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# **ONE FLEXIBLE FUTURE FOR EUROPE?**

**The Case of European Convergence and / or Divergence  
in the Light of the Flexibility Debate**

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**by**

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# Abstract

This Thesis examines recent trends in flexible forms of employment and how those forms of employment influence and at the same time are influenced by the economic, structural and regulatory environments in the different countries of the European Union, as well as their diverse labour market regimes. Those interactions are used as the basis for an analysis of the likelihood of convergence or divergence in European ways of work organisation; and for a consideration of how much influence decision makers are capable of exercising on this process.

The Thesis is divided into four parts. The first part starts by discussing theories of societal development, presenting a model of firms flexibility, and deals with methodological issues involved in relating firms strategies with national employment environments.

The second part examines the characteristics of the various European labour markets using data from the European Labour Force Survey (ELFS, 1984 - 1994) and the New Forms of Work and Activity Survey (NFWA, 1989/90). Firm specific data from the NFWA is used to explain variance in firms use of new forms of employment with other firm features. The study argues that European labour markets are still distinct and that differences in the usage patterns and meaning of new forms of employment can not be explained by firm characteristics alone; differences in national labour market regimes have also to be considered.

The third part relates the findings of the previous part to the national employment systems and compares various aspects of the findings in three sample countries (Spain, United Kingdom and Germany). It shows that the various systems function in different manners, and possess competitive

advantages / disadvantages in different areas. Conditions needed for one system to work are distinct from those needed for the other systems. Interchanging some features known from other systems to increase for example flexibility in the short run, might have effects contrary to those sought and might destroy a system's foundations in the long run.

The fourth part looks into possible converging / diverging trends in European ways of work organisation, given the different starting positions. The evidence presented suggest that in the short term gains can be made through a cost cutting strategy, however this will make in the long run the creation of the wanted high trust, high wage, high quality economy in Europe even more difficult. To overcome short term thinking, which could bring about a convergence towards a economy competing only on costs, co-ordination on a supranational level is needed. As the situation of the national systems is still distinct, decision making on this level is increasingly prone to gridlock. However, recent developments on the company level towards transnational information and work councils on a European level might have important effects, even when such arrangements still lag behind the swift developments towards economic and monetary union.



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## Abbreviations:

B = Belgium

Dk = Denmark

D = Germany

GR = Greece

E = Spain

F = France

IRL = Ireland

I = Italy

L = Luxembourg

NL = The Netherlands

P = Portugal

UK = United Kingdom

GDR = East Germany

E 12 = B, Dk, D, GR, E, F, IRL, I, L, NL, P, UK

E 8 = B, DK, D, E, IRL, I, NL, UK

# INTRODUCTION

## 1. PRELIMINARIES

# 1. Preliminaries

## 1.1. Introduction

**Flexibility** - or the ability of a System, Organisation or Individual to adapt successfully to altered conditions (see OECD 1986b) - has become a touchstone of policy for the European Union and its Member States. The Union, the Member States and different policy makers have sought to introduce flexibility measures in an attempt to restore competitiveness and reduce unemployment (see for example the European Commissions 'White Paper: Growth, Competitiveness, Employment', 1994). However, the concept of flexibility can be interpreted, and the presence or lack of flexibility can be perceived, in many different ways. As a result, member States and the various decision makers at the national level emphasise or seek different types of flexibility.

The main classification of types of flexibility from a firm's point of view, distinguishes between functional and numerical flexibility (e.g. Trends, 1995; Gaudier, 1987; Atkinson, 1984). The concept of numerical flexibility describes the ability to adapt the labour force to the amount of labour -by hiring and firing or using forms of work known as 'new' or 'atypical' forms of work, such as part time work and temporary work. On the other hand, functional flexibility denotes the adaptability of one's employees to new requirements and fresh tasks - for example by multi-skilling and retraining.

Current debates on a European level must be viewed against the background of varying policy traditions resulting from a number of historical, political, economic and social factors, which have given rise to distinctive structures in national employment systems. In each case, to improve the

system's flexibility, the entire system - comprising the educational system, labour law, work contracts, contractual negotiation systems and the social security system - has to be mobilised (White Paper, 1994).

Despite the diversity found in Member States, a number of key areas for employment and labour market policies have been identified by the European Commission on a European level (for example on the Corfu, Essen or Cannes European Councils) deriving from the awareness of common challenges faced by all members and of a common need to adapt to them. By fixing those common priorities, yet not formulating possible policies or strategies in concrete terms, it is hoped to establish 'Convergence with respect to diversity' (Com(94) 333, p.12). This implies a way to guide the progress of the national systems in harmony towards the fundamental objectives of the Union, by permitting the coexistence of each different one of them (Com(94) 333, p.12). The question remains whether the pressure towards greater harmonisation will lead to one single European system, or whether existing systems will remain distinct.

However, the aim will be to obtain a "new organisation of work", which according to the Greenbook: "implies a replacement of hierarchical and rigid structures by more innovative and flexible structures based on 'high skill' and 'high trust' and new relationships between different firms and between firms and workers. A report from the Commission's Competitiveness Group clarified it further in June 1996: " A co-operative approach to a different organisation of work within the firm will improve industrial relations, allow greater worker participation in decisions and potentially lead to a better product quality. The latter in fact represents an essential component in any strengthening of the competitiveness of the European economy". According to the Green Book, the new socio-

economic and technological context and in particular the present experiences and trends on work organisation would already have given rise to a parallel process of reorganisation of labour market policies, including labour law and industrial relations.

It is the opinion of the Commission that in the context of these new developments, the likely evolution of labour law and industrial relations from present systems of statutory regulations to more open and flexible legal frameworks may pave the way for a change in industrial relations and allow social partners to advance in the convergence of Europe to the wanted type of society.

## **1.2. Outline of the study**

This research analyses the likelihood of a European convergence or divergence in the light of the flexibilisation of work patterns. It examines whether current trends to more flexible forms of work could lead to the wanted convergence in European employment systems, or if those trends result from different underlying factors. The effects some 'new' forms of employment have on each other and on overall patterns of work organisation in various countries of the European Union are investigated. The study checks how far those 'new' or 'flexible' forms of employment can contribute to the creation of high skill and high wage economies in the European Union Member States.

This thesis investigates the interaction between the use of 'atypical' or 'new' employment relationships as approximation to the numerical flexibility issue and skill requirements and its provision in firms as a threshold to the ways functional flexibility is sought after in various European countries. It also analyses under which circumstances firms make use of new forms of

employment. From this analysis, conclusions will be drawn about possible effects of the promotion of the so-called atypical forms of work on the competitive situation of national labour markets. How will these new forms of work affect the existing mode of labour market management? Can they be incorporated into the existing mode, to create a sustainably flexible labour market? Given the different stages the European labour markets are in, what are the policy options open for decision makers? Is the move towards more (numerical) flexibility in all European labour markets, as shown by the extension of certain new forms of employment, the same as the move towards one mode of labour market management?, or can it lead to the collapse of individual labour markets, resulting in even bigger disparities?

The relevance of this topic results not only from the economic and political dimension of improving European competitiveness and the continuation in the process of European unification, presented above, but also from a theory dimension. There is, to start with, a theoretical perspective of societal development. There are various theories relating to universalism and diversity in societies proclaiming changes in working patterns leading either to convergence or to divergence, as I will show in Chapter 2. These changes, depending on the underlying theory's rationale, would lead to one post-industrial society in Europe (i.e. convergence), or a continuing diversity or even widening of differences (divergence). Secondly, even though strongly related to the first factor, theories regarding systems' prerequisites for establishing functional or numerical flexibility often suggest some degree of incompatibility between existing conditions and desired ends (see chapter 3), leading to trade-offs between key areas of policies identified by the European Union, in its search of a flexible future. A future that should reflect the best of values and traditions in Europe, the

European Social Model, including competition between firms and solidarity between citizens. It is important, in shaping the future organisation of work, to recognise these values, as the new organisation of work cannot be separated from social conditions, but must be embedded in the wider organisation of society (Green book). The Commissions feels that the social partners must play a crucial role in this new organisation of work, although they do recognise that in many Member States there is a history of distrust and conflict, that can influence developments, when the new organisation of work should be based on trust and commitment. The challenge for social partners, as for policy makers is to develop a new framework for the organisation of work, a framework that has to be defined through discussions in the social dialogue (Green Book). It is my intention to discuss the possibilities of such a dialogue, i.e. of reaching a common understanding in industrial relations in Europe later in this thesis. See below the way it will evolve.

### **1.3. Outline of method**

The question of convergence or divergence can be asked on different levels and looked at from different perspectives. I have chosen to investigate trends in work organisation taking the firm's perspective as a point of reference. This choice is based on two considerations. Firstly, there is general agreement that convergence in Europe can only take place if there is harmonisation in the patterns of work organisation (see for example: Sengenberger 1992; Deakin and Mückenberger 1992; Atkinson 1985). Secondly, because current European Union policies take a similar approach to harmonisation. The European Union sees one of the most promising developments in their efforts to improve economic performance in the impulse of new forms of work organisation. It hopes that by improving firms'



flexibility a process of organisational development will emerge, offering a unique path for the national employment systems to converge; leading towards a distinctive European way of work organisation, based on 'high skill, high productivity, high quality -and good real wages' (Green Book, 1997), as I have explained above.

This being so, this study will investigate empirically European convergence and/or divergence in the light of present flexibilisation efforts, since (as I will show in chapter 2) theoretical considerations can not resolve this question. I will try to solve it by analysing developments in the flexibilisation of work patterns in firms regarding the different socio-economic systems. Hence, instead of investigating the question of European convergence or divergence directly, I will follow an indirect approach. I will examine if current changes in patterns of work organisation in firms can be attributed to the same underlying factors and will eventually lead to a similar form of work organisation across Europe.

I intend to investigate the likely explanations for the variance of usage patterns of new modes of labour by firms across Europe, using quantitative data from the NFWA Survey (for exact reference see chapter 6) and combine these with qualitative data in three country case studies - the United Kingdom, Spain and Germany. Finally I will, based on the previous results, reach conclusions about options policy makers have to exercise influence, and what that means for the development of one European Society.

#### **1.4. Organisation And Preview Of The Study**

This thesis is organised in four parts. In Part I 'Theoretical and Methodological Issues' the question of convergence or divergence in

European societies will be raised on the level of work organisation, and the flexibility debate from the perspective of firms' management strategies, using an 'ideal' type model, will be introduced. The remainder of Part I will present a methodology to answer the question, starting with the firm's strategy, to then draw conclusions for the issue of work organisation and that of convergence of European societies as a whole. Part II will gather 'Statistical Evidence' to investigate the underlying factors in firms' decision making, and to determine convergence or divergence in patterns of work organisation across Europe. Based on these similarities and differences, Part III 'National Institutional Systems' will present the country case studies of the national institutional systems of Spain, Germany and the United Kingdom. The final Part 'Conclusion' will, based on the results from the previous parts, draw conclusions for the question of European convergence or divergence, evaluating the policy options open to the various, mainly social actors. Analysing the likelihood of reaching the new organisation of work at which the Commission aims.

# **PART I: THEORETICAL AND METHODOLOGICAL ISSUES**

**2. INDUSTRIAL RELATIONS SYSTEMS: CONVERGENCE OR DIVERGENCE**

**3. FLEXIBILITY: FIRM'S PERSPECTIVE**

**4. METHODOLOGY**

## **2. Industrial Relations Systems: Convergence or Divergence**

### **2.1. Introduction**

There are various theories bearing on convergence and divergence in work organisation in general and Industrial Relations in particular, that I will analyse in this chapter to introduce the first tier of the theoretical basis to my investigation.

The European Commission sees the relatively moderate degree (compared to its competitors) of adaptation of the European Union to the altered and continuously changing economic environment as the main reason for the loss of competitiveness in European economies. The perceived need to increase adaptability within the Union has led the Commission to identify several key areas on a European level where certain policies could improve flexibility in work organisation, and between them, the homogenisation of industrial relations system. However, the need to respect national traditions to maintain European values is also recognised. These two (at least partly) offsetting demands on European Social Policy - the urgency to change in order to stay competitive, while respecting traditions to avoid tensions between old and new ways of work organisation- are sufficient to highlight the competing pressures of convergence and divergence in European Societies. The EU considers that one of the most promising developments of their efforts to improve economic performance is the progressive adoption of new forms of work organisation; endorsing these new forms of work organisation would occasion changes in the world of labour relations and hands in the Industrial Relations systems. Such changes would be based in the distinctive

"European way": participation, consensus, skills reproduction, and thus transform Industrial Relations offering a unique path for the national employment systems to converge (Green Book, 1997). The catch lies in the actual existence of unheralded effects new forms of work organisation, like more flexible forms of employment, will have on the Industrial Relations System. Are the benefits of the new forms of organisation selective, i.e. accruing only in certain firms, sectors, countries...? or are they common to all, reducing international differences of the Industrial Relations System, as assumed by EU commission papers such as the Green Book (1997). The debate on Industrial Relations is connected to the conflicting theories of economic change that I will describe in this chapter, and that regard the matter of the possibility of convergence or divergence in European Union member states production and reproduction regimes.

The two demands on future policies (convergence in a European level and respecting national traditions), and the conjunction of those two demands are each attached to certain schools of thought related to theories of societal development. The aim of this chapter is to present those main schools of thought, starting with the classical management school of 'culture free' forms of work organisation based on economic rationality, which we will refer to as 'Universalism'. The second category is labelled 'Characterism', this describes the school of thought which has been developed as an antithesis to the first and sees national traditions as the main (or only) characterising force for forms of work organisation. And finally 'Characteristic Universalism', a synthesis of the two previous lines of thought, according to which developments in work organisation will be 'filtered' through the traditional system, resulting in a system catering for both outside trends and traditions. Work patterns will be susceptible to various influences, newly appeared pressures to change as well as

traditional patterns. This makes prediction of societal development even more complicated. The choice of these three categories will become clear in the course of the chapter. The last section of the chapter contains a brief summary, highlighting the arguments that are relevant to further research.

## **2.2. Universalism**

The dominant schools within classical management thought and organisational sociology assumed efficiency imperatives created 'one best way' of managing irrespective of cultural or national context (Smith and Meiksins, 1995). Whatever differences in organising existed between societies would, over time, be subsumed by superior general efficiency methods and practices. At a macro-level, the convergence theory of Kerr, Dunlop, Harbison and Myers (1960) suggested that, despite differing routes into 'industrial society', work within it would look increasingly similar. This was because science and technology were universal ingredients of all 'industrial societies', and the long term solvents of national and cultural differences. Connected to this issue is the debate on the transformation of the industrial relations systems of different countries in response to the internationalisation of markets, technological innovations and increased work-force diversity, which has been the focus of much research in industrial relations in the last decade (Locke, Kochan and Piore, 1995). Lansbury has argued that, even though 'all European countries are experiencing intensified pressures to adapt their traditional Industrial Relations practices in response to increased global competition and changing technologies, most of them are uncertain about the precise nature of the Industrial Relations system they should be seeking to establish and which will be appropriate in decades to come' (Lansbury, 1995: 7-5)

Similarly to classical management thought, the contingency theory

argued that firm structure and social relations were essentially free from cultural influence; the task environment, product market, size of firm, its form and structure or its production technology were the chief influences in management, occupational structure and work organisation and these 'contingents' were 'culture free' (Chandler, 1962; Blauner, 1964; Woodward, 1965; Hickson *et al.*, 1979). As an example, it seems that American writers trying to comprehend the rise of Japanese competition and manufacturing decline in the American economy, have used comparative analysis to abstract organisational standards which can be applied as techniques and typologies free from cultural or national contamination (Vogel 1979; Ouchi 1981; Pascale and Athos 1982). There has been an ubiquitous attempt to devise universal models, even where, as in the debate over Japanese transplanted companies, these models are synonymous with, or reliant upon, a single dominant economy (Womack *et al.* 1990; Kenney and Florida 1993).

In their turn, in the same line of thought, advocates of the 'universal society' approach argue that modern societies, particularly in Europe stand in tight contact/competition with each other. Actions taken in one society do not only affect this society, but also all others. Modern information technology makes it possible to exchange information rapidly and modern production technology allows industry to produce nearly everywhere. This strong relationship, so the argument goes, has already caused a degree of convergence between European societies. Given the fact that technology and knowledge can be readily transferred from one economy to another, further convergence will be the natural consequence. Any obstacles in its way will slow down this process of universalisation, and will eventually lead to loss of competitiveness. Since the competitive environment is similar for

all economies, it is thought that there is no room for different modes of labour market management or different industrial relations systems. This can be seen as a renaissance of the idea of a universal evolution of technological and economic rationality, which will eventually lead towards the convergence of all societies, towards a 'post-industrial society'. Consequently policy makers should rally round and establish flexibility, influenced by abstract models as examples of 'best practise' or 'ideal type', based on economic and technological rationality.

There are many studies and models in the area of labour market flexibility, which have implicitly assumed that there are universal rationales for using different forms of flexibility, and 'that there is a general process at work whereby most advanced industrial economies are moving in the same direction, in search of greater flexibility' (O'Reilly, p.219, 1992a). National traditions and circumstances are seen as obstacles to the establishment of flexibility, rather than as starting points to develop distinct, varying modes of labour market management.

Contradicting the assumptions of universal society theorists, cross-national research which held constant economy, technology, product, firm size and other tasks 'contingents' found underlying differences in labour processes, occupational structures and management styles that could only be connected to the persistence of national differences and the singular approaches these occasioned (Gallie 1978; Child and Keiser 1979; Maurice, Sellier and Silvestre 1979; Maurice, Sorge and Warner 1980).

Due, Madsen and Jensen (1991:88) suggest that: "Actors have arrived who, via their actions and status, consciously strive to create convergence in Industrial Relations, across the boundaries of member states... we now



have actors who, far from being intent solely on promoting national interests, act solely on the basis of supranational considerations... and actor oriented analysis which pays due attention to EC co-operation will inevitably concentrate on convergence trends deriving from the supranational character of the actors". Such convergence, will, so their argument, emerge in parallel to the convergence trends implicit in technology transfer, market developments and other forms of co-operation.

### **2.3. Characterism**

This category is introduced here to signify the views that are diametrically opposed to universal society theories, the view that the main characterising force behind work organisation are national traditions. It has become necessary to invent this new classification, since in literature schools of thought belonging in this category are often summarised under different names, normally taken from the preferred school of thought. I will broach some of the theories in the following paragraphs.

Results of cross-national research, as has been mentioned above, showed that Universalism could not explain the steadfastness of serious national organisational and social differences across 'industrial societies', except perhaps in terms of lags and questionable notions of 'backwardness' (Smith and Meiksins, 1995). To offset these problems there was a re-evaluation of the role played by political economic systems (which include Industrial Relations systems), history, tradition and culture in sustaining diversity within organisations across different societies. However, the difficulties in making such extensive and uncertain concepts as culture and tradition workable resulted in critical analysis turning to the media of social reproduction responsible for transmitting national messages to each

generation of workers and managers: namely to social institutions. At the level of the organisation, these 'institutionalist' accounts of national distinctiveness rested on supply-side assumptions that organisations are largely determined by their inputs (Smith and Meiksins, 1995). At the macro-level, they suggest that the constitution of the firm and its relationship to banks, the state and other political, economic and so-called 'social' actors are socially constructed within different national environments.

Institutionalist explanations for cross-national organisational variance represent a bringing into focus of the state and an associated shrivelling of the power of the economy, technology and the market. Institutional analysis tended to focus on, and reinforce, national differences. The difficulty this contention presented was how to explain the dynamic nature of change within economies which are increasingly global, not nationally confined systems. In Europe in particular, according to Gunnigle and Roche (1995), the analysis of industrial relations practices and policies has never been so closely tied to an appreciation of commercial, national and international political pressures.

Institutionalist therefore, identified a critical weakness in convergence/'one best way' approaches: their inability to explain the persistence of significant national differences in economic organisations over long periods of time. They shifted organisational research towards comparative, cross-national studies which focused on the sources of national differences. However, these exercises in comparative analysis tended to let a kind of universalism in through the back door - certain national practices were held up as 'models' of 'best practice'. In this way they seemed to recommend the 'less advanced' to follow the example of the better off, so that they would end up following universal rationales of

economic organisation and evolution. The debate on the convergence/divergence issue was thus not resolved. The persistent ambivalence of organisational theorists regarding these opposing dynamics is likewise revealed.

As to the convergence – divergence issue in what regards Industrial Relations, the challenges to traditional or established Industrial Relations arise from such major forces as intensified international competition, changes to the structure of product and service markets, European integration and new approaches to the management of manufacturing technologies. It has been argued that there has been an explosive divergence in Industrial Relations, with different strands of development moving away from each other in different directions, rather than an implosive convergence towards one central best practice (Streeck, 1988) and the potentially convergence encouraging process of social dialogue, has, for its part, produced little apart from working parties (Baldry, 1994).

Members of the societal effect school, who also disagree with the idea of a move towards a universal society, reject the concept of a move towards technological and economic rationality, stressing the importance of the human actor, national traditions and cultures. They maintain that even if something distantly similar to a universal society exists, the way towards it might be very different for various societies. The term 'societal effect' is used by LEST on skill hierarchies (Maurice *et al.* 1986) to show "specific national characteristics" of the overall logical process that shapes "factors of socialisation" (training and mobility of the labour force) and "factors of organisation" (division of labour, hierarchy within the enterprise (..) collective labour relations..)" (Desmarez, p143, 1987). The societal approach is in some ways an *ad hoc* theoretical formalisation to meet the

needs of international comparisons (Michon, 1992, p 235). Dubois makes clear that other works stress the effect of "the national culture" or basic rules of living in a community (...) the system of industrial relations...". However all of them are trying to establish "what is known in statistical language as interaction: the relationship between one or a number of variables (...) depends on the given context" (1989, p207).

Contrary to American writers, who were often seeking to abstract organisational models from national context (see above), European writers have stressed the importance of selection, acclimatisation and diversity in production systems. Neither group has produced anything like a coherent cross-national comparative theory. The former for reasons explained above, the latter because they failed to explain the dynamic development in national systems brought about by globalisation.

Recent comparative studies of labour and management across European societies, debates on the diffusion of Japanese working practices, and those around 'new production concepts' have highlighted the competing pressures of convergence and divergence in industrial societies. They also suggest that neither universalist nor societal effects defenders offer sufficient grounds to explain existing differences and diverging pressures to change.

There exist in the literature some scholars that tend to equilibrate the extreme positions of universalism and what I have named characterism, nonetheless their approaches do not normally have a explicit denomination, thus I decided to introduce a term that would express clearly what is meant, an eclectic view between universalism and diversity, that I am going to cover in the next section.

## **2.4. Characteristic universalism**

This term was chosen as a means of expressing the existence of universalistic trends which get a characteristic turn if they are absorbed by a society, when filtered through its characteristic system. Once the ideas summarised in this category are presented, the choice of the title should become clear.

Such universalistic trends include the concept of 'best practice', which I have already found in universalism. It would seem that the intensified competition between the different economies, and hence the different productive systems, with some systems appearing to perform better than others, is putting pressure on the 'less competitive' ones to change. Since some systems of work organisation have proved more successful than others, those systems will be, in total or through aspects of their systems, measures for progress and the push will be towards a change in that direction. So far the Universal Theory sounds feasible. Nevertheless, several doubts can be raised against giving undue prominence to the role of best practice in shaping work organisation. First, it could be argued that such borrowing is superficial, affecting only the firm level and not the institutional arrangements of the state (legal regulations) or civil society (particularly Industrial Relations). Second, it might be that whatever is witnessed in other societies by 'significant' actors - corporate managers, civil servants or others - cannot simply be imposed in their 'own' society or firm, due to the commitment to or embeddedness of existing practices. Thirdly, it might be that any new standard will inevitably become diluted or adapted by host institutions and agencies producing a multiplicity of national versions of ostensible 'best practices' such as Taylorism, Fordism or JIT. As such, we would be back to institutional cultural pluralism, and not universal ways of

organising. Clearly, economic performance against other societies qualifies a country receiving special attention, and through its operation in the international economy facilitates the diffusion of its practices to other societies. However, while recognising that international benchmarks affect all levels, it is obviously the case that adjusting institutional Systems is more complex than rethinking factory regimes. As such, the factory or organisational levels may be more dynamic and variable, relative to social institutions of the state and civil society. As Abo (1994, p.16) notes, 'if the Japanese production system does establish a clear superiority over other systems, then within certain parameters, it will spread to other countries. However the degree to which it permeates a given society will be governed by conditions in that society'.

And by rote, the response to these pressures is not the same in every country. Rather, according to Locke, Kochan and Piore (1995:158), "employment relations are shaped in systematic and predictable ways by institutions which filter these external pressures and the strategies of key actors. Patterns of adjustment in countries that have a history of strong centralised Industrial Relations institutions tend to follow an incremental, negotiated pattern and aim to achieve results that balance the interests of different social groups and economic interests". In other countries the adjustment has tended towards the unilateral; with unions and their traditional institutional supports and political allies put on the defensive".

These groups' perspective regarding the creation of a competitive advantage and converging or diverging trends in Europe are not as clear-cut as the forecasts of the previous groups. To create a competitive advantage, the emergence of a system, consistent in social and economic organisation, is indispensable (Perez 1983, Freeman, 1983). This necessity for

a new balance has to be considered before embarking on the redesign of the current structure. As Rubery (1992) explains 'Convergence, in the sense that some countries might face the disintegration of their existing societal, regional or specific industry-based productive system, may lead to further divergence in economic performance.' (p.259) However one should also be careful not to overstress the internal coherence and functioning of a productive system, neglecting internal contradictions and pressures from in and outside the system to change (Rubery, 1992). The central question remains, of whether the current situations in the European labour markets can be regarded as sufficiently similar, for a policy based on the idea of one system of work organisation, leading to or deriving from a 'unified' or parallel system of Industrial Relations for the whole of Europe to be successful.

In the last decades or so the context and consequently the nature of Industrial Relations in Europe has undergone major changes, which were associated with changes in labour markets. "The composition of employment shifted from traditionally highly unionised to non-union sectors and workers and collectivist ideologies lost favour for individualist ones" (Blanchflower and Freeman, 1992;57) This approach tried to deal with individual employees and included what are often denominated HRM techniques, It was an approach in which employers sought new systems of work organisation, employment contracts and working-time arrangements to provide the flexibility necessary to adjust to the competitive conditions of the 1980s (Kern and Schuman, 1990; Rubery and Wilkinson, 1994). Management capacity to pursue strategies aimed at increasing labour flexibility and productivity increased in the 1980s as unemployment steadily increased and as trade union membership declined in some economies (Müller-Jentsch, 1987). Therefore, management has had the opportunity to

define the nature and conditions of the employment relationship to a greater extent than previously. And this has been connected to a questioning of traditional forms of regulation external to the firm, whether by law or by sectoral collective agreements (Hyman, 1995). Such changes have taken place across Europe, and their effect has been to reactivate the debate about 'convergence'. Described as an 'old debate' (Locke *et al.*, 1995), it argues that the effects of increasing internationalisation in general, and the role of the EU in particular, will eventually give rise to an increasing similarity of Industrial Relations, at least in Europe.

Despite such arguments, it is widely recognised that Industrial Relations in Europe differ significantly from country to country and that the extent and nature of change varies considerably. Moreover, in most European countries it is possible to speak of national Industrial Relations systems, "in the sense of institutional arrangements shaped by legislative frameworks, historical traditions, accumulated vested interests and learned patterns of behaviour" (Hyman, 1994:2). This national divergence points to a number of important issues, particularly as relates to the extent to which governments recognise trade unions as social partners, and the way in which trade unions are organised to relate to governments. What operates successfully in one country may not be appropriate for another (as I have argued above when talking about societal differences); besides, while importation of specific features of one system may occur, a blanket approach to the transposition of complete Industrial Relations systems onto pre-existing ones appears limited. In Europe specifically, laws and directives are not in themselves sufficient to bring about significant change, and will only be important if there is a willingness to use them and institutions to implement them. This refers in particular to awareness and capabilities on



the part of employees and trade unions. Here it is true that at the European level there are significant institutional gaps in this respect, as is evidenced by the difficulty of developing the social dialogue. At the level of the individual countries there are also gaps, with weak union movements in some member states (Gospel, 1992:488)

There is empirical evidence (Morley et al, 1996) to support the view that there are elements of both convergence and divergence at work in European Industrial Relations; however, it appears that national differences remain more significant than sector or size dimension. My study will deal with issues related to Industrial Relations, when intertwined with new forms of work and activity in the European Union as to Labour flexibility and convergence.

Its lack of generality in predicting future societal developments, is probably the reason, why 'Characteristic Universalism' is not as much seen as a theory, but more as an approach to comparative analysis. At the heart of the approach lies the idea of interaction, between 'borrowed' forms of work organisation, which are thought to be the reasons behind another country's competitive advantage, and traditional systems of labour market management in the target society (see for example: Smith and Meiksins, 1995; Sorge 1991; Whitley 1992). Writers taking this perspective also agree, that in order to predict future developments, the particular pattern of interaction has to be understood and attention has to be given to combinations of different and opposed forms of work organisation. In that respect, the approach raises more questions than it answers.

## **2.5. Summary and Conclusion**

In this chapter I have shown how perspectives holding that industrial

societies were moving towards one 'universal society' were incapable of giving a consistent explanation to persistent differences both social and organisational. The only way in which they could begin to explain the differences was with the notion of tardiness and slow development. Nonetheless some cross-national research that held the above mentioned contingents constant, found latent differences in labour processes, occupational structures, management styles, and Industrial Relations systems proving the inaccuracy lying in the notion of lagging (Gallie 1978 ; Child and Keiser 1979 ; Maurice, Sellier and Silvestre 1979 ; Maurice, Sorge and Warner 1980). These differences were only explainable in terms of national characteristics: national differences that occasion diverging attitudes and diversions from the path to Universalism. These differences were attributed to different cultures and traditions. National differences would then be normal because economic rationality would be mediated by national institutions, so that managers and workers would interact with society and within firms in distinctive ways, which shape or are derived from the Industrial Relations system. While Universalism stressed similarities, characterism emphasised national differences, but could not explain the dynamic nature of change within economies which are increasingly global, not nationally bounded systems. Moreover, it does not take into account the changes that globalisation is occasioning in national institutions, which according to Hyman (1994:2) include the national Industrial Relations systems of each European country.

Future labour market systems will be the result of the interaction between both new models of work organisation borrowed from other systems and the existing systems. A prediction of the future system depends much more on the individual case, taking into account how those two

forces might interlock, to form the base of the new labour market system. A general answer regarding convergence or divergence seems not to be possible on a theoretical basis. I will thus turn my attention to empirical methods to attempt to predict whether the new systems derived from the intermeshing between conflicting forces : universal and national tensions, will lead to increasingly similar ways of organisation in Europe or will separate European economic systems even further. An empirical study of current trends in work organisation and their underlying factors in the Industrial Relations system- production and reproduction system can help to find out if those are so similar as to lead to one European system, based on a unified or at least co-ordinated Industrial Relations system or not. In the next chapter theories regarding the new forms of work and flexibilisation of work (from the firm's perspective) are introduced to lay the foundations of the empirical study.

## **3. Flexibility: Firm's perspective**

### **3.1. Introduction**

In the previous chapter we have introduced theories regarding the convergence or divergence of work organisation both in general and across Europe. The current chapter will present an ideal type model for the flexibilisation of work from a firm's perspective. This model will only be used as a framework for discussion. The needed improvement in flexibility and competitiveness of firms is at the heart of European policies (White Paper, 1994). The firm is an interesting unit of inquiry -below the level of the economy as a whole, and above the level of the individual-, since it is here where demand and supply in the labour market meet.

In order to analyse firms' flexibility and changes to it, a closer definition of flexibility than that given in the introduction to this thesis will be developed. To illustrate what is understood by flexibility of firms and clarify issues of flexibility, the 'Flexible Firm Model', which is often used as a 'blueprint' to ideate flexibility strategies, will be introduced in section 3.2. The Model's strength lies in its simplicity; however this also opens it to criticism. Its use as an agenda, does not prejudge its accuracy; it only affirms its serviceability. Nevertheless it seems well suited to structure the discussion on flexibility, in particular on interactions between various forms. At the same time, the flexibility of firms cannot be seen in isolation from the flexibility of individuals or institutions (Bosch, 1995). This issue will be dealt with when discussing the validity of the model, which highlights the societal construction of firms' flexibility. The validity of the model is not prejudicated by its use, it is first and foremost an instrument for analysis. The final section of this chapter will discuss the issues raised, and examine the implications for the remaining research.

## 3.2. The Flexible Firm Model

As mentioned above, for further analysis a better understanding of flexibility is needed. The concept of flexibility encompasses various notions and carries ideological values. Discussions are often characterised by the ambiguity resulting from this ill-defined nature of the term flexibility. The 'Flexible Firm Model' of Atkinson (1984) is an attempt to resolve those problems.

Atkinson tries to give an answer to the controversial question: 'What is flexibility?' by identifying four types of flexibility:

- Numerical Flexibility
- Functional Flexibility
- Distancing Strategies
- Pay Flexibility

Those four types of flexibility will be described next and possible interaction between them highlighted, before presenting the Flexible Firm model, which inserts the different types of flexibility into a common framework.

### 3.2.1. Types of Flexibility

**Numerical Flexibility** is described as a firms' ability to adjust the amount of labour it employs at any one time to the demand for labour it has. There are different ways to achieve this flexibility, according to the sort of workload variations occurring. Common ways of adapting the number of employees to the amount of work are altering the working time patterns of

current employees -overtime, annual average of working hours, part-time work, etc.- or by the use of additional labour -fixed term employment, casual workers, part-timers- or also by hiring and firing according to demand. This type of flexibility has received attention as results seem to be achievable in a relatively short time (when compared to the following type) and policy makers tend to measure the success of their policies in the take up rates of new forms of work.

**Functional Flexibility** is not concerned with a firm's ability to adjust the amount of workers, but the task they are employed at. It denotes a firm's ability to adjust and deploy the skills of its workforce in order to meet its requirements of skilled labour. The demand for skilled labour and the skills needed change because of workload fluctuations and changes in the technology used for production. This definition makes clear that the functional flexibility of a firm/ labour market will be difficult to measure. The rate of adaptability of employees to new unpredictable demands can most likely only be fathomed when the changes have occurred. What is generally recognised, and probably the least controversial point in the whole issue of flexibility, is the importance of instruction, vocational training and skill. Everyone recognises their key-role in the move towards more flexible societies and that the present rigidities in the educational system are firmer obstacles to the achievement of flexibility than the rigidities in the labour market (OECD, 1986b). That a 'far-reaching reform is necessary to enable education and vocational training to prepare the public and especially modern youth, for flexibility' (Gaudier, 1987, p. 50) is taken for granted. 'It is as if education had become one of the instruments of economic policy to promote competitiveness.' (Marsden, 1992, pp 158-159). However, success or failure will only be visible in the long term

perspective.

An alternative approach to creating flexibility is represented by the '**Distancing Strategy**'. Distancing describes the substitution of employment relationships by commercial relationships. Rather than reorganising its own manpower allocation, a company can give work to other companies, for example by sub- or out- contracting. Since our main preoccupation is the effect on the whole labour market, rather than on particular firms, this strategy will not be examined in this study. The problem of adjustability is only passed on to another firm, remaining a problem in the labour market.

**Pay Flexibility** has a different nature from numerical or functional flexibility, since it is of an ancillary nature to the latter two. Pay flexibility is the extent to which the salary/reward structure supports the required numerical/functional flexibility. The incentive structure is certainly important, but an analysis of pay flexibility is rather in the area of econometrics, and this study is more concerned with the first two types of flexibility.

### **3.2.2. Numerical vs. Functional Flexibility?**

Referring to possible interactions between the various types of flexibility, Boyer (1987) notes that some forms of flexibility could turn out to be substitutes rather than complements. For instance, one way of achieving flexibility on the intensive margin is through internal labour markets. These offer a high degree of job security to employees in return for functional flexibility. This sort of labour market structure is unlikely to be compatible with pay flexibility or adjustment on the extensive margin. Therefore, we must take into account that there is more than one path to flexibility in the labour market, and more than one goal.

The other side of labour force adjustments is of course the job security

of employees. Most workers depend on their work for their income; additionally, to probably different extents in different societies, work is the basis for their standing in society, their satisfaction and their self-esteem. Social inclusion is often treated as synonymous with employment. It would appear that having a certain degree of job protection maybe considered a profound human need. It is also widely considered to have benefits for the employer: "It is generally considered to be more efficient to work with a stable, integrated labour force than with a constantly changing one. If many workers stay only a short time, the cost of recruitment, induction and training become disproportionately large. Workers who feel secure - and the fact that when losing their jobs will be fairly and generously treated - are likely to accept change more readily and to be more motivated and co-operative than workers who feel insecure. (...) If dismissal is costly, the employer will be more careful in recruitment, planning manpower policies on a long term basis, and keeping and making better use of the existing labour force, retraining workers to meet new needs rather than seeking trained workers from outside." (Clarke, O. 1988 p. 10).

The expected impact of numerical flexibility on functional flexibility, here approached from the angle of investment into training and re-training, is negative, as an increase in numerical flexibility might run parallel to a decrease in training efforts. If the emphasis is on numerical flexibility, it is anticipated that firms are 'less willing to train for it (functional flexibility), while workers have little motive in supplying it' (NEDO, 1986, p.84). The EU realises that long term employment relationships generally increase firms' investment into training (White Paper, 1994). The promotion of more numerical flexibility might go hand in hand with the creation of more unskilled, low productive workers, unresponsive to major changes in demand (NEDO, 1986), and actually increase functional rigidity (Pollert,



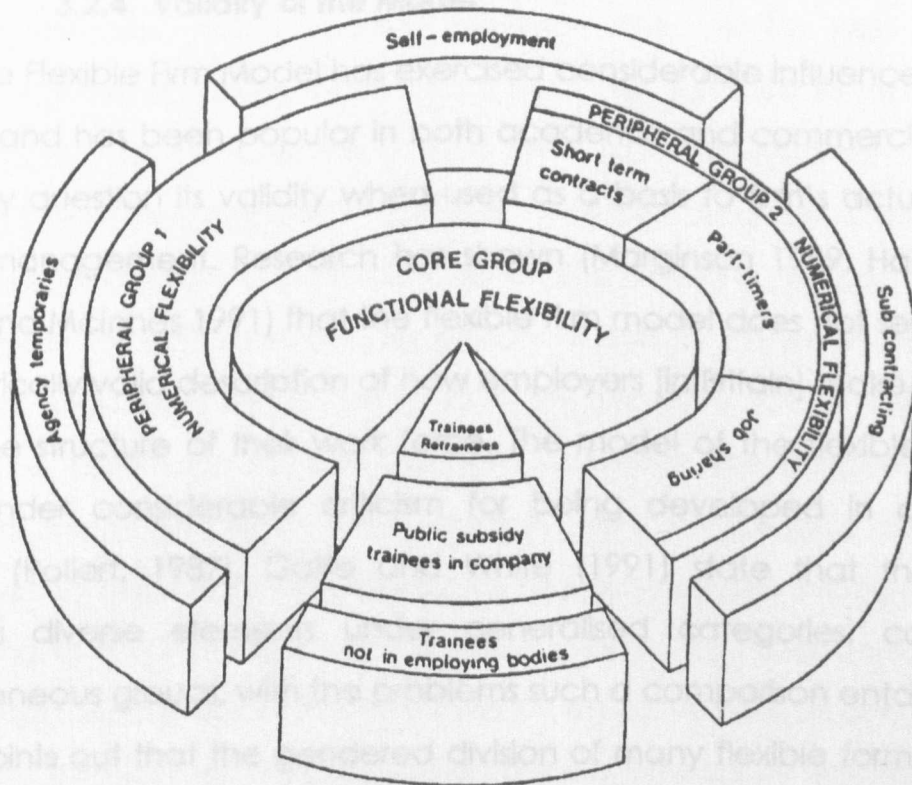
1987). It is thought that some correcting measures, like giving more responsibility for the training of the currently unemployed to the state (White Paper, 1993), could help avoid such a development.

The 'Flexible Firm Model', generates much of its attraction from the very fact that it seems to remove partly the contradiction between the conditions needed for numerical and functional flexibility (Brown, 1990).

### **3.2.3. The Flexible Firm Model**

Having briefly described the four types of flexibility and possible interactions between those taken into account by Atkinson in his formulation of the Flexible Firm Model, I will go on to describe the model itself, which is based on the assumption that a firm will seek to achieve both functional and numerical flexibility from different groups of workers, and hence divides the workforce into two groups, the so called 'core' and the 'periphery'. The peripheral group of workers -who may or may not be employees- is needed to create numerical flexibility. This group surrounds the core of employees, with whose help, supported by incentives (e.g. pay flexibility) and eventually employment protection, the firm will try to generate its functional flexibility.

The essence of the flexible firm model has been summarised by Atkinson (1984) in Figure 3.1:



Such a split in the workforce as that shown in the above figure, would make both functional and numerical flexibility achievable. Additionally, since the periphery of workers cushions the core from workload fluctuations, the core employment relationships will be long employment relations, a factor that is normally considered to augment investment into training. Thus the 'extra' numerical flexibility created by the periphery might actually support the creation of more functional flexibility. Firms are thought to be increasingly willing to bear the cost of adjustment to change only for the core group. Such costs including training and retraining, relocation, pay maintenance, etc. all of them necessary disbursements to secure functional flexibility. It is also thought that at the same time a firm will try to avoid these that the model is designed to be an analytical construct, uniting the

disbursements in relation to workers on the periphery.

