favourably to France. Even in the Dutch case, however, there are indications of growing inequality, as suggested by the declining share of workers giving favourable replies to satisfaction questions concerning their job security and as evidenced by the rising wage inequality during the 1990s, when the 90:10 wage ratio grew from just more than 2.5 to nearly 3.0 (OECD 2003).

This growth in atypical employment has raised concerns that these “new” forms of employment may crowd out more stable forms of employment, becoming an additional source of insecurity for workers and increasing labour market dualism between workers finding stable career jobs and those failing to do so (OECD 2002; Ichino et al. 2003). The picture that emerges from empirical research so far is complex and confirms neither the most optimistic nor the direst assessments.

In general, one can say that atypical jobs are disproportionately held by younger and less educated workers, tend to pay less than permanent jobs and sometimes offer less access to benefits like paid vacations, sickness leave, unemployment insurance as well as less access to training. Atypical workers are also less satisfied with their jobs and more often report inflexible work schedules and monotonous work tasks (OECD 2002).

Most of the empirical research has focused on the effects of atypical employment on subsequent labour market career in terms of career stability. And although the national context seems to play a crucial role in shaping the consequences of new forms of (atypical) employment, it is generally recognised that non-standard, legally less protected jobs tend to be less stable than standard contracts of indefinite duration and – moreover - to go along with higher unemployment risks (Kalleberg 2000; Kalleberg et al. 2000; DiPrete et al. 2006; Giesecke and Groß 2001; Gregg and Manning 1997; Houseman and Polivka 2000). Up to one-fourth of temporary workers are unemployed two years later – indicating a far greater risk

of unemployment than is observed for workers in permanent jobs – and an even larger share are still in temporary jobs (OECD 2002; Houseman 2000). Finally, also the last OECD 2006 Employment Outlook recognises:

“However, temporary jobs could also trap certain workers in situations of employment instability and earnings insecurity, as suggested by the fact that temporary jobs are most often not a voluntary choice. As evidenced in OECD (2002, Chapter 3), temporary jobs tend to provide less favourable conditions than permanent ones. Controlling for differences in individual and job characteristics, the wage penalty for temporary workers is found to be significant, ranging from 6% in Denmark to 24% in the Netherlands, and averaging about 15% in a number of EU countries. Access to non-wage benefits, which represent an (increasingly) important part of job quality, also tends to be lower than for workers under permanent contracts. This is particularly the case in countries where fringe benefits are not provided by employers on a universal basis, such as Australia, Canada and the United States. In most other countries, temporary workers are in principle eligible for the same benefits as permanent workers, but access is sometimes de facto limited by eligibility criteria such as minimum contribution periods. In most countries, job stability also tends to be lower than for workers on permanent contracts” (170).

But on the other hand there is evidence supporting the picture of atypical employment as (*narrow*) entry ports into stable employment, not least because atypical employment might be used as a screening period, with the “good matches” being converted into permanent contracts after some time (Güell and Petrangolo 2000). Ichino et al. (2003) find support for the “atypical-push” hypothesis for Italy, showing that atypical (temporary-on call) forms of employment enhance the (atypical) workers’ chances to subsequently enter in a stable, secure job. Barbieri and Scherer (2004) for Italy found that a LM entry into an underqualified position – given the level of education – had much more severe consequences on individuals’ career advancement than accepting an atypical (FTC) contract as entry position. Booth et al. (2002) have revealed some evidence to suggest that FTCs are stepping-stones to permanent positions in Britain. As regard the US labour market, Oppenheimer and Kalmijn (1995) demonstrated that young Americans increasingly start their career in so-called ‘stop-gap-jobs’ described as unskilled and temporary positions. Yet most of them are able to move to ‘normal’ career entry positions after a while.

At the same time, atypical employment might be a way to avoid unemployment (Korpi and Levin 2001) and, with reference to unemployment represent still the better position for future career chances (Chalmers and Kalb 2000; DiPrete et al. 2006). Depending on the country considered, between one-third and two thirds of temporary workers move into a permanent job within a two-year time interval, suggesting considerable potential for mobility (Dekker 2001; OECD 2002; Holmlund and Storrie 2002; Storrie 2002; Contini et al. 1999). Differences exist between the single kinds of atypical contracts (Booth et al. 2002).

