

Nonstandard work arrangements, employment regulation and inequalities

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IBS Jobs Conference
Warsaw, 28 October 2015



Outline

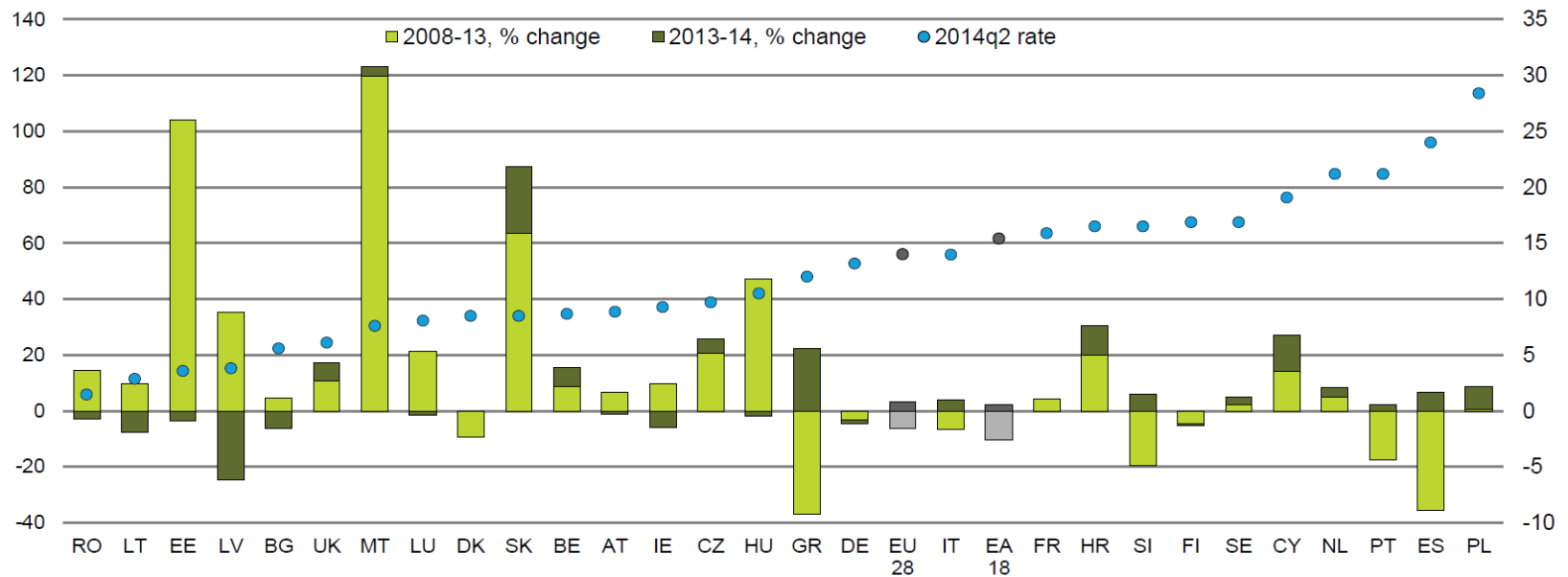
1. Changes in the nature of employment relations
2. Impact on labour market and workers
 1. Labour market inequality associated with the use of nonstandard work arrangements
 2. Job creation and labour market volatility
3. Role of employment regulation
 1. EU policy responses
 2. Regulation and inclusive labour markets
 3. What direction for the future

1. Changes in the nature of employment

Overview of trends in non-standard employment

- In 2008(q2) -- 14.2% of EU28 employees worked on temporary contracts.
- In 2013 -- a decline to 13.7%, corresponding to a net loss of nearly 1.7 million temporary jobs; driven mainly by huge job losses among temporary workers in countries hardest hit by the crisis and characterised by a high share of temporary employment (e.g. Spain, Portugal, Greece).
- The majority of the EU member states recorded an increase in the number of temporary jobs between 2008 and 2014.

Figure 2.8. Temporary employment (changes since 2008 and rate in 2014q2, age 15-64)