### **3.2.4. Validity of the Model**

The Flexible Firm Model has exercised considerable influence in policy making, and has been popular in both academic and commercial circles, but many question its validity when used as a basis to firm's actual labour market management. Research has shown (Marginson 1989, Hakim 1990, Hunter and McInnes 1991) that the flexible firm model does not seem to be an empirically valid description of how employers [in Britain] make decisions about the structure of their work force. The model of the flexible firm has come under considerable criticism for being developed in a cultural vacuum (Pollert, 1987). Gallie and White (1991) state that the model conflates diverse elements under generalised categories, comparing heterogeneous groups, with the problems such a comparison entails. Walby (1989) points out that the gendered division of many flexible forms of work has not received great attention under the model. The strong demand side orientation of the model has led to a neglect of the influences of the supply side (Robinson and Wallace, 1984). And Rubery (1988) has criticised it for concentrating on the problem of labour allocation, but paying little attention to issues like product market competition, retail and after-sales service. The flexible firm model also neglects the impact of institutional segmentation, the concerns of interest groups, unions and state interventions in employers attempts to introduce flexibility and restructure the workforce (O'Reilly, 1992b). Brown (1990) concludes that the 'Flexible Firm Model' can be useful as an agenda for discussion, if it is used as an example of an 'ideal type' rather than a description of reality. This use was also intended by the creators of the flexible firm model, who pointed out that the model is designed to be an analytical construct, uniting the

occurring changes in a common framework (NEDO, 1986), rather than an empirical description or presumption.

Nevertheless, the immense influence the model had and will continue to have on policy makers -as it has been turned into something of a 'common sense' construction (Pollert, 1987, p.32) has created one of the universal trends mentioned in chapter 2 which exercise influence on national ways of work organisation. Attempts to estimate flexibility, using indicators like the Part Time rate, temporary contracts, between-job mobility and subcontracting (Trends, 1995), can be traced back to the model's culture free approach to firms flexibility. However, the degree in which employers will make use of these forms of work will not only depend on rigidities set by regulatory and legislative regimes and the labour demand, but also hang on the degree of 'flexibility' offered by typical employment relationships, i.e. the rigidity experienced by employers when using full time permanent employment relations. The flexibility offered by employees can for example be influenced by the flexibility required from the employee in his family life or rigidities set in this sphere. All of them are clearly factors beyond the scope of firms strategy. The question is not flexibility vs. rigidity, but of finding a balance between various demands on flexibility/stability and rigidity/instability.

### **3.3. Summary and Conclusion**

This chapter has introduced the 'Flexible Firm Model' which has to be considered a force in policy making. The Model, due to its neglect of the cultural context of firms is not suited to be a real model of firms strategy, but does provide an agenda for discussion.

The distinction between various types of flexibility introduced by the

model can be useful to highlight interaction between the various kinds of flexibility. The model can only resolve the controversy between numerical and functional flexibility in a culture-free perspective. However, firms' strategies will also be influenced by the various national circumstances. Hence it will be necessary to free ourselves from the concept at a later point, to concentrate on actual trends in the labour market and how national labour market systems interact with firms' strategy.

Given the current reality in which policy makers try to establish (numerical) flexibility, borrowing heavily from the Flexible Firm Model while neglecting its shortcomings, it is important for this study on European convergence or divergence to analyse the following question: How will numerically flexible forms of work effect the various national employment systems?

## **4. Methodology**

### **4.1. Introduction**

In the previous chapters it has been suggested that new forms of work organisation will be diffused by national ways of work organisation. That will also be the case with the numerically flexible forms of work borrowed from the Flexible Firm Model and seen as firms' strategic, economically rational choice to increase competitiveness. However the strategic choice exercised by firms will also be influenced by the cultural context in which the firm is embedded. An intermeshing of new forms with the traditional labour market system will take place. The resulting system will depend on various influences and needs to be analysed empirically.

What is needed is a methodology that relates firms' strategies and organisational forms to national circumstances. This Chapter presents a methodology which tries to do just that. Firstly, firms' strategy in relation to flexibility and the dichotomy between functional and numerical flexibility will be analysed. To that end, I will evaluate survey data to come to grips with organisational strategy and to ascertain national differences or similarities. Secondly, I will look into the matter of how organisational strategies relate to cross national differences or similarities, taking into account the dynamic nature of the process of change taking place. I also intend to analyse the effect legal changes can have on employment strategies and on the system as a whole.

Bearing in mind the question to be tackled, comparing new forms of work organisation in different socio-cultural settings, the comparative approach seems to be well suited to achieve the necessary insights. Cross

national comparative research offers an analytical framework for examining social and cultural differences and provides a means of gaining a deeper understanding of different societies, their structures and institutions. It can establish a classification of 'new' forms of work, and analyse whether those 'new' social phenomena in the various countries can be explained by the same causes. Furthermore it will also be useful to analyse solutions adopted or suggested to deal with common problems and assess their transferability between different states.

This chapter will first present the general methodology which will be followed throughout the study, secondly changes which had to be made due to pragmatic decisions will be introduced and thirdly limitations and constraints will be discussed before the chapter is summarised. For a more detailed account of surveys or techniques used please refer to the following chapters.

## **4.2. General Research Design:**

This research is first of all concerned with the question of whether there is convergence within Europe in the pattern of work organisation. The hypothesis of a convergence in working patterns is supported by the general struggle of policy makers to increase flexibility in the labour market (see also Chapter 1) and a European-wide increase in so-called flexible forms of work.

To be able to set the later analysis in the context of the current trends and structures of the labour markets, some labour market indicators which are thought to be of importance for the discussion are presented in Chapter 5. A number of data sources are available on the national and international levels. To achieve some degree of comparability I selected

the Eurostat Labour Force Survey, which uses the same definitions in all European Union states [See also chapter 5 for a description of the survey and comparability of the data]. This data will be teamed with data coming from a survey based on the establishment level. Since the survey used a different universe over which more detailed information was gathered than the Eurostat survey, (see Chapter 6 for a description of the survey) data from it will be summarised in different manners as a preparation for a deeper analysis. Using this detailed information on organisational characteristics, rather than aggregated data for the societies as a whole, should allow us to come to better comparable groupings and more systematic comparisons. Comparisons on a higher aggregated data level, might disguise some aspects we are interested in.

Having laid those foundations, the question of firms' strategy will be tackled, regarding the strategic choice between numerical and functional flexibility. As a base for the further analysis of firm's choice between different types of flexibility, an explanatory model for firm's need/use of flexibility using firm characteristics from the survey will be built. With the use of the explanatory model factors for a firm's decision to use more or less employees with 'new' working time arrangements can be established. Questions regarding the influence of the national circumstances can be raised:

- Are the reasons for the use of 'new' form of employment similar across the countries?
- How can variations in the take up patterns be explained?
- Are legal constraints or company characteristics more important for



explaining variations?

The quantitative part of the study serves as a base for further analysis. After classifying different types of work organisation, the question arises whether current differences on the national level rather than at firm's level are due to different stages of economic development in the various states, or are due to other factors, like varying cultural value systems. In the same way the question concerning similarities has to be whether those can be explained by the same causes, or are the result of different underlying conditions and might evolve differently. The emphasis will be shifted away from the static data of the survey used initially, treating the firm as if it was in a rather culture free space, to more contextualisation.

This implies that I will try to identify the social and institutional structures behind firms' ways of work organisation in order to find explanations for national differences in firms' labour use strategies in the wider social context. Setting the results of the first part of the study into context will require increasingly multidisciplinary analysis, to consider as wide a range of factors as necessary. To get a broad base, a secondary data analysis using literature from academics from various fields will be carried out, using the results from the quantitative part of the study to filter and summarise those aspects in a new way.

### **4.3. Specific Research Design**

In this section I will expose two changes to the general research design which result not from theoretical issues alone, but from more pragmatic issues like the manageability of the study. Firstly the **limitation to two new forms of work only - Part Time and Fixed Term Work.**

There are many different forms of work commonly labelled as flexible or new forms of work. To keep this study manoeuvrable I was compelled to make a choice between them. The next section will endeavour to justify why Part Time employment and Fixed Term employment have been chosen as the object of the study of flexible forms of work, which of course implies that other new forms of work are not considered further.

Secondly **limitation to three countries only - Spain, Great Britain, Germany**, in the third part of the study. The analysis will be restricted to three countries to ensure that the qualitative study carried out is sufficiently in depth. Otherwise, pressure of time would not allow me to deepen the study, however, statistical information is presented for all countries covered by the used surveys. The three countries finally chosen for in depth analysis seemed to us sufficiently different in culture as to make it possible to enjoy the advantage of gaining insight in different labour market regimes and obeying the pressure of time.

#### **4.3.1. Which Flexible Forms of Work ?**

in this section I will explain why I selected Fixed Term and Part Time employment as representatives for the so called 'new' flexible forms of work, whose impact on national employment systems will be investigated in this study. In choosing those two types I make no assumption as to the definitional validity of part-time or fixed term work as a flexible form of working.

The focus on part-time and Fixed Term work is based on the fact that together they make-up a significant part of the so-called flexible working patterns across Europe (Mayne et al., 1996; Delsen 1990a ), a fact that

makes them interesting in themselves, if only quantity-wise.

Part time work is, for various reasons, one of the fastest growing forms of flexible working. Besides, I must concur with Bruegel and Hegewisch (1992) in their assertion that the growth in Part Time employment in the face of high unemployment is one of the more distinctive features of labour market change in Western Europe over the last decade.

Furthermore, the final selection was made regarding two criteria, one was the difference of meaning in comparison with 'typical' employment, and the other was the importance of a given form of work in political discussion.

New forms of work which retain the quality of being permanent full-time employment relationships, like week-end work, evening/night work or shift working, are likely to have an impact on society as a whole. Services can be available throughout the day and this might bring a diversification of people's use of time during the course of a day or week. These forms of work are also likely to have an effect on a firm's competitive position and machinery use, since the time range for the utilisation of capital might be extended. However, this study is primarily interested in the effects new forms of work might have on the system of social reproduction, training and retraining. So a change in the balance between capital use and manpower use will inevitably also affect this area. It can be expected that employment relationships which deviate from permanent full time employment, like Part Time employment, and the use of Fixed Term contracts, with the reduced return on investment (into training) due to shorter job tenure, will have bigger impacts. Fixed term employment, and the deregulation of dismissal protection have likewise obtained much

attention. Part Time work can possibly offer advantages for employers as well as for employees, and has been growing speedily over the last years. Part time work could help to offer better job opportunities to women, and promote the redistribution of the available work. This two traits situate it in the centre of interest. Thus the appearance of the "Working time directive" and the 'Draft Directives for Fixed term and Part time employment', as well as the various legislative changes in different countries.

The distancing strategy, i.e. the substitution of employment relationships by contracts, has various degrees of usage in the European Union. However, given that it involves the displacement of employment relationships (NEDO, 1986) by commercial ones, and that our principal interests are employment relationships, I decided not to include it in our main analysis. Moreover, when this distancing strategy means contracting out to other companies, they are as such inside the labour market, and I would therefore analyse their behaviour as to Part Time and Fixed Term employment.

A relevant part of the controversy over the extension of Part Time labour has revolved around whether such extension is the product of an underlying change in employers' labour use strategies (implicit as well as explicit) or stems from more traditional forces. Forces of that kind would comprise sectoral and/or occupational shifts in the economy and traditional short term responses to economic uncertainty.

Recently, many Member States of the European Union have decided to lessen the requisites for the appointment of fixed-term employees, so that at the end of the prescribed term, the employer does not have to face many of the legal obligations resulting from employment protection or

dismissal regulations that apply in the case of long term employees. It is not only policy makers who are interested in the job-creation potentiality of fixed-term employment (Büchtemann, 1989), this matter has newly found its way back into the theories of the labour market. The paramount objective of deregulation concerning fixed-term contracts has been to increase flexibility in the labour market, assuming that increased flexibility in labour market regulations will induce higher levels of employment (Büchtemann, 1984) and thus palliate unemployment. Measures taken towards the deregulation of fixed-term contracts in Member States have hence to be evaluated against the broader background of labour market flexibility, occupational mobility and job creation (Schömann and Kruppe, 1993).

#### **4.3.2. Choice of Countries**

The restriction of the study to three countries in Part III is a pragmatic decision, in order to keep the work manageable. A selection of countries will always be to some extent arbitrary. Based on the idea of trying to cover different types of labour markets, where policies have to be aimed at different ends, three countries will be selected next and a justification for their selection will be given.

Contrasting patterns of economic organisations provide different ways of dealing with the basic issues of any market economy: which activities and capabilities should be co-ordinated through authority hierarchies and which through market exchanges, how should exchanges be organised and how should activities within firms be structured, directed and controlled? Each business system represents a particular configuration of hierarchy-market relationships that responds to these issues in a distinctive manner as a result of the institutional context in which it developed. The

way labour market management and institutional systems have developed and shaped each other are different in the different member states. However, it is possible to distinguish three broad types with regards to labour market management (Rhodes, 1993): 'Northern', 'Mediterranean' and 'Anglo-Saxon', illustrated in Rhodes' Table 4.1 below. This classification does not contain all components of the systems, however it seems to be sufficient with respect to the flexibility of work organisation.

**Table 4.1.: Modes of Labour Market Management**

	<b>Northern</b> B, D, DK NL	<b>Mediterranean</b> E, F, GR, I, P	<b>Anglo-Saxon</b> IRL, UK
<b>State intervention</b>	Traditionally limited; bargaining important in setting rules; high level of; spending on active labour market policy	Strong state role through legal system; bargaining also important; low level of active labour market spending	State role traditionally weak; little legal regulation until the 1980's in the UK; decline in UK bargaining but not in Ireland; low active labour market spending in the UK, higher in Ireland
<b>Labour organisation</b>	Low level of hierarchy in firms, union membership density high, little change in the 1980's	High level of hierarchy in firms; union density lower, significant decline in the 1980's	High level of hierarchy; union density traditionally high, but significant decline in the 1980's
<b>Workers' participation</b>	Important influence over decisions which affect organisation of work and training	Traditionally weak: of greater importance since 1980's with shift towards northern model in France and expansion of quality circles	No formal mode of participation; traditional defence of craft organisation / demarcation significantly weakened since the early 1980's
<b>Education &amp; Training</b>	High level of participation in vocational, and continuing training	Lower level of participation, higher levels of education and training; poorer skills provision	Low levels of participation in higher levels of education and training; poor levels of skills provision
<b>Labour market flexibility</b>	High levels of skills allows organisational flexibility; restricted external flexibility;	Lower skills level restricts organisational flexibility; restricted external flexibility	Collapse of apprenticeship system adds to deficiency in skills, reducing organisational flexibility and exacerbating employment problems few restrictions on external flexibility in the UK

Source: Rhodes, 1993

The European labour markets differ in the amount of numerical and functional flexibility they possess. The long term aim of policy makers is to create labour markets (possibly one single European labour market) with a high degree of functional and numerical flexibility. Countries selected for the further analysis, should in some way represent extreme poles from this

ideal type, i.e. lacking one the other, or both types of flexibility.

The United Kingdom is often used as the example of a European labour market which has a high degree of numerical flexibility. Many policies during the last two decades have been aimed at this objective. At the same time, the United Kingdom has to cope with the highest degree of skill shortage in Europe, and the traditional apprentice system is disappearing. In Spain, due to its high unemployment rate, pressure is mounting to change the current labour market regime fast, and to create jobs. Given that background, recent changes towards more numerical flexibility have had to be considered. However this might have implications, for the outcome of recent changes in the vocational training systems, intended to improve the skill structure of the Spanish labour market. In Germany, the situation as to functional flexibility seems to be relatively good, due to its system of training, however Germany has been advised by the World Bank that its scope of numerical flexibility should be improved upon.

A more detailed description of the current situation in the labour markets will be given when going into the different sample countries, in Part III. However, I can now say that I consider that given those three countries very different historical and institutional developments to be discussed later, comparison between them will provide insight into the social construction of gendered work, employers' use of flexible work (particularly of the chosen types) and the impact legislation and/or deregulation of labour markets have on their relative competitive positions.

#### **4.4. Limitations and Constraints**

When drawing conclusions from the survey data analysed, one has to

keep in mind that the influence of the various national contexts which I want to analyse, will already have played a role when the questionnaires were agreed upon and or answered. Given that the survey was carried out by an experienced research group, these errors should be minimised. Nevertheless, in the absence of a single indicator for flexibility, trying to estimate functional flexibility with skill levels, and using the data not just in a descriptive way but also in an interpretative one, those errors might influence any conclusion.

Similarly, in the secondary data analysis it is also highly likely that national disturbances occur. There will be more literature on certain topics in some countries, since a given topic is on top of the agenda there ; while on other topics less information is available. The way results are presented will also be influenced by the objective of the writer, which is likely to be influenced again by national values and traditions. In this way, one will never have a set of data completely cleared from national perspectives.

However, in the absence of 'perfect' data, it seems to be possible to come to working conclusions, by using information from many different sources, so that eventual errors will balance out and some degree of objectiveness is achieved.

## **4.5. Summary**

The chosen way forward to study the questions under consideration is to embark on an empirical study, using existing Survey Data. This should warrant that, if assessed accurately, actual developments in the labour market are studied, rather than the strategies proposed by theorists and policy makers. To make the task achievable and to be able to go into certain depth, only two forms of atypical labour, -part time work and Fixed



Term employment- are considered. These two are the most important in terms of number of people employed. They have also had the fastest development in the recent past, and are at the heart of the debate on flexibility in the Union. However due to the absence of one single indicator for labour market flexibilities, an indirect approach to measure flexibilities via the experienced rigidities and firms' strategies had to be taken. The study concentrates on Spain, the United Kingdom and Germany, to analyse the impact the new forms of work can have on each of their national employment systems.

## **PART II: STATISTICAL EVIDENCE**

### **5. EMPLOYMENT STRUCTURE**

### **6. NEW FORMS OF WORK AND ACTIVITY: A EUROPEAN SURVEY**

### **7. EXPLANATORY MODEL**

## 5. Employment Structure

### 5.1. Introduction

The aim of the present chapter is to present the employment structure, including recent trends, in the European Union as a whole. This description will be based on the European Labour Force Survey. The analysis will be confined to the 12 countries that were member states of the European Union before its enlargement in 1995, data will be presented for the years 1984, 1989 and 1994. The period taken covers many labour market reforms which have been taking place to increase labour market efficiency. Hence the period I consider here should be sufficiently relevant to monitor recent changes.

The comparability of survey results over time is complicated by changes to questionnaire design as well as changes in definition. A major change in the definition of economic activity was introduced in the 1984 survey (hence, my choice of period) when the measure of unemployment was changed to that used by the ILO. Data from 1984 onwards are generally comparable. For notes on the comparability of results please refer to *Appendix A*; for a detailed description of sampling methods please check the original surveys.

Having introduced the employment structure in the European Union and its member states, I will go on to outline the regulatory framework for part time work and temporary employment in force during the last year of the data (Labour Force Survey from 1994) utilised in the chapter. In the Summary of this chapter I provide a list of the main aspects of the current differences in labour market structure.

## **5.2. Total Employment**

The service sector enjoys an overriding hegemony over total employment in Europe. It has increased its importance over the last decades, and in 1994 accounts for more than 60% of total employment. Moreover, in all member states the service sector is the most important employer, having increased its share over the last years, reaching from around 55% in Portugal and Greece to more than 70% in the Netherlands and the United Kingdom. Less than a third of all employees in the European Union are working in Industry, which has lost much of its weight in the total employment numbers over the last years to the tertiary sector. In Germany, the secondary sector has with about 37% an above average importance for employment. The drop between 1989 and 1994 is mainly due to the fact that 1994 data are for the unified Germany, in the old FRG Industry has lost only little of its presence during the last years. The smallest proportion of employees in the Union works in Agriculture, which has been decreasing its share steadily. The loss is especially precipitous in Greece, Spain and Portugal. In Greece the primary and secondary sectors are of nearly equal importance for employment.

**Table 5.1. Proportion of Employment by Sector of Activity**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
<b>Agriculture</b>													
1984	*8.1	3.5	6.7	5.3	29.4	*16.2	8.7	16.9	11.7	4.7	5.4	21.5	2.6
1989	7.1	3.3	5.7	3.9	25.3	13.2	6.9	15.5	9.2	3.8	4.8	19.3	2.2
1994	5.5	2.9	5.0	*3.3	20.8	9.9	5.2	12.6	7.7	3.2	4.0	11.8	2.1
<b>Industry</b>													
1984	*33.8	32.6	26.7	40.7	26.1	*31.8	32.1	30.3	34.6	32.3	28.3	*33.9	34.0
1989	33.2	31.4	27.4	40.2	25.7	32.7	30.3	28.8	32.0	29.2	26.7	34.6	32.6
1994	30.7	28.9	26.5	*37.0	23.6	30.1	26.9	27.8	32.1	27.0	23.3	32.5	27.8
<b>Services</b>													
1984	*58.1	63.9	66.6	54.0	44.5	*52.0	59.2	52.8	53.7	63.0	66.3	*44.5	62.2
1989	59.8	65.2	66.9	56.0	48.9	54.2	62.8	55.8	58.8	67.0	68.5	46.0	65.1
1994	63.8	68.2	68.4	*59.7	55.6	60.0	67.9	59.6	60.2	69.9	72.7	55.8	70.1

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

55% of the European population over 14 years of age are economically active, i.e. are classified either as employed or as unemployed. This rate has steadily increased over the last years in Europe, in Denmark, France, Italy and Greece the activity rate of 1994 is lower than that of 1984. This later two countries have together with Spain the lowest activity rates in Europe, all ranging below 50%. In the Netherlands the increase in the activity rate by more than 8% has been most sharp, this tallies with the biggest increase in the activity rates of women (Table 5.4).

**Table 5.2. Activity Rates**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
<b>1984</b>	*53.7	48.9	65.4	54.0	50.7	*46.0	56.2	52.7	49.1	50.2	50.2	57.8	58.6
<b>1989</b>	54.2	47.7	66.8	55.5	49.7	47.1	55.2	51.3	49.0	50.4	55.3	57.9	62.9
<b>1994</b>	55.0	50.3	64.4	*58.2	49.1	48.4	55.5	53.9	47.4	52.7	58.9	58.5	61.7

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

The situation for males and females is wildly divergent. While two thirds of all males in Europe are economically active, less than half of the women are likewise economically active. Only in Denmark and the United Kingdom are more than half of all women economically active. With

around a third of all women economically active, the lowest activity rates for women can be found in Italy, Spain and Greece. In all countries the activity rate for women in 1994 has increased compared to the one of 1984, the increase is especially marked in the Netherlands. Male activity rates have declined in most countries, or have stayed nearly constant in this time span, with the exception of the Netherlands where a rise in male activity rates can be found. These changes can partly be explained by the changes in employment structure, i.e. the shift mentioned above towards more Service, rather than Industry.

**Table 5.3. Activity Rates, Males**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	*68.7	63.3	72.7	69.7	70.0	*66.6	67.9	72.8	67.3	68.9	67.3	*72.2	71.9
1989	67.9	60.6	74.0	70.3	65.6	64.1	65.4	69.2	64.7	67.8	69.4	70.8	73.3
1994	66.6	61.2	70.7	*69.4	64.5	64.8	63.7	68.9	62.4	67.7	70.4	68.5	71.5

\*Data from 1986  
\*Data from 1994, including the territory of the former GDR

**Table 5.4. Activity Rates, Females**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	*39.3	35.5	58.4	40.1	33.4	27.1	45.6	32.7	32.4	32.7	33.6	45.0	46.3
1989	41.7	35.7	59.9	42.1	35.1	31.4	46.0	33.7	34.6	34.1	41.7	46.5	51.4
1994	44.2	40.2	58.3	*47.8	35.0	35.0	47.9	39.5	33.7	38.4	47.7	49.6	52.5

\*Data from 1986  
\*Data from 1994, including the territory of the former GDR

It is not only the activity rates for men and women that are different, also the unemployment rates differ enormously. First of all, I will relate the total unemployment rates for the European Union and its member states.

**Table 5.5: Unemployment Rates**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	*10.8	11.9	8.9	6.7	8.1	21.3	9.5	16.5	9.5	2.7	12.4	*8.8	10.9
1989	9.1	8.3	8.1	5.7	7.5	17.3	9.6	16.1	11.1	1.6	8.8	5.2	7.4
1994	11.4	9.6	8.0	*8.7	8.9	24.3	12.7	14.6	11.3	3.5	7.2	6.7	9.7

\*Data from 1986  
\*Data from 1994, including the territory of the former GDR

More than 10% of the European Labour Force are unemployed. Unemployed persons according to the Survey are those who, during the reference week, had no employment and (1) were actively looking for paid employment and immediately available to start work, or (2) were looking to set up their own business or professional practice, or (3) were waiting to be called back to a job from which they had been laid off, or (4) had found a job to start after the reference week. The proportion satisfying these criteria varies from about 4% in Luxembourg to nearly 25% in Spain. The trends observed in the different countries are contrasting. Only in France and Italy has the situation steadily worsened in the period under consideration. In all other countries a relaxation of the position took place towards the end of the 80's.

The unemployment rate for women is generally higher than that for men. The United Kingdom is the only country where a smaller proportion of women in comparison to the male rate is unemployed. This means not only that a smaller share of women is part of the labour force, comprising both the employed and the unemployed, but also that of this lesser share also a larger part is unemployed, compared to the rates for men. The overall development of the unemployment rates of men and women is similar.

Women's unemployment rate in the UK is unique, but it may reflect a substantial under-recording of unemployment by women. Women's invisibility in the official statistics may result from (1) non-entitlement to benefits, as many women (20% in 1989), still pay reduced National Insurance contributions and about 18% of the earnings of working women fall below the threshold for payment (Callender, 1992) (2) not registering for work: the EC report on Employment in Europe 1991 suggests that only 40% of women in the UK recorded as being unemployed actually registered at

an employment exchange; (3) a third reason might be not defining themselves as unemployed (Cousins, 1994). (One of the problems I have identified in the Labour Force Survey, as it relies in the definition people gives of their own situation, see *Appendix A.*)

**Table 5.6. Unemployment Rates, Females**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	*12.9	18.3	10.2	8.2	12.1	*25.0	12.1	17.5	15.4	3.8	14.4	*11.6	10.0
1989	12.0	13.0	8.9	7.5	12.4	25.3	12.6	16.5	17.4	(2.3)	11.9	7.4	7.1
1994	13.0	12.4	9.0	*10.3	13.7	31.4	14.6	14.7	15.6	4.3	8.1	7.8	7.4

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

**Table 5.7. Unemployment Rates, Youth**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	*22.3	25.2	14.0	10.3	23.9	*46.5	24.6	23.5	31.8	5.5	23.2	*20.3	19.1
1989	17.6	15.5	11.5	5.5	24.8	34.3	19.6	21.9	31.9	(3.3)	13.4	11.7	10.3
1994	22.0	21.8	10.2	*9.0	27.7	45.1	28.8	23.0	31.6	7.9	11.3	14.5	16.3

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

The Youth unemployment rate, i.e. unemployed persons between 15 and 24 years of age, remains the highest of all groups, about twice the average rate, and is in Greece and Italy nearly three times as high as the overall unemployment rate. Only in Germany is the youth unemployment rate about the average unemployment rate. The reasons for this divergent position from the overall tenor might be that young people choose schooling over unemployment. Other factors include the generally long school time (longer than in most of the other European countries) and the military service, mostly served directly after school, which reduces or retards the inflow of youth into the labour market. The high rates in other countries show the difficulties that inexperienced newcomers encounter in finding employment in the labour market in its present form, and within the current economic climate.



### 5.3. Part-Time Employment

Part time work is defined as all working time arrangements with a contractual working time below the full-time level which is applicable to the establishment in which the interview was held. This approach does not provide cross-national comparability as far as the actual weekly working time is concerned (Bielenski, 1992).

On average 16% of all employees in Europe work part time. In the extreme side of the spectrum, clearly below average part time rates can be found in Greece, Spain, Italy and Portugal, while the Netherlands with 36% of part-timers are characterised by an above average rate of part time employment. With the exception of Denmark and Greece part time rates have increased in all countries over the last 10 years.

**Table 5.8. Part-Time Employment Rate**

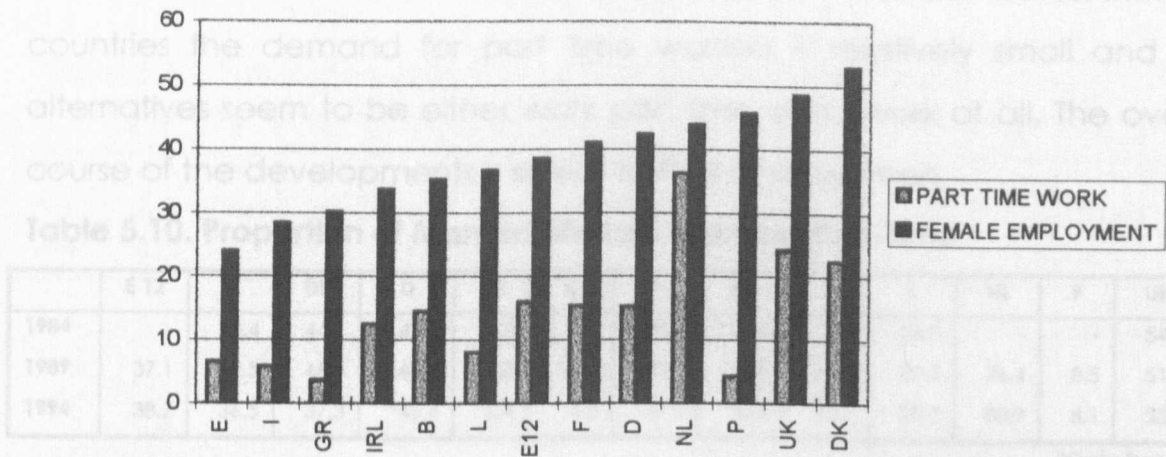
	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	8.4	22.1	11.8	4.2	-	9.6	5.5	4.2	5.4	-	-	21.3
1989	13.7	11.7	24.5	13.0	3.8	4.1	12.1	8.0	5.2	7.3	30.8	3.7	22.3
1994	16.0	14.6	22.5	15.9	3.7	6.6	15.4	12.5	5.9	8.1	36.2	4.3	24.3

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

The high proportion of women working part time supports the assumption that one likely cause for the different levels of part time employment are the different level of female employment rates. In the Graph, this rates are printed against each other (for 1994), and it can clearly be seen that a certain level of female employment does not necessary imply a certain level of part time employment. The Netherlands have a much higher part time rate than that to be expected from the employment rate, whereas for Portugal the opposite holds. Still, a relationship between the two is also obvious.

## Graph: Women's Employment Rate and Part-Time Employment Rate



In this context the proportion of men and women that work part time becomes relevant. The statistics are presented in the following tables, whereby considerable differences between the countries can be noticed. In the European average about one third of all employed women are working part time, yet this rate reaches from less than 10% in Greece and Portugal to nearly two thirds in the Netherlands. It can also be perceived that over the years in most countries an increasing share of employed women are employed as part time workers.

**Table 5.9. Proportion of Females Working Part-Time**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	22.2	37.0	28.2	7.6	-	19.8	11.5	8.1	15.0	-	-	43.9
1989	28.9	28.0	40.6	30.4	6.8	11.1	23.6	15.3	10.0	16.4	58.4	7.7	43.5
1994	31.4	31.5	35.5	*33.1	5.6	14.9	28.3	21.4	11.9	20.0	65.4	7.4	43.8

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

An even bigger proportion of married women is employed on a part time basis, which probably reflects the family responsibility these women sustain and their lack of freedom of choice when they opt for part time

work. Yet in some countries the differences between married and single women are less marked: the case of the southern member states. In these countries the demand for part time workers is relatively small and the alternatives seem to be either work part time or no work at all. The overall course of the developments is similar to that of all women.

**Table 5.10. Proportion of Married Women Working Part-Time**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	24.4	44.1	42.3	9.6	-	24.0	21.0	9.4	24.1	-	-	54.6
1989	37.1	32.5	46.6	46.9	7.3	14.2	27.3	24.9	11.5	27.7	76.4	8.5	51.8
1994	38.7	36.5	37.3	*45.4	5.4	16.8	31.9	30.4	13.1	28.7	80.9	8.1	53.3

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

**Table 5.11. Proportion of Males Working Part-Time**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	1.3	8.8	1.6	2.7	-	2.3	2.2	2.2	(1.1)	-	-	3.9
1989	3.4	1.8	9.9	1.7	2.1	1.0	3.3	3.4	2.5	1.8	14.8	0.9	4.6
1994	4.4	2.8	10.8	2.9	2.6	2.2	4.5	5.6	2.4	(1.1)	15.6	1.8	6.4

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

The proportion of men working part time is, compared to the female rates, modest. The European average amounts to less than 5% of employed men contracted on a part time basis, except for Denmark and the Netherlands, where more than 10% of men (in 1994) are part time employees. The rate of male part timers has nonetheless grown over the years.

It is apparent that part time work is to a large extent carried out by women. To show how much part time work is women's work, the following table shows the rate of female part timers. The majority of part time employees in all countries are women, with more than 80% of female part time employees. In the last years this share has decreased slightly, but part

time employment seems to be still a female form of employment, at least for the time being.

**Table 5.12. Proportion of Part-Time Workers who are Female**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
<b>1984</b>	-	89.7	78.8	91.9	55.1	-	86.1	74.6	64.1	86.6	-	-	89.8
<b>1989</b>	85.0	90.3	78.8	92.0	62.2	82.7	84.5	74.0	69.4	82.7	69.8	85.0	89.1
<b>1994</b>	81.8	88.1	74.4	88.1	58.9	74.9	82.8	71.5	71.1	89.5	73.8	67.1	83.6

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

## 5.4. Temporary Employment

Fixed-term contracts are work contracts for a definite period. The contract expires automatically at a certain date or -more seldom- when the task has been carried out. This last possibility is most often call a temporary contract, as it can take a different form from a fixed-term contract.

The Fixed-Term Employment rate varies largely in the European member states, reaching from below 3% in Luxembourg to more than 33% in Spain, with a rate in most countries of about 10%. The numbers given include forms of temporary employment devised as a period of training. Additional information as to the number of temporary contracts due to training, and other reasons for working on a temporary basis are given in the next table.

**Table 5.13. Temporary Employment Rate**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	5.8	12.5	9.9	18.5	-	3.3	6.7	5.1	3.1	-	*13.3	6.1
1989	9.9	5.1	10.0	10.9	17.2	26.5	8.5	8.6	6.3	2.9	8.5	16.5	5.3
1994	10.9	5.1	11.9	*10.2	10.3	33.7	10.8	9.4	7.3	2.7	9.2	9.3	6.3

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

More than 1/3 of all temporary employees in Europe, except temporary employment because they are unable to find a permanent job. The highest rates of involuntary temporary work can be found in Greece, Spain and Portugal, while The Netherlands account for the biggest proportion of voluntary temporary work. Training is an important reason for using temporary contracts in Germany and Luxembourg.

**Table 5.14. Employees in Temporary Jobs by Reason, 1994**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
Training	18.1	18.9	29.6	38.2	4.9	3.1	19.6	14.0	23.2	49.5	1.3	5.8	6.5
Could not find other	37.5	48.4	47.3	-	77.6	86.2	-	64.0	53.6	16.5	47.0	79.5	43.3
Did not want other	6.6	(1.6)	22.4	-	5.2	0.3	-	18.2	4.3	-	46.5	(1.2)	26.1
Probationary Period	2.3	6.2	-	-	9.3	0.5	8.0	(3.2)	2.8	23.4	-	11.5	-
No reason given	35.5	24.9	-	61.8	3.0	9.8	72.3	-	16.0	-	5.2	1.9	24.1

A likely explanation for these differences in temporary employment rates and in the breakdowns reason-wise, are the big differences in dismissal protection for employees. In a setting where dismissal is rather easy and not too costly, the advantage to employers of using temporary contracts is smaller than in settings where dismissals are either difficult or expensive, or both. A more detailed discussion will be held in the next section and also when analysing the differences between forms of fixed term employment, including differences in duration of fixed term contracts used by establishments in the sample.

**Table 5.15. Grouping by legislative constraints on dismissals and fixed term contracts**

	Low dismissal protection	High dismissal protection
many restrictions on the use of fixed term contracts		Belgium Italy
few restriction on the use of fixed term contracts	Denmark Ireland United Kingdom	France Germany Netherlands Portugal Spain

It is thought that dismissal protection and/or the possibility of using fixed term contracts has an influence on the Long Term Unemployment Rate, by reducing the barriers between insiders and outsiders in the labour market. In its general outline this theory is supported by the numbers in Table 5.16: countries with high dismissal protection and constraints on fixed term contracts have above average rates of long term unemployment, while countries with low dismissal protection and few constraints on fixed term contracts have below average rates.

**Table 5.16. Long Term Unemployment Rate**

	E 12	B	Dk	D	GR	E	F	IRL	I	L	NL	P	UK
1984	-	67.1	30.9	43.3	37.1	-	39.1	-	61.2	29.2	-	-	45.5
1989	51.6	75.0	20.9	48.4	50.1	56.1	43.7	64.9	68.4	34.1	45.4	44.8	38.1
1994	48.2	58.3	32.1	44.3	50.5	52.7	37.5	64.3	61.5	29.6	49.4	43.4	45.4

\*Data from 1986

\*Data from 1994, including the territory of the former GDR

## 5.5. Regulatory Framework

The rights part time workers and employees on temporary contracts had in 1994, in relation to the rights of permanent full timers, i.e. typical employees, are given in Table 5.17. and Table 5.18. From these tables, the broad picture for the legal situation of part timers that emerges, is as

follows: Part time work is permitted in all member states, and in some member states bears also a direct cost advantage, since part time workers below a certain hourly or earnings thresholds are excluded from certain social security provisions and related payments. However for the big majority equality seems to be given formally, even though it is known from numerous studies, that part time workers' wages and benefits are often lower than those of comparable full-timers (Kravaritou-Manitakis, 1988; Büchtemann and Quack, 1989).

**Table 5.17. Regulation of Part-Time Work**

Country	Legal definition of part-time	How is it regulated: statute/collective agreement	Rights of part-timers compared with full-time employees
<b>Belgium</b>	None. In practise less than full time norm. Employers must offer at least 1/3 of full time hours.	Specific statute and binding collective agreement	By law equality with full timers on pay, leave, dismissals protection and severance pay. Some companies pension schemes have minimum hours/earnings thresholds. No equality on paid educational leave.
<b>Denmark</b>	None. Many collective agreements define as <30 hours/week. Some set 15 hrs/wk as lower limit.	By collective agreement where appropriate	De facto equality with full-timers on pay, leave, dismissals protection, notice periods (no redundancy pay provisions exist). Part-Timers may be excluded from ATP pensions/unemployment benefits.
<b>Germany</b>	By law less than full time norm. Some collective agreements set a lower hours limit.	By statute and collective agreements.	By law equality with full-timers on pay, including sick pay, leave, dismissal protection. Some company pensions exclude Part-Timers. Thresholds for coverage by sickness and pension insurance (15hrs/week or 530DM/month) and unemployment insurance (18 hours/week).
<b>Greece</b>	By law less than 40 hours/week or less than agreed full-time norm	By statute and binding collective agreement	By law equality with full-timers on pay, benefits, dismissal protection. By collective agreement equality regarding annual leave, severance payments, additional social security programs. Special low pay insurance class.

<b>Spain</b>	By law less than full time norm (can be annualised)	By statute	By law pro rata with full-timers on pay. Some company pensions exclude part timers.
<b>France</b>	By law less than 4/5th or less of statutory or agreed working week	By statute	By law equality with full-timers on pay, leave, dismissals protection, severance pay.
<b>Ireland</b>	None. In practise less than full time norm.	Statute governs some rights.	Same as full timers on pay and (with minimum of 8 hours/week and 13 weeks service) dismissals protection, severance pay. Different formula for leave calculation. Some company sick pay, pension schemes exclude Part-Timers.
<b>Italy</b>	None. In collective agreements usually less than permanent full-time hours	By statute and collective agreement	By law same as full-timers pro rata for pay, leave, dismissals protection, severance pay. Overtime working forbidden (under review).
<b>Luxembourg</b>	By law less than full time norm	By statute and collective agreement	By law same as full-timers pro rata for pay, bonuses, leave, notice periods, dismissal protection, severance pay. Pensions law to be amended.
<b>The Netherlands</b>	None. In collective agreements usually less than full-time norm	By statute and collective agreement	By law same as full-timers pro rata for basic pay (from 1993), dismissals protection. Some collective agreements specify equality on bonuses, increments, leave. Some pensions exclude Part-Timers.
<b>Portugal</b>	None. In practise less than full-time norm.	Part-time work not specifically regulated in law nor in collective agreements	By law same as full-timers pro rata in hours worked where appropriate.
<b>United Kingdom</b>	None. In practise less than full-time norm.	Statute governs some rights.	In practise some times pro rata on pay and leave (i.e. via collective agreement or contract). Some company sick pay/pension schemes exclude part timers. Statutory redundancy pay depends on hours worked/service: thresholds under review.

