Do we need segmented labor markets?
On the role of job quantity and job quality

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Quantity vs. quality in the European context

- The basic questions:

1. Do we need more heterogeneity in the labor market if we want to have high employment/low unemployment?

2. Is more ‘bad jobs’ the price to be paid for ‘more jobs’?

3. Does labor market regulation have to be liberalized in order to create more jobs?

4. What is an appropriate balance between quantity and quality or flexibility and security of jobs in such a context?
Stylized facts

- Flexible types of jobs (fixed-term, low pay, (marginal) part-time, self-employment) have played a major role in expanding employment in some European countries with relatively strict regulation of labor markets.

- Increased wage dispersion is a complement or a partial substitute to dualization by contract type.

- There is no universal trade-off between job quality and job quantity, but there is a correlation between job growth in (some) private services and increased flexibility or heterogeneity of jobs.

- Flexible forms of employment matter less if overall setting of the labor market is flexible (i.e. standard employment is less ‘rigid’) or labor force is more homogenous with respect to skills.

- Non-standard work or low pay can be a stepping stone or a dead end, depending on individual characteristics, institutions and economic circumstances.
EPL and temporary employment

OECD-indicator “Strictness of employment protection – individual dismissals (regular contracts)” (Newest Version 3)

Temporary employees as percentage of the total number of employees [lfsa_etpga]

Source: OECD.
Proportion of young temporary employees

Source: Eurostat, LFS [lfsa_etpga].

Note: Some countries present unreliable data: LT.
Reason for having a contract of limited duration, 2011-12

Source: OECD Employment Outlook 2014
Note: Students or apprentices in regular education are excluded.
Transitions from temporary to permanent contracts
(Percentage share of temporary employees in 2008 that were employed as full time permanent employees in 2011)

Source: OECD Employment Outlook 2014

Note: 2007-2010 of the Czech Republic, France, Greece, Sweden and the United Kingdom; 2006-2009 for Norway and the Slovak Republic; and 2005-2008 for Ireland
Proportion of low-wage earners by education in 2010

Source: Eurostat, SES [earn_ses_pub11].
Proportion of low-wage earners by sector in 2010

Source: Eurostat, SES [earn_ses_pub1n].
Relation between low-wage earners and the employment rate

**Source:** Eurostat, LFS [lfsa_ergan] and SES [earn_ses_pub1n].

**Note:** Unit steps in 1 percentage points.
The German case as an example

- Stable employment growth in the service sector, accelerated over the last decade – overcoming long-standing jobs deficit
- Not only, but quite relevant segment of non-standard employment and low pay
- Service sector is more responsive to labor market deregulation and take-up of these flexible forms of employment (demand and supply)
  1. Marginal part-time work
  2. Fixed-term contracts
  3. Temporary agency work
  4. Self-employment and freelance
  5. Low pay
Working-age population by employment status

Atypical work and employment growth by occupations (ISCO-88), 1995- 2012

Source: SOEP, weighted, dependent employment only, without agriculture (ISCO 61, 92) and armed forces (ISCO 01), own calculations. [] unreliable, number of cases insufficient (<30 cases).
Assessment

- Societal, occupational, technological change put pressure to increase flexibility and/or heterogeneity on labor markets.

- Regulatory policies alone cannot guarantee ‘good jobs’, e.g. strict employment protection, (high) minimum wages etc.

- Heavy regulation of labor markets may imply fewer jobs – in particular for the most vulnerable groups – and new forms of unprotected work or ‘bad jobs’ circumventing regulatory costs, in particular in some service occupations.

- Asymmetric (de)regulation shifts the burden of unemployment or non-standard, precarious jobs to some groups while protecting others – with very limited chances of transition.
Policies

- Flexicure labor markets offer more opportunities for mobility into work and into better jobs, but need (i) a clear framework limiting extreme dispersion of job quality and (ii) emphasis on human capital formation to promote upward mobility

1. Narrowing the regulatory gap between permanent (standard) and temporary (non-standard) contracts

2. Social protection should be more universal, not discriminating between types of employment

3. Minimum wages can set a lower limit to the wage dispersion, but should not be set too high

4. Training component needs to be observed in order to achieve a certain (higher) level of skills