

# **Non-Standard Employment in Europe: Its Development and Consequences for the European Employment Strategy**

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## **Abstract**

The last decades have seen an erosion of the traditionally defined “standard employment relationship” through part-time work, fixed-term contracts, temp-agency work and self-employment. Whereas many welcome this development as a blessing for flexible labour markets, others are highly critical hinting to disastrous intended or unintended side-effects such as low or volatile income, dead-end jobs instead of stepping stones, high job insecurity, and poverty in old-age. The European Commission tried to bridge these two opposing views by conceptualising ‘flexicurity’ as the objective of the European Employment Strategy, aimed at ‘balancing’ flexibility and security. Although this oxymoron became common parlance in the meantime, the concept is still quite ambiguous, leading often to cheap talk or being captured by various political interests. Furthermore, one of its main goals, the growth of employment by further increasing labour force participation under the condition of reducing unemployment and labour market segmentation has not been achieved and is now even far out of sight due to the recent economic crisis. The aim of this essay, therefore, is to test the actual and potential role of non-standard employment in view of the ‘flexicurity’ concept through systematic descriptive work and conceptual reflections: first by comparing the development of non-standard employment in 24 EU member states from 1998 to 2008; second by relating this development to the dynamics of labour force participation; third by exploring the main (structural, institutional and behavioural) determinants of this development; and fourth by discussing – in the light of the Post-Lisbon process – the policy consequences aimed at ensuring a complementary relationship between flexibility and security rather than trading-off one against the other.

## **1 Introduction**

A central objective of the Lisbon Process was full employment defined as an employment rate of at least 70 percent until 2010. Although most of the EU member states moved ahead, the Lisbon process failed to reach this target. Furthermore, the major part of employment gains was related to non-standard employment, especially in the form of part-time work, fixed-term con-

tracts, temp-agency work and self-employment. Whereas many welcomed this development as a blessing for flexible labour markets, demanding even more of this kind of employment relationships in favour of the Lisbon benchmark, others were highly critical hinting to disastrous intended or unintended side-effects such as low or volatile income, dead-end jobs instead of stepping stones, high job insecurity, and poverty in old-age. In 2003, the European Employment Task Force stepped in as a kind of broker of these two visions by recommending to direct the European Employment Strategy and the related open method of coordination (OMC) towards a proper balance of flexibility and security (Kok et al. 2004). Dubbed already early by ingenious Dutch researchers as ‘flexicurity’ (Wilthagen 1998), the European Commission took over these recommendations and after long debates eventually succeeded in reaching some kind of consensus about the common elements of the flexicurity strategy (European Commission 2007).

Despite many conceptual drawbacks of the flexicurity strategy (Keune/Jepsen 2007; Schmid 2010a), its central objective of increasing employment and labour force participation is still valid. Even taking into account the fact that the current crisis led to a drastic increase of unemployment in most of the EU-member states, the long-term perspective of most EU member states is still one of labour shortage for two reasons: one quantitative related to the ageing society, one qualitative related to the rapid change of technology and global competition. Whereas migration might fill this gap to some extent, policies raising labour force participation and life-long-learning are generally seen as the more sustainable solution. Furthermore, changing work preferences, especially among women traditionally tied to unpaid work in the private households, hint to unexploited potentials of endogenous factors driving labour force participation. Preferences for labour market participation might still be blocked by institutional barriers of various sorts: employment protection, tax incentives, lack of child care or elderly care infrastructure, and wage discrimination.

Whether one likes the flexicurity-oxymoron or not, a further increase of labour force participation therefore seems inevitably be connected with a greater variety of employment relationships. The aim of the following essay, therefore, is to test this assumption in a preliminary way through systematic descriptive work

and conceptual reflections: first by comparing the development of non-standard employment in EU member states from 1998 to 2008; second by relating this development to the dynamics of economic welfare and labour force participation; third by exploring the main determinants of this development; and fourth by discussing the policy consequences to overcome the weaknesses of the current flexicurity strategy and to provide guidelines for advancing the Post-Lisbon employment strategy.

## 2 The Change of the Employment Relationship in the European Union

The following view on the dynamics of employment relationships is based on the European Labour Force Survey using the following definitions for labour force participation and non-standard employment:

- (1) Activity rate or labour force participation rate = (employed + unemployed) as per cent of working age population (age 15 to 64)<sup>1</sup>
- (2) Part-time employment rate = employed in part-time work and in open-ended contracts or in own account work<sup>2</sup> as per cent of working age population; or part-time employment share as a proportion of total employment
- (3) Fixed-term employment rate = employed in fixed-term contracts (including temp-agency work with fixed-term contracts and part-timers in fixed-term contracts) as per cent of working age population; or fixed-term employment share as a proportion of total employment

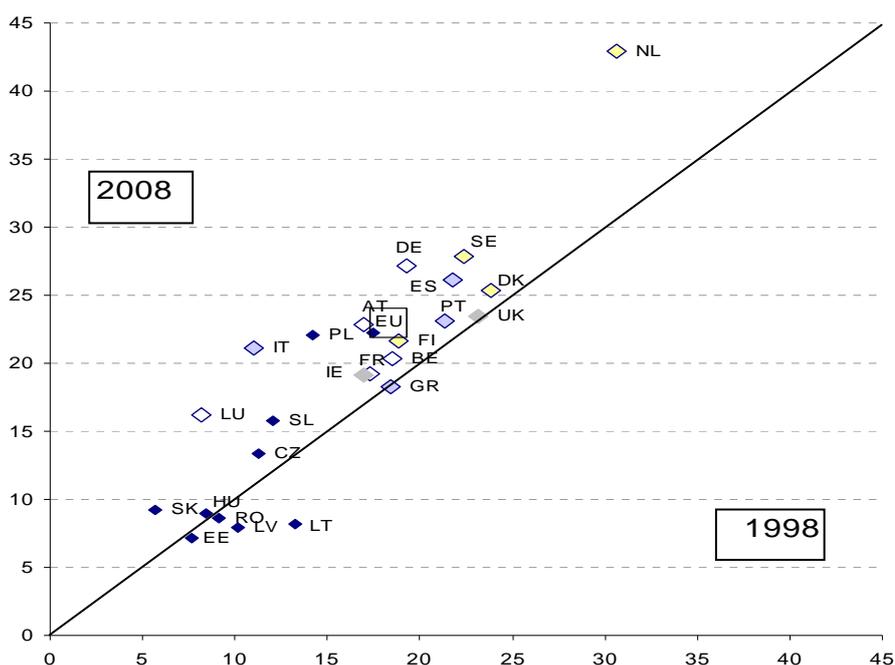
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<sup>1</sup> Notice that “labour force participation” is measured by including the unemployed who belong – in functional terms – to the active labour force (i.e., being available to the labour market and willing to work). The downside of this measure (compared to the employment rate) is spoiling international comparability since the measurement of unemployment between countries varies more than the measurement of employment despite ILO or OECD standards, especially at the margin of the ages and with respect to health related employability. Related to the latter, the standard for employability applied in Germany for instance is (since 2003) stricter than in Denmark or in the Netherlands; Konle-Seidl/Eichhorst (2008), for instance, find that Dutch unemployment rates would almost double by applying the German standards.

<sup>2</sup> Notice that *self-reported „part-time“* is used here, which includes both the possibility that some people are in an open-ended full-time contract but actually work part-time, or the possibility that people are in an open-ended part-time contract but actually work more than 35 hours.

- (4) Self-employment rate = own account workers (self-employed without dependent employees) in full-time as per cent of working age population; or self-employment share as a proportion of total employment
- (5) Aggregate non-standard employment rate = sum of (2, 3 and 4) as per cent of working age population.<sup>3</sup>

**Figure 1: Aggregate non-standard employment rates in Europe, 1998 and 2008**



Source: Eurostat, Labour Force Survey; own calculations; the “aggregate” non-standard employment rate includes part-time, fixed-term and own account work controlling for overlaps; the EU-average excludes Bulgaria, Malta and Cyprus (see footnote 6).

Figure 1 shows the development of the aggregate non-standard employment rate for 24 EU member states<sup>4</sup>. The first pattern that hits in the eyes is that countries belonging to the ‘social-democratic’ regime (including Netherlands as a ‘hybrid’) rank

<sup>3</sup>The statistical analysis uses here a special data set of EUROSTAT which allows, by applying a filter in order to put the three components of non-standard employment together to an aggregate figure of non-standard employment. The figures usually published cannot be added since categories overlap: part-timers may be on a fixed-term contract, and temporary workers may work full-time. On the other hand, this data set leaves open the option to separate part-time from full-time fixed-term contracts or to distinguish between part-time and full-time own self-employment if the analytical perspective requires such a differentiation. I thank Paula Protsch for her invaluable gathering and handling of the statistics.