Source: IDS European Report, 1994, p.14-15



For fixed term employment a rather different picture emerges. In Italy and Belgium there are relatively many restrictions on the use of fixed term contracts (see Table 5.18), which results in the relatively moderate fixed term rate in these countries (see Table 5.13), given the high dismissal protection.

**Table 5.18. Regulation of Temporary Work and Fixed Term Contracts**

Country	Limits on use	Maximal length, including renewals.	Employment rights compared with permanent staff.
<b>Belgium</b>	By law defined term/task or replacement.	2 years for temporary replacement.	Some rights as permanent staff (pay, terms)
<b>Denmark</b>	No limits.	No limits.	By collective agreements same as permanent staff.
<b>Germany</b>	Before 1985 used for 'material reason'. Post 1985 without 'material reason', including new recruits or completion of training.	1.5 years maximal for contracts without 'material reason'.	By law same as permanent staff. Covered by collective agreements.
<b>Greece</b>	By law if justified by nature of work	No limits.	By law same as permanent staff regarding pay and leave.
<b>Spain</b>	By law special task, workload, temporary replacement, new activity, job creation.	Time limits on some contracts.	Same as permanent staff. Case law rules temporaries must be covered by collective agreements.
<b>France</b>	By law defined/ temporary task temporary replacement, workload, seasonal work, job creation, training.	2 years maximal, renewals exceptionally	By law same as permanent staff regarding pay rates, leave (or pay option), plus severance bonus.
<b>Ireland</b>	No limits.	No limits.	No statutory right to equal rights with permanent staff.
<b>Italy</b>	By law in circumstances inherent in work, e.g. temporary replacement, special task.	1 renewal for no longer than 1st term. 2 years maximum for training contracts.	By law same as permanent staff.
<b>Luxembourg</b>	By law 9 sets of circumstances, including youth jobs/training	Maximum 2 years including renewals	By law same as permanent staff.

<b>The Netherlands</b>	By law specific task/term, temporary replacement	No limits.	By law same as permanent staff.
<b>Portugal</b>	By law wide circumstances including new activity, 1st jobbers, Long term unemployed	Maximum 3 years, including renewal (2 for new activities)	By law same as permanent staff.
<b>United Kingdom</b>	No limits.	No limits.	No statutory right to equal rights with permanent staff.

Source: IDS European Report, 1994, p.16

There are substantial differences in the protection for typical employees with respect to dismissals, Denmark, Ireland and the United Kingdom have rather weak dismissal protection legislation in place, which reduces the 'flexibility advantage' normally related to fixed term contracts in these countries and finds its expression in the low to moderate rates of fixed term contracts. The situation in the United Kingdom differs from all other countries in that employees in order to qualify for any form of protection against unfair dismissals, must fulfil a job tenure of two years. Since the employer can lay off redundant workers without any difficulty during the first two years, there seems to be a significantly reduced need for fixed term contracts for periods under two years in the UK.

## 5.6. Summary

Our chosen labour market indicators show strong variations between the member states of the European Union. Variations in the part time employment rate can partly be explained by other differences, like the sectoral distribution and the female employment rate. The variations in temporary work, including fixed term employment, seem to be based largely on the differences in the regulatory framework for temporary contracts and dismissal protection in general.

One can conclude that part time employment accounts for a considerable part of the net employment growth since the first oil shock (Delsen, 1990a). The growth of part time employment has been important for female employment growth. Moreover, the rapid growth of part time employment over the last two decades can be attributed to both demand and supply factors.

On the demand side, the continued move towards the service sector is a decisive factor. Part time workers provide an essential integral part of the flexibility on the labour intake in many service concerns. Labour costs appraisals also appear to be a grass-roots inducement to part time employment. The hourly wage rate for part time workers is often lower than for full-time workers, and in some countries, certain groups of part time workers are not safeguarded by employment protection legislation.

On the **supply side** the major factor is the growing female participation in the labour market. This trend has been especially noticeable in married women. There is a correlation between the overall female participation rate and the progression of part time employment. In the next chapter I will show how in periods of high unemployment workers often take part time jobs not *ad lib* but because full time jobs are not laid at their feet. Research has shown that the extent of involuntary part-time work in the total of that kind of employment has increased over the past few years. Therefore, the deterioration of the employment situation has shaped the labour market for part time work. At all events, the overpowering mass of part time jobs are elective (Delsen, 1986). The main cause of the increase in part-time work is to be found on the supply side of the labour market: even if the deterioration of employment market

circumstances affect the progression of part time jobs figures, the major factor at the back of the increase in part time work is the quest by female employees (whose choice, as pointed out by Maier (1991a), might not be as voluntary as it seems, see Part III).

As to temporary work, those jobs are not defined consistently across countries and encompass a wide range: from fixed-term contracts to more casual employment arrangements inclusive of seasonal work. Temporary work is concentrated among the young. The share of temporary employment varies between countries, and reaches a peak in Spain. There are three major contributory factors on the demand side that may underlie the apparent growth of temporary work over recent years. In the first place, there is the state of the economic cycle: the share of temporary work typically varies according to the point the cycle is in, as employers have a tendency to lay off temporary workers in the trough and hire them again at the peak of the cycle. In the second place, there may be some underlying course towards more temporary work consistently with the structural shift towards services. In the third place, faced with greater uncertainty about product demand and increasing labour costs, employers may fall back on hiring more temporary workers to be able to match their labour intake to seasonal and cyclical variations in demand. Supply factors such as combining work with other activities or seeing it as a form of underemployment can also affect the growth of this kind of employment.

One may conclude that the demand side of the labour market is the most relevant factor behind the growth of temporary jobs, whereas part time work increase rests more on the supply side of the labour market.

## **6. New Forms of Work and Activity: A European Survey<sup>1</sup>**

### **6.1. Introduction**

In this chapter I will provide some general background information to set the subsequent work in context. The chapter is organised as follows: first the survey on which the analysis of the current and the following chapter is based will be introduced, to get an idea of the sort of data which have been collected. Also to settle on the definitions of new forms of work which have been used in the survey and will be used throughout the examination of the data. An extended description of the methodology of the survey, including references to more technical documents is provided in *Appendix B*. After the description of the survey, the objectives of the chapter are presented. Data examined include the sectoral distribution of employment, female participation rate, part time and fixed term rates. The emphasis here is on giving general background information. More specific information, including that from other sources outside the survey, will be brought in when necessary to further the depth of the analysis. Finally, in the concluding remarks the main findings will be summarised and the ultimate bearings to lead the analysis further sketched.

### **6.2. The Survey**

The survey on which the analysis will be based was conducted by the European Foundation for the Improvement of Living and Working

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<sup>1</sup> Original title : 'Survey of Experience at Establishment Level in Eight European Countries', carried out by Infratest Sozialforschung for the European Foundation for the Improvement of Living and Working Conditions.

Conditions, an autonomous body established by the European Commission. The Foundation had been interested in the development of new forms of work and activity and this large scale, establishment-based survey was conducted among managers and employee representatives in eight European Community Countries under the direction of *Infratest Sozialforschung*. The data was collected in spring 1989 in Belgium, Germany (restricted to the territory of the former Federal Republic of Germany), Italy, Spain, and the United Kingdom; one year later, in spring 1990 in Denmark, Ireland and the Netherlands; covering 51% of all employees in the sample countries. The universe of the survey was defined as all private sector establishments with ten or more employees, excluding agricultural establishments. The aims of the study were: (1) to identify the reasons for the development of new forms of work (here: part time work, fixed term contracts, Saturday and evening work; even though for this thesis the only applicable parts are those focused on the data relevant for part time and fixed term employment); (2) to study the perceived advantages and disadvantages of those atypical forms of employment; (3) to analyse in how far an increase in this employment relationships can meet employers and employees wishes and/or economic and social needs.

### **6.2.1. Definition of Part time and fixed term employment**

Atypical or new forms of work are a well publicised but poorly defined phenomenon. Given the extent and the long time span they have been in existence, it must be declared that they are neither atypical nor new, despite the fact that they are commonly referred to as atypical or new forms of work. The definitions used for the survey, which had to be broad enough to allow comparability between the member states are given below.

Part time work was defined for the purpose of the survey as all 'working time arrangements with a contractual working time below the full time level which is applicable to the establishment in which the interview was held' (Bielenski, 1994a, p. 12). This sort of definition was necessary in order to achieve national comparability on the question of whether somebody is working an agreed lower number of weekly hours (thus, atypical number of hours) when compared with the 'typical' employee. Cross national comparability is not given in relation to actual weekly working time. National or international statistics might use a different definition, but in practise those differences seem to have little impact on the different statistics, given the few contracts which are in the critical range, i.e. close to full time hours (Bielenski, 1994a).

'Fixed term contracts are work contracts for a definite period. The contract expires automatically at a certain date or - more seldom - when the task has been carried out.' (Bielenski, 1994a, p. 173). Attention has to be drawn to the difference of what is normally understood as temporary contract, even if there exist a close relationship between them. Temporary jobs are normally carried out under fixed term contracts, however they might also be carried out under permanent contracts, which are ended, that is to say the worker is dismissed, when the job is terminated (this is the general practise in the UK). However here the interest was focused on contracts which terminate automatically in which protection from (unfair) dismissals do not (fully) apply.

### **6.3. Main Aims**

The data collected in the survey makes it possible to gain insight into the degree to which different employers make use of part time work and

fixed term employment. Moreover, it also helps clarify which circumstances led to the introduction of those atypical forms of work.

Very often rates of atypical labour are taken as synonyms for labour market flexibility, i.e. the higher the rate of part time and fixed term employment relations, the greater the numerical flexibility for the firms. One of the aims of this chapter will be to dispose of these simple indicators for labour market flexibility, by showing that large proportions of atypical labour relations can be explained by other than the numerical flexibility rationale. Secondly it will be shown that the notion of atypical work is rather unhelpful, and that, to avoid describing a very heterogeneous group with one identifier, it would be useful to break down the groups of part-time workers and fixed term employees into several subgroups. In particular, we will show that it is inaccurate to count all 'non-full-time permanent employment workers' as part of the periphery of a firms workforce. Simultaneously, since the flexible firm model is very much based on allocating 'atypical employees' in the periphery, and holding the periphery responsible for the numerical flexibility, by the end of the chapter it should be clear that the flexible firm model is not the appropriate one for analysing firms' human resource management.

Since the degree to which 'atypical employees' are part of the core or periphery workforce varies in the different countries and the extent to which the use of new forms of work is driven by demand side or supply side variables also varies between the countries, foundations for linking these variations with national differences in production systems will be laid. This will still be discussed in depth, in particular with regard to skill levels and implications to functional flexibility, in the following chapters.



## 6.4. Employment Structure

### 6.4.1. Full-Time 'Permanent' employment

**Table 6.1 Distribution of employment by sector of main activity**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Energy & Water	2	3	3	1	3	1	2	2	1
Chemical Industry	7	11	9	4	11	13	7	4	2
Metal Manufacture	20	16	26	17	23	25	15	13	12
Other Manufacture	22	18	16	18	22	29	29	15	26
Building	8	7	10	11	9	7	5	9	6
Retail, Hotel, Repair	19	19	19	22	15	9	23	21	26
Transport, Communication	4	5	3	6	3	3	1	5	6
Banking, Insurance	11	14	8	17	11	10	11	18	12
Other Services	6	6	5	4	4	2	5	12	8
Others	0	1	-	0	-	-	-	-	-
<b>Total Industry</b>	<b>59</b>	<b>55</b>	<b>64</b>	<b>51</b>	<b>68</b>	<b>75</b>	<b>58</b>	<b>43</b>	<b>47</b>
<b>Total Service</b>	<b>40</b>	<b>44</b>	<b>35</b>	<b>49</b>	<b>33</b>	<b>24</b>	<b>40</b>	<b>56</b>	<b>52</b>

Note: Employee proportional analysis

59% of the workforce in the Universe of the sample are employed in the industrial sector. NACE 3 -Metal manufactures-, NACE 4 -Other manufactures- and NACE 6 - Retail, Hotel, Repair- each account for around 1/5th of employment. However, there are considerable national differences in the distribution of employment over the Industry and Service Sectors and the different NACE sectors (see Table 6.1) (for an explanation of differences between results from the LFS and NFWA survey please refer to *Appendix B 5*). When concentrating on the two main areas in the survey, industrial and service sector, one finds that in Italy, Spain and Germany, the industrial sector is over-represented. This is in Italy and Spain due to an above average rate of all NACE sectors belonging to the industrial sector, while in Germany mainly warranted by the dominant metal manufacturing industry. In The Netherlands and the United Kingdom the industrial sector is underrepresented. The employment structure in the United Kingdom is further characterised by one of the highest proportion of employees in

'Other Manufacturing Industries'. The United Kingdom also has the highest proportion of employment in 'Retail, Hotels and Repair', having a rate nearly three times that of Italy, which has the smallest rate of employment in this sector among the eight countries in the study. Denmark and the Netherlands have relatively high rates of employment in NACE 8 -Banking and Insurance-, additionally The Netherlands also have a big proportion of employment in NACE 9 -Other Services-. The importance of these two sectors for employment is below average in Germany.

The distribution of employment by size classes of establishments is given in Table 6.2. The Netherlands are characterised by the lowest rate of employment in very small establishments (10-19 employees), and the highest rate of employment in very large establishments (1000 or more employees). An above average rate of employment in very large establishments can also be found in Belgium and in Germany. The latter also has an above average proportion of employment in large establishments (500-999 employees). In these two size classes Ireland has the lowest rate of employment, while having a highest share of employment in medium sized enterprises (200-499 employees). Employment in this type of firms is relatively low in Belgium and in Denmark.

**Table 6.2 Distribution of employment by size classes of establishments**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>10 - 19 employees</b>	15	15	12	24	13	21	17	8	16
<b>20 - 49</b>	22	16	20	21	25	21	21	22	25
<b>50 - 99</b>	13	12	12	15	11	14	18	8	16
<b>100 - 199</b>	12	19	13	14	14	12	13	17	9
<b>200 - 499</b>	17	11	13	11	15	22	27	20	19
<b>500 - 1000</b>	14	15	19	11	14	7	5	13	12
<b>1000 +</b>	7	11	10	4	7	4	1	12	3
<b>No answer</b>	0	0	-	-	-	-	-	-	-

Note: Employee proportional analysis

Related to the above distribution of employment by establishment size classes, is the distribution of establishments by size class. The numbers are given in Table 6.3. In the European average, more than 90% of establishments have less than 100 employees. This is also true for each individual country. Italy has a relatively high rate of very small establishments (10-19 employees), Spain and Germany have a relatively small share of establishments of this type. Spain has a high rate of small-medium sized enterprises (100-199 employees). The Netherlands have a relatively high rate of very large establishments.

**Table 6.3 Distribution of establishments by size class**

	EUR8	B	D	DK	E	I	IRL	NL	UK
10 - 19 employees	40	40	32	45	30	61	54	50	34
20 - 49	46	42	52	41	55	26	28	33	52
50 - 99	47	9	8	8	5	6	9	8	7
100 - 199	4	5	3	3	7	5	6	5	4
200 - 499	2	3	3	2	2	1	3	3	2
500 - 1000	1	1	1	0	1	0	0	1	1
1000 +	0	0	0	0	0	0	0	1	0
No answer	0	-	-	-	-	-	-	-	-

Ø number of employees per establishment	48	63	55	39	51	40	45	58	44
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Note: Establishment Proportional Analysis

The average establishment in the sample had 48 employees on the payroll, but the average size in the eight countries varies largely from this value. In fact, only the average establishment size in Spain and Ireland came close to this overall average, varying by less than 10%. The average establishment size was biggest in the Benelux countries (63 employees in Belgium, 58 in the Netherlands). The average establishment size in Denmark, with only 39 employees, is the smallest of the eight countries studied.

The questionnaire also contained inquiries about the past developments of employment in the enterprises. On average in the eight countries, establishments representing more than 40% of employees (see Table 6.4) were employing more employees at the time of the survey, than three years before. Establishments representing about one quarter of the workforce had decreased their workforce in the period under consideration.

**Table 6.4 Trend over the Last Three Years in Total Employment 1986-89**

	EUR8	B	D	DK	E	I	IRL	NL	UK
More now	44	49	41	44	40	42	55	51	49
Fewer now	25	24	28	24	33	29	25	22	20
Same	29	26	30	31	27	29	19	26	29
Don't know	1	1	1	2	0	0	1	1	3

Note: Employee proportional analysis

Information collected allowed me to estimate the magnitude of change in employment. The rough estimates of the change, in absolute numbers and percentage points, are given in Table 6.5. For all countries as a whole, employment has increased by nearly three quarters of a million, or 2%. But the trends have been different in the countries in the survey. Reaching from a 2% decline in Belgium, to a 7% increase in the Netherlands and the United Kingdom. I will return to the developments in employment, when discussing developments in new forms of work.

**Table 6.5 Trend over the Last Three Years in Total Employment 1986-89**

	EUR8	B	D	DK	E	I	IRL	NL	UK
change in '000s	746	-35	-183	13	-7	-48	12	172	821
change in %	2	-2	-1	2	0	-1	4	7	7

Note: Establishment proportional analysis

#### 6.4.1.1. Socio-Demographic Structure of Employees

The female participation rates in the sample are represented in Table 6.6. Variations with the rates given in the previous chapter can be explained again by the sampling and weighting conventions, for further explanation see *Appendix B 5*.

**Table 6.6 Proportion of Females in Total Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Females %	31	28	30	32	21	30	37	28	36

Note: Establishment proportional analysis

On average of less than one third (31%) of all employees in the sample were women. The highest proportion can be found in Ireland (37%)

followed by the United Kingdom (36%), Denmark, Germany and Italy had with 30 and 32% about average rates. Spain had the by far lowest rate with just 21 %.

The proportion of women in employment in the different NACE sectors is given in Table 6.7. The rate of female employment is higher in the service sector than in Industry in all eight countries in the survey. With the exception of NACE 4 -Other Manufacture-, all sub-sectors of industry have a female employment rate lower than the average female employment rate, this holds for the average values of the eight countries as well as for the distribution in the individual countries. With the exception of The Netherlands and the United Kingdom, all female employment rates in NACE 4 are higher than the average rate. Unusually low rates of female employment can be found in the Building sector. The different sub-sectors of the Service Sector very much show the reverse position. With the exception of NACE 7, Transport and Communication, the female employment rate in all sub sectors is higher than the average rates for each individual country. In the Banking sector in Ireland and in Germany, female employment accounts for 50% or more, in these countries and Italy the female employment rate in 'Other Services' is higher than 50%. With the exception of Ireland all female employment rates in 'Transport and Communication' are lower than the average rates in the individual countries, and in their average.

**Table 6.7 Distribution of Female Employment Rates  
by Sector of Main Activity**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Energy & Water	16	9	14	25	10	5	28	15	23
Chemical Industry	24	15	24	18	19	28	23	16	29
Metal Manufacture	20	12	23	20	12	18	37	11	23
Other Manufacture	36	32	36	38	29	41	37	20	37
Building	11	6	10	12	6	14	8	6	15
Retail, Hotel, Repair	39	43	39	36	30	39	38	37	41
Transport, Communication	25	24	24	25	20	32	49	20	27
Banking, Insurance	43	44	50	49	27	34	51	40	47
Other Services	48	40	55	40	32	54	56	47	45
Total Industry	25	18	24	25	18	28	33	14	30
Total Service	40	41	43	39	27	39	46	38	42

Note: Employee proportional analysis

Table 6.8 presents the qualification structure of the workforce in the sample by country, while Table 6.9 shows the qualification structure for female employees. Total employment is almost evenly distributed over manual and clerical tasks (on average 52% and 48%), it is to be expected that the distribution by sector of main activity in the sample is reflected here. However, when looking at the same division taking the gender perspective, one can see that female employment is strongly concentrated in clerical tasks (more than 60%), and male employment in the manual area. Looking at the total employment situation again, it can further be noted that there are relatively few workers in the clerical low qualification level, while employment is relatively evenly spread over the other levels. This aspect has once more to be completely modified when taking the gender perspective, this will be further discussed after presenting the data in Table 6.9. In addition to the differences in the qualification structure by gender, there are also strong national differences in the distribution of the qualifications.

**Table 6.8 Distribution of Total Employment by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	26	28	26	30	28	23	36	45	23
skilled manual	26	24	29	25	34	28	21	10	23
clerical low	18	21	17	17	13	15	20	22	20
clerical high	30	27	27	29	25	34	23	23	34

Note: Establishment proportional analysis

By far the highest proportion of unskilled manual workers can be found in the Netherlands, where 45% of all employees fall into this category, subsequently the lowest proportion of skilled manual workers can be found in the Netherlands too, accounting for only 10% of total employment. The lowest proportion of unskilled manual workers is found in Italy and the United Kingdom. These two countries also share the highest rate of employees with 'clerical' qualifications (49% and 54% respectively). Spain has, followed by Germany and Italy, the highest proportion of skilled manual employees. In these three countries and in Denmark below-average rates of employees with low level clerical qualifications can be found. The Netherlands have, followed by Ireland, the highest proportion in clerical low level employment, and share the lowest proportion in high level clerical employment.

When combining the two lower and the two higher qualification levels (i.e. adding up the proportions of 'unskilled manual' and 'low clerical' and the remaining proportions) the following picture emerges. The Netherlands (67%) and too a lesser extend Ireland (56%) are marked by a high share of employees in the lower qualification levels, the lowest shares of employment in these qualification levels can be noted in Italy and in Spain (38% and 41%). However this difference varies less from the average (44%) than the rate of Ireland and principally the rate of the Netherlands.



**Table 6.9 Distribution of Female Employment by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	28	27	34	30	29	25	34	39	21
skilled manual	10	8	6	7	25	14	14	6	11
clerical low	33	37	32	33	23	25	35	38	38
clerical high	28	28	29	31	23	36	16	17	29
<b>Total</b>	99	100	101	101	100	100	99	100	99

Note: Establishment proportional analysis

There is only a very small share of women working as skilled manuals, accounting only for 10% of all female employment. This trend is very strong in Germany and in the Netherlands (both 6%). In Spain female employment is relatively evenly spread over the four qualification levels, and 25% of women are employed as skilled manuals. Generally women are employed in lower qualification levels than men. However, in some countries (Belgium, Germany, Denmark and Italy) high level clerical employment is more common for women than for men. In Ireland and in the Netherlands around three quarters of female employment is concentrated in the lower qualification levels. About half of all women in employment in Italy and Spain work in higher qualification levels, representing the highest shares across Europe.

## **6.5. Part-Time Employment**

### **6.5.1. Part-Time Employment Structure**

The distribution of the part time rates by the NACE sectors, introduced earlier on, and the total part time rate is given in Table 6.10. The total part time employment rate varies largely between the countries, reaching from 1% in Spain and 2% in Italy to 15% in the Netherlands. The average part time employment rate is 7%, with the United Kingdom being closest to that average (8%). As expected, the part time rate is higher in the service sector

than in the industry sector. On average, the part time rate in the service sector is three times as high as the part time rate in industry. In Belgium the factor between the rates is 4, in most other countries this difference is close to the average. In the United Kingdom the difference is less marked, and in Spain the sectors have the same part time rate.

**Table 6.10 Distribution of Part-Time Employment Rates by Sector of Main Activity**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Energy & Water	4	1	3	10	1	0	0	7	7
Chemical Industry	3	2	5	6	0	2	1	6	4
Metal Manufacture	3	1	5	4	0	1	1	6	4
Other Manufacture	5	4	8	7	1	2	1	8	6
Building	3	1	3	3	0	2	-	3	3
Retail, Hotel, Repair	13	7	14	15	1	4	2	22	14
Transport, Communication	7	6	12	6	0	4	1	8	5
Banking, Insurance	9	6	14	14	2	4	1	19	6
Other Services	18	16	26	19	1	16	8	33	11
<b>Total Industry</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>5</b>
<b>Total Service</b>	<b>12</b>	<b>8</b>	<b>16</b>	<b>14</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>22</b>	<b>11</b>
<b>Total</b>	<b>7</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>15</b>	<b>8</b>

Note: Employee proportional analysis

The incidence of establishments practising part time employment, i.e. having at least one part time employee on the payroll vary largely in Europe. On average, establishments representing only one third of all employees do not have any part time worker on their payroll. However, this incidence ranges from just 13% in the Netherlands and less than 20% in Germany, to more than 55% in Italy and Ireland and more than 80% in Spain. With the remaining countries being close to the average values.

**Table 6.11 Incidence of Part-Time Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>With at least one</b>	66	65	81	70	19	44	41	87	69
<b>Without any</b>	34	35	19	30	81	56	58	13	31
<b>Total</b>	100	100	100	100	100	100	100	100	100

Note: Employee proportional analysis

Managers of companies currently not practising part-time employment were asked whether they were interested in doing so in the future. The answers are summarised in Table 6.12. The big majority of employees (84%, in the establishments under consideration) work in establishments not interested in introducing part time work. This picture is surprisingly similar in all eight countries, given the large differences in the incidence across the countries. Furthermore, above average rates of interest were found in Denmark, The Netherlands and Germany, countries which already have an above average rate of part time employment incidence.

**Table 6.12 Interest in the Introduction of Part-Time Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>Interested</b>	16	12	18	23	15	15	13	19	15
<b>Not interested</b>	84	88	82	77	85	85	87	81	85

Note: Employee proportional analysis

Two thirds of all employees working in establishments practising part time work, have less than 10 % part time colleagues. But these shares vary considerably between the countries studied. The variations are listed in Table 6.13. An above average share of establishments with high proportions of part time work (>10%) can be found in Denmark, Ireland and the Netherlands. These countries and the United Kingdom are also marked by above average shares in the proportion, i.e. bigger than 25 %. On the other hand Spain and Italy are marked by the large number of employees in establishments practising part time work who have only 5% or less part time

colleagues (69% and 67% respectively). In general, it can be said that in establishments practising part time work, part time employees are normally 'atypical', in the sense that they only account for a relatively small proportion of total employment. The average percentages of part timers in establishments with at least one part timer is given in the last row of the table, being on average 11%. Ranging from 5 and 6% in Italy and Spain, to 15% in the Netherlands.

**Table 6.13 Proportion of Part-Time Employment in establishments with Part Time Employees**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>0 &lt; 5% Part Timers</b>	45	55	45	28	69	67	48	35	39
<b>5 &lt; 10%</b>	23	17	22	29	18	24	10	25	23
<b>10 &lt; 15%</b>	11	11	12	16	5	3	14	14	13
<b>15 &lt; 20%</b>	6	5	6	7	4	4	7	8	6
<b>20 &lt; 25%</b>	4	3	5	6	1	0	1	4	5
<b>25 &lt; 50%</b>	7	6	6	9	1	1	16	7	9
<b>50 &lt; 100%</b>	4	2	4	5	2	0	3	7	6

<b>Ø Percentage of part-timers/ establishment</b>	11	9	11	13	6	5	12	15	13
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Note: Employee proportional analysis

From the distribution of recent developments in the number of part time employees, we can see that, on average, establishments representing more than a third of all employees are employing more part time workers at the time of the survey than three years before<sup>2</sup>. Establishments which represent about half of the workforce are employing the same amount of part timers as three years before the study.

<sup>2</sup> Only establishments which had at least one part timer on the payroll at the time of the study were asked this question, that means that establishments which stopped completely using part time employment relations in the three years before the study are not represented.

**Table 6.14 Trend over the Last Three Years in Part-Time Employment 1986-1989**

	EUR8	B	D	DK	E	I	IRL	NL	UK
More now	35	50	31	23	50	53	37	50	29
Fewer now	11	8	11	9	4	5	8	7	15
Same	52	40	57	65	44	43	54	41	53
Don't know	2	1	1	2	2	-	2	2	2
Total	100	99	100	99	100	101	101	100	99

Note: Employee proportional analysis

The rough estimates of the magnitude of change in absolute numbers and percentage points are given in Table 6.15. In the eight countries in the study the number of part time employees in establishments in the universe of the study had increased by more than 230.000, representing an increase of around 7 %. The number of part time workers had increased in all countries included in the sample. Notably dynamic developments could be found in Italy and Spain, countries with a relatively low rate of part time employment. In Germany and the United Kingdom, countries with a relatively high rate of part time employment the increase had been below the average. The Netherlands had, despite its already high rate of part time employment, a high rate of increase and does not fit this general picture of countries with a high rate having a rather slow development, while the other countries catch up.

**Table 6.15 Trend over the Last Three Years in Part-Time Employment 1986-1989**

	EUR8	B	D	DK	E	I	IRL	NL	UK
change in '000s	233	9	60	7	6	40	2	67	42
change in %	7	10	4	10	19	28	11	18	4

Note: Establishment proportional analysis

When taking the development of part time employment, together with the development of total employment (see Table 6.10), one can find that 30% of the increase in total employment is due to an increase in part

time employment. In all countries, except the United Kingdom, and the average points to an increase of part time employment stronger than the increase of employment as a whole. This indicates that the overall rate of part time employment has increased.

### 6.5.1.1.Socio-Demographic Structure of Part-Time Employees

The next table gives the female share of the part time employees by sector of activity. This share is on average 85%, ranging from just 42% in Spain to more than 90% in Italy. With the exception of Spain, all proportions of female part time employment are well above 75%. This shows that part time work is mainly women's work.

**Table 6.16. Proportion of females In Part Time Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>Females %</b>	85	80	87	86	42	91	86	77	87

Note: Establishment proportional analysis

When focusing on the qualification levels of part timers, one can make the following observations: part time employment is concentrated in the lower levels of the qualification hierarchy, i.e. the clerical low and the unskilled manual level, accommodating 80% of all part time employees. This trend is very strong in Ireland, where more than 90% of all part time employees have lower qualification levels. In Italy and Spain a relatively big proportion of part timers has higher qualification levels, as well skilled manuals as high clerical, in Denmark only the latter is true.

**Table 6.17 Distribution of Part-Time Employment  
by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	42	33	40	38	60	35	61	53	41
skilled manual	7	9	4	4	11	11	5	4	13
clerical low	38	47	43	37	9	24	32	34	37
clerical high	13	11	13	21	20	30	2	9	9

Note: Establishment proportional analysis

The situation for female part time employees varies only little from the total situation. The distribution of female qualification levels is given in Table 6.18. A slightly bigger proportion of female employees has clerical qualifications, and the proportion of employees with lower qualifications is slightly higher than the proportion in total part time employment.

**Table 6.18 Distribution of Female Part-Time  
Employment by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	40	31	39	33	55	36	61	48	39
skilled manual	6	8	3	4	12	10	6	3	11
clerical low	41	49	44	41	11	25	32	39	41
clerical high	13	12	14	22	21	29	2	9	10

Note: Establishment proportional analysis

### 6.5.1.2. Typical and Atypical Forms of Part Time employment

So far I treated part time work, and presented the information as if there were no differences in meaning in the diverse sorts of part time jobs. However, given the fact that under the common denominator 'part time work', employment relationships from 1 hour to nearly full time level were included, I will now introduce a distribution of part time employment by hours of work *per week*. The various forms of part time work are distributed differently in the various countries, and one can infer from Table 6.19. that working time arrangements between 15 and 25 hours represent the most important category. On average this category accounts for more than half

of all part time contracts. In Italy 80% of part time employees work between 15 and 25 hours. Working times of less than 10 hours are of relatively small importance in Italy (1%), Denmark (3%) and Ireland (4%). In Italy contracts of between 10 and 15 hours are also comparatively unimportant, this is also the case in Spain, while in the United Kingdom this type of part time employment accounts for nearly a fifth of total part time employment.

Part time contracts with an agreed weekly working time from 25 to 30 hours are relatively important in Spain (27%) and in Denmark (23%), while in the latter also part time contracts with long hours (more than 30 hours) are of above average importance. Part time contracts with long working hours are relatively important in the Netherlands (13%), but comparatively unimportant in Spain and Ireland.

Flexible working time arrangements, i.e. where there are no agreed fixed weekly working hours, are generally of very low importance, accounting on average for only 4%. Only the Benelux countries have, with 5%, a slightly higher rate than average of this type of part time employment. Below average rates of 'flexible working time arrangements' can be found in Spain, Denmark and Italy.



**Table 6.19 Distribution of Part-Time Employment  
by Weekly Working Times**

	EUR8	B	D	DK	E	I	IRL	NL	UK
below 10 hours	9	8	11	3	10	1	4	8	8
from 10 to 15 hours	14	9	14	9	4	1	13	13	18
from 15 to 20 hours	28	24	28	23	18	6	33	29	33
from 20 to 25 hours	30	32	29	29	40	74	30	23	26
from 25 to 30 hours	10	13	11	23	27	13	13	8	9
more than 30 hours	5	9	4	12	2	4	2	13	3
no fixed number of hours	4	5	4	1	0	1	4	5	4

Note: Establishment proportional analysis

Together with the differences in hours worked per week, there are also other differences in working time arrangements. And some that are prevailing are the times when those working hours are worked. Table 6.20 gives the distribution range of times part time work takes up. By far the most important type of part time work is working every morning, being the most common type of part time work in establishments representing more than half of all employees in the EUR8. However, the differences among the countries are very considerable. In Italy and Germany establishments representing more than 70 % of employees ranked this working time arrangement as the most important one. In Spain this proportion was 60%, while the rate of the remaining countries for this type of part time work is below 50%, ranging between 31 and 47 %. With the exception of Belgium this working time arrangement is the most important in all the countries, while in Belgium it only holds rank 2. There the most important type is to work some days full time and have the other days off. This working time arrangement is also of relatively high significance in The Netherlands, and has above average importance in Ireland and in Denmark: Some other fixed hours everyday are relatively frequent in the United Kingdom. In Spain and Ireland part time work during the afternoon is of above average relevance.

One explanation which comes immediately to mind are the differing opening times of schools and child care facilities. This point will be discussed further, after introducing the main reasons for the use of part time work to the discussion.

**Table 6.20. Distribution of Part-Time Contracts by Working Time Arrangement**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Some fixed hours every morning	57	31	71	44	60	80	33	47	40
Some fixed hours every afternoon	7	6	8	8	18	6	14	6	6
Some other fixed hours every day	13	6	3	18	7	8	10	6	30
Some fixed days of the week full-time, the others off	12	38	9	19	10	1	20	30	12
One week full time, one week off	0	3	-	2	1	1	3	0	0
Flexible working hours, according to establishment needs	6	11	6	7	3	2	8	7	7
Others	4	5	4	3	1	2	13	5	5

Note: Employee proportional analysis

## 6.5.2. Reasons for using Part Time Work

### 6.5.2.1. Main Reason

The data set also contains information about the main reasons why part time work had been introduced; whether the main intention was answering the needs of the establishments, or if it was done because of employee wishes. This information is represented in Table 6.21, even though the employee representative questionnaire will not be given much consideration here, Bielenski (1994a) has found 'surprisingly little difference between the answers' in the different types of questionnaires. 'Needs of establishment' was the main reason for the use of part time employment in establishments representing 45 % of all employees, this reason was of particular importance in the Anglo-Saxon countries, and in Spain; in Italy this was the main reason for the use of part time work in establishments

representing only 14 % of employment; there, employee wishes were by far the most important reason. 32% of all employees in the eight countries work in establishments where this reason was the most important one. On average, in 22% both reasons have been equally important. This reason was nevertheless given in Italy by establishments representing only 14% of employees, while the same rate amounted to twice this value in Germany.

**Table 6.21 Main Reason for the Use of Part-Time Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>Needs of establishment</b>	45	30	42	30	61	14	51	37	61
<b>Employee wishes</b>	32	46	27	44	29	70	15	44	19
<b>Both reasons equally</b>	22	23	28	27	9	14	17	18	18
<b>Other reasons</b>	2	1	3	0	2	1	17	1	2

Note: Employee proportional analysis

The numbers in Table 6.21 alone show that in general most employees do not work in establishments where the most important reason for the use of part time work was based on economic or organisational considerations only. Given the high rate of part time jobs which would generally be defined as half time, or half-day jobs, most employees work in establishments where part time jobs being carried out in the morning hours are the most important type of part time employment. This fact rather suggests that most of the jobs are not introduced for demand side reasons, i.e. to increase 'numerical flexibility', but rather for supply side reasons, i.e. to improve labour supply.

## **6.6. Fixed Term Employment**

### **6.6.1. Fixed Term Employment Structure**

Fixed term contracts as defined previously must not be confounded with "temporary employment". Of course, both are often related closely to each other. A fixed-term contract, so Bielenki (1994a), mostly implies temporary employment only. And if there is a temporary job, employers

usually make fixed-term contracts. But there are some differences. A temporary job which might as well be carried out under a permanent contract and notice of termination be given at the moment in time when the job is considered to be finished. On the other hand, in some countries it happens quite frequently that fixed-term contracts are made for permanent jobs when new personnel are hired (e.g. in order to provide the employer with a longer than usual probationary period, see Chapter 10 below, on the use made in Germany of fixed-term contracts for screening employees).

As can be seen in Table 6.22, which gives the fixed term contract rates by NACE sectors and the total fixed term contracts rate, the rate of fixed term employment shows considerable variation between the countries. The average for the eight countries included in the study is 4%, the United Kingdom, Ireland and Denmark have the lowest rates with only 1%. Unequivocally above average rates of fixed term employment can be found in Spain and in the Netherlands. Spain has with 13% the by far highest proportion of fixed term employment. The relatively high rate in Italy is due to the fact that 'contratti di formazione' had been included, the fixed term rate would on average be about 60% lower if 'contratti di formazione'<sup>3</sup> were excluded.

When considering the rates in Industry and Service, or in the different NACE Sectors, no visible pattern, like the one that appeared in the part time employment rates, emerges. With the exception of NACE 1 -Energy and Water which has clearly below average fixed term rates in all but one country (Denmark), all other sectors have rates close to the average.

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<sup>3</sup> training contracts

Whether a rate is above or below average in a certain sector depends likewise on the country. That means that the use of fixed term contracts is substantially less influenced by reasons which can be related to a particular sector of activity.

**Table 6.22 Distribution of Fixed-Term Employment Rates by Sector of Main Activity**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Energy & Water	1	0	1	3	4	1	0	1	0
Chemical Industry	4	3	3	1	8	6	1	5	0
Metal Manufacture	4	3	3	1	7	6	2	5	1
Other Manufacture	4	2	3	1	15	8	1	6	1
Building	4	1	2	5	31	4	1	7	1
Retail, Hotel, Repair	3	2	2	0	16	10	0	10	0
Transport, Communication	3	5	4	1	11	5	0	6	1
Banking, Insurance	3	4	1	1	9	4	1	8	3
Other Services	4	6	5	3	14	5	4	10	2
<b>Total Industry</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>13</b>	<b>7</b>	<b>1</b>	<b>6</b>	<b>1</b>
<b>Total Service</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>13</b>	<b>6</b>	<b>1</b>	<b>9</b>	<b>1</b>
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>13</b>	<b>7</b>	<b>1</b>	<b>8</b>	<b>1</b>

Note: Employee proportional analysis

The survey allows us to investigate differences in the incidence of establishments practising fixed term work, i.e. counting with at least one employee on a fixed term contract on their payroll. The incidence varies largely in Europe; on average, establishments with at least one worker on a fixed term contract and establishments without any fixed term employee keep more or less the balance (representing 48% and 52% of all employees). This incidence ranges from just 14% in the United Kingdom to more than 75% in the Netherlands and in Spain.

**Table 6.23 Incidence of Fixed Term Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>With at least one</b>	48	49	57	27	76	69	32	75	14
<b>Without any</b>	52	51	43	73	24	31	68	25	86

Note: Employee proportional analysis

In like manner to the rate of part time employment by establishment, the rate of fixed term employment is on average in the majority of cases smaller than 5%. The actual proportions are listed in Table 6.24. An above average share of establishments with high proportions of fixed term employment can be found in the Netherlands and Spain.

**Table 6.24 Proportion of Fixed-Term Employment in Establishments with Fixed-Term Employees**

	EUR8	B	D	DK	E	I	IRL	NL	UK
0 < 5% Fixed Termers	54	66	63	74	22	67	51	43	59
5 < 10%	21	16	21	11	21	14	25	24	22
10 < 15%	9	7	8	4	18	7	8	14	4
15 < 20%	5	4	4	1	8	2	5	7	5
20 < 25%	3	2	1	1	6	1	5	4	4
25 < 50%	5	2	2	6	17	3	2	7	7
50 < 100%	2	2	1	2	9	5	3	2	-

Ø Percentage of Fixed-Timers/ establishment	8	6	5	6	18	8	8	10	7
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Numbers for Italy exclude 'contratti di formazione'  
Note: Employee proportional analysis

The following trends on the number of fixed term employees over a three years period were observed. Establishments employing 44% of the workforce<sup>4</sup>, are now employing more employees on a fixed term basis. With

<sup>4</sup> Only establishments which had at least one fixed term employee on the payroll at the time of the study were asked this question, that means that establishments which stopped completely using fixed term employment relations in the three years before the study are not represented.

the data collected it was again possible to make a rough estimate about the magnitude of change. These estimates are given in Table 6.25.