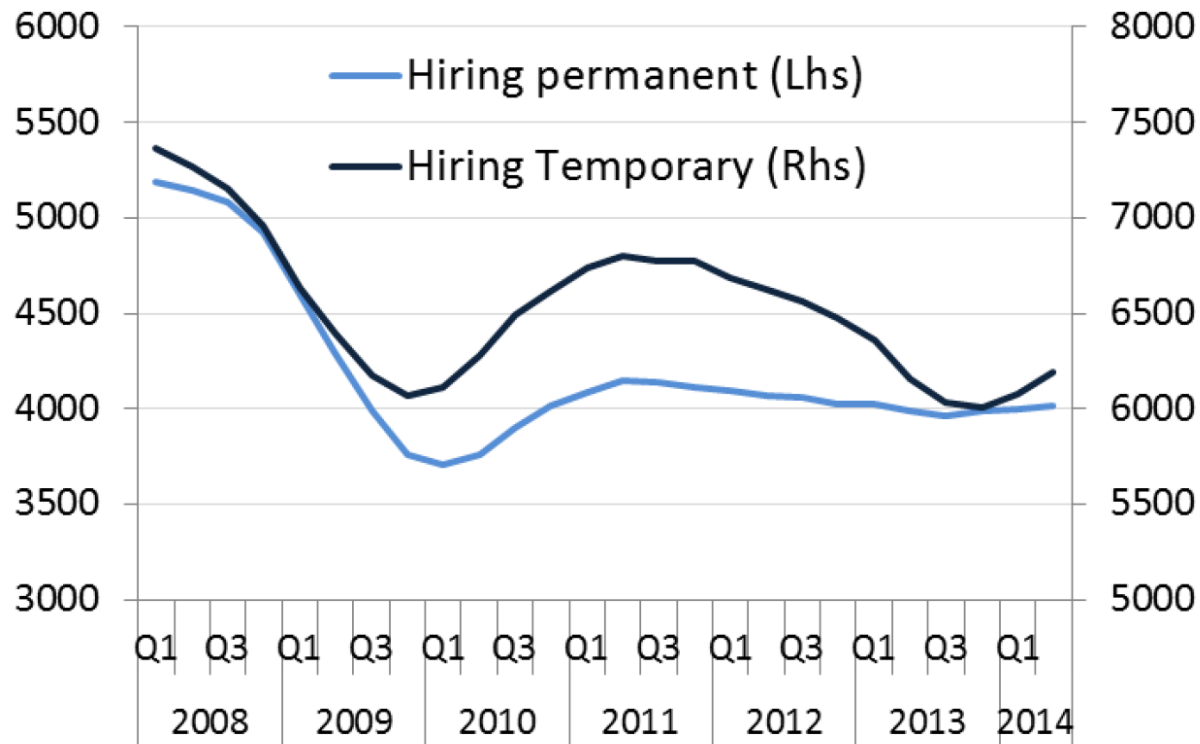


Source: Eurostat [lfsq_etgan2].

No recovery for permanent employment

Permanent and temporary contracts in the EU

New recruits per quarter, in thousands.

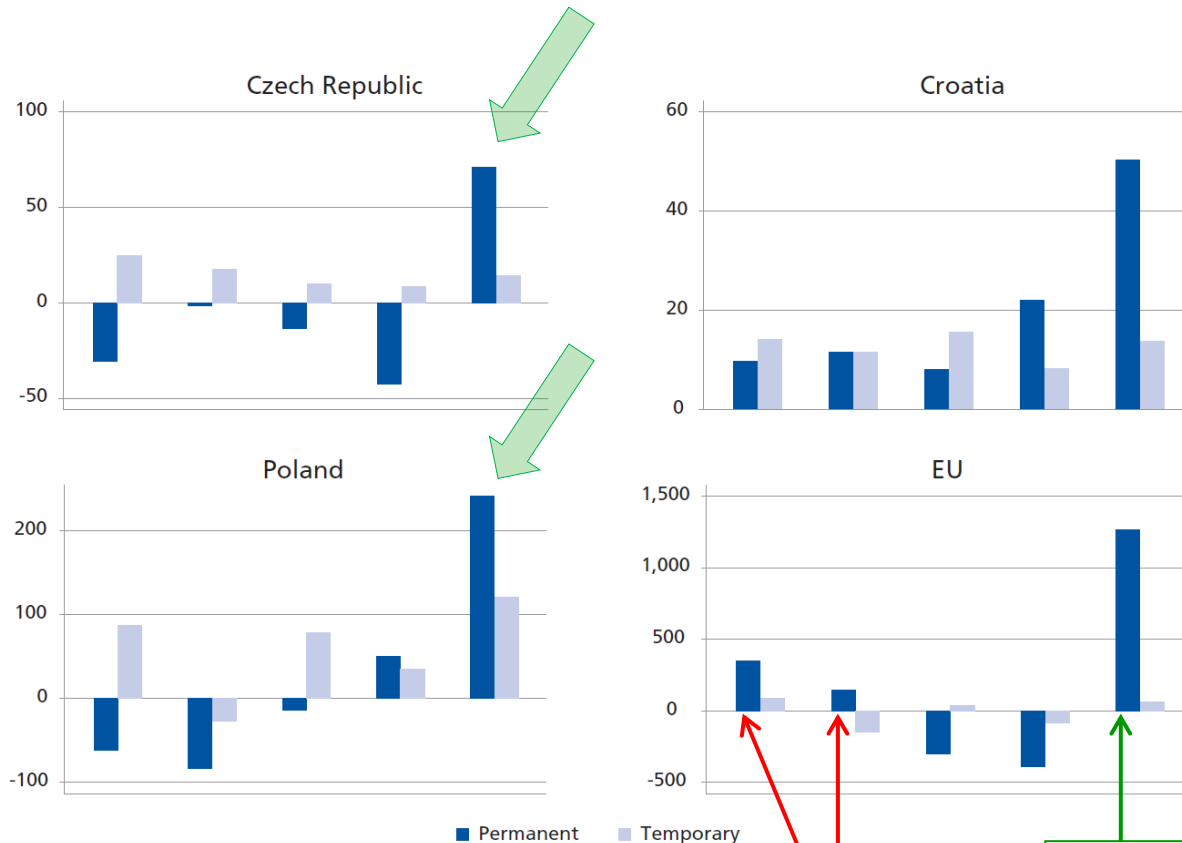


Source: DG EMPL

Standard employment offered only in well-paid jobs

Employment shifts

By job-wage quintile, and temporary and permanent status, in thousands.
Q2 2011 – Q2 2014



Source: European Jobs Monitor 2015

Permanent employees have been replaced by non-standard or atypical workers, especially in low-paid but also in mid-paid jobs.

The traditional SER is increasingly the privilege of those in well-paid jobs.

