

EMPLOYMENT POLICIES AND WELFARE REFORM



Bibliotheca ZBORNICI, Book 16

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CIP - Katalogizacija u publikaciji
Nacionalna i sveučilišna knjižnica, Zagreb

UDK 331.52(082)

EMPLOYMENT policies and welfare reform
: proceedings / edited by Ljiljana
Kaliterna Lipovčan, Sven-Åge Dahl. -
Zagreb : Institut društvenih znanosti Ivo
Pilar, 2002. - (Biblioteka Zbornici ; knj.
16)

Bibliografija uz svaki rad.

ISBN 953-6666-23-5

1. Kaliterna Lipovčan, Ljiljana 2. Dahl,
Sven-Åge
I. Tržište rada - - Zbornik

420612125

ISBN 953-6666-23-5

EMPLOYMENT POLICIES AND WELFARE REFORM

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Institute
of Social Sciences

IVO **PILAR**



Zagreb, 2002.

FOREWORD

This publication is the result of a mini-symposium organised in connection with the meeting of the COST Action A15, Working Group 4. Founded in 1971, COST is an intergovernmental framework for European co-operation in the field of scientific and technical research, allowing the co-ordination of nationally funded research at the European level. The main objective of the COST A15 Action is “to obtain increased knowledge and a common European understanding of the reforms and transformation of social protection systems in Europe in the context of globalisation and European construction”. Working Group 4 is particularly interested in interaction between employment policy, labour market reform and changes in the welfare state.

This mini-symposium entitled “Employment Policies and Welfare Reform” was organised by the “Ivo Pilar” Institute of Social Sciences and held on October 26, 2001 in Zagreb, Croatia. The Symposium gathered together European experts in the field from Belgium, Finland, France, Great Britain, Hungary, Norway, Netherlands, Spain, Switzerland and Croatia. Given the current importance of the topic, the enviable professional level of the participants, and public interest, we have decided to publish the papers as a volume in the Institute's series of Proceedings.

We would like to take this opportunity to thank Mr. Davorko Vidović, the Minister of Labour and Social Welfare of the Republic of Croatia for opening the Symposium, the participants for allowing us to publish their papers, as well as the Ministry of Science and Technology for financial support. The exceptional efforts of the staff at the “Ivo Pilar” Institute with regard to the preparation and organisation of the Symposium are also noted here with gratitude.

Editors



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I.

FLEXIBLE
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LABOUR
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Jelle
VISSER

Amsterdam, The Netherlands

NEGOTIATED
FLEXIBILITY IN
WORKING TIME AND
LABOUR MARKET
TRANSITIONS
– THE CASE OF
THE NETHERLANDS

On the surface, four features characterise the current “full employment” labour market of the Netherlands: a high incidence of part-time jobs; widespread use of temporary agency and flexitime work; low registered unemployment; and a high disability rate. *Part-time jobs* have become the dominant transitional arrangement between education and employment for young people entering the labour force, and between domestic activities and employment, especially for women. *Temporary agency work* is used by young people, school leavers and students entering employment, and as a transitional arrangement from unemployment to employment. The *unemployment rate*, after reaching double-digit figures in the 1980s and still over seven percent in 1995, dropped to 2.5 percent in early 2001, the lowest rate since 1972. This good news is accompanied by strong job growth, almost two percent per year since 1983 and outpacing labour force growth by a wide margin. From 1975 to 1999 the participation rate of women between 15–65 years doubled from 30 to 60 percent. Older males, on the other hand, have increasingly disappeared from the labour market. The participation rate of men aged between 50 and 65 years dropped from 85 to 60 percent. The employment ratio of the 55–64 age group, men and women, was as low as 29 percent in 1993, but has risen since. The *high disablement rate*, 952,000 persons at the end of 2000 or twelve percent of the labour force, remains a sour spot in the Dutch welfare state. Disablement indicates a near irreversible and exclusionary transition from employment into non-employment, currently involving a growing number of younger people and women, with a strong incidence of stress-related complaints.

In this paper I intend to analyse the Dutch labour market from the perspective of working time arrangements and “flexicurity” regulation, making use of the concept of *transitional labour markets* (Schmid 1998; Schmid and Gazier 2001). Transitional labour markets can be re-

garded as institutional responses to critical events in labour markets: entry, exit, job change, unemployment, and non-employment connected with non-paid activities and responsibilities. Integrative or “good” transitional labour markets require institutional arrangements that allow or support entry into employment, mobility between jobs, life-course management of employment, including the combination of paid work in the formal labour market with other socially useful activities, including education and caring. It has been argued that working-time arrangements can play an important role in easing such transitions or mobility stages in current labour markets (Cebrián, Lallement and O'Reilly 2000).

In the following pages I shall examine to what extent this is true for the Dutch labour market of recent times, proceeding in five steps. Paragraph 1 offers a brief discussion of the classification of labour market transitions and working-time arrangements, and of the hypothetical relations between them, that will then be taken as the basis for my empirical investigation. Paragraphs 2 and 3 offer some descriptive statistics of the various transitions and working-time arrangements in the Dutch labour market. In paragraph 4 this is followed by a discussion of the regulatory regime of Dutch industrial relations combined with a brief description of the main institutions, actors and processes. Paragraph 5 discusses in greater detail the various steps towards “flexicurity” and “negotiated flexibility” in working-time arrangements, from the Wassenaar agreement of 1982 to the recent “Work and Care” bill of 2001. Paragraph 6, finally, tries an evaluation of the strength and weakness of the Dutch approach of recent times.

PROCESSES, TRANSITIONS AND WORKING TIME ARRANGEMENT

We can distinguish five types of transitions or mobility in modern labour markets: *(i)* between education and employment; *(ii)* between non-employment and employment; *(iii)* between unemployment and employment; *(iv)* within employment, between jobs, or between dependent and self-employment; *(v)* between employment and retirement (see: Schmid 1998). Each of these can be conceived of as a two-way process. While we mostly see *(i)* as a movement from school to work, in a perspective of life-long learning the reverse may become increasingly relevant. Similarly, we need not think of retirement as a final stage in all circumstances.

Cebrián, Lallement and O'Reilly (2000) have proposed a distinction between integrative, maintenance and exclusionary transitions. *Integrative* transitions refer to people who were initially outside paid employment, either being unemployed (*iii*) or outside the labour force, perhaps as “discouraged workers” (*ii*), or enrolled in education or training schemes (*i*). *Maintenance* transitions enhance what is sometimes called “employability” or employment (rather than job) security. Transitions of this type are the mobility processes (*iv*) between different jobs, employers or employment statuses, possibly alternating with phases of education (*i*) or other socially useful activities (*ii*), but avoiding unemployment (*iii*) and early withdrawal or disablement (*v*). *Exclusionary* transitions, on the other hand, lead to withdrawal (*v*), possibly preceded by an extended period of unemployment, sickness or non-employment interrupted by brief spells of temporary or part-time employment. The latter definition suggests that processes of social integration, exclusion and maintenance in labour markets are closely intertwined with working time arrangements.

Flexibility has different sources and motives, and involves the dimensions of time, contract, task, and pay (Atkinson 1987; Esping-Andersen and Regini 2000; Streeck 1987). In this chapter the emphasis is on *numerical* flexibility, *i.e.* the ease with which working hours and/or the number of workers can be adapted to meet fluctuations in demand or supply shifts related to technological and social change. Within numerical flexibility two further useful distinctions are between *internal* and *external* flexibility (de Haan, Vos and de Jong 1994), and between *active* and *passive* flexibility (Passchier and Sprenger 1998). When firms solve the problem of adaptation to varying demand internally, by expanding or contracting the number of working hours, or through a more variable use of labour, we speak of internal flexibility. When they approach the problem through hiring or laying off workers, or by hiring “contingent workers” on short-duration or “on call contracts”, we have external flexibility. Active and passive flexibility refer to the position of employees in the choice of contracts and working hours. When employees work flexible hours or work under flexible contracts involuntarily, because alternatives are lacking, flexibility is imposed and passive from the workers' point of view. Active flexibility is voluntary and tends to reflect workers' preferences for risk taking, variable hours and combination of employment with other activities.

Two well-known forms of *external flexibility* are temporary workers employed by temporary work agencies (TWA) and workers on temporary or fixed duration contracts (FlexC) without the prospect or promise of a regular (“open ended”) employment contract. Specific and sometimes hazardous forms of FlexC are workers “on call”, temporary replacements or “stand-ins”, and contracts with unspecified but variable hours and earnings, like “zero-hours” and “min-max” employment contracts. Further forms of external numerical flexibility involve “home work”, seasonal and vacation jobs, some forms of self-employment and some types of “labour pools”.

Internal flexibility relates to increased variation in working hours and flexible working-time arrangements of regular workers who are employed on the basis of standard, full-time or part-time, employment contracts. Compared to external flexibility, workers need be less uncertain about the continuation of employment and earnings, whereas employers have less to worry about the availability or quality of staff. In this paper I distinguish eight relevant working-time arrangements: part-time work (PT); variable working hours or annual (and lifetime) working accounts (VarH); work in shifts (shift), so-called “unsocial” working hours during evenings, nights and weekends (24H); overtime (OT); temporary reduced hours (TRH); shorter working hours (SWH) and leave of absence (LEAVE). Table 1 locates these forms in a two-dimensional space defined by the two axes of flexibility and suggests which groups will be most affected by these forms of flexibility.

Table 1
Types of numerical flexibility

	Internal	External	
Active	Leave (women)		
	SWH (all?)		
	TRH (men)		
	PT-large (women)	TWA jobs (young)	
Passive	VarH (parents, young)		
	OT (men)	24H (young, women)	
			Stand-in (women)
		FlexC (young)	
		PT-small (women)	
	Shift (men/women)		Call (women)
		Min-Max (women)	
		0-Hours (women)	

Part-time, overtime, temporary reduced and shorter worker hours are defined on the basis of some norm referring to the normal, contractual or average length of the

working day or week. Variable hours or flex-time refer not to the length but to the variation in working hours during the day, week, month or year; shift-work to monthly or weekly changing working hours involving evenings, nights and/or weekends, 24-hours regimes to regular work involving any time during the day or week (24H); and leave of absence to interruptions from paid employment into non-employment, education or retirement while retaining employment status. All these categories need further refinement.

Various classifications of part-time jobs have been proposed, mostly based on the length and stability of these jobs, and intended to separate marginal part-time jobs from their more gratifying and sustainable variants (Hakim 1996; 1997; O'Reilly and Fagan 1998). Thus, it would seem meaningful to distinguish small part-time jobs (for instance, less than 12, 15 or 20 hours weekly) from part-time jobs that involve half-time employment or more. Overtime, especially when leading to a regular call to put in long hours, is the opposite of part-time work. Shorter working hours refers here to the collective variant of working-time reduction below the contractual norm of 40 weekly hours on average, whereas temporary reduced working hours refers to the possibility to combine unemployment and employment during a limited period of crisis or restructuring, usually with support from unemployment insurance funds. Under variable working hours we may group a variety of arrangements, from annualised working hours, allowing variation of daily or weekly working hours schedules during the year, as well as life time (or time saving) accounts. Finally, there is also a great variety of leave arrangements in terms of what motivates a particular leave, its length, recurrence, entitlement and pay.

With regard to all types of numerical flexibility distinguished above, it is important to know how the decision to work a particular contract, number of hours or working-time schedule is framed by regulations; who takes the initiative or to what extent do arrangements reflect worker preferences; how the advantages and disadvantages are weighted or compensated; and how easy or difficult it is to change between arrangements. In addition to micro-social rationality, we may question the aggregate rationale of certain regimes of flexibility, from the point of view of overall economic performance or social justice. I will return to these questions in my evaluation at the end of the chapter. Table 2 summarises the proposed typologies by suggesting a set of hypothetical linkages between labour market transitions and working-time arrangements.

Table 2

Hypothetical relationships between working-time arrangements (internal flexibility) and labour market transitions

Social processes	Labour market transitions	Facilitated by the following working time arrangements
INTEGRATION	(i) education to employment	PT, FlexH, 24H
	(ii) non-employment to employment	PT, FlexH, 24H
	(iii) unemployment to employment	PT, FlexH
MAINTENANCE	(iv) employment to employment	Leave, SWH
	(i) employment with education	Leave, PT, SWH, ^OT
	(ii) employment with non-employment	Leave, PT, SWH, FlexH, 24H, ^OT
	(iii) employment with unemployment	TRH
prevention of EXCLUSION	(iv) employment with retirement	PT, ^FLEX, ^Shift, ^OT
	(v) employment to retirement	Leave, SWH, PT, ^Shift, ^FlexH
EXCLUSION	(iii) employment to unemployment	TRH, SWH, ^PTsmall
	(ii) employment to non-employment	Leave, PT, ^Shift, ^OT, ^PTsmall

Legend: PT = part-time work; OT = overtime; SWH = shorter working hours; TRH = temporary reduced hours; FLEX = variable hours (flex-time); 24H = evening, night and weekend hours; Shift = shift work; and Leave = leave of absence arrangements. ^PT = non-part-time, *i.e.* the part-time option is not available, *etc.*

THE DUTCH LABOUR MARKET IN THE 1990s

We can approach the various transitional stages in the Dutch labour market from the data in Tables 3 and 4. Table 3 confirms the growth of the labour force during the 1990s with 1 million and of the employed labour force with 1,2 million persons, raising the employment/population ratio by one percentage point per year. Almost 70 percent of this rise was due to the influx of women in the labour force. Unemployment, on the rise again in the recession of 1993-94, has since halved in the case of men, and decreased strongly in the case of women.

Considering the 1999 data, we observe that of the 10,7 million working age population (15-65 years), 7,1 million belong to the labour force and 3,6 million persons are defined outside the labour force when we apply the criterion of working or wanting to work at least twelve hours per week on a regular basis.¹ One-third (33.9%) of the *non-labour* force is enrolled in education; one-quarter (26%) receives a disablement pension, another quarter (22%) works in marginal jobs of less than twelve hours weekly, and 3.6% receive a pre-retirement benefit. The remainder receive social assistance, are not registered, perhaps discouraged from looking for a job or not available to accept a job on short notice, in education or on household duty. Of the female non-labour force, around half is (self-)defined as housewife and among females enrolment

Table 3

Labour and non-labour force, by sex, 1990–1999

TOTAL	1990	1995	1999	<i>of whom in education</i>		1990	1995	1999
	× 1000					<i>participation rates</i>		
working age population	10,228	10,498	10,663	2,114	19.8%	<i>participation rates</i>		
labour force (>12 hours)	6,063	6,596	7,097	906	12.8%	59	63	67
1. employed	5,644	6,063	6,805	823	12.1%	55	58	64
						<i>unemployment rate</i>		
2. unemployed	419	533	292	83	28.4%	6.9	8.1	4.1
3. non-labour force	4,165	3,903	3,566	1,209	33.9%	<i>involved in paid work</i>		
with small job (<12 hours)	690	712	796			16.6%	18.2%	22.3%
with disablement pension	863	877	914			20.7%	22.5%	25.6%
with pre-retirement pension	128	152	130			3.1%	3.9%	3.6%
MALE								
working age population	5,182	5,329	5,400	1,126	20.9%	<i>participation rates</i>		
labour force (>12 hours)	3,865	4,067	4,242	546	12.9%	75	76	79
1. employed	3,686	3,814	4,121	504	12.2%	71	72	76
						<i>unemployment rate</i>		
2. unemployed	179	253	118	42	35.6%	4.6	6.2	2.8
3. non-labour force,	1,317	1,262	1,151	580	50.1%	<i>involved in paid work</i>		
with small job (<12 hours)	236	242	279			17.9%	19.2%	24.1%
with disablement pension	590	587	..			44.8%	44.6%	..
with pre-retirement pension	107	126	..			9.5%	11.9%	..
FEMALE								
working age population	5,046	5,169	5,263	989	18.8%	<i>participation rates</i>		
labour force (>12 hours)	2,198	2,529	2,856	359	12.6%	43	49	54
1. employed	1,958	2,249	2,684	319	11.9%	39	44	51
						<i>unemployment rate</i>		
2. unemployed	240	281	174	41	23.6%	10.9	11.1	6.1
3. non-labour force	2,849	2,640	2,408	629	26.1%	<i>involved in paid work</i>		
with small job (<12 hours)	454	470	517			15.9%	17.8%	21.5%
with disablement pension	273	314	..			9.6%	11.9%	..
with pre-retirement pension	20	26	..			0.7%	1.0%	..

Sources: Central Bureau of Statistics (CBS), The Hague, various publications and STATline (<http://statline.cbs.nl/statweb>)

Table 4

Indicators of unemployment, 1992–2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
registered unemployment	336	415	486	464	440	375	287	221	188
of whom >= 1 year	49.1%	45.3%	50.2%	53.2%	50.2%	52.0%	54.0%	50.2%	43.6%
unemployment benefits	214				386	355	306	249	204
unemployed labour force	411	481	547	533	494	438	348	292	267
wants to work (>= 12 hours)	974				1,117	1,020	914	805	700
social assistance recipients	214				386	355	306	249	204
<i>unemployment rate (registered)</i>	5.3	6.5	7.5	7.0	6.6	5.5	4.1	3.1	2.6
<i>unemployment rate (labour force)</i>	6.5	7.5	8.5	8.1	7.4	6.4	5.0	4.1	3.7

Source: Central Statistical Office (CBS), press release of 17-5-2001, and historical series (<http://statline.cbs.nl/statweb>)

in education and entitlement to social benefits is much smaller than in the male non-labour force, whereas the incidence of marginal part-time jobs is higher.

From Table 3 we can deduce that the borderlines between the various subsystems – employment, education, social security – are porous. Half of all people in education are employed, reflecting both the growing importance of adult education and formal job retraining, and the rise of student work since the late 1980s. In 1998, 46 percent of school going youth and students under the age of 25 had a (part-time) job (de Beer 2000). Twelve percent of the employed labour force (in non-marginal jobs) is enrolled in (part-time) schools; among the unemployed this proportion rises to 28 percent (36% for men and 24% for women), possibly due to the new active labour market policy in which job seekers are offered training. Of the 914,000 people receiving disablement pensions in 1999, more than a quarter was partially disabled, possibly in combination with employment, unemployment and education, or support from social assistance, families or partners.

Having been used as the “velvet exit route” from the labour market for older (male, industrial) workers in the 1970s and 1980s (see Aarts and de Jong 1996), the current system is rapidly feminising. Half of the 100,000 disablement pensions starting in 2000 went to women, far in excess of their share in employment. One-third of these disablement pensions, starting after one year of absence due to sickness, was awarded on grounds of “psychological dysfunction or stress”. Another disquieting factor is that nearly half of all new cases of disability affected people under 45 years. Of the 75,000 people whose disability pension was stopped, only a minority was reintegrated into (part-time) employment. 40 percent reached the official retirement age of 65, a small number died, and others were transferred to social assistance.² On the current rate of increase, the number of people of disability pensions will surpass the 1 million threshold in 2003, a figure that ten years ago alarmed politicians in drastic actions. However, the painful reforms of 1993 and later years, which reduced the Labour party nearly into opposition during the 1994 elections, did bring only temporary relief. Due to lower benefits, stricter selection, penalties for employers and medical re-examinations, the number of pensions dropped by almost 100,000 between 1993 and 1996, but starting again on its long-term upward trend. In typical Dutch “consociationalism *cum* corporatism” fashion, an all-party committee, with membership from government and oppo-

sition parties, and closed door negotiations with unions and employers, has in May 2001 proposed another major overhaul of the system, making a sharper distinction between full and irreversible disability on the one hand and partial and curable disability on the other. The committee proposes to improve the social care for the first group and to strengthen the incentives for employers and workers to invest in health recovery, job search and employment for the second group.

Finally, from Table 4 we learn that unemployment may be defined in different ways and include people who are currently defined outside the labour market or enrolled in (full-time) education. The indicators of long-term unemployment (since the mid-1980s roughly half of all unemployed are unemployed during one year or longer) and of an ill-defined “labour reserve” (some 700,000 or double the official number of unemployed want to work but may not be available to work twelve or more hours per week) suggest that, in spite of the sharp drop in unemployment in recent years, the transition out of unemployment and non-employment is problematic still for many people. The problem is mostly concentrated among those who have been unemployed for a long time and among ethnic minorities. Women with responsibilities for young children, especially when lone parent and unskilled, have great difficulty entering the job market or retain any but a small part-time job with no financial sustainability or job qualifying promise. The 1996 reform of the social assistance laws limited the exemption from (part-time) job search to lone parents with children under the age of five (the prior age limit was twelve). Older unemployed workers, mostly males of 57.5 years and more, have since 1984 been exempted from the requirement to engage in job search, without jeopardising their benefits under unemployment insurance and social assistance laws (though this exemption is currently under review).

Studies of mobility, worker turnover and flows into and out employment and unemployment offer the following picture of the Dutch labour market in the 1990s. From panel data, Hartog and Theeuwes (1997) estimate that on average fifteen percent of workers, almost one in seven, change jobs annually, a figure that compares well other OECD countries. Panel data of the Organisation of Strategic Labour Market Research³ show that eleven percent of all workers changed jobs while remaining with the same employer (OSA data, cited in de Lange and Thunissen 2000). Functional flexibility, or the degree to which workers perform tasks “outside their function, oc-

cupation or skill-level”, appears to have increased from an average 13–14 percent between 1985 and 1994 to over 17 percent in 1998. This increase is observed across a variety of occupations and suggests that, in a tightening labour market, employers prefer workers with broader skill profiles as an alternative to numerical (and short-time) flexibility. Numerical flexibility is more prominent in small firms, under 99 employees, which together employ about half of the Dutch work force. In terms of employees involved, functional and numerical flexibility are equally important in larger firms (de Lange and Thunissen 2000).

Labour mobility, or change of employer, moves in a cyclical pattern; it decreases during recessions and rises when labour markets are tight. Around six percent of all workers changed their employer in 1998, about the same proportion as in 1991, whereas less than four percent did so in the recession year 1994.⁴ Incidentally, these figures neither indicate a strong rise in “job hopping”, nor do they signal “the end of the career” for the majority of workers. In spite of the rise in flexible employment contracts (see below), the mean job duration, of people remaining with the same employer, has increased with a full year, from 8.4 years in 1992 to 9.4 years in 1998.⁵ Women have, on average, three years less tenure than men. This reflects in part the younger age structure of the female labour force due to lower participation of older cohorts. Average job duration of employees between 15–24 years is 1.8 years; increasing to 7.6 years for employees aged 25–44 and 16.0 years for employees aged 45–65. Age and sex differences in job tenure are larger than in countries like Austria, Denmark and Ireland (OECD figures, cited in Rubery 2001).

Employment growth is the balance of relatively large flows of job creation and destruction. For instance, the increase with 60,000 jobs in 1992 (+2.2%) was the sum of 240,000 new jobs (+15.2%) and the destruction of 180,000 jobs (-13.0%). Hassink (1995), on the basis of panel data for 1990, estimated an average annual inflow with *new* workers of around 11–12 percent. Micro-census data from the Dutch Central Statistical Office (CBS 1998) suggest a steady rise of inflow into employment – from education, unemployment and non-employment – from less than 13 percent before 1994 to 16 percent in later years, a pattern that is consistent with rising job growth during the decade. Gautier (1997), using administrative social security data, has computed a historical time series for 1970–91, both with regard to the outflow from employment into unemployment and non-employment, and the inflow into

employment from unemployment and non-employment. His figures show that inflow collapsed and outflow soared during the recession of 1981–83. After 1983 inflow was on a steady rise, whereas during employment outflow stabilised at a significantly higher level in the 1980s than in the previous decade, due to increased exits through unemployment, disablement and early retirement. During the 1980s outflow from unemployment into employment decreased and unemployment became hardened into long-term unemployment for a significant part of the (older, unskilled and ethnic minority) population (de Beer 1996; Krogt *et al.* 1990). In the 1980s, seven out of eight new jobs went to new entrants or re-entrants (youth and women) (see Visser and Hemerijck 1997, chapter 2, and sources cited there). A study by Russo *et al.* (1997) confirms that newly acquired skills and educational requirements may be decisive. Their analysis of the 1991–94 period showed that employers, when interested in higher educational standards, tend to hire from the stock of employed. In contrast, recruitment of unemployed workers tends to go with lowering standards. That study took place during a downturn and it may be that in today's tight labour markets employers cannot afford being choosy to the same extent.

Together, increased job tenure and high job turnover may point to a growing polarisation of the labour force, with some groups (new entrants, re-entering and part-time working women, people with low skills, unemployed) being sorted into highly unstable jobs while (male) insiders hold on to stable and full-time jobs. This is indeed the picture that, at least in the late 1980s, seemed to fit the Dutch case (Lindeboom and Theeuwes 1991). It is hard to say how much has changed in the 1990s. We know that until 1997 or 1998 most of the Dutch employment miracle was due to the expansion of part-time and flexible jobs filled by women and youth. After 1998 this type of expansion, emptying the reservoir of unused labour, seems to have exhausted, which explains why unemployment has fallen so much and is still falling in early 2001, in spite of faltering economic growth. More new entrants are offered a standard employment contract (with a one or two months trial period) than has been the case only few years ago, indicating the effect of a tightening labour market. More telling, from the perspective of overcoming polarisation and the prevention of social exclusion, is that almost half (47%) of all persons who in 1994 were employed under flexible contracts had a permanent job two years later. Of those with flexible jobs in 1996 (a larger group than in 1994), 57 percent had a permanent job in 1998. Transi-

tions out of unemployment into permanent jobs (or jobs with the prospect of permanent employment, after completion of the trial period) also increased. 22 percent of those unemployed in 1994 had found a permanent job two years later, rising to 33 percent in 1998 of those unemployed in 1996.⁶

These figures, apart from reflecting an improved labour market, suggest that large streams of people – perhaps one-third of the labour force each year, counting all transitions distinguished in Table 2 – are in transitional labour markets each year. From that perspective, it is hard to sustain that the Dutch labour market is lacking in mobility. On the negative side, however, we find people who remain in insecure transitional labour markets despite themselves, for instance because they fail to move out of (long-term) unemployment for lack of skills or preparation, or because they move from one badly protected flexible job to another for reasons of (partial) disability, drop-out from education or lack of support in, for instance, the case of lone mothers. Before returning to these issues in the paragraph on policies, I shall survey the flexible contract and time arrangements distinguished in Tables 1 and 2 and discuss their use in transitional labour markets.

FLEXIBLE CONTRACTS AND WORKING-TIME ARRANGEMENTS IN THE 1990s

The size of the market for flexible work has increased and may be larger in the Netherlands than in many other countries – the selection in Table 5 is chosen so as to represent countries with widely different industrial relations and welfare state systems, ranging from liberal-pluralist (US, UK), to conservative-familialist (Spain), corporatist (Germany) and social democratic (Denmark) (see Crouch 1993; Esping-Andersen 1990; van Ruysseveldt and Visser 1996; Visser 2001). Not only has the Netherlands become the champion of *part-time work*, but in TWA jobs the Netherlands holds the world's record as well. In the 1990s the market share of TWA's doubled from two to four percent (Dunnewijk 2000). With regard to *flexible jobs* or *fixed duration contracts* (FlexC), the Netherlands occupies a middle position. The OECD (1998) ranks the Netherlands as most rigid in terms of employment protection (EP),⁷ but this reflects legal rules rather than actual procedure, which is more flexible (Bertola 1990; Mayes and Soteri 1994; Wilthagen 1998). Temporary contracts tend to develop as a by-pass, around strict EP, as appears to be demonstrated

by the case of Spain. Conversely, where EP is weak, as is the case in the US and the UK, there appears little need for additional flexibility. This makes the Netherlands, with strong job growth and additional flexibility through TWA and part-time jobs,⁸ but with an average use of flex-contracts, a somewhat odd case if one believes the OECD ranking of the Netherlands as highly rigid in its system of employment protection (for a critique: Nickell and Layard 1999).

Table 5
Part-time, flexible and temporary agency work in selected countries

	Part-time a)		Flexible jobs b)				TWA 1998 e)		EP f)	
	1983	1999	1983	1997	modal age class c)	average duration in months c)	% labour force	% sales per agency	value	rank-order 1-27
Netherlands	21.2	30.4	8.0	12.0	<25	7-12	4.50	13,300	3.1	25
Denmark	23.8	17.9	12.5	11.0	<25	7-12	0.25	1,100	1.6	7
Germany	12.6	17.1	10.0	11.0	<25	25-36	0.50	1,600	2.8	21
Spain	5.0	7.9	11.0	24.0	25-49	4-6	0.75	2,800	2.6	18
UK	19.0	23.0	7.0	7.5	25-49	7-12	3.00	3,500	0.8	2
US	18.4	18.3	d) 0.5	d) 1.9	..	..	2.25	8,400	0.2	1

a) OECD, *Employment Outlook 2000*, restricted definition (van Bastelaer *et al.* 1997): less than 30 hours weekly and (in the Dutch case) more than 11 hours weekly.

b) OECD, *Employment Outlook 1998*, jobs based on employment contracts of determinate length (in the Netherlands usually less than one year).

c) based on ELFS data for 1998, Eurostat, *European Labour Force Survey 1998*.

d) US figures (not strictly comparable) from NATS, the *National Association of Temporary Staffing*.

e) TWA-figures provided by CIETT, the *International Confederation of Temporary Work Businesses*. The figures refer to daily averages of working hours worked through temporary work agencies, as a percentage of man-hours worked.

f) OECD, *Employment protection and labour market performance*, Paris 2000.

Not shown in Table 5 is the development of flexible *time* use, offering greater variation in the use of labour but *within* standard labour contracts and with *less* uncertainty and variation of earnings. That development will be discussed shortly. Also outside Table 5, but an additional source of flexibility, is the development of new forms of *self-employment*, of those working in a sub-contracting rather than in an employment relationship. Self-employment has risen with some 150,000 persons to over 750,000 in 1998, representing a stable share in total employment of about twelve percent since the 1980s. Of these at most one-quarter, or three percent of total employment, are self-employed in a subcontracting relationship, avoiding social security contributions and not covered by standard labour law and social protection pertaining to employees.

In recent years a growing number of construction workers, truckers, computer specialists, health therapists, hairdressers and beauty specialists have swelled the ranks of the self-employed, joining the usual suspects of freelance workers among journalists, artists and professionals.