Also OECD (2006) reports that, on average, a considerable share of temporary workers moves into permanent employment, but mobility levels and patterns vary considerably across countries. While more than half of temporary employees in 1998 were in permanent jobs one year later in Austria and the United Kingdom, less than a quarter of temporary employees managed the same in France and Portugal. The picture is somewhat different when looking at their situation after three years: Belgium and the Netherlands become the best performers, with 70% of temporary employees in 1998 in a permanent job in 2001, against less than 40% in Greece (OECD 2006).

Not all mobility out of temporary employment is into permanent employment, however. A number of workers move instead to unemployment or inactivity. In fact, in all countries for which data exist, OECD (2006) reports that there is evidence that workers on temporary jobs are much more likely to move to non-employment than their permanent counterparts. This is also the case when comparing temporary workers to permanent workers with short tenure, *i.e.* inferior to one year. However, countries differ in the way in which temporary workers move out of employment: while the majority of temporary workers who were not employed had moved into unemployment in most countries, in particular Finland, France, Germany, Greece and Spain, transitions from temporary employment to inactivity predominated in Denmark, Ireland and the United Kingdom (a trend which has become more pronounced over the years).

Workers trapped in temporary/non-employment cycles represent as much as 11% of total employment in Spain, 8% in Finland, 6% in France and around 5% in Greece and Portugal. In terms of age-groups, upward mobility is generally lower for prime-age workers than for youth, who tend to have a higher probability to get a permanent job and a lower probability to move to non-employment (*but this results could be due to selection bias: the prime-age workers in temporary work contracts could be particularly disadvantaged*).

In addition, mobility into permanent jobs tends to be lower for low-educated persons than for medium- and high-educated persons, and the difference is particularly acute in the Southern European countries. For the Italian case, this has been shown by Barbieri and Scherer (2006), who found a clear disadvantage for the “atypical” workers (when compared to both permanent workers *and also long-time-first job seekers*) as regard their employment situation (being still in employment as well as having a permanent job) at 35 years of age. The picture is even more clear-cut when looking at mobility from temporary jobs to non-employment, since it is always higher for low-educated workers than for high-educated ones.

In their econometric analysis for Spain, Casquel and Cunyat (2005) also find that low-educated workers more often get stuck in temporary contracts, while temporary contracts

typically serve as a stepping-stone for high-educated workers. This result, which goes hand-in-hand with what Barbieri and Scherer (2006) showed for Italy, seems to represent a pattern of the Mediterranean LMs.

In shaping the chances for the transition into stable employment, education and individuals' human capital endowment seem to play a key role: mobility into permanent jobs is highest for young educated persons who were not unemployed previously, had no repeated experience in atypical employment and are full-time employed by a medium/large-sized firm in the private sector (Contini et al. 1999; Gagliarducci 2004; OECD 2002; Russo et al. 1997). Women seem to have worse chances to leave atypical employment (Dekker 2001; Contini et al. 1999), though results are not uniform; the effects of education might be mediated by gender (Booth et al. 2002) and there are, finally, indications that this transition became more difficult with the increasing spread of non-permanent jobs (Blanchard and Landier 2001). Typically, workers and job characteristics associated with lower chances of moving into permanent jobs are also associated with an increased risk of falling into unemployment. Less educated workers in Mediterranean Europe appear to face particular difficulties in moving from temporary to permanent jobs: they are 17-24% less likely than highly educated workers to do so (OECD 2002). And also Ichino et al. (2003) point out strong north-south differences, with higher risks entrapment in the secondary, sub-protected, labour market in the south of Italy.

### **Main (open) research questions**

To investigate the changes in labour market regulation and its consequences, the empirical literature follows essentially few research questions. The first question regards who is mainly at risk to enter the labour market via atypical employment, given different institutional and LM contexts. It could be sketched as *'flexibilisation for all, or marginalisation for some?'*

We already saw that flexibilising the labour market is not a uniform process but varies with the nation specific context and cumulates on certain segments of the labour market (Breen 1997) and groups of persons, such as women, new entrants, low skilled and immigrants. The specific kind of deregulation adopted in continental EU countries – especially its explicit target on (young/unskilled) labour market entrants – obviously, leads to a massive concentration of atypical employment in these groups. That's why the focus on the entry position for this first step seems justified. Beyond the clear age structure of atypical employment, the expectations about other characteristics are less clear cut. Literature suggests

higher risks for women, but expectations are not clear with regard to education: both, high and low educated might experience higher probabilities for these “new” forms of employment, potentially with different consequences, however. In Italy, for example, it has been shown that higher educated first LM entrants are those mostly at risk of getting an unstable position; nonetheless, when looking at the situation at 35, those who are mostly at risk of being still trapped or “looped” between precarious employment and non employment, are clearly the less educated and the less qualified – and women (Schizzerotto 2002; Barbieri and Scherer 2006).

