Flexible Employment in Europe

Assessing employment security through the lens of labour market segmentation: a sociological insight

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Conference: “Europe’s Changing Workplaces“
National University of Ireland, Maynooth, April 3\textsuperscript{rd} and 4\textsuperscript{th} 2017
1) Main findings from a research project on the consequences of atypical employment in EU (pre-crisis) - Equalsoc Network + ES + SER…

2) Findings on FTC and LTU (during/after the crisis) - (ERC FamIne Project)

3) Conclusions: the structural differences in EU countries’ abilities to deal with flexible employment and its possible consequences in terms of societal inequality were already settled in the early nineties…

=> The case of the Mediterranean (and Eastern!) countries
The EU Lm deregulation: at the margins

OECD, EPL Index for Permanent and Temporary Employment, 2013 data
Consequences of atypical (flexible) employment relations?

I. Labour market career and flexible employment (LM)

II. The effects of Lm precarity on (first) motherhood (DEMO)
Is there a common, negative, effect or is it just a problem for the ‘mediterranean’ sub-protective countries?

→ Consequences at the micro level of atyp jobs and how they are shaped by institutions
<table>
<thead>
<tr>
<th>ITALY</th>
<th>GERMANY</th>
<th>HUNGARY</th>
<th>NL</th>
<th>FRANCE</th>
<th>SWEDEN</th>
<th>G.B.</th>
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<td>1993-2003</td>
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<tr>
<td>definition of atypical employment</td>
<td>FTC, TWA, Apprentice., Solo-self DSEW</td>
<td>FTC, TWA DSEW</td>
<td>FTC, TWA, Solo-Self DSEW</td>
<td>FTC, TWA, Apprentice., Solo-self DSEW</td>
<td>FTC, TWA, Apprentice., Solo-self DSEW</td>
<td>FTC + Voc FTC</td>
<td>FTC (FT/PT)</td>
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</tbody>
</table>

Plus: ECHP long.; EU-SILC long.; EU-LFS
Structure of the Presentation

Macro theoretical framework… (*I will skip micro-level theories...*)

I. LM: labour market (trap/springboard?)

II. DEMO: fertility (delay?)

→ macro dimensions and micro consequences of flexible employment

Results from the 7 countries study

…and then? Crisis: FTC and LTU risks
Three main “macro” dimensions, strictly interconnected, structuring EU LMs and the consequences of LM flexibilization at the micro level:

- labour market institutions: EPL/PMR, ETS

- the characteristics of the process of labour market flexibilisation (institutions of LM deregulation): at the margins Vs ‘universalistic’

- welfare: “Beveridge Vs Bismark”

OECD; Blossfeld; Hoskice-Hall; Esping-Andersen-Regini; Streeck; Blanchard ("Insider disease"); Blau and Kahn; Di Prete et al.; Maurin, Postel-Vinay “the wage/security trade off” for LM adjustments; Scarpetta

Titmuss; Korpi; Esping-Andersen; Palier; Ferrera… Flexicurity
<table>
<thead>
<tr>
<th>Citizenship-based welfare systems</th>
<th>Work-based (labouristic) welfare systems</th>
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<tbody>
<tr>
<td><strong>Beveridge</strong></td>
<td><strong>Bismarck</strong></td>
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<tr>
<td>Low EPL/PMR =&gt; “universalistic” LMflex</td>
<td>High EPL/PMR =&gt; Partial &amp; Targeted LMflex (INS/OUTS)</td>
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<tr>
<td>Higher WS support</td>
<td>Conservative / Sub-protective W.R.</td>
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<td>Vocational ETS =&gt; Skill divide</td>
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<td>OLMs</td>
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<td>SWE</td>
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<td>Scarce WS support</td>
<td>Generalistic ETS =&gt; Age divide</td>
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<td>Liberal W.R.</td>
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LM Institutions + Deregulation + Welfare

Citizenship-based welfare systems
Beveridge

Low EPL/PMR => “universalistic” LMflex
Higher WS support
Vocational ETS => Skill divide
OLMs

Nordic W.R.
DK
NL
SWE

Liberal W.R.
UK

Scarc WS support
Generalistic ETS => Age divide

Conservative W.R.
Conservative / Sub-protective W.R.