**Table 6.25 Trend over the Last Three Years in Fixed Term Employment 1986-1989**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>More now</b>	44	40	42	20	51	39	34	45	57
<b>Fewer now</b>	11	12	10	19	14	9	20	14	7
<b>Same</b>	41	46	45	60	33	49	43	39	31
<b>Don't know</b>	3	1	4	2	2	4	2	2	5

Numbers for Italy exclude 'contratti di formazione'

Note: Employee proportional analysis

There has been an increase of 28% or of about 300.000 employees hired on a fixed term contract. In all countries the number of fixed term contracts has increased. An exceptionally strong increase can be found in the United Kingdom (57%), which has still one of the lowest rates. Italy had the slowest development, which might be due to legal requirements, which allow fixed term employment only under certain circumstances.

**Table 6.26 Trend over the Last Three Years in Fixed-Term Employment 1986-1989**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>change in '000s</b>	305	12	78	1	113	17	2	37	46
<b>change in %</b>	28	30	21	11	26	7	33	19	57

Numbers for Italy exclude 'contratti di formazione'

Note: Establishment proportional analysis

When this trend is compared with Table 6.5, it can be noted that about 40% of the increase of employment is due to the increase in fixed term employment. The development of fixed term employment has been in all countries more dynamic than the development of total employment', indicating the rising importance of fixed term employment for the labour market.

### 6.6.1.1.Socio-Demographic Structure of Fixed Term Employees

The female share of the fixed term employees by sector of activity is on average 36%, ranging from just 26% in Spain to 42% and 44% in Ireland and Germany.

**Table 6.27 Proportion of Females in Fixed Term Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
Females %	36	31	44	31	26	37	42	39	33

Note: Establishment proportional analysis

Given the numbers from Table 6.27, one can see that fixed term employment is slightly male dominated, however this should not obscure the following facts. Granted that the female rate of total employment is below 1/3, there are proportionally more women working under fixed term contracts than men. Furthermore, accepting the highly female character of part time employment (see Table 6.16. in previous section), one has to conclude that it is much more likely for a woman to be employed in a non-standard employment relationship (See Chapter 5).

Lets now turn to the qualification levels of employees with a fixed term contract. The following points can be identified, fixed term employment is, like part time employment, concentrated in the lower levels of the qualification hierarchy, i.e. the clerical low and the unskilled manual level, accommodating nearly three quarters of all fixed term employees. The United Kingdom and Spain do not fit this picture completely. The United Kingdom has above average rates in both higher qualification levels, while Spain has a higher proportion solely in skilled manual professions. Clerical and manual skills are equally distributed.

This observation also holds for the cross-tabulation of women workers on fixed term contracts and qualification levels. However, female fixed term



employment is slightly less concentrated in the lower qualification levels, and more concentrated in manual work than in clerical work. This pattern differs from the 'normal' female employment pattern.

The Netherlands show, in an analogous way as for other forms of work, a dense concentration of employment of low skilled personnel.

**Table 6.28 Distribution of Fixed-Term Employment by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	41	26	52	29	44	36	50	48	2
skilled manual	9	2	6	8	22	6	9	3	17
clerical low	33	55	29	44	20	40	32	39	37
clerical high	17	18	13	19	15	18	9	10	45

Note: Establishment proportional analysis

**Table 6.29 Distribution of Female Fixed-Term Employment by Qualification Level**

	EUR8	B	D	DK	E	I	IRL	NL	UK
unskilled manual	48	40	51	34	51	51	41	61	6
skilled manual	17	20	20	35	27	9	15	3	32
clerical low	20	26	18	19	11	26	17	26	17
clerical high	15	14	10	12	11	15	27	10	46

Note: Establishment proportional analysis

### 6.6.2. Long and Short Fixed Term contracts

After the general analysis of fixed term employment, Table 6.30 presents a way of splitting up fixed term contracts in different categories by period. The length of fixed term contracts appear to be different in the various countries. In average, the majority of contracts have a length of between 3 and 12 months, accounting for more than 60% of all contracts. In Spain and The Netherlands contracts for this length account for 76% and 79% respectively. Contracts for a shorter period are relatively common in Italy (77%), where contracts of between 3 and 12 months account only for 21% of all fixed term contracts. Short fixed term contracts (less than 3 months) are relatively unimportant in Spain and in the Netherlands.

Contracts of between 12 and 18 months are in comparison frequent in Germany. Fixed term contracts for long periods (more than 18 month) are comparatively usual in the Anglo-Saxon countries. In the United Kingdom this is solely due to the number of contracts running for more than two years.

**Table 6.30 Distribution of Fixed-Term Contracts by length**

	EUR8	B	D	DK	E	I	IRL	NL	UK
less than 3 months	18	24	12	26	5	77	14	1	7
from 3 to 6 months	32	40	26	52	39	14	25	47	25
from 6 to 12 months	30	28	30	12	37	7	22	32	44
from 12 to 18 months	10	3	21	1	6	1	6	13	3
from 18 to 24 months	3	1	6	2	2	1	12	3	0
more than 24 months	7	5	5	7	11	0	22	3	21
Total	100	101	100	100	100	100	101	99	100

Numbers for Italy exclude 'contratti di formazione'  
 Note: Establishment proportional analysis

The overrepresentation of relatively long contracts (two years and more) in the United Kingdom can probably be ascribed to the fact that two years are the minimum qualifying period for unfair dismissal protection. That being so, the fixed term contracts for shorter periods have less importance than in other countries, where dismissal protection normally starts after a shorter qualifying period. The high rate of short fixed term contracts in Italy is likely also to be the result of the legal system. The numbers had excluded 'contratti di formazione', and all other contracts are only allowed under special circumstances, one of those being seasonal work.

**6.6.3. Reasons for the use of Fixed Term employment**

**6.6.3.1. Traditional versus 'new' reasons**

Table 6.31 shows the main reasons given by management for the use of fixed term contracts. The main reasons for the introduction are the

replacement of absent staff, and the nature of the task being only temporary. These two reasons taken together make up for 50 % of fixed term positions. These two reasons have been described as traditional reasons, because 'they have always been accepted in all countries including those with a very restrictive legislation on fixed term contracts' (e.g. Italy, Belgium or Germany before 1985)' (Bielenski 1994a).

The intermediate three reasons 'Not sure about future workload', 'Long probationary period' and 'Dismissals difficult or expensive' have less weight than the first group (40%), and are summed up as new reasons. And this, despite the fact that in some countries these reasons have always been accepted as well (e.g. United Kingdom, Ireland). These motives can be interpreted as a transfer of a certain degree of risk from the employer to the employees, thus making it easier for the firm to adapt the size of its workforce, increasing the firm's numerical flexibility. The remaining purposes are of relatively low significance. This picture looks different when the national perspective is chosen. In the United Kingdom 'employees wishes' and 'other reasons' are of relatively considerable importance, accounting for around 30%, while the category of 'new reasons' is underrepresented. Such an underrepresentation is mainly the product of low rates for a prolonged probationary period and the negligible effects of labour law. In the case of Ireland the third grouping of reasons is the second most important group, due to the importance of 'other reasons' which are not more closely identified. In Spain and in The Netherlands the 'new reasons' were of particular importance for the use of employees on fixed term contracts. In Denmark and Italy the first group of reasons is by far the most important group, this might be ascribed to the weak dismissal protection in

operation in Denmark. For Italy the second group are not legal reasons, and hence those reasons were not available for selection.

**Table 6.31 Main Reason for the Use of Fixed-Term Employment**

	EUR8	B	D	DK	E	I	IRL	NL	UK
<b>Task only lasts for a fixed period</b>	27	40	23	52	26	32	20	24	42
<b>Replace temporarily absent staff</b>	25	22	34	33	5	61	20	7	8
<b>Not sure about future workload</b>	20	13	20	3	33	*	26	21	18
<b>Long probationary period, before permanent contract</b>	16	15	12	2	24	*	-	38	4
<b>Dismissals difficult or expensive</b>	4	6	5	2	5	*	2	5	-
<b>Employee wishes</b>	3	3	2	4	-	1	-	-	13
<b>Other reasons</b>	6	2	4	5	7	6	32	4	15
<b>Total 'traditional reasons'</b>	52	62	57	85	31	93	40	31	50
<b>Total 'new reasons'</b>	40	34	37	7	62	*	28	64	22
<b>Total 'other reasons'</b>	9	5	6	9	7	7	32	4	28

Numbers for Italy exclude 'contratti di formazione'

\* Answer not admitted in Italy

Note: Employee proportional analysis

The next table gives the ranking of Table 6.31. It should be clear from this table that there appears no conclusive pattern, with one reason having a high rank in one country, while having low ranks in the others.

**Table 6.32 Ranking of Main Reason for the Use of Fixed-Term Employment**

	EURB	B	D	DK	E	I	IRL	NL	UK
<b>Task only lasts for a fixed period</b>	1	1	2	1	2	2	4	2	1
<b>Replace temporarily absent staff</b>	2	2	1	2	6	1	3	4	5
<b>Not sure about future workload</b>	3	4	3	5	1	*	2	3	2
<b>Long probationary period, before permanent contract</b>	4	3	4	7	3	*	6	1	6
<b>Dismissals difficult or expensive</b>	6	5	5	6	5	*	5	5	7
<b>Employee wishes</b>	7	6	7	4	7	4	6	7	4
<b>Other reasons</b>	5	7	6	3	4	3	1	6	3
<b>Total 'traditional reasons'</b>	1	1	1	1	2	1	1	2	1
<b>Total 'new reasons'</b>	2	2	2	3	1	*	3	1	3
<b>Total 'other reasons'</b>	3	3	3	2	3	2	2	3	2

Numbers for Italy exclude 'contratti di formazione'

\* Answer not admitted in Italy

Base: 1282 cases

Note: Employee proportional analysis

All in all, it seems to be more difficult to compare fixed term rates across the countries, since differences in employment protection have probably a much bigger impact here, than on part time rates (see chapter 5). I will reconsider this question in the next chapter when I attempt to explain the variance in the rates. Nonetheless, these data already contribute relevant facts: e.g. that also in countries with relatively tight dismissal protection, traditional reasons are the most important ones for the use of fixed term contracts in establishments accounting for a third of employment (of establishments employing at least one fixed term employee) in Italy and Spain and more than 50% in Germany.

The reasons given as most important for the employment of staff on fixed term contracts are listed in Table 6.32. Generally speaking, the main

reasons for employing on a fixed term basis appears to be the replacement of absent staff. This occurs notably in Italy, where there are strong restrictions on the use of fixed term employment, this reason being one of the admitted ones. In mean values, this ground is followed by having only a temporary task to discharge, being uncertain about the future workload and the wish to have a longer probational period. This reason enjoys the top of the ranking in the Netherlands (37.8%) and is also very important in Spain (rank 2, 26.3%).

## **6.7. Summary and Conclusion**

One finding of the above analysis is that women are more likely than men to work in an atypical employment relationship. This holds both for part time work, where the likelihood is several times higher, and for fixed term work, where the likelihood is only slightly higher.

In establishments representing only 45 % of all employees, the main reason for using part time work has been the need of the establishment only. This can be pruned as the use of part time employment being supply side oriented. The degree of this dominance varies though in the different countries.

Given the similarity of the existing legislation in the field of part time work, the differences in part time work rates must be explained by the degree of flexibility connected to full time employment and the labour supply available for firms. This will be influenced by social circumstances (e.g. opening times of child-care facilities) and the way work is organised (i.e. the ease with which part time work can be implemented in the existing work organisation). This will be further discussed with particular reference to functional flexibility in Part III.

The results obtained from the data analysis do not support the flexible firm model. The reasons for using part time and fixed term employment vary largely between the eight countries investigated in the survey, singularly in the case of fixed term employment. A sizeable fraction of this variation is probably caused by varying legal requirements for dismissal and for entering into fixed term contracts. In the case of part time work the legal requirements are more alike across Europe and the logic behind the discrepancies here must lay in the differences in work organisation.

All these shows that part time work and fixed term employment are influenced by economic, social, and legal factors, thus indicating the importance of the national production systems. Further research into these aspects based on empirical data will be presented in chapter 7, looking in particular into the reason for the use of those atypical forms of work.

## **7. Explanatory Model**

### **7.1. Introduction**

The previous chapter was concerned with the description of the labour market; the aim of the present one is to try to find an explanatory model for the differences in the use of atypical forms of work in firms, and from there to derive a predictive model for the different usage patterns across the countries. Results from multivariate analysis will be presented and the implications of the models drawn discussed. Especial attention will be paid to the applicability of the model to the different countries, and contingent country specific differences will be highlighted.

### **7.2. Main aims**

I intend to explain the variance in the use of part time employment in firms throughout Europe and in specific countries, ascertaining the rate of part time employment a firm uses, its possible relation to skill and to company size, as well as interpreting gender and sectoral differences. The Models defined in the next section will determine which variable has a bigger influence in variance patterns. I will establish the explanatory power of each model and give reasons for low and high values, should they occur.

Later, I will divide the data according to reason, between those that reflect the introduction of part time employment for economic or organisational reasons and those which reflect response to employee wishes. This division will be made in order to establish the impact of this form of atypical employment as to competitiveness and women's work opportunities.



Another point to be investigated is the fixed-term employment rate with reference to independent variables such as gender, skill, sector and size. A particular point at issue will be the association between the qualification structure of the workforce and the fixed term employment rate.

Again, I will first perform the analysis for all establishments, reducing later the data set to only those establishments offering fixed-term employment, so that I am able to base the analysis more on experience than on notional assumptions. As for part time, I will try to interpret the fixed-term use variance according to reason, as this is considered highly relevant for future policy proposals.

### **7.3. Part-Time Employment**

The object of this section is to explain the variance in the use of part time employment in firms throughout Europe, and in firms in specific countries. The first step towards that end is to select and define those independent variables which might bear relation to the dependent variable (i.e. the rate of part time employment). Having done this, regression models containing the variables will be formulated and applied to the data. The analysis will first be based on the most general data available, before more information is brought in and subsets of the data-set put to use. The analysis will be followed by a discussion and an interpretation of the results.

#### **7.3.1. Independent variables**

In this section I will carry out the selection of (independent) variables taken from the data set, which are thought to have an association with the (dependent) variable: the rate of part time employment a firm uses. Every

variable selection is followed by a brief justification for the favoured alternative.

One variable which is generally expected to have a strong association with part time work is the rate of female employment. (cf. chapter 6). Reasons for this (supposed) association are discussed next. Women generally bear a major part in family responsibilities, for that reason it is mainly women who have to try to reconcile work with family/other activities. In order to keep women as part of their workforce, or to increase the amount of labour supply, firms can respond to the resulting circumstances by offering part time employment. Dependent on child care facilities and the general attitude in a society (presumed role of women, male breadwinner model with additional female income etc.) the association between the female employment rate and the part time rate might have different strength. Another reason, less supply side oriented, is that due to the weaker bargaining power of women (lower unionisation) women might be more likely to accept part time positions than men. But again, the degree of association might depend on the 'environment', meaning primarily the existing unemployment rate and the prevailing attitude towards part time employment. There are basically two different ways to define the female employment rate in an establishment or in an economy. The commonest (used for example in the European Labour Force Survey) is to divide the total number of female employees (full or part time) by the total number of employees (full or part time) on the payroll of an establishment. The variable calculated through this formula will from now on be denoted by the term 'gender'. Another way of defining *female employment* is by hours worked, i.e. how many hours of work are done by women divided by the total number of hours worked in a given

establishment. Since the data set did not contain detailed information on the duration of each job, but indicated solely that most part-time jobs are roughly part-time, I decided to assume that approximately each part time job would be a half time job, i.e. each part-time job was weighted by 0.5 before entering the computation. The results yielded by this calculation were stored in the variable `gender_hrs`.

The difference in meaning between `gender` and `gender_hrs` can best be explained by an example. Suppose a firm has 10 female and 10 male employees, all working full time, in this case `gender` and `gender_hrs` have the same value 0.5. If the firm now splits all female held jobs into two part-time jobs, and fill all new positions with women, `gender` will increase to 0.66 while `gender_hrs` remains at 0.5. On the one hand the firm now employs more women, hence the increase in `gender`, on the other hand the firm does not have more work (measured by hours) done by women, hence the same `gender_hrs` value remains. If two of the newly offered part time jobs would have been taken on by men, the firm would still have increased its share of female employees ( $\text{gender} = 18/30 = 0.6$ ), but the working hours completed by women for the firm would have been reduced ( $\text{gender\_hrs} = 9/20 = 0.45$ ). Clearly this gives rise to some implications for the interpretation of the results from the regression analysis, that could, because of that, be misconstrued.

The skill structure of the workforce is the variable this study is most interested in. The skill level a competitive economy should strive to reach is an outstanding element of labour market controversies. Policy makers have made the coveted skill level and the ways to achieve it a cardinal point of their discourses. As I concluded previously in the case of the female employment rate, here two different perspectives for the skill structure

(share of employees which possess low and high skills) in a firm can similarly be taken. The variable *skill* denotes the results of the computation when all jobs (full and part time) have been allotted the same weight. When part time jobs are weighted with 0.5 results are stored in *skill\_hrs*. The difference in meaning between *skill* and *skill\_hrs* is equivalent to that determined for the case of *gender* and *gender\_hrs*.

Another factor which might be expected to influence the usage pattern of part time employment is the size of an establishment. A firm which needs an employee with special skills, but does not have enough work for a full time position, might decide to hire an employee on a part time basis. The occurrence of that might be dependent on the size of an establishment. Also the ease with which part time employment can be implemented in the organisational structure of an establishment might be dependent on its size. The actual number of employees in an establishment had no significant correlation with the part time employment rate, but the use of *dummy* variables showed such a significant correlation.

The variables were defined as follows:

$size\_s = 1$  if number of employees  $< 50$ ; 0 otherwise

and  $size\_m = 1$  if  $49 < \text{number of employees} < 500$ , else 0

Due to the differences in organisational structure in the various sectors of activity, like changes in the workload throughout a day etc., it seems reasonable to assume a correlation between the sector of activity and the part time rate. Preliminary tests showed that the use of all 9 different sectors of main activity did not deliver significant results, hence it was decided to use solely the more illustrative distinction between service sector and industry. The variable *sector* was set to equal one, if the firm had its main sector of activity in industry, 0 otherwise.

**Table 7.1. Variables used in the Regression Model**

Variable Name	Variable denotes
<b>part-time</b>	Percentage of part time employees in the workforce
<b>gender</b>	Female share of the workforce
<b>gender_hrs</b>	Female share of the hours worked in an establishment
<b>skill</b>	Share of low qualified employees
<b>skill_hrs</b>	Share of hours worked by low qualified people
<b>size_s, size_m</b>	indicates whether firm is of a certain size or not
<b>sector</b>	indicates whether firm is in industry or service sector

### 7.3.2. The Model

The models used for the regression analysis in this section had the following form:

$$(M.1) \text{ part-time} = \beta_0 + \beta_1 * \text{gender} + \beta_2 * \text{skill} + \beta_3 * \text{size}_s + \beta_4 * \text{size}_m + \beta_5 * \text{sector}$$

$$(M.2) \text{ part-time} = \beta_0 + \beta_1 * \text{gender\_hrs} + \beta_2 * \text{skill\_hrs} + \beta_3 * \text{size}_s + \beta_4 * \text{size}_m + \beta_5 * \text{sector}$$

No interaction terms have been admitted to the model with respect to the structural variables (size and sector). This means that a constant is only added when a firm is in industry, and is a small or a medium sized establishment. The relationship of the independent variables and the part time rate is different in each category of firms ; however, the interrelations are sufficiently similar for results to be pooled. The extra terms containing the structural variables in models M.1 and M.2 are used to control differences in the categories, the model is formulated to obtain a single general measure. This summarising of results has the advantage of keeping the number of terms in the model small, while on the other hand some degree of precision will be lost. However, since the interest here was to establish an overall average relation between skill, gender and part-time working, and given

that the relation is of a similar nature for all categories of establishments, the results are considered to be sufficiently precise for the purpose of the study.

No model including variables from the 'employee perspective' (gender or skill) as variable from the 'hours perspective' (gender\_hrs or skill\_hrs) had been formulated since it was felt that either one or the other perspective should be taken, as a mixture of both of them could lead to misinterpretations.

### 7.3.3. Analysis of Variance in Part-Time Employment

#### 7.3.3.1. All Establishments

Models M.1 and M.2 were used to explain the variance in the usage pattern of part time employment amongst all establishments in Europe as a whole, and in the individual States. First of all, I present the results from the regression analysis using model M.1, starting with the explained total variance by model M.1, and the explanatory power of skill and gender taken together, when keeping the controlling structural variables (size and sector) constant.

**Table 7.2. Explained Variance in the Part-Time Employment Rate (all establishments) (M.1)**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
<b>total explained variance by model</b>	27	21	36	33	1	10	7	44	26
<b>explained variance by gender and skill</b>	20	14	27	24	1	6	7	44	24

M.1 explains about 27% of the total variance in Europe as a whole, but this value varies strongly for the individual countries, reaching from just 1% in Spain, to more than 40% in the Netherlands. The model has low explanatory power in countries with low incidence rates for part time employment (Spain, Italy and Ireland). This matter will be discussed after I

have analysed the results from models M.1 and M.2. The explanatory power of gender and skill taken together follows the general trend of the explanatory power of the whole model. Detailed information on the explanatory power of skill and gender, when used to control each other are given in the next table.

**Table 7.3. Explained Variance by skill and gender (all establishments) (M.1)**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender	15	10	21	17	1	6	5	43	18
variance explained by skill	3	2	1	3	-	-	3	2	4

Gender is by far the most important variable as far as explaining the variance in the part time employment rate is concerned. In Europe as a whole, gender explains 15% of the variance in part-time employment rates, with values reaching from 1% in Spain to more than 40% in the Netherlands. Skill has only a comparatively low explanatory value. Skill has no association whatsoever with the part time rate in Spain and Italy, while in the other countries, it explains between 1 and 4% of the variance. Now I will drop the explanatory values of the variables, and focus analytic efforts on the association the independent variables have with the dependent variable, i.e. what effect would a standardised change in an independent variable have on the dependent (part time rate) variable.

The standardised effects of a one unit change in gender or skill, while controlling for each other, and the structural variables are given in Table 7.4.

**Table 7.4. Unit Change In Part-Time Rate caused by a one unit change in the Independent variables (all establishments) (M.1)**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender	22	16	26	25	3	6	11	51	26
unit change in skill	8	6	6	9	-	-	8	9	10

In accordance with their dissimilar explanatory power, the effects a change in gender would have on the part time rate are much stronger than those a change in skill would have. An increase of one *per cent* in the female employment rate, would mean an increase of 0.22% in the part time rate in Europe as a whole. This effect turns out to be weakest in Spain, where the part time rate is only expected to change by 0.03% and strongest in The Netherlands, where the predicted effect would be more than 0.5%. Shifting now to *skill*, the estimated effect of a one per cent change in skill, i.e. an increase (decrease) in the rate of low skilled employees by 1%, would be expected to cause a 0.08% increase (decrease) in the part time employment rate in Europe as a whole. This values are similar in all countries, bar Italy and Spain, where no effect is anticipated. Both skill and gender, when associated with part-time employment, are positively associated with the part time employment rate, i.e. the higher the female employment rate in an establishment, or the higher the proportion of low skilled employees, the higher the (expected) proportion of part-time employees.

Having carried out this analysis with M.1, I repeated it using model M.2 taking the hours perspective, rather than the employee perspective. Table 7.5. gives the results of this analysis.

**Table 7.5. Explained Variance in the Part-Time Employment Rate (all establishments) (M.2)**

	EURB	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	23	18	32	27	1	9	/	39	22
explained variance by gender_hrs and skill_hrs	16	10	23	19	1	5	/	33	18

The explanatory power of model M.2 is slightly weaker than that of model M.1 (cf. Table 7.2), this holds for Europe as a whole, as well as for the



individual countries. Nevertheless, the variations in explanatory power of the model in the different countries are similar to that of model M.1. The main difference is the loss of significance for explaining the variance in Ireland. The same holds for gender\_hrs and skill\_hrs taken together.

**Table 7.6. Explained Variance by skill\_hrs and gender\_hrs (all establishments) (M.2)**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender_hrs	12	8	19	14	1	5	/	32	13
variance explained by skill_hrs	2	1	1	3	-	-	/	2	3

Table 7.6. contains information on the explanatory power of gender\_hrs and skill\_hrs, when used to control each other as well as controlling for the structural variables. As above, the values are lower than those for gender and skill (in model M.1), but the correlation between the two variables and the different countries in comparison to model M.1 is, rounding off its values, preserved.

**Table 7.7. Unit Change in Part-Time Rate caused by a one unit change in the Independent variables (all establishments) (M.2)**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender_hrs	20	15	26	22	3	5	/	46	22
unit change in skill_hrs	7	5	5	8	-	-	/	8	9

In the same way it occurred regarding explanatory power, the effects of a one unit change in gender\_hrs or skill\_hrs are weaker than that of gender or skill. The magnitude of the effect is summarised in Table 7.7. All associations, if significant, remain positive. Comparing the results of model M.1 and M.2 with each other, it can be said that the association of variables in M.1 is stronger than the association of variables in M.2, however the general pattern in the relations is the same.

Coming back to the rather low explanatory power in countries which had low incidences of part time employment, I came to the conclusion that this might be due to the fact that I am trying to predict the outcome of a rather rare event (firm has part time employee), and the occurrence of the event might only be weakly related to the variable used. The next section will confront this problem by composing a new selection of data to enter the analysis and complete it.

#### **7.3.4. Establishments Offering Part Time Employment**

For the following analysis, only data from those establishments were entered into the equations, which described firms engaging in part time employment.

The decision to proceed like that was based on the following considerations. Among the firms not offering any part time employment at all, the large majority claim it would be unfeasible to do so. Many firms do not specify that statement any further, but claim at the same time that part time employment would have advantages either to make the establishment more competitive or to improve service and quality to customers. A big number of firms claims that part time work is not practicable because of the kind of working patterns they are operating on (e.g. shift work). Nevertheless, there are firms using shift work and offering part time employment. Therefore, it seems that the statement of the firms without any part time employees is rather based on a particular notion of which work is suitable for part time workers, rather than on experience with part time employment. Especially in large establishments (more than 500 employees) it sounds rather more like an ideological statement than an organisational rationale, that there is no suitable position for only one part time employee. There might also be a degree of uncertainty, 'Unwissen',

about organisational and legal requirements needed to introduce part time employment. The latter point may well constitute a restraining decision boundary between no part time worker at all and at least one.

To reduce the impact these disturbances generate, and to base the analysis exclusively on experience with part time employment, thus cutting out parts of the impact of certain ideologies, those establishments that did not have any part time employee were eliminated from the analysis. The dark side of this decision is that there will be firms whose decision not to employ any part-timer was based on some (bad) experience, or on perfectly well informed managerial consideration, and they will be excluded from the analysis. There was no possibility of tracking down these cases and including them in the analysis. However, it is thought that the error engendered by this exclusion is smaller than the error that would be caused by the inclusion of all firms. In like manner, Delsen (1995), working with the same data set, but using different models, only entered data from firms practising part time work in his regression analysis. Regretfully, he fails to give his rationale.

The information from firms which had at least one part time employee on the payroll was used in the regression analysis, applying both model M.1 and model M.2. Since the results from both models have again delineated a similar trend, the output of both of them will be described at the same time. The following two tables present the total explained variance by the models.

**Table 7.8. Explained Variance in the Part-Time Employment Rate (all establishments with Part-Time Employees), M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
<b>total explained variance by model</b>	38	25	43	39	5	23	8	51	37
<b>explained variance by gender and skill</b>	25	14	28	26	5	11	8	42	26

**Table 7.9. Explained Variance in the Part-Time Employment Rate  
(all establishments with Part-Time employees), M. 2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
<b>total explained variance by model</b>	35	22	40	35	7	23	5	45	33
<b>explained variance by gender_hrs and skill_hrs</b>	21	11	25	20	7	8	5	35	22

In both cases, more than a third of the total variance observed in Europe as a whole can be explained through the models. For all countries, a bigger variance than in the case when all establishments were included (see Table 7.8 and Table 7.9) could be explained. With the exception of Spain, model M.1 usually explains more variance than model M.2. In Spain model M.2 explains slightly more. The same is true for the explanatory power of skill and gender taken together, compared with skill\_hrs and gender\_hrs taken together.

The explanatory power of the individual variables are given in Table 7.10 and table 7.11. Once more, the variables gender and skill have higher values than their counterparts in model M.2. Furthermore, the variable gender (and gender\_hrs) is most significant when explaining the variance in part time employment rates.

**Table 7.10. Explained Variance by skill and gender  
(all establishments with Part-Time Employees) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
<b>variance explained by gender</b>	18	8	20	16	-	11	-	38	18
<b>variance explained by skill</b>	4	4	3	6	5	-	9	4	5

**Table 7.11. Explained Variance by skill\_hrs and gender\_hrs  
(all establishments with Part-Time employees) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
<b>variance explained by gender_hrs</b>	15	7	19	12	-	8	-	32	15
<b>variance explained by skill_hrs</b>	3	2	2	6	7	-	6	3	4

When comparing the above tables with the corresponding tables in the analysis where all establishments had been included, it is helpful to make the following comments. The variable gender (gender\_hrs) loses in most cases part of its importance when concentrating solely on establishments with part time employees, while skill (skill\_hrs) gains explanatory power, this trend becomes particularly evident in Spain. This suggests that gender (gender\_hrs) is related to the fact of whether a firm has any part time employee or has not, while skill (skill\_hrs) is less related to this decision. I will get back to this point in the later analysis.

The standardised effects of a one unit change in the independent variables on the part time rate are given in Table 7.12 and Table 7.13, the relationship between the variables and models is as above, only in Spain and Ireland, where a change in the gender (gender\_hrs) combination would not have an effect on the part time employment rate, skill (skill\_hrs) has a stronger effect than gender (gender\_hrs). Generally, the variables related to the female employment in a firm have a stronger effect on the part time rate than those relating to the skill composition.

**Table 7.12. Unit Change in Part-Time Rate caused by a one unit change in Independent variable (all establishments with Part-Time Employees) M.1**

	EURB	B	D	Dk	E	I	IRL	NL	UK
unit change in gender	27	17	28	27	-	12	-	49	28
unit change in skill	11	10	9	14	11	-	21	14	13

**Table 7.13. Unit Change in Part-Time Rate caused by a one unit change in Independent variable (all establishments with Part-Time employees) M.2**

	EURB	B	D	Dk	E	I	IRL	NL	UK
unit change in gender_hrs	25	16	27	23	-	10	-	47	26
unit change in skill_hrs	10	8	8	12	13	-	16	12	12

Comparing the results from the analysis using the restrained data set, with the analysis performed before, it can be said that the effects of a one unit change in any of the variables on the part time employment rate now are stronger than before (with the exception of gender and gender\_hrs in Spain and Ireland). All other associations remain non negative.

### **7.3.5. Part-Time Employment by Reason**

To carry out further analysis the data set was split into two parts, according to the primary reason given for the introduction of part time employment. One sub sample contained all firms which had stated economic or organisational reasons for the introduction of part time employment, the other set contained establishments which are using part time work mainly because of employee wishes. This was done with respect to some questions the analysis tries to answer, like the impact part time work has on the competitiveness of an establishment, and the impact it might have on the creation of more opportunities for women to participate in the labour market. The first one is highly likely the aim of firms using part time employment for organisational reasons, and the other is probably the goal of employees asking to work part time. It should however be noted that this division is a very crude one, and therefore no information could be gained on the targeted item: to wit, for how many part time employees was one or the other reason applicable.

#### **7.3.5.1. Part-Time Employment for Economic Reasons**

Once again, I will state the results from model M.1 and M.2 at the same time. The explanatory power of the models, when restricting the data entered to those from firms which had introduced part time employment

mainly due to organisational and economic reasons, is higher than before. Table 7.14. and Table 7.15. summarise the results.

**Table 7.14. Explained Variance in the Part-Time Employment Rate (Part-Time used mainly for Organisational Reasons) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	45	28	44	47	8	22	12	64	43
explained variance by gender and skill	34	18	34	35	8	22	12	41	34

**Table 7.15. Explained Variance in the Part-Time Employment Rate (Part-Time used mainly for Organisational Reasons) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	41	24	41	39	13	/	/	55	39
explained variance by gender_hrs and skill_hrs	29	12	30	27	13	/	/	41	29

Using the models for the restrained set of data, reveals a total explained variance of more than 40% on the European average. In the individual countries the amount of explained variance of M.1 develops from 8% in Spain and 12% in Ireland to more than 60% in the Netherlands. All countries where the model had below average explanatory power, had relatively low incidences of part time employment and all share the quality of being considered 'catholic' countries, probably related with traditional family roles. Model M.2 reveals, with the reiterated exception of Spain, lower explanatory values, in Ireland and Italy the Model did not have any significant explanatory power. Taking out these two countries, the range of explained variance is from 13% in Spain, to 55% in the Netherlands. All the above made statements are also germane when concentrating on the explanatory power of gender and skill (gender\_hrs and skill\_hrs) taken together, in that way the difference between the countries now becomes smaller, with explanatory power ranging from 8% in Spain to 41% in the Netherlands (M.1) and 12% in Belgium and 13% in Spain to 41% in the

Netherlands (M.2). These values are divided between the different explanatory values of the single variables in the following tables.

**Table 7.16. Explained Variance by skill and gender  
(Part-Time used mainly for Organisational Reasons) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender	22	11	21	21	-	22	-	32	25
variance explained by skill	6	4	5	6	8	-	12	10	4

**Table 7.17. Explained Variance by skill\_hrs and gender\_hrs  
(Part-Time used mainly for Organisational Reasons) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender_hrs	19	12	20	15	-	/	/	34	22
variance explained by skill_hrs	5	-	5	6	13	/	/	11	3

Like the total explained variance, the variance by the single variables has increased by confining the analysis to a sub-set of establishments, and explanatory values for the rate measured by working hours remain lower than those measured by employees. The variables relating to female employment remain as the more important explanatory factors, and the general pattern between the countries stands.

**Table 7.18. Unit Change in Part-Time Rate caused by a one unit change in Independent variable (Part-Time used mainly for Organisational Reasons) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender	34	25	28	41	-	23	-	51	36
unit change in skill	15	13	12	17	18	-	31	32	13

**Table 7.19. Unit Change in Part-Time Rate caused by a one unit change in Independent variable (Part-Time used mainly for Organisational Reasons) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender_hrs	32	27	28	33	-	/	/	57	34
unit change in skill_hrs	14	-	11	15	24	/	/	32	11



The effects on the dependent variable of a standardised one unit change in the independent variables are given in Table 7.18 and Table 7.19. The same picture as the one given for the explanatory power of the variables arises. In general, the effect of a change in an independent variable has increased when moving to the sub set of firms, in some cases substantially, as in the Netherlands, where the effect of a change in skill (skill\_hrs) has more than doubled compared to the results when taking all establishments with part time employment. Furthermore, the effect of a change in skill\_hrs or gender\_hrs gets closer to the effects of a change in skill or gender, and the latter two do not have stronger effects for all cases anymore.

#### **7.3.5.2. Part-Time Employment because of Employee wishes**

Switching now to the other sub-set, containing data from establishments which are using part-time mainly because of employee wishes ; and comparing the explanatory power of M.1 and M.2 for this sub-sample with the other one, one can see that generally the explanatory power for the variance in part time employment for this type of establishments is smaller. The same is true when comparing the values with those reached when all data from firms using part time employees were entered (see Table 7.12 and Table 7.13) However, given that the model was formulated to describe establishments, and that the reason for using part time work was related rather to employees than to the establishment (employee wishes) this result seems explicable.

**Table 7.20 Explained Variance in the Part-Time Employment Rate  
(Part-Time used mainly for Employee Wishes) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	29	15	37	37	40*	24	/	42	23
explained variance by gender and skill	17	5	31	29	10*	8	/	42	16

\*Based on a small sample

**Table 7.21 Explained Variance in the Part-Time Employment Rate  
(Part-Time used mainly for employee wishes) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	27	16	34	34	51*	23	/	41	19
explained variance by gender_hrs and skill_hrs	15	5	29	26	13*	7	/	41	12

\*Based on a small sample

We can likewise note that the models have low explanatory powers in the same country as in the sub-sample (organisational reasons) before, and besides, the explanatory power in the United Kingdom has gone down. This development will be discussed later when further analysis has been presented.

**Table 7.22 Explained Variance by skill and gender  
(Part-Time used mainly for Employee Wishes) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender	15	5	31	29	-*	8	/	42	9
variance explained by skill	2	-	-	-	10*	-	/	-	6

\*Based on a small sample

**Table 7.23 Explained Variance by skill\_hrs and gender\_hrs  
(Part-Time used mainly for employee wishes) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender_hrs	13	5	29	26	13*	7	/	41	6
variance explained by skill_hrs	1	-	-	-	-	-	/	-	5

\*Based on a small sample

The explanatory power of gender and skill (gender\_hrs and skill\_hrs) is given in Table 7.22 and Table 7.23, now a complete different picture than that ensuing from the results presented before emerges. Skill (skill\_hrs) has lost nearly all its explanatory power. This variable has only in the United Kingdom and in the European average a significant role in explaining the variance in part time employment (excluding Spain due to its small sample size). The explanatory value of gender (gender\_hrs) is, in Europe as a whole, weaker than in the previous sub-sample, but has higher values in Germany, Denmark and the Netherlands.

The effects of a change in the independent variable on the dependent variable mirror the same trend, even though now only in Germany the value is bigger, compared with the sub-sample before. Table 7.24 and Table 7.25 give the effects a change in an independent variable would have on the part time employment rate.

**Table 7.24 Unit Change in Part-Time Rate caused by a one unit change in independent variable (Part-Time used mainly for Employee Wishes) M.1**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender	19	9	31	27	.*	8	/	44	13
unit change in skill	6	-	-	-	4*	-	/	-	10

\*Based on a small sample

**Table 7.25 Unit Change in Part-Time Rate caused by a one unit change in independent variable (Part-Time used mainly for employee wishes) M.2**

	EUR8	B	D	Dk	E	I	IRL	NL	UK
unit change in gender_hrs	18	9	31	26	7*	9	/	45	11
unit change in skill_hrs	5	-	-	-	-	-	/	-	9

\*Based on a small sample

### **7.3.5.3. Establishments with a high share of Part Time Employees**

When plotting skill against the part time rate and skill\_hrs against the part time rate, it could be observed that in both subsets of data while no

pattern emerged for part time rates of below ca. 7%, for higher part time rates a pattern could be seen. Reasons for a threshold of this magnitude to exist could simply be that there are always some jobs which can be carried out outside the standard way of work organisation, without acutely affecting one's work organisation. Once this amount of 'atypical' jobs increases, effects become more likely. For gender and gender\_hrs a pattern emerged earlier. Given this thresholds, the regression model is next used only for firms with a part time rate equivalent to, or higher than 7%. Additional tests of the remaining firms showed that the variables skill\_hours and skill hardly had any impact on the part-time rate.

#### **7.3.5.3.1. Part-Time Work for Economic Reasons**

Model M1 and M2 were used to explain the variance in the usage of part time employment in establishments which had introduced part time work mainly for economic and organisational reasons. Table 7.26 gives the total explained variance in the rate of part time work in Europe and the individual countries. The explanatory power of gender and skill taken together, when controlling for sector of activity and size of the establishments are also shown (Results for M2 are shown for completeness, but since they are similar to those of M1, I do not comment on them).

**Table 7.26 Explained Variance in the Part-Time Employment Rate (economic reason, rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL *	UK	NL	DK
<b>total explained variance by model M1</b>	42	20	44	25	39	54	50
<b>explained variance by gender and skill</b>	37	20	38	25	37	34	39

\* no analysis was possible for the individual countries, due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined

**Table 7.27 Explained Variance in the Part-Time Employment Rate (economic reason, rate  $\geq$  7%) M.2**

	EUR8	B	D	Dk	E/1/IRL*	NL	UK
total explained variance by model M2	39	15	43	43	19	42	34
explained variance by gender_hrs and skill_hrs	33	15	37	31	19	42	26

In Europe as a whole more than 40% of the variance in part time employment rates on the establishments is explained by the Model. The explanatory power of the Model varies from just 20% in Belgium, to more than 50% in the Netherlands. When focusing on the explanatory power of gender and skill, while controlling for the structural variables of size and sector of activity, a similar motif emerges. The explanatory power of the two variables taken together is in Europe as a whole 37%, but the variations between the countries are smaller than before. Belgium has with 20% of explained variance by those variables, the smallest amount of variance explained by them, while almost 40% is explained in Germany and Denmark. The implications of those considerable differences, in particular for the question of whether it is meaningful to use a common European explanatory model, will be discussed later, after having introduced more detailed results.