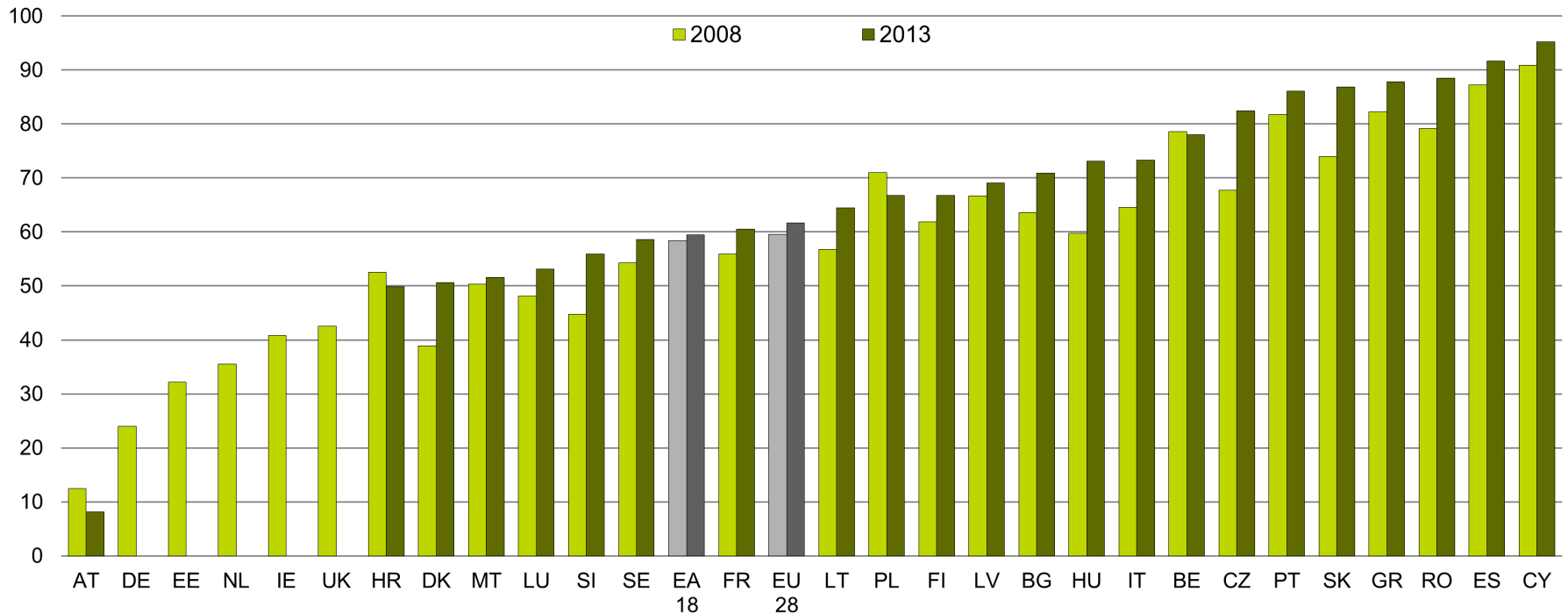
-- *European Jobs Monitor 2015*

Permanent but part-time

Permanent full-time

Involuntary temporary employment

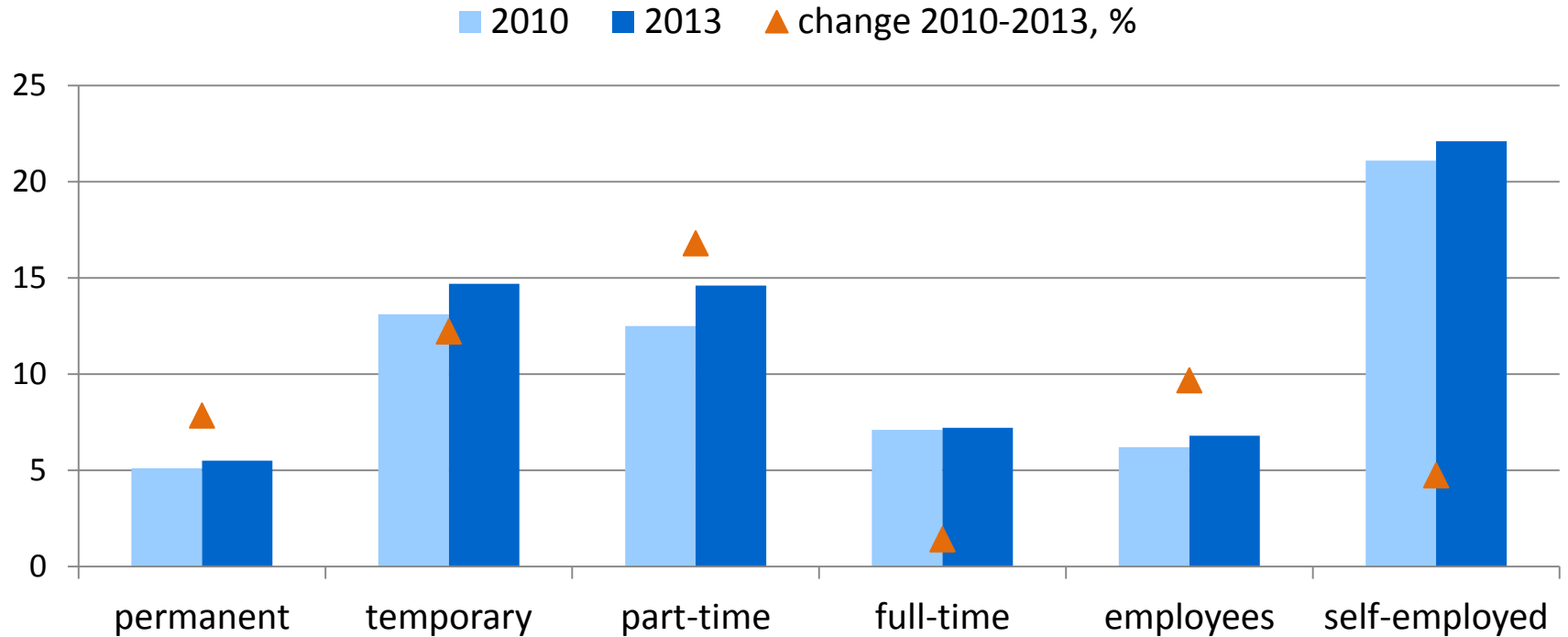
Figure 2.10. Involuntary temporary employment as % of total temporary employment, 2008, 2013, age 15-64



Source: Eurostat [lfsa_etgar]. Notes: EA18 data for 2012 (not 2013); DE, EE, NL, IE and UK missing for 2013.