<sup>4</sup> Excluded are – for reasons of data limitations or exceptionality – Bulgaria, Cyprus and Malta.

highest in terms of the combined indicator for non-standard employment.<sup>5</sup>

However, with around one quarter of the working-age population non-standard employment is also fairly well developed in the ‘liberal’ system of UK, and even in family centred or so-called conservative employment systems like Austria, Belgium, France, Germany, Italy, Spain and Portugal.<sup>6</sup>

On the other hand, it is remarkable that most of the new member states cluster together in the left corner of the figure, which means displaying low non-standard employment rates of around 10 percent, and some countries showing even declining rates.

This leads to the second pattern that immediately can be observed from Figure 1. Most countries are situated above the diagonal line that serves as an implicit time axis. If all countries would lie on this diagonal, nothing would have changed from 1998 to 2008; this is true for some countries, e.g. for UK, Greece, and Hungary. Some countries, especially Lithuania and Latvia, experienced even a decline in the aggregate non-standard employment rate. In most other countries, however, especially in Italy, Poland, Spain, Germany and Netherlands, the non-standard employment rate increased by about five to ten percentage points. The decomposition of non-standard employment into its three components of part-time work, fixed-term employment and self-employment, confirms our expectation: part-time work is the most prominent element in non-standard employment of most countries. As already hinted at the beginning by pondering about the definition of “standard” employment from a life-course perspective, there are good reasons to argue that at least open-ended part-time work in the range of 20 to 35 hours deserves to be counted as standard, and not “atypical” anymore. Part-time work is common especially in well developed knowledge and service economies. Part-time employment rates – including the non-trivial number of self-employed people working in part-time – however display great variation between the EU member states, ranging from one percent in Romania to 27 percent for the “champion” Netherlands. Fixed-term employment rates (including part-timers with fixed-term contracts) vary “only” between

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<sup>5</sup> I refer to the classic ‘regime’-typology by Esping-Andersen (1990); Netherlands as a ‘hybrid’ contains ‘conservative’ elements as well.

<sup>6</sup> May be catholic Poland can be counted to this regime-type as well.

(roughly) one percent in Romania again and 16 percent in Spain; whereas the self-employment rate (excluding part-time) displays a minimum of two percent (Luxembourg) and a maximum of 12 percent (Greece).

Behind any variation of figures there are possibly hidden patterns. Are these three components of “flexible” employment (part-time work, temporary work, own-account work) complementary or substitutive? A first answer to this question can be found by simply correlating the various forms of non-standard employment across the 24 country observations in 2008.<sup>7</sup> The strong positive correlation between open-ended and fixed-term part-time employment ( $r=0.71$ ) is intuitively clear since both contractual forms are complementary. One plausibly can assume that a majority of open-ended part-time employment is the continuation of fixed-term part-time work. The same explanation can be given for the positive correlation between fixed-term part-time work and fixed-term full-time work ( $r=0.34$ ): a substantial part of fixed-term part-time contracts might lead to fixed-term full-time contracts, although such interpretations cannot directly be derived from such correlations. A bit more difficult to explain is the strong correlation between fixed-term part-time employment and part-time self-employment ( $r=0.61$ ). Common underlying causal factors of this correlation probably are supply constraints, in particular of single or married women (or of the few single men) having children who can devote only part of their time to gainful employment. This interpretation is corroborated by the significant correlation between open-ended part-time work and part-time self-employment ( $r=0.52$ ).<sup>8</sup>

Finally, the strong negative correlation between full-time self-employment and open-ended part-time work ( $r=-0.46$ ) indicates a substitutive relationship between these forms of non-standard employment. It seems that not all forms of non-standard employment are driving labour force participation – at least not for all target groups. This substitutive pattern forecasts the decline of full-time self-employment in favour of part-time employment

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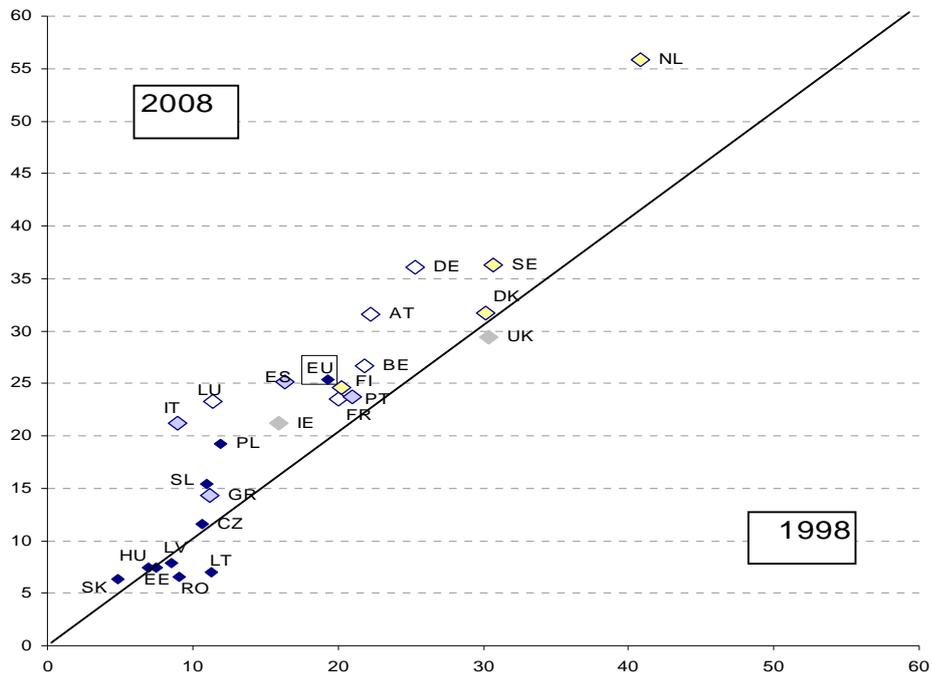
<sup>7</sup> For a more detailed analysis see Schmid/Protsch (2009) and Schmid (2010b).

<sup>8</sup> One is also tempted to explain this correlation by the possible combination of gainful part-time work (as the main and reliable income source) and part-time self-employment (as experimental area of additional income or ‘self-realisation’). However, the nature of the data does not allow this conclusion since individuals are counted by the main occupation they are reporting. Nevertheless, as we will see later, this combination may indeed play an important role.

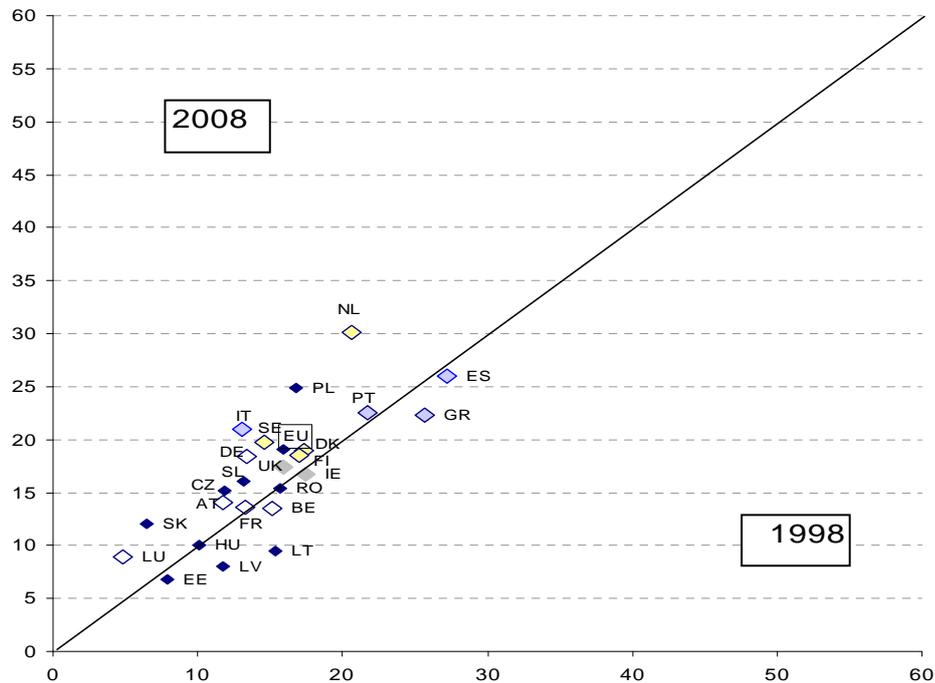
especially for countries that need to catch up with the ‘developed’ countries in terms of non-standard employment and labour force participation. Furthermore, it can be assumed that formerly self-employed people in agriculture, retailing or sweat-shops transit into dependent part-time work and combine this small but regular income with volatile income from various kinds of informal work on the side (especially in small-sized agricultural production), moonlighting or even illegal work.

The differentiation of these observations by gender provides further hints to the reasons of rising non-standard employment. Figures 2 and 3 clearly show that the variation of non-standard employment among women in the EU is much higher than among men. The minimum and maximum non-standard employment rates for men vary between 8 percent (Estonia) and 30 percent (Netherlands) in 2008; however, for women, they range from 6 percent (Slovak Republic) to 56 percent (Netherlands). Whereas non-standard employment of women increased (apart from Romania and the Baltic states) in almost all EU member states, especially in the Netherlands and Germany, the pattern of dynamics is mixed for men: The small Baltic States, and also Greece, experienced a decline, and only a few of the countries (Italy, Poland, and Netherlands) show a substantial increase in male non-standard employment.