The following table shows the explanatory power of gender and skill, when controlling for the other and the structural variables. It can be observed that the values do not add up to the total explanatory value of gender and skill taken together (see also Table 7.28), this is due to interaction effects between the two variables.<sup>1</sup>

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<sup>1</sup> If the model is modified to contain terms for interaction, the explanatory power is slightly increased. However, since I am only interested in the main effects, results will only be presented from the model were no terms for interaction were fitted

**Table 7.28 Explained Variance by skill and gender****(Part-Time used mainly for Organisational Reasons, Rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL *	UK	NL	DK
variance explained by gender	18	-	16	-	23	17	18
variance explained by skill	10	20	13	25	5	10	9

\* no analysis was possible for the individual countries due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined  
 - effect of variable was not significant

**Table 7.29 Explained Variance by skill\_hrs and gender\_hrs****(Part-Time used mainly for Organisational Reasons, Rate  $\geq$  7%) M.2**

	EUR8	B	D	Dk	E/I/IRL*	NL	UK
variance explained by gender_hrs	17	-	16	14	-	26	26
variance explained by skill_hrs	9	15	12	9	22	12	-

In Europe as a whole the gender composition of the workforce is a more important factor than the skill composition one for explaining differences in the part time employment rate. The explanatory power of gender, is with 18% nearly twice as high as the explanatory power of skill (10%). However the values vary strongly between the countries. In Belgium and in Spain, Italy and Ireland taken together, gender did not have a significant association with the part time rate, but skill had with 20% and 25% respectively, a clearly above average rate of explanatory power. Skill has also in Germany a slightly above average explanatory power, while gender has a slightly below average importance in explaining variations. Comparing the two variables with each other, gender is of bigger importance in Germany, the United Kingdom, The Netherlands and Denmark. In the later two gender and skill have about the same explanatory power than in Europe as a whole. In the United Kingdom gender has the highest, and skill the lowest, explanatory value from all countries.

Before tackling the interpretation of the results, Table 7.30 presents some more information. Next to the explanatory value of a variable in the model, the effects a change in a variable would have on the dependent variable are also of some importance. The standardised effects of a one unit change in gender or skill composition on the part time employment rate, while controlling for the structural and the other variable are listed below.

**Table 7.30 Unit change in part time rate for a one unit change in independent variable (Part-Time used mainly for Organisational Reasons, Rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL *	UK	NL	DK
unit change in gender	34	-	28	-	39	41	41
unit change in skill	23	35	21	38	17	32	23

\* no analysis was possible in the individual countries, due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined  
 - effect of variable was not significant

**Table 7.31 Unit Change in Part-Time Rate caused by a one unit change in independent variable (Part-Time used mainly for Organisational Reasons, Rate  $\geq$  7%) M.2**

	EUR8	B	D	DK	E/I/IRL*	NL	UK
unit change in gender_hrs	32	-	28	34	-	54	40
unit change in skill_hrs	21	31	20	20	37	34	-

In Europe as a whole, a one per cent increase (decrease) in the female employment rate, keeping everything else unchanged, would cause about 1/3 of a per cent increase (decrease) in the part time employment rate of a firm. The effect of a one per cent increase (decrease) in low qualified personnel would cause around 1/5th of a per cent increase (decrease) in the part time employment rate. Consequently, the association between gender and part time rate is stronger than the association between skill and part time rate for a given firm. As before, the variations between the countries are considerable. In the countries where gender was a significant variable, the effect of a one unit change in

gender was only in Germany less than a 1/3rd of a unit change in part time employment (0.28), in the other countries, that change would cause about 0.4 of a unit change in part time employment. In all these countries, the effect of gender on the part time rate was mightier than the effect of skill on the same rate, but the effect of skill on the part time rate is in any case considerable. This effect is weakest in the United Kingdom (0.17 unit change), and reaches over about 1/3rd of a unit change in the Benelux countries, to 0.38 in Spain, Italy and Ireland (taken together).

The results of the regression model in firms using part time employment mainly because of employee wishes will be presented, before results from both groups are compared and interpreted.

#### **7.3.5.3.2. Part-Time work due to employee wishes**

As above, models M.1 and M.2 were used to explain the variance in part time employment rates, but this time data was taken from firms which stated that they use part time employment mainly for employee wishes. This section will be structured as the previous one. In Table 7.32 the total share of variance explained by the model, and by gender and skill taken together, when controlling for sector of activity and size of the establishments.

**Table 7.32 Explained Variance in the Part-Time Employment Rate (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL *	UK	NL	DK
<b>total explained variance by model (M.1)</b>	33	21	36	50	/	43	32
<b>explained variance by gender and skill</b>	30	10	36	50	/	43	32

\* no analysis was possible for the individual countries, due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined  
/ Model was not significant



**Table 7.33 Explained Variance in the Part-Time Employment Rate (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.2**

	EUR8	B	D	Dk	E/I/IRL*	NL	UK
total explained variance by model	30	14	34	29	43	44	/
explained variance by gender_hrs and skill_hrs	27	14	34	29	43	44	/

Approximately a third of the variance in part time employment rates in Europe as a whole is explained by the model executed. The explanatory power of the model still varies strongly in the individual member states. While it remains insignificant to explain the variations in the United Kingdom, it explains 50% of variance in Spain, Italy and Ireland (taken together for the same reasons as above). The next row of the table gives the values for gender and skill taken together. Only in Belgium and in the European average, the structural variance had any significance for explaining the variance in the usage pattern of part time work, hence the small variations between the first and second row of Table 7.33. In Belgium the difference between the two rows is considerable (10% opposed to 21%), while the variation between the two rows in Europe as a whole is small.

Table 7.34 shows more detailed information on the explanatory power of gender and skill, when taken separately, and controlling for the other variable and the structural variables. The difference between the sum of both rows and the second row of Table 7.35 can again be explained by the interaction between the two variables.

**Table 7.34 Explained Variance by skill and gender (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL*	UK	NL	DK
variance explained by gender	23	10	36	27	/	43	22
variance explained by skill	5	-	-	22	/	-	7

no analysis was possible for the individual countries due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined

/ Model was not significant

- effect of variable was not significant

**Table 7.35 Explained Variance by skill\_hrs and gender\_hrs (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.2**

	EUR8	B	D	Dk	E/I/IRL*	NL	UK
variance explained by gender_hrs	21	14	34	20	25	44	/
variance explained by skill_hrs	4	-	-	7	19	-	/

In all cases the explanatory power of gender is bigger than the explanatory power of skill. That is to say, in all cases except one, this difference is considerable. Only in the three country cluster of Spain, Italy and Ireland, both variables have a similar explanatory value. In Belgium, Germany and the Netherlands skill did not reveal a significant association with the part time employment rate in firms where part time work was mainly used for employee wishes. Gender composition of the workforce is by far the more important factor when explaining the difference in part time employment rates, this difference is especially pronounced in Germany and in the Netherlands.

**Table 7.36 Unit change in part time rate for a one unit change in independent variable (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.1**

	EUR8	B	D	E/I/IRL *	UK	NL	DK
unit change in gender	33	20	45	38	/	62	26
unit change in skill	13	-	-	28	/	-	12

\* no analysis was possible in the individual countries, due to the small number of cases, results here are based on the analysis when the cases in the three countries were combined

/ Model was not significant

- effect of variable was not significant

**Table 7.37 Unit Change In Part-Time Rate caused by a one unit change in independent variable (Part-Time used mainly for employee wishes, Rate  $\geq$  7%) M.2**

	EUR8	B	D	Dk	E/I/IRL*	NL	UK
unit change in gender_hrs	32	26	43	25	36	62	/
unit change in skill_hrs	12	-	-	11	26	-	/

Table 7.37 shows the impact a one unit change in skill or gender, while controlling for the other variables, has on the part time employment rate. A change in the gender composition will affect the part time rate in an establishment much more powerfully than a change in the skill structure. In Europe as a whole the effect of a change in gender composition is similar to the one in the previous groups of firms. In Belgium an increase of one per cent in female employees would cause around 1/5th of a per cent point increase in the part time employment rate, a similar value (0.26) can be found in Denmark. In the other countries this value is much higher, and reaches 0.62 in the Netherlands. These values are much more modest for the variable skill, only in Spain, Italy and Ireland taken together the effect is bigger than 1/5th, in Europe as a whole and Denmark the effect is in the area of 1/8th.

Having presented the results for the two groups of data, the following section will be concerned with the interpretation of these results. What do this results mean for the flexibility debate, how can differences and similarities between the two sets, and between the countries be explained?. Is it feasible to use one model throughout Europe?, or are there different factors which have to be considered when studying different countries?

### **7.3.6. Interpretation and Discussion of Results**

The results of the regression analysis using model M.1 and model M.2 are very similar for all regressions executed. Variables tend to have slightly less explanatory power and weaker effects on the dependent variable when the hourly perspective is chosen. The association between the dependent variable and gender/gender\_hrs or skill/skill\_hrs is generally of the same nature, i.e. positive. This means that firms with more part time

employees do not only tend to have more women on the payroll (employee perspective), but actually also offer more work (hour perspective) to women. So the amount is less than the number of female employees would suggest, and mirror the fact that there are more women working part time than men. In that sense, one could say that employment opportunities for women are created. This point will be taken up again under section Gender 7.3.6.1 .

A similar conclusion can be drawn when comparing skill and skill\_hrs. That means a firm does not only have more 'less skilled' employees on the payroll, but also makes use of more work requiring only low skills. So firms using more low qualified workers, possibly competing on a low skill, low pay, low quality base, are expected to have higher part time employment rates. Please cf. section 7.3.7 Skill.

One conclusion which can be arrived at when comparing the outcomes for the two sets of data analysed, is that the underlying factors for the decision to offer more (or less) part time employment opportunities, in the two different groups of firms are distinct. Hence a simple comparison between part time rates, regardless of the reason for their introduction, and an estimation of possible effects on the labour market is problematic. A mixing of both groups might explain the confusion in the flexibility debate, when theoretical effects expected in one group are extended to the other.

Furthermore, given the starkly differing degrees of association between the independent variables and the part time employment rate, in particular when part time work is used mainly because of employee demands, the results from the regression analysis indicate that at the time of the survey, the various labour markets in the countries were distinct. At the

same time, the model used has in most cases explained more than one third of the total variance, and the further interpretation can be based on the relationships highlighted by the regression analysis. The finding of no association between the independent variable and the part time rate can be used as a starting point for discussion.

It can further be noted that the explanatory value of the structural variables size and sector of main activity of the establishment are of rather limited importance for explaining the total variance. This is in line with findings from Bruegel and Hegewisch (1992) who conclude that differences in the part time employment rates between the countries cannot be explained statistically by the differences in importance of the various sectors.

#### **7.3.6.1. Gender**

For both sets of firms, the variable gender in Europe as a whole has the bigger explanatory power, and the most effective impact on the part time employment rate. In the individual countries gender is, with few exceptions, the stronger of both variables. The relationship between gender and part time employment, where it exists, is positive, i.e. in a firm with higher rates of female employees one can expect more part time employees. Whether this should be interpreted as an increase in employment opportunities for women will be discussed, only in shallow depth, next.

On the one hand, part-time jobs are often the only feasible forms of work for women, given the other responsibilities allocated to them. In this sense one could speak of an improvement of job opportunities/ equal opportunities for women, by offering/promoting more part time work (as

opposed to economic inactivity). On the other hand, part-time work might actually cement the role women hold in society, rather than moving into the direction of shared responsibilities. It has been argued that, since part time work seems to make it possible to reconcile work and other activities the traditional female responsibilities will stay female responsibilities. Improvements of child care facilities are postponed due to the 'family' expectations on women. Hence part time work might support the underlying social perceptions of gender roles, and confine women even more to certain roles. Which interpretation one favours depends on one's perception of the world. I think both arguments are well worth considering, but given that traditions normally change slowly, part time work might well be a start for greater female participation. Though one should avoid seeing part time work as a full time job with less hours, so equal opportunities can only be reached if both men and women have the opportunity (regulated by social perceptions, education, etc.) to get the same sort of jobs.

For the other group of firms, offering part time jobs mainly for organisational and economic reasons, the legitimate suspicion stands that the higher degree of female employment is very much due to the fact of lower bargaining power on the side of women. So the less popular jobs (part time jobs) are filled by the group of employees, which have the least choice. This is clearly not the way towards equal opportunities.

Taking up the point made earlier -the need to distinguish between the reason behind the use of part time employment- it has to be said, that making firms more competitive, and offering more employment opportunities for women, both seem possible, alas not always in the same firm.

### **7.3.7. Skill**

The variable skill -which indicates the rate of low skilled employees in the workforce- was, when associated, positively so, with the part time employment rate, i.e. the lower the skill level of the workforce, the higher one would expect the part time employment rate to be. The impact of this variable is of particular importance where part time work had been introduced mainly for economic and organisational reasons. In those cases, one might assume that the need for part time work is bigger in establishments having a lower qualified workforce, than in those with better qualified employees. This would uphold the theory that assumes that there exist certain compensation effects between functional and numerical flexibility. In the case of part time work which had been introduced due to employee wishes, the variable skill is of lower importance, the association it has might be due to the fact that employees in lower qualified jobs are more likely to ask to go part time, eventually due to a stronger impact of national cultures and value systems (i.e. mother role), and firms might be more likely to react to this wishes of employees for lower qualified workers (i.e. managerial positions can't be split). The data does not support the idea of intensified training for the core workforce, which would compensate for the diminished training provisions for flexible workers, once the core workforce is cushioned by a periphery of part time workers.

## **7.4. Fixed Term Employment**

In chapter 5 it became already evident, that in contrast to the situation for part time employment relationships, the regulation of fixed term contracts varies largely between the eight countries under consideration. Additionally, also the regulations concerning dismissals for 'typical' employees, a factor related to employment on certain fixed term

contracts, are very dissimilar in the various countries. For that reason an analysis of variance for Europe as a whole makes little sense, and hence will not be carried out. This section is organised in a similar way to the section on part time employment: beginning with the selection of variables and the formulation of regression models, before executing the regression analysis and subsequently discussing and interpreting the results.

#### **7.4.1. Independent variables**

The female employment rate in an establishment might, as in the case of part time work, have an influence on the dependent variable - fixed term employment. One reason to assume such an association is that fixed term employment is relatively more frequent among women. Fixed term contracts are regularly used to replace staff on leave, one reason for leave being a maternity break. However, this might be compensated by other 'male' reasons for longer absence from one's working place, like the military/national service in some countries. Also seasonal work has a relatively larger share amongst women. All in all it seems to be worthwhile to investigate the relationship between the female employment rate and the fixed term employment rate in an establishment. The variables gender and gender\_hrs are defined as in section 7.3.6.1.

The skill composition of the workforce might also have an impact on the fixed term employment rate in an establishment. Fixed term contracts are commoner amongst low qualified workers, establishments might be more likely to secure access to skills in demand by offering permanent employment. On the other hand, employees with very high skills might opt for fixed term contracts to maintain flexibility and secure themselves better deals, as appears to be the case in several published incidents in the United Kingdom. It is not clear which type of association the qualification structure



of the workforce might have with the fixed term employment rate, but it remains worthwhile to investigate it. In order to do so, the variables *skill* and *skill\_hrs* are defined as in section 7.3.7.

The occurrence of seasonal fluctuations in the workload, a reason for fixed term employment, is dependent on the sector of main activity. As before, the variable *sector* will be defined as 1 if the firm operates mainly in industry, and 0 otherwise.

Finally the size (number of employees) of an establishment might be correlated with the fixed term employment rate. Small firms are often used by bigger establishments to cover peaks in workloads, and hence are more exposed to changes in labour demand. The variables containing information on the size of an establishment are again *size\_s* and *size\_m*, for their definition please refer to section 7.3.1.

**Table 7.38 Variables used in the Regression Model**

Variable Name	Variable denotes
<b>fixed_term</b>	Percentage of fixed term employees in the workforce
<b>gender</b>	Female share of the workforce
<b>gender_hrs</b>	Female share of the hours worked in an establishment
<b>skill</b>	Share of low qualified employees
<b>skill_hrs</b>	Share of hours worked by low qualified people
<b>size_s, size_m</b>	Indicates whether firm is of a certain size or not
<b>sector</b>	Indicates whether firm is in industry or service sector

### 7.4.2. The Model

The structure for the models used in the regression analysis to explain variance in the fixed term employment rate in establishments follows the structure of the models used for the analysis of part time employment rates. Once more not permitting interaction between terms, keeping variables with an hourly and employee perspective separately, and aiming to arrive

at a single summarising measure (see section 7.3.2). The Models had the following form:

$$(M.3) \text{ fixed\_term} = \beta_0 + \beta_1 * \text{gender} + \beta_2 * \text{skill} + \beta_3 * \text{size\_s} + \beta_4 * \text{size\_m} + \beta_5 * \text{sector}$$

$$(M.4) \text{ fixed\_term} = \beta_0 + \beta_1 * \text{gender\_hrs} + \beta_2 * \text{skill\_hrs} + \beta_3 * \text{size\_s} + \beta_4 * \text{size\_m} + \beta_5 * \text{sector}$$

### 7.4.3. Analysis of Variance in Fixed-Term Employment

Models M.3 and M.4 were used in the regression analysis to explain the variance in the Fixed Term Employment rates of establishments in the various countries. Since the results from using Model M.3 and M.4 were virtually identical<sup>2</sup>, only one set of results will be presented. To simplify notation I will only refer to gender and skill, however results will automatically also apply to gender\_hrs and skill\_hrs.

### 7.4.4. All Establishments

First of all, the data from all establishments were analysed and the results are summarised in Table 7.39. The Models only explain a very small proportion of variance.

**Table 7.39 Explained Variance in the Fixed-Term Employment Rate (all establishments)**

	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	1	2	1	4	2	/	6	1
explained variance by gender (hrs) and skill (hrs)	1	1	-	2	2	/	3	1

The highest rate of explained variance, 6%, can be found in the Netherlands, while the model is not significant in Ireland. Skill and gender,

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<sup>2</sup> A reason for this might be that firms using high shares of part time workers tend to use lower shares of fixed term employees (see Delsen, 1995), so that the correction for part time hours does not have a strong weight here.

taken together while controlling for the structural variables, explain a maximum of 3% in the Netherlands, and are of no significance in Denmark.

Those values can be further broken down in the part explained by gender and the part explained by skill, this is done in Table 7.40.

**Table 7.40 Explained Variance by skill (hrs) and gender (hrs) (all establishments)**

	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender (hrs)	1	-	-	-	1	/	3	-
variance explained by skill (hrs)	-	1	-	2	2	/	-	1

Only in Italy both variables possess explanatory power, in Belgium and the Netherlands only gender has a significant association with the fixed term employment rate, while in Germany, Spain and the United Kingdom only skill is associated. The effects of a standardised one unit change in gender or skill on the dependent variable are summarised in the next Table.

**Table 7.41 Unit Change in Fixed Term Rate caused by a one unit change in independent variable (all establishments)**

	B	D	Dk	E	I	IRL	NL	UK
unit change in gender (hrs)	4	-	-	-	4	/	9	-
unit change in skill (hrs)	-	2	-	8	5	/	-	-1

The effects of a one unit change in one of the independent variables on the dependent variables are very limited. All values are below 1/10. In the United Kingdom skill has a slightly negative effect (1/100) on the fixed term employment rate, i.e. for one percent more low qualified employees the fixed term employment rate is expected to drop by 0.01%. Having concluded the analysis of the data from all establishments, I will carry out another analysis for a reduced data-set next.

#### **7.4.4.1. All Establishments Offering Fixed-Term Employment**

The decision to focus only on establishments actually practising fixed term employment was based on the following rationale. A large proportion of firms not using any fixed term contracts state that fixed term contracts would be unfeasible to use. Only a small part of those (less than 1%) give legal reasons for that unfeasibility; still, a large share of those firms evaluates fixed term contracts as potentially advantageous for the establishment.

Furthermore, a large number of firms state that they do not know whether fixed term contracts would convey advantages or disadvantages for them. This suggests that it might be better to analyse only firms practising fixed term contracts, to base the analysis more on experience than notional assumptions.

Another factor which points in this direction is that one can safely assume that many firms are not sure about the legal framework governing fixed term contracts. For example, after the Employment Promotion legislation in Germany (Beschäftigungsförderungsgesetz) in 1984, the amount of fixed term contracts increased rapidly. However, most of these contracts would have been legal already under the old legislation, and the effect can be accounted for by the publicity for fixed term contracts brought about by the new laws. Therefore, it would seem to be appropriate to run the regression analysis once more exclusively for those establishments practising fixed term employment.

The output from the regression analysis, using only data from establishments with at least one employee on a fixed term agreement, is summarised in Table 7.42. The explanatory power of the models has

increased markedly, reaching a maximum of 25% in Denmark and 18% in the United Kingdom, while staying below 10 % in Belgium, Spain and Italy.

**Table 7.42 Explained Variance in the Fixed-Term Employment Rate (all establishments with fixed term contracts)**

	B	D	Dk	E	I	IRL	NL	UK
total explained variance by model	3	10	25	8	4	11	11	18
explained variance by gender (hrs) and skill (hrs)	-	1	-	3	4	-	2	12

The share of the variance explained by gender and skill taken together, remains small, now reaching a maximum of 12% in the United Kingdom. In Belgium, Denmark and Ireland this variables have no role in explaining the variance in fixed term employment among firms with at least one fixed term employee. In the remaining countries the explanatory power varies between 1 and 4 per cent. In comparison with the explanatory factors for part time employment, it has to be said that when explaining fixed term employment structural variables (size, sector) seem to play a more relevant role.

**Table 7.43 Explained Variance by skill (hrs) and gender (hrs) (all establishments with fixed term contracts)**

	B	D	Dk	E	I	IRL	NL	UK
variance explained by gender (hrs)	-	-	-	1	2	-	-	5
variance explained by skill (hrs)	-	1	-	3	1	-	2	6

Table 7.43 shows the explanatory power of skill and gender separately. With the exception of Italy, skill has slightly higher values than gender, but overall neither variable is of any high relevance when explaining the variance in fixed term employment. This will be further dealt with, when discussing the results.

**Table 7.44 Unit Change in Fixed Term Rate caused by a one unit change in independent variable (all establishments with fixed term contracts)**

	B	D	Dk	E	I	IRL	NL	UK
unit change in gender (hrs)	-	-	-	-9	8	-	-	-11
unit change in skill (hrs)	-	3	-	11	5	-	6	-11

The effects of a one unit change in gender or skill have increased, now that the analysis is confined to establishments with fixed term contracts. The effects remain limited regardless, reaching a maximum only slightly higher than 1/10. In Spain and the United Kingdom the relationship between the female employment rate and the fixed term employment rate is negative. In Italy this association is positive. In the United Kingdom also the rate of low qualified workers is negatively related to the share of fixed term employees, while in the remaining countries (which have an association between these two variables) it is positive. Implications of those differences, and how they might be explained, will be dealt with later.

#### **7.4.4.2.Fixed Term Employment by Reason**

A split of the data according to the main purposes for using fixed term contracts, similarly to that done when analysing part time employment, is felt to be important. Especially given the large diversity of reasons for using fixed term contracts: from substituting absent employees, to an extension of the probationary period (i.e. an stage preceding permanent employment) to being unsure about the future workload. This reasons are so obviously distinct, that different underlying aims for using them have to be assumed.

However, due to the big number of reasons establishments were given to choose from, a reason identified as the main reason for using fixed term contracts, does not have to apply for more than 15% of all fixed term

employees. This means that disturbances are so extensive, that indeed no gain from a further subdivision would be made. Accordingly no further analysis was carried out.

As I have already established, the reason behind the use of a fixed term contract is regarded as important, hence some information with particular reference to the impact of possible strategies and to differences between the countries will be given.

Fixed term contracts for temporary tasks, to replace absent staff and as a preliminary contract to a permanent one, to prolong the probationary period, are still in most countries the most important reasons (Bielenski, 1994a). It can be assumed that the later might be more important for more highly qualified staff, and the first might affect staff with relatively lower qualifications, so effects are likely to countermand each other. These types of fixed term contract are also not a discussion element in the flexibility debate, and have, more often than not, a relative high degree of acceptance.

In Spain, where dismissal protection is strong and fixed term contracts are relatively easy to enter into, the flexibility argument, i.e. the adaptability to future workload variations becomes more important, and indeed Table 7.43 shows a slight association between the amount of low skilled workers and the fixed term employment rate. At the same time, the association between the female employment rate and fixed term contracts is negative. This phenomenon might be due to the fact that long maternity breaks are not common in Spain.

The situation in the United Kingdom amounts in many aspects to a special case. The dismissal protection there starts only after a long job

tenure, so that the incentive for fixed term contracts is reduced. Fixed term employees are on average better qualified than 'typical' employees, and fixed term contracts are relatively often concluded due to employee wishes, fixed term contract staff often being hired for their special skills when, for example, new technology is introduced on some kind of consultancy basis. This might explain the negative relation between skill and fixed term rate. Again, replacing absent staff is relatively unimportant in Britain, and the female rate is negatively related with the fixed term rate.

Due to the lack of sufficient data, it is impossible to base firm conclusions on the statistical evidence. However, the information gathered, plus the limited statistical results should make clear, that the national labour markets are clearly distinct with regard to fixed term contracts. I will return to this point when discussing policy options for policy makers in the next chapters.

#### **7.4.5. Interpretation and Discussion of Results**

The results obtained from the regression analysis using Model M.3 and M.4 are rather poor, which might be considered as a result in itself. This is most likely influenced by the fact that there are many different reasons and aims behind the use of fixed term employment contracts.

When comparing this section with the section on part time employment another difference becomes apparent. Part time employment is used to cope with workload demands existing at the time of hiring (when introduced for organisational reasons), but the part of fixed term contracts used for flexibility reasons (i.e. to adapt to unpredictable changes in the future workload) is used to cope with an event, which might or might not occur. Being used for an eventuality makes prediction even



more difficult. Most commonly fixed term contracts are used when a job is known to have only a certain duration, or to replace absent staff. This type of contract is not a relevant aspect for the flexibility debate.

However, when fixed term contracts are used for other than the above stated reasons, an effect can be appreciated. In Spain firms with a less qualified workforce tend to use more fixed term contracts, while in the United Kingdom the reverse is the case. In the first case, fixed term contracts are more likely to be used to give the firm some degree of adaptability for changes in the future workload and circumvent strong dismissal protection, i.e. for numerical flexibility reasons. So that the degree of association between skill and fixed term employment rate becomes apparent, as in Germany, Italy and the Netherlands, countries which share a rather strong dismissal protection with Spain. In the United Kingdom a big proportion of fixed term work is of a different nature than in the other member states. Fixed term employment is often used to hire specifically needed high skills. Employees with skills in high demand prefer to work under this type of working time arrangement (Sengenberger, 1994), which probably explains the high number of firms claiming employee wishes as the chief reason for using part time employment in Britain. This turns the theory of the flexible firm upside down, with the periphery more highly qualified than the core (see table 6.8 and 6.28 in chapter 6). Further implications of this situation on a firms' flexibility and skill provision will be discussed in the following chapter.

## **7.5. Summary**

In this chapter I have endeavoured to explain the variance in firms' use of atypical forms of work, making use of information on why

establishments make use of new forms of work. The analysis has shown that it is wrong to treat either part time work or fixed term employment as homogeneous groups. Both can be used for various reasons to meet different ends, supporting diverse organisational structures.

The variance of the usage pattern of part time and fixed term employment among firms, when used to improve numerical flexibility, can, among other reasons, be explained by the qualification structure of the workforce. The model has been a static one, i.e. the data described the employment structure at a certain time. However, in this study I am interested in the dynamic side, i.e. which impacts an increased use of atypical labour might have on the training efforts, and qualification structure of the workforce over time. The data set allows only to cast a quick glance at this question. Firms with high degrees of part time work have less apprentices than their non part-time hiring counterparts. They nevertheless also need only a smaller number of qualified staff, which means that a prediction about future skill development, or skill shortage, is not possible on this grounds. However, the concept of an increased investment into their workforce by firms using the periphery to cushion their core workforce from workload fluctuations, had to be discarded.

In terms of functional and numerical flexibility, the data set suggest that firms opt either for one or the other, i.e. firms with lower qualified workforces are making up for the drawbacks of such a policy, by a higher degree of numerical flexibility. The response on two evaluative questions concerning atypical forms of work shows that firms with a lower qualified workforce experience the biggest advantages from atypical forms of work. If a promotion of atypical employment relationships goes ahead, in particular if financial incentives are used, this might mean a change of the

competitive situation between the firms towards the ones with low skilled workforces, using many atypical workers. To investigate the possible impact of atypical forms of work on the overall skill level of the workforce over time, the past developments of the skill structure in their workforces will be analysed for three sample countries in the following chapters.

## **PART III: NATIONAL INSTITUTIONAL SYSTEMS**

**8. SPAIN**

**9. UNITED KINGDOM**

**10. GERMANY**

## 8. Spain

### 8.1. General

In Spain the debate on labour market flexibility arose relatively early in the 1980's. Labour laws changed considerably during this period. Although a series of important labour policy actions (Palomeque, 1985) were implemented during the consolidation stage of political democracy in Spain (1976-1982), and the 1982 decrees can be considered as a change in labour market politics (Sagardoy 1990, p. 270) it was the 1984 changes to labour legislation which introduced a new era for employment- in particular the incidence of fixed-term contracts (Casas and Valdés 1989; Kravaritou-Manitakis 1988). The 1984 reform left regulations for existing contracts untouched, but allowed the wider use of fixed term contracts, which became the norm for new entrants into the labour market. As in many other European countries the debate lost intensity due to the economic upturn in the late 1980's; however, with a return to recession in 1991, new discussions on a labour market reform began. At the end of 1993, after negotiations on a 'pact for employment' with unions and employers failed, the government passed a number of laws of labour market reform. Flexibility was a central element of these reforms. More responsibility was passed on to collective bargaining, new apprenticeship contracts were introduced, some attempts at promoting part time employment were made and control over some forms of fixed term contracts, mainly for new labour market entrants, was also introduced. Furthermore, procedures for economically related dismissals, aimed at reducing costs and severance pay disbursements, were introduced.

The developments and current situation in Spain have to be seen in the light of recent Spanish history: the big changes the country was subject to since the end of the Franco dictatorship in 1975, from which the country inherited a very rigid employment protection law. Subsequently, many policies were aimed at defending the young and weak democracy. During the political transition to democracy in the late 1970s, in which labour mobilisation was a fundamental part of the political pressure placed on the political system for its reform, many workers' 'rights' (especially regarding the issue of redundancy) were enhanced and or formalised, reflecting a need to contain any potential for growing conflict and hence the political destabilisation (through military intervention, in case they considered the unrest excessive) of the newly emerging democratic system. Thus, what are considered by some to be 'rigidities' now were a form of vital protection before. Indeed they were also functional to the dictatorship, and the later political transition, as they guaranteed an element of labour quiescence and stability in the embryonic system of industrial relations. The outcome of this, however, is that subsequent changes in public policy since the 1980s have had to deal with the residue of such political rationales and pacifying functions. Reforms via state intervention are problem-ridden because counter references are made by social actors, when they do not take part in the shaping of the changes. Both governments and employers in Spain have attempted in recent years to develop a greater degree of numerical and functional flexibility within work, but have been confronted by previously developed forms of state intervention used by unions in their defence of worker rights. The resulting brake on policy reform has been due to: (i) the sensitivity of undermining such rights in a newly democratic context; (ii) the way unions have mobilised locally and nationally against employment restructuring since the late 1970s; and (iii) the way that these

rights have been considered by some to be a minimum amount of compensation in a context of increasing unemployment and uneven social welfare provision (Martínez Lucio and Blyton, 1995).

As stressed by Saint-Paul (1993), radical changes in legal arrangements limiting firms freedom of choice over employment tend to be politically difficult to introduce, since they clash with the interest of those with permanent contracts, who are still a majority. Nonetheless, lack of consensus and social opposition was not an insurmountable impediment to introducing legislation in Spain, mainly due to a long period of time when the Government enjoyed large majorities in Congress (1982-1993). The severe economic crisis has probably had a modifying effect on the Trade Unions' demands so that they have agreed to policies of wage restraint and have also, grudgingly, accepted reforms in employment law on the basis that a precarious job, with minimum legal protection, is better than no job at all (Cousins, 1994).

At the time of Franco's decease, in 1975, Spain had a scarcely developed system of industrial relations. Wage bargaining has slowly evolved towards European patterns, while labour regulations have changed in what may be considered a very peculiar way (Bentolila and Dolado, 1994). In Spain, collective bargaining agreements last for a year and stipulate wages and hours of work, but hardly ever employment levels (Jimeno and Toharia, 1994).

The political and historical legacy is vital to understanding Spain. The direct yet contradictory form of state intervention, the political character of union identity and employer discourses, and the formalistic but limited

structure of bargaining processes need to be understood in the context of historical legacies (Martínez Lucio and Blyton, 1995). The dominant projects within the state, whether liberal or mildly social democratic in character, have been obsessed with ensuring that the state would not be at the centre of economic and welfare agendas and expectations whilst at the same time not explicitly, until recently, confronting traditional 'Fordist' regulations within the labour market. The use of industrial conflict by Trade Unions to halt deregulation, along with the antagonistic character of employers and their organisations to what they consider to be over-regulated internal and external labour markets, are central to any consideration of Spanish industrial relations (Martínez Lucio, 1995). Such confrontational views bring about a low willingness for consensus. Lack of social consensus has made the government turn to different policies to achieve wage moderation such as public sector wage control, determination of a target wage increase each year to put pressure on collective bargaining, and a restrictive monetary policy to act as a dissuasive influence on pay bargaining. Over recent years this policy has faced problems of legitimisation because of its effects on income redistribution and because of the evidence that other elements, distinct from wages, have played an important role in causing inflationary problems. The direct effect of wage moderation policy has been a shift in the distribution of income towards a decrease in the wage share and an increase in inequality (Aguilar and Roca, 1990; Albarracín and Artola, 1990). Wage moderation and other restrictive labour policies have several effects on labour markets: they influence income distribution, both wages and welfare benefits, but they also influence the climate of labour relations, causing it to turn more bitter. This latter effect is an important factor in



understanding the relationships between unions, government and firms (Recio, 1992).

The Spanish labour market has experienced other important changes in recent years, notably an increasing female presence, which has been taking place much quicker than in the other countries. Most of this increased participation has been amongst married women (Espina, 1989). There also appears to be a generational effect as younger cohorts of women with children under 4 have higher rates of activity than women working with children aged 5-9 (European Commission, 1990). This may reflect better publicly-funded childcare provision and/or greater family support because of the low level of integration of older women in the workforce (Cousins, 1994). Rates of female activity are very dependent on levels of educational qualification, for those with university or professional qualifications, activity rates are almost equal to men, but are half that rate for those with low levels of education (Morán, 1991). Regardless of this growth, women's participation rate is still low in comparison with other European countries. This can be attributed to several factors. First, the fact that industrialisation in Spain occurred at a late stage, beginning in the 1960s. Since then there has been rapid economic growth (el 'desarrollo' 1964-1974), followed by a period of economic crisis (la 'crisis' 1976-1984) and a period of economic growth (la 'recuperación', 1985-1990) at twice the average increase for OECD total or OECD Europe (OECD Spain 1991/2). Secondly, legal and social changes towards equality which have taken many decades elsewhere but in Spain have occurred within a very brief period of time from the end of the dictatorship and have been imposed on a traditional social structure which was artificially 'frozen in time' (Cousins, 1994). The traditional concept of women's labour participation has been

radically altered; influenced, among other factors, by transformations within the family institution. The adjournment of marriage, the decrease in the birth-rate in conjunction with tardy maternity, have brought about changes in the Spanish home circles. Young women tend to remain employed in spite of the added pressure of rearing children. Today, the official level of female participation in the labour market is understated as it is the irregular work of women in the informal economy which is hidden from official statistics (Cousins, 1994). Women have joined the workforce in their own right, shedding, in a certain way, the status of 'added workers'.

## **8.2. Part-time Employment**

The Spanish part time employment rate is at 6.9% (in 1994) amongst the lowest in the European Union, which might partly be explained by the low female participation rate of only 25.7% (in 1994, Employment in Europe). This reflects the tradition of women staying at home, which was reinforced by law during the Franco era, which can explain a relatively low demand for this type of employment (given the gendered dimension of this form of work as shown in other European countries, and as we will see later for the United Kingdom and Germany). The whole situation has to be appreciated in the light of two further factors: one is the relative novelty of part time employment, which has formally been recognised by Spanish law only since 1980; and secondly the incentive structure for fixed term contracts, which could mean that full time fixed term undertakings are cheaper than part time contracts, and hence reduce the demand for part time work on the side of the employer (Bielenski, 1994a).

The low-level of part time working appears thus to be partly due to the lack of tradition for such work. This can be traced back to restrictions placed on such contracts prior to the Workers' Charter 1976 in which the worker and employer were required to pay social security contributions as if the job were full-time (Pérez Amorós and Rojo, 1991). The Labour laws of 1980 and 1984 asserted the principle of equality and proportionality between full-time and part time work in rights conferred by the social security system and the existence of a written 'contrato de trabajo a tiempo parcial' (Kravaritou-Manitakis, 1988). However this did not have a strong impact on the part-time employment rate. This is probably the result of the negative perception Spanish managers have about part time work. Together with their Italian colleagues the managers of Spanish firms perceive the least advantages of part time employment, as it brings no cost advantages and is not demanded by the workforce. If they practise it, they do it in a way which at least does not bring any organisational or economic disadvantages with it, with employee wishes only playing a minor role (Bielenski, 1994a). The Spanish employee representatives in turn evaluate part time employment rather negatively, as employee wishes are often neglected. Among the Spanish part time workforce only a very small percentage of employees is actually working part time because they want to do so, the incidence of involuntary part time work is highest among the European Union countries in Spain (NFWA, 1994). In contrast to other European countries where many employees choose to work part time, in Spain there is a tendency for workers to accept part time work only if there is no possibility of finding full-time employment. According to the EPA (Encuesta de Población Activa: Economically Active Population Research or Labour Force Survey, 1994) employment census estimates, only 25,000 out of approximately 700,000 part time workers said they chose to work part

time in preference to full-time. That the employees anyway take this type of employment finds its explanation, according to experience, in the extremely high unemployment rate, which makes job seekers take about any job they can, regardless of whether they actually wanted (or needed) a full time position or not.

Pressed by the current and unremitting unemployment crisis, the Spanish government introduced some measures to promote part time employment, by excluding employees working under a certain hourly threshold (twelve hours a week or 48 a month), for the first time in recent Spanish practise, from the protection of the Social Security System and contributions to it (EIRR no 242, p. 21, December 3<sup>rd</sup> Decree Law). Thus, under the labour market reforms that came into force on 1 January 1994, an increase in the level of part-time work is expected, as part time workers have been excluded from certain forms of social security protection and will be cheaper to employ as a result (EIRR 242, p.21). The past three years (August, 1996 IDS) have seen a rapid increase in part time employment. In 1993 there was only a 5,7% increase over 1992; in 1994 and 1995 growth was 12,2% and ca. 18%. The 1994 reforms redefined part time work as partial time contracts, with employees available for fewer than normal hours per day, week, month or year ; meaning that part-time jobs were not deemed to be a kind of sub-employment but a normal position carried out for fewer hours than considered normal. This effectively makes part time workers a form of temporary workers, useful for seasonally fluctuating demand, satisfying the criteria for numerical flexibility.

Women make up the majority of part timers (69%), with 14,5% of women employed part time compared to 2,8% of men. Part time work

tends to be in low-skill, low-pay jobs, although there has also been some expansion in management posts being filled on a part-time basis (IDS, Issue 416, August 1996). Part time work is difficult to introduce so that it satisfies both employer and employee wishes, particularly in a setting where, like in Spain, it is introduced mainly for organisational and economic reasons.

### **8.3. Fixed term Employment**

The most prominent feature of labour flexibility in Spain over the last 10 years has been the increase in the use of fixed-term contracts. Levels of use of such contracts are now far higher than elsewhere in Europe. By 1993 around 32% of the working population in employment were employed on fixed-term contracts, in comparison to an EU average of approximately 9%. This reliance on one form of employment poses two important questions: what is the reason that has made the use of fixed-term contracts in Spain so important?, and what are the factors which have inhibited the growth of other forms of flexibility? To answer these questions it seems appropriate to locate the flexibility issue within the context of Spanish labour regulation (EIRR, 252, p.15).

As mentioned above, under the Franco dictatorship, a series of measures were introduced which regulated and restricted employers' scope to terminate employees' contracts of employment. These measures represented an important aspect of the policy of the dictatorship to appease labour and deny a focus for any growth of collective labour representation (Martínez Lucio and Blyton, 1995). Collective redundancy became subject to an extensive array of bureaucratic procedures (although this was tempered by the fact that individual dismissals,

particularly for Trade Union activities, were much easier to achieve, (Cousins, 1994), with state authorities reserving the right to refuse authorisation of redundancies if a range of conditions were not met. With regards to workers on 'permanent contracts' these conditions are still in operation. Even if a termination of contract is authorised (which it normally is), the levels of compensation which the employer is required to pay to redundant employees is relatively high (amounting to a minimum of 20 days' wages per year of service, up to a ceiling of 12 years, in case of economic duress, otherwise it can go up to 45 days per year in case of unfair dismissal) (EIRR, no 252, Jan 1995). These conditions have continued to operate following the return to democracy in 1977, as changes might have endangered the young democracy (see above). These limitations of employers' ability to make permanent workers redundant, coupled with very high levels of unemployment in Spain, have created pressures on the Government to reform this aspect of labour market regulation (EIRR no. 158 p. 15). Essentially this has been achieved on the basis of the legislation introduced in 1984 which not only greatly extends the circumstances under which employers can offer fixed-term contracts, but has also increased the number of variants of these contracts to no fewer than 14. These contracts are not subject to the same redundancy and compensation regulations which apply to permanent contracts.