2. Impact on labour market and workers

In-work risk of poverty, EU28



Source: Eurostat (EU-SILC)

Job quality penalty in non-standard employment

	Non-standard contract (temp., fixed, TWA, apprentice)	Indefinite contract
Income	948	1,379
Intrinsic job quality	65.3	68.1
Working time quality	67.8	71.1
Job security (might lose job in next 6 months - agree / strongly agree)	39%	13%
Tenure at current employer		
1 year or less	55%	9%
2-5 years	32%	31%
6 or more years	13%	60%

Source: EWCS 2010, EU27, data weighted. Own calculations.

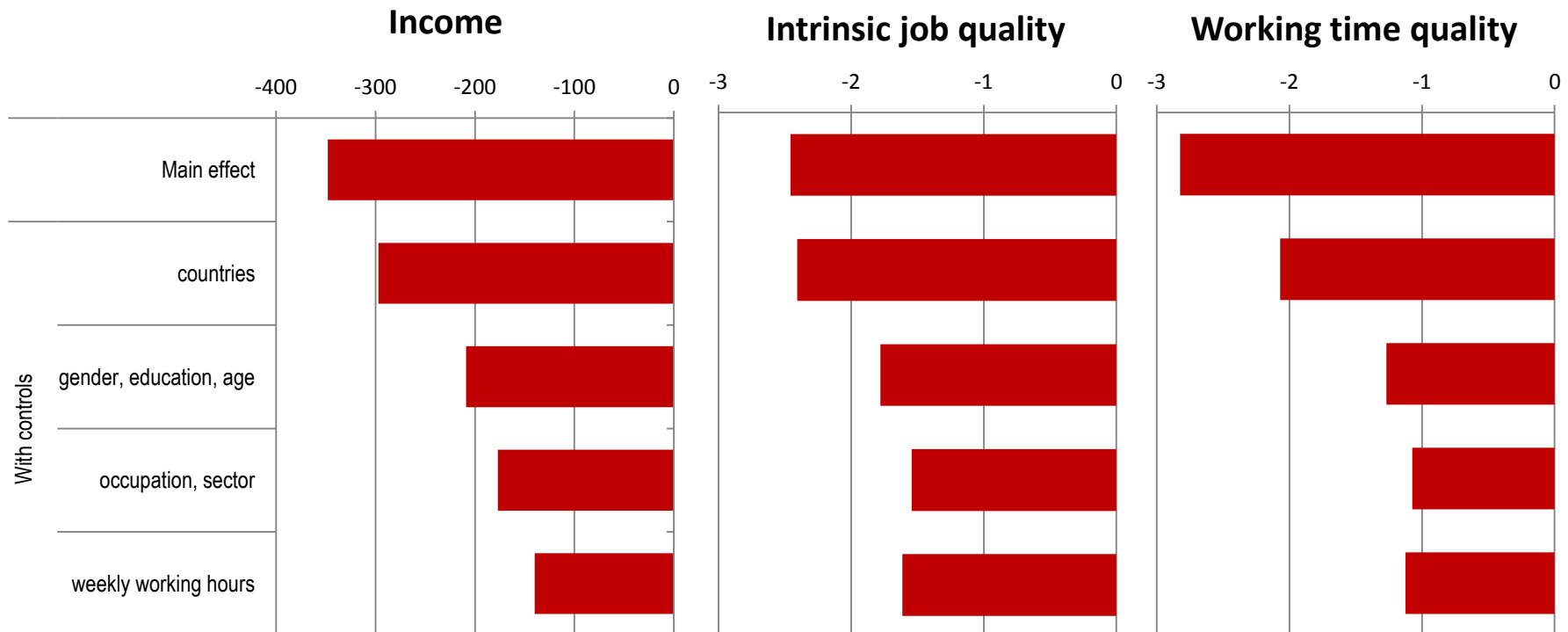
INCOME: net monthly earnings from the main job, divided by the Purchasing Power Parity (PPP) index.

INTRINSIC JOB QUALITY: Skills and Discretion; Good Social Environment; Good Physical Environment; Work Intensity.

WORKING TIME QUALITY: Unsocial hours of work, Changes in work schedules, Short-term flexibility over working time.

Job quality penalty in non-standard employment

- Persistent job quality penalty associated with nonstandard employment.
- Strong compositional effects suggest concentration of 'bad jobs' in certain segments of the labour force (vulnerable workers) and labour market (sectors and occupations).



Regression results, estimates for non-standard contract (reference: permanent contract), nested models. All p-values < 0.001

N = 35,372

Source: EWCS 2010, EU27.

Cross-country differences

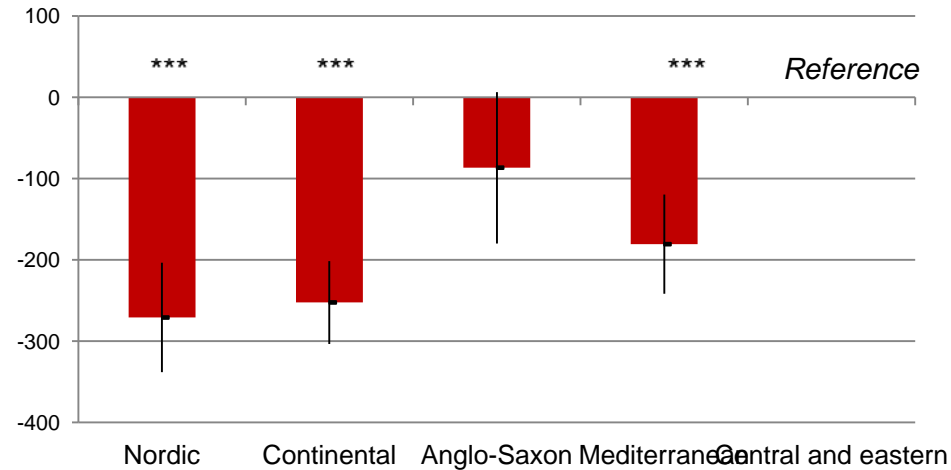
Job quality penalty in non-standard employment, compared to permanent contracts.