High EPL/PMR => Partial & Targeted LMflex (INS/OUTS)

Work-based (labouristic) welfare systems
Bismarck
Macro Contexts and Micro Consequences

Micro consequences regarding atypical employment?
Citizenship-based welfare systems
Beveridge

Low EPL => “universalistic” LMflex

<table>
<thead>
<tr>
<th>Vocational ETS =&gt;</th>
<th>Generalistic ETS =&gt;</th>
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<tbody>
<tr>
<td>DK, SWE? (NL?)</td>
<td>UK, HU?</td>
</tr>
<tr>
<td>Low trap;</td>
<td>No trap;</td>
</tr>
<tr>
<td>No gender segregation;</td>
<td>mid gender segregation;</td>
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<tr>
<td>No/Limited cohort divide;</td>
<td>Cohort divide;</td>
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<tr>
<td>High exit rates;</td>
<td>High exit rates;</td>
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<tr>
<td>Unskilled at risk</td>
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Skill divide

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<tbody>
<tr>
<td>GER, NL?</td>
<td>FR, IT</td>
</tr>
<tr>
<td>Some trap;</td>
<td>High entrapment;</td>
</tr>
<tr>
<td>gender segregation;</td>
<td>High cohort divide;</td>
</tr>
<tr>
<td>No/Limited cohort divide;</td>
<td>Youngsters mainly at risk;</td>
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<tr>
<td>Mid exit rates</td>
<td>Gender segregation;</td>
</tr>
<tr>
<td>Unskilled at risk</td>
<td>Low exit rates</td>
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</tbody>
</table>

High EPL => Partial & Targeted LMflex (INS/OUTS)
Work-based (labouristic) welfare systems
Institutions intervening in the motherhood decisions:

- Welfare State
- Market (services and labour Mks) the “welfare triangle”
- Family

Within these institutional boundaries (macro level), different theories suggest various research hypothesis (micro level)
## Given the macro scenarios, what micro consequences regarding motherhood?

### Citizenship-based welfare systems

**Beveridge**

- **Low EPL => “universalistic” LMflex**
  - LM adjustment based on (higher) Wage inequality
  - **Nordic W.R.**
    - DK, SWE, NL (?)
    - WState support to motherhood;
    - No Intra-family dependency;
    - No Delay;
    - No effects of atyp.job
  - **Liberal W.R.**
    - UK
    - Market ‘support’;
    - Delay for educ women;
    - Intra-family dependency
      (+ Partner’s effect)
    - Low effects of atyp.job

### Vocational ETS => Skill divide

- **Conservative W.R.**
  - GER
  - WState support to Family care;
  - Intra-Family dependency;
  - Some effects of atyp.job
- **Cons./Sub-protective W.R.**
  - FR, IT
  - FR: WState support;
  - IT: Family care;
  - Intra-Family dependency;
  - Strong effect of atyp.job

### High EPL => Partial & Targeted LMflex

- LM adjustment based on Job insecurity (INS/OUTS)

### HU

- **Generalistic ETS => Age divide**
  - WState support to Family care;
  - Intra-Family dependency;
  - Some effects of atyp.job
  - FR: WState support;
  - IT: Family care;
  - Intra-Family dependency;
  - Strong effect of atyp.job

1) **LM CONSEQUENCES**

**Q1. WHO ENTERS LM ATYPICALLY?**

Table 1: Type of FIRST employment
Multinomial logit (typical employment; atypical employment; seasonal+off-the-books)

**Q2. WHO GETS A SECURE JOB?**

Table 2: Entry in the first secure job, Event History Analysis (EHA) piecewise constant exp.