**Figure 2: Aggregate non-standard employment rates in Europe, 1998 and 2008, Women**



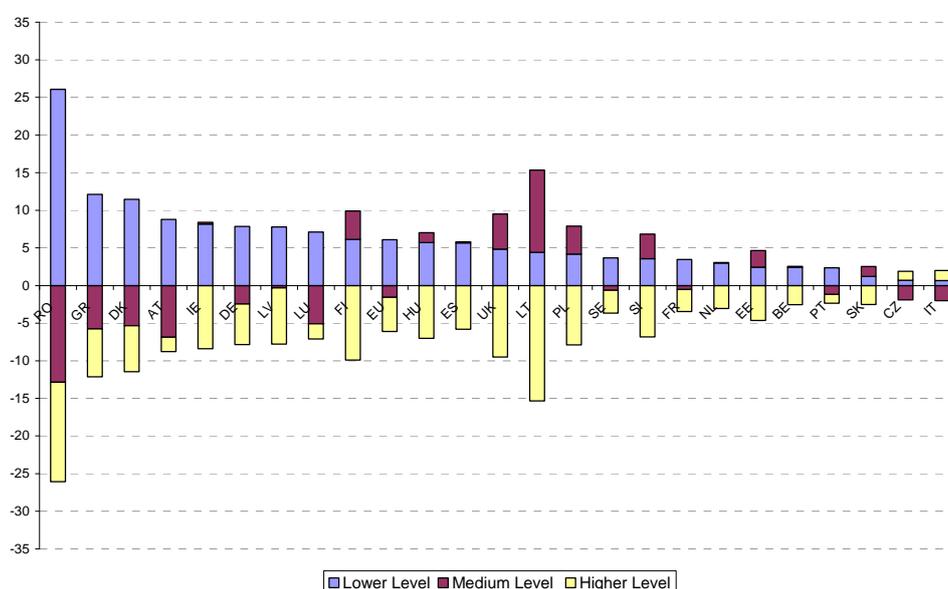
**Figure 3: Aggregate non-standard employment rates in Europe, 1998 and 2008, Men**



Source: Eurostat, Labour Force Survey; own calculations; the “aggregate” non-standard employment rate includes part-time, fixed-term and self-employment, controlled for overlaps.

The differentiation according to education<sup>9</sup>, surprisingly, does not provide a clear pattern. One would expect a concentration of non-standard employment among low-skilled people which is only partly true. Whereas non-standard employment among low-skilled people is common in Mediterranean countries like Portugal, Spain and Greece many highly skilled people in non-standard employment can also be found in the ‘social-democratic’ regimes like Denmark, Sweden and Netherlands.

**Figure 4: Share of skill-groups in non-standard employment compared to their shares in total employment in Europe 2008 (differences in percentage points)**



Source: Eurostat: Labour Force Survey; own calculations

Confronting the shares of non-standard employment by qualification with corresponding shares of these skill levels in total employment, the pattern becomes clearer (Figure 4). Without any exception, low skilled people are overrepresented in non-standard employment, however, with great variation across EU member states. We find, for instance, about 12 percentage point

<sup>9</sup> According to ISCED (1997): *Low*=ISCED 0-2 (pre-primary education; primary or first stage of education of basic education; lower secondary education or second stage of basic education); *Middle*=ISCED 3-4 ([upper] secondary education; post-secondary non tertiary education; *High*= 5-6 (first stage of tertiary education [not leading directly to an advanced research qualification]; second stage of tertiary education [leading to an advanced research qualification]). The reader, however, should be aware of the dubious validity of these levels for comparative aims (Müller 2007).

overrepresentation in Denmark, 8 in Germany, and only 3 in the Netherlands (six percentage points being the EU-average). At medium skill level, the pattern is mixed, whereas at upper level, high skilled people are underrepresented in most countries (especially in Eastern European new member states), with the exception of Italy and Czech Republic.

### **3 Explaining the Dynamics of Non-standard Employment**

Many possible factors would have to be taken into account to explain the dynamics of non-standard employment, for instance by screening structural changes on the supply and demand side including their interaction, by scrutinizing then institutional as well as policy determinants as reactions to these changes, for instance taxation, social security reforms and labour market policies targeted towards specific groups like elderly and women. Last but not least, changes in labour market regulation, especially those targeted to non-standard work, would have to be considered. In the following, a pragmatic approach – instead of following a systematic analytical framework – shall be applied to bring some insights at home.<sup>10</sup> Leaving aside text book wisdoms like wage elasticity at the supply side or marginal productivity at the demand side, such a perspective is both guided by interesting patterns observed as well as by considerations of policy relevance.

The basic assumption guiding these considerations is the expectation that non-standard employment is not only a risky and often unpleasant side effect of the new employment dynamics. It is, first of all, a central requisite for high labour force participation in a modern economy in which both men and women want to combine family, life and labour market work. It can also be anticipated that in a knowledge economy people of all ages have to combine life-long-learning and work; and it seems also plausible that in an ageing society – in which the proportion of young and old fundamentally changes – age is becoming an asset and not (only) a burden. Furthermore, non-standard employment in the form of part-time, temporary or own account work may also

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<sup>10</sup> For economic text-book versions see, among others, Ehrenberg/Smith (2003); in the framework of comparing employment systems Schmid (2008, chapters 2 and 3); from a sociological point of view and related to the perspective of ‘precarious work’ see Kalleberg (2009).

replace, to some extent, flexible adjustment forms within the standard employment relationship (e.g. short-time work, overtime, job rotation) which have evolved in large-scale internal labour markets related to mass production in manufacturing. It seems that in knowledge based service economies dominated by project oriented work organization and horizontal labour division, employers probably have to rely more on external flexibility with respective higher labour turnover. The resulting increase in non-standard employment forms with corresponding higher risks for workers, then, would imply the necessity of developing new securities to avoid new forms of labour market segmentation.

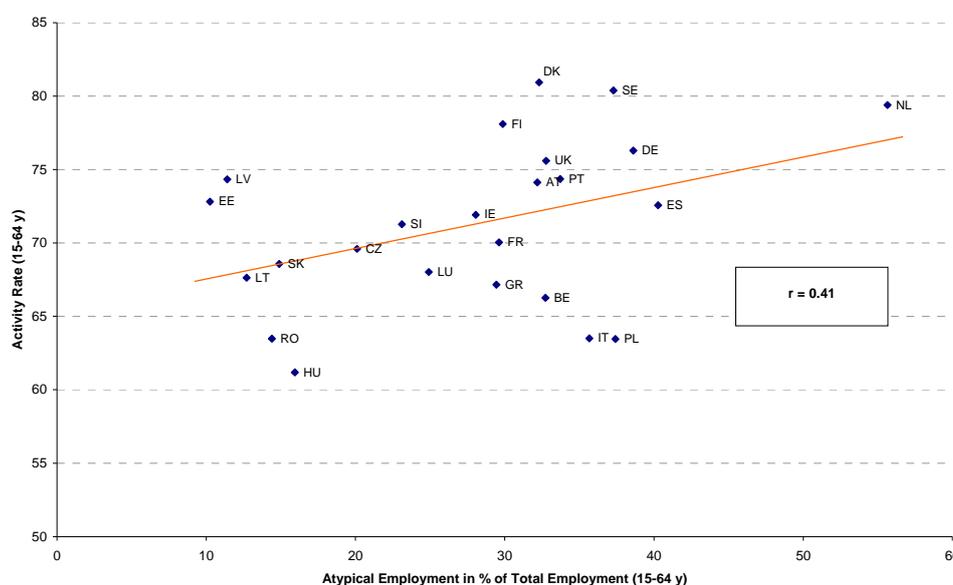
### *3.1 Is non-standard employment driving labour force participation?*

There are two main reasons for expecting a positive relationship between non-standard employment and labour force participation. First, from the demand side perspective, deepening labour division due to globalisation or internationalisation and information technologies requires a flexible work organisation in which individual job security may become a barrier rather than a requisite of high productivity. This does not mean that job tenure becomes obsolete as a requirement for cumulating experience and cooperation among complementary skilled workers. But it is safe to assume that either job security has to be combined with multiple skills, or individual job security has to be replaced by individual employment security in order to enable employers to mix the skills according to the changing tasks related to high-skill diversity production often based on projects or network types of work organisation (Marsden 2004). Second, from a supply side perspective, rising labour force participation of women, especially of those with high skills, increases coordination problems – for both men and women – between gainful labour market work and work related to care or education which money cannot (or should not) buy. Furthermore, higher living standards may induce to value free time for leisure or self-productive activities higher than additional market income, leading to claims of opportunities to transit between various employment relationships over the life-course. This expectation would be (at least provisionally) falsified by significant negative correlations between

non-standard employment shares and labour force participation rates.