To remain on Italy, it has firstly been argued that as a consequence of the “partial and targeted deregulation”, work contracts of new entrants became less stable, less guaranteed, and lower in salaries as well as in labour costs. Secondly, given the characteristics of the Italian occupational welfare model (which substantially gives access to welfare rights only to holders of continuous full-time work contracts)<sup>4</sup> this process produced a sharp reduction of the social entitlements of the younger cohorts of workers. That is why this specific form of labour market flexibilisation has been accused to deeply segment the labour force, creating an insider-outsider labour market configuration, and to heavily affect the social rights attached to employments for particular groups in the society (Saint-Paul 1996b; Blanchard and Landier 2001). Moreover, these new divisions met – and potentially further emphasise (Barbieri and Scherer 2006; Ichino et al. 2003) – an already dualistic and problematic labour market, strongly segmented along the north-south divide. The main features of the regional division are well known and extensively documented (Reyneri 2002).

In the UK, statistics indicate a growth of both part-time arrangements and fixed term contracts (Cam et al. 2000) In addition to these broad trends, key changes occurred in the composition of the non-standard workforce. In particular, the 1990s witnessed a marked expansion in the number of professional and managerial workers entering temporary or part-time contracts (Millward et al. 2000). According to Heery and Salmon (2000), this has led to a situation in which ‘previously secure groups’ are now increasingly ‘finding themselves in a precarious position’. Although these changes in the occupational mix of the non-standard workforce have been widely acknowledged, there remains considerable debate regarding the consequences. In particular, there is ambiguity over how far the marginalizing effects of non-standard employment, such as unequal pay, training, career opportunities and access to

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<sup>4</sup> This connection was made even stricter by a severe process of pension reforms which paralleled in the nineties the process of labour market deregulation. Welfare (work pensions) reform introduced a strictly insurance-based system of pensions-contribution that, due to political reasons, was applied only to the young cohorts of workers.

intrinsically satisfying work will apply as strongly to professional and managerial occupations as to non-management occupations (Arulampalam and Booth 1998; Booth et al. 2002; Dex and McCulloch 1997; Gallie et al. 1998; Warren and Walters 1998).

One strand in the literature argues that these consequences of contingent work are likely to be less pronounced or even non-existent where managers and professionals are concerned (Cam et al. 2000; Tilly 1992; Tregaskis 1997). Wider benefits are said to accrue from non-standard employment at this level, such as greater opportunity to balance work and life commitments, increased remuneration and the prospect of more flexible ‘boundaryless careers’ (Albert and Bradley 1997).

By contrast, others suggest that for managers and professionals, the shift to part-time and flexible contracts will not be entirely cost-free and that these groups are likely to be marginalized and treated unequally at work (Edwards and Robinson 1999; Mallon and Duberley 2000). Hoque and Kirkpatrick (2003), using data from the 1998 Workplace Employee Relations Survey (Department of Trade and Industry 1999) find that managerial and professional and also non-managerial non-standard employees experience differential treatment within the workplace relative to their full-time permanent counterparts, as regard both access to training/development opportunities and the extent to which non-standard employees are consulted over a range of matters within the workplace (Gallie et al. 1998; Mallon and Duberley 2000). As they write: “Even where professionals are concerned – women in particular – the pattern seems to be one in which non-standard employees are marginalized rather than offered new opportunities to enhance their ‘employability’” (Hoque and Kirkpatrick 2003).