The transition from employee status to self-employment may produce a “regulation gap” with regard to pensions and social security coverage, with exclusionary consequences due to under-insurance in the future. According to union research just over 70 percent of self-employed truckers and construction workers, but only 20 percent of free-lance journalists, are fully insured against the risk of disability or sickness, guaranteeing an earnings-related benefit (Ilpenburg 2000). Insurance, guaranteeing 70 percent of last-earned wages in the case of full disability, is compulsory in the case of employees and most collective agreements since 1993, when the state lowered protection, provide additional insurance.

Table 6 shows a rising trend in external flexibility during the 1990s. Numerical flexibility based on flexible employment *contracts*, has increased from 12 to 17 percent of all jobs during the 1990s, and involves around fourteen or fifteen percent of all employed *persons*, or twelve percent if we exclude young people, students and re-entering women with small jobs of less than 12 hours per week. These estimates refer to *formal* employment relations. Given the low threshold of hours and the rather encompassing regime of social security, there is no reason to believe that *informal* labour other than “do-it-yourself”, household cleaning and family help (including care for children and elderly people) is very widespread in the Netherlands. A high degree of flexibility and low thresholds for entry into the labour market and into social insurance tend to compress the market for informal employment (Delsen 1988).

Table 6
External flexibility, by type
of contract (in thousands),
1992–1999

	Flexible contracts	TWA	Call-contracts	Stand-in	Other
1992	399	102	78	39	181
1993	393	98	79	36	179
1994	425	114	91	36	185
1995	477	149	105	34	189
1996	538	187	114	48	188
1997	566	207	121	43	195
1998	604	223	138	49	195
1999	571	210	112	44	205

Source: same as Table 2

Temporary Work Agencies

TWA jobs (in Dutch: *uitzendwerk*) are used in agriculture and industry in case of seasonal work or uncertain demand, and in services in case of temporary activities. Typically, TWA workers are young, without children; there are in fact many starting dual earner households involved in this kind of job. Traditionally, TWA's have specialised in buffering fluctuation, matching product demand changes and labour supply, for instance in the case of seasonal fluctuation or temporary replacements, but they are also used by employers to avoid dismissal protection requirements and as a screening device. On the supply side, TWA's have picked up the desire for more autonomy in matters of working hours, education and leisure of people in transitional labour markets, especially of young people and starting households.

TWA employment tends to expand cyclically. During recessions, TWA workers are the first to lose their jobs by not being recalled; in the upswing product demand is first met with extra effort (overtime) of existing employees as hoarding is reduced, followed by the hiring of additional temporary workers if future demand remains uncertain. If growth continues, temporary work tends to stabilise as some temporary workers may be offered regular jobs. Some of the larger TWA's operate on an international scale and are clearly moving "up market" by specialising in "human resource management", training and employability of skilled workers (for instance IT specialists and managers, or artists). TWA's are also active in the market for subsidised or additional employment and have made "contracts" with local governments in the Netherlands and Germany regarding the placement of the long-term unemployed, usually on the base of lump sum subsidies.

Temporary or fixed-duration contracts

Temporary jobs (*arbeidscontracten voor bepaalde duur*, also *tijdelijk werk*) involve slightly more women than men, are usually found at the lowest skill and pay levels, and are mostly filled by young people. Screening is only one of the reasons mentioned by employers for the growth of temporary contracts (van Bolhuis 1996); other reasons are related to fluctuating and uncertain demand. Tijdens (1999) associated the apparent increase of risk-avoidance to employers' attempts to increase long-term (*internal*, numerical and functional) flexibility under an EP regime that makes it costly to dismiss workers (at least before the legal changes of 1999). Changes in social security laws may

have made employers more hesitant to start hiring employees on the basis of standard employment contracts. Changes in sickness pay and disability legislation in the mid-1990s have increased obligations on employers (Visser and Hemerijck 1997) and may have made them intent on risk avoidance, though no sound empirical research on this exists to date. Under the new “flexicurity” legislation (1999), employer responsibility and social insurance coverage has been widened to a larger category of flexible and TWA workers.

Employment on call, temporary substitutes and unspecified hours

These are the least secure forms of jobs, promising little sustainability of income and employment, though somewhat better social security coverage after the legal changes of 1999. Like some TWA jobs, these are the jobs with the largest variability in time schedules, which may be changed from day to day and week to week. In seven out of ten jobs of this type we found women (compared to four out of ten in total employment); mostly, these are married or single mothers with children. Employment “on call” (*oproeparbeid*) is in 85 percent of all cases a job of less than 20 hours per week; unspecified hours contracts (*nul-uren* or zero-hours and *min-max* contracts) are even smaller, whereas substitutes or stand-ins (*invalkrachten*) are found in jobs of all lengths. Unspecified hours contracts are mostly used in retailing and in hotels and restaurants; the other two types are also much used in the health service and education. Employment “on call” and unspecified hours contracts are used to increase the (short-time) flexibility of firms which want to limit the size of the regular staff. Surveys among these workers suggest a problematic “employment relation” even though in 57 percent of all cases there is a written contract and in 90 percent a wage and tax slip is provided (hence, we are not referring to informal employment). Yet, research by the Ministry of Social Affairs and Employment shows that most workers are poorly informed about their wages, rights, holiday claims, and so forth (Tijdens 1999).

Flex-time employment and shorter working hours

Flex-time employment, variable and irregular hours, and longer opening hours became the main issue in collective bargaining during the 1990s. This must be seen in the context of growing fluctuation in demand, just-in-time production, increased (fixed) capital costs, longer operating and shopping hours, traffic congestion, shorter working

hours, more leisure time and the pressures related to reconciling work and family responsibilities in a dual earner society. A survey among firms shows that one of every two firms is confronted with some kind of demand fluctuation. Sixty percent of the firms experiencing demand fluctuation indicate that they prefer to deal with it through internal (time and job) flexibility; 16 percent prefer external flexibility and 24 percent have no preference either way (de Jong and van Bolhuis 1997). This preference of internal over external flexibility is shared by the trade unions (Passchier and Sprenger 1998) and has become the basis for the central agreement of 1993 (“New Course”) and new legislation on working time (1996).

Variable Hours

Annualisation of working hours and the concept of weekly or monthly average working hours made its full entrance in the second half of the 1990s. As a consequence, employers can more easily match working hours to changing demand conditions or shifting workloads, reducing the likelihood of “overtime” hours. In exchange, workers gained shorter working weeks, more holidays or additional hourly pay, in some cases more autonomy over schedules. The main union in industry introduced the concept of *vari-time*, allowing variable working hours over the month or year but with guaranteed monthly and annual earnings. In many services and in retailing employers wanted a better match of working hours and consumer behaviour, with peak hours more often falling in evening hours or in weekends, and varying during the year, with Christmas and holiday sales. The banking agreement, for instance, introduced a “corridor” of working hours, between 32 and 40 hours, and exempted a large group (with scarce skills) from the reduction. Furthermore, the agreement introduced longer “normal daytime” working hours, work on Saturday, lower overtime rates, and more variation during the year. Unions gained stronger social clauses in case of work restructuring and protection of workers against redundancies (Visser and Jongen 1999).

Unsocial Hours and Shift Work

According to the 1997 Labour Force Survey, excluding very small jobs of less than 12 hours per week, around 43.3 of all employees work irregular hours (alternating evening and night hours, including shift work: 14.4%; evening hours: 14.2%; weekend hours: 15.1%) (Visser and van

Rij 1999). More recent figures suggest a significant rise in evening work during the 1990s from 7.8% to 17.4% between 1992 and 1998 and a slight increase in work during weekends (OECD 2000). Shift work is mainly found in industry; a high incidence of irregular and unsocial hours is found in catering and entertainment (87% of all employees); transport (66%); health; commerce; and agriculture (each 55%). With the exception of transport and agriculture, these are sectors with an over-representation of women and young people. However, women do not more often work in shifts or unsocial hours than men (they do work shifts in different sectors however, e.g. in health rather than industry). Young people tend to work less in varying shifts but more during weekends, evenings and nights. Part-time workers are not significantly more likely to work “unsocial” hours; 48% of part-time workers, compared to 51% of full-time workers, never work during evenings, nights or weekends (de Beer 2000).

Shorter Working Hours

Since 1979 the Dutch trade unions began their campaign for a shorter working week as a means to combat rising unemployment through work sharing (de Lange 1988; Visser 1989). Unlike the earlier movements towards shorter working hours – leading to the five-day working week in 1962 and a standard 40 hours week for full-time workers in 1975 – the reduction of contractual working hours that took place in the 1980s and 1990s did not produce convergence but *divergence* in working hours across society. Working hours standards began to vary more than before, and the process of working time reduction itself encouraged variations over the year, with a further fragmentation, and individualisation, of working time schedules, including a boost of part-time employment (Visser 2000).

The bargaining rounds between 1983 and 1986, following the central agreement of Wassenaar in November 1982, produced an *average* reduction of working hours by five percent, from 40 to 38 hours per week for the majority of Dutch employees. In 1986 the working week was reduced for 77 percent of all employees in the private sector. In addition to measures promoting early retirement and more part-time jobs, the working-time reduction took mostly the form of *extra days off* per year or per month and in most cases the reduction of working time corresponded with a reduction of operating time (Tijdens 1998). Between 1986 and 1993 effective and contractual annual working hours of full-time and part-time workers

hardly changed. Only ten percent of all full-time workers had gained a 36 hours working week by 1993, mainly in sectors or firms in which major restructuring and manpower reduction had taken place (Tijdens 1998).

In the wake of the 1993 recession, the unions revived their campaign for a 36 hours working week. At the end of 1993 they signed a major central agreement (“New Course”) with the employers, offering wage moderation in exchange for negotiations over shorter working hours while introducing the possibility of increased flexibility in time-use and individual choice. Negotiations proved difficult and in the bargaining rounds of 1994–95 and 1996–97 only half of all employees covered by collective agreements reached a contractual working week of 36 hours on average. Where the unions did succeed (*e.g.*, Heineken, banking, department stores, health and education, local and central government), variation in working hours across groups of workers increased. In major industries and firms (*e.g.*, Philips, metal engineering), employers successfully resisted a further working time reduction and pressed for a return to 40 hours working week instead. Similar pressures have emerged in the small firm sector and in the health sector (with a contractual working week of 36 hours), where employers are faced with severe recruitment problems. Compared to 1987, when male workers clearly exhibited two spikes of working hours around 40 and 38 hours per week, the recent pattern shows three spikes of 40, 38 and 36 hours, and longer left tail of male employees working part-time. Among female employees there is no dominant pattern or spike, and the pattern has not much changed between 1987 and 1997 (Bosch 2001; OECD 2000).

Overtime Hours

Given rising fixed costs, it is easy to predict that shorter working hours will increase the pressure from employers to work more overtime hours. Where shorter working hours are not (fully) compensated by higher hourly wages (as was the case in the Netherlands, where the Wassenaar agreement had opened the door to “cost-neutral working-time reduction” only), some pressure to work overtime will also arise from insiders, especially men with breadwinner responsibility. Case studies in the 1980s showed that staff shortages were initially met by fixed-term contracts and, as predicted, an increase in the use of paid *overtime hours* of permanent staff (de Lange 1988). Unpaid overtime hours, though more difficult to gauge, probably increased

also (and make up about half of the total number of overtime hours, see Bosch 2001). Overtime hours decreased somewhat in the 1990s, partly as a consequence of the recession but also on account of the annualisation and, hence, more efficient use of labour time. In recent years we witness again an upward trend in the use of overtime hours, now connected with labour shortages all around.

Temporary Reduced Hours

Temporary reduced hours (*tijdelijk korter werken*) arrangements in case of a severe shortfall in business activity, not related to structural factors or normal business risks, does occur for the purpose of maintenance of employment and experience (“hoarding”) and offers workers compensation through unemployment benefits (up to 100% of last earned wages). Recently, TRH was applied to help slaughter houses workers who were made redundant during the foot and mouth disease in the spring of 2001. TRH can be used for six weeks, in exceptional cases to be prolonged to six months. Restrictive legislation has made that this arrangement is much less used than in for instance Germany. On an annual basis, less than 0.2 percent of the labour force participates in TRH, with an average spell of 2.5 months, in total requiring less than one percent of all the money spent on unemployment benefits (CPB 1997: 294-5).

Part-time Work

This discussion of working time reduction, flex-time and variation in hours, would not be complete without considering the development of part-time employment and leave arrangements. Part-time employment has been an effective measure of work-sharing in times of high unemployment and strong labour force growth. Of the more than two million extra jobs since 1983, at least 60 percent were part-time (less than 35 hours per week). The rising share of part-time workers explains half of the average reduction of 14.5 working hours per employee per year between 1989 and 1999 (OECD 2000, Table 2).

Currently, there are some 2,8 million part-time jobs (796,000 from 0-11 hours, 559,000 from 12-19 hours and 1,534,000 from 20-34 hours per week) (Table 7). During the 1980s the growth of part-time employment accelerated in unison with the rise in female employment. The female share in total employment soared from 25 percent in 1977 to 39 percent in 1999 (43 percent if marginal jobs are included). This increase is almost entirely due to *married*

Table 7

Employment by status, type of contract, working-time, and sex, in 1999

	Total	Male	Female	Share of women in %	Total	Male	Female
	× 1000				in %		
all (>=12 hours)	6,805	4,121	2,684	39.4			
self-employed	733	497	235	32.1	10.8	12.1	8.8
employees	6,072	3,624	2,449	40.3	89.2	87.9	91.2
standard contract	5,502	3,369	2,133	38.8	90.6	93.0	87.1
flexible contract	571	255	316	55.3	9.4	7.0	12.9
0-11 hours	(796)	(279)	(517)	(64.9)	(10.5)	(6.3)	(16.2)
12-19 hours	559	99	460	82.3	7.4	2.2	14.4
20-34 hours	1,534	370	1,164	75.9	20.2	8.4	36.4
total part-time	2,889	748	2,141	74.1	38.0	17.0	66.9
total full-time	4,712	3,653	1,060	22.5	62.0	83.0	33.1
grand total	7,601	4,401	3,200	62.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics (CBS), The Hague, various publications and STATline (<http://statline.cbs.nl/statweb>)

women. The employment rate of married and cohabitating women between 30 and 50 years doubled from 36 percent in 1985 to 74 percent in 1998. In 1973, one in ten mothers with children in pre-school age (under six) worked outside the house for wages; in 1998 more than half of these mothers did (CBS 1998). This is closely connected to the availability of the part-time option (Visser 2000). In 1999, 67 percent of all employed women worked part-time, compared to 57 percent in 1985 and 45 percent in 1981. Among men there was a rise from three percent in 1981 to seven percent in 1985 and 17 percent in 1999, a development reflecting the growth of part-time jobs among young people and students (Delsen 1998). Still, part-time work is overwhelmingly a female affair. The female share in part-time employment is 74.1 percent, compared to only 22.5 percent for full-time employment (Table 7). Only a minority of Dutch women work full-time; they tend to be younger, unmarried, or married without children, and have more education.

There exists a well-established view of part-time jobs as sub-standard jobs because of inferior rights, entitlements, earnings or status, insufficient social security and pension coverage, and lower career prospects (Meulders, Plasman and Plasman 1995). The full-time job is taken as the norm by which to assess part-time jobs and the welfare of workers is evaluated only or mainly on the basis of occupational status or earnings. Against this view Blossfeld and Hakim (1997), Hakim (1996) and O'Reilly and Fagan (1998) have developed an alternative approach in which

they differentiate between types of part-time jobs, take account of gender roles and position in the household, and allow for different work orientations and preferences of men and women. There is a large difference between small and large part-time jobs, and between voluntary and involuntary part-time work. The quality of part-time jobs relative to full-time jobs, in terms of earnings and entitlements, tends to be higher if part-time employment is driven by supply rather than demand and if the choice to work part-time is made by workers already in employment, *i.e.* when these are “retention” part-time jobs (Tilly 1991).

In the Netherlands, part-time jobs are neither atypical nor flexible, though they have probably increased the aggregate flexibility of the Dutch labour market.⁹ From the employers' perspective, part-time jobs may serve different purposes. A survey in 1991 showed that 60 percent of the firms judged part-time jobs as a means to meet extra demand; 30 percent viewed it as the main benefit that they opened a new labour reservoir; 29 percent mentioned that part-time work helped to match shorter working with longer business hours, while one in five firms stressed that part-time jobs helped to limit costs related to overtime (SZW 1997). Employees, when asked why they work part-time, mention study, social responsibilities (family, childcare) or a preference for more leisure time (Kunnen *et al.* 1997).

Most part-time employees are covered by collective agreements and most part-time jobs (81 percent, compared to 91 percent for full-time jobs) are standard jobs of indeterminate length, subject to full employment protection. Flexible part-time jobs are mostly those of very small hours (0-11 hours weekly), located in catering, retailing and cleaning, and held by young people (male and female), or re-entering women without formal education. 25 percent of all young people in employment have a marginal part-time job. This is strongly related to the explosion of secondary jobs taken up by students, which in turn is related to the expansion of higher education and a decade of reduction of student grants.

The hypothesis that the hours threshold for “retention” part-time jobs in the Netherlands lies around 18-20 hours (*i.e.* half-time jobs), is confirmed by the statistic that flexible contracts is just as unlikely (<10%) among part-time employees working 20-24 hours per week as among full-time workers. Among those working 12-19 hours per week the incidence of flexible contracts rises to 17 percent, in the 0-11 category it soars to 44 percent. Part-time employees, especially those working in small

part-time jobs, earn less, although recent research by Tijdens (AIAS research report 2001) shows that in 2000 net hourly wages of female part-time workers are *higher* than net hourly wages of female full-time workers. In 1995, median hourly earnings of part-time employees stood at 69.8 percent (males) and 93.1 percent (females) of median hourly earnings of full-time male and female employees. This reflected both the lower seniority of part-time workers (especially among men) and the relative concentration of small part-time jobs in low-pay service sectors, such as cleaning, retailing, and hotel and restaurants (Evans *et al.* 2000).¹⁰ Controlled for sector, occupation and seniority, earnings differentials between full-time and part-time jobs have narrowed to seven percent in the private sector (STAR 1997). A troublesome finding from the International Adult Literacy Survey of 1994-95 is that part-time employees tend to participate significantly less in job-related training than full-time employees (OECD 2000). This finding should be corrected, however, for the fact that many (young) part-time workers are enrolled in formal, not-job related education programs.¹¹

Leave of Absence

According to Eurostat, only six percent of mothers with children under the age of ten were full-time employed in 1996 - by far the lowest percentage in Europe. The average in the European Union is 30 percent. The flipside is that 41 percent of Dutch women with children under the age of ten worked part-time, nearly three times the European average. Panel data conform the picture that Dutch women tend to switch from full-time to part-time jobs once they have children (de Graaf and Vermeulen 1997; Kragt 1997; Wetzels 1999). In 1997 the majority of women expecting their first child worked full-time. After child-birth, the share of women with full-time jobs decreased to fifteen percent. 60 percent switched to a part-time job, while 25 percent stopped. Unlike the pattern (uniquely?) found in Sweden (Anxo and Storrie 2001), few Dutch women return to full-time jobs when the children grow older (Dekker *et al.* 2001). Whether this is because women, after shifting from full-time to part-time, do not want to work (again) fulltime hours, or cannot find full-time jobs is not known. Recent legislation, effective from July 2000 (see below), has introduced an individual right to choose longer or shorter working hours. Under conditions of full employment, this should help preferences to show.

The choice for part-time jobs by women, or young parents, is constrained by the absence or presence of facili-

ties for family services and childcare. Enrolment in elementary schools begins at the age of four. By its own admission, the Dutch welfare state ranked in 1996 lower than most European welfare states in terms of provisions and services supporting young families (SZW 2000; confirmed by rankings in Daly 2000; Korpi 2000; Rostgaard and Fridberg 1998.) Only eight percent of children under the age of three have a place in nurseries, day schools or crèches with long opening hours, compared to, for instance, 48 percent in Denmark (Rubery 2001, Table 4.17). Dutch parents, and in particular mothers, assume a much larger share of household burdens than in the Scandinavian countries and this is one main feature in which the Dutch “Social Democratic” welfare state model deviates from its Northern variants (Esping-Andersen 1999; Korpi 2000; Lewis 1992).

The Dutch Central Planning Bureau has come to the conclusion that the lack of childcare facilities is becoming a constraint in labour force and economic growth. Demand for childcare grew in the 1970s but it took until 1987 before unions, under pressure of their female members, began to demand childcare facilities in collective agreements (Tijdens, van der Lippe and de Ruijter 2000). The Centre-Left government (1989–1993) introduced subsidies for childcare facilities, so as to promote female labour participation. Companies could qualify for subsidies or tax rebates. The alternative – more and longer arrangements for paid leave – hardly played a role. Paid leave arrangements were rare. A right to unpaid parental leave (13 weeks full-time, or six months part-time) was introduced in 1991. Only in few sectors, mainly in the public services, is leave compensated, usually at 70 percent of earnings.

The growth of day-care places notwithstanding, supply lags demand by a large margin and waiting lists are common. In 1998 the second of the two Lib-Lab cabinets (1994–1998, 1998–) decided to double the day-care places to 150,000, but a shortage of staff prevents rapid expansion. A new bill, guaranteeing ten days of paid leave per year in order to meet emergencies or provide care, has been introduced to Parliament in 2001.

Negotiated change and corporatist industrial relations

Part-time, flex-time and flexible work arrangements are an important ingredient of the Dutch employment miracle (Auer 2000; Bosch 2001; Schmid 1997; Visser and Hemerijck 1997). The “miracle” was consolidated through a process of “negotiated change” between unions, employers

and legislators, even though its basis lies in pressures from below, with a strong element of “spontaneous” or non-negotiated (at least not collectively negotiated) flexibility offered by, and required from, women in a society which moved halfway from a breadwinner to a two-earner households economy.

Negotiated flexibility in the Netherlands involved all four dimensions distinguished above, though not at the same time: *wages*, *time*, and *contracts*, and less, later and indirectly, *tasks* or functional flexibility. Thus, the changes in the Dutch labour market – increasing its overall flexibility and expanding the size of transitional labour markets by inducing more people to enter or stay in the labour market, even when assuming other tasks and responsibilities – can be related to the politics of voluntary wage moderation starting in the early 1980s. Wage moderation was tied to a collective work-sharing strategy with help of various forms of working-time reduction, tax exemptions and subsidised employment. The two union campaigns for working time reduction (1982–1985 and 1993–1996) led to shorter average working hours and to de-standardisation, partly through the rapid diffusion of part-time work, partly through a negotiated policy of flexibility and annualisation of working hours. The increased use of part-time and flexible jobs has encouraged the trade unions to seek better protection for this group (“re-regulation”) in exchange for somewhat less protective rules for core workers on standard employment contracts (“de-regulation”), adopting a more procedural and self-regulatory approach to working-time and employment protection issues (Wilthagen 1998). Similarly, in the 1990s Dutch trade unions, with support from the government and, occasionally, from central employers' organizations, have chosen a strategy of “normalisation” of part-time work, trying to diminish the differences, in pay, standards, and status, between part-time and full-time work (Visser 2000). Dutch trade unions have engaged in these trade-offs in an attempt to favour “internal” and “active” flexibility over “external” and “passive” flexibility (see above, Table 1). As a part of that approach they have generally fought against employers' initiatives to increase the scope for pay flexibility, especially where that implies the tying of workers' earnings to individual or team efforts, or company profits. Finally, skill-upgrading, training, broader task profiles, and functional flexibility have received more attention in recent years under the impact of skill shortages and the tight labour market. Before discussing the politics and policies of negotiated flexibility with regard to working hours,

part-time work and flexicurity in the next paragraph, I shall first present a brief sketch of the scenery in Dutch industrial relations.

In the international literature the Netherlands has been labelled as a democratic corporatist (Crouch 1993; Katzenstein 1985; van Ruysseveldt and Visser 1996). In response to its dependency upon exports, the imperative of competitiveness and the inability to exert control over external events, it developed tightly-knit networks of consultative bodies at the national level, oriented towards the advancement of economic and social progress, and the preservation of social peace. Through a range of national joint bodies, the umbrella organisations of employers and unions are involved in consultation and social partnership, between them and with the state. The corporatist consultation economy (in Dutch: *overlegeconomie*) was reorganized after 1945 and has had its ups and downs since. After a very successful initial period it went through a difficult and contentious phase in the 1970s, but did recover in the 1980s and is again celebrated in the 1990s (Visser and Hemerijck 1997).

The post-war consultation machinery was prepared during the last phase of the war in illegal meetings between union leaders and employers. Their first decision was to create the Foundation of Labour (*Stichting van de Arbeid*), a joint body under private law with equal representation of unions and employers. The Foundation is the main seat for the preparation of joint opinions and central agreements, such as the *Wassenaar* agreement of 1982, the *New Course* agreement of 1993, or the *Flexibility and Security* agreement of 1996 (Visser 1998). It is also the principle seat for consultations over macroeconomic policy and budget issues between the social partners and the Cabinet, taking place twice every year. The other main institution is the Social-Economic Council (*Sociaal Economische Raad*, SER), a tri-partite organisation, of the social partners and government-appointed experts, founded in 1950 under public law as the apex of a three-tiered (national, sector, company) system of consultation. Until 1995, when Parliament withdrew this prerogative, advice from the council in matters of social and economic legislation was mandatory. Practice, however, has not changed and the SER has regained some of its former influence by producing quicker, and more unanimous, advice. The SER has also supervisory tasks, for instance over the works councils.

The Works Council Act of 1979 (changed from earlier versions in 1950 and 1971) provides for mandatory works councils elected by and from employees, independ-

ent from employers and endowed with significant powers of information, consultation and, in restricted matters, co-determination (Visser 1995). The current law (last changed in 1997) applies to establishments of 50 and more staff in both the private and public sector, except in schools and in the military. In small firms the law mandates two annual consultation meetings with staff. Though barred from wage negotiations, the councils have a large role in company restructuring and an enhanced role in the management of working-time under the Working Time Act of 1996 (see below) and the New Course agreement of 1993.

State involvement in industrial relations had been considerable through regulation of wage setting (until 1962 wages had been set by a government-appointed Board of Mediators, after consultation with unions and employers and controls continued in the public and subsidised sector until the 1980s), statutory minimum wages (introduced in 1969), and a considerable body of legislation on information and consultation rights of workers (see above), on working hours (under the act of 1919, changed in 1996), health and safety in workplaces, and equal opportunity (introduced in the 1970s and expanded since under the impact of European Community law). Legislation on union (and employer) representation is light and there is no law regulating strikes or lockouts.

Collective bargaining is framed under the law of 1927, which determines that collective agreements overrule individual contracts and must be applied to all comparable workers in the same firm or industry (*erga omnes*). Employers are not under obligation to negotiate with trade unions and there are no recognition rules for unions, except that they must register, have independent means and declare socio-economic aims. Under the law of 1937, the Minister may extend a collective agreement and declare some or all of its clauses binding on employers in the same sector. Extension does not affect firms that have negotiated a company agreement and can only occur if, the signatory parties demand extension and the agreement for which they ask extension covers 55–60 percent of the sector's employees.

Two more laws of relevance for tripartite bargaining between unions, employers and governments are the 1970 Wage Act (changed in 1987) and the Minimum Wage Adjustment Act (revised in 1992). The Wage Act of 1970 abolished the Board of State Mediators, which was bound by wage guidelines issued by the Minister of Social Affairs, and handed the responsibility for wage setting back to un-

ions and employers. The government retains however the power to order a temporary wage stop or impose a ceiling on wages if the economic situation does in its view justify such a step. Following the 1973 oil shock several statutory measures occurred, following the failure of unions and employers to reach agreement over voluntary wage restraint. After the success of the bipartite central agreement of Wassenaar at the end of 1982, wage bargaining has been free of government intervention. In recognition of the new policies of unions and employers, and in agreement with the deregulatory preferences of the then Centre-Right government (1982–1986 and 1986–1989), the revised Wage Act of 1987 further restricts the conditions of government intervention to really dire economic circumstances. Although the government did prepare an intervention in 1993, in order to speed up the adjustment of (union) negotiations to the changed conditions after the EMS crisis and ensuing European recession, most observers agree that this would not have stood the test of law, and that Dutch unions and employers have gained what the Germans call *Tarifautonomie*.

The other legal shadow over the bargaining table is the national minimum wage, introduced in 1969.¹² The minimum wage was initially determined on the same basis as public sector wages, but new legislation since 1980 (revised in 1992) has made upward adjustment, in step with private sector wage developments, contingent on a decline of the dependency rate, *i.e.* a rise in the ratio of persons depending on benefits to persons in paid employment. From 1995 the dependency ratio has indeed decreased and minimum wages have been fully indexed to contractual wage rises. The same applies to social benefits like old age pensions and social assistance, the calculation of which is based on the minimum wage. Between 1983 and 1989, and between 1992 and 1994, indexation had been suspended, causing a significant real and relative decline in minimum wages, cushioned for the so-called “real” minima and the poor by special measures of Parliament.¹³ The number of adult workers receiving the minimum wage has decreased from twelve percent in 1983 to two percent in the mid 1990s. Nearly all collective agreements guarantee wages above the statutory minimum.

Today, the 1937 extension law, mentioned before, casts only a fading shadow over the bargaining table. In 1994 the (outgoing) Christian Democratic Labour Minister, encouraged by advisors from the OECD, the Economics Ministry and the Central Bank, proposed to drop this piece of legislation. This threat encouraged unions and

employers to defend the extension mechanism by allowing more flexibility in its application, for instance by exempting starting firms and introducing lower “entry level” wage scales for young and inexperienced workers. Such a game of threats and improved self-regulation is not untypical for the Dutch model. In this case, the incoming (Social Democratic) Labour Minister withdrew the proposals from his predecessor.¹⁴

Around 11 percent of all Dutch employees are covered by extended agreements, in addition to some 70 percent who are directly covered by one of the 800 company agreements (covering 15% of all employees) or one of the 200 industry agreements (covering 55%) (Hartog 1999). The number of company agreements has doubled in 25 years, whereas the number of industry agreements is stable. In the 1990s coverage appears to have increased from 71 to 80 percent (Traxler 1994; Visser 2001), partly as an effect of the inclusion of the public sector and the establishment of multi-employer bargaining units in (subsidised) social and personal services.¹⁵ This offsets the slight tendency towards increased single-employer bargaining in industry and commercial services. However, sectoral or multi-employer bargaining remains dominant and the recent trend towards decentralisation takes mostly the form of framework bargaining, allowing more local variation, especially on working-time.