Figure 5, however, shows a positive relationship between the aggregate share of non-standard employment<sup>11</sup> and activity rate in 2008 for 24 member states of the EU (excluded are Cyprus, Malta and Bulgaria). As the scatter plot makes clear, the Scandinavian countries and the Netherlands rank highest both in terms of non-standard employment shares and labour force participation; the new member states, but surprisingly also Italy, rank lowest. The correlation, however, is not strong, which advises breaking down the aggregation to get clearer hints to the real drivers of labour force participation.

**Figure 5: Aggregate non-standard employment in percent of total employment and activity rate (2008)**



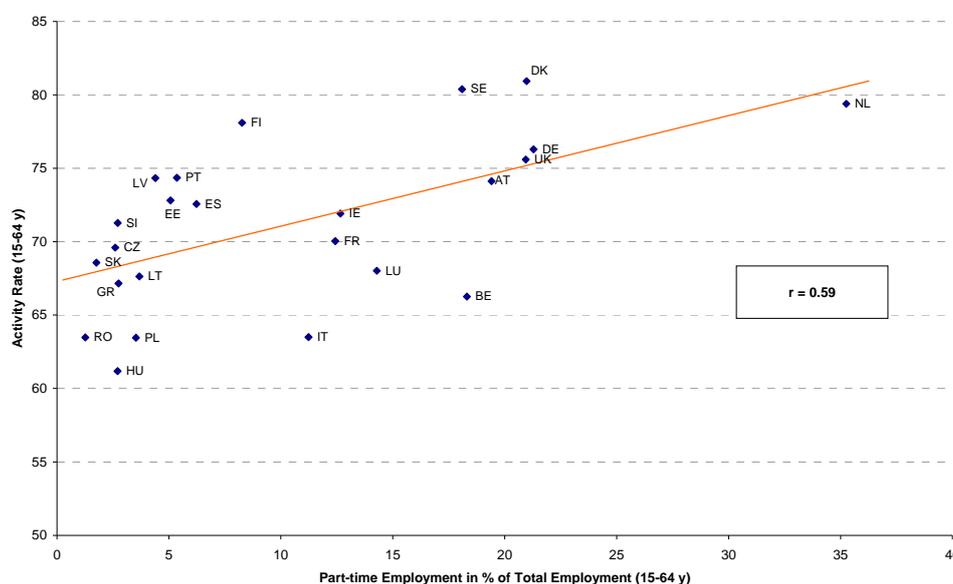
Source: Eurostat Labour Force Survey; own calculations

Figure 6 shows the relationship between the share of part-time work and the overall activity rate, which turns out – not unexpectedly – to be positive again and much stronger than the overall relationship. The assumption that part-time work might drive labour force participation is also strongly supported correlating the ‘dynamics’ of both variables (not shown here) which pro-

<sup>11</sup> Notice that we use here the shares of aggregate (part-time, fixed-term, self-employment) non-standard employment in total employment to avoid multi-collinearity, since non-standard employment rates are parts of labour force participation.

vides a particularly strong relationship for women ( $r=0.64$ ), but the nexus for men is also strong ( $r=0.43$ ).

**Figure 6: Part-time employment in percent of total employment and activity rate (2008)**

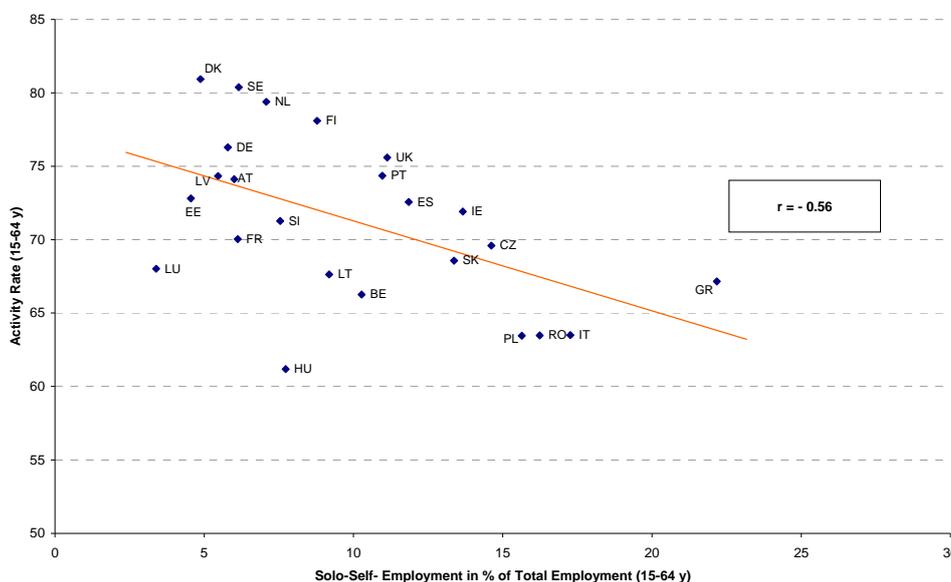


Source: Eurostat: Labour Force Survey; own calculations

The positive correlation between the share of temporary (or fixed-term) work and the activity rate, however, is rather small ( $r=0.24$ ). Whereas, for instance, Spain and Poland have high shares of temporary contracts without reaching high participation rates, Denmark as well as the UK shows high participation rates despite low shares of fixed-term contracts. Especially interesting from the ‘flexicurity’ point of view is Denmark hinting to an alternative: low employment protection (flexibility) combined with high income security (through generous unemployment benefits) and high employment security (through active labour market policy). Thus, flexibility within the “standard” employment relationship might serve as a functional equivalent to external flexibility through fixed-term contracts, a point to which we will come later.

The factor really “disturbing” the expected parallel development of non-standard employment and labour force participation comes with the third component of “non-standard” jobs, with the category of (full-time working) self-employed. Here, the scatterplot shows a surprisingly strong negative correlation (Figure 7).

**Figure 7: Self-employment (own account workers without employees) in percent of total employment and activity rate (2008)**



Source: Eurostat: Labour Force Survey; own calculations

This negative correlation is especially strong among women ( $r=-0.66$ ), which might be explained by the fact that the share of own account workers without employees is still strongly related to the importance of agriculture, corroborated by the observation that this share declines in the respective countries (such as Greece, Spain and most of the new member states). It is therefore probably safe to say that a “causal” point for a positive correlation between self-employment and activity rate can only be made related to the modern type of own account work completely unrelated to agriculture and rather connected with the so-called creative sector. The latter informed speculation might also be the reason that own account work even increased in some rather ‘developed’ countries like The Netherlands, Germany, Austria, UK and Denmark.

The speculation gets a bit more save by exploiting our possibility to differentiate between full-time and part-time self-employment under the assumption that part-time represents more the modern type and full-time more the traditional type (especially related to agriculture) of own account work. The following correlation matrix of the changes in the share of non-standard

employment and the changes in labour force participation provides some interesting insights (Table 1).

Our expectation is at least partly corroborated by the different signs between part-time and full-time self-employment in the expected direction. There seems to be a positive relation between the growth of part-time self-employment and overall participation (0.27), while growth of full-time self-employment is negatively related to participation growth (-0.25). Furthermore, the strong correlation between the change of the share in part-time self-employment and change of labour force participation for women indicates that own account work may indeed serve as driver of labour force participation at least for women.

**Table 1: Correlates of the changes in the share of non-standard employment and the change in labour force participation (1998-2008)**

	Total	Men	Women
<b>Part-time open-ended</b>	<b>0.60</b>	<b>0.48</b>	<b>0.65</b>
<b>Part-time fixed-term</b>	0.27	<b>0.40</b>	0.08
<b>Part-time self-employed</b>	0.27	0.21	<b>0.39</b>
<b>Full-time fixed-term</b>	-0.10	-0.02	-0.15
<b>Full-time self-employed</b>	-0.25	-0.26	-0.03

Source: Eurostat, Labour Force Survey, own calculations. Example: The change in the share of open-ended part-time work of women in total employment of women from 1998 to 2008 correlates with the change of labour force participation of women by 0.65.

The correlation matrix reveals three further insights. First, the change in open-ended part-time work strongly correlates with the change in labour force participation, for the total and both for women and (a bit less) for men, which confirms our previous results. Second, it is interesting to see, that part-time work in fixed-term contracts correlates with labour force participation only for men in a 'significant' way, not for women. This pattern (tentatively) may reflect the fact that temporary part-time serves only for men as an effective stepping stone for participating in the labour market. Finally, the dynamics of temporary full-time employment is not at all related to the dynamics of labour force participation.

To summarise this part, it is evident that only the availability of part-time work can be considered as a strong driving force of labour force participation. This conclusion is corroborated by the quite strong correlation ( $r=0.58$ ) between the changes of the activity rates and changes of the shares in part-time work from 1998 to 2008. The correlation becomes even stronger considering only open-ended part-time work without self-employment. Temporary work, however, and especially own account work play an ambiguous role that would have to be specified for the target groups of increasing labour force participation, especially related to women, the young and the elderly. There is some reason to believe that temp-agency work can support higher labour market activity of people who otherwise would become ‘outsiders’ (the young, long-term unemployed and returning women) if properly regulated and professionally organized. There is also some evidence that part-time self-employment drives female labour force participation.