Not too dissimilar the results by Polavieja (2005). He shows that partial deregulation has also had important segmenting consequences amongst Spanish professionals; despite the high levels of asset specificity and monitoring costs involved in their job tasks. Drawing on the analysis of the Spanish Labour Force Survey for the period 1987–1997, the paper presents empirical evidence that shows how, when introduced in a context of high unemployment and high dismissal costs for the permanent workforce, temporary contracts can generate a process of polarization of employment chances within both manual and professional occupations. The segmenting consequences of partial deregulation have, therefore, been more severe, pervasive and pernicious than it is acknowledged by demand-based accounts.

From a European perspective, Spain stands out as a country that has experienced increased levels of flexible change in the labour market, in particular in terms of temporary employment. However, the fast and intense shift from one of the most rigid employment

protection systems to a highly flexible labour market was peculiar in that it deepened the so-called insider–outsider divide in Spain. While flexibility has been introduced at the margin, having far-reaching consequences on ‘outsiders’, that is, the inactive, the unemployed and school leavers, it leaves those in gainful employment largely unaffected (OECD 1998, 2001; Schömann et al. 1998; Toharia and Malo 2000). From a voluminous body of research contributions on the nature of employment relationships we learn that atypical jobs are largely work-insecure positions (Dolado et al. 2002; Schömann et al. 1998). In particular, labour market entry patterns of youth appear increasingly turbulent as can be seen in the increased prevalence of unemployment and temporary and part-time work, as well as inactivity among new labour market entrants during the 1980s and 1990s (Jimeno and Toharia 1994).

Golsch’s (2003) findings confirm a clear age and cohort effect for temporary employment in Spain. Young people and, in particular, the more recent labour market entry cohorts are in precarious employment. Temporary employment increases unemployment risks and, at the same time, it is the main route into the labour market, independently of whether this is a direct school-to-work transition or a transition from non-employment. Yet, the results also reveal that educational and occupational qualification matter in that the highly qualified seem to be more protected<sup>5</sup>.

These conclusions find an echo also for Germany. Using data from the German Socio-economic panel (GSOEP), Giesecke and Groß (2001) show that especially those who had unemployment experiences in the past, unskilled persons, but also the highly educated, young and older employees starting new jobs can be found in temporary employment.

Their analyses show that employees holding fixed-term contracts face a higher risk of being trapped in a subsequent spell of temporary job. Furthermore, they are more likely to become unemployed after termination of the temporary job. These results suggest that the “springboard” hypothesis of a proper allocation of temporary employment to permanent employment must be seen critically. Temporary employment rather excludes individuals from secure and stable labour market positions, thus strengthening the segmentation of the German labour market.

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<sup>5</sup> Moreover, she finds that job insecurity is related to (young males) decision to become parents, delaying the transition to first parenthood. Due to high unemployment and non-permanent entry-level jobs, young men are likely to confront essential barriers to consolidating an economic basis necessary for parenting. In contrast, job insecurity does not seem to play a role for women. An insecurity effect shows up only for fixed-term full-timers. However, among employed women those who rate their job as comparatively secure seem more likely to become mothers.

But flexibility does not concern just dependent wagedworkers: solo self-employed and pseudo self-employed are categories increasingly at risk of precarisation. For the UK, Böheim and Weber (2006) analyse the characteristics of dependent self-employed workers using data from the British Labour Force Survey. They find evidence that dependent self-employed workers are a distinct labour market group that differs from both employees and independent self-employed individuals. Dependent self-employed workers have lower labour market skills, less labour market attachment and, thus, less autonomy. Men, older workers, those with low education and low job tenure have greater odds of working in dependent self-employment than their counterparts. Their results suggest that dependent forms of self-employment are used by firms to increase labour flexibility. Similar results are shown, for Italy, by Barbieri and Reyneri (2006) who find that, among the so-called “collaboratori coordinati e continuativi” (solo self-employed) about two-thirds have to be considered not enough autonomous and independent to decide and control their work schedule, their work organisation and their working time. This form of dependent solo self-employed is clearly a product of employers’ efforts to reduce (indirect) labour costs.