Since the recent merger of four unions in services, transport and industry, the largest union in the market sector, *FNV Allies*, negotiates as many as 700 agreements.¹⁶ Bargaining is conducted under the supervision of appointed union officials, though in most unions the results are subject to membership ballots. This ensures a high degree of horizontal coordination across bargaining units, in addition to the role of peak federations and central-level concertation (van den Toren 1996). Most companies of significant size (50 and more staff) are member of one or more employers' associations and nearly all, even when they sign their own collective agreement with the unions, are assisted by advisors from one major employer organisation, the *General Employers Federation VNO-NCW* (AWVN, Algemene Werkgevers Vereniging). This association is affiliated with the main peak association VNO-NCW, with which it is currently preparing a merger. VNO-NCW itself was in 1995 formed from a merger between the general (VNO) and Christian (NCW) confederations. It is the undisputed representative of Dutch business, except in agriculture and in the small and medium-sized firm sector, where there are other highly representative peak associations.

VNO-NCW counts nearly all sectoral employers' associations (some 150) of importance among its affiliates and allows for individual membership of large multi-national companies such as Philips, Shell, AKZO or Unilever.

In all, the organization rate of Dutch firms, measured by the size of their staff, is estimated at a stable 80 percent (Visser 2001). It is only in sectors with many small firms (construction, retailing) or many new entrants (TWA's, professional services, cleaning and security business, computer and organizational specialists) that employer organizations are weak and not fully representative for the sector. This may then be a hindrance to the “self-regulatory” approach to employment protection, labour time regulation and social security (occupational pensions), which is so much appreciated by Dutch employers as an alternative to legislation.

Table 8
Union density rates, in 1997

			Female	Part-time	Youth	Flexible
all		25	20	21	12	10
working week	35 hours and more	31	..	..	..	..
	20–34 hours	25	..	..	..	..
	12–19 hours	13	..	..	..	..
	0–11 hours	3	..	..	..	..
tenure	longer than 5 years	31	..	..	..	..
	less than 5 years	12	..	..	..	..
sectors	manufacturing	31	16	25	13	10
	construction	41	..	..	30	..
	retail and wholesome trade	14	10	9	7	6
	hotels and restaurants	17	16	12	..	..
	transport and communication	39	22	29	17	..
	financial services	19	16	21	..	..
	business services	14	11	13	..	..
	public administration	45	32	32	33	..
	education and research	43	41	40	..	22
	health and welfare services	24	22	21	9	9
	recreational / cultural services	26	23	23	17	..

Sources: Ebbinghaus and Visser 2000: Tables NE.D and NE.E, and Visser and van Rij 1999.

With the exception of construction, unions are weak in these very sectors (see Table 8). On aggregate, Dutch workers are not highly unionised. The current density rate lies around 25 percent, which is below the European Un-

ion average (Ebbinghaus and Visser 2000). As one can see from Table 8, among female and part-time workers, but especially among young and flexible workers, trade unions are underrepresented.

After the troublesome decade of the 1980s, the 1990s have been reasonably kind to the Dutch trade unions. Between 1979 and 1987 union membership fell by some 20 percent, while 20–25 percent of the remaining union members were retired, unemployed or depending on benefits, and density declined from 35 to 25 percent. In the 1990s union membership increased every year except in 2000, though increases were just enough to keep pace with employment growth and aggregate density stayed more or less put at 25 percent. The strongest rise in membership came from women and union density of women increased from 13 to 20 percent in fifteen years (whereas male density decreased). Union density among workers in longer (half-time and more) part-time jobs also increased, but among workers in flexible (and TWA) jobs the unions have hardly made headway, and among young people unions have nearly disappeared (Visser and van Rij 1999). The lower female and part-time unionisation rate is only in part related to the sectoral distribution. Female and part-time employment is widespread both in ill-unionised sectors such as retailing and catering, and in unionised sectors like education and public administration. However, the incidence of small part-time and flexible jobs tends to be much higher in retailing and catering.

The main Dutch union confederation is the Dutch Confederation of Trade Unions, FNV, which emerged from a merger between the social-democratic and the Catholic union currents in 1981 (prepared by a federation in 1976). It organises in all industries and occupations, both in the private and public sector, and attracts two-thirds of all union members in the country. Two other confederations are the Christian Trade Union Confederation (CNV) and a Union Centre for Senior and Middle-ranking Staff (MHP). All three centres are members of the European Trade Union Confederation (ETUC) and cooperate in negotiations with employers and in consultations with the government. Membership may be low, but the approval rate of Dutch unions is rather high. Evidence from survey research (Klandermans and Visser 1995) shows that over 60 percent of all employees (strongly) agree with the view that “trade unions offer a positive contribution to society” and over 70 percent view that unions “are necessary institutions for the protection of collective employee interests”.

THE POLITICS AND POLICIES OF NEGOTIATED FLEXIBILITY

In November 1982 the central organizations of trade unions and employers concluded, unexpectedly, a central agreement. This agreement of Wassenaar is generally seen as the beginning of a new era in Dutch labour relations (Visser and Hemerijck 1997). The trade unions offered wage restraint and employers' organizations lifted the veto against a general round of working-time reduction. The agreement itself mentioned various options for work sharing, including early retirement and part-time employment.

The Wassenaar agreement was only a recommendation, but one that carried authority. To help investment and employment, negotiators in sectors and firms were advised to forsake price indexation and use the savings for a cost-neutral reduction of working hours. Like the government, employers recognized that working-time reduction was a price worth to be paid. Although negotiations over shorter working hours proved cumbersome, in less than a year two-thirds of all collective agreements were renewed, mostly for two years, during which the payment of price compensation was suspended and most workers gained a 5% reduction of working time. Average real wages fell by nine percent in real terms (Visser 1989).

The strict exchange rate policy exerted discipline on wage developments, while wage moderation, in turn, enabled the Dutch Central Bank to stick credibly to its non-inflationary policy. Low inflation allowed unions to forget about automatic price indexation. The new mix of macroeconomic policy and wage setting also changed the institutional relations climate and the relations with the state (Hemerijck, van der Meer and Visser 2000). The new pattern became a central dialogue about a wide range of policy issues combined with sectoral wage bargaining, based on the primacy of industrial self-regulation. The role of the central organizations was confined to redirecting sectoral contracting towards tacit, economy-wide wage restraint and introducing a range of new issues and topics on the agenda of bargainers. Since 1983 some 100 agreements, recommendations and joint opinion have been issued, on issues ranging from the rights and job opportunities of ethnic minorities, the position of part-timers or flex-workers, to the reform of the pension system. The fruits of this new approach became visible in the 1990s. I shall try to illustrate this with regard to three important regulatory issues central to the problematic of this chapter: part-time employment, working time, and flexicurity.

Part-time employment

With regard to part-time employment, Dutch trade unions initially shared the sceptical view of other European unions. Cook (1984: 9) noted that there was a “widespread unwillingness of unions to deal with part-time work and its problems”. Only in Sweden has “part-time work been treated as an acceptable element of labour market policy”, mainly because its development was located in the public sector and took the form of well-protected halftime jobs. But even in Sweden “feminist opponents of part-time work argued that only full-time earners can be equal to their spouses and that the acceptance of part-time work locks women into the responsibility for family work” (Qvist *et al.* 1984: 276). These were exactly the arguments used by Dutch feminists at the time. In their view, part-time employment would perpetuate the unequal division of paid and unpaid labour between men and women (Bruyn-Hundt 1983). In 1981 the main union federation published a position paper in which the inferiority of employment protection, wages and career prospects in part-time jobs and the lack of union membership among part-timers was highlighted. The union did not want to help in creating a secondary and non-unionised job market (FNV 1981). At this time, during a deep recession, like their European counterparts, Dutch unions wanted work-sharing through a *collective* reduction of working hours from 40 to 36 hours per week, to be realised in 1985 and with full wage compensation. Dutch employers were opposed and advertised, instead, part-time work as a form of *individual* working time reduction with a proportionate cut in pay (RCO 1980). The unions saw this as an attempt to undermine their collective work-sharing strategy.

The labour supply decisions of (married) women were driven by the recession rather than by union policies or feminist preferences. As was noted before, in the early 1980s women shifted from *part-period* to *part-time* participation. Fewer women took the chance of temporarily withdrawing from the labour market and more women tried to retain their jobs, possibly through reduced hours when faced with the need to combine work and motherhood. Paradoxically, these supply forces agreed with decreasing labour demand, especially in the public sector. Collective sector managers in local government, health and education, faced with austerity measures of the central government, welcomed demands from women who wanted to switch from full-time to part-time jobs as an alternative to painful dismissals (Tijdens 1998).

During the entire 1980s the union controversy between collective working-time reduction and part-time work continued (van Eijl 1997). The reference group for the collective working hours campaign was the *male breadwinner*, for part-time jobs it was the *working mother*. By the end of the decade when in a number of sectors (education and health in particular) these groups became equally large, a compromise solution emerged. Around 1990 the male breadwinner had lost its once dominant position in the Dutch labour market. Surveys showed that, with some delay, he was losing terrain in the unions too. In 1993, 44 percent of all adult union members were member of dual earners households (Klandermans and Visser 1995). At this time, women's groups in the unions moved away from the negative view of part-time work that had united feminists a decade earlier. In the 1980s and 1990s a rather active female lobby became focal, especially in the public service union, the teachers' union, the food workers' union and the FNV federation. These women abandoned the *five days - five hours* model for men and women that had been championed by feminists in the 1970s. Traffic congestion and services, available only during daytime outside weekends, made an extra day-off more valuable. In 1990 the FNV abandoned the norm of the standard full-time working day and slowly but surely moved towards embracing diversity and choice, combined with a "right to work part-time" for men and women, and equal rights for part-time workers (Passchier and Sprenger 1998). This was "the harvest of years of investment of women in the union movement" (Grunell 1997: 101).

The fact that, in contrast to the situation in many European countries, part-time work in the Netherlands is mostly voluntary helps explain the singular position of the Dutch unions in the European Union spectrum. In Eurostat surveys, the Netherlands shows as the country with the lowest share of involuntary part-time work (Rubery *et al.* 1999, table 7.5). According to Euro barometer data, analysed by Schulze Buschoff (1999), part-time work is evaluated more positively by Dutch women than by their sisters elsewhere in Europe (with the exception of Denmark) as regards contractual status, tenure, perceived career chances, job satisfaction and social security, though on all these aspects part-time jobs attract lower scores than full-time jobs even in the Netherlands. In the 1990s the new union approach gained support from the government, which saw the promotion of part-time jobs as a contribution to their newly discovered objective of an active

welfare state based on increased labour market participation (Visser and Hemerijck 1997).

In a surprisingly brief spell of time, the part-time issue has conquered a place on the agenda of collective bargainers (Sloep 1996). This shows the comparative advantage of co-ordinated bargaining: *if* central organizations agree on a particular agenda, their influence on legislators and on local bargainers is relatively large. Moreover, in the Dutch consultation economy, the central organizations, especially employers, have an incentive to stay ahead of legislation. That way they hope to wield more influence over the regulations that will become, and to demonstrate their importance to member organizations and firms.

In 1989 the Foundation of Labour published a “joint opinion” and four years later a major agreement was reached, pre-empting legislation. Noting that part-time employment had increased rapidly in past years, the social partners agreed that “it ought to be prevented that this development comes to a halt”, something that “might happen if part-time work remains concentrated in a limited number of sectors and jobs, or if small part-time jobs produces too limited income and career prospects”. The Foundation recommended that collective bargainers shall improve standards and that firms recognise a qualified right for full-time employees to work reduced hours, unless this cannot reasonably be granted on grounds of conflicting business interests (STAR 1993). From 1990 to 1996 the percentage of firms with a *part-time clause* in the collective agreement increased from 23 to 70 percent (STAR 1997). Yet, FNV criticised that too few firms had fully adopted the Foundation's recommendation. In some sectors waiting lists for employees who wanted to work part-time appeared (Tijdens 1998). An initiative Bill to institute a statutory right to work part-time was narrowly rejected by Parliament in 1996, but new proposals resulted in legislation effective from July 2000. Workers who have been employed during one year or longer are entitled to demand a reduction or increase of their working hours by 20 percent. Employers must consent unless clear business reasons, given in writing, motivate a refusal (lack of replacement in the case of a reduction, lack of work or business in the case of an increase of hours). Small firms (with less than 10 employees) are excluded, but the law covers employees working abroad for Dutch firms.

Accepting and promoting part-time work, trade unions have had some success in narrowing the differences in job and social security rights between part-time and full-time workers. Government policy has worked in the

same direction. The social security reforms of the 1980s, intended to bring greater austerity and conforming to European legislation, ended the formal discrimination of married women in three major schemes – disability (1980), national old age pension (1985) and extended unemployment benefits (1987). As a rule, part-time workers pay *pro rata* social insurance contributions in exchange for *pro rata* entitlements. In comparison to many other countries, the Dutch social security laws are rather favourable to part-time workers (SZW 1997). The main principle of entry into the system is the employment contract, regardless of working time. Coverage for health insurance is also relatively easy for part-time workers. Moreover, the National Old Age Pension Act provides every citizen with a flat-rate old age pension by the age of 65, irrespective of previous employment or earnings. Entitlements have been individualised (covering about 40% of average wages but increasing to 70% for minimum wage earners) and are based on citizenship rather than employment, which is the system in which part-timers fare best (Ginn and Arber 1998). Workers can top up their pensions through earnings related and capital funded pension funds of which there are about 1,000 in the Netherlands. As from 1994 part-time workers with small jobs can no longer be excluded from participation in these pension funds. In 1996, 91% of all Dutch workers were covered by occupational pensions, which, when fully matured, guarantee 70% of (last-earned or average) earnings. The “white spots”, without coverage, are seasonal workers, young people and women working small part-time and flexible jobs in low pay occupations (Rein 2001). The 1990 tax reform reduced the basic tax allowance for breadwinners and integrated social security charges, thus lowering disincentives for second earners to take up more hours (Gustafsson and Bruyn-Hundt 1991). The 2001 tax reform will remove the remaining shared taxation components.

Statutory minimum wages help to narrow wage differentials, in particular between men and women, and between full-time and part-time workers, for whom the minimum is more important (Blau and Kahn 1996; Roorda and Vogels 1997). The 1/3 rule, under which employees working less than one-third of full-time hours were denied coverage under the national minimum wage (and holiday payments) law, was repealed in 1993. Similar exclusionary clauses in collective agreements became unlawful under the 1994 Act against discrimination based on differences in working hours. Traditionally, fringe benefits and premium pay for overtime had been structured around

full-time thresholds. In most collective agreements negotiators have agreed to remove or reconsider these thresholds. Still, unions and employers are locked into a dispute regarding overtime payment. While the unions favour overtime rates if part-timers work extra hours on grounds of “equal treatment”, employers offer normal rates if the extra hours fall in daytime working hours on grounds of “equal pay”. This dispute may lose its significance, however, with the further differentiation and individualisation of working hours.

Working time

In the 1990s the union campaign for a 36 hours working week produced a small success. By 1998 about half of the employees gained a contractual average working week of 36 hours. But its largest impact was on the greater variability and variation in working hours during the year and across workers. De-standardisation is supported by collective agreements, negotiated since the “New Course” central agreement of 1993, favouring working time reduction and decentralisation of decision making over working time, with more direct involvement of workers.

Representing a more diversified membership than ten years earlier, union leaders stepped back from seeking a standard solution and went along with the new trend towards decentralisation and individualisation. In the 1994-96 bargaining rounds various pressures came together (Tijdens 1998). In capital-intensive industries employers wanted longer operating hours. Just-in-time production, reduction of stocks and traffic congestion pushed in the direction of shift work and longer “normal” daytime working hours, allowing a reduction of overtime pay rates related to “unsocial” hours. Workers, in general, wanted more freedom in determining when to start or end the working day and avoid traffic peak hours, or get the kids from school. Married women and mothers, although preferring part-time over full-time jobs, preferred (larger) part-time jobs and more control over their hours of work, and fathers and mothers wanted extra time as well as more time control in order to meet emergencies at home. More workers wanted to vary working hours during the year or during the life cycle, with extended breaks, or the possibility to save time for sabbaticals or early retirement.

Surveys of union members showed that there was considerable support for increased flexibility in time-arrangements and collective agreements (Visser and van Rij 1999). In so-called *à la carte* agreements, employees have the right

to swap time for money, or money for time, within certain limits. Initially, the unions had resisted such innovations, fearing that the solidarity of work-sharing would be undermined since they did trust their own surveys, showing that their members would rather buy than sell leisure time. After the first hesitant, but positive experiments, the unions now support these developments towards more individual choice within collective agreements and *FNV Allies*, the main union in the market sector, expects that 70-90 percent of future agreements will contain such clauses.

These developments are supported by recent legislation. Existing restrictions on shop licences and opening hours have been loosened or devolved to local authorities. Shopping and working during weekends and at Sundays has become more common. Occasionally, the unions join the Christian opposition parties in Parliament and the Churches in token protests against Sunday work and the harried world of the 24 hours economy, but they are not very determined or consistent about it. Replacing legislation of 1919, the 1996 Labour Time Act sets wider margins for maximum working hours, weekend and night work, and allows deviation from statutory norms, within certain boundaries, if there are formal consultations with the unions, the works council, or staff representatives (de Lange 1999). In these matters, the works councils, mandatory in firms of 50 and more staff, have gained a limited right to negotiate. In its preamble, the Act considers that in a “dual earners economy”, employees must be able to combine work and care, and therefore find variable and personal solutions in matters of working time.

The current government has presented a Framework Bill on “Employment and Care” to Parliament. The bill wants to harmonize different forms of leave and introduces a new right of ten days “care leave” per year. Employers are lobbying hard to defeat this bill; their alternative is a proposal to have the unions sign a Framework Agreement containing more sectoral flexibility. With regard to early retirement, most of the older arrangements have now been changed through collective bargaining in individual or collective time saving and pre-pensioning arrangements, with additional insurance. They tend to make part-time exits more attractive and delay full early retirement (SCP 2001).

Flexicurity

In 1995 unions and employers signed the first collective agreement for temp workers, employed by TWA's, intro-

ducing a right of continued employment and pension insurance after four consecutive contracts or 24 months of service. This prepared the ground for the central agreement on “Flexibility and Security” of 1996, which, in turn, paved the way for an overhaul in 1999 of Dutch law on protection against dismissals. This “flexicurity” law (Wilthagen 1998) is a compromise, not just between employers and employees, but also within the unions between workers with and without stable jobs. A relaxation of statutory dismissal protection for regular employment contracts is exchanged for an improvement in the rights of temporary workers and the introduction of a “presumption of an employment relation” in the case of freelance work and “subcontracting” self-employment. After three temporary contracts, without interruption, any new assumption will be permanent. The market for TWA employment is further liberalized and job agencies do no longer need a license. However, the employment role of TWA's is strengthened and under the new law they are held responsible for social protection of temporary workers in case of illness, disability or unemployment when contracts have been renewed several times. The law incentive collective agreements for flexible workers, allowing social partners to negotiate their own rules (allowing upward and downward deviation from legal norms). Flexible workers gain access to social benefits on the basis of the average hours worked and any “call” will count for a minimum of three working hours even if no hours are worked. In a number of collective agreements such norms already exist (restaurants: three hours per day, construction: six hours, in some industry agreements the minimum “call” is 18 hours or a half-day week) (van Bolhuis 1996: 22).

Employers need a permit from the director of the regional employment office before they can give notice to terminate a standard employment contract. This system of “permits” has been criticised as a burden on business and a source of rigidity. Yet, empirical research hardly supports these charges. In 85 percent of all dismissal requests, a permit is given, although special clauses for older workers and in case of sickness may create considerable delays. Filing a request to terminate the employment contract at the lower district court on grounds of “serious cause” increasingly circumvents the formal permit system. In that case the issue is settled with a pay compensation or severance payment, usually one month for every year worked. In 1996 there were 60,436 permits for terminating employment filed at the regional employment office, against 44,426 settlements in court, a ratio of 1.4 to 1. In 1990 the

ratio had been 6 (permits) to 1 (court), in 1986 14 to one (Wilthagen 1998). The new law has also introduced an abbreviated dismissal procedure, but its use has so far been very limited.

CONCLUSION

The Netherlands is moving from a single earner (breadwinner) to a dual or one-and-a-half earner (part-time) economy. In 1975 about 85 percent of all married men between the ages of 15-64 were sole breadwinners; in 1994 this proportion has dropped to one half. The one-and-a-half job model is still gaining ground. This is of course no equality. In most cases the one-and-a-half earner model means that the man works full-time, the woman part-time. This shows up in different incomes. Given this state of affairs, two radically different policy choices are possible (Plantenga 1996). The first option is to push for reforms, which allow more women to participate on the labour market on the same terms as men. According to Plantenga (1996: 104) this means that “the same care-less participation behaviour employed by men is also advocated for women without a clear answer how to tackle the work and responsibilities normally associated with women's lives”. In the second option “the perspective is turned around. The stress is no longer on women to participate in the labour market in a “male” way, but rather that men should participate in the labour market in a “female” way, ergo, participating in care tasks” (*idem*). It would seem that Dutch women – and gradually also Dutch policy makers – are pushing the second option.

The various estimates of external flexibility do not suggest that the Netherlands is an outlier compared with its European neighbours (Delsen 1995), but there is no doubt that the phenomenon has been on the rise in recent times. It is impossible to say whether the decline in 1999 indicates a trend reversal, possibly caused by the new “flexicurity” legislation that became effective early that year (see below), or that it is a temporary phenomenon related to the current tight labour market. From data of Regional Labour Market Boards one has the impression that in recent more young people and first entrants have been offered permanent jobs (see de Lange and Thunissen 2000).

We note that flexible contracts are often chosen for lack of alternative, especially for people with low skills or with limiting conditions (as in the case of single mothers or partially disabled workers). These jobs offer little in

terms of employment maintenance (income sustainability and training) and where they alternate with extended spells of unemployment and non-employment they forebode social exclusion. On the other hand, some forms of temporary work and temporary jobs, ease the entry of young people, and of the unemployed, into employment and, by offering job experience, support their inclusion. As was mentioned before, more than half of all persons in temporary jobs move onto permanent jobs. Disquieting, however, is that in recent years flexible contracts (including TWA) accounts for 22 percent of the new cases of disability, almost doubling the share of flexible jobs in total employment and suggesting that the risk of disability is much higher in the case of flexible jobs.

For first entrants and the long-term unemployed one particular form of temporary jobs, usually between six months and two years and paid at 100–120 percent of the statutory minimum wage, exists since the mid-1990s. These “Melkert jobs”, named after the then Minister of Social Affairs and Employment, are mainly created in the public (local government) sector. From 1998 this job program was combined with the provisions under the Youth Work Guarantee Plan in a national Job Seekers Reintegration Scheme (*Wet Inschakeling Werklozen*, WIW 1998), which offers young job seekers and the long-term unemployed a choice of a job, training or involvement in voluntary social activities. The size of the program accounts for 1–1.5 percent of total employment. Evidence about the outflow from these transitional positions into stable employment is scant and does not yet allow a conclusion about the effectiveness of these measures in the struggle against social exclusion.

From existing surveys we may deduce that workers have strong preferences against both long hours and very short hours; satisfaction levels rise for the middle working hours categories. Dutch employees express more satisfaction with their working hours than is customary in Europe and it is comforting to know that most part-time work in the Netherlands is “voluntary” in the sense that most part-time employees actually prefer to work part-time. In the 1997 Labour Force Survey only 5.5 percent of all part-time workers indicated that they wanted but could not find a full-time job. This was almost four times below the average of 19.7 percent for the European Union (Eurostat 1998: 138). There is however a consistent preference for longer part-time hours among those working in small part-time jobs (Boelens 1997).

Our conclusion regarding part-time work in the Netherlands is that the rapid diffusion of this option has served the purpose of inclusion, especially of women, students and unemployed youth. For young people in employment and the long-term unemployed a wider range of subsidised part-time (32 hours) jobs at or just above the statutory minimum wage (which is lower for young people) has become available in the 1990s. This is currently one of the main planks of active labour market policy in the Netherlands (Salverda 1998; Visser and Hemerijck 1997). The shift from *part-period* participation to *part-time* participation of married women and (prospective) mothers occurred at a time of soaring unemployment and served the purpose of employment maintenance. Staying in employment, but at reduced hours, clearly was (perceived to be) the better option for maintaining employment and income capacities, especially when the prospects of re-entrance worsened, or would anyhow be associated with loss of human capital, experience and income (Wunderink-van Veen 1997). However, this (second best?) choice was made against the background of lacking facilities for childcare and family services, and the absence of leave arrangements. It was hardly an option for women to continue in full-time jobs.

Finally, the part-time option for older men (and women) as an alternative to exclusion into unemployment, disablement or early retirement has recently received more attention, for instance through revision of early retirement schemes into flexible and fully funded pre-pensioning schemes. The effect is shown in a rising employment rate of older men and women.

FOOTNOTES

¹ Smaller jobs are not observed by the Dutch labour force survey (*Enquête Beroepsbevolking*, or EBB, conducted by the Central Statistical Bureau, or CBS) and our knowledge of these jobs is based on other sources, like enterprise surveys.

² Data from the 2000 Annual report of the National Institute for Social Insurance (*Landelijk Instituut voor Sociale Verzekeringen*, LISV).

³ *Organisatie voor Strategisch Arbeidsmarktonderzoek* (OSA), annual panel on demand and supply of labour, among a representative sample of enterprises and workers.

⁴ CBS, Labour Force Survey (EBB) data.

⁵ *Idem.*

⁶ Data from the Regional Labour Market Boards (*Regionale Organisatie voor de Arbeidsmarkt*, or ROA).

⁷ A measure that incorporates the difficulty of dismissal, notice, severance pay, and inconveniences of procedure, see OECD 1998.

⁸ However, in combination with insufficient childcare and with narrowly fixed schedules in education, women working part-time may be

less rather than more time-flexible compared to, for instance, full-time working men who may be eager and willing to work overtime hours.

- ⁹ This is not a foregone conclusion, because flexibility in time-use is limited by the operating hours of schools, nurseries, shops and government offices.
- ¹⁰ Still, for women it was one of the smallest differentials, after Italy (where part-time work is hardly developed), but before Germany (87.5%), Belgium (86.8%), Spain (84.0%), France (81.7%), the UK (69.6%) and the US (62.5%).
- ¹¹ If we combine formal education and job-related training, we discover that older workers are most disadvantaged; the training gap between younger and older workers is very large in the Netherlands, as is the case in France and Germany, much larger than in the “high skill – high training” economies of Sweden and Denmark, or in the “low skill – low training” economies of the UK and the US (OECD 1999).
- ¹² Youth minimum wages, introduced in 1974 begin at age 16 at the level of 60% of the adult minimum wage, reached at age 23.
- ¹³ The real value of the minimum wage, expressed as percentage of the average wage, decreased from 64.4% in 1980 to 54.6% in 1990 and 51.1% in 1996 (Roorda and Vogels 1997).
- ¹⁴ Research by Freeman, Hartog and Teulings (1996) showed, moreover, that extension had a negligible effect on wages.
- ¹⁵ After an experimental phase (1983–92), following severe cutbacks and stand-still in public sector pay, salaries and other terms of employment of government employees have since 1993 been negotiated in eight sectors (policy, education, central government etc.) between the unions and public authorities. Free collective bargaining had been restored in the subsidised and government regulated sector (health, private schools, railways, etc.) from 1985.
- ¹⁶ In the pluralist union system of the Netherlands “common table bargaining” is the rule and in most cases this union is joined by a Christian and a senior staff union when negotiating with employers.

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Jelle Visser
**Negotiated Flexibility in
Working Time and Labour
Market Transitions – The
Case of The Netherlands**

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TOWARDS NEW
FORMS OF SOCIAL
VULNERABILITY?
THOUGHTS ON
RELATIONS BETWEEN
FLEXIBILITY AND
UNCERTAINTY

As he explores the redistribution of power and the new organizational arrangements elaborated by the “flexibility” concept, R. Sennett goes back to the Anglo-Saxon etymology of this term from the end of the 15th century. The “natural” language of that time describes it as “possibility of bending without breaking”. “The flexibility is the ability of a tree to bend and to recover, to put to the proof its form and to restore it. Ideally, a human flexible behavior should have the same elasticity: to adapt to changes of circumstances without letting to be broken by them.” (Sennett 1998, p. 60, underlined). A similar definition in the Petit Littré (1990): “which allows bending to a certain point without breaking”. Beneath the elasticity need of human behavior equalizes the risk of breaking and tearing of more or less irreversible social tissue.

We owe a great deal to R. Castel for having described the genesis of that social tear and its change. This author opposes the dynamic approach to conditions and dimensions of social vulnerability with a traditional dualism vision. Between stable employment and poverty, the vulnerability lets an “intermediary and unstable zone, which conjugates the uncertainty of work and fragility of proximity supports” to the surface of the social structure (Castel 1995, p. 13). This zone gathers all whose social and economic life insertion conditions have become extremely seized or menaced without belonging to classic categories initiated by the Welfare State in the industrial phase. Individuals “floating in the social structure” who “occupy its cracks without finding an assigned place” and consider themselves menaced with “social inutility” (*ibid.*). In that matter, Castel is very clear: the vulnerability is not a state but rather a process. It has a root in the center of modern organizations operations and not in the outskirts. “The process by which a society expulses some of its members makes us wonder about who, in the center, triggers this effect. It is this *hidden relation from the center to the outskirts*

that we should try to disengage. (...) The heart of the exclusion matter is not where the excluded ones reside” (*ibid*, p. 108, underlined).