The high degree of insecurity the weighty rate of fixed-term employment entails, has been criticised and a reduction of the rate seems to be necessary (IDS, November 1994) if the constitutional requirements of equitable income distribution and social promotion are to be met. Recio (1991) argues that temporary work introduces a new model of the organisation of work, it nullifies the capacity for resistance, it is cheaper,

precarious, little protected, the workforce is more docile and it results in the inadequate use of workers' capacities. The restructuring of the labour market in the late 1980s has therefore resulted in new lines of segmentation in the Spanish economy. Temporary work is one part of the secondary labour market; the other concerns 'la externalización', homeworking and subcontracted work which merge into the informal economy. Employers are very much in favour of fixed term contracts, emphasising the employment potential of these forms of employment and making use of them wherever they can. They prefer to lose trained workers rather than risk having one day to pay high redundancy payments (OECD Spain 1991/1). However, the resulting job insecurity which now affects more than a third of the workforce, and particularly women and young people, has led to concerns about the training and pay implications for future employment (Cousins, 1994). Research shows that there is a possibility that this type of atypical employment could be, within the next few years, as high as 40% and that employers may ignore the training and skill requirements and use the new work as a means for lowering wages (Pérez Amorós and Rojo, 1991)

Unions, though not opposing temporary contracts in general, maintain a rather sceptical attitude towards fixed term contracts. In their view, the basis for worthwhile employment relationships would still be a permanent contract (Bielenski, 1994a). Unions seek to protect the interest of their members, the vast majority of those being in permanent positions, and at the same time try to stop the spread in temporary work. However, high dismissals costs might be a major contributor to the levels of temporary work (through fixed-term and temporary contracts for a specific task or service), which still accounts for over 30% of work contracts. According to figures

from the National Employment Institute (INEM), some 80% of all new contracts registered in 1995 were temporary or fixed-term; almost 60% were for periods of less than three months. Fixed term employment relationships seems to have become the rule for new entrants into the labour market, as well as for workers re-entering it after a period of unemployment (Bielenski, 1994a).

The Socialist Spanish government was very much in favour of fixed term contracts (called 'job creation contracts'), due to the very high unemployment rate, they accepted that they might partly be precarious, however also stated that there are at least more jobs than there have been before, and that is what in this situation really counts (El Pais, Weekend review, 8.11.1987, p.32). The present government seems very receptive to employers' demand of further flexibility and is considering the introduction of legal changes to the effect of abolishing 'unfair dismissal' regulations, so that no dismissal is legally unfair. This is an old aspiration of the employers and would berth the trade unions at their Stygian shore: 'el despido libre': freedom to fire. However, the dismissals costs reduction intended under the 1994 reforms, which permitted dismissals for production and economic reasons has not been so far reaching as it was intended. According to employers, many such dismissals are challenged in court and found to be 'unfair' thereby attracting higher severance payments (45 days' pay per year of service instead of 20 days' for objective grounds)(IDS, Issue 416, August 1996). In January of 1996 the social interlocutors reached an agreement on a new labour reform directed towards changing dismissal regulations and reducing the number of types of contracts. The result was a further segmentation, there would be a new kind of 'permanent' contract that could be severed after two years and



would be subject to lower dismissal costs. The results of these measures are yet to be seen.

Due to the structure of very safe permanent full time employment on the one hand, and a big group of insecure fixed term employment on the other, some authors have argued that this construction might make the Spanish labour market more rigid towards change. In bargaining agreements the members of the first do not have to compromise, since their employment is safe. Indicative of this is the lowest rate of pay moderation in times of high unemployment among OECD countries (OECD, 1994). Bentolila and Saint-Paul (1992) show that in large manufacturing firms labour demand became more responsive to output fluctuations during 1985-1988 due to the introduction of fixed term contracts (i.e. numerical flexibility has increased). The higher labour turnover, however, may have also had a negative impact on long-term productivity. While more employment volatility may have reduced the cyclical of labour productivity (the ratio of output to employment), productivity growth has actually fallen. With sectoral data, Jimeno and Toharia (1992) found, for 1988, that once workers' characteristics are controlled for, an increase in the proportion of fixed term employment of one percentage point is associated with a fall of 9/10 of one percent of the sector's productivity growth.

#### **8.4. Other Forms of Flexible Working**

Numerical flexibility might have been advanced by the last reform in 1994, as shown by the statistics of contract modes used by the temporary employment agencies that were as follows: (1) motives relating to

unforeseen market circumstances, accumulation of work and excess orders were the reason behind 53% of such contracts; (2) recruitment for specific, limited tasks and services accounted for 37,7%; (3) the remaining 8,9% involved filling in for absent workers with a right of return to their positions, or temporarily filling vacancies during selection or promotion procedures (Employment Observatory, Policies, no 51, Autumn 1995). Temporary employment agencies, legalised in 1993, have rapidly expanded since. They placed some 150,000 workers in 1995. Between 20% and 30% of agency employees are offered permanent employment at the end of their temporary stint (IDS, 416, August 96). The other 80%, on the other hand have to remain content with the relatively meagre salaries the agencies pay, once they have subtracted their agency fees.

Some degree of flexibility can be achieved due to a large hidden economy (Miguélez Lobo, 1988), with workers with no contract at all or with contracts entered into to obtain a sort of 'legal' cover for thoroughly illegal situations. Anecdotal experience shows that this kind of illegal cover can take the form of using 12 hours a week part time contracts for a person actually working full time; or hiring a person who has already finished the two year period of his/her practice work contract and would therefore have to be hired permanently, through a temporary employment agency, using consecutive contracts. This kind of tailor-made flexibility allows a high rate of numerical flexibility and labour costs savings. The practice does however place employers in a dangerous position if employees decide to sue, with a high likelihood of being awarded damages (back payment of social security and tax quotes, as well as some sort of indemnity and fines).

In Spain, potential sources of flexibility such as teamworking and similar ideas are being increasingly discussed, not least as a result of the emphasis on work organisation reform by certain multinationals with operations in the country (EIRR no. 252, p. 15). To date, however, the actual development of these new working arrangements has been limited. The reasons for this, again, lie mainly in the legacy of the legal framework governing employment, together with the general political nature of industrial relations in Spain.

### **8.5. Functional Flexibility**

The Workers Statute (1980) sets out that the only restrictions on changes in the job performed by a worker, at the employer's discretion, are the academic or vocational qualification required for engaging in the occupation and membership of an occupational group. This provision is reproduced word for word in the new bill on amendments to the Workers' Statute (1994). However, the bill also makes the following exemptions from these restrictions:

- in the absence of an agreement on occupational groups, employees may be moved between "equivalent occupational categories".
- workers may be moved between occupational groups or non-equivalent occupational categories if this is justified by 'technical and organisational reasons' and if the time spent on such moves is limited to the minimum required to carry out the tasks concerned. Moves of workers to a lower occupational category or group may

only be justified by 'urgent and unforeseeable necessities of production'.

- workers must receive the corresponding payment for the job they are moved to, unless the job is of a lower grade, in which case they will continue to draw their previous earnings (EIRR, 242, 1994).

In recent years the government has become increasingly interested in relations within the workplace, and has begun to address the issue of the Labour Ordinances and the detailed regulation of internal labour market structures by allowing employers and unions to negotiate sectoral level agreements that can replace these and thereby facilitate a greater amount of functional flexibility. Some sectors, such as the chemical one, have replaced many of the Labour Ordinances since the 1980s with less rigid and complex job classifications. The objective is greater task, functional and even geographic mobility. Of particular interest here is the way the government has in this case pushed the onus for reform and flexibility on the shoulders of the 'social interlocutors' (albeit with a diverse set of outcomes especially given the weak role of sectorally-based collective bargaining in Spain) (Recio, 1992). In this case labour market reform was proposed not just by establishing countervailing mechanisms that bypassed established worker rights. Instead, the weak and uneven characteristics of collective bargaining structures were articulated by the government in this strategy (Martínez Lucio, 1995). Plant and company bargaining has been increasingly complemented by the growing presence of sectoral bargaining (Ruesga Benito, 1991) - a convenient site of negotiation for replacing and modernising the Labour Ordinances for each individual sector along more flexible lines. Here though, a problem

emerges. In terms of its content, thematic coverage and overall role, sectoral bargaining, bar one or two exceptions such as the Chemicals agreement, is undeveloped, severely limited in terms of the scope of the issues it deals with and rarely accounted for at lower levels of bargaining, especially at the regional-sectoral level (Ruesga Benito, 1991). Hence, the emerging prospect of deregulating internal labour market rights through the strategic and implicit use by the government of what are already decentralised collective bargaining relations and traditions; thus allowing for a by-passing of any effective Trade Union role. In addition, employers have been impeding and complicating sectoral bargaining, especially with relation to the replacing of the labour ordinances (*El País*, 13 May 1994), with the undeclared objective of allowing themselves a greater hand in unilaterally determining the content of internal labour market structures (sic).

In Spain, university education has been customarily highly valued and it is nowadays often said in the media that the present generation is the best educated one in the History of Spain -and the one with the least chances to get full-time well-paid employment. Vocational training has also always been considered rather less valuable, and those who followed this course were considered non gifted. However, efforts are being made to revalidate this kind of education (since at least 20 years)(CIS, Centre for Sociological Investigations, 1991). Traditionally, there has been a low level of on-the-job training, with only 3% of the active workforce involved in 1992. This was addressed by new apprenticeship contracts and a three-year training agreement signed by the social partners in 1993. Provision has been

radically reshaped and in 1995 1,5 million employees received some form of training, three times as many as in 1993 (IDS, issue 416, August 1996).

The 1994 Labour Market Reform aimed to facilitate entry into the labour market of young people with a lack either of work experience or of specific training (Decree-Law, 3<sup>rd</sup> December 1993). With this objective, 'practical work contracts and 'apprenticeship contracts' were enforced. These types of contract soon got the name of 'contratos basura' which means 'rubbish contracts', which clearly indicates the attitude the employees and Trade Unions take towards this type of employment, mainly because of the extremely low salaries they bring in tow. Employers also refer to them in these terms and are happy to hire people with that cover for low skilled work. The changes to practical work contracts, that may be concluded between an enterprise and employees in possession of professional qualifications who wish to combine (low) paid employment with obtaining practical on-the-spot experience, are as follows: the maximum period is reduced from three to two years, though the minimum remains unchanged at six months; remuneration for employees on practical work contracts may not fall below 60% or 70% of levels established by collectively agreed rates for the first and second year of the contract respectively. This compares (rather unfavourably for employees) with the previous situation in which pay for employees on such contracts could not fall below the full collectively agreed rates (EIRR 242, March 1994).

With regard to apprenticeship contracts the 1993, 3<sup>rd</sup> December Decree established that they may be concluded with young workers of between 16 and 25 years of age, who do not possess the qualifications needed for a practical work contract. Their minimum duration is six months

and may not exceed three years. They must be concluded in writing and registered with the employment services (INEM). The maximum number of workers that may be engaged on this type of contract must be under a certain limit according to the size of the workforce employed by the firm. At least 15% of the term of the apprenticeship contract must consist of formal instruction. Remuneration is established by agreement and may not be less than 70% (1st year), 80% (2nd year) and 90% (3rd year) of the national minimum wage. Social security costs only cover industrial accidents and work-related illnesses, pensions and guaranteed payment of wages. Apprentices are not eligible to draw unemployment benefit. In 1994 208,975 apprentices were hired on this basis, while in 1995 only 179,036 entered into such a contract. The result of more apprenticeship contracts would be positive from the viewpoint of broadening the skills of the active population as most entrants had only completed primary education (Employment Observatory, Policies, no 54).

Given the low costs for companies there has been a high number of this type of contracts registered. The contributions to the Social Security system paid by companies are under this contract reduced to 50% (for under 18s) or 60% (for apprentices over 18). Every contract, however, costs the state about 127,000 PTAs per month, including theoretical (in both senses of the word) training expenses. As to this last, some studies have shown that in some cases the apprentice receives no theoretical training (Employment Observatory, Policies, no 54), which indicates that in practice these contracts might be used to obtain very cheap labour within the boundaries of the law. It remains to be seen whether these young people will remain employed after their training period has ended. However, at first sight, we cannot say that this kind of contract is likely to promote functional

flexibility, given the low level of training given to apprentices on this kind of contract.

It is important to note that within the framework of the restructuring of the Spanish Vocational Training system the Ministry of Labour and Social Security and the Ministry of Education and Science have, on an interministerial basis, embarked on the establishment of a National Qualifications System. The aim of this system is to ensure the mutual recognition of certificates from the regular and the practical occupational training schemes. To this end the relevant catalogues, the Catalogue of Occupational Titles and the National Register of Professional Certificates, are to be overhauled (Employment Observatory, Policies, no. 51, 1995).

## **8.6. Summary and Discussion**

Since the early 1970s, Spain has had the worst unemployment record in Europe. And in 1975 it inherited from Franco's regime a very rigid labour market, and most important of all an extremely closed economy, in a world context of progressive internationalisation. Besides, the Spanish labour market is characterised by a rapid growth of the (potentially) active population. This is partially due to the high birth rates which were, afore, clearly above the level of the northern member states of the EC. On the other hand migration also plays a certain role: Until 1974 some 800,000 persons left Spain in order to work abroad; approximately 250,000 of them returned to Spain in the meantime (Chronik 31, January 1988, p. 11). From 1985 on the labour market effects of the economic growth were partially compensated by a continuous growth of the (potentially) active population due to demographic effects and a steady increase in female



participation rates (Bielenski, 1994a). The question of gender is crucial for this debate. In the increases in non-standard work, overall it is not the registered unemployed who have taken these new jobs, but the hidden labour supply of married women. At an aggregate level, these new female workers do not appear to form a 'flexible buffer' acting as a reserve army but rather show a more continuous attachment to the labour market. In Spain, regardless of the use of formal temporary contracts, much of women's work is 'illegal or irregular' (in contrast to the United Kingdom, where low-paid part time, yet legally regulated, work has predominated) (Cousins, 1994 p. 62).

In Spain, the state's reinvention of its role (in trying to reduce the expectations that workers have from it as to protection) in the labour market has occurred at the level of both temporary work and dismissals (Toharia, 1988). The guiding principle has been the individualising of the dismissal/redundancy process developed initially in 1977 and elaborated in later pieces of legislation. But this has been done without explicitly reworking the body of rights that have formally constituted the basis of labour market behaviour (Martínez Lucio, 1995). This is pointed out as a reason for an increasingly more segmented society and for a lack of interest on the part of the employers to develop internal flexibility through training (Rhodes, 1993), as they seem to consider the numerical flexibility obtained in one segment of the market sufficient to their needs.

The conventional explanation for the high unemployment rate is the existence of market rigidities. This standard explanation has occasioned an obsession with exit considerations (Fina, 1987; Martínez Lucio, 1991) as well as with quantitative considerations as opposed to qualitative ones (Castillo,

1994) in terms of involvement, working conditions and training strategies. Fina (1987) argues that labour market rigidities and excessive wage increases are not necessarily at the root of Spanish unemployment: the obsession with labour market exit has been a mere rupturing factor for the academic and political debate in Spain. Instead he points to the limits of economic development in the 1960s and 1970s in terms of the labour-intensive nature of industry, low technological and human resource investment, inward-looking markets, and the strategic weakness and fragmented character of indigenous capital. Thus, taking the exit issue out of context denies this complexity whereby 'you cannot modify one institution in an isolated manner without taking into account the effects that it can have on the rest and the overall functioning of the whole' (system) (Fina, 1991). With regard to the need for some type of new labour market flexibility, such as cheapening dismissals, virtually all authors (Martínez Lucio, 1995) emphasise that without some kind of proactive economic policy and firmer investments in training the outcomes of any labour market reform will be detrimental for overall employment levels and the economy (Segura *et al.*, 1991 p. 117). Martínez Lucio (1995) points out the way in which the problematic experience of training in Spain and the wage-cost obsession are similar to those of Britain: something which would confirm Boyer's classification of Britain and Spain in his category of 'defensive', low-investment labour market strategies (Boyer, 1988).

The rise of the informal economy is a key characteristic of new employment trends in Spain, having serious effects for the body of worker rights, especially for women and younger workers (Sáez Lara, 1994). If one adds to this labour market structure a very uneven social welfare context,

then the social repercussions of deregulation can be seen to be considerable (Rodríguez Cabrero, 1989).

The substitution of indefinite-duration jobs by temporary ones has only achieved numerical flexibility at the margin, i.e. flexibility that especially affects certain groups of workers, but not the core of permanent ones. This has occasioned a dual labour market. Changes on the margin do not seem to increase overall flexibility and they might even have undesired effects through larger wage growth. At the outset, the increase of temporary employment with its associated lower wages and firing costs will reduce average labour costs. That is why, unit labour costs tend to decrease, helping employment creation (even if temporary workers are less efficient). But once the proportion of temporary workers stabilises, the buffer and bargaining effects will work at full strength on the other segment of the market, and unit labour costs will rise (Martínez Lucio and Blyton, 1995). If aggregate demand suffers a decrease, higher unit labour costs imply that the tough side of the adjustment will be borne by temporary workers, so that the composition effect of lower wages and firing costs brought about by temporary employment will work in reverse. Bentolila and Dolado (1994) argue that it might therefore be more advisable to reduce directly the rigidity affecting core workers, reducing job protection. The amendments to the labour market situation by introducing further promotion of fixed-term employment has only increased flexibility at the margins. This occasions a reduced willingness or need by core workers to accept change. Nonetheless, as Saint-Paul (1993) points out, the creation of a two-tier labour market may facilitate the introduction of flexibility measures affecting core workers, as a coalition of temporary workers and the unemployed (=outsiders) grows in size. This kind of development is not

unlikely in Spain where the system is not in equilibrium and is thus malfunctioning, as regards the achievement of flexibility and competitiveness and reducing the high levels of unemployment. Moreover, 'peripheral workers' seem to resent the 'privileged status' of core ones, thus public workers and public companies' workers strikes do not raise much sympathy.

The coherence and integration of management are highly relevant for the development of industrial relations and flexibility at the workplace. In Spain, the presence of a range of multinational companies has led to attempts to develop human resource management techniques (informed by the contemporary obsession with Toyotism and Japanisation) (Recio, 1991). Linked to an increasing concern within much of the labour movement, many studies are beginning to emphasise the initial characteristics of such changes in Spain (CC.OO., 1994; Alonso and Blanco). The introduction of teamworking is limited and extremely problematic given the low-trust relations within the workplace and the traditional nature of line managers. In many respects Spanish managers are apprehensive about opening up new areas of participation in what may be highly politicised or low-trust workplace environments. Smaller workplaces that are the basis of the subcontract economy rely on external points of regulation in the form of provincial bargaining agreements and Labour Laws which do not effectively influence their experience of work and employment.

The Spanish experience of industrial relations raises some interesting problems regarding the role of joint regulation. The internationalisation of the economy, its fragmentation in production terms, the search for external

models to create a more effective management-worker relationship, and the constant reference to deregulation create a difficult context. The political environment and the political character of the social actors in turn frame the responses to these developments (Martínez Lucio, 1995). It has become clear that regulations once seen as stabilising can turn into rigidities, measures taken to enhance flexibility, can also turn against their objective, by prohibiting other forms of flexibility, or creating a climate which opposes change.

## 9. United Kingdom

### 9.1. General

As mentioned earlier, the British labour market is arguably the closest to a free market in Europe. The spirit is to have the market regulate itself by demand and supply, so that comparatively little restrictions concerning working time and dismissal are in place. This allows firms to adapt their workforce relatively easily to changes in demand, i.e. the labour market is (relatively) numerically flexible (Bielenski, 1994a). The notion of competitive advantage based on productivity and skill may be an ideal-type model to which no individual country conforms, let alone the EU as a whole. Nevertheless, so Rubery (1994), most European governments at least aspire to these goals, accepting that Europe can compete effectively in world markets only if it refrains from the temptation of trying to undercut other European countries by disowning this objective. The United Kingdom is content to compete for jobs and for trade on the basis of low wage levels, even at the expense of productivity (Rubery, 1994). Moreover in the early 1980s the United Kingdom government even subscribed to the view that future jobs in the United Kingdom would not even be 'low tech' but in fact 'no tech' (Lawson, 1984).

The British production system has been described as a low skill 'equilibrium'. The lack of a skilled labour force is argued not to be a problem from the perspective of individual British employers as they have in fact adjusted their systems of work organisation and production to make minimum demands on the workforce, other than the acceptance of low

wages and working-time patterns determined by management (short-time work where necessary; long and flexible working hours where necessary) (Marsh, 1991). Firms in Britain minimise their requirements for skilled staff by using a detailed division of labour and by compensating for lack of skill on the production side by the use of supervisors and quality control inspectors. This alternative may be argued to be potentially just as cost effective as a high-skill, mass-training system, particularly given the risk of poaching. However, studies also show that the skill deficiencies are not fully compensated for: productivity is markedly lower per person employed, such that differences in pay between skilled and unskilled are unlikely to offset these productivity differences (Rubery, 1994). Analyses of this low-skill balancing trick have held that the low-skill labour force is a consequence of the long-term policy adopted towards training and education in the United Kingdom, reinforced by cultural attitudes and practices. Some researchers have also opened up the discussion to include the industrial relations system and particularly the absence of high trust relations (Best, 1990). Other aspects of the United Kingdom production pattern identified as contributing to relative failure as regards skill provision include a lack of managerial expertise inhibiting moves towards a higher value added or higher skilled and more flexible production system, the historically limited role of the state and the influence of the finance system (Lane 1988, 1992; Williams *et al.* 1990).

Another factor that Rubery (1994) attaches relevance to, for the societally specific British production regime, is the idiosyncratic form of social reproduction. First, the high levels of low-skill part-time work among women are related to: (1) the continuing tendency for women in Britain to quit the labour market at childbirth, which results in a large supply of female

returnees who are often unable to re-enter at a level equivalent to their qualifications; (2) the absence of child-care support, either from the state or from extended family arrangements; (3) the prevalence of the social norm that it is appropriate for women with children to work part time but not full-time. This social norm may have even greater influence than the presence or absence of child care (Alwin *et al.*, 1992). The second instance is the tendency for men to work long hours in Britain (Marsh, 1991) This is not only a consequence of employer policy in the absence of regulation. Anecdotal evidence suggests that British men are willing to work long hours and often deliberately seek jobs with overtime opportunities. This preference may at least in part be related to family organisation and family budgets (Marsh, 1991). A third layer of this societal specificity as to social reproduction might be found in the substance of a family system geared to young people making contributions to their upkeep at an earlier age than in many countries. This lack of a tradition of family-based support for education and training places an additional obstacle in the way of policies designed to increase the scale of further and higher education and training in Britain (Rubery, 1994).

Once we have outlined the societal framework, the developments towards a more 'flexible' labour market in Britain have to be seen against the background of a number of changes in the labour market and a shift in the prevailing political values in the United Kingdom. At the end of the 70's and the beginning of the 80's Britain witnessed a severe recession with big losses in employment. The tertiary sector was gaining on importance (see also chapter 5), while industry was constantly reducing its magnitude in total employment. This triggered calls for more 'flexibility' in the labour market, to cope with new demands in new growing sectors, and to



abandon unprofitable industries. The government believes in the free play of market forces to guarantee the best possible adoption of new structures, giving at the same time, at least nominally, a wider variety of choice to employers and employees. In order to enable the labour market to regulate itself, deregulation and the reduction of Trade Union strength through various measures, was carried out. The Conservative Administration since 1979 pursued an explanation of unemployment in terms of 'labour market rigidities' and 'barriers to growth'. These were identified as Trade Union power, centralised forms of collective bargaining and pay determination, high wages, generous social security benefits, employment protection legislation, high rates of income tax and an oversized public sector. All of these were held to produce malfunctions and distortions in the market place (McLaughlin, 1994).

Government labour market policy since 1979 has had three main thrusts of which changes to unemployment benefits were only one arm. The other were promotion of low-paid work and deregulation of the employment contract (Deakin and Wilkinson, 1992). Just to mention in passing some of the major initiatives of deregulation, the following examples will be ample. The Fair Wages Resolution, which demanded that public contractors would fulfil the terms and conditions of collective agreements, or the general terms and conditions of employment in the trade, was cancelled in 1983. A similar, but more wide ranging instrument, Section 11 of the 1975 Employment Protection Act, was made void in 1980. Industrial Training Boards (except in agriculture and construction sectors) have been abolished. The Wage Council System (except in agriculture), responsible for setting minimum rates of pay and other terms and conditions

of employment in vulnerable sectors of industry was radically reformed by the 1986 Wage Act, and abolished in 1993.

Promotion of low-paid work has involved reductions of national insurance contributions for the low-paid and subsidies towards the employment of young people, together with an extension of in-work benefits targeted at the low-paid to counteract the 'poverty trap'. Deregulation of the contract of employment has occurred through withdrawal of employment protection from part-time and temporary workers, exclusion of many young workers from unfair dismissal and redundancy rights, abolition of fair wages legislation, curtailment of the powers of wages councils, outlawing closed shops and reducing the legal scope for strike action (McLaughlin, 1994)(to be reduced further by means of making it legal to award damages to companies as a result of strikes).

The pursuit of these labour market supply side policies resulted in a widening dispersal of pay and incomes in the 1980s. However the growth in low pay and low incomes did not succeed in 'pricing' all the unemployed into work. How much further low wages and low incomes would have to fall before unemployment is 'cured' is rarely speculated upon by policy-makers (McLaughlin, 1994).

## **9.2. Part-time Employment**

Some similarity can be found in the development of part time employment in Germany and the United Kingdom. In both countries part time work has a relatively long tradition and was first introduced for supply side reasons, i.e. to keep women in the labour market, or to attract them

back to the labour market. Bruegel & Hegewisch (1992) start by recognising that the nature of Part Time work and the flexibility it can advance varies with the gender and domestic circumstances of the Part Time worker and with the history and system of labour market regulation of different countries. The first question to address is how Part Time work can justifiably be described as flexible labour. It can be argued that Part Time work was originally designed to tap a labour force constrained by domestic duties, such that women, rather than employers, gained the flexibility needed to fulfil their 'double burden'. Traditionally any flexibility that Part Time work offered employers was of a very specific kind. The constraints operating on women who seek Part Time work leave employers with no more than the flexibility to cover regular and anticipated variations in demand through the day or the week (Robinson and Wallace, 1984), given that the variability in hours of most Part Time workers is restricted (Dale and Bamford 1988). Part time work is considered to have advantages to offer for both the employees and the employers, both employee representatives and managers in the NWFA survey relatively often report positive experience with part time employment (1994). Given the growing number of middle-aged women (with grown-up children), a group which particularly favours part time employment, there will be a high labour supply for part time jobs. The United Kingdom already has one of the lowest incidences of involuntary part time work in the European Union, which indicates that part time work might, in some cases, offer advantages for both employers and employees. Some authors (Maier, 1991a) have discussed the concept of voluntariness, particularly in the case of women, as this perception is influenced by a whole set of factors. The high share of women who work part time in the United Kingdom is explained through analysing the full set of reinforcing factors that have led to this outcome: favourable social

security systems, the dominance of large firms in the service sector which have developed sophisticated working-time planning systems, the lack of childcare facilities and the establishment of standards of living based on a norm of a male bread-winner on long hours and a female part time worker (Gregory, 1991; O'Reilly, 1992c; Marsh, 1991; Rubery, 1989).

In Britain part time jobs are commonly associated with low qualified work, i.e. 75% of all part time jobs require only little skills (based on the NFWA survey). Opportunities to change in a firms' internal labour market from part time work to full time work or vice versa are very limited. Non-existent legislative requirements for equal treatment between part time workers and standard employees and non-existent collective agreements result in the fact that part time workers are typically in a worse situation than their homologous full time colleagues (McRae, 1995). It is not unknown for part-timers to be paid a lower hourly rate than full-timers doing the same job in the same workplace, but often the work done by part-timers is done only by part-timers and is not evaluated in comparison with work undertaken by full time employees (Dickens, 1992). Part time work tends to be concentrated in jobs which are low graded and thus low paid and women in this kind of work also often lack the opportunities available to full-time workers to supplement their basic pay. Unlike full-time workers, part timers rarely receive premium pay for working beyond their contracted hours or for unsocial hours working (Dickens, 1992). Part timers are also found to have less training opportunities than full-timers. The Women and Employment Survey in the early 80s found 54% of full-time women workers had opportunities for training compared with 31% of those working part time (Martin and Roberts, 1984), and Beatson (1995) confirms the lack of training for part time women workers. Moreover, research details the downward

occupational mobility of women who have given birth and shows how women who find new part time work after childbirth move into secondary sectors of the labour market and are vulnerable to downward mobility (Brannen, 1989)

The British government has constantly worked on reducing obstacles to employers free choice of their labour use, which has over the years more and more led to a use of part time work for economic reasons. The growth of part time employment is also seen as a move towards equal opportunities for men and women, since part time work offers work particularly for women (though some are worried about the quality of jobs offered, as discussed above) (Bielenski, 1994a). Part-time workers are predominantly women. In 1994, 78% of part time jobs were held by them. However, the corresponding percentage in 1978 was 82%, so male part time employment has increased faster. Changes in the industrial composition of employment account for a good deal of the growth in part time work. Shift-share analyses using Census of Employment data showed that less than half (44 percent) of the growth in part time employees between 1971 and 1981 was due to changes in industrial composition. Between 1981 and 1991, however, nearly three quarters (72%) of the growth in part time employment could be accounted for by shifts in industrial structure. Thus, while still significant, the extent of the shift towards part time work within individual industries may not be as substantial as the overall growth in the number of part time jobs suggests (Beatson, 1995).

Trade Unions have over the years changed their attitude to part time work completely. First they generally opposed part time jobs as not being real jobs, and only reluctantly recruited part time workers into the unions;

accepting unequal treatment for part time workers, using them as a buffer in case of redundancies - part timers first (NFWA, 1994). However this has changed and Unions are now allowing membership of Part time employees, working for equal opportunities and trying to win back power in the workplace.

There is no agreed number of hours constituting full-time work (though that can sometimes be determined in collective agreements) in Britain and the number of hours worked by part-timers varies widely. For statistical purposes, a part time job is defined as one involving 30 hours or less work each week (Beatson, 1995). There is also great variety in the time distribution of part time work. There may also be unpredictability in hours worked with part time staff being asked, often at short notice, to provide extra hours above those contracted for. This flexibility is taken to extremes where 'on call' or 'zero hours' contracts are used requiring employees to provide, often at very short notice, whatever hours are required when required (EDC, 1988). Such workers may have no fixed contractual hours, no guarantee of a specific number of hours per week or hours (and consequently earnings) in any year.

A study by NEDO (EDC, 1988) in distributive trades found a substantial proportion of part time workers were interested in promotion but between 78% and 95% said it was not available to them. The lack of opportunities to work fewer than full-time hours at higher levels within organisations results in part time workers often being over-skilled for the work they do. In a research comparing the qualifications held by individuals compared to the qualifications required for entry into their current jobs, Horrel et al. (1989) found that women in part time jobs are much more likely to be

overqualified for their current job than are full-timers (40% of part timers were over qualified compared to 28% of female full-timers and 27% of male full-timers) with the subsequent loss of human capital.

The deregulation strategies pursued in the United Kingdom have not created jobs for the unemployed; rather, the vast majority of part time jobs are taken up by women married to men who are employed: dependants of the unemployed, or the unemployed themselves, are effectively prevented from doing this kind of work by loss of benefit or the 'poverty trap' (Deakin and Wilkinson 1991).

The fact that ageing part time workers allow more flexible time use (since other responsibilities, such as family ones are for them quite reduced), makes it possible to think that they will allow part time work to become a form of real flexibility as the working times' realisable range will not be curtailed by, for example family responsibilities. Thus, I think it possible that in future part time work will move for the overriding form of some hours work in the mornings to a wider range of timings.

I have found that in the United Kingdom skill is an important factor in explaining variances in the use of part time work. Employee wishes and economic reasons enjoy also a similar relevance when hiring part-timers. (See Chapter 7). In sum, I can conclude that part time work is often offered if it fits into the pattern employers have developed for it: women with family responsibilities in the low skill range, so that part time remains to be thought of as low quality work. The fact that the women have family responsibilities accounts for 'employees wishes' appearing as an important reason for hiring these workers. As a consequence of the tailoring of part time jobs for

women with family responsibilities, there is a strong segmentation of the labour market as regards part time and full time jobs. This segmentation is normally gender based, due to societal conceptions of women's work (Rubery, 1994) as I have already explained above.

The British approach to human resource management seems to point to improving cost structures rather than productivity (Steedman and Wagner, 1987). I have found that in the United Kingdom the core, periphery model fits rather well to describe the situation as to part time employment. However as we have already had occasion to appreciate, the so-called periphery, even within the part time segment of the market is quite differentiated, serving different needs and providing within its segments a continuum which offers a range of choice to the employer - and in some cases to the employee, whose preferences could be important (Hunter *et al.*, 1993), but not necessarily coincidental.

### **9.3. Fixed Term Employment**

In the United Kingdom temporary work, defined as seasonal, casual, fixed-term or interim work, has remained a small proportion of all employment. This is probably due to the circumstance that in a markedly different way from many other countries, where dismissal protection was left in large extents untouched when fixed term contracts were introduced, the United Kingdom went another way, by generally lifting the necessary qualification period to be covered by the dismissal protection to at least two years of full time service (5 years for part time employees that work



under 16 hours per week) (Kravaritou-Manitakis, 1988), so that this atypical form of work is not necessary to achieve numerical flexibility.

Temporary employment constitutes around 6% of total employment. Much of the apparent growth in the 1980s occurred through special government employment and training schemes. There is no legal definition of a temporary worker and the term is used loosely. It generally covers casual work, undertaken on an hourly, daily, weekly, monthly or seasonal basis; fixed-term contract work, and agency work, where workers are supplied by an employment agency to a user firm on a temporary basis. Such forms of work are atypical because of their declared or acknowledged impermanence. Temporary work may be done on a self-employed or dependent employee basis. Among women working on a temporary basis, two thirds also work part time, an example of overlapping atypical characteristics (Dickens, 1992).

A fixed-term contract may be terminated by the completion of a particular piece of work or, more usually, by the expiry of a specified period. A new temporary contract may be issued at the expiry of the first, and a third after the second and so on. There are no statutory restrictions in Britain on an employer's ability to offer employment in this form rather than on a 'permanent' basis, nor any requirement that the decision be justified. There is no restriction on the length of contract, and such a contract may be extended. This gives rise to the possibility of 'disguised permanence', that is, the repeated renewal of fixed-term contracts.

As with part time working, the service sector has a higher proportion of temporary working than does manufacturing. Temporary working is used

particularly in distribution, hotels and catering and other services. The majority of temporary workers (58%) are female and the proportion of married women in temporary jobs is higher than the proportion in the permanent workforce (Casey, 1988; King, 1988).

Studies of temporary working (Casey, 1988; King 1988) find that most temporary workers are in lower level and less skilled occupations, often doing seasonal work. However, there is also a higher than average level of temporary working (usually on fixed-term contracts) among teachers and nurses and those with other skills (such as computing) which tend to be occupational skills rather than company based. As I have concluded in Chapter 7 fixed-term is often used to hire in skills. This use has not been detected in other countries and might cause rigidity since firms are in this way dependent on outside skills. This development does not fit with the core periphery model characteristics, as in this case fixed-term is important for skill, but it constitutes a form of external flexibility. Formal fixed-term contracts in the United Kingdom are more likely to be found in professional jobs, more likely to be in the public sector, more likely to be held by males in somewhat older groups, and more likely to be found in larger employer organisations (Bielenski, 1994a). They thus amount to hiring in of knowledge, rather than seeking cost advantages related to severance payments, as in Spain. In this point, the characteristics of temporary employment in Britain do not match the flexible firm model.

'Traditional' rationales for using temporary workers (providing short term cover, labour or particular skills for one-off projects etc.) still predominate, and new flexibility rationales (whereby uncertainty and volatility in markets leads employers to avoid commitment to permanent

staff), need to be viewed in this light (Meager, 1986). They do however, seem to operate in some sectors, such as engineering, and it is feared by Trade Unions that typical jobs lost during recession have been replaced, if at all, by far more casualised employment in such areas, including greater use of sub-contracting and outworking.

#### **9.4. Other Forms of Flexible Working**

Other forms of flexible working are attained through flexibility in working time, so that firms change their effective use of labour on the intensive margin, without recourse to the external labour market. There are also supply-side considerations. Employees may value a degree of choice over their working arrangements. There is evidence that employees value diversity in working time arrangements. The range of alternative working patterns available may therefore enhance the flexibility of labour supply (Beatson, 1995). Nearly two thirds of employees said they were happy with the hours they worked, and did not wish to change them.

The United Kingdom is the only Member State where there are no mandatory limits on the length of the working day or week. However, this is about to change following a ruling of the European Court of Justice that make it compulsory for Britain to introduce a mandated limit as well as rest periods, implementing thus the European Working Time Directive. Given that the United Kingdom has relatively high proportions (Beatson, 1995) of people working both long (over 48 hours per week) and short hours (under 16 hours per week) this might affect profoundly the flexibility achieved in the United Kingdom through working time arrangements. The November decision by the European Court might put an end to the situation wherein the British have become 'the hardest working people in Europe averaging

43,8 hours per week'. This phenomenon 'which has boosted productivity, exports and overall economic growth, has been accompanied by reports of heavy personal cost.' 'In all, 4,5 m people in Britain work more than 48 hours a week, a rise of nearly 600,000 since 1992. This has resulted partly from a decline of union power and partly from the downsizing undertaken during the last recession, when thousands of redundancies left fewer people sharing the work' (The Sunday Times, Focus p 15, 10 November 1996). However, given the fact that the rules can be overridden if there is specific agreement between workers and their bosses to do so, it is highly likely that it will not have such a momentous effect.

## **9.5. Functional Flexibility**

Unlike some of its European counterparts, the British government has not actively pursued a policy of encouraging employers to invest in the skills of their workforces (Trends, no. 22, 1995). Besides, the structure of incentives and controls which existed under the system of the Industrial Training Boards has been dismantled since 1981. At the same time, state intervention in the training decisions of firms has been removed. The lack of structure makes it probably wise not to attempt to train staff in the absence of an effective industrial strategy. That is likely to lead to a waste of resources and to frustration on all involved at the under-utilisation of skills (Steedman and Wagner, 1989). This approach is consistent with the historical development of the system of industrial relations as well as of that of training. The regulation of employment by craft unions has contributed both to the informality of collective bargaining and the existence of highly segmented internal labour markets. The failure of British employers to train their workforces is a long-standing problem. Given the relative failure of the

market model to improve the supply of skills in the economy, education and training policy has become a major electoral issue. As was to be expected, there is as yet little evidence in Britain of the superseding of Taylorist production methods by more skill-intensive and flexible forms of work organisation (Ramsay, Pollert and Rainbird, 1990). Claims that functional flexibility has increased are substantiated by changes in working practices, though many of these concern peripheral areas of craft skills and rarely cross the divide between maintenance and production jobs (Rainbird, 1990). In sum, training for most workers is conspicuous by its absence and tends to be concentrated in the first few years of employment (Rainbird, 1991). There has been no noticeable process of upskilling in recent years and very little evidence has emerged to date to indicate that Taylorist forms of work organisation have been superseded by patterns requiring a greater reliance on workers' skills and their ability to act autonomously. In the same way, although some attempts have been made to introduce mechanisms for consultation and incorporation at plant level, these coexist alongside practices and attitudes characterised by the traditional antagonistic relationships between unions and management. Therefore Britain remains to have a low trust relationship at company level.

Explanations of the lack of emphasis on skill and training in the British labour market have stressed the nature of the education and training system. One of the reasons for the low skill equilibrium has been said to be the voluntarist approach to training in the United Kingdom which, apart from a brief interlude from 1964 to 1981, has historically been left to the market and to training within firms independently of the education system (Streeck, 1989). An other relevant factor has been said to be the negative attitude towards vocational education within the United Kingdom cultural

system (Rubery, 1994). The new vocational Qualifications NVQs place emphasis on competences alone and there is no attempt to combine basic education in core subjects with vocational training, but instead an emphasis on narrow job-related competence testing unconnected to abstract knowledge and understanding (Streeck, 1989). In Britain, moreover, the relationship between training and career opportunities has been at best indeterminate and at worst negative (Rubery, 1994). As an example, we can say that evidence suggests that members of the same cohort who succeed in obtaining a job at 16 fare better than those who seek to advance their education or training past the age of 18 (except for higher education) (Clarke, 1991).

In Britain Trade Union organisation is based on occupational categories and multi-unionism is the norm in most manufacturing establishments. It is thus clear that developments which increase flexibility between occupations will raise issues of spheres of union influence and can place a strain on inter-union relations. Some of the developments under the general rubric of flexibility largely involve changes in the peripheral areas of craft skills and are already widespread. As such, they do not pose any major problems for union organisation. In contrast, the changes involved in the concept of multi-skilling are more far-reaching and have greater consequences for Trade Union organisation. At surface level, multi-skilling appears to be about training and acquiring new skills, but at a practical level it is about the changing organisation of work and shifts in the balance of power between unions and employers, on the one hand, and between unions, on the other. The exclusion of unions from decision-making in training policy has emphasised the conflictual rather than the consensual aspects of training. Besides, occupational unionism creates a built-in

conservatism to change in occupational boundaries, which is particularly noticeable when attempts are made to increase flexibility between trades. Rainbird suggests (1991) that the education of Unions in the benefits of training, alongside the acquisition of the skills required to make an effective input into decision-making processes in the workplace, will be a prerequisite for the active pursuit of a skill-oriented modernisation policy.