### 3.2 *Is non-standard employment related to structural change?*

Structural change in the economy may be an important factor fostering non-standard employment. A direct preliminary test would be, again, a simple correlation with non-standard employment and the most dynamic growth sectors of the economy in terms of employment. As the proper statistical data basis for this exercise is not available, we present only scattered evidence from other sources.

First, a special study in *Germany* (Statistisches Bundesamt 2008) about the sectoral composition of non-standard employment shows, that wholesale and retail trade, restaurants and hotels, business services and social (especially health) services are most prone to non-standard employment; the least prone to non-standard employment are the declining sectors of manufacturing (apart from temp-agency work being heavily concentrated in this sector) and construction (in which temp-agency was completely prohibited until 2003, since then only partly deregulated).

Second, two shift-share analyses, again in *Germany*, come to the result that structural changes in sectoral and in gender composition of employment explain some part of the decline in standard employment (and, vice versa, of increasing non-standard employment). A study (covering the period of 1991 to 2007) finds that structural change of gender composition explains eight

percent of the decline in standard employment; and structural change in the sectoral composition explains 16 percent (Sachverständigenrat 2008: 438). Another study, only concentrating on West-Germany and the period of 1985 to 2005, allocates even 27 percent of the decline in standard employment to structural change in the gender composition and 22 percent to structural change in the sectoral composition (Schäfer/Seyda 2008).

Berkhout et al. (2009) provide an informative sectoral breakdown of part-time employment and temporary work for all EU member states and for 2007/08. If we look at countries with both high shares of part-time work and labour force participation, a clear pattern emerges: There are two sectoral clusters contributing most to part-time work: first wholesale, retail & repair plus hotels & restaurants; second, education, health & social work plus other community, social and personal services.<sup>12</sup>

The picture related to temporary work is not as clear-cut. In most countries, temporary work is overrepresented (relative to the average) in “other community, social and personal services”; the same holds true – with a few exceptions (for instance the Netherlands and Poland) – in education, health & social work and in hotels & restaurants (exception Denmark). In countries with exceptional high shares in fixed-term contracts but low participation rates, temporary work is typically concentrated in sectors with seasonal characteristics or other peculiar conditions. Spain, for instance, employs in construction 45% of the work force in temporary work, and 32% in agriculture. Agriculture also attracts high shares of temporary work in Germany (13%), Italy (25%), Slovakia (9%) and Hungary (8%). Poland’s temporary workers are also highly concentrated in construction (35%) and to an unusual extent in hotels & restaurants (41%); Poland is also exceptional in having a high share of temporary work in manufacturing (30% as compared to 12% for the EU-27 average).<sup>13</sup> Temp-agency work (not necessarily restricted to fix-term employment, but usually related to this contract type) does not show a clear sectoral or occupational pattern. It seems that this form of temporary work plays – according to the respective employment regime – different roles: from replacing people on

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<sup>12</sup> See also Table A2 in Schmid/Protsch (2009: 38).

<sup>13</sup> An analysis of self-employment according to industries or occupations was not possible here.

(growing) leave schemes, thus contributing to the stability of the core work-force, to simple cost-cutting strategies, thus contributing to shifting employment risks to the most vulnerable workers.

For an intermediate summary, it seems worthwhile to briefly reflect on the sectoral pattern of part-time work which we have identified as the main driver for labour force participation. Both sectoral clusters in which part-time work is concentrated share a low level of labour division in producing or providing the services and a high share of self-servicing. Most of these services – especially the expanding education, health and social services – are directly oriented towards persons, often in interactive form. Many of these services have been provided in former times by unpaid household work or barter exchanges in neighbourhoods. All in all, the driving force of part-time work seems to be grounded in the interaction of changing work preferences (especially among women) and transforming formerly unpaid services into market transaction (‘marketisation’).

### *3.3 Institutional determinants of non-standard employment*

As elaborated in the preceding section, structural change explains – both on the supply and the demand side – some but even not the major part of the dynamics in non-standard employment. Other determinants have to be considered, especially related to target groups with low labour force participation like women, the elderly and low skilled people (or even more generally the “inactive”).<sup>14</sup> Obviously, institutional change – which means changes in the rules of the labour market game – has to be taken into consideration for further explanations.

First of all, economic incentives through institutional variations of wage formation or tax treatment would have to be considered. Unjustified gender wage gaps through open or statistical discrimination may discourage women thereby slowing down the rise in female labour force participation (Mandel/Semyonov 2005). The same holds true if non-standard employment is systematically punished by lower wages per hour, which is an estab-

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<sup>14</sup> Fighting effectively unemployment, especially long-term unemployment, would increase employment, but not necessarily labour force participation since the unemployed are counted to the active labour force.

lished fact especially related to fixed-term employment (Schoeman et al. 1998).<sup>15</sup>

Well established is also the fact that equal tax treatment for married women has a strong positive effect on female labour force participation. Married women, especially if they work part-time, are taxed more heavily than men or single women in many OECD countries. Sweden is a good example where the transfer from joint to separate taxation in combination with other family friendly policies has led to higher labour force participation among women. A study for 17 OECD countries shows that women will participate more when they are being taxed separately and equally compared to men (Jaumotte 2003), and another study attributed a positive impact on female labour force participation to the change from tax allowances to non transferable tax credits in the course of a recent Dutch tax reform (Bosch/van der Klaauw 2009).

Parental leave arrangements, both in terms of costs and duration, are important drivers of labour force participation, too. They are relatively well researched in the meantime, although the links between institutional arrangements and labour supply reactions can be quite complicated. Two main results, however, are well established. First, the availability of affordable care services is a strong positive driver, whereas long parental leaves combined with entitlements to return to the job produce ambivalent results, improving participation on the one hand but leading to wage and income penalties on the other hand (Esping-Andersen 2002; Ziefle 2009).

Drivers of labour force participation for elderly are also well studied (OECD 2006). Most important for early retirement were strong incentives by generous pension entitlements not calculated on an actuarial basis, a policy that most of the EU member states withdrew in the meantime. Some countries (for instance Germany) still have strong seniority based wages which reduce the transition probability into early retirement at least of the healthiest people. On the other hand, however, seniority wages hamper transitions of elderly unemployed back into employment, leading them often to escape into inactivity and on alternative transfer

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<sup>15</sup> More recent studies emphasize especially the wage punishment of fixed-term contracts for (higher) skilled workers; for Germany see Gebel (2009), for Italy Elia (2009), and for Spain Fernandes-Kranz/ Rodriguez-Panas (2009).

schemes like disability pensions. Comparative research also indicates that non-standard forms of employment, especially part-time and new self-employment in service related local jobs can help keeping the elderly active on the labour market (Hartlapp/Schmid 2008).

Much neglected is the suppressed labour force participation among low-skilled people, hinting to the possibility that an egalitarian education policy might be one of the most effective policies to increase labour force participation. Taking the European Employment Strategy's main goal of full employment, namely, to reach an overall employment rate of 70 percent by 2010 and an employment rate of at least 60 percent for women, then the breakdown by qualification immediately shows where the main problem lies.<sup>16</sup>

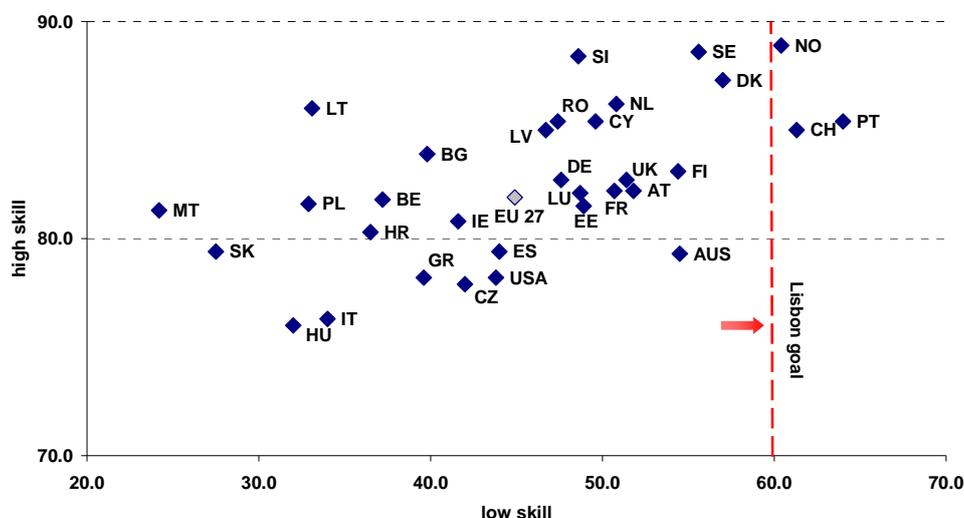
Taking women as the main target group for raising labour force participation at the EU-level, highly skilled women already surpass the benchmark of 60 percent by 15 to 25 percentage points, almost regardless of the kind of welfare regime involved. It is the low-skilled women whose opportunities for (employment) participation in the labour market are seriously compromised (Figure 8).<sup>17</sup> Portugal, Norway and Switzerland are the exception, with employment rates of women already over 60 percent. At the overall EU-27 level, low-skilled women are – with an average employment rate of about 45 percent – 37 percentage points below the average employment rate for highly skilled women. The employment rate of highly skilled Dutch women, to take an example of a 'progressive' country, is relatively high and matches almost that of the Scandinavian countries. However, although the Dutch figure for low-skilled women is above the EU-27 average, it is still far away from the Lisbon target.