The weakening of a whole part of social structure refers to efficiency norms also called hereafter “the flexible and patrimonial capitalism” by some authors. In other words, it refers to specific restraints that organizations impose to employees with their price creating strategy, particularly in finances (Sennett 1998; Orléan 1999). The processes that generate this progressive invalidation of some active population parts still need to be better understood. The hypothesis this article is based on is that we would assist to a *dispersion of vulnerability forms, here meant as both the extension and diversification of its contents*. Appealing to an uncertain employment or by casting out segments of the production machinery, the external flexibility leads to a drastic reduction of income, social welfare and social integration possibility. Yet, it is not necessarily followed by a homogenous degradation of working conditions. The internal flexibility is interpreted as a reorganization of professional time and an evolution of internal coordination customs. This movement also comes along with a destabilization of existing collectives and intensifying work. Furthermore, it concerns both the uncertain ones as well as the stable ones.

An important aspect emerges from this moving scenery. The effects of the flexibility are not necessarily homogenous or cumulative. While it is affecting only one part of the wage-earning relationship, the flexibility puts the social subjects in situations we could qualify as ambivalent. Their working conditions could become reduced in stable situations - and *vice versa*. Faced with that, the subjects are not helpless. They often adjust and settle. But these “adjustments” are solitary and restrained. They do not have the power of “compromise” in the sense of lasting and collective agreements seeking a “superior public good” inside a critical frame of discussion (Boltanski and Thévenot 1991). The emergency of the first takes place on the grounds of the fragility of the second. Without being unilateral, the flexibility of the wage-earning relationships submits the employees to the free market forces by depriving them simultaneously the possibility to enroll in an alternative social relation. There are three ideas supporting this hypothesis: Such evolution takes place on the grounds of an increasing dissociation between work and employment (*first part*). It appears in recent European research (*second part*). It conjugates the weakening of traditional regulations and the multiplication of individual arrangements (*third part*).

WORK, EMPLOYMENT: THE END OF A COHERENCE

There is probably no unique or neutralized definition of flexibility. First, this idea is inseparable from normative projections, which historically marked its emergence. The flexibility has in fact appeared during the eighties in the heart of a “re-encharmed enterprise”, promoting organizational flexibility and legal deregulation at a level of unemployment crisis solutions. It made the enterprise a place where class relations and opposition of interest are set aside (Pollert 1991). This employers’ rhetoric was strongly disclaimed by ruptures that determined the nineties and by a reappearance of many antagonisms. Still, it remained as a constitutive dimension. Second, because the concept has progressively changed and because it recovers many realities today. In one of the first comparative studies on that matter, R. Boyer noted the multiplicity of factors and the definitions of flexibility, particularly on a macro-economic level.¹ That led Boyer to propose a flexibility approach based on a negative rather than a positive definition, referring to *what the production system is no more*. Within its own diversity, the flexibility expresses a series of changes, more or less declared, with principal points composed of Fordism: mass production, organizational *one best way*, stable and homogenous rules of employment. While not emerging from any alternative model, it is described no more as a “series of errors and groping” (Boyer and Durant 1998, p. 146). We can observe after reading L. Boltanski and E. Chiapello that, in a broader way, the incessant call to inventive, mobile and flexible behavior participates with a recomposition of capitalism and “re-internalisation” of what they call “the artistic criticism” which opposes creativity, individual talent and artistic subversion to dehumanization originated by the twin domination of mass production and consumption (Boltanski and Chiapello 1999, p. 501 and following). These different elements make it extremely difficult or rather impossible to restore the project with a stable definition, but they simultaneously indicate the mutations, which strain the emergence of such a notion. Three striking remarks particularly catch our attention: the emergence of a “new asymmetry”; the rise of reversibility and differentiation in new strategic principles; the separation between the “relation to work” and the “relation to employment”.

A new asymmetry

If we follow R. Boyer and J.-P. Durant, we could come to a conclusion that the creation of wealth of firms stands

upon “the flexible mass production” (Boyer and Durant 1998, p. 139). In other words, it stands upon a production of goods and services aiming at both a continuous satisfaction of clients and an assessment of new standards. This brings along a series of socio-productive strategies aiming to assure the continuous and immediate adaptation of labor and organization characteristics to fluctuations imposed by the different markets: financial market, market of goods and services, and labor market. These fluctuations are so much alive that they henceforth obey the system of globalized, open and uncertain competition. But this generalization of permanent adjustment engages a mutation of the whole wage-earning relationship system: the increasing dependence of the enterprise in relation to the market leads, in most cases, to a degradation of conditions of work and employment for the most exposed employees. An author of a European report on that matter, A. Supiot, notes about the subject: “the external flexibility is the nightmare of constantly revisited workforce reduction schemes, working with a revolver pressed to the forehead. The internal flexibility is most commonly the adaptation of man’s time to the work schedule (instead of it being the other way around) and the decomposition of free time in the private life” (Supiot 1999, p. 10). This multiform succession of flexibility introduces a fault in one of the main principles of the old industrial balance: that of responsibility or reciprocity of firms towards their members which constitutes both a condition and a compensation of the constitutive inequality of wage-earning relations.

Even though it is strongly asymmetric, this principle puts the organizations implicitly back to the control level concerning their environment. In the industrial logic, the firms enact the consumption laws whose principle is based upon “the satisfaction of needs” (Boltanski and Thévenot 1991, p. 150 and following). What is specific about Fordism is how it has emerged as a general form of “management” of industrial societies. In the after war decades, these represented a whole that was both irregular and stable as well as stratified and integrated at the same time. The most characteristic secessions of Taylorism – notably the separation between the notion and execution and the formation of a technocratic elite – were partially compensated by development of mass consumption aiming to respond to the economic outfit needs. The rise of purchasing power responds to the absence of power in enterprises. In other words, it is a general extension of a monetary logic on which the State based its compensation mecha-

nisms. But this general organization has at the same time propagated a strongly integrated usage – the permanent full time norm: the latter allowed the sustaining of long-term wage-earning relationship based on the integration through work, which involved a number of guarantees given to employees against the principle of *continuous subordination*. An inseparable evolution of things to come and a consolidation of what R. Castel called “the wage-earning society”.²

With the primacy of market and the generalization of a fluid world – a world where “there is no scene or mirror but a display and a network, there is no transcendence or depth but an immanent surface of unrolling operations” (Beaudrillard 1987, p. 12) – the criteria of justification changes very radically. Suitably to wishes of liberal economists, the market reaches a central and hegemonic position, imposing as a quasi-exclusive guarantor of general interest. According to some authors (Gollac and Volkoff 1996; Boltanski and Chiapello 1999), we assist to a transformation of industrial logic – where restraints essentially joining the production occur (“pushed flow”) – into a market logic – where restraints coming from a continuous adjustment to the market replace or complement traditional restraints (“pulled flow”).³ But this transformation of links between the enterprise and its environment implies to get rid of one of the central features of the Fordist balance, which is a whole set of stable, homogenous and coercing rules, assuring tension between social inequalities and economic development. Within this new context, the principle of permanent subordination becomes void. Even though it is unequal, the stability of social relations is no more a relevant economic object because it still has a bond at the exact spot where the flexible capitalism seeks primarily mobility, fluidity of different capitals and absence of mutual engagement. In the actual wage-earning relationship situation, the flexibility might be apprehended throughout the attitude that *firms report or set a whole lot of restraints in connection with the uncertainty of market to employees themselves* (Beffa *et al.* 1999; Supiot 1999; Brewster *et al.* 1998). With this shift, they get away from permanent forms of unequal reciprocity and confer to the individual the unique responsibility of the social situation. The inequality changes its form. It furthermore does not oppose only the top and bottom of the hierarchy but also the “mobile and the immobile”, those who could profit from this permanent requirement of mobility and those who suffer consequences, those who form a new power from “the reversibility of rules” and those who do not have ac-

cess to this power (Boltanski and Chiapello 1999; Périlleux 2001). As R. Sennett wrote, the “new capitalism radiates indifference” (Sennett 1998, p. 208).

Flexibility and social differentiation

It is not easy to describe this new form of asymmetry. The analysis of the flexibility was for quite some time made around the opposition between “defensive” strategies focused on immediate adaptation and labor cost reduction on one side, and the “offensive” strategies of innovation and quality research and development of competence on the other side. But this analytical dualism seems less and less relevant today. On a global market, wrote T. Coutrot (1999, p. 53), the strategies based on direct and indirect cost complement each other: the enterprises are submitted at the same time to strong pressure on cost (short term) and to demand of quality and innovation (mid/long term). In fact, most labor underlines the increasing interaction between various types of flexibility – external or internal, but also quantitative or qualitative.⁴ These are rarely implemented in an exclusive way. They can evolve according to professional groups and organization segments, appearing as complex and changing “combinations” of limited duration. But this paradoxical structure of flexibility has many consequences.

The first is that it leads to a need of auditing the relations between flexibility and strategy. At first glance, “putting into perspective these two terms makes almost an antinomy” (Everaere 1997, p. 13). The flexibility expresses a radicalization of uncertainty applying pressure onto enterprises: it seems to forbid the foreseeing and erode the fundamentals of the strategic reflection, by reducing its application field considerably. Opposite to the strategy, it has a tendency to close the temporal horizon of firms, generating a tight, uneasy, immediate timing, ratifying an “ideology of urgency” in a globalised world (Laïdi 1994). Nevertheless, all authors do not have this same vision. First, as we just saw, because the flexibility simultaneously integrates several modalities and also several temporalities. Furthermore, the idea of the strategy itself is to be redefined. If the emergence of flexibility opposes even diversely to inherited control and stability values of the previous industrial period, it cannot thus escape to all strategic consideration in the quest of new production efficiency. But, this last notion is transforming: some researchers (Procter *et al.* 1994) show that the weakness of the planning induces also a displacement of the strategic

action field which meant a thought and implementation frame to be more than a set of explicit choices, a reference model in the flow of variables and reversible decisions. Without being reduced to logic of pure adjustment, the idea of a “flexible strategy” is more oriented to a latent and implicit control of the reversibility of actions (Everaere 1997). However, this insinuation is not entirely insignificant. By going for the reversibility of choices, the employers’ action becomes prepared to continuously refund the legitimacy of their orientations, including situations when they stay at an experimental level. At the strategy level, the defeat does not produce any more a crash of the system but just a stage in the functioning of the model. The groping acts like a new value – undermining at the same time the basis of an alternative and critical discussion (de Nanteuil-Miribel 2001).

That is where the second consequence comes from: the differentiation of strategic orientations and professional situations both become a new sociological marker, an indication of the rediscovered coherence of the managerial decision. The choices of management henceforth seem to privilege the heterogeneous more than the homogeneous and diversification more than unification. And that concerns the organization of work as well as labor characteristics. For the first, the recognition of the Taylor model limits has not resulted in an emergence of another model but rather a multiplicity of work organization forms – of which some are qualified as “newtaylorist” (Linhart 1991). For the second, we assist to a multiplication of employment statuses and work duration, a retreat of the “full time permanent contract” which is not leading to the emergence of a unique opposite alternative but rather of highly heterogeneous “particular forms of employment”. D. Ségrestin and F. Michon reveal on that matter a “defined impulse of particular employment forms too much heterogeneous to reach through to the opposite category” (Michon and Ségrestin 1996, p. 12). A verified point in the most recent European statistics: in the last five years, the relation between permanent and uncertain employment stays practically unchanged (83% – 17%), but the percentage of unstable employees who consider themselves neither as having a fixed-term contract nor a temporary agency contract grows progressively (reaching more than 3.5% in 2000, which is in fact a fifth of the unstable employees) (Merlié and Paoli 2000).

From differentiation to disjunction

This differentiating dynamic constitutes probably one of the major characteristics of the contemporary situation. It explains the difficulties of the analyses aiming to generalize the meaning of work and employment evolutions. Even limited, the outcome of Fordism makes the postulates of a referential universe drop, without substituting a new objective state to him, a stable or homogenous alternative. Then again, the flexibility of wage-earning relations appears in its “duplicity” (Gollac and Volkoff 1996). Its progression escapes partially to traditional analytic categories that swept, structured and cleaved the social field during the previous period of time. This does not invalidate the possibility to introduce transversal diagnostics, but under condition to seize the displacements that operate for such a generalized stake. A proceeding to which S. Paugam seems to proceed in his last work, *The Wage-Earner and the Uncertainty*, and on which we would like to hold support here.

Our intention is evidently not to summarize all the aspects of this work but to go back to the distinction that he suggests between “relation to work” and “relation to employment”. This distinction constitutes “the organizing principle” in the first part of his research (Paugam 2000, p. 25-26). The first one is according to him supposed to be the “dimensions of satisfaction or dissatisfaction of employees” while exercising their activity, resulting from “the production logic of the industrial society”. The second measures the “stability degree of their professional situation”, referring to the “protective logic of the Welfare-State” (*ibid*, p. 17, 25). And further:

“It strikes me to conclude that these two dimensions are very often confused. We almost always associate, at least implicitly, the employment with an uncertain status to the impossibility of advance in the work as we interpreted the norm of stable employment as a condition of social status. Could we then confirm that all the persons having an uncertain status are unsatisfied at work? Likewise, we can often hear that those who have a stable employment are privileged without taking into consideration to add that the stability of employment does not itself assure professional integration. Are there not cases of persons with a stable employment who resigned simply because they were feeling misunderstood in the enterprise and that they could not stand their work any more?” (*ibid*, p. 26)

This quote underlines the landslides which are brought about in the analysis of concrete forms of social vulnerability. By dividing this question into two and breaking the previous coherence between work and em-

ployment, Paugam considerably changes the question, intensifying the stakes. His analysis does not aim to attenuate the seriousness of this new vulnerability because it clarifies in an extremely precise way the continuity of processes, which connect the “deviations in the integration process” and produce a social disqualification. But it performs at the same time an essential analytical displacement, making of “relation to work” and “relation to employment” two distinctive and disjointed types of relationship.⁵

To simplify, we could say that Fordism was characterized by a homology between work and employment. Precise and repertory work contents correspond to precise qualification statuses and levels. The theory of “deskilling” had in other respects formalized this homology: the impoverishment of work was interpreted by regressions in the structure of qualifications – and *vice versa*. The development of employment instability and insecurity, characteristic in the nineties could have made us believe to a simple amplification phenomenon, but Paugam shows that the situation is much more complicated. In reality, it becomes necessary to distinguish the “work uncertainty” and the “employment uncertainty”. In a way, the latter refers to common sense. It interprets the reduction or even disappearance of social rights associated to employment. This concept is important but insufficient: it describes only a part of the problems which employees encounter and can take place independently of the work activity. It is then necessary to supplement it with the uncertainty of work: this one covers all the situations which, this time independently of the employment status, produce dissatisfaction and suffering at work. These two experiences could accumulate: this conjugation appears since then as the most desperate form of social uncertainty, the one which drives to a breakdown of moral and social identity of the subject. This is a particularly significant phenomenon, which aggregates experiences from separate domains and therefore creates irreversibility. But such a process appears as only a possibility. In many cases, the author demonstrates that the vulnerability relates only to one part of the wage-earning relationship – the “relation to work” or “relation to employment” – without being immediately general and to generate the kind of “objective visibility” that is usually attributed to uncertainty. In other words, we could not understand the deep nature of this event without realizing that it also changes its form while increasing – two conditions of the above mentioned *dispersion*⁶ which is a result of recent European research on that matter.

FLEXIBILITY AND UNCERTAINTY: RESULTS FROM A QUALITATIVE RESEARCH

Recently achieved, this research had as an objective to improve the understanding of flexibility impacts on general working conditions by letting the most exposed persons speak about it.⁷ It was all about the completion of statistic approaches on that matter and the correlations they make appear in this domain. Like the works of S. Paugam just mentioned, these correlations underline the aggravating character of the employment status towards working conditions. Besides a “structural effect”, they put some light on the existence of a “status effect” according to which the “employees, already unsure at the level of their employment conditions, are exposed to difficult work conditions more than others” (Letourneux 1998). Concerning the available figures, this effect might be extremely variable and depends on the considered criteria (situation, autonomy, rhythm, health, etc.) (Merlié and Paoli 2000).

Verified on the statistic plan, this correlation clarifies the existence of labor force allocation strategies, which assign the employees in unstable situations to particularly difficult jobs or tasks. Nevertheless, it does not cover the whole lot of flexibility models and keeps a principally quantitative dimension. Therefore it does not permit to realize more qualitative dimensions, linked mainly to internal flexibility development, and in a way so the employees could perceive the changes, especially when this perception is itself ambiguous. Supported by more than a dozen of enterprise monographs achieved in seven European Union States (Germany, Spain, Finland, France, Italy, Netherlands, United Kingdom), this research aimed then to confront the existing often statistic results to concerned employees’ points of view. Without taking into consideration detailed results, we would like to take support in those to empirically illustrate the theoretic elements above indicated. This will lead us to emphasize two important aspects. First, we remind the way the principle of a distinction between “relation to work” and “relation to employment” was little by little elaborated in the midst of the research dynamics, even though this distinction relies on aspects slightly different than those evoked by Paugam. Then we see to which reformulation of links between flexibility and uncertainty this distinction has led. Besides an “extensive” or cumulative uncertainty, the research made visible a more “intense” process of uncertainty marked by contrasted evolution of work and employment variables. The “intensive” uncertainty interprets a partial but intense

degradation of the initial wage-earning situation and produces an ambivalent perception.

History of a research

In spite of a relatively fine consciousness of the working condition question, the researchers were led to reposition this concept in several different ways. First, it was not possible to proceed to an ergonomic observation on such an irregular model as the one that could have been collected in several different countries. The study has privileged the collecting of information from employees' point of view in relation to their professional situation. This subjective perception was a differentiated perception by the same: it became necessary to examine not the question of working conditions as an isolated object, but to surround the differentiation that could exist in this domain next to the employees who benefit from a full time stable activity. Soon it appeared – and that is the second point – that this approach merits elements of complementary precision: as they were achieved, several case studies did not enter in a thus defined frame. The latter generated an implicit dualism between situations characterized by degradation of working conditions and others in which they seem unchanged. But this division does not take into consideration the fact that many situations are characterized by a deteriorated “relation to employment” under pretenses of sensibly homogenous working environment. All the same, the working condition evolution of employees in stable situations was often hit by chain reaction consequences of the flexibility recourse (external or internal). The problem was in fact the border between conditions of work and conditions of employment. Reducing the specter of flexibility evaluation in the domain of working conditions *stricto sensu* deprived the analysis of an intermediary material. The latter in fact appeared to be the richest on the heuristic plan, composed of professional situations in which the professional discriminations affect just a specific and limited dimension of the wage-earning relationship, at the same time being the generator of dissatisfaction and suffering to the concerned persons. The interpretation line that was progressively drawn was then that of a possible non-coherence between work and employment variables.⁸ Beyond the persistence of the uncertainty core, the research has evidenced the existence of very diverse situations, that escape to the traditional dualism but that remain necessary to integrate when looking at the global reality of uncertainty. To illustrate this event, we would like

to explain now what separates these two processes that we want to distinguish.⁹

The extensive uncertainty

We propose an approach to the first form of vulnerability in relation to the issue of *employment insecurity*. To ease the understanding, we have chosen to restrain this notion to the use of uncertain contracts (fixed-term contracts, temporary agency work, subsidized employment, etc.).¹⁰ If this notion has a decisive role, it is because of the nature of processes that we examine here: this one affects all variables of the wage-earning relationship and should not be applied, at least in this form, to employees who have a stable employment. That does not mean that those permanently employed could not know other forms of vulnerability, nor that the situations of insecurity necessarily lead to a degradation of relations to work. But what we wish to describe here is a congruence between “work uncertainty” and “employment uncertainty”, while trying to surround the organizational functioning happening underneath. In other words, how the organizations produce or reactivate the uncertainty of the wage-earning connection in its different forms. In that field, the research material permits to clarify two interacting dimensions: the articulation between employment insecurity and working environment and the strengthening of selectivity considering the uncertain labor.

Insecurity and work conditions

As long as we adopt the point of view of internal organizational mechanisms, and not just exclusively the one driven by the Welfare-State logic, the question of employment status impacts becomes slightly displaced. It is not only a provider of rights and legal protections it also produces a group of *ordinary protections* in the work environment. In some professional contexts, the stability of employment makes a grant to strategic resources of employees allowing them to reduce their exposition to risks, and more than that, to secure one from experiencing effects of the work environment. In other terms, the stability of employment constitutes the decisive element in elaboration of what D. Cru calls the “prudence know-how” (1995).

The research evoked here gives us several examples. In a Dutch transport enterprise, the conditions of work exposed of many risks: they associate at the same time painful positions (during driving), difficult tasks to manage (curves, maneuvers) and psychological tensions (intensity

of traffic or aggressiveness of clients). The access to quality material constitutes a decisive element to drivers, since vehicle changing is very frequent. The uncertain employees “have only access to second hand material” wrote A. Goudswaard *et al.* (1999, p. 36). Furthermore, their ignorance of passage or of obstacle anticipation techniques, as well as their lack of apprenticeship towards clients, makes the psychological tension to which they are submitted to even worse. In spite of their real novelty, the engaged training efforts concerning the uncertain employees do not allow a compensation of this intrinsic degradation of work relations – as long as they are not followed by any concrete professional perspectives.

We could quote a similar example of a French cultural goods enterprise having a massive resource in part time work. This form of employment, interpreted as a weakness of wage-earning income and concerning primarily women, produces particular work restraints. The insecurity affects “the quality of proposed services”, is what were interview participants saying (Gerritsen and Martin 2000, p. 27). It is particularly interpreted with an impossibility to have a “good perception of the department”. But this is decisive, especially in the affluence phase. It lets employees rapidly respond to clients and also to reduce the psychological tensions to which they are submitted. Tensions that sometimes come along with a general fatigue already described (standing positions, numerous coming and goings, etc.). Concerning the case of the large alimentary distribution enterprise, A.-M. Artilles and R. Alos-Moner reflect on those observations by writing: “the employees with stable situations control the security rules better than others (general instructions, operating methods, evacuation procedures, etc.). The employment security improves the prevention of risks and accidents at work” (Artilles and Alos-Moner 1999, p. 31). A degradation of the employment status generates a process of specific uncertainty: it is interpreted with a need of negotiation percentage allowing the employees to avoid the existing painfulness. It exposes them to particularly difficult work conditions and provides support for a cumulative and “disqualifying” uncertainty, using the term of Paugam.

A regular selectivity

We can add that the support to uncertain employment is often followed by an *even harder division of labor*. The uncertain employees are recruited for less qualified employment or even unqualified employment, and appear as be-

ing *de facto* deprived from vocational training. Their professional perspectives still exist but the filters they should go through multiply. The frailty of the employment status supplies a supplementary selective tool, adding a fundamental uncertainty on the future to ordinary working constraints. Let's consider in this matter the example of a British recovering bank. Let's say that it engaged in the establishment of "call-centers" in pursuit of strategic repositioning. The uncertain employees to whom the enterprise has resource (fixed-term contract and temporary agency work) are over-represented on the employment scale: 94% of them hold unqualified or less qualified positions in the context where the production pressures - primarily quantitative - do not cease to be developed. These employees have a very limited consciousness of their professional environment. They cannot elaborate strategies that could allow them to participate and reduce the productive pressures and have no influence on their work schedules and timings. Add to that a recent introduction of surveillance experience: several employees witnessed managers taking control of calls in some centers so that they could anonymously eavesdrop on their own personnel.

This degradation of working environment simultaneously enrolls in a very reconfigured division of labor. The call-centers have in fact produced a different approach to skills: the enterprise henceforth prefers the so-called "generic" skills rather than skills called "specialized" (Grimshaw and Ward 1999, p. 30-31). This was emphasized by the fact that the management chose not to offer supplementary training to "banking activities" but only as to "client services". This evolution brought diffusion of multiskilling among telephone operators. However, the experience of employees suggests that this evolution has not managed to diversify work. The analysis of judging between "specialized" skills and "generic" skills show that the first ones are in fact reserved to qualified personnel - which benefit from the push of specialized vocational training organisms. The other ones are left to a "mass training" and are attributed to uncertain employees. From the point of view of many interviewees, "the accent is on the communication with a client but it is simultaneously deprived from its technical contents". The feeling of repetition and monotony is important. "It is mass production" said some interviewees (*ibid*, p. 29). There again, the insecurity reaches employees while in construction of their relations to work: by assigning them unworthy positions, placing them in testing professional environments, depriving them from formal support which would allow them to

evolve in the enterprise or at the labor market level. There is an organizational disqualification added to the status disqualification – characteristic to the “extensive” uncertainty.

The production of social vulnerability is therefore interpreted as an *intricacy of two forms of uncertainty* against which neither work nor employment are up to provide alternative support. We cannot talk about ambivalence here. The concerned employees express a feeling of disqualification and loss of social dignity. The analysis of several situations at a level of European research allows the uncertainty persistence to become visible, marked by the increase of degradation factors. This visibility should not be possible though without analyzing organizational mechanisms. It holds in fact onto specific modalities of a flexible enterprise. In situations that we have observed, the employment insecurity is used by the different enterprise’s actors in a dynamic way. It involves a chain reaction degradation of work conditions (physical or psychological work conditions) and the employment conditions (status, education, professional progress, and income).

The intensive uncertainty

But the nature of such a core uncertainty supposes that we understand the processes which do not directly make a part of it, but which are not connected to stable or even “protected” situations. The other part of the model is characterized in fact by limited but intense forms of vulnerability. These situations are sometimes more dissimilar and more outstretched.¹¹ They cover various professional contexts that witness a simultaneous implementation of several types of flexibility – external or internal, quantitative or qualitative. Thus, the employment insecurity does not establish itself as a unique or central variable. There are more elements capable of affecting the anterior wage-earning relationship: uncertain status, part time, atypical schedule or timetable, inadequate treatment, overtime, etc. This does not indicate that social vulnerability does not take place: it does enroll into the wage-earning relationship but within a form that does not belong to the above-described process. To understand this mutation, it seems possible again to reconsider all the organizational mechanisms that produce this new type of vulnerability – limited but intense, disparate but extensive. Considering the elements that we dispose of, it seems that three cases of specific figures could be cleared: the relation between health and subcontracting, the satisfaction at work within

employment insecurity, the intensification of the rhythm of stable employees.

Subcontracting and health

The question of the links between subcontracting and health made an object of important but still limited reflections (Thébaud-Mony 1997, 2000). We do not propose to directly engage in this debate but to rather see how this question takes part of an extension and transformation of uncertainty forms. The support for this thought is provided by a Spanish chemistry enterprise providing support to subcontracting for its strategic activities. The subcontractors are responsible for the achievement of most specialized tasks but also for the most dangerous ones (transports of toxic or flammable products, contamination risks, etc.). A dualism form of work conditions takes also place behind the probability of a technical division of labor. The researchers note “progress in the prevention of risks and improvement of working conditions” but these evolutions “are deeply dualist because they are followed by a transfer of exposition to risks onto the subcontractors” (Artiles and Alos-Moner 1999, p. 32). It is a transfer in which the management, but also the employees, of the using enterprise play an active role.

The specificity of this observed event holds ever since to the fact that subcontractors benefit from higher qualifications and stable positions – at least in the short run. It is then for them unlikely to assimilate to uncertain employees even though “such an idea is sometimes widely spread in the enterprise” (*ibid*, p. 24). However, their conditions of work are testing and dangerous. They indicate the existence of a rather deteriorated type of “relation to work” compared to the one experienced by the employees of the enterprise in use. This deterioration is particularly intensive because it explicitly endangers the life of persons involved, and it is also fortified in the work activity. Then it generates a differentiated vulnerability relating to the previously considered case. Besides, the limited but intense character is not such an antinomy, as it seemed. It is much more likely to consider that the intensity becomes much stronger as the degradation of the wage-earning relationship becomes limited. In other words, it becomes quasi-invisible insofar as it keeps employment rules apparently stable and that no solution is assigned to a problem that is denied by the same. The subcontracting constitutes from this point of view a typical example: difficult conditions of work are often exchanged against favorable condi-

tions of employment depriving employees from an alternative or critical basis at the same time.

In the case of subcontracting, we can add that the distinction between intensive and extensive uncertainty remains only partial. A. Thébaud-Mony has shown how the harm to health of the subcontracting personnel often led the employing enterprise to get rid of them because of the encountered risks. These figure the “disposable” employees: the insecurity of employment intends to relieve the deterioration of conditions of work and the same hides the question of harm to health. Thus, there are many cases of subcontracting which are not related to qualified personnel and take place in a context of weakened conditions of employment (industrial cleaning, gardening, restoration, etc.). Finally, we should note that the economic conditions of subcontracting enterprises frequently produce a feeling of insecurity to employees even when they obtain an indefinite duration contract. It in fact has no significance in an unfavorable economic environment. The question of subcontracting rises a question of *increasing porosity of uncertainty forms* at the same time.

*The satisfaction at work in conditions of employment
insecurity*

The second case of figure is supplied by the employees whose employment conditions have deteriorated (fixed-term contracts, temporary agency work, forced part-time, etc.) but whose work conditions stayed sensitively similar to those of stable employees. Differently from the previous case, the employment status is not a basis for implementation of what we described as ordinary protection strategies: either because the environment presents a relatively lower level of risk, or because the policy of risk prevention has developed. The weakening of employment bonds does not lead to an extensive uncertainty movement but rather to *a recomposition of work relations within the frame of deteriorating employment norms*. The research provides here several examples with one particularly significant. It is about a large alimentary distribution German enterprise. Primarily female, the part-time labor has close to three-quarters of total labor at the points of sales (supermarkets and hypermarkets). It is associated with lousy incomes but also hides large dissimilarities in the effective continuance. Inside this enterprise, the conditions of work are principally characterized by strengthening of production pressure, diffusion of atypical work schedules, and lack of prediction of numerous time schedule changes. But those results

seemed relatively transversal. The researcher notes that “the part time employees are not victims of particular discriminations in comparison to the full time employees. Concerning the conditions of work, the differences separate the types of profession more than the employment status” (Deiss 1999, p. 24). For example, some activities are characterized by very hard handling tasks (like in a bonded warehouse for instance) for which the part time employees are not compensated.

Just like the full time employees, these are considered as being a part of central labor – and not of the surroundings. The measures in work security and health matters, notably the prevention of certain risks and the concept of work positions, correspond to a high level of requirements considering the enforcing regulation and action of the Works Council. But these measures are of equal concern to all employees. Likewise, the enterprise commits to maintain and keep the skills of its own personnel, including situations when this personnel is part time employed. The trade union implantation partially explains this situation: even though it is inferior to the national score, it is still significant (around 15% of labor), and assures an essential regulation operation in the fields of working environment and consistency of working timetables. The interests of part time employees are therefore taken into consideration in an explicit way even though the rotation of those that work only a few hours weekly leads to a lack of attention. This situation does not mean that the employees have the possibility to access full time positions – such perspectives are still rare. But the enterprise has a tendency to keep them in a specific professional state by situating them within a same distance from a generalized deterioration and an assured integration.