**Q3. WHO MAKES THE TRANSITION TO A STABLE JOB? / WHO REMAINS TRAPPED?**

Table 3: Exit from atypical employment EHA piecewise const.exp. competing risk model (permanent job; repeated atyp. job; Not-working)

**Q4. LONG TERM SCARRING EFFECT?**

Table 4: Employment situation at age 35
A) NON-EMPLOYMENT risks at 35 (logistic regression)
B) ENTRAPMENT IN ATYP.EMPLOYMENT at 35 (versus being in secure employment – log.regr.)

2) **DEMOGRAPHIC CONSEQUENCES**

**Q5. BIRTH OF FIRST CHILD**

Table 5: Event History Analysis, piecewise constant

**Q6. LONG TERM SCARRING EFFECT?**

Table 6: Family situation at age 35
2-A: living in a couple (logistic regression)
2-B: being parents (logistic regression)
Some descriptive results...
the Outsiders: who are they?

Age effect: being young 15-24 versus over55 having a fixed term contract (FTC) versus Permanent employment

Gender effect: being women vs men having a fixed term contract (FTC) versus Permanent employment

Education effect: being Isced 0-2 versus Isced 3+ having a fixed term contract (FTC) versus Permanent employment

EU-SILC LONG 04-08

AMES on the probability of having a fixed term contract, controlling for sex, age, isced, change of job between t-1 and t, and being unemployed or inactive during the previous year.
LM segmentation: Country differences already settled in the nineties… exits from FTC

DK
ECHP 1995-2001

GB (exit rates: males 80%, females 70%)

DE (exit rates: males 60%, females 50%)

IT (exit rates: males > 40%, females < 40%)
LM segmentation: Country differences, EU-SILC longit. exit from FTC…

Transition probabilities after spending one year in the labour force by number of years of potential work experience (%)

A. Transition probability from unemployment to permanent jobs

B. Transition probability from temporary to permanent jobs

Source: OECD estimates based on the European Union Statistics on Income and Living Conditions (EU-SILC). To ensure reliable estimates of transition probabilities, country coverage is restricted to countries for which at least 5 000 observations are available in the data.
# Results from country studies: Labour Market

## Micro consequences of atypical employment: entrapment?

**Citizenship-based welfare systems**

*Beveridge*

Low EPL => “universalistic” LMflex  
Wage inequality LM adjustment

### Vocational ETS => Skill divide

<table>
<thead>
<tr>
<th>Country</th>
<th>Trap</th>
<th>Gender Segregation</th>
<th>Cohort Divide</th>
<th>Exit Rates</th>
<th>Risk</th>
<th>EPL &amp; LMflex</th>
</tr>
</thead>
<tbody>
<tr>
<td>DK, SWE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Low</td>
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<td>UK:</td>
<td>No/LOW</td>
<td>mid</td>
<td>Cohort</td>
<td>High</td>
<td>✓</td>
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<td>DE:</td>
<td>Some</td>
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<td>✓</td>
<td>✓</td>
<td>High</td>
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<td>Limited cohort</td>
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High EPL => Partial & Targeted LMflex  
Job insecurity LM adjustment  
(INS/OUTS)

**Work-based (labouristic) welfare systems**
Results: DEMO – Fertility

Consequences of atypical employment on transition to first maternity:

- UK: very weak, negative effect…
- De: some negative effect of unemployment, no effect of atypical employment,
- Swe: no effect,
- Fr: no effect, (but: strong class effect!)
- Italy, Hu, (Spain): strong, negative, effect of atypical employment!