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<sup>16</sup> I refer here to 'employment participation' because the skill level of the total active labour force is not as easily available; both figures, however, strongly correlate.

<sup>17</sup> The difference in employment rates between highly skilled and low-skilled people is also present among men but slightly less marked. I also abstract from critical qualifications with respect to the employment rate as proper benchmark for employment policy. Apart from the quality of jobs, working time would have to be taken into account, especially for women who overwhelmingly work part-time, many even in marginal jobs. Information on full-time equivalents would be necessary if increasing working volume (important for economic prosperity) is the goal.

**Figure 8: Employment rates of women (25-64 years old) by skill level, 2008**



The figure includes some Non-EU countries for the sake of comparison: (AUS=Australia, NO=Norway, USA=United States of America, CH=Switzerland); “low skill” (ISCED 0-2), “high skill” (ISCED 5-6); source EUROSTAT; figures for AUS and USA relate to year 2006 and are from OECD Employment Outlook (2008, Table D).

Finally, a prominent candidate for being a barrier instead of a driver for labour force participation is employment protection regulation. Although its influence on employment dynamics is well researched in the meantime, its impact is still much contested.<sup>18</sup> As such, high employment protection shields the ‘insiders’ against the risk to become unemployed. The other side of the coin, however, is the higher risk of unemployed or inactive people (the ‘outsiders’) to remain unemployed or inactive. Among the ‘outsiders’, employment protection might reduce the employment chances especially for young people looking for their first job and for women trying to re-enter the labour market. Because other institutions or labour market policies might intervene, the available empirical evidence for the theoretical expectation of segmentation is not clear-cut. Employment protection can foster, for instance, cooperation among employees in the firm, thereby increasing productivity and competitiveness, which eventually can result in higher labour demand, thereby reducing or at least mitigating segmentation. Forms of non-standard employment, thereby, might play the role as mediators or stepping-stones to

<sup>18</sup> For an overview of the state of the art see OECD (2004).

transform employment potentials into real and sustainable employment.

However, employment protection might drive non-standard employment also for other reasons. Fixed-term contracts allow employers to circumvent employment protection or to combine external flexibility (hire and fire) with job security for the core work force. Both possibilities lead to the same consequence: segmentation between 'insiders' (with standard contracts) and 'outsiders' (with non-standard, fixed-term contracts).

The theoretical relationship between employment protection and part-time work or self-employment is more difficult to establish. Open-ended part-time work is not more flexible than standard employment, and it is, as we have already seen, very much supply driven and dominated by women. New self-employment (especially in the form of 'dependent' or fake self-employment), on the other hand, could be used for outsourcing certain functions, so that a slight positive link between employment protection and self-employment might be expected, especially, if employment protection is combined with high non-wage costs related to social security financing. To proof these expectations, we restrict ourselves again to a descriptive test by simple correlations, which should be complemented in further research by multivariate analyses (Table 2).

The results largely meet the expectations. Generally, high employment protection seems to induce high non-standard employment among men; the correlations, however, are not strong. The signs related to non-standard employment of women go in the right direction but the correlations are quite weak. Decomposing non-standard employment into the three elements of part-time work, fixed-term employment and self-employment confirms quite clearly that individual employment protection drives up fixed-term employment both for men and women but not part-time work.

**Table 2: Correlates between employment protection and non-standard employment rates (NSER)**

	NSER	NSER	Part-time empl. rate	Fixed-term empl. rate	Self-empl. rate
	<i>Men<sup>1)</sup></i>	<i>Women<sup>2)</sup></i>	<i>Total<sup>3)</sup></i>	<i>Total<sup>4)</sup></i>	<i>Total<sup>5)</sup></i>
<b>Individual employment protection<sup>6)</sup></b>	<b>0.33</b>	0.12	- 0.12	<b>0.53</b>	0.10
<b>Collective employment protection<sup>7)</sup></b>	0.22	0.14	0.08	0.13	0.08
<b>Temporary employment protection<sup>8)</sup></b>	0.25	0.05	- 0.16	<b>0.46</b>	0.17
<b>Combined employment protection<sup>9)</sup></b>	<b>0.39</b>	0.13	- 0.16	<b>0.62</b>	0.19

Source: Eurostat; OECD 2004; own calculations; all employment rates relate to year 2008  
 Figures in bold 'significant' (N=24 member states of the EU; Bulgaria, Malta and Cyprus excluded)

1) Men in part-time, fixed-term or own self-employment as percent of working-age men (15-64)

2) Women in part-time, fixed-term or own self-employment as percent of working-age women (15-64)

3) Employees in open-ended part-time (without self-employed) as percent of working-age population (15-64)

4) Employees in fixed-term contracts as percent of working-age population (15-64)

5) Employees in own self-employment (without part-timers) as percent of working-age population (15-64)

6) Indicator composed of eight characteristics of employment protection against individual dismissals

7) Indicator composed of four characteristics of employment protection against mass dismissals

8) Indicator composed of six characteristics of employment protection in case of temporary work

9) Indicator composed of 6), 7) und 8); all four indicators represent employment protection regulation around the year 2003; according to OECD-Employment Outlook 2008 (p. 132) no significant changes can be reported since then; most changes were related to temporary work in the direction of stricter regulation.

The coefficients for self-employment have the right sign, but are rather weak. Employment protection especially directed towards temporary work also correlates positively with the fixed-term employment rate ( $r=0.46$ ), although the causal link might be the other way round (growing temporary work might induce tightening regulation). Collective employment protection seems to play no role in determining non-standard employment. Finally,

the combined indicator of employment protection hints to a quite strong correlation ( $r=0.62$ ) with the employment rate in fixed-term contracts.

### 3.4 Preferences for non-standard employment

It is evident that asking people themselves about their preferences should provide insights into the reasons for non-standard employment. This raises, however, a measurement problem. Preferences cannot be directly measured, since they are not fixed or inherited. Preferences are also expression of economic constraints and cultural influences. It remains therefore unclear whether responses to corresponding questions reflect genuine choices (as expression of autonomy or free will) or the results of external constraints and influences.

Despite these caveats, it makes sense to take notice of such surveys since they represent the results of individual decisions interacting with external constraints. Thus, being aware of contextual conditions, changes of such preferences in time and across countries might tell a story. The European Labour Force Survey (ELFS) contains information about the reasons people are giving for being in part-time or temporary (fixed-term) work.<sup>19</sup> In the following, however, we cannot exploit the whole potential of the available information and have to restrict ourselves to some impressions.<sup>20</sup>

For part-time work (and year 2005) the following peculiarities are worth to be emphasised: A majority of women in Germany (57%) and UK (45%) mentioned “looking after children or incapacitated adults” as reason for working part-time; both countries are known as having conservative attitudes related to gender role models. This reason has little or no importance in countries having a reputation for progressive family and gender policy, for instance the Scandinavian countries, the Netherlands and France.

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<sup>19</sup>Related to *part-time*, the possible reasons are: (1) undergoing school education or training; (2) own illness or disability; (3) looking after children or incapacitated adults; (4) other family or personal reason; (5) could not find a full-time job; (6) other reason; (7) none of these reasons applies. Related to *temporary work* (fixed-term), the possible reasons are: (1) contract covering a period of training (apprentices, trainees, research assistance, etc.); (2) could not find a permanent job; (3) did not want a permanent job; (4) probationary period; (5) none of these reasons applies.

<sup>20</sup>The following figures are taken from Berkout et al. (2009).

Here, many women just do not want to work full-time (Netherlands 74%, France 57%, and Denmark 41%).<sup>21</sup>

With the exception of Netherlands, the reason of not having found a full-time job is also common in these countries (France 29%, Sweden 25% and Denmark 18%). Employment in part-time due to education or training is only substantive in Denmark (31%). Finally, a remarkable share of women in Sweden (11%) works part-time for reasons of illness or disability. Especially for the latter two reasons, it would be desirable having this information broken down both by age and gender.

For temporary work or fixed-term contracts (here referring to 2007), “person could not find a permanent job” is the most important reason given in almost all countries. In Greece, Portugal and Spain, over 80 percent of temporary workers prefer a permanent job (or an open-ended contract). The average in the 27 EU member states is 60 percent. Countries with a vocational training system in form of apprenticeship (combining ‘on’ and ‘off’ the job training) deviate from this pattern since apprentices per definition have a temporary contract, e.g. Germany (25%) and Austria (20%); combining education and temporary work is also common in Denmark and the Netherlands (about 35%).

The pattern becomes even more pronounced if we concentrate on the age group of 15 to 24 on which temporary work is concentrated. In Austria and Germany, over 80 percent of young people give “education or training” as the primary reason for being involved in a temporary contract, in Denmark 50 percent.