Some qualify this strategy as a means to “buy the confidence of personnel whose employment conditions are weakening” and could be described as a typical strategy of securing cheap labor. This strategy is however connected with the industrial relation system – the trade unions play a significant role in this stability – and allow the personnel to benefit from social policies improving their working environment – a particularly appreciated point in this sector. Thus, it provides a support in construction of their work relations to the employees who wish so. From a certain point of view, we could say that it reinstalls favorable work norms in a context marked by deterioration of employment norms.¹²

Employment stability and intensification of work

Matthieu de Nanteuil-Miribel
**Towards New Forms of Social
Vulnerability? Thoughts on
Relations Between Flexibility
and Uncertainty**

One of the fundamentals of the dualism theory and of models it led to – specially the one of a “flexible firm” (Atkinson 1984) – is based on the idea that some protected employees could radically avoid development of an external flexibility and its disastrous effects. The core, as an opposition to the periphery, forms some sort of virtual circle in which the qualified and valued employees would enjoy favorable working conditions. But the critics specially emphasize the fact that the working conditions of these employees do not make an exception: they often submit counterblows of repetitive organization changes and diverse flexibility strategies. After some structural transformations, it is then possible to look forward to study the dimensions which characterize such evolutions. Following some authors, we promote the idea by which the intensification of work participates in a general way to this evolution (Gollac and Volkoff 1996). To make it short, this term interprets not only the tightening of production restraints (timing and schedules) but also the progressive disappearances of “resting periods” allowing the employees to adjust and recover. Meaning, this definition is clearly distinguished from the one of productivity. But the proper sense of intensification is that, contrary to traditional risks, it is not placed in a certain type of activity and is therefore not enrolled in usual demarcations between social groups. When it participates to a degradation of working environment of uncertain employees, it enrolls in the frame of the above-described extensive movement. But when it affects the situation of stable employees, it gets within the intensive uncertainty that we try to describe here. Its reach is limited but the frail that it produces could be very acute. That is what happened in the case of an Italian automobile enterprise.

The change of organization in a form of elementary work units (UET) is where the “integrated factory” project, which characterized the observed enterprise, was at the beginning. We could add to that the important efforts of training for the whole personnel within the factory’s startup and putting to work phase, the training being designed “intrinsically connected” to the new organization (Fortunato *et al.* 1999, p. 22 and following). But these choices come along with traditional risks remaining and an appearance of new risks connected with the intensifying production rhythms. As the Italian researchers wrote, “if the automation improved the ergonomics of operation units on the assembly line, the different hierarchy levels

confirm the remaining of traditional hazards resulting in muscular problems for both superior and inferior members. According to them, work accidents are in many cases connected to the nature of the new production model. The restraints of time, as well as the stress, often make the employees accomplish different tasks without giving much attention to security norms. This concerns both the workers (qualified or unqualified equally) as well as maintenance technicians (which have to intervene in case of a technical problem)” (*ibid*, p. 44). The complexity of this example is related to the fact that these risks emerge or develop even when the enterprise has chosen to stabilize most of the uncertain contracts (98%) issued in the recruitment phase. This paradox gets us back to the multi-form characteristics of flexibility. The degradation of conditions of work comes from a development of multi-skilling and unstoppable organization changes, which add to classic pains numerous stress factors. The improvement of conditions of employment is more the reflection of a policy which, after having largely used numerous flexibilities, intends to secure its personnel by developing qualifications.

Like in the example of the German large distribution enterprise, we can see there how a relation of dependence and subordination of labor is settled for employees whose employment conditions are improved within a context of intensifying production rhythms. The acceptance of hard working conditions passes with the stabilizing of uncertainties, or employment stability is exchanged against the weak level of working condition measures, which has the same result. What we have here is not an extensive vulnerability, but a *deterioration of the “relation to work” in the context of employment stability*. The organization takes advantage of the vulnerability forms: on one side it offers real professional perspectives to newcomers, meaning a strict selection and uncertain duration; on the other hand, it puts them to testing work conditions, increasing the requirements which dwell on their activity.

THE AMBIVALENCES OF THE SOCIAL SUBJECT: ADJUSTMENTS WITHOUT COMPROMISES

We can see how these examples modify the analysis of social vulnerability forms. Beyond the hard core of the uncertainty described above, a whole series of organizations are hereafter described by more or less hybrid uncertainty forms, whose meaning is beyond common reading. The production of vulnerability seems to respond less and less

to a dualistic or mechanical logic, which would directly oppose those whose work and employment conditions degrade in an unilateral manner and those who see themselves as invulnerable and protected, as through a phenomenon of “communicating vases”. As D. Linhart and M. Maruani already noted at the beginning of the eighties, the uncertainty affects all kinds of employees and puts out of balance positions that were considered stable before (Linhart and Maruani 1982). However, such a generalization can be understood only under the condition that it is admitted that vulnerability changes its form at the same time. The weakened employees do not necessarily contain all the uncertainty forms, some get by or adjust better than others and the vulnerability forms differ more and more each day. Beyond the most difficult uncertainty situations, the set of weakenings extends and diversifies, rendering the individual strategies more isolated and more difficult to describe. What to say about some subcontractors whose employment conditions are favorable but whose activity exposes to major risks? And what about part time employees who consider their conditions of work acceptable while suffering from conditions of employment particularly detrimental? Or the temporary agency workers, who enter the labor market, find an interest in their activity, but go mad because they cannot stay in the enterprise or are forced to stay in the outskirts? Or the full time employees who see that their working conditions intensify or become harder and harder every day? How to interpret these uncompleted, heterogeneous and hybrid figures of the social vulnerability? Could we aggregate them and risk closing them in a reducing reading? But how can we not see at the same time that they all represent, although in different forms, a significant deterioration of the professional situation of these employees?

The rise of ambivalence

This diagnosis about the transformation of vulnerability modes, in fact, poses a question of their acceptance or, contrarily, of their refusal. This is a particularly delicate and complex question. Our consideration here has neither the means nor the ambition to give a definite reply. It seems to us however that it could significantly contribute to what the others mean under the name of “voluntary servitude” (Abel 2000) or the “soft domination” (Courpasson 2000). The different examples presented here underline in fact the emergence of a more and more ambivalent relationship to the world: the increasing separation between “relation to work” and “relation to employment” multi-

plies the weak areas by differentiating them strongly. Sure, in the case of extensive uncertainty, the restraint seems omnipresent. The concerned employees experience a sentiment of identity and dignity loss. But the intensive uncertainty situations tend to moderate the understanding of this phenomenon. We could not speak of an acceptance in the full sense of the term. In the examples that we have indicated, the employees express their discontent and sometimes even their revolt to be put in situations where they see themselves as under obligation to make concessions and accept “tests” (Périlleux 2001) which permanently affect their identity. They are not fooled with difficulties they are familiar with, or stakes that represent them overstepping the limits.¹³ We cannot however diagnose a refusal in a strict sense: the more or less sharp expression of discontent doubles after partial acceptance of the social game in which they happen to be. In the case where the vulnerability is at the same time intense and limited, the employees evoke the idea that their refusal is not complete or that an acceptance form is in progress. In fact, we can conclude that *they benefit from a certain level of support while experiencing vulnerability at work*: the encountered situations are not entirely disastrous and can be in some cases provided with important supports. The question of the absence of refusal, whether it takes the form of retreat or of litigation, merits to be examined again in one of those observations.

To adjust oneself

The first explanatory frame was provided by works of C. Dejours - singularly by his work *Souffrance en France* (Suffering in France 1998) - relating to social suffering issues in contemporary organizations: the acceptance of observed degradations in the field of work or employment would be principally motivated by *fear*. Fear of losing employment, fear to perceive more deteriorated working situations, fear to oppose superior decisions, in the context where uncertainty increases the inequality of wage-earning relationships. This approach presents a particular interest, in a proportion where it brings out psychological tensions, sometimes unbearable, to which are exposed employees while doing their work activity, as well as defense systems these tensions involve. But it seems to have been completed by an analysis of social transformations with which the subjects are also confronted while experiencing uncertainty. S. Paugam notes on that matter that the uncertain employees have “no application point in their discontent”, in the sense of a political horizon capable to pro-

vide a common destiny to their possible fight (Paugam 2000, p. 382). We could also add that, while experiencing new forms of vulnerability, they lack the “stable grounds” on which they could base their refusal without any ambiguity.

Except the extensive uncertainty situations which make a series of extremely strong uncertainties appear, the other cases of appearance show in fact composite and hybrid situations with which employees manage and settle, without disposing of collective grounds allowing them to be a real opposition. This is not quite harmless: it reflects the exact nature of flexibility policies, at least a large part of it. These are brought to speculate on the forms of vulnerability, to profit from certain testings against individual and limited improvements. The diagnose to which our initial hypothesis leads us is the following: the dispersion of vulnerability forms forces the employees to adjust themselves - in an isolated and forced way - yet these adjustments do not lead to collective compromises - that would allow these adjustments to be part of a critical discussion frame seeking alternative solutions of collective nature. On the contrary, such adjustments do not root in the type of social backgrounds that characterize the always fragile search for lasting and collective compromises, a quest for a “superior public good” (Boltanski and Thévenot 1991) allowing them to get out of the enclosure into individual ambivalence.

To understand this evolution, it would not be futile to briefly get back to the distinction proposed by L. Boltanski and L. Thévenot between “compromise” and “adjustment”. The existence of compromise figures interprets the way individuals or groups settle their disputes “without resorting to violence” and succeed to “construct, manifest and ratify more or less lasting agreements” (*ibid.*, p. 39). The possibility of compromise is founded on the overstepping of individual interests and the pluralism of the justification criteria: “the presumption of a superior public good is necessary to accomplish this compromise. But, for the compromise to hold, it is not necessary to seek going further into explanations because there is no superior rank instance in which the incompatibles worlds, associated with the compromise, could converge” (*ibid.*, p. 408). The authors oppose different forms of relativity to this agreement logic, particularly the one of adjustment. This notion is individualistic: it is not supported by any universal justification and is not submitted to justice criteria that are characterizing to compromise. “The adjustment is an agreement convenient to both parties (“you do

that, that suits me; I do this, it suits you”) related to their mutual convenience and not in pursuit of a common good. The link gathering people is not generalized to all. (...) It is an adjustment, a friendly agreement, between them. It is not the object of any explicit convention; it cannot be justified publicly and then may be broken at any time.” (*ibid.* p. 408-409). Different from a compromise, the adjustment ignores the public good: “to remain within one’s own frame of relationship, that means to suspend the aim of reaching a form of a public good and to establish connections which are not supported by justice requirements and are not universal” (*ibid.*, p. 409-410).

To these authors, the notion of adjustment interprets a modality of exchanging. But the results that we dispose of suggest completing this intersubjective vision in promoting the idea by which, in a new work and employment context, the employees are also restraint to *adjust to themselves*. Except in the toughest cases, the employees are rarely in uniform situations. Their work conditions could degrade in stable situations – and *vice versa*. In such configurations, the social experience field is displaced. It is forced to combine certain disastrous aspects of professional life with other more attractive ones. Between alienation and assured integration, the weakening of wage-earning relationships opposes multiple and heterogeneous situations. The vulnerability experience becomes a blurred experience deprived of distinguishing marks and common sense. The social subjects participate in this game because they do not have a choice, sometimes because of fear, but also because the perceptions of the inconveniences to play have been modified. Even if certain aspects of their situation are not favorable, the social game is not homogenous. All the “blows” do not have the same nature: some of them can be causes of pain and suffering, others can provide support in vulnerable situations. This reading suggests, by a dispersion of vulnerability forms, the existence of a stronger ambivalence in the social experience of subjects. A solitary ambivalence. These “blows” are also experienced in the inner self, isolated, in a confrontation of self with the self. The flexibility puts the employees in ambiguous situations, which could make them adjust and settle most often for want of better. But these adjustments are elaborated in an isolated and restraint way, without allowing collective oppositions or contradictions to express. Thus, and without being unilateral, the flexibility of wage-earning relationships exposes the employees to market forces depriving them simultaneously of means to enroll into an alternative social position. In imitation of what D. Courpasson said about

the action in liberal organizations (Courpasson 2000), we could be here talking about a “restraint acceptance”: the acceptance is partially present, but is elaborated in the restraint itself, in other words in a weakness, if not a deprivation, of collective resistance means allowing emancipating from a sometimes painful ambivalence.

Towards new compromises?

The question of the appearance of new collective distinguishing marks, or in other words said critical discussion instances in the midst of which structuring compromises are likely to be established, seems to us to be at the heart of the link between flexibility and uncertainty. The diagnosis on the condition of the wage-earning relationships and the consequences of the above-evoked asymmetry are from this point of view very divided. Sure, after a deregulation wave which indicated the arrival of flexibility, some authors see an appearance of “new social conditioning” (Michon and Ségrestin 1996). The existence of “professional socialization itineraries suitable for uncertain employees, in spite of the brutal reality of the uncertainty” or an appearance of “irregular partnerships” concerning subcontracting situations, are as an example evoked as signs of a “re-codification of employment relations” (*ibid*, p. 21 and 23). All the same, some European collective negotiation experts evoke the hypothesis of a “flexible regulation of the employment market”: the establishment of general rules between social partners aim to both “organize the employment market” and assist to agreements authorizing “an increasing flexibility of the working conditions of employees, particularly in the matter of working schedules” (Barre *et al.* 2000, p. 54 to 55). But these observations do not seem to us contradictory to the idea by which this attempt of recodification is followed by *the weakening of the idea of compromise itself*, as a capacity of participants to establish lasting and collective agreements giving the social subjects a basis for social supports and horizon for plausible alternatives.

We have mentioned at the beginning of this article that the flexible decision became incarnated principally in the reversibility of choice and that it produced a strong social differentiation, the one observed in the field of employment statuses constituting the most visible part. These two dimensions represent a major defiance for collective negotiations and even more for the democratic project of a “collective control” of the market domain (Barbier and Nadel 2000). In a European perspective, C. Brewster *et al.*

add that, whatever the benefits that employees could get from some flexibility formulas, these stay by far mostly incited by the employer and only rarely suit the demands of employees (Brewster *et al.* 1998). Likewise, J.-L. Beffa and co-workers remind that, when it is agreed upon, the stability is less and less enrolled in the frame of employment rules and regulations that were negotiated: “it is henceforth *up to the initiative of firms* and their redefinition of business that the stability is accorded to the employees performing best... and not any more as a response to trade union claims which have an intention to generalize the status (Beffa *et al.* 1999, p. 1045, underlined). Finally by having accomplished the above mentioned monographs, these researchers show that the trade unions are put in a difficult position by decisions of flexibility, because these are often accepted in a unilateral way during the recruitment phase. They are adding that many particular cases escape the regulating action of personnel representation urgency from consequences of their breakdown, even when these try to stay close to the site (Fortunato *et al.* 1999; Deiss 1999; Gerritsen and Martin 2000).

The question of compromise construction, allowing the making of a stronghold when faced to weakening of wage-earning relationships, seems a stake of the primary plan. Because this weakening is so much more spread as it interferes into the frame of an individual subjectivity confronted with the increasing experience of ambivalence and a rise of solitary adjustments. Then again, this stake is supposed to be moderated by persisting differences between countries when it comes to their capacity to establish lasting compromises. D. Anxo and J. O’Reilly suggest in that matter to distinguish countries by flexibility regulation models and arbitration existing between legislative intervention and conventional initiative.¹⁴ Likewise, the research that we have evoked proposes to differentiate compromises after their institutional basis. Such a consideration is supposed to be examined thoroughly at a European level. But the question of the transformation of adjustments into compromises is more than ever an actuality. Evoking the “virtue of compromise” and the fundamental ethical difference between “compromise” and “compromising oneself”, M. Nachi wrote:

“The dictate of the market in fact leaves no more room for making new 'social compromises', that would be comparable to the compromises which prevailed in France during the 'Thirty Glorious Years'. (...) The uncompromising position of the market order will lead to deadlocks if it would be perpetuated. Some conflicts it produces would risk resulting in violence. That is why 'new forms of compromises' are not

only necessary but also urgently needed. The introduction of a 'compromise civilization' evoked by Ricoeur should unavoidably go through research of new reference systems which would make a formation of 'good' compromises possible, or if we could say compromises which do not camouflage conflicts even if they stay fragile" (Nachi 2001, p. 18-19).

Acknowledgement. I wish to thank Mohamed Nachi for his attentive reading of this paper's first version.

FOOTNOTES

- ¹ R. Boyer specially evokes "the adaptability of the production organisation, the natural disposition of workers to change jobs, the weakness of legal restraints administering the work contract, the sensibility of employees to the economic situation and the possibility of enterprises to avoid parts of the social and fiscal deductions" (R. Boyer 1986, p. 236-239).
- ² Concerning the work conditions in the 30s, the author speaks of "a relative integration in the subordination" (R. Castel 1995, p. 341).
- ³ This transformation of industrial logic to market logic has to be graded. The works of L. Boltanski and L. Thévenot only aim at underlining the plurality of co-ordination forms in organisations, across what they call the plurality of societies and justice criteria (inspiration, domestic, civic, of opinion, industrial, merchant). But the characteristic of the merchant logic is precisely that it has a "tendency to become hegemonous" and make impossible the engagement of this plurality.
- ⁴ For a detailed description of flexibility types see A. Goudswaard and M. de Nanteuil (2000).
- ⁵ This evolution is what makes the specifics of an employment sociology which are different from that of the traditional work sociology (Maruani and Reynaud 1999).
- ⁶ The work of S. Paugam proposes a typology of four forms of professional integration which, in France, proceed from this dissociation between work and employment: the *assured* integration, which combines satisfaction at work and employment stability, represents 42% of the wage-earning population; the *uncertain* integration which articulates satisfaction at work and the employment instability, 18%; *hard-working* integration which combines dissatisfaction at work and employment stability, 20%; and finally the *disqualifying* integration which accumulates dissatisfaction at work and employment instability, also 20%.
- ⁷ This research was part of a publication with the title Flexibility & Working Conditions - A comparative and qualitative study in 7 E.U. Member States (Goudswaard and de Nanteuil, 2000). The researchers associated with its achievement were the following: M. Deiss (ISF, Munich), R. Alos-Moner, M. Antonio Martin Artilles (QUIT, Barcelona), P. Huuhtanen, I. Kandolin (FIOH, Helsinki), D. Gerritsen, D. Martin (LSCI, Paris), S. Negrelli, E. Rapisardi, V. Fortunato (Pietro Sevezo, Milano), A. Goudswaard, J. Klein Hesselink, E. Miedema (TNO, Amsterdam), D. Grimshaw, K. Ward (UMIST, Manchester).
- ⁸ The work variables represent here the conditions of work in a usual sense: surroundings, positions, work contents, autonomy, health; the

employment variables are related to attributes of the conditions of employment: qualification, education, professional perspectives, salary, status.

⁹ On the methodology plan, the results that we have do not allow us to proceed to a detailed European analysis. Such a perspective would suppose a much more important material than the one that was gathered here (2 to 3 monographs by country) in the aim to articulate qualitative analysis quantitative investigation. In the case of links between flexibility and uncertainty, the national differences remain significant: they even go all the way back to basic definitions, national industrial relations systems, Welfare-State regimes and socio-economic history of every country. At the present time there are several research with an intent to construct a model of these differences: they distinguish the types of flexibility (Boyer 1986), forms of work time regulation (Anxo and O'Reilly 2000), forms of employment regulation (Barre *et al.* 2000) or specific relations between the professional and domestic domain concerning the role of women on the work market (Fagan and Rubery 1996). We could also add the analogous differences between activity sectors, particularly in the part time case (Maruani and Nicole-Drancourt 1989). The results that we give in return here do not ignore the differences but they seek a way to place themselves in such modelling processes. It is about analysing the way the social subjects are affected and shattered by the development of forms of diverse flexibility placing this consideration into a European context. The question of support of such an approach on a more quantitative base, while allowing us test different comparative models, stays completely open and offers a particularly heuristic perspective.

¹⁰ But this situation equally includes the sub-contract uncertainty (supported part time, weakness of wage-earning income) as well as the feeling to be menaced during employment (licensing, restructurations). The notion of employment insecurity supposes also to be rephrased in a European perspective. In countries in which social rights associated to the employment status are important (Germany, France, Scandinavian countries), the employment insecurity is principally of statutory nature. On the other hand, in the countries where these laws are weak and the intervention of State is minimal (United Kingdom, Ireland), the insecurity is more interpreted as an extension of supported part time and a weakness of salarial income. For a detailed analysis distinguishing the "libéral", "continental" and "social-democratic" models, see Esping-Andersen (1999).

¹¹ These regroup the *uncertain and hard-working* integration forms described by S. Paugam (2000).

¹² Some other examples could be presented on that matter, specially when the support to temporary agency work is practiced in a quasi-structural way and makes no specific differentiation in the field of conditions of work. In the case of a French electronic enterprise (Gerritsen and Martin 2000), the temporary agency workers considered to be forced to accept a position that they estimated themselves favorable to their insertion on the labor market. But they simultaneously expressed - with violence - the "rage" of not being able to integrate into the user enterprise and thus benefit from any professional perspectives. For further readings on the world of temporary agency work see C. Faure-Guichard (2000).

¹³ On that matter, S. Paugam reminds that "the uncertain employees are not left unprovided of a critical sense and a rational plan of

stakes in the fight. (...) They are not fooled when faced with the real action of difficulties they encounter in their professional life. In other words said, we would be wrong to interpret the current weakness of protestations faced with the uncertainty by an incompetence of concerned employees to bring out a clear judgement on the objectives of this revolt” (Paugam 2000, p. 381).

¹⁴ The authors distinguish concerning this matter the “State-supported” flexibility (ex. France, Spain), the “individualised” flexibility (ex. United Kingdom, Ireland) and the “negotiated flexibility” (ex. Netherlands, Denmark) (Anxo and O’Reilly 2000). The recent example of the Netherlands (Klein-Hesselink and van Vuuren 1999) having negotiated and then legislated the requalification of uncertain employments to permanent employments makes us wonder about possible future perspectives – even if this example also shows certain limits.

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Matthieu de Nanteuil-Miribel
**Towards New Forms of Social
 Vulnerability? Thoughts on
 Relations Between Flexibility
 and Uncertainty**

II.

LABOUR
—
MARKET
—
PARTICIPATION
—
AND
—
POLICY
—



Javier
RAMOS-DIAZ

Madrid, Spain

FEMALE LABOUR
PARTICIPATION
AND PATTERNS
OF EMPLOYMENT
COEXISTENCE:
A GENDER
PERSPECTIVE

The analysis on the increasing number of women into the labour market may shed some light on significant aspects of the patterns of employment coexistence previously identified.¹ A closer look at the way in which typical employment is being replaced may show the existence of sub-categories of coexistence (substitution, activation and co-habitation) based upon the dichotomy “female oriented versus gender equilibrium”. More precisely, I propose the existence of a substitution effect of the female oriented type when the replacement of typical by atypical employment is the result of the overwhelming increase in the rates of women holding atypical employment. By contrast, an equilibrated substitution effect comes about when the increase of atypical employment is more symmetrically distributed between men and women. Something similar applies for countries where the activation effect has been observed. Stimulus for increasing rates of active population and employment may involve principally women, bringing about an apparent process of “labour market feminisation” which differs from those processes in which the activation effect boosts, both men and women, to actively participate in the labour market. As to the co-habitation effect, the increase in female labour participation may be located in the “atypical” segment of the employment or may be symmetrically re-located between “typical” and “atypical” employment.

All of this suggests a profound re-examination of the proposed typology of employment coexistence in the light of the increasing “feminisation” of the labour force. In the following sections I will examine the evolution of female labour participation, rates of employment and the extension of low-paid work among men and women. The results will add new evidence on the patterns of employment coexistence examined in the previous paper.

THE CONTROVERSIAL CHARACTER OF FEMALE LABOUR PARTICIPATION

Given that it is almost axiomatic to associate the growth of atypical employment, especially part-time jobs, with the increasing presence of women into the labour force, current labour market features are strongly conditioned by female labour participation. When actively participating in the labour market, women not only alter the configuration of decisive spheres of the employment but also of the entire society. Types of jobs, welfare policies diagnosis, family prototypes, patterns of consumption and educational models are renovated and adapted to a new socio-economic scenario. Consequently, cross-national differences in female labour participation strongly condition the importance of atypical employment and by extension its relation with "traditional" forms of permanent full-time jobs.

Since women were assumed to depend on husband's wages and benefits, the employment for women usually sought to fit in what was seen as women's primary responsibility, namely home and children. As a result of that process of segregation the female labour participation was comparatively lower, intermittent and predominantly of the "atypical" type. Social security for women was usually conditioned by marital and/or discontinuous employment status in systems of social provision which reflected the notion of male breadwinner (Lewis 1992, O'Reilly and Spee 1997, Rubery *et al.* 1997). In the last decades the predominance of male breadwinner structures has been challenged by models of the dual earners and single family type. The reduction of children per family, the wider availability of child care, the higher levels of education and the changing options about the gender role (Delsen 1998, Crouch 1999), alongside a committed policy of formal sex equality in a socio-economic context which increasingly considers individuals as economically independent rather than dependent on male breadwinner structures (Janssens 1998), account significantly for the growth of female presence in the labour market.

However, the overwhelming presence of women in atypical low-paid jobs obscures this optimistic perspective. Feminists have frequently pointed to the predominance of masculinity, male breadwinner values and patriarchal practices as responsible for the current women's secondary labour position. Through the concepts of segregation and economic dependency they have tried to explain the perpetuation of gender inequality in the labour market and

the predominance of women in the worst paid employment stratum. Segregation, in its twofold dimension of “likelihood that women's jobs may be undervalued relative to their skill and experience” (vertical segregation) (Rubery and Fagan 1995: 213) and the concentration of women in sectors and employment different to that occupied for men (horizontal segregation) (Walby 1986) is the result of women's economic dependency in a context of male productive work dominance and female-unpaid work identification. Although sex differential has been reduced and the importance of female labour participation has intensively increased in the last decades, unequal wages and partners' differences in working hours highlight the durable magnitude of segregation and economic dependency in the labour market nowadays (Smith 1984, Sorensen and McLanahan 1993). Patriarchal structures are embedded in decisive social spheres such as paid work, the household, the state, male violence, sexuality and culture (Walby 1986, 1990), the institutional systems of production, regulation, education, training and social reproduction (Rubery and Fagan 1995) which impose women a limited sphere of voluntary action. Women's stronger attachment to domestic responsibilities limits their labour opportunities and confines them to the lower end of the job hierarchy. This reduces women's economic independence and reinforces their domestic role in the family. As O'Reilly and Spee (1998) have pointed out, since the organisation of work is closely linked to the sphere of social reproduction, the fact that child care and domestic work are frequently placed upon women responsibility constrain female labour participation and force women to experience the contradiction between family and employment. A contradiction which adopts the form of a disadvantage in the labour market, but also in the private sphere of the family given that inequality in earnings is even more pronounced between partners in the private sphere than among men and women in the labour market (Arber and Ginn 1995). The logical corollary of such segregation is women's economic dependency and subordination which contributes to the perpetuation of gender inequality and the maintenance of women's subsidiary position in the labour market (Sorensen and McLanahan 1993).

However, other perspectives have insistently denied the punitive and discriminatory character that feminists have attributed to women's labour position, providing an alternative interpretation² based upon “rational strategies” (Becker 1981) and “life priorities” (Hakim 1991, 1995, 1997). From a rational choice perspective, Becker has in-

voked women's lack of human capital as the main reason explaining female secondary position in the labour market and the lower wages they earn with respect to their male counterparts. But such a lack of competitive skills is not imposed on women, but the result of a rational decision of specialising in domestic task. In Becker's view, it is a question of preferences based upon rational choice decisions, which lead women to prefer domestic responsibilities rather than the comparatively worse employment at their disposal.

Hakim's starting point highlights the paradox of women's concentration in the lowest paid and least skilled employment stratum and their high levels of satisfaction with this position. In her view women's priorities differ from that of men in terms of the less importance they attach to paid employment and their preference for domestic activities. Therefore "married career" becomes a substitute of employment aspirations, and women's high satisfaction with paid employment becomes rational ("grateful slaves"). Women's lower levels of employment commitment and their higher priority for types of jobs allowing them to make compatible employment and other life priorities explain women's greater satisfaction with their jobs. Hakim convincingly states that this sex differential disappears in the higher levels of professional and managerial employment where major investment in skills, experience and full-time work are required (self-made woman). In this sphere, gender differences in work preferences, commitment and satisfaction are insignificant. With this analysis Hakim tries to dispel "the five feminist myths" of 1) no sex differential in work commitment and work orientation, 2) rising female employment, 3) child-care problems as the main barrier to women's employment, 4) exploited part-time workers and 5) employment stability among women and part-time workers.

The changing perspective that female labour participation adopts when the emphasis is put on women as individuals (discrimination) or as part of a household (rational-useful option) provide fundamentals. From an individual prospective, the fact that women are principally considered to be a second earner is interpreted as a form of discrimination which condemns them to suffer low pay, absence of work and weak labour market attachment. However, a household perspective examines positively this second earners contribution since it provides an extremely useful source of extra income. The living standard of a majority of households increasingly depends on various sources of earning rather than on the labour marker posi-

tion of the male breadwinner. As several analysis have stated the vast majority of dual earners households are not in poverty, therefore a new poverty risk may have emerged, namely the lack of a second household income (Marx and Verbist 1998).

What emerges from this debate is the reinforcement of female employment as a decisive variable in the current labour market debate. The main purpose of this paper is to shed some light on how the female labour participation conditions the patterns of employment coexistence previously examined (paper Berlin 26th April 2001).