More in detail:
Entry first childbirth by first job contract. Kaplan-Meier survival estimates. Women (15-45), ITALY

ALL WOMEN

Birth cohort 1951-65
Birth cohort 1966-80

Paolo Barbieri and Rossella Bozzon, *The family and fertility consequences of labor market deregulation ‘at the margins’ in Italy and Spain*, W.P. FamIne, 2014
ILFI data
Fertility Decisions: Transition to First Childbirth: Predicted Probabilities per Age: Italy (ILFI), Spain (FFS), Germany (SOEP)

Paolo Barbieri and Rossella Bozzon, *The family and fertility consequences of labor market deregulation ‘at the margins’ in Italy and Spain*, W.P. Famine, 2014, in EUR.SOCIETIES 2015

Model 3 in table 1 - Appendix
While welfare and market – as regulatory principles – seem to realise low levels of Insider-Outsider division, low levels of LM segmentation, and seem to bring very low consequences on individuals’ LM careers and on women’s fertility decisions…

The corporatist assets are the most segmenting – already since the early nineties!

Nonetheless...

Within the “insider-outsider” countries (Italy, Hungary, Germany, and partially France) there is quite heterogeneity, suggesting the existence of a much deeper rupture of the “corporatists” cluster than many of the macro theories would suggest.

A possible line of interpretation, therefore, would stress the role of the (pre-existing) institutional arrangements (welfare state, educational system, apprenticeship and vocational educ. but also family types) which – in Germany (but also in France, as regard exits from secondary LM and maternity chances) - succeeded in differentiating within the outsiders and therefore in reducing the distance between the insiders and the upper segments of the outsiders.

As regard the demographic side of the ins-outs scenario, the German “WS & family mix” seems to cope better with the new societal uncertainties than the classical Italian (and Spanish) “mommy model”. Mediterranean countries are the very losers of the (pre-crisis!) LM deregulation process.
What happened with the crisis? 

Labour market insecurity and long-term unemployment risk
FOCUS:

• THE EVOLUTION OF LONG TERM UNEMPLOYMENT RISKS (in 15 European Countries) GIVEN THE LEVEL OF LABOUR MARKET SEGMENTATION.

• MORE IN DETAILS, WE TEST THE IMPACT OF BEING PREVIOUSLY (t-1) EMPLOYED IN THE SECONDARY LABOUR MARKET SEGMENT (FTC at t-1) ON THE RISKS of LONG TERM UNEMPLOYMENT (at time t), ACROSS EU COUNTRIES, from 2003 to 2012....

• THUS ‘BRIDGING’ THE RESULTS FROM THE ATYPWR PROJECT TO NOWADAYS...
A snapshot of the economic crisis

Unemployment Trend, EU 12

Unemployment Dispersion: SD of EU12 unemployment rates

European Central Bank, 2012
Descriptives: Occupational impact

Employment breakdown by educational level

Employment breakdown by age group

Employment breakdown by professional status and type of contract

The «loosers»:
- Less educated
- Temporary employment

European Central Bank, 2012
Crisis? Data and Methods

The European Labour Force Survey (Eu-LFS in a pseudo-panel form) covering the entire time span between 2003 and 2012... and coping with the need for a unified, cross country and longitudinal dataset of European countries with a quite extended observational window.

Countries

-DK, FI, NO, SE (clustered as “Northern Countries”)
-AT, BE, DE, NL (clustered as “Continental Countries”)
-GR, IT, FR, PT, ES (clustered as “Southern Countries”)
-UK, IE (clustered as “Liberal Countries”)

- We propose the construction of an unbalanced pseudo-panel using 2003-2012 (LTU RISKS) EU-LFS cross-sections, collapsing individuals sharing relevant time invariant characteristics into “meta-individuals” univocally identified by each possible combination of such variables.

- Grouping homogeneous individuals into “meta-individuals” we are able to “follow” them along the entire time span (up to N…. waves), and to treating the cell-averages within these “meta-individuals” as conventional longitudinal observations. (The mean number of individuals within each meta-individual exceeds 390 per year)
Main advantages of this approach:

- The possibility to **transform a cross-sectional dataset into a longitudinal (new) one**, thus reconstructing retrospective information and including dynamics (lagged values) in regression models at the “meta-individual” level;

- The implementation of proper **panel FE estimators**, i.e., provision of a **within variation** of dependent and independent variables along time (within meta-individual and within country).