	DE	FR	ES	IT	CZ	HU	PL	SE	UK
Income									
baseline model	-572***	-437***	-397***	-396***	-210***	-194***	-190***	-501***	-202
with controls	-274***	-225***	-144**	-256***	-61	-95**	-91**	-242**	-66
Intrinsic job quality									
baseline model	-4.2 ***	-3.1***	-4.9***	-1.2	-3.0*	-1.6	-3.2***	.2	-1.4
with controls	-4.8***	-2.0**	-2.8**	-1.6	-2.7*	-1.4	-1.3	1.3	-1.2
Working time quality									
baseline model	-2.7*	-2.3*	-8.5***	-4.1**	-0.7	1.7	-0.7	1.1	-1.5
with controls	-2.3*	-1.0	-6.5***	-2.9*	0.0	-0.2	1.1	2.6	-1.7

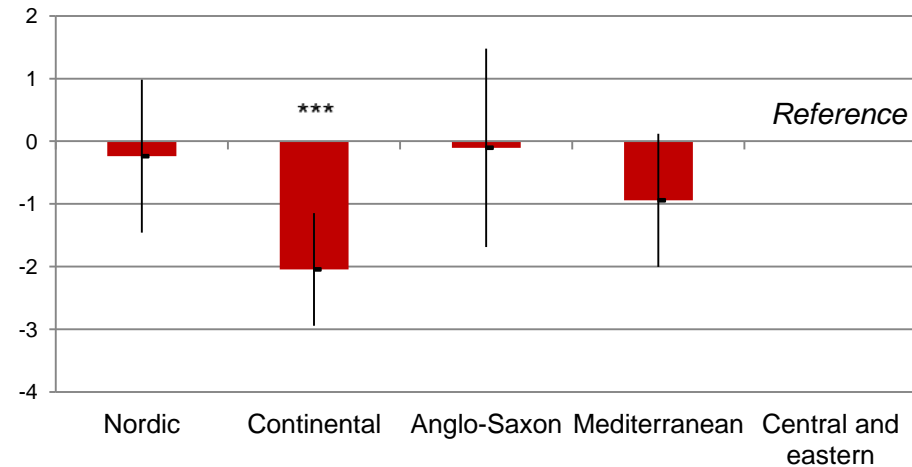
*** $p \leq 0.001$; ** $p \leq 0.01$; * $p \leq 0.05$

Cross-country differences

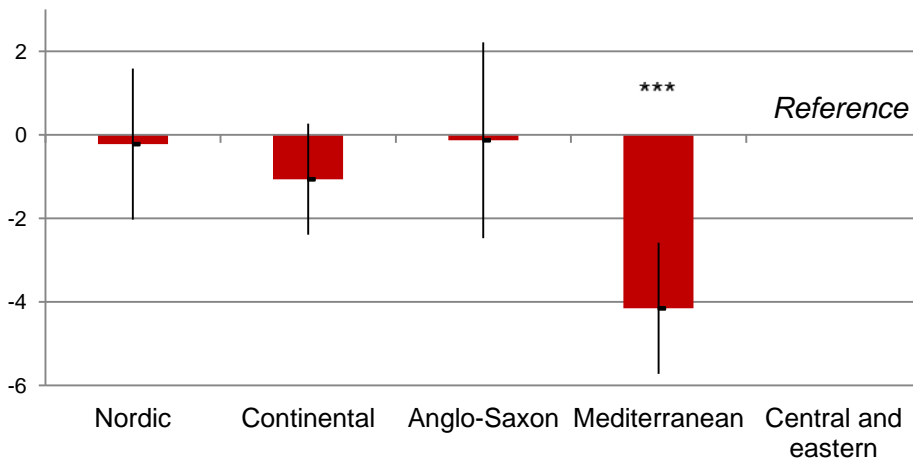
Income



Intrinsic job quality



Working time quality



*Regression results. All control variables included. Estimates and 95% confidence intervals for interaction term: country cluster and non-standard contract. Central and eastern Europe and permanent contract is reference.
*** $p \leq 0.001$*