FEMALE LABOUR PARTICIPATION

The number of women actively participating in the labour market in 1997 was 31.9% higher than in 1983 at the European level. This significant growth is 25.8% higher than that of males. By countries, Denmark represents a quasi perfect equilibrated model of activity growth since both males and females have increased their labour participation in an identical proportion. France, Italy, the UK and Portugal also exhibit relatively equilibrated ratios with respects to the rest of the EU countries. Belgium, Germany and Greece are close to the European mean while Ireland, Spain and the Netherlands are the most unbalanced examples of labour activity growth, showing the highest growth of female activity and the highest differences between women and men.

Country	A Female labour activity growth (%)	B Male labour activity growth (%)	C Differences A-B
Denmark	7.7	7.0	0.7
France	19.2	3.0	16.2
Italy	13.3	-3.8	17.1
UK	20.5	2.1	18.3
Portugal	14.4	-4.9	19.3
Belgium	24.1	0.5	23.6
Germany	57.0	31.9	25.2
EU	31.9	6.2	25.8
Greece	29.9	4.0	25.9
Ireland	47.6	4.4	43.2
Spain	48.5	3.9	44.7
Netherlands	68.5	18.2	50.3

Table 1
Growth of labour activity by
gender during the period
1983-1997

Source: own elaboration with data of Eurostat (Labour Force Survey)

As to the importance of female activity with respect to the total volume of activity (Table 2), this has undergone a considerable increase in the period 1983–1997, with rates relatively close to the gender equilibrium at the European level (42.3 out of 100 active workers were women in 1997, whereas the percentage was a 6.8% lower, (39.1%) in 1983). All the countries examined have experienced significant growths in the rates of female participation. Denmark, France and Portugal are the countries with the rates of activity closer to the gender equilibrium (above 45%). The Netherlands has achieved the European mean, in line with countries such as the UK, Germany and Belgium. By contrast Greece, Ireland, Spain and Italy are the countries with the lowest rates of female active participation.

Table 2
Female active population with
respect to total active
population

Country	Average in the period 1983–97 (%)	Variation in the period 1983–97 (%)	Year								
			1983	1985	1987	1989	1991	1993	1995	1996	1997
Ireland	34.8	20.0	31.6	31.6	33.2	33.5	34.6	37.0	38.1	38.7	39.4
Spain	35.7	20.8	-	-	32.8	34.5	35.3	36.6	38.2	38.5	38.8
Italy	36.4	9.9	34.4	34.6	35.7	36.8	37.2	36.8	37.4	37.9	38.1
Netherlands	36.5	19.7	-	35.0	37.8	38.5	39.6	40.8	41.5	42.0	42.2
Greece	36.8	13.1	34.7	35.6	36.0	37.2	35.9	37.2	38.2	38.9	39.3
Belgium	39.6	12.0	37.6	37.9	38.5	38.8	40.0	41.2	41.4	41.5	41.9
EU	40.7	6.8	38.4	39.4	39.4	40.1	40.7	41.2	41.6	42.1	42.3
Germany	41.2	9.8	39.3	39.7	39.5	39.8	42.5	42.5	43.0	43.2	43.3
UK	42.8	9.1	41.1	41.5	42.3	43.1	43.3	43.8	43.9	44.1	44.3
Portugal	44.0	9.8	-	-	42.0	42.9	44.2	45.0	45.3	45.6	45.8
France	44.1	7.9	42.5	42.7	43.4	43.8	44.4	45.1	45.5	45.6	45.5
Denmark	46.3	0.4	46.2	46.2	46.4	46.1	47.0	47.1	45.6	45.8	46.1

Source: own elaboration with data of Eurostat (Labour Force Survey)

According to Table 3 unemployment does not prove to be a female phenomenon judging by the fact that rates of female unemployment are close to the 50% at the aggregated European level. This means that women represent 48.5% of all unemployment in 1997 in Europe and men the spare 51.5%. Most of the countries follow this tendency with the exception of Greece which shows the highest rates of female unemployment (60.5%) and on the other hand Ireland and UK the lowest (38.2% and 36.4%, respectively). The rest of the countries show figures around 50%. This optimistic perception is distorted when the at-

Table 3
Female unemployment with respect to the total unemployment

Countries	Average in the period 1983-97 (%)		Variation	Year									
	F	M		1984	1985	1987	1989	1991	1993	1995	1996	1997	
	Ireland	35.5		64.5	12.19	32.9	33.8	34.6	33.7	35.7	36.5	37.7	38.2	38.2
UK	37.1	62.9	3.03	37.6	39.5	39.7	41.6	37.5	32.7	34.8	34.0	36.4	
Spain	48.7	51.3	30.58	-	-	44.5	50.4	51.5	47.0	51.0	51.0	52.1	
EU	49.1	50.9	-0.03	-	48.5	48.4	52.4	51.0	46.4	48.2	48.0	48.5	
Germany	49.7	50.3	2.19	48.5	49.0	45.8	52.2	52.1	51.7	50.7	47.0	46.6	
Netherlands	50.8	49.2	29.23		41.2	52.9	52.0	53.8	51.3	49.7	53.2	55.1	
Denmark	52.8	47.2	12.41	52.8	55.8	53.9	50.2	51.3	48.2	56.2	56.0	55.0	
France	54.4	45.6	-6.50	54.1	52.7	54.5	57.5	56.4	53.2	54.1	53.4	52.2	
Italy	55.1	44.9	-10.37	55.9	56.1	55.3	57.9	58.0	52.7	51.3	51.3	51.4	
Portugal	55.1	44.9	-5.34	-	-	54.4	60.9	62.6	52.9	49.5	52.0	51.6	
Belgium	57.7	42.3	-4.13	57.8	59.6	60.3	60.9	61.0	55.0	54.1	54.3	54.1	
Greece	57.8	42.2	15.95	51.9	53.3	55.1	61.4	59.9	58.5	57.6	61.9	60.5	

Source: own elaboration with data of Eurostat (Labour Force Survey)

attention is paid on how female unemployment has varied during the period in question. With the exception of France, Italy, Portugal and Belgium, female unemployment has augmented in the rest of the countries examined. Particularly important increases can be observed in Spain, the Netherlands, Ireland and Greece.

FEMALE EMPLOYMENT

In order to examine the implications of this process of "labour feminisation" I have measured the growth of employment during the period 1983-1997 in absolute numbers (Table 4). The result is a foregone conclusion: the gross employment growth observed in this period principally accrues to female employment.

Although this process is quite uniform in Europe it is also marked by diversity. In Portugal and France the growth of female employment has been carried out at the expense of male employment. Denmark is the only country where male employment growth is higher than that of female. In between these extreme cases, the growth of female employment is always higher in the rest of the countries observed.

Table 4
Employment growth in
absolute numbers (%) during
the period 1983–1997

Country	Employment growth (%)	Female employment growth as a percent of total employment growth (%)	Male employment growth as a percent of total employment growth (%)
Italy	-0.8	-	-
Portugal	6.5	136.3	-36.3
Denmark	8.8	28.9	71.1
France	9.8	101.1	-1.1
Greece	12.3	86.0	14.0
UK	12.3	77.4	22.6
Belgium	12.7	89.2	10.8
Spain	16.5	66.0	34.0
Ireland	23.6	69.9	30.1
Germany	28.3	55.9	44.1
Netherlands	35.3	60.6	39.4

Source: own elaboration with data of Eurostat (Labour Force Survey)

As to the connection between women and types of employment, the following tables show some interesting tendencies:

1) **Permanent full-time employment.** The “male” oriented character of this form of employment is clear from an examination of Table 5. Only 1 out 3 permanent full-timers is a female at the European level. Even though the rates of female full-timers have increased in all the countries observed, gender equilibrium at this respect is

Table 5
Female permanent full-timers
with respect to total
permanent full-time
employment (%)

Country	Average	Variation	Year								
			1984	1985	1987	1989	1991	1993	1995	1996	1997
Netherlands	21.4	1.8	20.6	21.2	20.7	21.4	22.4	21.9	21.0	20.5	21.0
Spain	29.1	20.3	-	-	26.0	27.4	27.9	29.7	31.2	31.9	32.6
Belgium	30.2	10.8	28.3	28.5	29.1	29.7	30.7	31.8	31.4	31.6	31.7
Germany	32.1	9.9	30.3	30.7	30.7	30.4	34.0	33.3	33.4	34.1	33.6
UK	33.4	13.1	30.7	30.9	31.9	33.4	34.2	35.4	35.5	35.2	35.4
EU	33.5	7.6	31.1	32.0	32.1	32.7	33.4	34.1	34.4	34.7	34.6
Italy	33.8	12.1	31.5	31.8	33.0	33.8	34.6	34.7	35.1	35.9	35.9
Greece	33.9	20.2	30.1	31.1	31.6	34.1	34.4	35.4	36.6	36.8	37.6
Ireland	35.9	14.4	33.5	32.3	34.9	35.2	35.6	37.8	38.5	38.7	39.1
Denmark	37.0	4.6	37.2	33.8	35.5	36.7	38.0	38.4	37.1	38.0	39.0
France	37.9	1.8	37.4	37.5	37.7	37.6	38.1	38.4	38.4	38.4	38.1
Portugal	40.7	17.3	-	36.2	37.1	38.2	39.9	42.6	44.2	44.2	43.7

Source: own elaboration with data of Eurostat (Labour Force Survey)

still quite far away. Portugal is the country with the most “equilibrated” ratio in 1997 (43.7% females, 56.3% males) and the Netherlands with the least (21% - 79%). In between, the rates of female permanent full-time employment vary from the 32.6% in Spain to 35.4% in the UK and 39% in Denmark in 1997.

As to the importance of this form of employment with respect to the total volume of permanent full-time work, a twofold tendency becomes visible. Firstly, permanent full-time employment represents 50.6% of the total female employment in 1997, which is 3.7% less than in 1983. This means that 50.6 out of 100 females with employment are “typical” workers. For men these figures increase by 17.2 %, up to 67.8 % of the total male employment. This fact reinforces the “male” character attributed to this form of contract.

Secondly, the data also reveal an increasing importance of permanent full-time employment, especially among women, in Denmark, Portugal, in line with the patterns of cohabitation observed in the previous chapter, and Greece, our “resistance fighter” case. These are the only countries where the importance of “typical” employment among women has increased in the period observed (from 49.3% in 1983 to 52.8% in 1997 (Denmark), from 51% to 59.3% (Portugal) and from 36.9% to 50.2% (Greece). By contrast a decreasing tendency in the share of female employment oc-

Table 6
Female and male permanent full-timers with respect to the total female and male employment

Country	Average female	Average male	Rates of permanent full-time employment in the period 1984-1997 (%)											
			1984		1987		1989		1991		1994		1997	
			F	M	F	M	F	M	F	M	F	M	F	M
Netherlands	32.2	72.6	34.0	73.4	34.0	73.4	33.2	72.3	33.6	72.5	26.7	69.4	25.8	69.0
Greece	43.5	45.3	36.9	42.5	38.6	43.8	41.6	43.7	46.8	45.6	49.5	48.6	50.2	48.8
Spain	44.2	52.5	50.3	60.5	50.0	60.2	45.6	54.8	42.8	52.5	42.2	48.8	44.3	49.7
Denmark	49.1	70.6	49.3	69.7	45.9	70.6	48.8	71.2	49.5	70.3	51.4	70.9	52.8	69.2
UK	49.4	75.8	50.1	80.0	48.8	77.1	50.1	75.9	50.4	75.8	48.6	71.9	48.3	72.0
EU	53.0	70.0	53.4	68.6	54.3	71.3	53.8	70.4	53.5	70.4	51.5	68.4	50.6	67.8
Germany	53.4	77.5	54.7	79.1	53.5	77.5	53.2	77.9	56.1	78.8	52.8	77.0	50.4	74.8
Belgium	55.1	76.8	56.9	77.4	57.0	77.2	55.5	76.6	55.3	78.0	52.3	76.4	51.0	75.6
Portugal	57.0	63.2	51.0	60.3	51.1	60.1	52.1	60.8	53.7	62.2	62.6	64.8	59.3	63.3
France	60.4	74.2	65.5	77.3	62.5	74.8	61.0	74.4	59.6	73.5	56.5	72.1	54.9	71.7
Italy	64.7	65.8	64.9	66.9	65.4	66.6	64.6	65.9	66.2	66.9	62.8	64.1	62.4	63.3
Ireland	69.9	66.0	74.3	67.3	71.6	65.5	70.6	65.1	70.6	66.5	65.8	64.8	65.8	66.7

Source: own elaboration with data of Eurostat (Labour Force Survey)

curs in the rest of the countries analysed, particularly in the Netherlands, Spain, France and Ireland.

2) **Part-time employment:** Contrary to permanent full-time employment, part-time work is principally held by women. Although this tendency has been curtailed, the bulk of female part-timers still represented the 78.8% of the total part-time employment in Europe in 1997. Extreme cases of such overwhelming female majorities are Germany, the UK, Belgium and France. The share of female part-timers is quite homogeneous in the rest of the countries, although with figures always above the 67.1% (Greece) in 1997.

Another interesting thing to note here is the increasing importance of part-time work with respect to the total volume of employment, especially for women. Part-timers represented 19.1% of the total female employment and 2.5% of the male employment in 1983. Fourteen years later these figures were 29.4% and 4.3%, respectively. By countries, the Netherlands and the UK are telling examples of this female part-time work entrenchment since 60.9% of female employees in Holland and 40.6% in Britain were part-timers in 1997. This is a real peculiarity, which says a lot about the patterns of activation, observed in the previous paper. The Dutch “activation” has consisted in the massive incorporation of women into the labour market largely through part-time work. This has brought about a “catching-up miracle” which has relocated this country from a scenario of high unemployment and low rates of activity, especially among women in the early 1980s, to the contrary one of low unemployment and high activity at the end of the 1990s. A robust and durable process of activation, which has transformed the labour structure of this country in the short period of fourteen years, has occurred.

Britain figures are quite similar in this respect. However, the process of activation has been remarkably less intense because some of the main characteristics defining the British case (in particular the high level of activity, especially among women), already existed at the beginning of 1983. In fact, the UK exhibited rates of labour activity 15.2% higher than the Dutch one in 1983 and only 4.5% in 1997. Female activity represented 31% of the total active population in the Netherlands and 41.5% in the UK, moving up to 42.2% and 44.3% respectively in 1997, a real process of “catching up”. The same goes for unemployment. Both countries have successfully reduced the rates of unemployment with the Netherlands showing even better results in 1997 (5.1%) than the UK (7.1%).

Table 7

Female part-timers with respect to total part-time employment

Country	Average in the period 1983-97 (%)		Year								
			1983	1985	1987	1989	1991	1993	1995	1996	1997
	F	M									
Greece	60.0	40.0	56.0	60.0	65.7	62.3	61.5	59.7	60.9	57.1	67.1
Italy	70.7	29.3	65.2	65.2	64.9	70.1	70.4	76.6	75.4	73.9	74.8
Netherlands	73.7	26.3	79.0	78.2	70.3	70.4	70.7	75.2	74.5	75.1	75.1
Ireland	75.1	24.9	76.7	77.8	75.4	75.0	75.3	75.2	74.4	75.0	75.5
Denmark	78.4	21.6	80.3	82.5	80.4	79.7	77.1	76.5	74.6	73.2	71.4
Spain	80.1	19.9	-	-	76.2	83.0	82.3	80.1	80.7	78.1	77.1
Portugal	80.4	19.6	-	-	78.9	85.8	75.9	80.3	81.7	81.7	82.2
France	84.9	15.1	86.6	85.4	84.4	84.9	85.8	84.7	83.3	83.1	82.9
EU	79.4	20.6	79.8	80.2	78.8	80.5	79.2	79.8	79.0	78.2	78.8
Belgium	88.6	11.4	89.7	88.0	88.1	90.2	90.2	89.9	88.3	88.4	87.8
UK	89.3	10.7	92.2	91.7	89.6	91.2	89.8	88.5	86.2	85.6	84.0
Germany	92.0	8.0	92.4	93.6	93.8	92.4	92.2	91.1	89.8	89.3	88.7

Source: own elaboration with data of Eurostat (Labour Force Survey)

Table 8

Female and male part-timers with respect to the total female/male employment

Countries	Average	Average	Rates of part-time employment in the period 1984-1997 (%)											
			1984		1987		1989		1991		1993		1997	
			F	M	F	M	F	M	F	M	F	M	F	M
Greece	3.4	1.2	3.5	1.4	3.9	1.1	3.4	1.1	2.7	0.9	3.2	1.2	3.4	1.0
Portugal	5.6	1.1	5.4	0.9	5.7	1.1	5.3	0.6	4.4	1.0	5.6	1.1	6.9	1.2
Italy	7.5	1.6	5.8	1.5	6.4	1.7	7.5	1.7	7.4	1.7	7.9	1.3	10.4	2.0
Spain	10.1	1.3	-	-	8.6	1.1	7.9	0.7	7.9	0.8	10.3	1.3	13.5	2.2
Ireland	15.1	2.8	10.0	1.4	12.5	2.1	13.6	2.3	15.4	2.5	18.3	3.5	21.0	4.4
France	21.5	3.0	16.6	1.8	19.3	2.6	20.5	2.7	20.7	2.6	23.7	3.4	28.5	4.7
Belgium	23.8	1.9	17.4	1.0	22.1	1.7	23.1	1.4	25.8	1.8	26.8	2.0	30.0	2.9
EU	26.1	3.1	19.1	2.5	23.7	2.5	24.2	2.5	25.0	2.8	26.8	3.1	29.4	4.3
Germany	28.1	1.8	24.6	1.3	25.9	1.1	27.4	1.4	27.4	1.7	29.1	2.0	32.2	3.1
Denmark	36.2	8.4	33.5	6.9	39.3	8.1	37.5	8.2	35.4	9.0	34.7	9.4	33.3	11.2
UK	39.8	3.7	40.6	2.4	40.7	3.5	39.3	2.9	39.4	3.5	39.3	4.2	40.3	6.3
Netherlands	53.3	12.1	43.6	6.6	48.0	11.4	51.3	12.8	51.8	13.4	57.4	12.7	60.9	14.3

Source: own elaboration with data of Eurostat (Labour Force Survey)

It follows from the preceding data that a reinforcement of the patterns of activation underlined in the former paper (Berlin 26th April 2001) has occurred. In the strict sphere of employment coexistence, both countries have clearly made use of part-time work as a way of stimulating female participation and employment.

3) **Temporary employment.** Contrary to the “male” bias of permanent full-time employment and the “feminine” character attributed to part-time work, temporary job is a characteristic form of “unisex” employment. Gender equilibrium perfectly defines the state of affairs in this respect since 49.6% of the total bulk of temporary employment was of the female type in 1997 in Europe. By countries some variations are visible. Women are predominant in those countries where an “activation” effect has been observed, namely Belgium, the UK, the Netherlands and Ireland. Patterns of equilibrium become visible in Denmark, France and Portugal. In the rest of the countries males are predominant, especially in Spain where men hold 61.2% of the temporary employment.

The equilibrium is also visible when examining the weight of temporary employment with respect to the total volume of employment. Similar figures between women and men are found at the European level, with percentages of 6% for women and 6.3% for men. This similar pattern of gender equilibrium is extended all over the countries examined. Spain becomes a prototypical case of temporary work broadening, which reinforces the substitution effect. The decreasing importance of permanent full-time em-

Table 9
Female temporary workers
with respect to total
temporary employment

Countries	Average in the period 1983-97 (%)	Variation in the period 1983-1997 (%)	Years									
			1984	1985	1987	1989	1991	1993	1995	1996	1997	
Greece	34.0	34.1	28.0	29.7	29.2	31.1	34.4	38.5	41.3	40.9	42.5	
Spain	37.7	12.6	-	-	33.9	36.3	38.3	39.4	38.6	39.3	38.8	
Germany	44.6	2.0	44.4	43.6	43.2	44.0	46.2	44.9	46.1	44.3	45.3	
EU	46.1	6.3	46.5	47.7	46.5	48.7	50.8	51.2	49.5	49.3	49.6	
Portugal	47.4	12.6	-	42.2	40.2	46.4	47.6	50.2	51.3	48.5	48.3	
France	48.4	16.1	42.2	47.1	46.3	48.4	52.6	53.7	49.9	50.9	50.3	
Italy	48.9	-8.5	49.7	49.5	49.1	50.4	52.9	48.9	48.1	45.8	45.8	
Denmark	50.6	2.6	48.1	52.1	49.8	48.5	52.2	55.4	51.8	49.2	49.4	
Ireland	53.1	12.9	50.0	50.7	53.6	54.3	54.9	54.9	52.0	55.8	57.4	
Netherlands	53.7	9.9	-	-	50.3	50.4	53.0	59.4	54.1	56.3	55.8	
UK	57.7	-4.6	57.0	55.9	57.5	64.0	62.6	56.5	53.9	55.8	54.5	
Belgium	58.6	7.3	53.1	59.1	58.0	62.2	64.1	61.5	57.0	55.7	57.3	

Source: own elaboration with data of Eurostat (Labour Force Survey)

Countries	Average female	Average male	Year											
			1984		1987		1989		1991		1994		1997	
			F	M	F	M	F	M	F	M	F	M	F	M
UK	2.2	2.5	2.4	2.7	1.9	2.2	1.8	1.7	1.6	1.6	2.9	3.5	3.1	3.7
Netherlands	3.0	3.3	3.5	3.7	3.7	3.8	3.3	3.7	3.2	3.2	2.7	3.5	2.8	3.5
Italy	3.3	2.4	2.1	1.6	2.3	1.6	3.2	2.2	2.7	1.6	4.4	3.3	4.7	3.9
Belgium	4.1	2.5	4.5	2.8	3.9	2.4	4.0	2.0	3.7	2.0	3.7	2.5	4.2	3.0
Ireland	4.5	3.0	4.2	2.8	5.5	3.3	5.1	3.1	4.5	2.8	4.5	3.3	4.0	2.6
France	5.2	5.5	2.2	2.4	4.3	4.6	5.5	5.6	6.9	6.1	6.4	7.6	6.8	8.0
Greece	5.7	7.0	6.4	8.8	5.5	8.3	6.2	8.7	6.5	7.2	4.9	4.5	5.4	4.9
EU	6.0	6.3	5.1	5.0	5.2	5.4	6.2	6.2	6.4	6.3	6.3	7.1	6.7	7.6
Denmark	8.0	7.7	8.3	8.6	7.4	7.9	6.9	7.1	8.2	7.7	8.6	8.0	8.0	7.6
Germany	8.3	8.3	7.8	7.3	9.5	9.2	8.9	8.5	7.7	7.8	7.6	7.9	8.8	9.3
Portugal	9.7	9.0	9.2	9.3	9.9	11.3	12.9	12.0	11.5	10.4	7.6	6.4	8.7	8.3
Spain	20.0	19.6	-	-	9.0	9.6	18.3	17.5	24.3	21.5	22.1	23.4	21.2	22.7

Source: own elaboration with data of Eurostat (Labour Force Survey)

ployment coincides with the increasing weight of temporary work for both men and women representing up to 20% of total employment. This highlights a twofold effect of 1) typical employment retrenchment and 2) temporary work “spill-over” which defines the “nature” of the process of substitution previously identified.

Self-employment: Unfortunately the Labour Force Survey does not permit us to distinguish between employers (with one or more employees) and self-employed. This restriction strongly limits the validity of the data showed in Table 11 and obliges us to analyse them with caution as

Table 10

Female and male temporary workers with respect to the total female-male employees

Table 11

Female self-employment

Countries	Average in the period 1983-97 (%)	Year								
		1984	1985	1987	1989	1991	1993	1995	1996	1997
Ireland	12.8	10.6	10.2	10.4	11.1	12.3	14.7	14.4	16.2	15.6
Denmark	18.1	12.6	16.0	15.0	15.7	18.0	18.8	22.0	23.8	21.0
Greece	19.6	17.2	19.1	18.9	19.2	19.4	20.1	20.4	21.3	21.0
Italy	23.3	21.8	21.3	22.5	23.5	24.3	23.2	24.3	24.5	24.8
France	23.9	20.7	20.6	22.0	23.8	25.3	25.1	26.3	25.6	25.7
EU	24.3	18.8	19.3	26.2	23.7	24.9	25.1	25.9	26.3	26.3
UK	24.6	23.5	25.1	25.2	23.6	24.2	24.9	24.2	25.0	25.8
Germany	24.9	22.6	22.2	23.4	23.8	25.6	26.0	26.5	27.1	27.7
Spain	25.3	-	23.8	24.2	24.0	24.4	25.0	26.7	26.8	26.4
Belgium	25.8	24.3	23.9	23.4	24.6	26.3	27.0	28.3	27.1	27.4
Netherlands	27.4	16.7	16.1	31.5	28.2	31.1	28.7	32.0	31.0	31.0
Portugal	42.4	-	43.2	43.4	43.3	44.0	42.2	40.2	41.2	42.9

Source: own elaboration with data of Eurostat (Labour Force Survey)

it was previously noted (Paper Berlin 26th April 2001). In any case, Table 11 highlights the masculine character of self-employment according to Eurostat data.

LOW-PAID EMPLOYMENT AND GENDER

To reinforce the validity of this analysis, I have measured the distribution of low-paid employment among men and women. In general, women hold most of the low-paid work. This is particularly intense among part-timers (the 87% of the total low paid part-time jobs are held by women). In temporary work and self-employment men are in the majority, especially as self-employees.

By countries the UK is a telling example of the robust connection between women and low-paid employment since female low-paid workers are a majority. The same applies for British part-timers, temporary workers and self-employees. The Netherlands also exhibits an overwhelming majority of female low-paid employment although men make up a majority as to temporary work and self-employment. Unbalanced rates of low-paid employment are also visible in Belgium, France and Denmark, whereas figures closer to the equilibrium are found in Spain and to a certain extent in Portugal. Men holding low-paid employment are predominant in Ireland, Italy, Germany and Greece. Another peculiarity is the strong association between female and low-paid part-time employment in all the countries examined.

To explore the extent to which the risk of low-paid employment varies among the “atypical” forms of employment observed in the five cases proposed and how this varies between men and women, I have carried out a logistic regression.³ It is important to note that this model is simply part of a wider analysis which will include other important variables affecting the connection between atypical employment and poverty (age, skill attainment, family structure, welfare benefits status etc.). At the moment I will uniquely consider atypical employment and gender.

The proposed model shows an “atypical employment” effect in the five countries examined. Compared with permanent full-timers, there is evidence that part-timers, temporary workers and self-employment account for a large part of the variance in wages. The same goes for gender. Women's coefficient (negative) gives us an idea of the direction of the probability of being non-low wages employee, and *vice versa*, the positive sign for men indicates a positive tendency toward non-low wages. Therefore atypi-

cal employment and women are associated with a higher vulnerability of holding low-paid employment.

Table 12
Low-paid employment by gender

Country	Total low-paid employment by gender (%)		Low-paid part-timers by gender (%)		Low-paid temporary employment by gender (%)		Low-paid self-employment by gender (%)	
	F	M	F	M	F	M	F	M
Greece	41.75	58.25	64.1	35.9	66.7	33.3	39.5	60.5
Germany	41.97	58.03	91.4	8.6	53.3	46.6	48.0	52.0
Italy	44.60	55.40	87.5	12.5	41.9	58.1	58.6	41.4
Ireland	47.11	52.89	86.1	13.9	47.1	52.9	46.0	54.0
Portugal	49.30	50.70	76.6	23.4	45.2	54.8	35.7	64.3
Spain	50.13	49.87	79.4	20.6	48.5	51.5	43.0	57.0
EU	55.78	44.22	87.1	12.9	46.8	53.2	20.5	79.5
Denmark	59.12	40.88	80.6	19.4	47.0	53.0	39.6	60.4
France	65.61	34.39	65.0	35.0	44.9	55.1	37.1	62.9
Belgium	65.97	34.03	78.9	21.1	42.9	57.1	59.9	40.1
Netherlands	73.03	26.97	65.0	35.0	44.7	55.3	36.8	63.7
UK	75.00	25.00	90.8	9.2	52.5	47.5	51.2	48.8

Source: own elaboration with data of European Household panel (1996)

Table 13
Logistic regression of the probability of atypical employees holding low-paid employment

Variable of reference:	Spain	The Netherlands	The UK	Denmark	Portugal
Permanent full-time employment					
Part-time job	-3.916158 [*]	-2.982794 [*]	-2.666087 [†]	-2.14167 [†]	-3.509362 [†]
Temporary work	-2.554248 [*]	-2.975889 [*]	-1.519344 [*]	-1.760884 [*]	-2.083537 [*]
Self-employment	-2.741438 [*]	-2.652811 [*]	-1.310575 [*]	-1.832343 [*]	-2.82415 [*]
Women	-2.687432 [*]	-3.658972 [*]	-2.457862 [*]	-1.92764 [*]	-2.54724 [*]
Men	1.29645 [*]	2.743129 [*]	1.742918 [*]	1.82374 [*]	2.36145 [*]
Constant	3.643291	3.571398	2.573256	3.16457	3.182149
Pseudo R ²	0.2015	0.2428	0.1678	0.1173	0.2265
N	5208	4344	3702	2786	5262

Source: own elaboration with data of European Household panel (1996)

Significant: ^{*} = p<0.001. ^{**} = p<0.01. ^{***} = p<0.05

CONCLUSIONS

What emerges from the preceding analysis is a collection of results that may serve to dispel some myths and provide some insight on how the growth of atypical employment has modified several aspects of the labour market. Contrary to some generalisations, the growth of atypical employment is not intrinsically positive or negative, but alterable and to some extent unpredictable. With neo-liberal ideas gaining ascendancy and unions resilience acting as a counterweight, vague remarks are abundant and fail to capture the multidimensional nature of atypical employment.

To begin with, the growth of part-time jobs, temporary work and self-employment has not uniformly affected the bulk of permanent full-time employment. However, it is observable how the increase of atypical employment has coincided with a decrease in the permanent full-time standards in most of the countries examined (eight out of eleven). Only in Denmark, Portugal and Greece has permanent full-time employment increased. Additionally the growth of “atypical” employment has had differentiated effects on the levels of the **active population and employment**. In some countries the growth of the former (atypical employment) has gone hand in hand with the growth of the active population and the employment (the Netherlands, the UK, Belgium, Ireland, Portugal, Denmark), but such a growth did not take place in other countries (Spain, France, Italy, Germany).