- Also the effects of macro variables are estimated based on **within variation over time** and not between countries.
Sample

Males and Females aged between 25 and 60; Excluded those out of LM.

-12 millions individuals, aggregated in a final estimation sample of about 32 thousand of observations (i.e. about 4200 meta-individuals followed on average for 8 points in time)

Regression Models

We rely on:

Dynamic RE models: (RE models augmented with Y at t-1 both to reduce UH role at the micro level and to look at inertia in the outcome variable. Country dummies included)

(Quantile) FE regressions: (time invariant unobserved heterogeneity is accounted for) where the analysis is not meant to provide a description of employment determinants, but to approximate a causal interpretation of the dynamics of unemployment trends in response to the changing levels of “internal / external flexibility”, delta in national PLMP-ALMP expenditure, PMR Index

Dependent variables: 1) Unemployment risks at meta-individual level
2) Long-Term Unemployment risks at meta-individual level
(Both continuous outcomes ranging between 0-1)
Data and Methods

Micro (meta-individual) level independent variables:
Sex
Young (< 30 years)
Education level (compulsory, secondary, tertiary)
LM status at t-1 (unemployment in previous year; metaindividual shares of FTC)
(Country, year of leaving ETS, sex and education used in the definition of the unit of analysis)

Macro level independent variables:
Time trend
Crisis dummy variable (2008-2011)

Time varying macro (national specific) variables:
EPL(gap)
Active/Passive LMPs (gap)
PMR Index

-Variables with no cross-section within individual variation: interpretation of the coefficient will be identical to that one given in a common micro level panel setting
-Variables with cross-section within variation: the “meta-individual” variable computed as mean/rate of individuals values; the regression coefficients will represent the impact on response variable, given a unit change in meta-individual exposure to x.
Results: Adjustment levers – Effect of previous FTC on LTU risks
(is there a scarring effect of LM segmentation? Only in S.E.!!)

Adjustment levers models: Panel FE models on the probability of **long term unemployment**.
Interaction: meta-individual’s FTC exposure at t-1 (%) * Crisis dummy variable
Average marginal effects (AME) for the chances of holding any job within three years after school-leaving (left panel), an atypical job within five, and a typical job within nine. Estimates refer to different cohorts of school-leavers, holding the 1980-85 as the reference. All models control for sex, education (ISCED), area of residence, years since school-leaving, class of origin, EPL on temporary contracts and GDP growth.


Effetti di sostituzione di lavoro temporaneo a scapito del lavoro permanente
Allungamento delle fasi di carriera con lavori temporanei
Accumulazione nel tempo di esperienze di lavoro atipico
Provisional Conclusions

The ‘scarring effect’ of the interaction between having been previously employed in a secondary LM (FTC) and the crisis, is particularly significant and relevant in Southern Countries: ITALY, SPAIN, FRANCE, GREECE, PORTUGAL: the losers of the EU process of LM flexibilization “at the margins”...

Policy implications: REDUCING THE NORMATIVE AND WELFARE GAP BETWEEN PRIMARY AND SECONDARY LM SEGMENTS = REDUCING SOCIAL INEQUALITY IN EU SOCIETIES!

Ex. Italy: While the former 2012 “Monti-Fornero reform” made it significantly less convenient for firms to use collaborators and FTC (EO 2014), the new 2014 “Renzi-Poletti counter-reform” went exactly in the opposite direction, liberalizing the number of renewals of successive temporary contracts under which a worker can be employed by the same firm. This goes in the direction of concentrating labour market adjustments on non-regular workers, thereby increasing labour market segmentation (EO 2014) and social inequality…
Thank you!

Dualism