Volatility of non-standard employment

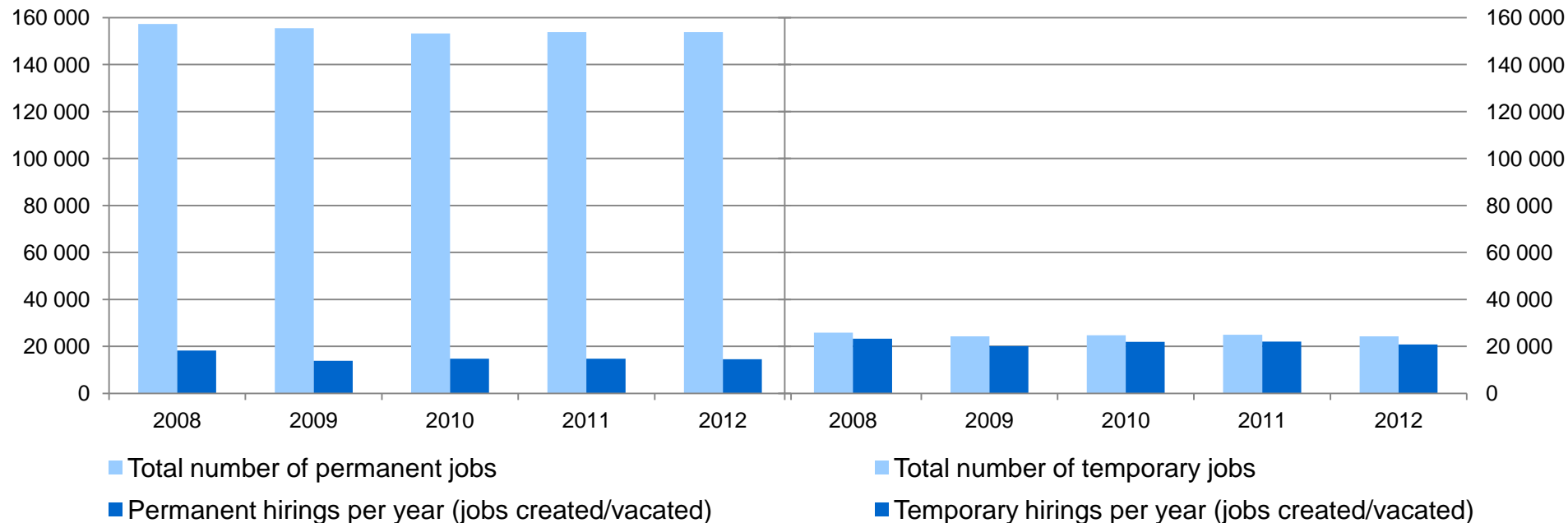
- In the EU27 (excl. France) in 2012, 58% of all hiring was through temporary contracts, while in Spain and Poland nearly 90%.
- Despite most hiring through temporary contracts, their share declined.
- Compared against changes in the volume of jobs, the hiring rates seem to reflect high turnover rates and high volatility of nonstandard employment, rather than any genuine employment growth.

Hiring rates by type of contract

EU27, 2008-2012

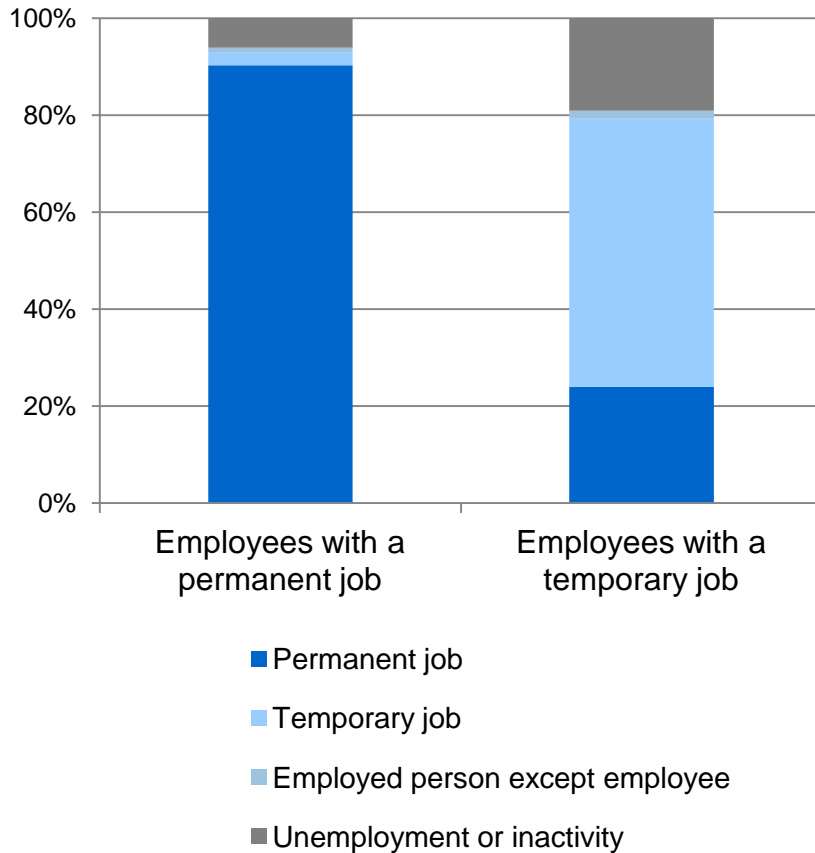
Permanent jobs

Temporary jobs



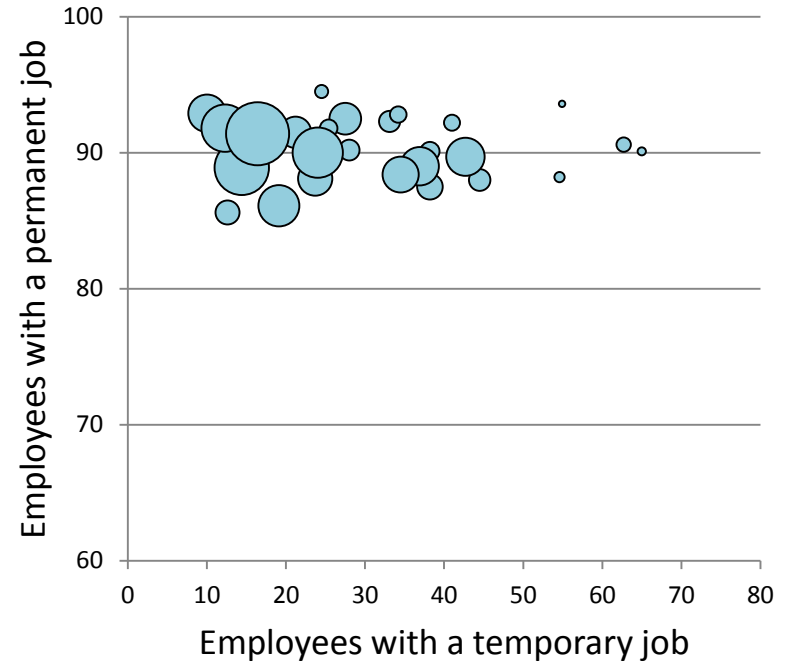
Prospects: out of temporary employment

Transitions from the previous year situation
EU 28, 2012



Source: Eurostat

Transition rate to employee with a permanent job, t+1
By country and temporary empl. rate, 2013