The second question refers to the consequences of atypical employment for individuals’ life cycles. At a general level, the question could be summarised as: *‘Persistent inequality or social fluidity? Occupational and social mobility over the life course.’*

Labour market participation and work-history mobility patterns vary considerable among welfare states. While this relationship is well documented with regard to (women’s) labour force participation, and unemployment duration, the connection with work-histories has only recently been discussed (Esping-Andersen et al. 1994; Allmendinger and Hinz 1997; Mayer 1997, 2001; Gallie and Paugam 2000). The literature shows that certain institutional arrangements foster fluidity and upward mobility, while others seem more to entrap individuals in once adopted positions. Together with selective inflow into certain kinds of positions, this has major implications for their role and consequences within the individual life course and eventually the inequality structure of societies. How persistent are contingent or precarious jobs? How are they interrelated with successive unemployment and poverty risks, or with the socio-demographic issue of family formation (both issues that will be dealt with within our research project)? What kind of mobility pattern prevails in which societies? Adopting a more micro-centred perspective, this is the now-classical “*springboard or trap alternative*” and it asks whether a previous work experience in atypical employment increases the chances of making the transition into permanent employment or, to the contrary, delays

the transition in standard employment (maybe pushing people towards unemployment or Non Labour Force). Strictly connected is the question whether it is more convenient for a job seeker to wait for the right job to come – also if this might take years like in the case of Italy - or if whatever job has to be accepted as still better than none.

Conflicting expectations derive from the economic literature. On the one side, economic theory suggests a positive impact of atypical employment on the probabilities of subsequently entering a stable, secure job in the primary labour market (Ichino et al. 2003; Booth et al. 2002). The basic argument is that whatever labour market experience is better than not working as also non-standard employment provides the opportunity to acquire specific (more or less firm-oriented) human capital together with the acquisition of – firm-specific – social capital (connections, ties, and therefore information on vacancies). On the other side, there is a series of reasons that lead to expect negative, entrapment effects. First, there might be a “stigma” associated to these “*b-series*” job: not having been selected for the primary labour market is interpreted as a negative signal by potential future employers (Spence 1973). However, the more common the experience in atypical employment becomes, the less it serves as a distinguishing characteristic. Plausibly the stigma effects should diminish with the spread of these employment forms. Apart from employers’ expectations, persons in atypical employment might in fact get furnished with less human capital than permanent employees, as, given the limited duration and consequently higher turnover of atypical workers, firms have fewer incentives to invest in the workers’ training. Whether at the end these jobs remain still better than no job will then depend on the strength of the stigma effect. Additionally, the chances for a transition towards a stable employment will also depend on firms’ motivations to use atypical employment (Bronstein 1991) their production and competition strategies. Evidently, the chances for atypical jobs to be converted into regular forms of employment are higher when these forms of employment are used as an instrument to screen and select employees, than when non-standard employment is basically used as a way to lower labour costs and to acquire increased numerical flexibility.

In addition to these considerations, the sociological literature and research investigates those factors structuring the consequences going along with atypical employment as the consequences of particular employment forms might vary considerably between different subgroups within the society. Recent literature showed that the “traditional” variables like gender, class and education, that structure social inequalities work also for the new risks (Bernardi 2003; Goldthorpe 2003; Schizzerotto 2002; Blossfeld et al. 2005; Blossfeld et al. 2006). Especially with regard to the role of human capital as a key factor structuring the new

cleavages of protected and sub-protected labour market there seems to be consensus in the literature<sup>6</sup>.

Concluding, to answer to our sociological questions about persistency of job precariousness, or about the connection with successive unemployment and poverty risks, as well as with the socio-demographic issue of family formation, it would be essential to come back to the macro-institutional dimension, and therefore to qualify the role played by the atypical forms of employment in the different EU welfare & labour markets arrangements. Up to now, however, very limited empirical, macro-comparative research has been conducted that focuses on the macro determinants of the social consequences of LM flexibilisation in EU.

An additional, slightly unusual but interesting, question has to do with the *possible trade-offs between various mechanisms of flexibility and labour market adjustment*.

Yet, flexibility is a widely used and multi-dimensional term. Flexibility may have an impact on different areas of employment relationships, such as inter and intra-firm mobility, assignment of tasks, adjustment of working-time and wages, as well as on different stages of labour market careers (Golsch 2003). In line with Atkinson (1984) one can differentiate between four different types of labour market flexibility:

1. *numerical* flexibility (adaptation of the number of employees to labour demands through short-term contracts and layoffs);
2. *functional* flexibility (transferability between different job positions);
3. *temporal* flexibility (adjustments in working time);
4. *wage* flexibility (wage adjustments).