Daniel (1987) found that 43 per cent of the establishments interviewed had taken specific steps to increase the flexibility of their workforce, such as the relaxation of job demarcations, or the creation of new multi-skilled grades. Changes of this kind were most often associated with the introduction of organisational change and advance technical change. Marsden and Thompson (1990) studying the contents of industrial agreements found that the most common changes introduced were more flexible deployment rules, relaxation of job demarcation rules and changes to grading structures. Dunn and Wright (1994) found that by 1990, a third of the sample had flexibility agreements, and a number of others had adopted specific measures consistent with greater functional flexibility, such as simplifying grade structures and removing job demarcations, reducing, it would appear, the excessive job demarcation that has always been seen as a problem in Britain.

A notice in Employment Observatory, policies (no. 50, Summer 1995), says that the Government believes that small companies are central to the economic competitiveness of the country, but their survival cannot be assured by attempting to compete on labour costs alone. Deviating from the tendency to compete on labour costs would be the right way to move away from the low skill low cost economy, but whether further steps will be

taken remains to be seen. The government has estimated that whilst many large organisations can deal with upgrading their workforce skills through in-house programmes, smaller organisations are vulnerable as they tend not to have the facilities, expertise or funds to meet changing skill needs. The Employment Department has identified that while many small firms appreciate the need for improved skills, only 23% said they had undertaken any training during the first three years of business. It is for this reason that the Skills for Small Businesses programme was launched in April 1995. Now of course is too soon to make any estimation of its success but it might be a beginning for a new approach to employment policy.

Full-blown functional flexibility including high skill and high trust, appears to be something of a rarity in Britain, perhaps because it involves costs as well as benefits for the employer. In part this may be due to the scope for flexibility on the extensive margin (Beatson, 1995).

The traditional way in which skill acquisition has been left to its own devices in the United Kingdom, and the acknowledged low-skill structure of its workforce pose a dilemma which is very difficult to solve, as has been pointed out by Streeck (1989): "While the individual employer may well recognise the importance of skilled workers for his enterprise, he also knows that if he incurs the expenses for their training, his competitors can easily 'poach' his trained workers by offering them a higher wage, with their overall labour cost still remaining below his. Since the rewards of his investment can so easily be 'socialised' whereas the costs remain his own. Thus, an employer in a competitive labour market will therefore be tempted not to train, or to train as little as possible, and 'buy in' needed skills from his competition. As these are likely to perceive their pay-off matrix in much the



same way as he, they will probably prefer no to train either. As a result, there will be a chronic undersupply of skilled labour". I think this scenario fits perfectly with the situation in Britain.

## **9.6. Summary and Discussion**

Workers in Britain have suffered under the deregulatory thrust of government policy in the 1980s, when workers' protection was viewed as labour market rigidity, distorting voluntary exchange between individuals, thus preventing free contracting. In a period when the European Commission has been attempting to provide a basic floor of rights for all workers in the Community and to improve specifically the position of atypical workers through a series of draft directives, the United Kingdom government has been reducing or removing existing protections: increasing the qualifying thresholds for employment protection rights, reducing the scope of the minimum wage setting machinery, removing restrictions on hours of work and protection for women and young people, and also reducing the social protection available through collective bargaining by weakening the Trade Unions (Dickens, 1992).

Treating atypical workers inequitably and offering only poorly paid, low level jobs on a part time basis also incurs costs for society in terms of wasted skills and talents and untapped human resources in the form of women out of the labour market (Metcalf and Leighton 1989). The current situation also allows employers to attempt to compete on labour cost cutting through casualisation and exploitation rather than through product improvement and quality service provision. Proper protections for atypical workers would help encourage British firms to compete with countries in the

European Community and outside on dimensions such as quality rather than attempt to compete on low labour costs with the developing world who will always win in that particular race. The ability to rely on cheap unprotected labour, as with home workers in the clothing industry, is a drag on investment in new machinery and the development of better production methods. The lack of training for atypical workers helps perpetuate a low productivity, low skill economy (Dickens, 1992).

As a number of large employers have discovered, improving the position of atypical workers (particularly part time workers) serves the employers' interests in terms of recruitment and retention of workers, in meeting labour and skill shortages and in securing commitment from workers. Treating atypical workers as second class citizens is not conducive to creating the high trust work environment and committed workforce that many employers now seek and which is often seen as key to competitive success. Employers can also gain through having a better trained, better motivated atypical workforce with less turnover. There is a tendency to view atypical workers as marginal or 'peripheral' to an organisation yet atypical workers may in fact be core to the success of the enterprise (Dickens, 1992; see also Chapter 7). At the moment the cost savings achieved through inferior treatment of atypical workers comes as a windfall on top of the considerable savings via efficient labour utilisation. Indeed, removing the 'windfall' might encourage more strategic thinking about labour utilisation. At present, much use of atypicals is far from strategic and often represents little more than short-term cost cutting (Hakim, 1990; Deakin and Wilkinson 1991). The empirical evidence strongly suggests that an extension of legal protection and occupational benefits to part time and temporary workers would not have an adverse effect on the level of part time jobs and

recruitment of these atypical workers (NFWA, 1994). This conclusion is supported both by econometric analysis of the impact of employment protection legislation (e.g. Disney and Szyszczak, 1984) and by the views expressed by major employers of atypical workers like Sainsburys, and B&Q. (House of Commons, 1990).

In moving from 'jobs at any price' to 'jobs at a fair price' through setting minimum acceptable employment conditions for all workers there may be a reduction of 'opportunities' in some areas. But even then such consequences are not inevitable, in part they depend on how any change is actually managed and longer term gains in terms of employment levels and standards may outweigh the short-term employment costs of the least efficient, lowest paying firms going out of business (Dickens, 1992). This will be further discussed when looking into policy options in the last chapter.

The advantages of the British system are identified in its supposed flexibility and in its ability to compete on the basis of labour costs (Rubery, 1994). However, this different mode of competition does not procure competitive success when measured in terms, for example, of the balance of trade. It is in this relative failure that the tensions and conflicts arise. The imbalance of trade arises from consumption and production patterns, that often do not match. The imbalances on the foreign exchange markets are kept in check by monetary and fiscal policy which restricts the level of employment, thereby causing tensions between the employed and the unemployed. Nonetheless, unlike competition between firms, competition between Nations States will not lead to the disappearance of those under competitive pressures, they will survive even under conditions of great indebtedness, given the intertwining of international finance and foreign

debt. Long-term relative failure is a possible outcome of the production regime in Britain, even if it provokes internal tensions and conflict (Rubery, 1994). At the micro-level, deregulation and individualisation of pay has provided the opportunity for some cutbacks in wages for the low paid but the rapid rises in managerial salaries and performance-related pay may be a long term problem for public sector expenditure, and for the wage bill of private sector organisations. The combination of unemployment, industrial relations legislation and a weakened Trade Union movement may have acted to reduce the level of overt conflict over salaries. However, this does not mean that there is no underlying tension and conflict over the distribution of both income and employment and that the British Labour Force has finally and forever accepted its role as the low-wage ground of Europe. As proof of the inherent disagreement of British workers towards the low-skill equilibrium, lately we have seen that there are more and more strikes to achieve better working conditions, [BBC1 10'clock news 22.08.1996] and that many employees seek other employment to improve conditions at work (LFS). The model of the male bread-winner might also be changing and more women might return to full-time work, changing the assumption that they take low-paid part time jobs, and leaving those to students (now on loans), changing thus the possibility of undertaking higher education. Thus, adjustment can take place in the sources of labour supply for particular types of jobs. The British productive system has not evolved in isolation from the international community. The need to trade and compete within the international community helps to expose the deficiencies of the system, but the adaptations that are in demand to overcome these failures, including increased flexibility of the labour market as well as less government expenditure and intervention, are often justified in the name of practices and policies found in other States. These

adaptations may postpone the fundamental attunement required by the system to move onto a virtuous path of upskilling and growth. This issue will be further dealt with when discussing policy options to create a European System of work organisation.

# 10. Germany

## 10.1. General

Germany has been reminded by the World Bank in its economic outlook (1995) that it should take further measures to achieve labour market flexibility. Non neo-liberal economists can certainly argue, that this warning undervalues the value of adaptability created by the functional flexibility the German labour market possesses, and that this existing functional flexibility reduces the need for more numerical flexibility (as indicated by the regression models on chapter 7). However if we refer to the distinction between the types of flexibility, it is most likely that the World Bank statement refers to the labour market regulations in place in Germany, which reduce the degree of numerical flexibility. Far-reaching deregulation and decentralisation may not be a desirable option in the context of an industrial relation systems characterised by co-operative and consensual high trust / low conflict labour relations, such as that in place in Germany (Sesselmeier, 1994)

The increased international competition and the possibility to manufacture products in various locations, with Germany's outward investment bigger than the inflow of investment into Germany, and the announcement, or actual relocation, of production sites from Germany abroad, often in the European Union, have led, amongst other factors, to the so called Standortdebatte (the debate on whether Germany is a good location for production, service provision, investment and research). One issue of this debate is the question of flexibility, or better the assumed rigidity of the German labour market compared with its foreign counterparts. The

Government and Employers are often stressing the limited scope for flexibility in staffing and working time arrangements, due to the distinctive industrial relations system, legislation and labour market regulations agreed upon in collective bargaining agreements (Bundesministerium für Wirtschaft, 1993; Institut der deutschen Wirtschaft, 1992). The system is based on free collective bargaining, (Statutory) participation rights of Work Councils and detailed legislation on industrial conflict. Bargaining is performed on a regional basis for various sectors. Collective Labour Legislation has led to an extensive formalisation of the system (Jakobi *et al*, 1992; Lane, 1994). Recently, some decentralisation of this process has taken place, in particular in the area of working time arrangements, and a shift towards decision making on the company level has supervened. (Müller and Purcell, 1992; Rösner, 1994). This has been accompanied by a shift away from classical topics such as wage settings (which remains centralised) and reductions of working time, towards employment security, working time flexibility and technological change.

The Government has tried to react to employers demands for more 'flexibility' through a number of recent reforms, like the *Beschäftigungsförderungsgesetz* (Employment Promotion Act) of 1985 and 1994, the *Kündigungsschutzgesetz* (Dismissal Protection Act; that introduced changes to the notice period) of 1993 or the *Arbeitszeitgesetz* (Working Time Law) of 1994, which will be dealt with in the appropriate sections. However, it is also agreed upon, that in systems characterised by high degrees of labour market regulations, an extensive vocational education and training provision and a relatively co-operative culture (Germany is proud of its social peace (Sozialfrieden)) firms can reach a high degree of functional flexibility, while other forms of flexibility are limited (Lane, 1990;

Soskice, 1994; Steedman et al, 1991). Mosley and Kruppe (1993) refer to co-operative industrial relations and the willingness to accept change as 'social efficiency', which in their opinion is an often neglected dimension in mainstream economic analysis. That West German companies can achieve relatively high degrees of functional flexibility is also commonly agreed (Tüsselmann, 1996a). Since a high degree of functional flexibility allows firms to develop an internally flexible labour market, the need for high degrees of numerical flexibility is reduced; however some companies are trying to increase numerical flexibility on the margins, by using an increased number of atypical employees (Trinczek, 1995).

The aim of the following sections is to describe the progress towards more flexibility in the German labour market, in connection with the higher use of atypical forms of labour, and its effects on the traditional production system, especially on the system of skill reproduction.

## **10.2. Part-time Employment**

The growth in part time employment in Western Germany has partly been influenced by sectoral shifts and the increasing participation of women in the labour force. Employment in manufacturing has decreased from 35 % in 1988 to 31 % in 1994, while employment in the service sector rose from 55% to 59% (Statistisches Bundesamt, 1988 to 1994). Female participation in the workforce increased from 56% in 1988 to 60% in 1994, raising the social demand for part time employment. Females increased their share of all employees from 39% to 42% and accounted for 86% of the



overall growth in part time employment during the 1988/1994 period (Tüselmann, 1996a).

The aims pursued with the introduction/promotion/extension of part time employment in the Federal Republic of Germany have changed substantially during the last decades, as a result of the changing economic conditions in the labour market, with a shortage in labour supply in the 1960s to a situation of a labour surplus starting roughly with the oil-crisis and the recession in 1974 (with a sudden rise in unemployment numbers to 1.000.000 in 1974, reaching levels of around 2.000.000 unemployed in the middle of the 1980's; in 1994 nearly 3.500.000 people were unemployed in the unified Germany) (Employment in Europe, 1994).

In the 1960s part time employment was mainly seen as a means to increase the labour supply and reduce the shortage of manpower, by attracting currently (economically) non-active parts of the population into the labour market (Bielenski, 1994a). The main target group was women, to whom part time work offered the opportunity to combine the traditional motherly role with paid employment. The schooling system in Germany was and is based on tutoring in the mornings only, this is reflected by the overwhelming majority of part time jobs being tailored to this structure, i.e. being half time jobs, with the working time in the morning. The aim of increasing employment by the use of part time work was the prevailing one till the recession in 1974.

With the economic decline and rising unemployment levels, another aspect of part time work moved into focus in the interest of policy makers. By redistributing the available amount of work, part time work was seen as a

way to reduce the unemployment problem. That means, that no longer the (economically) non-active population was the target group for part time employment, but full time employees (employed or unemployed). From the beginning of the 1980's the flexibility argument started also to win momentum. With the use of part time work it was hoped to allow better service provisions, and a better match of labour supply to the labour demand over the day, and hence to sharpen Germany's competitive edge and to create employment. However, the biggest growth rates for part time employment have been during the 1960's with a total growth rate of more than 150%, while the growth rates in years associated with demand side orientation have been considerably less with growth rates of around 30% in the 70's and 80's (Bielenski, 1994a).

Part-time work was promoted as a means to reduce the unemployment problem from the mid 1970's onwards by the German Government mainly by information campaigns. In some cases legislative changes have been used to grant, for example, civil servants the right to go part time for other reasons than family responsibilities in 1980 (Dittrich *et al.*, 1989, p. 283). In the Employment Promotion Act (1985; Beschäftigungsförderungsgesetz) an attempt was made to make part time work more attractive by setting certain minimum standards, entitling part timers to the same company benefits as full timers. As a reaction nearly all parts of collective agreements which discriminated against part timers have been removed since then. In the Employment Promotion Act 1994 the calculation of unemployment benefits were altered, so that in the event of unemployment former full time employment wages would be taken as a base for the calculation. The former situation had been seen as a main barrier for people to take up part time employment. However the law

makes exception for certain types of part time employees (*Geringfügigbeschäftigte*), excluding those employees and their employers from social security payments, the employees being consequently not covered by those benefits. Part timers working less than 18 hours per week are excluded from the unemployment insurance, and part timers earning below a certain monthly threshold (610 DM in 1996) are excluded from the health insurance and compulsory pension system. The Ministry for employment estimates for 1995 that about 20% of all part time employees fall under this regulations. In 1989 the Act on Part Time on Grounds of Age came into force, but seems to have had only little practical importance (Bielenski, 1994a).

Employers favoured the use of "flexible" working time arrangements, i.e. the use of individually reduced working times, to a general collective reduction of working times as favoured and demanded by the Trade Unions (BDA, 1983, pp12-14). The employers' association offered help to solve organisational problems in member businesses to adapt the organisation to an increased use of part time employment (Bittelmeyer, Hegner, Kramer 1987).

The Trade Unions have considerably changed their attitude towards part time employment in the last few years (Bielenski, 1994a). The position of ignoring or being generally opposed to part time work has been given up, realising the possible advantages part time work might offer some groups of employees, stressing nonetheless the need for regulation of part time work in collective agreements.

The origins of part time work in Germany, and its relatively long tradition, with the biggest rise due to supply side reasons might explain the positive picture of part time employment arising from the assessments of managers and employee representatives (Bielenski, 1994a). This is also reflected by the small number of part time workers who are working part time because they could not find another job. (LFS 6.8% in 1993, 9% in 1994), and only a below average number of employee representatives in the NFWA survey stating as one reason for part time work the inability of employees to find a full time job. This picture is supported by another survey from 1989 (Groß, Thoben and Bauer), which shows that only 11% of part timers would prefer to work full-time, however there are variations in the group of part timers. Employees who work less than 15 hours wish to work more hours, even though still in the part time range, while employees who work more than 18 hours are rather content with their working time. A study from the European Commission from around the same time, comes to a similar conclusion, only 8% of part timers would prefer full time work, only in Denmark was this value lower than in Germany (European Economy, Supplement B, 1989; European Economy 1991).

Given the high number of part time contracts with working times limited to the morning (71% in the NFWA survey), the question of whether part time work in Germany can justifiably be called a flexible form of work arises. Many part time workers have, due to their other responsibilities, a restricted amount of time when they can work overtime, so that some writers even see part time work as a more rigid form of work than full time work (Büchtemann, 1989). Both the NFWA survey and the survey by Groß, Thoben and Bauer give care responsibilities as the main reasons for employees to choose part time work. Work also has to be arranged so that

it can be carried out during those specific and reduced hours of the day. So the same family reasons also cause a partly bigger amount of work to be carried out at this time of the day, for example in shops, given that people have then time to do their shopping or carry out banking operations while their children are at school.

From chapter 7 it is known that the relationship between the skill structure and the part time rate of firms is negative (NFWA, 1994). However, firms using part time work for organisational reasons possess different characteristics from those using part time work mainly to satisfy employee demands. For the first the skill structure of the workforce is negatively related to the part time rate, i.e. the lower the skill level of the workforce the higher the part time rate, for the latter these two variables are not associated with each other (Bielenski, 1994a). Thus, there would seem to be a contradiction between numerical and functional flexibility for firms introducing part time work for organisational reasons, but not for those where the main factor was employee wishes.

From this it can be seen that firms relying on a low qualified workforce seem to have a bigger need for part time employment, and seem to experience bigger advantages from part time employment than the other firms. Firms with highly qualified employees have less demand for part time employees, at least for part time employees used for organisational reasons. By promoting part time work, with firms' competitive advantage in mind, it seems to be reasonable to assume that the first type of firm will be able to utilise the bigger advantages and can gain more from changes towards this end.

From the differences in firms using part time work for economic or organisational reasons and those using it due to employee wishes, it can also be concluded that the idea of part time work as a panacea to serve establishment needs as well as employee needs has to be dropped. In some cases the fulfilment of both needs might be possible at the same time, and indeed the situation in Germany, with the relatively high number of employee representatives and managers stating that both reasons are equally important (Bielenski, 1994a), looks comparatively rather favourable, but the general equation of part time work serving both ends is also here wrong. The various forms of part time work needed to fulfil establishment needs and employee needs, or either, can explain why Trade Unions as well as Employer Organisations generally stress the social as well as the economical importance of part time work. However they have rather conflicting attitudes when details of regulations have to be agreed upon. A study conducted by McKinsey (1994) claims that it is possible to convert up to 60% of all full time jobs in Western Germany into part time jobs, however only in about 25% of these cases are employers and employees in favour of such a development.

### **10.3. Fixed Term Employment**

Even before the employment promotion act of 1985 fixed term contracts had been legally possible, but jurisprudence on acceptable reasons for the conclusion of such a contract had been rather restrictive. The courts only accepted fixed term contracts if a valid reason for not concluding a permanent contract could be presented. A catalogue of reasons soon became established. The most important have been: seasonal work; workload peaks, a special task that would only need a

certain time, replacement of temporarily absent staff, and fixed term contracts for the period of professional training. With the Beschäftigungsförderungsgesetz from 1985 fixed term contracts became generally allowed, however the length of a fixed term contract (not covered by one of the reasons above) was limited to 18 months, but only in relation to new appointments. This contract can be followed by another fixed-term contract if objective reasons exist (Tüselmann, 1996a).

The law has to be seen in the light of the concomitant steadily rising numbers of the unemployed, with at the same time a relatively positive overall economic development. It was thought that the existing law made it difficult and expensive for employers to lay off staff during the next economic downturn, and that hence employers would rather have additional overtime worked than taking on new permanent staff. The new law would make it easy to make fixed term contracts and limit the effects of a new economic downturn for the employers. Changes to the unfair dismissal protection of permanent employees have not been made (as for example in the United Kingdom). The new law was first limited to a number of years, but has been extended since then. It has been shown that the new law did not have any significant effect on firms utilisation of overtime work, or short time work (Tüselmann, 1996a), or other employment adjustment patterns (Büchtemann, 1989).

To specify reasons for employment for a fixed-time period in labour contracts was practice in West Germany until the Employment Promotion Act was introduced in 1985. Between the years 1985 and 1991 in West Germany the tendency to apply fixed-term contracts to younger workers increased. In East Germany this kind of age picking into fixed-term

employment was even more pronounced (Schömann and Kruppe, 1993). From a theoretical point of view this supports the view that fixed-term contracts are considered as some sort of 'prolonged probationary period' or screening process for young labour market entrants (NFWA, 1994). Young labour market entrants are most likely to be employed in the first instance on a fixed-term basis and the probability of fixed-term employment decreases with age or general labour force experience. Research by Schömann and Kruppe, (1993) points in the same direction. According to their work, there are no differences between men and women in the likelihood of being a fixed-term employee. Women are no more likely than men to be hired on a fixed-term contract, which indicates that facilitating fixed-term employment apparently did not enhance (or reduce) other discriminatory factors in the hiring of women. Separate estimation of models for men and women only showed that higher skilled women were more likely than higher skilled men to be employed on a fixed-term basis.

Unions strongly opposed the Beschäftigungsförderungsgesetz, arguing that now 'permanent' jobs would be given to employees with fixed term contracts, and hence undermine the Kündigungsschutzgesetz and lead to precarious forms of employment (Bielenski, 1994a; Tüselmann, 1996a).

Büchtemann and Höland (1989) came in their evaluation of the Employment Promotion Act to the following conclusions:

- Even though fixed term contracts stayed a rather small proportion of all contracts (7%), it became a relatively common form



of recruiting new employees, with one out of three newly hired employees being on a fixed term contract.

- Only 7% of fixed term contracts would not have been possible before the Employment Promotion Act of 1985.

- Fixed term contracts are common for University graduates (mainly due to the hiring practise of the public sector) and also overrepresented among employees with low qualifications.

The 1994 Act extended the provisions for fixed-term contracts until the year 2000. Since there is a close correlation between dismissal protection and fixed-term employment, one might have expected that the liberalisation measures on fixed-term contracts would have given an impetus to companies to conclude an increasing number of such contracts. However, their share of all employment contracts has remained relatively stable over the 1988/1994 period with an average of 6.3%, oscillating within a band of 0.7 percentage points, allowing for business cycle fluctuations (Tüsselmann, 1996a). On the other hand, the share of permanent employees has grown steadily from 86.1% to 89.0% over the same period. This can probably be due to the fact that high skills are difficult to hire as needed on a temporary basis, even given the fact that Germany stands in a 'high skill equilibrium'. So that Trade Union fears of a substitution of permanent workers for temporary ones after the 1985 EPA seem not to have materialised.

In comparison with other European countries, 'Germany shows the least movement in the area of deregulation of dismissal protection, reform

efforts having been largely confined to a liberalisation of fixed term employment contracts' (Mosley and Kruppe, 1993, p. 119).

In Germany the main consequence of the higher flexibility associated with temporary work was an improved screening of newly hired workers by firms (Franz 1993). Moreover, unskilled and semi-skilled workers are normally overrepresented among those with temporary jobs (Büchtemann and Quack, 1989). This position confirms the fact that Germany places more reliance in the functional side of flexibility to counteract rigidities and shows, that whether or not the strategy is meant the core-periphery model does not seem to suit reality.

#### **10.4. Other Forms of Flexible Working**

More flexible scheduling of working time has been another demand by German employers, allowing for example longer plant operating times, or flexible scheduling of working times, to reduce the need for quantitative adjustment of the workforce. This means that qualified staff can be kept and the problem of skill shortage and finding skilled people at an economic upturn are reduced considerably. Moreover, it is less controversial than numerical flexibility and more compatible with functional flexibility through the methods just mentioned.

Although in practice working hours in Germany are overwhelmingly set by collective bargaining, this is constrained by a statutory framework. The adoption of the EU Working Time Directive in 1993, combined with the need to respond to a judgement of the European Court of Justice which found that statutory bans on women's nightwork breached European

equality provisions, gave both impetus and a final shape to the 1994 law<sup>1</sup>. Relevant to the understanding of the German Government's position on a number of European Directives, the law is intended as a contribution to safeguarding employee health as well as facilitating working time flexibility. In common with some other EU member states, but in contrast to British practice, exemptions to the law are permitted by collective agreement (IDS European Report 393, September 1994).

The standard working time, regulated in collective agreements, has been reduced in Western Germany from 40.5 hours in the beginning of the 1980s to less than 38 hours in 1994, in manufacturing even to 36.5 hours, amongst the lowest in the industrialised world (Institut der deutschen Wirtschaft, 1995), a 35 hours is targeted for the next years. As a response to this development, firms are trying to detach operating times from individual working times, using more flexible working patterns. Plant operating times are increasingly exceeding individual working times in Germany, however still to a lower extend than in the European average. While most of Germany's companies operate a two shift system, their European counterparts were using three shift systems, and that despite the general capital intensive German production sites.

However as the above mentioned study from Tüselmann (1996a) has shown, until now no significant reductions in short time working or overtime

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<sup>1</sup> Gesetz zur Vereinheitlichung und Flexibilisierung des Arbeitszeitrechts (Arbeitszeitsrechtsgesetz), 6 June 1994.

working can be found, which possibly indicates the need for more flexible working time arrangements.

Although initially defensive, unions increasingly accepted the principle of concession bargaining on worksharing issues as a *quid pro quo* for shorter working weeks (Rösner; 1994; Trinczek, 1995). Worksharing agreements (*Tarifverträge zur Beschäftigungssicherung*), which were concluded in a number of key sectors in western Germany in 1993 and 1994, gave an additional impetus for more working time flexibility. Worksharing agreements have been concluded against the background of the 1993 recession in western Germany, with a view to safeguarding employment by redistributing working hours (for details on these agreements see Clasen, 1995; Sachverständigenrat, 1994; Seifert, 1994). By the end of 1994, agreements existed in ten bargaining units in Western Germany, covering six million employees, i.e. 23 per cent of the total number of employees. With the exception of the Volkswagen one, these are all sectoral agreements. The agreements provide scope for varying the working time between 6 per cent to 20 per cent below the collectively agreed weekly working time, without compensation of lost earnings, with only the metalworking and Volkswagen accords containing partial compensation clauses. In addition, the agreed working time bands in the chemical, paper and plastics industries allow for the variation of working time above the collectively agreed ones without this being subject to overtime premiums. The implementation of the sectoral accords is optional, leaving it up to the works council and management to negotiate whether and to what extent the worksharing agreement is implemented. One half of all accords provide for non-dismissal during the duration of the works agreements. Six accords have extended the averaging-out period for the

uneven distribution of the working time to 12 months, in effect annualising working hours. It is fair to say that by the end of 1994 there had been a marked trend, even if not uniform across all industries, of controlled decentralisation towards the company level on issues of working time flexibility (Tüselmann, 1996a).

The first worksharing agreement was reached at Volkswagen at the end of 1993. Its basic form has been later incorporated, albeit in modified forms, in several sectoral agreements. The agreement, which expired in December 1995, reduces the weekly working time to 28.8 hours on the basis of a four-day working week and a five-day plant operation time, with a corresponding reduction in earnings. A non redundancy clause applied while the agreement is in force. But, by summer 1994, demand in several Volkswagen plants picked up considerably and the undifferentiated reduction in working time used to provoke bottlenecks in production (Sachverständigenrat 1994, p. 106). A new agreement was reached in September 1995, under which up to 38.8 hours per week can be worked on the basis of a five-day working week, with an annual weekly average of 28.8 hours. Furthermore, employees may work on 12 Saturdays per year (with overtime premiums) and the non-dismissal clause of the 1993 accord remains in force. Thus, compared to the 1993 agreement, the new settlement has considerably broadened the scope for more differentiated and flexible working-time arrangements.

There have been interesting developments as to other forms of flexibility, such as BMW's pioneering personnel policy (EIRR, no 271, August 1996). The new work structure moves away from the classic division of labour and introduces integrated activities. Employees are arranged into

self-managing organisational units, with each group having clearly defined tasks and the necessary expertise to carry these out. They have also introduced a new pay structure and a working time credit account. In return for greater employee flexibility, there is a high degree of job security. The plan places emphasis on training and multi-skilling. It might be thus that functional flexibility could be combined with numerical flexibility without producing segmentation effects, allowing for societal differences.

### **10.5. Functional Flexibility**

As mentioned before it is generally accepted that the German labour market possesses relatively high degrees of functional flexibility. Even if this functional flexibility is particularly difficult to measure, the base of it is the vocational training and education system. In the following section recent developments of this skill reproduction system are assessed. At the heart of the German vocational training system lies the *Dualesystem*, which is based on training on the job in companies, as well as on learning of theory in schools. Successful candidates obtain after about 3.5 years a 'certified job qualification' which is generally accepted in all firms.

The distribution of the costs and efforts of training amongst firms are less and less evenly distributed. In September 1996 only every third company in Germany was offering apprenticeship places, this is the lowest rate of firms participating in the apprenticeship system ever (Tageschau, 18.09.1996). Many youth were left at that time without an apprenticeship place, which brought this crisis into the main German news, with nearly no news show not referring to the situation. Also the action taken by the government, and the calls for more apprenticeship places by Trade Unions

and employer associations to its member firms, indicate the high value a vocational training still possesses in Germany, and there was a general social consensus, that everybody should be able to receive training. As Streeck already pointed out in 1989, German experience has shown that public exhortation is well able to motivate small and large firms to increase their training efforts beyond the immediate needs in an attempt to accommodate a demographic surplus of school leavers.

Various efforts were made to fulfil the governments promise of an apprenticeship place for every school-leaver in 1996. Small companies who could not offer training on their own, due to lack of facilities like certain types of machinery, were encouraged and supported to co-operate with other small firms and associate with larger establishments to create extra training positions.

There have been examples before, of more training offered than thought to be necessary. When the crisis of the automobile industry broke out in the 1970s, firms in all major Western producer countries reduced their apprenticeship programs, in the same period in West Germany the number of apprentices in the automobile industry increased in both relative and absolute terms and that, because in Germany the decision of a firm as to how many apprentices it takes in is to a large extent dependent on forces other than its management, such as the government, 'public opinion', the Chambers Of Commerce and industry the Trade Union and the Works Council (Streeck, 1987). In the last recession employees were often not fired but trained through special schemes, so that in the next economic upturn the company did not suffer skill shortages.

What is interesting in this context, is a result from the NFWA survey : when managers were asked about the number of apprentices the firm was training, clearly firms using part time work for organisational reasons were more often than the other firms reporting not to have any apprentice, and also had a lower average number of apprentices per establishment. In total 3 out of 5 firms were offering apprenticeship places, which are in comparison to the other countries in the survey good values.

Following Auer (1992), a reinforcement of a kind of thinking seems to be taking root which sees training as an important part of sound labour markets, thus challenging the simple idea of 'externalities' which is based entirely on the price (cost) of training. However, it is important to remember that Auer's sample of firms was not very representative, being formed by large firms, while small ones could face different problems relating to **poaching**. While poaching has not yet constituted a hindrance to training in Germany, there is a special case : extensive poaching of East German highly skilled workers by West German firms, even intra-company, limited the development of East German firms (Auer, 1992).

## **10.6. Summary and Discussion**

The analysis of the data set has shown that firms with low qualified workforces tend to use more atypical labour for flexibility purposes. Rather than dividing the employees into a core and a periphery, along the lines of atypical labour, it might be advisable to divide the firms into a core group, those with highly trained employees, possibly competing on the high wage high quality front, and those relying much more on numerical flexibility and low qualified staff, competing more on the low quality, low cost end of the market. The core and periphery follows the stated aims of European and



German labour market policy, i.e. it is generally agreed that in order to maintain a certain European lifestyle (e.g. certain welfare provisions) it is necessary to have a high wage economy and hence compete at the high quality end of the market (Trends, no. 22, 1995). There will always be a need for certain periphery firms, however the centre of the economy cannot lie here, since it seems impossible to maintain certain European values and compete on a low cost base with countries from for example the Asian region, or the new States derived from the former Soviet Union.

With the support to periphery firms given by extending the possibilities for atypical labour, the process of changing towards more quality production systems might be slowed down, or entirely stopped. A bigger problem might be that at one point more and more firms might compete on that level, since there are certain advantages connected to such policy, and the skill level will remain high for a certain period of time. This might bring with it a slow reduction of the general skill level, which might affect the whole system in the long run, eventually leading to the destruction of the system. Once a vicious circle of leaving education and training to the others, pinching the needed workers etc. has started, a reverse to the not without problems and shortcomings, but at least for the time being still working system might be difficult if not impossible since the main competitive advantage Germany has at the moment seems to be the skill level.

Given the limited use firms in Germany make from atypical employment relationships in order to achieve numerical flexibility, only a small proportion of part time can justifiably be called flexible forms of work. Similarly only a small proportion of fixed term contracts would not have

been possible before the reform of 1985 which was enacted to allow more flexibility (see above). Taking into account the generally relatively high degree of functional flexibility the German labour market possesses, and the possible trade offs between those types of flexibility, it does seem as if many firms do not need or cannot incorporate more atypical employment in order to improve their flexibility or their mix of flexibilities. The use of more flexible working time schedules, flexitime, annual averaging etc. to fine tune those different elements seems necessary, and fits more to the traditional way of work organisation, which can be seen on the relatively high interest of as well employers as employees to implement those schemes.

The recent deregulation and decentralisation measures have broadened the scope for the pursuit of flexible human resource management approaches, especially in relation to atypical employment and working time flexibility. However, the analysis of several flexibility indicators revealed that German companies, in general, utilise the touched up framework only to a limited extent. Given the configuration of the German regulatory environment and the particularities of the industrial relations system, the relatively high degree of functional flexibility in German companies and the interdependencies and trade-offs between the several types of labour flexibility, it is possible that many firms already operate with an 'optimal' flexibility mix (Tüselmann, 1996). On the evidence of the relatively high degree of functional flexibility, the pay-offs from enhancing other forms of flexibility may be considered to be low. This may partly explain the limited impact of the Employment Promotion Acts on fixed-term employment, the steady growth of permanent employment, despite the strong regulations on dismissal, as well as the retention of the sectoral system of pay bargaining, in spite of the resulting limited scope for the

pursuit of downward financial flexibility (Rösner, 1994; Sesselmeier, 1994), although in the latter case the issue of reforms has become the subject of controversial discussions in Germany (Giersch, 1995; Schnellhaass, 1993). Concerning temporal flexibility, which may be viewed as more complementary to functional flexibility, deregulation and (controlled) decentralisation has gone furthest. Several indicators, such as the growth of part time and shift work, point to a higher degree of temporal flexibility since the 1980s. However, the extent of this increase is somewhat limited, especially when compared to other western European countries. According to a study by McKinsey (1994), the full potential for part time employment has not been utilised, the various forms of shift work have grown faster in other EU countries, the sectoral worksharing agreements have not been implemented on a widespread basis and overtime and short-time working have not been reduced. It will be interesting to see whether, in the future, these lead to more significant shifts in the flexibility mix of German companies, or whether the limits of greater labour flexibility within the current German context have been reached (Tüselmann, 1996). Moreover, Büchtemann (1989) have found that there might be a partial congruence of lay-off and dismissal restraints on the one hand and economic interests of the overwhelming majority of firms in avoiding lay-offs and restricting dismissals to certain categories of workers on the other. This interpretation make give leave to doubt whether employment protection regulations act as a genuine deterrent with respect to firms' hiring behaviour. Survey data have shown that it is primarily lack in demand which has kept German manufacturing firms from taking on more workers during the last economic upswing, while 'insufficient flexibility in hiring and firing' seems to have at most a secondary part in firms' hiring decisions (Nerb 1986; Koenig and Zimmermann 1985). Thus, as I mentioned above, firms might

have reached their flexibility mix without further recourse to flexibility in the extensive margin.

## **PART IV: CONCLUSION**

### **11. CONVERGENCE OR DIVERGENCE IN EUROPE**

# 11. Convergence or Divergence in Europe

## 11.1. Introduction

The discussion of theories regarding convergence and divergence in Chapter 2 showed that the debate cannot be resolved on grounds of theory alone, so that a closer examination of the different countries and their reactions to the new economic realities and trends became necessary. This investigation has been carried out in preceding chapters and various aspects have been compared. The aim of the current chapter is to interpret these results to find an answer to the question of whether there can be talk of convergence in European ways of work organisation, in particular regarding whether that convergence tends to forms of work organisation considered to be able to form a high trust, high skill, high quality equilibrium ; and to provide the answer in the light of the policy options open. Which of those options do decision makers have, and what powers would be needed to influence the process of societal development.

The statistical study as well as the recital of the labour market conditions in our three chosen countries has shown that rigidities and flexibilities in the individual national systems have evolved from miscellaneous and mostly distinct factors. The progress of the different labour markets indicate conspicuous differences; different ways of organising work have been selected, which in turn have moulded their industrial relations systems. Many of those differences could explain, as well as be explained by, the varying degrees of numerical or functional flexibility

possessed by the countries. The idea that a division into a core and periphery in individual firms as advocated by the flexible firm model takes place in reality, or that it alone would allow firms to achieve as well numerical and functional flexibility can be put at rest. Grounded on these observations, the answer to the question of whether current tendencies point towards a convergence of European forms of work organisation is no. However my study has clearly shown the dynamic nature of the systems. Due to the increasingly unified European market, the competitive situation of the various countries, and firms located in them, is undergoing changes. It has become clear that the pressures towards more numerical flexibility are increasing, the preferred choice here, even if to varying degree, and with varying success have been 'atypical' forms of work. At the same time, other measures suggested by the Commission in its White Paper, aimed at increasing functional flexibility, have been echoed much less in current policy making. It has also become clear that systems can be changed so that despite the differences highlighted above, which currently reinforce each other, the position is not a static one. Yet, the over-reliance on numerical flexibility does seem to run counter to the idea of establishing an economy based on skills and characterised by 'high trust, high skill, high quality'.

The analysis presented up to now projects only a part of the picture, as social actors and political will could sanction a new impetus and trigger a transition process. However, this will also depend on the standing and situation of those decision makers as demonstrated by previous routes taken by actors and described both in the empirical study and in the country analysis. The issue here will be to evaluate policy options open to European policy-makers to foster the process of convergence.

## 11.2. Convergence of National Systems?

The statistical analysis of part II has shown that the extent to which firms seek to establish flexibility by using atypical forms of employment is influenced by the degree of flexibility offered by standard employment relationships. Atypical forms of employment like part time work and fixed term employment are thus influenced by economic, social and legal factors which have shaped and are configured by standard employment relationships. One explanatory factor for the variance in usage patterns of atypical forms of work such as fixed term and part time employment, when used to improve numerical flexibility, is the qualification structure of the workforce. New forms of work, particularly fixed term employment can be associated with low skill, except for the case of the United Kingdom. Part time work is also in some way related to lack of apprenticeship places. Thus, it would appear that firms with a lower qualified workforce find it more advantageous to hire atypical workers. The general picture across all countries is, that firms lacking functional flexibility try to compensate for this lack by enhanced numerical flexibility. Meanwhile, the statistical study did not show a tendency to further training of the "core" workforce.

However, the qualification structure of the workforce of the various national labour markets shows marked differences. This indicates the importance of the national production and reproduction systems in determining firms' strategies, and makes a more in depth analysis of national labour market regimes necessary.

The countries which have been studied in the qualitative part of this thesis were selected because they seemed to present extreme poles from the ideal 'flexible labour market', i.e. either lacking one or the other form, or



both types of flexibility. Spain, the United Kingdom and Germany, had been selected a priori, as they are often used as examples of possessing only low degrees of either type of flexibility, lacking functional flexibility or lacking numerical flexibility (respectively). Part II and Part III have shown that this disposition does hold at the current moment, even if changes are taking place. Table 11.1 summarises the most important characteristics of the three labour markets.