Spain constitutes a telling example of a **core-periphery structure** as a result of the intense process of substitution and the equilibrated patterns of gender integration carried out in this country during the period 1983-1997. The significant reduction of permanent full-time employment went hand-in-hand with a formidable invigoration of temporary work while the rates of active population have modestly augmented, being Spain a country with one of the lowest rates of active population in Europe. Added to this, the gender analysis has shown how female active population has augmented more intensively than the male one, although the rates of activity are still far away from the equilibrium (38.8% females and 61.2% males in 1997). Furthermore, the labour incorporation of women has not followed any pattern of distinctiveness. Although a majority of part-timers are women (77.1%), part-time work only represented 6.2% of the total employment and 13.7% of the total female employment in 1997. Women have frequently followed patterns of employment similar

to those of men, principally through temporary work. This form of employment represented 21.2% of the total female employment and 22.7% of the male employment in 1997. Female permanent full-timers are still in the majority with respect to the total female employment (44.3% in 1993) nonetheless the tendency has significantly decreased during the period in question.

From the preceding arguments follows the categorisation of Spain as a country which substitutes a labour scenario characterised by the predominance of typical employment and a male labour force predominance by another one of atypical employment expansion “across the board”. This is precisely the Spanish distinctiveness: the significant elimination of typical work and the equitable distribution of “atypical” employment. The core-periphery structure which results from this process of substitution is not “female oriented” but rather of the “wide-ranging” type, that is, a dynamic and general process of typical employment expulsion and atypical employment expansion.

In the Netherlands and the UK the substitution of atypical by typical employment has permitted a considerable incorporation of people into the labour market, principally women through part-time jobs. As in the case of Spain, the increase of atypical employment has been very intense. But contrary to Spain, the rates of activity have augmented while decreasing the percentages of unemployment. Furthermore, the bulk of atypical employment has been principally taken up by women. This is the most notable particularity of the Dutch and British case, namely the gender oriented character embedded in their processes of activation.

Female permanent full-time employment represented 25.8% of the total female employment in the Netherlands in 1997, the lowest rates in the European countries examined. By contrast 60.9% of the total female employment was of the part-time type. This clearly reinforces the female oriented character rooted in the process of activation carried out in Holland. Even though British figures are less polarised, the prevalence of a gender oriented effect is clearly observable. Female part-time jobs represent 40.3% of the total female employment and only 6.3% of the male employment in 1997 whereas the contrary applies for permanent full-time employment. 72% of male employees hold “typical” employment and only 48% of females. As to low-paid employment, its gender bias becomes also clearly visible.

Despite these similarities, a noteworthy difference between these two countries is apparent: the radical gender

bias of the Dutch process of labour transformation. Although the female oriented character attributed to both countries is quite clear, the Netherlands has gone “one step further”. Contrary to current suggestions, the British labour market has remained quite stable during the period 1983–1997 in terms of female labour participation. In effect, the UK exhibited one of the highest rates of female activity in the early 1980s (41.1%) and quite high rates of female employment, especially part-time jobs (40.6%) and permanent full-time employment (30.7% of the total female employment in 1983). Fourteen years later these figures remained almost unaltered confirming this impression of stability. Female part-time jobs represented 40.3% of the total female employment and 35.4% for permanent full-time in 1997. Female activity growth was 18.3% higher than that of male activity growth, below the European mean, and employment growth in absolute numbers was also quite moderate. By contrast, Dutch figures in the early 1980s were significantly lower with respect to female active population (35% of the total active population). But within the period of fourteen years the scenario changed drastically through the massive incorporation of females principally through part-time contracts. Female labour activity growth was 50.3% higher than that of males, and the employment growth was the highest in Europe, especially among women. This process permitted the Netherlands to exhibit low rates of unemployment, high rates of labour activity and the highest rates of female employment in Europe, that is, a real process of “catching up” as has been stressed before.

As to Denmark and Portugal, the role played by female labour participation has also reinforced some of the main attributes defining the cohabitation effect. The “peaceful”- harmonious coexistence of typical and atypical employment observed in these countries has run in parallel with an equilibrated pattern of gender labour participation and the perpetuation of high levels of permanent full-time employment. Both countries exhibit some of the most equilibrated rates of activity in Europe, with women representing the 46.1% (Denmark) and 45.8% (Portugal) of the total active population. But the most distinctive element is the importance of permanent full-time employment with respect to the total volume of employment. Far from decadent, this form of employment is still crucial for both men and women. The latter represents 43.7% of the total typical employment in Portugal and 39% in Denmark in 1997. This increasing tendency has led to these countries showing the highest rates of female full-time em-

ployment in Europe. Additionally 52.8% of the total female employment in Denmark and 59.3% in Portugal is of the permanent full-time type, once again, the highest rates among the countries observed.

Nonetheless the importance of part-time jobs has become a sign of dissimilarity between these two countries. Female part-timers have been very prominent in Denmark (33% of the total female employment in 1997) and insignificant in Portugal (6.9%). This also influences the importance of part-time jobs between men and women. In the Scandinavian countries female part-timers have moved from 80% of the total part-time employment to 71% in 1997, contrary to the case of Portugal which has moved from 78.9% to 82.9%. The same goes for the importance of female part-time employment with respect to total employment, which in Denmark represents 33.3% while in Portugal only 6.9%.

In conclusion, the increasing rates of atypical employment have not altered the configuration of permanent full-time employment in Denmark and Portugal. Contrary to other countries, female permanent full-timers have gained ground in both countries during the period of 1983–1997. What constitutes the difference is the distinct importance each country has attributed to part-time employment.

¹ I refer to the paper presented to the COST A15 Working Group 4 Meeting on Employment Policies and Welfare Reform, Berlin, 26th April 2001.

² Structural factors have been also brought into play to explain women's labour disadvantages. Parson's view on the family as a central social unit considered female labour participation as a threat to the functional activity of the family (Parson 1943). He views the family as a social unit fulfilling the crucial functions of reproduction and socialisation. Partners have distinct but complementary roles which may result in conflict and disharmony if they are interchanged and one tries to play the other partner's function. If women were more occupationally successful than their male partners, household stability would be altered and the family could not fulfil its social role of reproduction and socialisation.

³ The dependent variable is a dummy made up of two values, 0 = low-paid income from work (income from work below the 50% of the median net income from work); 1 = income from work above the 50% of the median net income from work. The independent variable is a categorical one of four values: 0 = permanent full-time employment; 1 = part-time employment; 2 = temporary employment; 3 = self-employment.

Since the main purpose of this analysis is to measure the probability of "atypical" employees holding low-paid employment, I have carried out an "interaction expansion" in the independent variable which al-

FOOTNOTES

allows me to use “permanent full-time employment” as a reference category. This transformation allows me to interpret the probability of low-paid employment among atypical employees compared to those holding permanent full-time employment.

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TRAPS, SPRINGBOARDS
AND GAPS IN
EUROPEAN MINIMUM
INCOME SYSTEMS

This chapter examines the gaps in coverage and patterns of mobility on and off minimum income in four EU member countries - Belgium, Denmark, Greece and the UK. The reasons for looking at the operation of minimum income systems are both ethical and policy driven. For the past fifteen years, minimum income standards have been asserted by the various EU institutions to be a key tool in the fight against poverty and social exclusion.

Recommendation (EEC) 441/92 proposed a set of common criteria by which member countries should include a basic right to adequate resources and services into their social protection systems. The Recommendation asserted that the fight against social exclusion must be considered a key part of the social dimension of the internal market and suggested that the member countries should fix "the amount of resources considered sufficient to cover essential needs with regard to respect for human dignity" (EC 1992).

In the context of a changing policy climate, the 1994 White Paper on European Social Policy identified paid work as the "best route" for individuals to secure independence and social inclusion (Guibentif and Bouget 1997).

Work, as the preferred route to human dignity, with minimum income standards as the guarantor, are now incorporated into the common objectives for social inclusion adopted by the European Council in Nice (2000) which, again, invites Member States to include a basic right to adequate resources and services into their social protection systems.

Thus the challenge posed to policy makers is to raise participation in the world of work and to ensure that those who are unable to participate are adequately protected by social security. The UK Government, for example, subscribes to this view which is summed up in their slogan "work for those who can, security for those who cannot" (Department of Social Security 1998).

Social inclusion/exclusion is a multidimensional concept. Policies to address social exclusion are also multidimensional and include social security, minimum wages and tax thresholds as well as education, health and housing policies. Our aim here is not to provide a comprehensive set of performance indicators of minimum income systems, still less a set of indicators of social inclusion. Nevertheless, gaps in and mobility on and off minimum income are two important criteria by which to assess whether and to what extent the minimum income systems of the EU member countries are meeting some of the challenges set at the European Councils of Lisbon and Nice.

THE CONCEPTUAL FRAMEWORK

The conceptual framework on which the project builds is a model that distinguishes between five states: (a) insufficient protection (below minimum income), (b) minimum income, (c) social security, (d) work and (e) other states (mainly protection through family relationships) (Nicaise 2001).

The definitions are:

- **Insufficient protection:** persons whose household reported a monthly income below the national minimum level, irrespective of their activity status;
- **Minimum income:** persons belonging to a household that received minimum income for that month;
- **Social security:** persons whose household income for that month exceeded the minimum income level and whose personal income consisted mainly of social security benefits;
- **Work:** persons whose household income for that month exceeded the minimum income level and whose personal income consisted mainly of income from work; and
- **Other:** individuals without any personal income during the relevant month but whose household income was greater than the monthly minimum income.

The first four states are ranked by some implicit order of preference: *i.e.* work (remunerated above the social assistance level) is considered “better” than dependence on social security; social security is in turn preferred to minimum income, and minimum income is preferred to insufficient protection.

Generally speaking, the ranking of the first four social protection states also reflects different degrees of protection (in terms of income level) although this is not neces-

sarily always the case: some social insurance benefits may be lower than the corresponding national minimum income level, while low pay and part-time or irregular work may as well yield marginal earnings. Hence, our ranking is more “qualitative” than “quantitative”.

The first stage of the project – the “static analysis” – focused on access to minimum income at a point in time, looking in detail at the profiles of sub-populations in states (a) and (b). The analysis aimed to identify the proportion of the active population having no access to minimum income protection and the characteristics of these groups in the four countries.

The second stage of the project – the “dynamic analysis” – examined monthly movements between these states over time, *i.e.* the mechanisms that contributed to:

- “inclusion” (*i.e.* upward mobility from insufficient protection to minimum income, from minimum income to social security etc.); versus,
- “exclusion” (from work to social security, minimum income and insufficient protection).

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A NOTE ON METHODS

The analysis in this chapter was based on the first three waves of the European Community Household Panel (ECHP), which provide detailed income data for 1993–1995. It should be noted that some marginal groups such as foreigners, travellers and homeless people are under-represented in the ECHP and there are indications of (slight) selective attrition among minimum income recipients.

The concept of minimum income is not straightforward. At the ethical level questions such as what are “basic needs” and what constitutes “human dignity” are contested. (For example, see Doyal and Gough 1991.) National economic, social and cultural variety makes these concepts difficult to operationalise. Variations in living standards and price levels of households and benefits units of different size and composition must be addressed through budget surveys or other cost of living measures and the refinement of equivalence scales.

However, our aim has not been to impose an external standard in order to construct league tables but to examine the role of minimum income guarantees within their institutional context. This is also not straightforward. Not all EU member states have, as yet, a fully implemented system of minimum income. In Greece, for example, there is only a means-tested “national pension” (HCAS), which

was introduced in 1999. For Greece, therefore, our research used an arbitrary threshold corresponding to 50 per cent of the minimum wage, for a single person, in order to identify a minimum income level.

In other countries, the law refers to “Income Support” (UK) or “social assistance” (Denmark) rather than to a minimum income guarantee. In the UK, the boundary between Income Support and other social security benefits is blurred. Income Support is a hybrid benefit, which acts as social assistance in one of its roles. However, because UK contributory benefits are so low, Income Support is also used to top-up pensions; for people with disabilities and lone parents who are not required to be available for work; and as unemployment benefit for the long-term unemployed. Therefore, Income Support levels were used as the basis for establishing minimum income levels for the UK. Since the minimum income for the UK was a created and not a set figure, no one falls exactly on their minimum income level. People have been defined as on minimum income if their households had incomes of between the created minimum income level and 120 per cent of this level. One hundred and twenty per cent was chosen as it has often been used in the past as an unofficial poverty line in the UK (Atkinson 1983). In Denmark, social assistance is not universal but contingent upon social shocks. Nevertheless, we have taken social assistance to be equivalent to a minimum income guarantee despite not all individuals being eligible.

Finally our sample is purposive; four very different countries have been chosen to illustrate the four different welfare regimes in Europe following the typology developed by Esping-Andersen (1990) and supplemented by Ferrera (1996):

- Belgium is an example of a continental, Bismarckian system based on two pillars (insurance and assistance) with broad access to social insurance and a limited social assistance pillar (Groenez and Nicaise 2001).
- Denmark belongs to the Scandinavian/Nordic social-democratic model. This model is often characterised as “universalistic”, because the income transfer system and social services are based on citizenship/residence and offer widespread coverage and a relatively generous level of cash benefits intended to keep everyone out of poverty. There is a strong emphasis on activation (Groenez, Pedersen and Nicaise 2001).
- Greece is an example of a Southern European model with a social security system based in large part on occupational status. There is no national minimum social

safety net and the role of the family in the provision of social goods is important (Chletso 2001).

- The United Kingdom is the archetypal example of the Beveridge model founded on national insurance income replacement benefits with social assistance as a supplement or alternative. While Beveridge anticipated only a very modest and residual role for social assistance in his scheme, means-tested social assistance benefits have taken on increased importance so that they are now a mass scheme rather than a residual safety net (Ditch 1999; Adelman, Middleton and Roberts 2001).

The groupings also chime with Lodemel and Schulte's 1992 classification of social assistance schemes based on four main distinguishing characteristics. These are the balance between:

- generalised and categorical minimum income schemes;
- income maintenance and social integration;
- legal rights to benefit and discretionary access;
- central and local or regional responsibility for legislation, administration and finance (Lodemel and Schulte 1992; Eardley *et al.* 1996).

Following these criteria, Lodemel and Schulte classified:

- Belgium - Continental;
- Denmark - Nordic;
- Greece - Latin;
- UK - British.

OVERALL MOVEMENTS BETWEEN THE STATES

This section presents the findings from the "dynamic analysis". It explores:

- i) Overall movements between the different states; and
- ii) The profiles of people who were in or moved between the different states.

The dynamic analysis is measuring how likely a movement from one state to another is between one month and the month following it. This section therefore presents the *proportion of months* which people spent remaining in or moving from a given state and not the number of people that have remained or moved from one of the states.

Stability

In each of the four countries studied:

- All the states were stable with a large majority of months followed by another month in the same state.

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- Work was the most secure state – in each country at least 98 per cent of months spent in work were followed by another month in work.
- In each of the countries, with the exception of the UK, insufficient protection was the least stable state. In the UK the least stable state was minimum income (Tables 1–4).

Table 1
Movement from insufficient
protection

Country	From insufficient protection to				
	Insufficient protection	Minimum income	Social security	Work	Other
Belgium	94.8	(0.2)	1.1	2.6	1.3
Denmark	95.1	(0.2)	1.1	3.2	*
Greece	94.9	–	0.5	2.5	2.1
UK	95.2	1.4	1.4	1.8	0.2

Key: brackets between 10 and 30 unweighted cases; *less than 10 unweighted case

Table 2
Movement from minimum
income

Country	From minimum income to				
	Insufficient protection	Minimum income	Social security	Work	Other
Belgium	*	95.6	(1.1)	2.1	(0.6)
Denmark	0.7	96.1	0.7	2.4	*
Greece	–	–	–	–	–
UK	4.1	91.4	2.0	2.3	(0.1)

Key: brackets between 10 and 30 unweighted cases; * less than 10 unweighted case

Table 3
Movement from social security

Country	From social security to				
	Insufficient protection	Minimum income	Social security	Work	Other
Belgium	0.3	(0.1)	97.8	1.6	0.2
Denmark	0.7	0.2	95.9	3.1	(0.1)
Greece	0.7	–	96.6	1.2	1.5
UK	0.8	0.7	95.5	2.8	(0.1)

Key: brackets between 10 and 30 unweighted cases; * less than 10 unweighted case

Table 4
Movement from work

Country	From work to				
	Insufficient protection	Minimum income	Social security	Work	Other
Belgium	0.2	(0.0)	0.6	98.8	0.4
Denmark	0.3	0.1	0.9	98.5	0.2
Greece	0.7	–	0.2	98.3	0.7
UK	0.3	0.2	0.6	98.8	0.2

Key: brackets between 10 and 30 unweighted cases; * less than 10 unweighted case

Moving to Inclusion

This and the following sections consider movers only. Those who remained in a given state from one month to the next are excluded (Tables 5–8).

Country	From insufficient protection to			
	Minimum income	Social security	Work	Other
Belgium	5	21	49	25
Denmark	5	22	66	*
Greece	-	10	49	41
UK	29	29	39	3

Table 5
Movement from insufficient protection

Key: some rows do not add up to 100 due to rounding

Country	From minimum income to			
	Insufficient protection	Social security	Work	Other
Belgium	*	25	48	14
Denmark	17	17	61	*
Greece	-	-	-	-
UK	47	24	25	1

Table 6
Movement from minimum income

Key: some rows do not add up to 100 due to rounding

Country	From social security to			
	Insufficient protection	Minimum income	Work	Other
Belgium	13	4	73	9
Denmark	17	5	76	2
Greece	19	-	35	44
UK	18	16	62	2

Table 7
Movement from social security

Key: some rows do not add up to 100 due to rounding

Country	From work to			
	Insufficient protection	Minimum income	Social security	Other
Belgium	17	(0)	50	33
Denmark	20	7	60	13
Greece	41	-	12	41
UK	25	17	50	17

Table 8
Movement from work

Key: some rows do not add up to 100 due to rounding

Upward mobility to work

In each of the countries, with the exception of the UK, the majority of movements out of a given state were into work. In the UK, this was the case for movements from in-

sufficient protection and social security but not for movements from minimum income, where most were towards insufficient protection. This may be explained by the way the minimum income state was set up in the UK (see UK Section 3, above). People in low paid jobs could experience a small deduction in pay – for example, by reducing their hours, or not receive a pay rise when the Income Support levels were raised and fall into insufficient protection, rather than remain in minimum income. In other words, only a simple income threshold distinguishes them, whereas in Belgium and Denmark a change of source of income may also be required to allow such a move to occur (as noted above, Greece does not have a minimum income state).

Denmark was the most successful of the four countries in moving people from insufficient protection and minimum income into work (66 per cent of movements out of insufficient protection were to work, while 61 per cent of movements from minimum income were to work). In Belgium, 49 per cent of movements from insufficient protection and 48 per cent of movements from minimum income were to work, while the figures for the UK were 39 per cent and 25 per cent respectively.

The higher figures for movements to work in Denmark may be explained by the use of a range of activation measures (especially for young adults). In Belgium and the UK, it is unlikely that this is an explanation for this upward movement to work, as activation was not used very frequently during the observed period. It is more probable that individuals found jobs without public support. Activation measures in the UK became stronger with the introduction in 1996 of Jobseeker's Allowance, which requires evidence of job search, in place of Unemployment Benefit, whilst the more proactive New Deal programmes were not introduced until the late 1990s. In Belgium, activation measures for minimum income recipients have been substantially extended since the introduction of the “Spring Plan” in 2000.

However, since movements from and to insufficient protection and minimum income are household movements it is difficult to assess whether they were caused by changes in household members' income or personal income. These upward movements could be gained by either the individuals themselves, or their partners or other household members getting work, receiving a pay rise or increasing their hours, so that their households were now above the minimum income level. There is evidence in the UK to suggest that in households where there is already a

working member, the chances of a non-working member moving into work are increased. In 1997, jobless men with working partners were almost twice as likely to move into work over a three month period than were men living alone or with a non-working partner, and the same pattern was also evident for women (Gregg *et al.* 1999).

Upward movements to social security

On the face of it, the UK was the most effective of the four countries in moving people upward from insufficient protection and minimum income to social security. Twenty-nine per cent of movements out of insufficient protection and 24 per cent of movements out of minimum income were to social security. A plausible explanation for the numbers moving from insufficient protection and minimum income to social security in the UK is that people moved from Income Support to the more highly paid invalidity benefits. The number of people receiving invalidity benefits increased steadily over the observed period. There is anecdotal evidence to suggest that some UK Jobcentres were encouraging people, in particular those who were long-term unemployed, to come off the unemployment register by switching from the means-tested Income Support, paid on the basis of availability for work, to the comparatively generous invalidity benefits. The consequent increase in the numbers claiming these benefits has subsequently caused the Government to be concerned about their cost and a series of measures have since been taken to tighten eligibility rules and reduce the on-flow.

Movements out of insufficient protection and minimum income to social security in Belgium may be explained by the underlying rationale of social employment, which allows municipal welfare centres to offer their clients a job in order to get them socially insured. A survey, conducted by the Ministry of Social Affairs in 1998 showed that at the end of social employment 50 per cent were entitled to unemployment benefits, 30 per cent found a job on the regular labour market and 11 per cent remained dependent on social assistance. Recently, this rationale has gradually transformed to a more work-oriented approach.

In Denmark, public work or job training in the context of activation did not qualify for renewal of entitlement to benefit from 1994 onwards which suggests that most movements to social security were probably due to household member income changes.

Upward movements to minimum income

In Belgium and Denmark 5 per cent of movements out of insufficient protection were to minimum income, while in the UK the figure was 29 per cent. The large proportion of movements in the UK from insufficient protection to minimum income may be explained, once again, by the way the minimum income-state was set up in the UK. The relatively small number of movements from insufficient protection to minimum income in Belgium and Denmark may be accounted for by temporary (frictional) non-take-up.

Moving to Exclusion

Downward movements from work

In Belgium, Denmark and the UK, people who moved down from work were most likely to end up in social security. However, of those falling further down the scale, a move to insufficient protection was more likely than to minimum income in each of these countries.

The protection offered by social security in Denmark was the best of the four countries, with 60 per cent of movements from work being to social security while only eight per cent moved to minimum income. However, 20 per cent fell directly into insufficient protection.

In Belgium, 50 per cent of movements from work were to social security, while very few moved to minimum income (three per cent), but more fell into insufficient protection (17 per cent).

In the UK, half of all movements out of work resulted in a move to social security. Movements to minimum income represented 17 per cent of all movements from work, while movements into insufficient protection made up 25 per cent of movements.

In Greece, the movements from work to social security were the lowest of the four countries (12 per cent) and in the absence of minimum income, equal proportions of moves (41 per cent) were to insufficient protection and to the “other” state.

The reasons for people falling through the social security and minimum income nets in each of the countries reflect the respective qualifying conditions for social security, benefit levels, non-take-up, and sanctions.

Qualifying conditions

Some people may be excluded from social security because they are unable to meet the qualifying conditions. The in-

insurance-based model of unemployment compensation requires prior payment of contributions, and thus prior work. This may exclude from the unemployment protection system those people who have not built up an entitlement which, in addition to those working illegally, would include marginal workers with only short experience of employment, women re-entering the labour market after parental leave and people who “churn” between what are often low paid, insecure jobs and unemployment.

The qualifying conditions for unemployment benefit are less stringent in Belgium and Denmark than in Greece and the UK. In Belgium, since 1994, all people aged less than 36 years must have worked 312 days in a period of 18 months preceding unemployment. School leavers have access without prior contributions after a waiting period of six months. In Denmark, unemployment insurance is voluntary – 25 per cent of the workforce does not join an unemployment insurance fund. For those people who are members, eligibility for unemployment benefit in Denmark requires having paid one year's prior contributions. In order to receive Unemployment Benefit in the UK, it is necessary for a person to have paid two years contributions.

The onerous qualifying conditions may explain why so few people who left work moved to social security in Greece. Of the four countries, Greece had the most stringent conditions for unemployment benefit. Greece required three years prior contributions and following one period of entitlement it was necessary to re-qualify by paying another three years contributions.

Benefit levels

Even if entitled, the level of social security payable may necessitate a claim for social assistance. In Belgium and Denmark, benefits are calculated as a proportion of foregone earnings. In Denmark, unemployed persons who have joined an unemployment insurance fund, and whose employment record qualifies them, are able to draw unemployment benefits related to the amount of their prior earnings but unaffected by other sources of current income. Unemployment benefit is paid at 90 per cent of prior earnings, with a payment ceiling. As there is no benefit/earnings top-up in Denmark and benefits are calculated as a proportion of foregone earnings, some people may have benefits below the social assistance level.

Unemployment benefit in the UK is not earnings-related and is paid at a low level. As a result, the minimum

income benefit, Income Support, is often required as a top up for those with families to support. In Greece, unemployment benefit is paid at an even lower rate. However, in Greece, there is no minimum income system to top up social security benefits.

Non-take-up

Frictional non-take-up, i.e. for a short time while the claim is being processed, may explain why some people moved directly from work to either minimum income or insufficient protection. Longer term non-take-up may also explain why some people moved from work to insufficient protection, although non-take-up is more often associated with mean-tested benefits.

Downward movements from social security

As with movements from work, in Belgium, Denmark and the UK, people who moved down from social security to minimum income or insufficient protection were more likely to end up in the latter than the former.

In Belgium, only four per cent of movements from social security were down to minimum income, but 13 per cent moved to insufficient protection, while in Denmark around five per cent of movements from social security were down to minimum income every month but 17 per cent were to insufficient protection. In the UK, 16 per cent of moves were to minimum income, while slightly more (18 per cent) were to insufficient protection. In Greece, 19 per cent of movements down from social security were to insufficient protection every month. A further 44 per cent were to the “other” state.

Duration

One explanation for people moving from social security to minimum income or insufficient protection is the duration for which the benefits are payable. Entitlement may simply come to an end. Although it appears that the current policy is towards limiting the time for which benefits are payable, at the time of the study entitlement to unemployment benefit varied greatly among the four countries. In Belgium, the duration of entitlement to unemployment benefit was theoretically unlimited. However, in practice the unlimited duration of benefits was restricted by a series of conditions, which combined a means-test and a work availability test. Only heads of household kept benefits that were proportional to their previous wage for an

unlimited period. Other people received reduced benefits and lost them altogether after a given period (which varied by region and gender) unless they could prove that they were still actively looking for work.

Although the period 1993–95 was characterised by a substantial tightening of the regulations and controls regarding entitlements for the long-term unemployed in Belgium, groups at risk of poverty such as heads of household and single persons were exempted from automatic suspension for “abnormally long duration of unemployment”. Nevertheless, they could still be suspended if they turned down suitable job or training offers.

In Denmark, since 1994, the maximum duration of benefit, previously about nine years, has been gradually reduced, and in 1999 was four years. After one year in receipt of unemployment benefit, the recipient is placed either in an educational programme or in publicly supported job training.

The duration of entitlement to unemployment benefit in the UK was 12 months, while the duration of unemployment benefit in Greece depended on the number of contribution years. The maximum duration was 12 months, although in some circumstances this could be extended to 14 months.

Non-eligibility

An explanation for the high number of movements to insufficient protection in Denmark may be non-eligibility. In Denmark, it is not sufficient to have low income to be entitled to social assistance. Social assistance can only be claimed by those who have experienced a major social event, or change in circumstances, such as sickness, maternity, unemployment, divorce or separation, death of spouse or military service, which affects or changes their ability to earn the necessary income on which to live.

Non-take-up

Non-take-up may explain people moving to insufficient protection rather than to minimum income. People who are eligible may not take up their entitlement at all or for a certain period of time, or there may be frictional non-take-up due to the time it takes to process a claim.

Research in both the UK (Corden 1999) and Belgium (Vercauteren and Daems 1995) has identified several reasons for non-take-up. These are both attitudinal and administrative and concern lack of knowledge, administra-

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tive complexity and the perceived stigma among some who are eligible to claim means-tested benefits.

Low wages

Ironically, one explanation for a move down to insufficient protection in the UK may be that claimants had entered employment which then placed them, and their household, below minimum income. Research has shown that entry wages in the UK for people who have been out of work are well below typical earnings (Gregg *et al.* 1999). This situation may have improved with the introduction of the minimum wage in 1999.

The role of the family

The large numbers of movements in Greece from social security to insufficient protection and the “other” state may be explained by the lack of a national minimum social safety net and the importance of the role of the family in providing social goods. In the absence of a universal minimum income benefit, the family has functioned as an informal social safety net that pools resources to help the young buy a house or start up a business, provides unpaid female carers to look after children and older relatives, acts as a lending institution in case of emergency, and supplies jobs, either in the family businesses or through kinship networks (Matsaganis 2001).

Downward movements from minimum income

In Belgium, very few people moved down from minimum income to insufficient protection, while in Denmark, on the other hand, 17 per cent of all movements out of minimum income were to insufficient protection. In the UK, approximately 47 per cent of all movements out of minimum income were to insufficient protection.

The very small number of downward movements to insufficient protection in Belgium suggests that suspensions of minimum income were rare, while the greater numbers of movements in Denmark suggests that suspension from social assistance was more common. Two aspects of the Danish social assistance scheme may explain this. One, that social assistance is only intended to be a short-term benefit. Local municipalities are expected to reconsider each case at three-monthly intervals, although assistance may be payable for longer than three months depending on individual circumstances.

Secondly, suspension may result from refusal to participate in an activation scheme. In June 1993, the Municipal Activation Act was introduced in Denmark, which aimed to encourage labour market activity through job training for people up to the age of 66 who are entitled to cash assistance. The Act enables municipalities to offer places on special schemes and if assistance recipients refuse to take part they run the risk of losing their benefit.

It is unlikely that sanctions offer an explanation for the large number of movements from minimum income to insufficient protection in the UK as they were only rarely used during the period under observation. The large proportion moving downward in the UK may partly be explained by the way that the UK states – that of minimum income in particular – were set up as noted earlier. However, this movement could also be explained by deductions from benefit to pay for current and/or past bills – such as those to the utility companies (electricity, gas, water) or others such as social fund repayments or child maintenance, and sanctions. In May 1996, some 21 per cent of claimants had deductions made from their Income Support (DSS 1997). Deductions for these reasons cannot be made from non means-tested benefits. Thus, when recipients moved from social security to means-tested benefits they became eligible for deductions from their benefits. These claimants (and their household members) would fall below minimum income. This may also explain some movements directly from social security to insufficient protection in the UK.