Finally, in some countries, for example in Scandinavia, and especially in the UK, a substantive minority (about one third) doesn’t want a permanent job. One reason could be the difference in wages and working conditions. In Denmark, for instance, it is reported that working conditions and wages for professionals and specialists, e.g. in the health sector, are often better in temporary contracts than in ‘regular’ contracts since higher employment insecurity related to these temporary contracts is compensated by higher wages (Ahlberg/ Bruun 2008: 41). Wages and

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<sup>21</sup> The interpretation of these results is corroborated by Gash (2008). The methodological subtlety of this study consists in the indirect measurement of preferences by comparing transition rates (into full-time, inactivity, other employment) of part-time workers with corresponding transition rates of full-time workers. By statistically controlling transition probabilities for socio-demographic and other factors, part-time working women in the UK remain longer in this status and in the same job than in Denmark or France.

working conditions in ‘everyday-labour-markets’, however, seem to be universally connected with less attractive wages and working conditions, independent of the employment regimes.

### 3.5 *Reasons for self-employment*

The analysis would need further differentiation according to the different components of non-standard employment to get a full understanding of their dynamics and various functions they play in the modern labour market. Since the state of the art is already quite developed for part-time work and for temporary work (including temp-agency work), I just refer here to some literature and turn to some additional reflections related to self-employment, especially in the form of own account work.<sup>22</sup>

A study on the development of female self-employment on the basis of the ELFS (Strohmeyer/Tonoyan 2007) reports that most of the increase in own account work from 1995 to 2005 took part in form of part-time work (54% compared to 15% in full-time self-employment); the same pattern can be seen among men. The share of part-time working women in own account work ranges from 11% in Greece, over 18% in France, 32% in Sweden, 38% in West-Germany to 68% in the Netherlands. On the basis of a Heckman-Probit estimation, the authors also found that “having a family with children” turned out as the most important driver for the choice of part-time work in self-employment. This pattern is especially strong in so-called “conservative welfare regimes” where public care facilities are still underdeveloped, and where traditional values concerning labour division in the family still prevail. Unfortunately, the study is silent about the combination of part-time self-employment and dependent part-time work. However, the great share of marginal part-time in self-employment seems to imply that – as we already speculated looking at the corresponding correlations – such combinations are quite common.

This informed speculation is corroborated by a recent study in Sweden (Delmar et al. 2008)<sup>23</sup>, which hints to a stepping-stone

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<sup>22</sup> For non-standard employment see Mangan (2000) and Houseman/Osawa (2003); on part-time work Leschke (2008) and Sciarra et al. (2005); related to temporary work the ‘classic’ Schoeman et al. (1998); for temp-agency work Storrie (2002); for self-employed Arum/Mueller (2004).

<sup>23</sup> The empirical basis of this study is unique and representative for all cases of self-employment in Sweden from 1990 to 2002.

function of part-time self-employment. The authors find persons who combine own account work with wage work constitute a majority of the total number of self-employed. Most people enter own self-employment by engaging first in combinatory work, indicating that the decision to transit into self-employment is more complex than characterized in earlier research.

Three “transitional motivations” might explain this astonishing pattern: First supplemented utility maximization, which means attaining psychological utility from self-employment by retaining at the same time economic security from dependent wage work (so to speak balancing flexibility and security on an individual level); second providing a hedge against the potential risk of unemployment; third reducing uncertainty associated with entry into self-employment or exit from self-employment. 91 percent of dependent employees enter self-employment as combiners, and only 9 percent of them start with full self-employment. Of all combiners, 68 percent go back into dependent wage work, and 32 end up as pure self-employed. Finally, 61 percent of the pure self-employed transit at one stage or the other in their life course to dependent employment, and 39 percent transit to a combinatory status.

#### **4 Conclusions and Policy Debate in Light of the Post Lisbon Process**

What are the consequences of these results for advancing the Post-Lisbon employment strategy? Apart from the fact that Lisbon failed not only to reach its quantitative benchmark but also (and in particular) its promise of creating good and decent jobs, little attention has been spent to the reasons why the standard employment contract cannot serve any longer as a guideline for arranging the regulatory framework of future employment relationships. Although the flexicurity concept of the European Employment Strategy tried to react to this development just portrayed in the preceding paragraphs, it obviously was too vague or even ambivalent allowing in practice to be captured by various socio-economic and political interests that often emphasised flexibility on the costs of security.

It would be premature, however, to draw already specific conclusions. Although a remarkable body of research on the conse-

quences of non-standard employment for income, employment stability or social security is already available, important pieces of information are still missing. Proper risk assessment of non-standard employment would require the analysis of individuals' long-term transitions sequences over the life course (careers) to uncover whether risky events end up in status maintaining, integrative or exclusionary transitions. Equally important would be deeper studies on the functions of non-standard forms of employment at the level of firms, especially whether they are mainly used as instruments of short-term cost reductions and shifting the burdens of risks to the non-standard employees or as instruments to improve long-term competitiveness through diversified high quality production and enabling especially school leavers and young adults to accumulate work experiences and to improve their work-life balance in the 'rush hour of live'.

Nevertheless, enough empirical evidence as well as conceptual knowledge is available in the meantime<sup>24</sup> that allows to draw tentative conclusions for principles and guidelines on how to deal with the new dynamics of employment and labour force participation in the Post-Lisbon process.<sup>25</sup> Such guidelines could be fed into the current discourse on the future of European integration which emphasises (at least in the majority of its participants) improvements in minimum standards of social security (including education and training) and progress in procedures of democratic legitimacy in the multilevel European Polity in order to facilitate both the mutual accommodation of European and national concerns.<sup>26</sup> The backdrop of these concerns relates in particular to the highly underestimated differences of national preferences on social standards and to the neglect of the foundations of the social and political construction of solidarity. As the precedent empirical analysis has shown, the development of non-standard em-

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<sup>24</sup> For the recent state of the art in the spirit of 'transitional labour markets' (TLM) and 'flexicurity' see Leschke (2008), Muffels (2008), Rogowski (2008), and Schmid (2008). Burgoon/Dekker (2010) provide a useful comparative study for 15 EU member states and find that non-standard employment (here part-time work and temporary work) increases subjective feelings of job insecurity and income insecurity, especially in combination. However, they identify non-standard forms of employment with 'flexible' employment which is not justified (Chung 2009; Schmid 2010a): part-time workers, for instance, are less willing to work overtime than full-time workers, and temporary workers are less flexible in terms of multiple tasks than full-timers.

<sup>25</sup> For criteria and examples of proper risk assessment (including the important element of communicating risks) from a TLM viewpoint, see Schmid (2006).

<sup>26</sup> See, for example, Scharpf (2010) and Schubert et al. (2009).

ployment as an (sometimes only alleged) element of flexible employment relationships has rather widened than narrowed such differences. So, further sophistication of quantitative benchmarking of employment targets would be counterproductive; an emphasis on developing a common understanding of qualitative and procedural standards related to jobs and job creation seems to be more promising. Some questions related to such standards will be discussed in the following paragraphs.

The first question to be raised is the consequence of non-standard employment for social security, especially in old age. In as far as pension entitlements are related to wage income, the corresponding first conclusion is to attack any wage discrimination that might be connected with non-standard employment contracts. As this might be self-evident for some countries, e.g. for Netherlands, for many EU member states it is not. Any gender wage gap obviously hurts above all women who are overrepresented in part-time work. Related to fixed-term employment, countries with no *effective* minimum wage<sup>27</sup> such as Germany are especially prone to wage discrimination. The main risk of (new) self-employment is the extreme volatility of income streams over the life course, and many own account workers even remain at the lowest income level for a long, if not all the time.

Employment contracts serve also as an insurance device for health risks. One example is continued salary pay in the critical event of illness often linked to the employment status.<sup>28</sup> Small or medium sized employers are less able than large employers to reinsure against this risk with the likely consequence that they tend to escape into fixed-term contracts in order to reduce this risk. Another and more important example are seniority wages, which originally served as an insurance device smoothing individual productivity changes over the life course. The rationale of this internal labour market institution diminishes with the need of higher external flexibility. As the corresponding coupling of pension entitlements to the last wage before retirement became unjustified, most countries have abolished this rule in the meantime.

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<sup>27</sup> 'Effective', here, means legally enforced, as for instance in France or The Netherlands, or ensured by collective agreements like in Denmark or Sweden; in other words: there is no need for unique EU minimum wages.

<sup>28</sup> With respect to the obligation of the employer to continue paying an ill employee's wage in international comparison see Knegt/Westerveld (2008); in the duration of this obligation (up to two years), the Netherlands is unprecedented in the rest of Europe.

Nevertheless, even if pension entitlements now are consequently linked to average life course income, the transition to an intermediate spell of non-standard employment (especially part-time) or to substantially lower paid jobs does not yet pay. Under the assumption, however, that such mobility is necessary due to better adapting to structural change or reduced individual earnings capacities, or even desired due to changes in preference over the life course, better insurance is required to offset the related risks of unemployment and income volatility (Kalleberg 2009; Leschke 2008). One possibility would be to extend unemployment insurance towards an employment insurance that makes valuable transitions pay, among others through continuous vocational training accounts, life course saving systems or wage insurance (Schmid 2008, chapter 8).