These various flexibility types lead to a growing proportion of workers in various non-standard employment relationships. Yet, the flexibility types are not seen as equally leading to insecurity; rather, some may introduce insecurity in individuals' labour market careers, while others may play a crucial role in matching the needs of employees.

While temporal flexibility has been mainly – and rapidly - addressed in term of part-time diffusion, the lion's part in this debate has been done by the trade-off between numerical and functional flexibility (or say: external and internal forms of flexibility). Diversified quality productions in small and medium highly innovative firms require functional forms of

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<sup>6</sup> Much less is known about territorial differences: to what extent territorial differences constitute factors that structure the output and consequences of atypical employment? This issue is very little investigated by the research: something has been done for Italy (Barbieri and Scherer 2006) where the mechanisms structuring the risks of having a precarious job and remaining trapped in it, seem to operate in a quite similar manner between north and south.

flexibility to their skilled workforce (the classical reference, here is to Piore and Sabel 1984 and the north-Italian district economy as well as the “Rhine model of capitalism” as both opposed to mass-low-quality production).

The last point, wage flexibility, neglected for a long time by sociological research, is now being analysed as a part of a trade-off between wage and job-security as two different, and plausibly substitutable, levers for firms and labour market adjustment.

In their paper, Maurin and Postel-Vinay (2005) find that in virtually all EU countries low-skilled workers earn lower wages and hold less secure job positions than high-skilled workers. Notwithstanding a significant amount of diversity in the magnitude of these skill gaps across the different countries, nonetheless they find that higher wage gaps are associated with lower job security gaps. As they write: “*Continental European countries, such as Germany or France, do not tolerate wage inequalities to the same extent as the United Kingdom or Ireland; yet they do tolerate much more substantial inequalities in job security. Mediterranean countries, such as Italy or Greece, do not accept wage inequalities as large as Germany or France, but do accept still larger job security inequalities*” (Maurin and Postel-Vinay 2005). This result is mainly based on the 1995 Europanel wave, which could create some problem for the placement of some specific countries – Italy for example – where deregulation started substantially later. Interestingly, they find that at the country level the trend in the job security gap is more often significant than is the trend in the wage gap. This is consistent with their assumption that *job security represents the main channel of adjustment to macroeconomic shocks in Europe*.

A process of convergence seems to be going on, targeted to hit particularly poorly-skilled workers: the smaller the starting 1995 job security gap across skills, the larger the subsequent widening of this gap during the period 1995 to 2001.

Maurin and Postel-Vinay’s conclusion goes in quite the same direction as the contribution by DiPrete et al. (2006) who compare France with the US. The authors show that the French labour market has absorbed macroeconomic shocks not only through rising wage inequality and falling low-skill real wages (as in the United States) and adjustments in the relative stock of low-skill labour being employed (as reflected primarily in trends of employment rates by skill and secondarily by unemployment rates), *but also to a large extent through the creation of low-adjustment cost or low security jobs and through the allocation of an increasingly large share of low skilled workers to these jobs*. French adjustment strategies have thereby produced rising inequality, but rising inequality in the job security component rather than in the wage component of the employment relationship or the quantity of jobs

produced in different skill categories. DiPrete et al. (2006) argue that measures of skills become increasingly good predictors of the level of employment security attached to a job and interpret this evolution as growing employment security returns to skill in France, which parallel the rising wage returns to skill in the United States. All in all, they see increases in what they term *generalized inequality* on both sides of the Atlantic; the specific components of the employment relationship that display growing inequality vary, but that fact of a trend is common.

The last question aims at a concluding overview. *'Who are the winners and the losers of the partial and targeted labour market?'* As outlined above, the declared aim of the deregulation was – especially in the Southern European LMs – to enhance labour market participation chances and to fasten the entry process for the younger cohorts. More in general, it was expected that the diffusion of atypical forms of employment would also augment the employability of the so-called labour market “weak categories”, represented by women, immigrants, unskilled and low educated people. The current research literature tries to investigate whether these expectations were fulfilled and for whom they de facto lead to a positive outcome, but very much still has to be done.