**Table 11.1 Comparison**

	Spain	United Kingdom	Germany
General	<ul style="list-style-type: none"> <li>• Rigid labour law for 'permanent' employees</li> <li>• Strong segmentation of the labour market</li> <li>• High unemployment</li> <li>• Low Female Participation</li> <li>• Low trust system</li> </ul>	<ul style="list-style-type: none"> <li>• Highly de-regulated market</li> <li>• 'free' market economy</li> <li>• low-trust system</li> <li>• competing on cost</li> </ul>	<ul style="list-style-type: none"> <li>• Highly regulated market</li> <li>• co-operative culture</li> <li>• high trust system</li> <li>• strong segmentation between in- and outsiders</li> </ul>
Part Time Work	<ul style="list-style-type: none"> <li>• Only recently recognised</li> <li>• Low part time rate</li> <li>• High share of involuntary part time</li> <li>• Low share of female employment in part time rate</li> <li>• Organisational reasons main reason for use</li> <li>• Increase with latest reform, which reduces cost (social security contributions)</li> </ul>	<ul style="list-style-type: none"> <li>• long tradition, however change from supply side considerations to demand side</li> <li>• part timers in worth situation than full timers</li> <li>• Often used to reduce cost</li> <li>• high share of female part timers</li> <li>• high degree of voluntariness</li> <li>• high share of low skilled jobs</li> </ul>	<ul style="list-style-type: none"> <li>• long tradition, still often used due to employee wishes</li> <li>• increased use of small part time jobs, to reduce cost (social security contributions), often in low skilled jobs</li> <li>• high share of female part timers</li> <li>• In the majority of cases not used to enhance numerical flexibility</li> </ul>
Fixed Term Work	<ul style="list-style-type: none"> <li>• High share of fixed term employment, 'norm' for new labour contracts</li> <li>• High labour turnover, as contracts can only be extended up to a maximum period</li> <li>• Reduced training provision to fixed term employees</li> </ul>	<ul style="list-style-type: none"> <li>• not very important to enhance flexibility, due to weak dismissal protection</li> <li>• often used for seasonal work</li> <li>• above average importance for low and high skilled employees</li> <li>• used to 'hire' in skills, some dependence on those outside skills</li> </ul>	<ul style="list-style-type: none"> <li>• often used for seasonal work</li> <li>• above average importance for low and high skilled employees</li> <li>• often used for other reasons than numerical flexibility, e.g. probationary period, substitutes</li> </ul>

	Spain	United Kingdom	Germany
Other forms of Flexibility	<ul style="list-style-type: none"> <li>• Large hidden economy</li> <li>• Temporary employment agencies introduced in 1993</li> <li>• Teamworking poorly developed</li> </ul>	<ul style="list-style-type: none"> <li>• No mandatory limit of the length of working day or week</li> <li>• choice of working time arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Various Worksharing agreements, but normally affect insiders only</li> <li>• Working time accounts and self managing organisational units gain importance</li> </ul>
Functional Flexibility	<ul style="list-style-type: none"> <li>• Low degree of functional flexibility</li> <li>• Low social value of vocational training, so high value for University education</li> <li>• Training contracts often used to cut cost, with little training content</li> <li>• Due to structure of the labour market, little willingness of 'permanent' workforce to accept change</li> <li>• Job insecurity leads to concern about training</li> </ul>	<ul style="list-style-type: none"> <li>• low degree of functional flexibility</li> <li>• relatively big problem of skill-shortage</li> <li>• weak relationship between training and career</li> <li>• Low social value of vocational training</li> <li>• no general apprenticeship system</li> </ul>	<ul style="list-style-type: none"> <li>• relatively high degree of functional flexibility</li> <li>• Training system provides practical and theoretical knowledge, ending with a certified job qualification</li> <li>• broad educated, multi-skilled workforce</li> <li>• Recently problems to provide enough apprenticeship places</li> <li>• Education has high social value</li> </ul>

Spain has the highest unemployment rate in the European Union. The conventional explanation for this is the existence of marked market rigidities, which seems to be the reason for the obsession with numerical flexibility in many firms' manpower strategies. As we have shown in part II, fixed term employment relationships have become the 'norm' for entry to the labour market; meanwhile, part time work is mainly used for organisational reasons to increase numerical flexibility. The reasons for those rigidities can be found in the political transition to democracy in the late 1970s, in which many workers' 'rights' (especially regarding the issue of redundancy) were enhanced and or formalised, in a bid to avoid political instability through labour unrest, strongly reducing firms' numerical flexibility opportunities. Traditionally, vocational training possesses only little standing in society. Additionally, and due to its isolation during the Franco time, production techniques were not on a modern level, and skills required for

newer techniques relatively rare, hence the functional flexibility to employ workers for new tasks was also strongly limited. Firms experienced rigidities in adapting to new requirements and had difficulties in adjusting to the new competitive situation. To improve the position, attempts were made to enhance flexibility, even when at the same time stability in order to protect the young democracy had to be preserved. This led to changes on the margins, leaving regulations for existing contracts nearly untouched. Evaluating these changes, it has to be said that the aim of increased numerical flexibility could only be reached partly. Firms used the new freedoms, and soon the 'new' standard form of employment for new employees became fixed term relations. This strengthened the position of permanent employees even more, as now adaptations to fluctuations could be carried out by increasing or decreasing the new periphery. Given this strong position, the will of the permanent employees to accept changes, or to make concessions in the bargaining rounds diminished. Due to the implementation of the fixed term contracts, these could only be prolonged for a certain period of time, before they would become permanent contracts. The firms being interested in keeping their numerical flexibility, this resulted in the recruitment of new inexperienced employees instead of keeping employees and allowing the contract to become permanent. This led not only to companies following this strategy having to put up with inexperienced workers, but also to a decrease in the motivation to train workers, as they would only be part of the company's workforce for a relatively short period. This ran counter to attempts to increase numerical flexibility. The new generation of Spanish workers can be seen as one of the best educated in Spanish history. However, as a result of the lack of interest in retraining those employees the skills they hold are not properly utilised and soon become outdated. Hence, the changes to increase numerical

flexibility can be seen as a major obstacle to an increase in functional flexibility, despite a rising level in education, given that an upturn in functional flexibility would need longer job tenures. In that much Spain can be used as a good example for the feet of clay of the advantages acquired through changes on the margins only, in trying to adopt methods from other systems, without respecting one's own position.

Unlike the situation in Spain, the statistical evidence presented shows, that in the United Kingdom fixed term employment relationships are used not so much to increase numerical but functional flexibility. This strategy does seem to be a way for firms to cope with the relatively moderate degree of skilled workers. This use of fixed term employment can be explained by the high degree of numerical flexibility (and low degree of functional flexibility) offered by standard employment relationships. In the United Kingdom, the changes towards numerical flexibility have been the most rigorous among our three sample countries, and in contrast to Spain, have not only had impacts on the margins of the labour market. Firms can adapt (numerically) relatively easily to workload fluctuations even under standard employment relationships. Part time work is increasingly used to augment this numerical flexibility. However, firms suffer intensely from a skill shortage, which is strongest in the United Kingdom among the sample countries. Firms compete for skilled workers. The scarce skilled employees often choose fixed term contracts to gain most from the scarcity of their skills. This in turn can generate rigidities. Skill poaching is a short term solution as the scarcity of skills could also lead to higher difficulty to poach. It also leads to no trust, as there is reluctance to train workers which will possibly be poached. The breakdown of the former apprenticeship system has further worsened the skill provision situation. The United Kingdom system is a better framework to achieve numerical flexibility, as changes did not only affect

the margins. However the way those changes can be implemented always represents the power relations at the stage of development they appear. It has also become clear that the changes towards numerical flexibility have brought about a reduction in skilled labour. As a result, the competitive advantage is based on cost, and could be seriously damaged by regulations increasing the cost of labour, so that the main task of the government has been identified in resisting regulations. However, to create a system of vocational training that substitutes the one that disappeared, a certain degree of regulation, to create an atmosphere of trust, seems to be necessary, weakening for some time the competitive situation, while the long term benefits have to be seen as unsure. Hence the high degree of numerical flexibility can be seen as a hindrance to establish a higher degree of functional flexibility.

Despite the relatively moderate degree of numerical flexibility in the German labour market, the data analysis of part II indicates that the use of atypical work to increase numerical flexibility has not gone very far in Germany. As in other European countries it is also true in Germany, that firms using atypical forms of work to increase numerical flexibility, often lack functional flexibility, however, functional flexibility seems to be easier to achieve for German firms. Germany's Dual System is an arrangement for vocational training which teaches theoretical background knowledge as well as practical on the job experience. This system generates multi-skilled workers, which are the base for the relatively high degree of functional flexibility of the German labour market. Not having obtained a certified qualification has become a stigma. With only moderate payment during the apprenticeship, taking up an apprenticeship place means postponing one's income. This requires trust, in the fact that one will be able to make up the 'lost' income in later years. As dismissals are relatively difficult and

the approval of the "Betriebsrat" is needed in bigger firms, firms tend to, based on the relatively broad education in the apprenticeship, try to retrain staff, rather than dismissing them and hiring new workers. This orientation towards the internal labour market has increased job tenure and led to a high skill orientation. The downside of this orientation to the internal labour market is strong segmentation between insiders and outsiders to the labour market. Once out of the labour market it is increasingly difficult to rejoin, in particular as it is mainly firms responsibility to (re-)train, so that the unemployed lose rapidly out on this point. This matter is documented in the high share of long term unemployed and the difficulties women experience in re-entering after a long absence from the labour market (e.g. after childcare). Due to the high degree of functional flexibility, firms use atypical employment relationships -which had been introduced to create employment - less often in order to achieve flexibility, compared to their counterparts in Spain and the United Kingdom, as those forms of employment seem to be more difficult to implement within the framework of the pre-existent form of work organisation. Thus far, the real restrictions to external flexibility seem to lie in the traditional way of work organisation. To overcome short term adjustment problems firms rather turn to overtime or annualisation of working hours, which again makes it difficult for outsiders to rejoin. Atypical employment relationships were also introduced with the objective of offering a stepping stone into employment. However as many of those jobs are confined to the lowest hierarchy and offer little chance to leave atypical employment, this aim has not been achieved. More redistributive policies to bridge the (training) gap between in and outsiders, e.g. by offering State financed training programs, are currently reduced, as redistributive policies are seen to weaken the competitive situation in comparison to international competitors. Regarding the advocated

atypical employment relationships one can notice a recent trend towards more and more atypical labour for flexibility reasons and to reduce the cost of labour, as small part time jobs are excluded from social security contributions (and benefits). Those employees are often excluded from training and have hardly any chance of a career. It has also been possible to ascertain that high users of this form of work have a much smaller share of apprentices. The number of firms offering apprenticeship places has been reduced over the years. This can be seen as an indication of a deviation from a skill towards a cost and numerical flexibility orientation, for the time being only by a limited number of firms. This will be discussed when looking into the converging / diverging trends in the following paragraphs.

Conditions needed to establish functional flexibility seem to differ substantially from those needed to (e.g. Industrial Relations) generate numerical flexibility. Measures taken to foster one form, might run counter to measures to foster the other, in the worse case rigidities increase on both accounts. None of the countries has achieved the degree of numerical and functional flexibility needed to form a high quality, high trust, high skill equilibrium for all economic operators. To come to the wanted type of society, redistributive policies, to pay for example for training, seem to be necessary. To establish (and most important of all : maintain) an economy based on high skills, high trust and high quality, constant investment into training and retraining, in a framework of synergic industrial relations seems necessary.

The various socio-economic systems in Europe have their competitive advantage in different areas. Economies competing at the low cost end would need to invest into training in order to be able to compete on the other end of the competitive scale. This investment would of course, at

least for some time, undermine the most important competitive advantage: cost. Benefits would become noticeable, if at all, only in the long run. For those economies competing on the high quality end of production, a continuation of investment into training does not necessarily have to yield the same return as it used to do. The skills generated might not only be used by the economy itself, as labour becomes more mobile, and the costs would nonetheless be born out by a national economy. Other redistributive policies like training the unemployed, financing outsiders etc. are likewise more difficult to keep up, as this might increase costs for those 'inside' and might attract recipients from other countries. Moreover, adjustment to the economy through monetary policies is not possible through competitive devaluation or exchange rate adjustments as that will cease to exist once the EMU comes into being.

In this way, the Nation States face the **prisoner's dilemma**, as actions taken by them determine their possible competitive advantage or disadvantage only in connection with the action of the other Member States. And this, due to the *de facto* impossibility of controlling the flow of (human) capital, as costs can be born in one state, while the return on investment might be beneficial in another.

A simplified description of a dilemma the Nation States are in will be given, the 'real' situation is much more complex, featuring struggles to implement changes etc., but the simplified version seems to be sufficient for the time being. The simplified balance sheet for an individual country, regarding necessary investments and one's relative competitive situation looks as follows:



COUNTRY A COUNTRY B		Invests into wanted	Does not invest into
		Society	wanted Society
Invests into wanted	Society	win/win	II gains for A I
Does not invest into	wanted Society	Gains for B	III no change IV

In Case I (III): These costs mean, if the competitors do not have those costs, a loss (at least for some time) in one's competitive situation. Whether this loss can be made up again, particularly given the fact that the return on investment can also be beneficial for the other countries, is questionable.

In Case II: If all countries go this route (and bear similar costs) this change in one's relative competitive situation would not have to take place and could lead to the desired society. Given the various starting up positions of the Member States one has to assume different costs, which would, if no side-payments are made, lead again to the loss of competitive ground for some countries.

In Case IV: If none of the countries bears any costs, or even try to reduce costs, the relative competitive situation might stay unchanged. However this would not lead to the desired high trust, high skill, high quality societal system of work organisation.

This balance sheet would reflect the relative positions of European Union countries as to investment, but cannot prejudge the results achieved in interaction with third-party countries. The fact that outside countries might invest and benefit from the increase in competitiveness has also to be seen

as a loss in relation to those outside countries.

For both (all) countries to win, i.e. to get to the wanted form of society, all of them would have to undertake investments (Case II), however the countries cannot be sure of the others' action, and different legal requirements and costs complicate the issue further. This means that countries will be cautious not to bear costs. In Case IV, countries can try to influence their own competitive situation by reducing costs or at least by trying not to increase them.

This might lead to a convergence on the lowest common denominator or even competitive deregulation. To overcome this trend co-ordination, through social dialogue, does seem to be necessary (European Commission, White Paper; 1994) (as in the prisoner dilemma, knowing the other's course of action in advance would solve the dilemma).

Member states are unable to enact effective regulations due to their loss of influence because of globalisation. Moreover, the European Union itself has not gained the influence lost by its Member States. Additionally, given the big differences between the systems, and that Member States try to keep their powers and have their own agendas, for the institutions of the European Union to keep to a "no decision" strategy seems to be easier than coming to a decision. In case the European Union should attempt regulation voices from member countries will accuse the European Union either of social dumping or of protectionism. This makes decision making in this area on a European level prone to gridlock and hence the European Union can not take over the co-ordinating role.

### **11.3. European Social Policy: a system's merging?**

The need for co-ordination arises from the fact that there are differences among national social policy structures which make any attempt at policies aimed at the integration of work organisation systems very difficult. The question is whether such a development can be based in the existing systems, or these need to be radically altered. Moreover, social actors are also nationally minded, and globalisation poses challenges to which unions are especially ill-equipped to respond precisely because their historic development has geared their strategies and structures to national arenas, in which they deal with national governments and national employers, typically organised along national sectoral lines (Martin, 1996). As Streeck (1995) has stressed with respect to Europe, insofar as the strategic domain of business is a single market that replaces formerly separated national markets, this tends to erode the effectiveness of national rules governing the conditions under which economic transactions generally and labour market transactions in particular take place. The effectiveness of such rules can only be restored if they can be shifted to transnational institutions whose jurisdiction is co-extensive with the traditional scope of the market. Because political institutions whose jurisdiction is co-extensive with the market have been created in Europe, there are unique possibilities for replacing national rules with common rules for Europe's single market, however, they are unlikely to take place.

The scope of member-state activity in social policy not only limits the room for European Union action, it also signals the considerable value that member states place on continued control over policy, given the fact that any decision in other areas such as macroeconomic policy have been shattered by globalisation. Moreover the fragmentation of decision-making

and the strong bargaining position of individual member states make the European Union's multitiered system especially prone to lowest-common denominator agreements. An escape route to achieve the needed co-ordination could be offered by social dialogue on a European level. The contemporary developments leading to a confrontation arising out of the inherent conflict of interests in the employment relationship and the indeterminate nature of labour effort, makes it clear that management will constantly seek to exert control over the labour process in the interests of the firm's owners (Turner and Morley, 1995). Nevertheless, Europe has a tradition of collectivism and consensus building and trade unions have a social legitimacy in Europe on a much grander scale than in the US. Brewster and Hegewich (1994) argue that, despite many internally distinctive features, Europe has a coherence of its own and a distinctiveness from other major blocs. This is particularly true in the HRM area relating to decentralisation and devolvement, pay flexibility, employee investment, Industrial Relations, employee communications, flexible working patterns and the development of European Union social policy. Hence, an argument can be developed that in Europe at least the two concepts may not be in opposition, they may be different perspectives on the same process (Brewster, 1995).

It would appear that the European Union tries to foster convergence through social dialogue. Formally, as the partners possess autonomy, and can come to contractual agreements on a European level, the social dialogue could be a point of departure for establishing a transnational way of European work organisation. However, if the wanted European way of work organisation can develop, it will depend on the interest of the social partners to find new patterns of regulation, and on their ability to negotiate and control those agreements. Some points regarding the interest and/or

ability of the social partners to establish a European way of work organisation will be highlighted in the remainder of this thesis.

Aims differ between employees and employers as well as inside those groups, considering the various national systems they are embedded in. On a European level, the societal divergences serve to influence the position of the decision makers, and outcomes are equally informed by the nature and level of consensus in industrial relations and the social dialogue process. Again, the nature and level of social dialogue differs and the United Kingdom has, against the stream, move dramatically away from consultation over the past 10 to 15 years. My other two chosen countries have traditions of tripartite social dialogue, as have the Benelux and France and in particular Sweden and Denmark (Trends, no. 22, 1995). Concerning the inner group differences which result from the various national circumstances, one can find similarities in the situation of the social partners on the European level and in the European Union. Due to the differences a co-ordinating effort seems to be especially important; however it is those same differences which make it difficult to find common interests.

Between the two groups of employers and employees, interest in regulation is influenced by the command or lack of command the various groups have on their labour market position. In the current situation, employers gain influence, which means a decrease in the interest in regulation, while employees are more vulnerable and therefore more interested in regulations. Given the increased mobility of capital which poses a direct threat to any effort to deviate from the competitive deregulatory path, the interest of Trade Unions must also be to cover the whole area of mobility, and avoid being played against each other (which is difficult to achieve given the various traditions, see above).

“While the globalisation process has indeed put pressure on trade union wage negotiations in regions and sectors, very different and flexible answers have been found or are being sought which respond not only to the economic decentralisation trend in the globalisation process but also to the complex needs of trade union members and enterprises as a result of social modernisation processes in the EU member states. (Hoffmann & Hoffmann, 1997). Despite similar problems, only the beginning of a convergence i.e. a unification of national labour relations, can be observed. Respective national labour relations differ strongly from each other and identical or similar problems are dealt with very differently (Streeck, 1996). This divergence in labour relations has considerable consequences for a future-oriented Europeanisation of industrial relations, in which European works councils could play a pioneering role. (Hoffmann & Hoffmann, 1997). The future of trade union success stands or falls on the continuation of standards of solidarity in European society.

Interest for European regulations under certain conditions can also be found among employers. Advantages for employers can be the reduction in salary-based competition or the creation of a productivity coalition for improving one's competitive situation. Examples of such European agreements are for instance the European Works Councils. Nevertheless those regulations and the corresponding advantages generally operate on a company level, while the interest in regulation on a higher level is rather limited on the side of the employers.

Given these differences in interest in regulations, the bargaining power, on the European level, in particular of the social partner interested in an European agreement becomes an important element. However, there are also strong inner group differences as regards European

regulations. Neither the European Trade Union organisations nor the Employers associations are currently authorised for negotiation, or have the power to impose agreements on their member organisations. Given the dilemma formed by the varying traditions and different power relations in the various countries, together with the authority for decision making held by the national member organisations, it can not be expected that those powers will be given to the institutions without major struggles.

Nevertheless, even without those powers to find regulations on the macro level, a Europeanisation of work organisation might evolve, as in a multitiered system as the European one, the question is not only what to regulate, but also on what level. In this context, a twofold debate has opened up over the role for community policies particularly in the area of labour standards. The first question is whether or not it is necessary to impose labour standards at the European level and the second relates to how such standards should be fixed. There appears to be a generally positive response within most of Europe to the principle of European labour standards. On the one hand, the existence of labour standards appears to be a precondition for establishing a common rate of growth within Europe. Some degree of social coherence within Europe also appears necessary to avoid the development of national or regional social dumping policies and the consequent widening of cultural, political and macroeconomic disparities. On the other hand, and perhaps more fundamentally, the existence of basic standards could influence the technical and organisational choices available to the European Community when determining its strategies or models for economic development and encourage it to choose a path based on the use of a skilled labour force which would enhance the competitive position of Europe.

However, even this response poses some problems. Thus Rodrigues (1992) has shown the different reactions of national productive systems to the introduction of labour standards based on external criteria. She has shown and I have corroborated, that a simple integration of these standards without major structural change can lead to a worsening of disequilibria or to the development of evasion strategies, for example through the expansion of atypical forms of employment. This demonstrates that the implementation of European standards can work only if there is a simultaneous development of coherent policies between member states and if negotiation between social partners at the national and community level is established (see also Deakin and Mückenberger, 1992).

For the matter under discussion in this thesis the way out might be that, without attempting to regulate at the market level, regulations could be found at the firm level. From that angle, European Works Councils might offer a good starting point for this development, as this offers the social partners the opportunity, and forces them, to find transnational regulations; regulations in the sense of co-ordination and "pattern bargaining". The evolution of European Works Councils has been rapid since the adoption of the directive in the autumn of 1994, triggered by the reality of economic Europeanisation. The directive alone shows that the European Union possesses some regulatory power to guide the process of social integration. However, according to Martin (1996), the European institutions' support has a definite bias with respect to the kind of trade union structure it encourages. It cultivates primarily the top or intersectoral level, and secondarily the lowest or company level. It gives least encouragement to the intermediate or sectoral level. As I have mentioned above, it is dubious whether unions will give mandates to supranational organisations.



Even with the most optimistic view on the impact those steps can have, one has to consider the likelihood of such a process to develop, if at all, over a long period. The limited cognitive and organisational capacity of mankind makes it impossible to design and implement grand, spectacular schemes of institutional and economic transformation without running grave risks of errors and even catastrophic failures. Overwhelming empirical evidence indicates that really efficient institutional solutions and organisational structures were shaped over long periods of time, through painstaking efforts and numerous trials and errors, evolving gradually in an organic, evolutionary way. This is why development is - among other things and perhaps above all- a learning process. To arrive at a rational institutional framework, one needs a lot of time and learning. Knowledge, being an invisible but most significant production factor, can only be obtained in and with sufficient time. With some stretches of imagination, time can be ascribed a normative significance: it turns out to be the peculiar input needed to secure high levels of development and a really efficient institutional machinery (Åslund, 1992).

In that far the current strategy of pressing on with the economic integration and establishing of the European Monetary System, while hoping that European social integration will follow in line with the economic integration has to be seen as a high risk strategy. As Ramos Yuste and Foden point out (1995), all the present talk of supply side reform can do very little to bring unemployment down in the absence of sufficient macro-economics stimulus. And as long as unemployment remains so high it is very hard for national unions to do anything but try to save whatever jobs they can for their insiders, so that sustaining cross-company solidarity is all the harder, not to speak of sorely needed transnational solidarity.

On the other hand, the current climate of change and the awareness of the importance of some 'social values' growing, means that if current pressing problems in all the member states can be used to create a new solidarity, the current situation can also be interpreted as a chance for Europe. Growing frustration may motivate key actors to seek alternatives that avoid the problems outlined above.

The overall conclusions of this study are as follows. First, the main reason behind the use of "new" forms of labour vary between different labour markets in Europe, they do not even point to a main reason for the use of each one of them, excluding universal rationales of economic rationality. Secondly, these atypical forms of work do not represent a move towards new modes of organisation; on the contrary they are more often than not used for conservative reasons, to support and prolong the lifetime of existing modes, being adapted to societal circumstances. Third, the underlying systems of work organisation differ in European Union member states, thus, any debate or policy has to take account of national systems, thus coming back to characteristic universalism. Fourth, the variance in existing systems has serious implications for policy making on a European level, as decision making becomes increasingly prone to gridlock. Finally, to avoid (unhealthy) competition between the Member States, which could lead to lowest common denominator policies, stronger co-ordination is needed, and this requires a consensus on the desirable future, which due to the differences and pre-conditions is difficult to achieve in itself, but could perhaps be achieved through social dialogue on European level, if this would maintain a healthy standard of solidarity.

## **APPENDIX**

## **REFERENCES**

## **Appendix A**

### **The European Labour Force Survey**

#### **Appendix A 1 Comparability of Data**

The European Labour Force Survey was chosen as a source of background information, to ensure a certain degree of comparability of the data between the member states, since common definitions are used in the Labour Force Surveys throughout the countries. Data is presented for years from 1984 onwards, since between the surveys for 1983 and 1984 some countries changed the questionnaire, and comparability would not be given. However, when comparing the presented data, the usual precautions needed for the comparison of international data should be taken. Some words of caution will be given next, for further information on the organisation of the survey as well as on technical and/or methodological issues, please refer to the surveys themselves, or to the publications from 1988: Labour force sample survey - *Methods and definitions* and *A users guide*.

The LFS provides reliable estimates for the principal aggregates into which the labour force is divided. However, at a detailed level of disaggregation, the estimates are not reliable, as the sampling base on which the estimates would depend would be too small. It is also because of this reason that there are also limits to what can be accomplished in monitoring trends over time. If the movements are small in relation to the aggregates themselves, it is possible that a sampling error may exceed the size of variation from one year to the next, resulting in an estimated change which is, in fact, in the opposite direction to the 'true' change (LFS, 1993).

Other features that might reduce comparability over time are for instance, the independent population estimates used for grossing up the survey results may have to be revised on the basis of a new population census. Besides, the reference period may not remain precisely the same for a given country from year to year. Moreover, in order to improve the quality of the results, some countries may have changed the content or order of their questionnaire; such changes, as I mention later in this section are particularly important between 1983 and 1984, thus my period choice. Countries can also modify their sample designs. Finally, the manner in which certain questions are answered may be influenced by political or social circumstances at the time of the interview.

## **Appendix B**

### **The New Forms of Work and Activity Survey**

#### **Appendix B 1 Technical and Methodological Information**

As the NWFA survey is less known than the LFS, I will present here an extended summary of its methodology. A detailed listing of methodological issues and information about the survey results (in tabulated form) may be found in the following six documents:

- Technical Report
- Management Interviews (Tables, 2 Volumes)
- Employee Representatives Interviews (Tables)
- Documentation of National Questionnaires (2 Volumes)

which have been published by Infratest Sozialforschung. The first general results have been published by Bielenki (1994a). This report also drew on work carried out by researchers from the eight countries, who had been involved in the survey. The central point of interest in this report was Europe as a whole, and differences in the eight countries were only superficially explored, without seeking to explain them.

I was granted permission to use the raw data set. Here I only intent to give a small overview of the aspects more to the point for the subsequent analysis.

## **Appendix B 2 The Universe of the Survey**

The universe of the survey was defined as all private sector establishments with ten or more employees, excluding agricultural establishments. The distinction between private sector and public sector was based on the European Classification for Economic Activities (NACE) (see Appendix C, for a listing of the NACE classification). The survey includes the following sectors: NACE 1 to 6 (Energy and Water; Chemical Industry; Metal Manufactures; Other Manufacturing Industry; Building; Distribution, Hotels, Repairs), and with the exception of NACE 71, 721 and 79 most of NACE 7 (Transport), NACE 8 (Banking, Finance, etc.) and parts of NACE 9 (Other Services)(excluding NACE 91, 921, 922, 93, 95, 962 and 99).

The data collected in the survey are representative for 972.000 establishments with 42 million employees in the eight member states included in the sample. That means that although the survey covers only 10% of all non agricultural establishments, it covers as many as 51% of all non agricultural employees in the eight countries. This can be explained by the fact that most employees work for medium and large sized establishments, and by the fact that the vast majority of establishments have less than ten employees. So the missing 49% employees work in small establishments or in the public sector, which had both been excluded from the universe of the survey.

## **Appendix B 3 Sampling**

National research agencies were responsible for building the samples of establishments for their country. More detailed information about sampling methods, is given in the Technical Report. Overall the sampling process can be summarised as follows.

The unit of enquiry was the establishment, which is an adequate unit of analysis to give clues about work organisation, one of the major factors for competitiveness, and to answer the question of why firms make use of certain forms of work. This question is meaningful because of its bearing on competitiveness, which is central for the political decision making process. In multi-unit companies information was collected for local units only, and not for the company as a whole. As Atkinson (1994) explains, this way of collecting data has the enormous advantage of bearing a strong link with practise, rather than with drafted policy; highlighting the actual practices and not the policy statements of head offices. This perspective is the appropriate one for the objectives of this investigation. The establishment is an interesting unit of enquiry in so far as it is the place where at a given historic moment (i.e. under certain legal, economic and social conditions) supply and demand on the labour market have met.

The Samples were stratified by size classes and sector of activity (often by using combinations of NACE sectors). The stratification matrix was different for the different countries. Using this method the investigation attained, as is customary in enterprise based surveys, the aim of making the sample ideally proportional to the number of employees. That means though, that compared to establishment proportional data, large



establishments, due to their higher share of employees, are over-represented. Within each cell establishments were chosen randomly.

As we have already pointed out, the samples were at least theoretically employee proportional, however, in order to compensate for disproportional non-responses and to get correspondence between the net sample and the distribution of employees in the universe, employee proportional weighting became necessary.

To incorporate the quantitative relations between the eight countries involved in the survey, Infratest carried out an additional 'international employee proportional' weighting, by multiplying the 'national employee weighting factors' by a constant for each country. Weights were supplied by Infratest. The variable was denominated "weight 1", having values ranging from below 1 to below 7.

In order to carry out analysis, using the quantitative data collected in the sample, (e.g. number of employees, number of female part timers, number of skilled manual workers) it is necessary to transform the data into 'establishment proportional data'. Using weighting factors it is also possible to transform the data into establishment proportional figures. The weighting factor was supplied as "weight 2" in the data set. Establishment proportional weighting can be considered as the projection to the total of establishments in the universe of each country, hence a further international weighting is not necessary. It should be noted that the basic structure of the sample was employee proportional, and that the weighting factors to transform the data to establishment proportional range from below 1 to more than 2200, which means that the analysis requires a great

amount of caution, since one single case with a high weight might have too strong an impact on the result.

Results will be presented indicating the use of 'employee proportional' or establishment proportional data.

## **Appendix B 4 The Interviews**

Interviews were held in 3520 establishments (see table B.1). In each of those establishments management and, when there were any, employee representatives were interviewed, this was the case in 1.573 establishments. The analysis in the statistical chapters is only based on management questionnaires.

It was possible to do several checks for consistency. In order to use as much data as possible, the analysis is based on all questionnaires which have been completed and consistent in the answers under consideration. For instance, I will make use of data from establishments who made inconsistent or incomplete answers in the fixed term section, but gave otherwise complete and consistent answers in the analysis about part time work. This practise is in line with the suggested practise in the technical report, however one can also find reports which are only based on questionnaires which have been answered completely and were consistent throughout, or on samples based on other subsets. Subsequently, when trying to compare between different reports which have been written based on the data set, with sub-samples assembled in slightly different ways, one might find trifling different distributions. The consistency checks which were performed were in line with the checks proposed in the technical report, and 73 flags for different inconsistencies had to be entered.

**Table B.1. Distribution of cases**

	EURB	B	D	DK	E	I	IRL	NL	UK
<b>All</b>	3520	494	506	404	500	500	200	404	512
<b>Part-Time</b>	2091	309	409	273	96	218	79	351	356
<b>Fixed-Term</b>	1734	195	288	101	381	347	54	304	64

Table B.1 indicates the number of management interviews held in each country; how many of them were held in establishments with at least one part time employee; and how many were held in establishments with at least one employee with a fixed term contract. The number of cases for the later two reflect the pattern of use of those atypical forms of work in the countries.

Table B.2 and Table B.3 show the number of interviews conducted by sector of main activity of the establishment and the number of cases by size class of each establishment. This two variables had been used to stratify the sample (see section 5.3 on Sampling).

**Table B.2 Distribution of cases by sector of main activity**

	EURB	B	D	DK	E	I	IRL	NL	UK
<b>Energy &amp; Water</b>	85	6	25	8	15	3	4	15	9
<b>Chemical Industry</b>	267	31	65	12	54	63	13	20	9
<b>Metal Manufacture</b>	601	38	119	56	117	124	29	58	60
<b>Other Manufacture</b>	790	99	71	84	111	146	65	71	143
<b>Building</b>	311	44	59	42	46	37	13	34	36
<b>Retail, Hotel, Repair</b>	649	105	81	89	74	48	43	87	122
<b>Transport, Communication</b>	148	24	18	21	14	17	3	20	31
<b>Banking, Insurance</b>	383	46	42	60	51	50	15	58	61
<b>Other Services</b>	278	94	26	31	18	12	15	41	41
<b>Others</b>	8	7		1					

**Table B.3 Distribution of Cases by Size Class**

	<b>EUR8</b>	<b>B</b>	<b>D</b>	<b>DK</b>	<b>E</b>	<b>I</b>	<b>IRL</b>	<b>NL</b>	<b>UK</b>
<b>10 - 19 employees</b>	555	69	56	94	66	107	45	33	85
<b>20 - 49</b>	760	83	97	92	122	104	44	86	132
<b>50 - 99</b>	554	134	72	55	57	71	36	29	100
<b>100 - 199</b>	528	96	68	74	78	58	26	68	60
<b>200 - 499</b>	589	60	75	57	80	108	39	80	90
<b>500 +</b>	533	51	138	32	97	52	10	108	45
<b>not answered</b>	1	1	0	0	0	0	0	0	0

## **Appendix B 5 Differences in LFS and NWFA**

The service sector has a puissant presence in total employment in Europe, accounting, as mentioned earlier in Chapter 4, for around 60% of total employment. The sectoral distribution in the various member states shows nonetheless conspicuous national characteristics (see table 5.1). The Greek, Irish, Spanish, and to a lesser extent, Italian economies are marked by the relative importance of the primary sector for employment. In Greece this sector accounts for more than three (2 in the case of Ireland and above average for the Spanish and to a lesser extent for Italy) times the average European proportion for employment. Germany's employment structure is marked by the relative importance of industrial employment, accounting for more than 40% of total employment, a relatively low rate of employment in this particular sector can be found in the Netherlands and in Denmark, even if the difference with the average is less marked here, than in Germany. The service sector employs more than half of the total workforce in all countries, and is of singular importance in the Netherlands and Denmark. In table 5.1 we can see the distribution of Employment by Sector of Activity. The divergences in the distribution of employment over the various sectors becomes even more distinct, when they are further broken down into the different NACE classes. Table B.4 represents the proportional participation of total employment in these sectors, for sectors researched by the 'New Forms of Work and Activity' - Survey ( Bielenski, 1994a).

**Table B.4 Distribution of Employment by Sector of Activity  
(NACE classes )1989**

	EUR 8	B	D	DK	E	I	IRL	NL	UK	F	GR	L	P	EUR 12
1	1.8	1.5	2.1	1.1	1.4	1.2	1.6	1.2	2.4	1.5	1.9	1.5	1.2	1.8
2	4.5	5.9	6.3	2.3	4.4	4.1	4.1	3.4	3.4	3.8	3.5	10.4	5.0	4.4
3	11.9	10.4	18.6	8.3	8.9	8.4	8.5	7.6	10.7	11.0	4.7	3.7	6.4	11.4
4	12.0	11.4	11.3	11.6	14.3	14.7	13.6	10.1	10.3	10.8	18.2	8.1	22.8	12.3
5	8.9	7.0	7.9	8.2	11.1	10.2	8.8	7.9	8.8	9.0	9.6	9.6	11.5	9.1
6	22.4	20.5	19.1	17.7	27.0	25.8	23.8	20.7	22.4	20.3	27.7	23.0	23.6	22.2
7	6.9	8.3	6.6	8.6	7.1	6.7	7.0	6.8	6.9	7.2	9.7	7.4	5.8	7.0
8	9.0	9.3	9.3	11.2	6.5	5.0	10.3	12.1	11.7	10.5	6.8	14.1	4.6	9.1
9	22.5	25.7	18.8	31.0	19.3	23.9	22.4	30.2	23.5	25.8	18.0	22.2	19.0	22.8

Source: Eurostat Labour Force Survey

The Universe of the survey had been defined as non agricultural, non public establishments, with more than 10 employees. Thus excluding establishments that are very small. Since small establishments are not distributed equally over the different NACE sectors, this definition will obviously affect the distribution of employees over the sectors.

Given the way in which the universe was defined, and the differing structure of Member States' economies, the results are somewhat sensitive to this convention in sampling and weighting. Therefore some degree of caution must be exerted at the time of interpreting the results. E.g.: the conventions mean that in the results for the United Kingdom the productive industries will be over represented, since a high proportion of employment in the United Kingdom is concentrated in very small establishments in the service sector. This fact is well illustrated in Table B.5 which compares the survey distribution of the population of the survey's universe with the actual

distribution and shows that about 47% of all UK employees in the sample work in the secondary sector, while the actual number is about 1/3 lower.

**Table B.5 Comparison of Actual and Survey Distribution of Employment by Sector of main Activity in the United Kingdom**

	EUR8 Survey	EUR8 Actual	UK Survey	UK Actual
<b>Energy &amp; Water</b>	2	1.8	1	2.4
<b>Chemical Industry</b>	7	4.5	2	3.4
<b>Metal Manufacture</b>	20	11.9	12	10.7
<b>Other Manufacture</b>	22	12.0	26	10.3
<b>Building</b>	8	8.9	6	8.8
<b>Retail, Hotel, Repair</b>	19	22.4	26	22.4
<b>Transport, Communication</b>	4	6.9	6	6.9
<b>Banking, Insurance</b>	11	9.0	12	11.7
<b>Other Services</b>	6	22.5	8	23.5
<b>Total Industry</b>	59	39.1	47	35.6
<b>Total Service</b>	40	60.8	52	64.5

The distribution of employees in the sample over the NACE sectors (in the scope of the study) does look as given in table 6.1, variations from the actual distribution as given in table B.4 can be explained by a rationale similar to that applicable to the explanation of the variations in the UK data, given above. The same holds for other differences from the data presented in Chapter 4, like part time rates, female participation rates, fixed term rates, etc., which are also linked to the sectoral distribution. The correlation between sector distribution and other labour market indicators will be shown in more detail ensuing.



## Appendix C

### NACE Classification

#### Appendix C 1 Summary table of divisions and classes of the N.A.C.E.

- 0. Agriculture, Hunting, Forestry and Fishing
  - 01 Agriculture and hunting
  - 02 Forestry
  - 03 Fishing
- 1. Energy and Water
  - 11 Extraction and briquetting of solid fuels
  - 12 Coke ovens
  - 13 Extraction of petroleum and natural gas
  - 14 Mineral oil refining
  - 15 Nuclear fuels industry
  - 16 Production and distribution of electricity, gas, steam and hot water
  - 17 Water supply: collection, purification and distribution
- 2. Extraction and Processing of Non-Energy-Producing Minerals and Derived Products: Chemical Industry
  - 21 Extraction and preparation of metaliferous ores
  - 22 Production and preliminary processing of metals
  - 23 Extraction of minerals other than metaliferous and energy-producing minerals; peat extraction
  - 24 Manufacture of non-metallic mineral products
  - 25 Chemical industry
  - 26 Man-made fibres industry
- 3. Metal Manufacture; Mechanical, Electrical and Instrument Engineering
  - 31 Manufacture of metal articles (except 32, 34 and 37)
  - 32 Mechanical engineering
  - 33 Manufacture of offices machinery and data processing machinery
  - 34 Electrical engineering
  - 35 Manufacture of motor vehicles and of motor vehicle parts and accessories
  - 36 Manufacture of other means of transport
  - 37 Instrument engineering

4. Other Manufacturing Industries
  - 41/2 Food, drink and tobacco industry
  - 43 Textile industry
  - 44 Leather and leather goods industry (except 45)
  - 45 Footwear and clothing industry
  - 46 Timber and wooden furniture industries
  - 47 Manufacture of paper and paper products; printing and publishing
  - 48 Processing of rubber and plastics
  - 49 Other manufacturing industries
5. Building and Civil Engineering
  - 50 Building and civil engineering
6. Distributive Trades, Hotels, Catering, Repairs
  - 61 Wholesale distribution (except 62)
  - 62 Dealing in scrape and waste materials
  - 63 Agents
  - 64/5 Retail distribution
  - 66 Hotels and catering
  - 67 Repair of consumer goods and vehicles
7. Transport and Communication
  - 71 Railways
  - 72 Other land transport
  - 73 Inland water transport
  - 74 Sea transport and coasting shipping
  - 75 Air transport
  - 76 Supporting services to transport
  - 77 Travel agents, freight brokers and other agents facilitating the transport of passengers or goods; storage and warehousing
  - 79 Communication
8. Banking and Finance, Insurance, Business Services, Renting
  - 81 Banking and finance
  - 82 Insurance except for compulsory social insurance
  - 83 Activities auxiliary to banking and finance and insurance; real estate transactions (except 85), business services
  - 84 Renting, leasing and hiring of movable
  - 85 Letting of real estate by the owner
9. Other Services
  - 91 Public administration, national defence and compulsory social insurance
  - 92 Sanitary services and administration of cemeteries
  - 93 Education
  - 94 Research and development

95 Medical and other health services; veterinary services  
96 Other services provided to the general public  
97 Recreational services and other cultural services  
98 Personal services  
99 Domestic services  
00 Diplomatic representation; international organisations and allied armed forces

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