The second question relates to the financing source of social security. The rise in non-standard employment logically implies not to link fund raising for social security too closely to the standard-employment relationship. Otherwise, the employment contract becomes, indeed, more and more an 'exclusionary device' (Knecht 2008). Strategies to reconstruct the employment contract to an inclusionary device – which means to develop a new standard-employment relationship – are manifold. The respective varieties in the EU member states still require more systematic screening before one could start to recommend simple alternatives. Nevertheless, the principle alternatives are clear: extension of individual or collective private insurances, linking social security to citizenship status ('basic securities') or making public social security institutions – especially the employment contract – more inclusive. Many countries, for instance, have started to make additional private or collective insurance mandatory for employers and workers independent of their employment status. France, The Netherlands, Switzerland, Denmark and Sweden, for instance, have reached an almost universal coverage of the employees by firm or branch level additional insurances. In contrast, for instance to Germany, these countries arranged such an extension either by law or by legally extending corresponding collective agreements.

Schulze Buschoff and Protsch (2008) question the suitability of contributory financing systems on the basis of comparative studies, since they tend to exclude the specific risks related to non-standard employment through bottom-down income or em-

ployment thresholds, especially for the new self-employed. They argue for an extension of tax financed basic income guarantees to cover the risk of extreme income volatility related to self-employment and – to some extent – to fixed-term contracts. Tax financed basic income guarantees (‘folks’ pensions, national health insurance, earned income tax credits) seem better able to balance flexibility and security than contributory insurance schemes often based on corporate arrangements.

Basic income guarantees, however, usually offer only limited income protection in old age, and they are not designed to compensate for the higher income risks related to non-standard work. Some countries, therefore, introduced risk contingent schemes in various forms, either through risk related contributions (higher premiums for higher risks, as it is common in work accident insurance) or through mandatory contributions to training or employability funds. France (higher social security contributions for temp-agency workers), Denmark and Sweden (better wages and working conditions for skilled temp-agency workers) and the Netherlands (contributions targeted to training and employability for temp-agency workers) provide here ‘best practice’. The existence of such ‘active securities’ (Supiot 2001) probably makes workers more inclined to take over the risks related to non-standard employment. And to the extent that such schemes induce an ‘entitlement effect’, they might even promote higher employment in the formal sector and thereby increase labour force participation.

The third question is to what extent in-built flexibilities into open-ended employment contracts should be considered as functional equivalent to non-standard employment. It seems that internal flexibility can substitute external flexibility, at least to a certain degree, through in-built flexibility of the open-ended “standard” contract, for example working time adjustments to the economic cycle, task variability within the firm (e.g. through job rotation) or employment variability over the life course. Good practice, and recently even praised as the ‘*German job miracle*’, is for instance the short-time working scheme that prevented effectively mass unemployment in Germany during the last recession (Möller 2010). Contracts that include the possibility of long-term working-time accounts are another observable trend as an instrument to build in flexibility over the life course into the employment contract without affecting seriously income and em-

ployment security. Research, however shows, that the risks related to a fair implementation should not be underestimated. Employers, on the one hand, tend to use such accounts to overcome economic slumps like in the present times (2009/10), and small as well as medium sized enterprises seem to have difficulties to use this instrument. Furthermore, the state has to enter the game by ensuring claims to time accounts both in the event of insolvency of firms and workers' transition between firms. On the other hand, employees often prefer cash (e.g. for working overtime) to time as an investment in an uncertain future. Especially tempting for them is the use of such accounts for early retirement instead of investing the accumulated accounts into employability measures, a behavioural feature that does not fit with the objective of raising labour force participation.<sup>29</sup>

Sweden delivers a good example for the consequences of increasing in-built flexibilities in terms of employment or labour force participation. The Swedes can be proud of having one of the highest employment rates of about 74 percent and well above the Lisbon goal. However, their effective employment rate – the rate of people in working age population actually working during the week – is only in the size of about 64 percent. Though precise statistics explaining this difference between 'nominal' and 'effective' employment rate does not exist, the potential factors explaining this discrepancy are clear. The 'good' reasons are: despite an open-ended contract in dependent fulltime work (or a standard employment relationship), many people actually do not work because they are on educational, parental or care leave. The 'bad' reasons are: despite an open-ended contract in dependent fulltime work, many people actually are not working because they are ill, in psychological trouble or absent for undeclared reasons.<sup>30</sup>

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<sup>29</sup> See, for instance, Bovenberg (2007), Delsen/Smits (2010), Roman (2006), Wotschack/Hildebrandt (2008).

<sup>30</sup> Another reason for the discrepancy between 'nominal' and 'effective' employment rate could be institutional. Germany's part-time scheme for 'gradual' retirement (now abolished) provides an extreme example. The scheme subsidised five years part-time, of which the first half (2 and 1/2 year) could be taken as full-time, the second half as zero-time. Notice again that we used self-reported part-time figures. Thus, in the German 'block-model' of part-time work for elderly it might well be that the elderly 'part-timers' report that they work full-time in the first half of the scheme, but report being inactive or even not employed anymore in the second half of the scheme.

In as far as the discrepancy between ‘nominal’ and ‘effective’ employment rate is not only a universal trend but also to be recommended for enhancing flexibility and security, then the full-employment goal of the Lisbon strategy set at 70 percent for 2010 is far too modest. In the long-term, this benchmark might have to be set at 80 percent, a benchmark that the Dutch and Swedes already established in their national employment programmes. Current propositions for ‘*Europe 2020*’ partly followed suit by setting the target to 75 percent. However, as stated already at the beginning of this section, rather than setting an overall quantitative benchmark, it makes much more sense to enhance minimum social standards related to the increased internal and external variability of employment relationships.

The trend towards non-standard forms of employment, finally, raises the question whether all this leads to – or even whether we need – a new ‘standard employment contract’. Expanding the institutional status of the employment contract to all forms of work, including even unpaid but socially highly valued work as proposed for instance by Supiot (2001), seems to be the most radical and most promising route towards a new standard. The main aim is the move from protecting jobs to protecting people or from job security to labour market security (Auer 2007). The old standard employment contract would be transformed into a new labour contract which includes income and employment risks related to transitions between various employment-statuses. The core is the establishment of new social rights and of new social obligations on both sides of the labour market.<sup>31</sup>

The *new social rights* would be new in that they cover subjects unfamiliar to industrial wage-earners on which the traditional standard employment relationship builds: rights to education and training, to appropriate working hours, to a family life and to occupational redeployment, retraining or vocational rehabilitation. Their scope would also be new since they would cover not only “regular” wage-earners but also the self-employed, the semi-self-employed, temp-agency and marginal workers. They are new in

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<sup>31</sup> This side of the coin has been much neglected in often quoted Supiot-Report (Supiot 2001), but properly corrected in a new volume edited by Deakin and Supiot (2009) directed to the aim of ‘*capacity building*’. Related, for instance, to disabled people, Simon Deakin remarks that rather than requiring the individual to be ‘adaptable’ to changing market conditions, the employment contract requires that employment practices be adapted to the circumstances of the individual (Deakin 2009: 28).

nature because they often take the form of vouchers or social drawing rights<sup>32</sup>, which allow workers to rely on solidarity within defined and perhaps collectively bargained limits when exercising their new freedom to act.

The *new social obligations* would be new in that they cover subjects unfamiliar in the traditional employment relationship: obligations to training and retraining both for employees as well as for employers, to actively searching a new job or accepting a less well paid job, to healthy life styles and occupational rehabilitation, to work-place adjustments according to the capabilities of workers, and to changing working times according to the needs either related to the individual life course or to volatile market demands of goods and services. The scope of new social obligations would also be new since they would cover not only certain categories of workers or employers but also the core workers in open-ended contracts and all firms independent of size and function. They would be new in nature since they often take the form of ‘voice’, i.e. being ready to negotiate at individual, firm, regional and branch level in order to reach mutual agreements and to accept compromises in case of different interests.

In brief: The establishment of social rights and new social obligations into an inclusive employment contract would ensure the development of capabilities that not only ‘make workers fit for the market’, but that also ‘make the market fit for the workers’ (Gazier 2007). The management of working time flexibility over the life course thereby is, as we have seen, probably the most important driver of labour force participation that meets the otherwise empty ‘flexicurity’ ideal of the old Lisbon Employment Strategy.

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<sup>32</sup> In analogy to the drawing rights of the International Monetary Fund, which permits countries in temporary deficit to draw supplies of foreign currency according to predetermined quotas that give a country more time in which to adjust its balance of payments and so avoid taking unsound or unneighbourly measures like import restrictions for lack of enough foreign currency, social drawing rights would enable labour market participants to overcome liquidity shortage in case of necessary employability measures through the permit to draw credits, for instance, from a solidaric employment insurance fund, whereby the state may provide ex ante redistribution in favour for high risk people through matched contributions.

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