Source: Eurostat

3. Role of employment regulation

Current EU employment policy direction

- Fostering employment ('more jobs') is the policy priority. Job creation through 'structural reforms' (cf Annual Growth Survey, new IG 2015).
- Narrow definition of 'structural reforms' : deregulation of labour markets. Emphasis on means to, among others, increase flexibility (defined as ease of dismissal/recruitment, in practice largely focused on the former).
- Labour market rigidities -- at the root of unemployment in Europe and causes of labour market segmentation.



- “In some Member States employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margins of the job market.” (European Commission AGS, 2011)

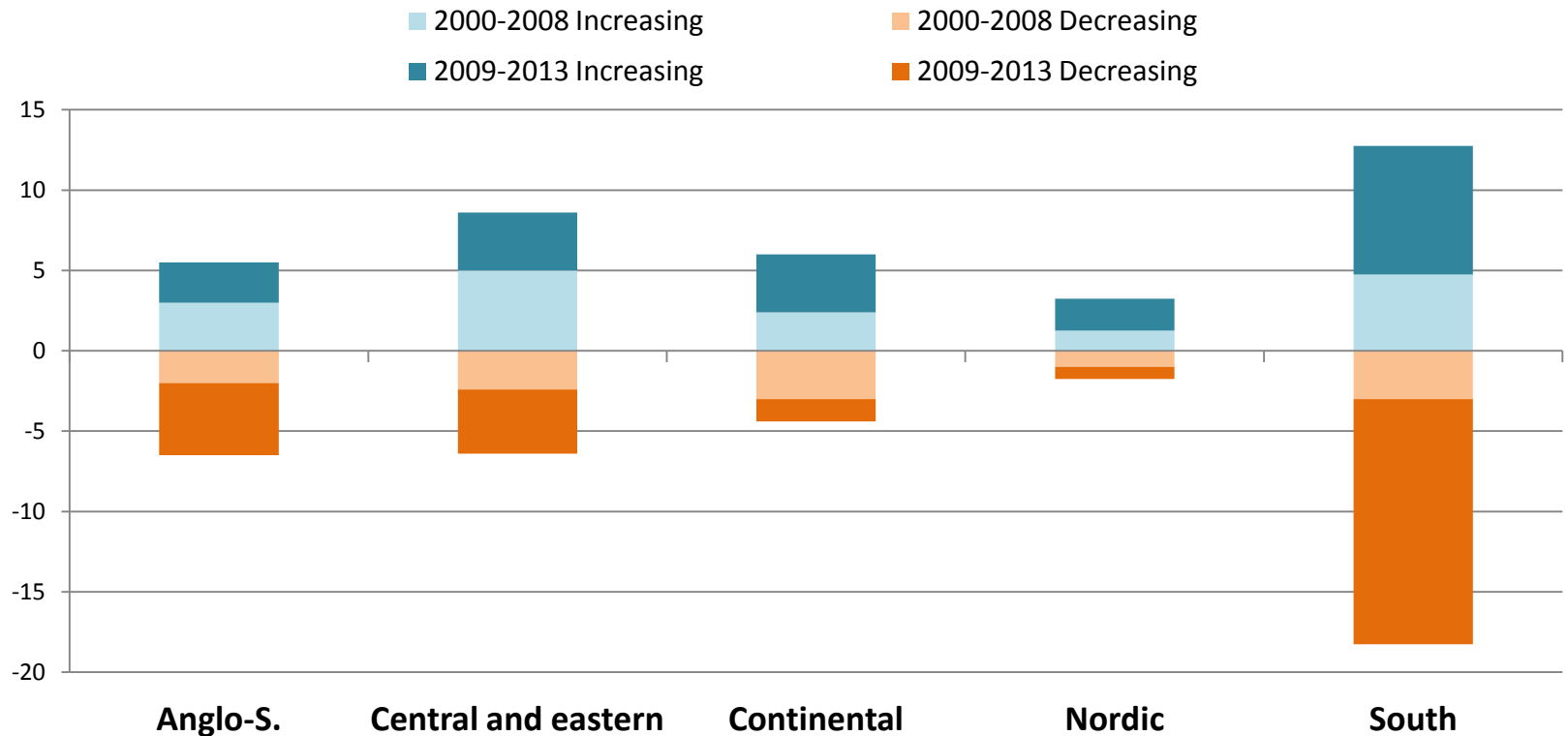
CSRs: Employment protection

- Enhance labour market flexibility by amending the labour **legislation** to make it **more flexible and to allow better use of fixed-term contracts** (LT 2011). Review the appropriateness of labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements, in consultation with social partners (LT 2013).
- **Adjust** employment protection legislation as regards **permanent contracts** in order to reduce labour market segmentation (SI 2012).
- [R]educe the excessive use of temporary and civil law contracts in the labour market.... Rigid dismissal provisions, long judicial proceedings and **other burdens placed on employers** encourage the use of fixed-term and non-standard employment contracts. Furthermore, the **perceived high cost of contracts covered by the labour code** leads to excessive use of civil law contracts, which are attractive to employers due to the associated lower **social security contributions**. The high proportion of contracts of this type, i.e. associated with lower contributions, may, however, **reduce the quality of employment available**, especially for young workers (PL 2015).