At this stage of research, it seems that a series of conditions have the effect of reducing the probability of job stability and symmetrically that of increasing job instability, so defining winners and losers of the LMs flexibilisation processes (D'Addio and Rosholm 2004; Giesecke and Groß 2001):

- Having experienced non-employment before entering the temporary work arrangement: for those individuals entering a temporary job after the experience of unemployment, the employment is synonymous of dead-end jobs and not of stepping-stones. The same is true for older workers, irrespective of their gender, and to some extent for the less educated (men).
- Labour market conditions (general levels of unemployment);
- Being occupied in some kind of elementary tasks, and in general being low skilled is always increasing the risk of employment precariousness.
- The private/public type of employment – with public sector significantly reducing the odds of making the transition towards stable and secure, well-paid employment. The costs disease (Baumol 1967) is clearly affecting public systems in all EU countries, and they seem to deal with it via a stable recourse to forms of unstable, underpaid employment (Conley 2002).

D'Addio and Rosholm (2004), using ECHP data, also show that in many cases (for the EU as a whole and for the UK more particularly), once older people hold temporary jobs, those are at higher risk of exclusion from the LM. The same is true for less experienced workers, for women with young children and for those earning very low wages<sup>7</sup>. In general, at the EU-level, very short contracts are associated with higher risks of labour market exclusion (especially for men).

Nonetheless, when looking at the results for Spain and UK, D'Addio and Rosholm (2004) notice that very short contracts seem on the contrary to represent a path to stability. The phenomenon is more pronounced in the UK, where also the probability of labour market exclusion (transition to unemployment) is significantly reduced after a very short contract. This result appears quite interesting, as it could bring some support for the “bus-hypothesis” applied to atypical employment: nonetheless, such a hypothesis deserves some more specification. The fact that only short and very short spells of temporary/precarious employment bring to better individuals’ labour market chances, can be interpreted arguing that if we have to keep the bus metaphor as valid, it must be specified that either one leaves immediately such a bus or the risks of not leaving it any longer – or to leave it only to make the transition towards unemployment - are definitely higher (especially for men and returning women with children, according to D'Addio and Rosholm). This conclusion, which found confirmation for Italy, also in Barbieri and Scherer (2006) using ILFI longitudinal data, therefore calls for further research.

### **(Not) concluding remarks**

All considered, the literature and research results reported here highlight the strong insider-outsider dilemma which has been created by the process of partial and targeted labour market deregulation, as applied in many EU (continental) countries (independently if such deregulation was targeted according to age or skill divide).

Whereas mid-career, skilled, men who are typically the ‘insiders’ are still relatively well sheltered in most countries, the groups that are outsiders of the labour market are much more endangered. Labour market entrants and, in many countries, women (in particular, after an employment interruption) are most at risk for experiencing labour market precarity and

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<sup>7</sup> In addition, we should stress that from different authors and data sources emerges that unobservables seem to play an important role in determining workers outcomes especially for women, who have generally lower participation rates, to testimony that heterogeneity is largely affecting our analyses and the estimates reliability: a non-marginal problem for social scientists...

exclusion. In terms of the ‘Goldthorpe schema’ (Erikson et al. 1979) the industrial unskilled labourers and routine service workers are most exposed to, while the service class members are least exposed to the rise in employment flexibility. The routine non-manuals and supervisors as well as skilled manual labourers are placed in an intermediate position. Also as regard to exits from precarious employment, professionals in fixed-term jobs might be in a more advantageous situation than unskilled labourers or routine service workers in temporary contracts. For the former, non-standard work may serve as a ‘bridge’ into a permanent, standard position, but for the latter, a temporary job might become a ‘trap’ (Giesecke and Groß 2001; Bernardi and Nazio 2005; Fouarge and Layte 2005; Barbieri and Scherer 2006). There seems to be, therefore, a clear class cleavage also in the risks of being (and remaining) precariously employed.

But the literature review highlights also the importance of policies target at upgrading “weak” workers’ skills and qualifications, which may easily be the most efficient way to protect them from labour market exclusion: the well-known debate on flexicurity.

As regard the various new forms of atypical employment, and their consequences, one could summarise the literature by telling that when these jobs are held by vulnerable individuals they do not improve their career paths and may lead - on the contrary - to instability and possibly to exclusion, both from the LM and from social participation in general. In a world where working is often considered the defining characteristic of an individual, it now also seems that there are some jobs that can be harmful for the individuals that hold them.

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