Labour market reforms

Distribution of employment protection (EPL) reforms

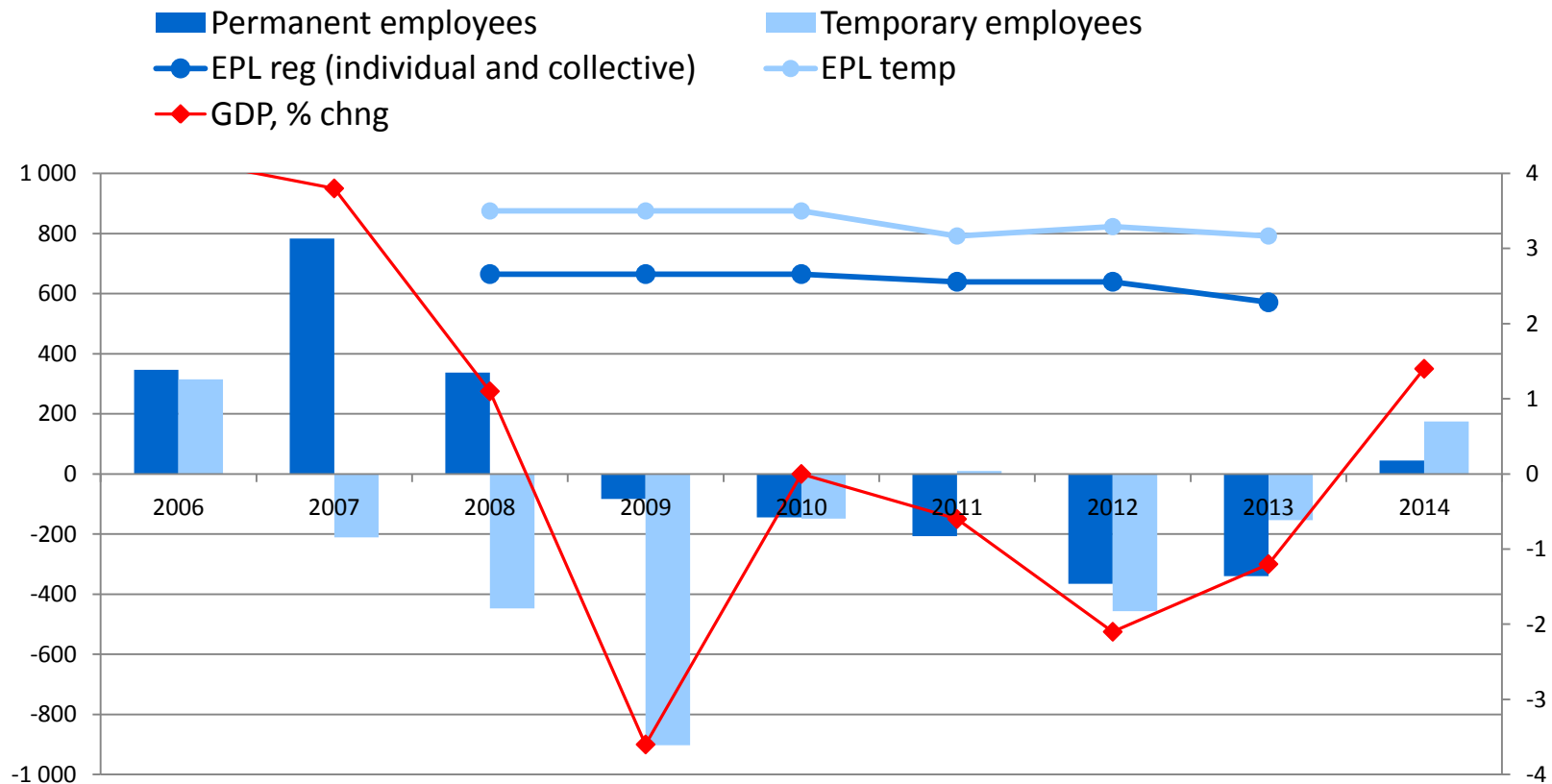
By country groups and years, average per country.



Source: LABREF database, own calculations.

EP reforms: impact on employment in Spain

- Reforms expected to increase share of permanent contracts → Declining share of temporary workers -- But not due to more people being given permanent contracts, as no reduction in the issuing of temporary contracts following the reforms. Rather, most of the dismissals were among temporary workers.
- After reforms a substantial increase in permanent employees being laid off -- a striking change from the previous pattern. This could reflect greater ease of dismissal, or simply the reduced scope for dismissing temporary employees after so many had already lost their jobs.



Source: Eurostat and OECD.

Consequences of de-regulation for non-standard workers

- Expected outcomes that alignment of protection across labour market segments (so less protection for regular work), or reduced protection in general, would bring to non-standard workers:
 - No evidence this will create additional jobs or reduce unemployment, rather substitution of temporary for permanent employment. Increase in temporary work, with spread of negative socio-economic consequences normally associated with nonstandard work. Having temporary contract increases risk of unemployment or repeated spells of temporary employment. All this reinforces segmentation.
 - Conditions of regular employment (especially for more vulnerable groups) would align with those for nonstandard employment, if stem solely from legal provisions
 - No reasons to expect employers would offer 'good jobs' more often to secondary segment workers (women, low skilled, younger).

Challenges and direction for the future

- The rise in nonstandard employment, largely involuntary, can be expected to have negative consequences for labour market attachment, job quality, and career development, but also for productivity in the long run.
- The high volatility of temporary jobs points to an increasing risk of segmentation of the labour force, with low transition rates into permanent jobs and weak contribution to the net growth in employment.
- The findings point to the urgent need to redirect European-level policies and strategies.
- The objective for the future -- for the revised Europe 2020 Strategy and Integrated Employment Guidelines -- is to redefine employment recommendations and targets so that not only the number of persons in employment but also the quality of newly created jobs is monitored and assessed.

Thank you