Movements to and from the “other” state

In Belgium and Denmark movements from the “other” state into minimum income are almost non-existent, whereas movements to insufficient protection are as large (in Belgium) or greater (in Denmark) as movements to social security. As noted above, this may be explained by the fact that movements into insufficient protection are a household event. Inactive household members move down to insufficient protection together with active household members who lose their job or who lose their social security benefits. In Belgium, movements by school leavers are likely to be limited by their access to unemployment insurance. School leavers have access without prior contributions after a waiting period of six months. However, to qualify, school leavers must have finished the fourth year of secondary school. The effect of this is that those with the most problematic school careers are excluded from

benefits. In addition, some young people who have been in special education may not have access to unemployment benefits as they are deemed not to be oriented to the labour market. Those moving into insufficient protection tend more often to be students, or unprotected marginal workers. In Denmark this would include school leavers not entitled to unemployment benefit.

In Greece, there are more movements to the “other” state than in the other three countries. This may be explained by the lack of a minimum income system, the onerous qualifying conditions for social security and the traditional role of the family.

PROFILE ANALYSIS

Cross tabulation and multiple regressions were used to identify characteristics associated with moves out of insufficient protection, minimum income, social security and work.

Age

Young people (age 16–24) displayed above-average mobility in each of the countries. This was the case both with upward mobility, where young people were more likely to move out of insufficient protection, minimum income and social security into work, as well as downward mobility, where young people were more likely to move from work into social security, minimum income and insufficient protection. This qualifies the aggregate analysis above, where we found little evidence of any substantial impact of activation programmes. The fact that these programmes are mostly targeted at young people may explain their higher chances for re-integration, compared with other age groups. Conversely, the finding that this age group was also more likely to move down from work may suggest that their employment was short-term.

The histories of the oldest age group (age 40–64) were more stable, in that they were more likely to remain in a given state.

Gender

Gender has very complex effects. Broadly speaking, women had a higher risk of exclusion from work and fewer chances for inclusion. However, social security plays an ambiguous role: some of the movements from work into social security were probably due to maternity or family leave schemes rather than unemployment or other so-

cial risks. This may also be a reason why women stayed longer on social security than men. Belgium was the exception here, with a higher probability of exclusion from social security.

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Separation, Divorce and Bereavement

Separation, divorce and bereavement increased the risk of downward movement and represented an obstacle to upward movement from insufficient protection and minimum income in each of the countries.

Education

Education was crucial in determining life chances with upward moves to inclusion associated with higher education and downward moves to exclusion with less than second stage secondary education. However, the activation policies in Denmark, the only country to have activation in place during the observed period, continued to exclude those people with lower educational achievements.

Health

In each of the four countries, better health was clearly associated with upward movements to work, while poor health was associated, either with immobility or downward movements to exclusion and poverty. Although it appeared that social security offered better protection for those who left work because of poor health in Belgium and Denmark than in Greece and the UK it was nevertheless clear that the social security and minimum income systems were failing many people with poor health in each of the four countries.

Labour Market Position

Although there was variation reflecting, in part, the different job markets in the countries during the observed period, those with previous work experience and higher occupational skills were more likely to move into work while those with no previous work experience or lower occupational status were more likely to move to and remain within exclusion and poverty. Again it appears that Denmark, despite the emphasis given to activation programmes during the observed period, failed to “mobilise” some of those with no previous work experience.

CONCLUSIONS AND POLICY RECOMMENDATIONS

“Work For Those Who Can”

The analysis showed that “work” was the most stable state in terms of social protection in each of the countries. Upward mobility from insufficient protection or minimum income occurred mainly through work. Although the data do not tell us what part of the movements into work was attributable to activation programmes it may be significant that the only country of the four that had activation programmes in place at the time – Denmark – achieved the highest movements to work from both minimum income and social security, as well as from insufficient protection. However, on the other hand, it is perhaps surprising that Denmark did not perform comparatively better given the emphasis placed on activation during the observed period.

The analysis largely confirms the expectations about selectivity in upward and downward mobility. Movements into work were typically associated with younger age, male gender, higher education, better health, previous work experience, and higher occupational status.

The profiles of people becoming or remaining excluded and in poverty were associated with the female gender, lower educational qualifications, no previous work experience, and lower occupational status. The older age group was more likely to remain in the given state.

Employment Sustainability

Mobility both into and out of work, particularly among young people, suggests that there was a degree of “churning” among this age group. This suggests that some jobs were precarious and did not give access to social security: this is the case with illegal work, but also with low-paid, insecure, non-unionised work and to some extent with self-employment.

If the “welfare to work” strategy is to be successful the “low pay, no pay” cycle, in which those people with low-level qualifications “churn” between insecure, low-paid, low-skilled jobs and unemployment, must be broken. Policies and programmes such as the Spring Programme in Belgium and the “New Deal” in the UK will only work in the long-term if moves into work are “permanent” and involve progression to reasonably well paid jobs.

“Employment sustainability” is best defined as “the maintenance of a stable or upward employment trajectory in the longer-term” (Walker and Kellard 2000) towards

self-sufficiency, defined alternatively as income above poverty or benefit levels, or the ability to prosper in the labour market without government intervention. The policy focus therefore extends beyond short-term job stability.

The issue of employment sustainability was first raised in the US. The first US workfare programme was introduced by the 1981 Omnibus Budget Reconciliation Act. Since then, policymakers in the US have debated the merits of two different approaches to helping people move from welfare-to-work: one emphasises rapid job entry; the other focuses on initially providing education and training/skills (MDRC 2000).

Our findings that people with elementary occupations (and with lower educational qualifications) were least likely to remain in work and most likely to move to minimum income and insufficient protection lends support to the “human capital development” approach to employment sustainability. It is notable that, even in Denmark, those with lower educational qualifications and labour market skills were less likely to be integrated into work. Further analysis using a similar methodology, but allowing the tracking of individual's movements between the various states would add significantly to our current knowledge of employment sustainability issues and the effectiveness of activation policies. As it is clear that work of itself is not the issue for policy, but rather sustainable employment at wage levels sufficient to maintain individuals above minimum income.

Social Security and Safety Nets

Although the risk of exclusion from mainstream social security (into minimum income or insufficient protection) was substantial in each of the countries, it was lower in Belgium than Denmark, Greece and the UK. This can probably be explained by the fact that there was no absolute duration limit in the Belgian unemployment benefit system. Unemployed people who fell into poverty after suspension of their unemployment benefits were likely to have been sanctioned rather than excluded and their number was limited in Belgium.

With the exception of Greece, where there is no minimum income system, the risk of falling into insufficient protection was much higher than the corresponding risk of entering minimum income. This suggests that the capacity of the minimum income systems to prevent poverty in each of the three countries is unreliable for many groups of people, particularly those who are separated and divorced, in bad health and lower occupational status.

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The analysis has identified a number of causes for moving downward into exclusion, insufficient protection and poverty. These are the partial or total loss of earnings from work, failure to meet the qualifying conditions attached to social security benefits, inadequacy of benefits, non-eligibility for minimum income, exhaustion of entitlement, sanctions and suspensions, non-take-up, and deductions (especially from Income Support in the UK).

In Greece, the lack of a universal safety net may lead to over-reliance on the family as a provider of welfare. This may lead to serious difficulties in that those who are excluded from family solidarity may find themselves extremely vulnerable and have to rely on the informal market and even begging and crime to survive. Demographic change in Greece is likely to mean smaller families having to look after an increasing number of older relatives. Migration from the countryside to the towns may exacerbate demographic change and undermine traditional support networks. Remote and depopulated villages that are almost exclusively inhabited by the elderly will not be in a position to offer practical and financial support (Matsaganis 2001).

Demographic change, coupled with urbanisation, will mean that Greece will need to implement recommendation (92/441/CEE), now incorporated into the common objectives for social inclusion adopted by the European Council in Nice (2000), inviting Member States to include a basic right to adequate resources and services into their social protection systems according to a set of common criteria so as to help, in particular, *“to guarantee that everyone has the resources necessary to live in accordance with human dignity...”*

However, even in countries with well-established minimum income schemes – Belgium, Denmark and the UK – there can be no grounds for complacency as the extent of movement down into inadequate protection and poverty is high. At least one in two people who had experienced insufficient protection had lived below the minimum threshold for more than 12 months and with the exception of the UK, between 50–70 per cent have had income of less than 75 per cent of the minimum income level. The profile of both those who had experienced lengthy periods on minimum income and those who had received income of less than 75 per cent of the threshold was fairly similar. Youngsters, the elderly, women, broken families, single persons, individuals with low levels of education, foreigners, and workers in elementary occupations were over represented. Large proportions of people who fell

through the safety nets into “insufficient protection” had previously been in work. The tightening of eligibility rules for unemployment benefits since the observed period (1993–1995) may mean that the circumstances of these people have further deteriorated. This should cause concern to policy makers.

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This paper is based on the “Traps and Springboards in European Minimum Income Standards” project. “Traps and Springboards” was funded mainly by the European Commission, and co-financed by the Belgian Government and the National Labour Institute from Athens. The research was carried out by Ides Nicaise (co-ordinator) and Steven Groenez of Hoger Instituut voor de Arbeid (HIVA) – K. U Leuven, Belgium; Michael Chletsos of the Greek National Labour Institute; Lisbeth Pedersen of Socialforskningsinstituttet (Danish National Institute of Social Research) in Copenhagen; and Simon Roberts, Laura Adelman and Sue Middleton of the Centre for Research in Social Policy (CRSP), Loughborough University.

The views expressed in this report reflect the authors' opinions and should not be taken to represent the official standpoint of the European Commission.

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GENDER DIFFERENCES
IN EARLY RETIREMENT
BEHAVIOUR

The age at which people retire from the labour market has been drifting downwards in most OECD countries. More than a quarter of the OECD countries have an average retirement age below 60 for males, and more than half of the countries have an average age of retirement below 60 for females (Blöndal and Scarpetta 1998). The number of years in employment for men is decreasing, and retirement now begins so early that they spend only half their life at work (The Economist 1999). At the same time fertility is reduced, the health of older people has improved in several countries and people live longer. Fifty years ago, European men and women worked seven years longer than they do now – and lived 11 years shorter. The proportion of elderly in the population is therefore increasing and will continue to grow in the years to come. The decline in the labour force participation of older persons is described by Gruber and Wise (1998: 158) as: “... the most dramatic feature of labor force change over the past several decades”. As a consequence, early retirement causes great concern for the financing of the welfare states in the immediate future. Thus, early retirement is an important topic on the political agenda in most countries, and has already led to changes in the pension systems and rise in the official retirement age in countries like USA, Greece, Italy, New Zealand, Japan, and recently Germany.

In this article, we study the use of various early retirement pathways for men and women, where pathways refer to different institutional arrangements that are sequentially linked to manage the transition from work into old-age retirement (Kohli and Rein 1991). Gender differences in the exit probability may be due to differences in the background characteristics, and/or to various responses to changes in these characteristics. For each individual we have detailed information on age, education, income, etc. In addition, we pay particular attention to fam-

ily characteristics such as marital status, spouse income and wealth, and spouses' labour market status. For married individuals there are several sources of joint retirement behaviour, "added-worker" vs. "assortative mating" effects, and/or correlation in unobserved tastes. Among the older cohorts, men generally have higher education and normally better paid jobs than women. We also know that women generally marry men with higher social status than themselves. Furthermore, men are often the breadwinners of the family. These are examples of issues that may induce gender differences in the use of various retirement pathways. Thus, it is crucial not to restrict the retirement paths of the two genders to being identical. The contribution of this paper is a comparison of male and female retirement behaviour.

Previous research on female retirement behaviour, as compared to male, is limited mainly because of lack of data. The labour force participation rates for elderly are high in Norway compared to most other OECD countries. In particular this is evident for older females. The labour force participation for Norwegian women aged 55–66 years has increased from 40.1% in 1972 to 54.1% in 1997. The labour force participation for men in this age group, on the other hand, has in the same period been reduced from 81.0% to 68.8%. The average retirement age is falling, and for new pensioners it is now 59 years while the standard age of entitlement to public old-age pension is 67 years. As for most of the OECD countries, the proportion of elderly is rising also in Norway, and this trend will continue in the next few decades. Given the significant participation rates for older females, Norwegian data may be particularly suitable for the analysis of joint exit from the labour force. We have utilised the very rich KIRUT database; a database that contains detailed individual information for a random 10% sample of the Norwegian population aged 16–67. We have collected data on more than 10,000 individuals aged 55–61 years in 1989. These individuals are followed until they transit from work or until the end of 1995. In our analysis we use a discrete choice model with several destinations or pathways: disability pension, unemployment benefits, and out of the labour force. Both the disability and unemployment insurance have functioned as informal early retirement pensions in Norway, while no fully public early retirement scheme exists.

LESSONS FROM THE RETIREMENT LITERATURE

Research on the labour market shows that there are gender differences in several important areas. Differences are found for example in hourly/weekly wages and annual earnings, labour force participation, occupational attainment and the likelihood of receiving a pension. Women's wages and earnings are lower than men's and so are their labour force participation rates, as well as their likelihood of receiving a pension and getting a promotion (*e.g.* Even and Macpherson 1990, 1994; Altonji and Blank 1999; Spilerman and Petersen 1999). The differences have been persistent over time although the nature and magnitude of differences have changed as men's and women's work histories are becoming more similar (Hayward, Hardy, and Grady 1989; Altonji and Blank 1999).

Despite the important gender differences, most of the research on early retirement decision-making is studies of men (*e.g.* Haveman, Wolfe, and Warlick 1988; Berkovec and Stern 1991; Blau 1994; Meghir and Whitehouse 1997; Riphahn 1997). The analyses of gender differences in early retirement are more limited.

As already pointed out, using Norwegian data to investigate the early retirement process is of great interest since the female participation rate is rather high in Norway. To our knowledge there are only a few microeconomic analyses based on Norwegian data. Two of these are primarily studies of the privately negotiated early retirement scheme - AFP. Hernæs, Sollie, and Strøm's (2000) prime motivation is to model the likely effects of changing the eligibility criteria of the AFP-scheme. In this study, gender differences are restricted to a gender dummy only. This is also the case in the study by Bratberg, Holmås and Thøgersen (2000). They use a competing risk framework and find that AFP to some degree relieves the pressure on disability pension and unemployment benefits. The gender difference in early retirement is given more attention in Dahl, Nilsen and Vaage (2000). However, they do not utilise their data fully satisfactorily. They have annual data, but in general only use information at the beginning and the end of the seven-year time interval. In our study, the data used by Dahl, Nilsen and Vaage (2000) are extended somewhat and, more importantly, the fact that the data contain yearly information is utilised.

Our study differs from most of the studies cited above (and other studies) in the following respects. First, our study pays special attention to female retirement and gender differences in the retirement decision. Second, our data make it possible to distinguish between different

pathways, which is important to capture the forces behind the choice of various pathways. This is especially important since both the behaviour and the characteristics of men and women may induce variation in the preference for or choice of various pathways. Third, our data include a broad range of information on family characteristics, which in our opinion are important both for the study of gender differences and the choice of pathways, and largely neglected in the retirement literature. Neglecting family characteristics leads to a major loss of fit in the case of women, especially in the case of exit from full-time work (Peracchi and Welch 1994).

INSTITUTIONAL BACKGROUND

The standard retirement age in Norway is 67 years on the condition that a person gives up the right to keep a specific job. However, some professions and occupations have a lower pension age and some are fixed by law. The compulsory retirement age is 70.

As in several other countries, institutional arrangements that were originally constructed for other purposes, notably unemployment benefits and disability pension, have been used as pathways to early retirement. Until the early 1990s the entitlement conditions for disability pension in Norway were liberal, and labour market conditions were a factor in the disability assessment. Before receiving disability pension, sickness insurance is usually paid for one year, and a subsequent period in a rehabilitation program is required. To qualify for a disability pension, a person must demonstrate that his/her ability to earn an income has been permanently reduced by at least 50%.

Older people are entitled to unemployment insurance for an extended period. Persons who become unemployed when they are 60.5 years or older can receive unemployment insurance until they reach the standard retirement age of 67 years.

There are several early retirement pathways with private provisions in Norway, even though the use of these is in general not very common. The most important non-public early retirement scheme in Norway is Early Retirement Pension Agreement - AFP. This scheme came into effect as of 1 January 1989. The use of the scheme has increased as the retirement age has been reduced (62 as of 1 March 1998), as the replacement rate has been improved (in 1992) and as knowledge of the scheme has increased. The AFP scheme is supported financially by the state (40%), and represents entitlement for those with at least

ten years of social security contributions, and for those whose pension income is at or above a certain minimum. The pension is the same as the full pension entitlement, but is less favourably treated under income taxation than a full old-age pension.

The replacement rate is different for the various types of retirement schemes, and this may give different economic incentives conditional on the retirement pathway that is used. The replacement rate varies between 60% and 90% for the private/non-public retirement schemes. The replacement rate for disability pension is about 62%, but in order to increase the employees' incentives to apply, employers in many firms pay a small company pension in addition to the state paid disability pension, thereby increasing the replacement rate up to 80%. The standard replacement rate for unemployment is 63%. Also for this retirement scheme, several firms pay a small company pension to employees who agree to be "voluntarily" laid off, which increases the replacement rate substantially. The replacement rate for AFP varies between 50% and 60%. Moreover, a new trend is that some firms pay a company pension to former employees in addition to the AFP pension.

DATA

The analysis is based on data from the KIRUT database. The base contains detailed individual information on socio-economic background, labour market participation, and social insurance payments for a random 10% sample of the Norwegian population aged 16–67 (the total sample exceeds 300,000 individuals).

Our sample includes observations of individuals born between 1929 and 1934 who occupied a job on 1 January 1989. Initially we utilised only observations for the individuals for which we have, for our study, all the relevant information in all the years from 1989 until 1995. After excluding individuals with missing variables during the sample period, we end up with a balanced sample of 10,315 individuals, 5,383 males and 4,932 females. The sampled individuals were followed until they transitioned into either *disability*, *unemployment*, or *out of work*.

MODELLING

The objective of this study is to test empirically how males and females respond differently to variations in relevant characteristics and variables. More specifically, we ask the question, what factors affect the probability of being ob-

served in different end-states in a given year t , conditional on being in the state of *work* in the previous year, $t-1$? As pointed out by several authors, individuals are either pushed into or choose different early retirement pathways (see for instance Boskin and Hurd 1978; Haveman, Wolfe and Warlick 1988; Kohli and Rein 1991; Riphahn 1997). The underlying hypothesis is that the determinants of the transitions from work into different states are identical, even though the importance of these determinants is different for each of the various transitions.

Formally, we assume that individual i chooses alternative j at time t if the associated utility, U_{ijt} , is the highest of all J alternatives. For each individual we define a latent variable, Y_{ijt}^* , which denotes the change in utility of moving from the state *work* in year $t-1$ to early retirement in year t . The (change in) utility is determined by a vector of observable variables, \mathbf{x}_{it} , including expected income in the different states, personal characteristics, labour market conditions, etc., and a stochastic error term, ε_{ijt} .

Empirical results

The probabilities of ending in various end states

First we have calculated the probabilities of transition to different states for each gender, conditional that the individuals were working at the end of the previous year.

Ignoring the gender differences for a moment, we found that the probabilities of staying employed are decreasing over time. At the same time, the probability of ending in the states *disabled* or *unemployed*, together with *out of work* is increasing over time. The driving force behind this tendency is, of course, the fact that the individuals in our sample are getting older over time. Note also that there seemed to be a relative large increase in the probability of ending up as *out of work* in 1994 and 1995. This is evident for both genders and may be due to reductions in the retirement age in AFP from 66 years in 1989 to 64 in 1993 (October 1). Moreover, for those who had access to AFP, the tendency to utilise it increased in this period. Aggregate numbers state that AFP is more common in the public sector than in the private sector and that the propensity to use AFP is higher for men than for women.

Turning to the gender differences, there seems to be a tendency that females are more likely to end up as disabled, rather than as unemployed, while the opposite is true for males. We also found that there is a slight tendency for women to retire later than men (*i.e.* they are

working longer). Even though care should be taken with regard to the *out of work* group since it is rather heterogeneous, we found that males are slightly more likely to use this pathway than females.

Multinomial logit model results

The results from the multinomial logit model show several interesting results (Table 1).

Table 1
 Results from the multinomial logit model; significant effects (5% level) marked: + positive effect, - negative effect

	MALES				FEMALES			
	Work	Disab.	Unempl	OFW	Work	Disab.	Unempl	OFW
Family charac.								
Unmarried					+	-		
Widow(er)					+		-	
Divorced			+					
Children	+						+	
Age	-	+	+	+	-	+	+	+
Education	+	-		-	+	-	-	
Experience	+	-	-		+	-	-	
Civil servant	+		-	+	+		-	+
Income/wealth								
Employed	+	-	-		+	-	-	-
Unemployed	+	-			-		+	
Disabled	-	+	+	+	-	+	+	+
Wealth	+	-					+	+
Spouse charac.								
Sp. age diff.								
Income	+	-		-	+	-		
Wealth				+	+		-	
Benefit receiver	-	+			-	+		
Industries								
Agricult./fish.	+	-	-					
Private services	+	-	-	-				
Transp/comm.	+	-	-	+	+	-		+
Real est.+ fin.			-		+	-		+
Educ. + health	+	-	-		+		-	
Year dummies								
1990			-		+		-	
1991					+		-	-
1992	-	+	+		+			-
1993	-		+		+	-	-	-
1994	-	+	+	+				
1995	-		+		+			
Local municip.								
Resid. density				-				
Distance centre				+	+	-		
Unemployment	-	+	+		-	+	+	

The first three variables compare the effects of being single (unmarried, widow(er), or divorced) to that of being married. Overall, there is a tendency of increased probability of early retirement for males, even if divorced's exit to unemployment is the only effect that is significant at the 5% level. This appears not to be the case for females; rather, being unmarried significantly reduces the probability of exiting to disability, and being a widow or divorced reduces the probability of exiting to unemployment.

Since husbands generally are older than their wives, there are more males than females with dependent children (younger than 18 years) in our sample. Having dependent children tends to reduce the probability of early retirement for males, while the opposite is the case for females. As for the negative marginal effects for the males, this might have to do with the obligations following the role of being principal earner. There is, however, at least one other possible explanation. When having children to some degree prevent males from becoming disabled, it might be due to some selection mechanism where men with children have some unobserved attractive characteristic. Thus, in our reduced form model it is not possible to decide whether having children is a pure exogenous indicator, or, alternatively, if it is plagued by some endogeneity problems. So, based on our findings, we should not recommend men to have children just to increase their probability of staying employed and not becoming disabled.

Age has the expected effect that it increases the probability of early retirement. For both genders, the effect is strongest for the exit to disability and out of the labour force. The effects are marginally stronger for males compared to females.

We expect individuals with high human capital investment to be less inclined to early exit from the labour force. Our human capital variables, education and experience, both seem to represent insurance against disability and unemployment. The strongest effect is the females' (reduced) probability of exiting to disability.

Being a civil servant does not affect the probability of entering disability. It is, on the other hand, a remarkably good predictor for not becoming unemployed. This is probably due to few layoffs and the high degree of job protection for this occupational group. The variable in addition correlates positively with the probability of leaving the labour force for other reasons than disability and unemployment. The reason may be the higher use of AFP in the public sector than in the private sector.

The next section of Table 1 presents the influence on early retirement from the income and wealth variables, which contain the main information on pecuniary relations of the individuals in our sample. Ideally, we need expected income streams in all the four states represented in our analysis. As explained earlier, this is modified by the fact that each individual can be observed in one state at the time only. By using previous earnings and labour market records, combined with the benefit and pension rules in force, we manage to construct income variables for the states work, disability and unemployment. We expect the own-effects to be positive (for example, high earnings reduce the probability of leaving a job), and the cross-effects to be negative (for example, high disability pension makes it less attractive to finance early retirement with unemployment benefits). As for earnings, our data clearly support our hypothesis. Increased earnings significantly reduce the probability of exit to any form of early retirement. Note that the response is approximately twice as strong for women compared to men. Furthermore, an increase in the unemployment benefits significantly reduces the males' probability of leaving to disability, and also has the expected positive own-effect on the females' probability of entering unemployment. For the remaining states there are no sizeable effects. Finally, increased disability pension significantly increases the probability of entering disability. But in addition, we estimate a counter-intuitive positive effect on both genders' propensity to exit to unemployment as well as out of the labour force.

The influence of (own) wealth on the retirement decision is not obvious, *a priori*. On the one hand, increased wealth will improve the possibility of early retirement through increased ability of self-support. There is a certain support for this effect in our data, in that the probability of exiting to out of the labour force increases, particularly for females. On the other hand, wealth may be a proxy for both ability and social status. In that case we would expect reduced probability of exit to early retirement to disability and unemployment. The negative reported marginal effect on males' propensity of exiting to disability is consistent with this view, but the positive effect on females' propensity of exiting to unemployment is not.

We also have data on several spouse characteristics, namely spouse age difference, spouse income and wealth, and a dummy for receiving pensions (old age, disability or rehabilitation). Difference in age between the individuals and their spouses has no sizeable effect on the retirement behaviour. Two competing hypotheses are the added

worker-effect versus assortative mating. If the added worker-effect dominates, we would expect compensating behaviour in the cases where the spouses have small resources. For example, if the spouse has low income and wealth, and/or is a pension receiver, this correlates with a low probability of early retirement, since it means that the other spouse must compensate by working extra hard and long. Our evidence is not clear-cut, but there seems to be rather weak support for the added worker-effect in our sample. High spouse income implies a significant reduction in the probability of early retirement for both males and females. Furthermore, having a spouse who is a pension receiver increases the probability of early retirement. Both findings clearly are consistent with the assortative mating hypothesis. As for spouse wealth, the picture is unclear, with insignificant coefficients in most of the cases.

In the estimations we control for employment in six different industries, with manufacturing as the base category. The most striking finding is that being employed in the manufacturing sector strongly increases the probability of unemployment retirement for males, and also has a significant effect on the probability of ending up as disabled. The number of females employed in this sector is relatively low, which probably explains the lack of such a finding for this group. Furthermore, working in the education and health sectors represents strong protection against unemployment, the explanation probably being the same as for civil servants.

The year dummies (1989=0) are meant to take care of the timing and magnitude of business cycles, as well as structural changes in the form of modifications and adjustments of the rules in force. For men there are mostly positive and significant effects on the transitions to disability and unemployment, and negative effects on the probability of staying in work, especially for the years 1992, 1993 and 1994. The pattern is the opposite for women, with negative effects for disability, unemployment, and out of work, and positive effects for work. This lack of gender coincidence is somewhat puzzling. The institutional changes relevant for early retirement (changes in eligibility criteria, introduction AFP, etc.) are in general gender neutral. Similarly, both genders are faced with the same business cycles. The explanation is probably the fact that males and females work in different sectors. Institutional changes and the business cycles hit the sectors differently, more so than we are able to pick up with the rather crude sector dummies previously referred to.

Finally, we control for some local municipality characteristics. With the two first variables we test whether the behaviour differs systematically in urban compared to rural areas. Our data hardly support this hypothesis. Most of the marginal effects are insignificant, and in the cases where we report sizeable effects (out of labour force for males, disability for females), the variables point in opposite directions. As for the local unemployment rate, this turns out to be an important predictor for the probability of early retirement in the form of unemployment. Interestingly, local unemployment rate also correlates positively with the state of disability. This is, in itself, a support to the argument that unemployment and disability are substitutable pathways to early retirement, and that there is an over-utilisation going on in the form of unemployed individuals ending up in disability retirement without being truly disabled.

DISCUSSION

The labour attachment for males and females may, at first glance, seem to be growing more and more equal in Norway. The participation rates for females are increasing, particularly for the youngest. The participation rates for older males are, on the other hand, falling. Therefore, it is important that we ask whether younger women will adopt men's retirement pattern, as they grow older. Our micro evidence suggests that there may be several reasons why this will not be the case.

The family structure is changing in the Western countries. A dramatic increase in the dissolution of marriages and cohabitation steadily increases the number of single-person households. While being single appears to increase the probability of early exit for males, there is some evidence that the opposite seems to be the case for females. Secondly, a relatively safe prediction is that females will acquire relatively more education in the years to come. Increased human capital in the form of education will probably reduce the earnings gender gap (at least this appears to be the case in Norway). Our findings indicate that females are responding more strongly to changes in education as well as earnings. The higher (expected) levels and the higher (estimated) responses both point in the direction of reduced probability of early retirement. Thirdly, while males tend to work in sectors with relatively high exit rates to disability and unemployment, notably manufacturing and construction, females far more often work in sectors with a relatively low occurrence of disability and

unemployment, such as health and education. Moreover, these are sectors that are expected to have a growing employment in the coming decades. All these findings indicate that the propensity to retire early will be lower for females than for males for the cohorts to come.

Some reservations have to be made, however. Our results are based on a sample of people that have selected themselves; first, into employment, and thereafter into the different states we evaluate. There are, of course, lots of unobservable phenomena involved in the individual choices. A particularly relevant example is the selection of women in our sample. When we propose that future female cohorts will have lower propensity of early retirement, it builds on the assumption that they will behave and respond equivalently to the women we include in our analysis, namely the 1929–1934 cohorts. We do not know that the younger female cohorts in today's work force respond equally strongly to increased earnings, education, experience, etc. On the contrary, even if Norway has a relatively high participation rate for older female cohorts, it is reasonable to assume that they are a selection with stronger abilities and/or motivation for participation in the work force than the ones that comprise the younger female labour force. The selection problem will be at the core of our future research.

NOTE

This presentation is based on a paper written together with Øivind Anti Nilsen and Kjell Vaage, Department of Economics, University of Bergen, Norway.

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THE EUROPEAN
UNION AND
SOCIAL WELFARE

Difficulties related to cultural differences and also to the philosophy of European Community founding treaties have from the beginning opposed the definition of a global and coherent strategy of a European social welfare policy.

I already wrote in 1992 that this domain was mostly treated at a national level, yet it seems to me that it is not the same today. I propose to reanalyse Europe's social welfare in four chapters entitled as follows:

- I. The economic progress will involve the social progress
- II. The social progress must follow the economic progress (as we give it a little push)
- III. The social welfare cannot establish an obstruction of competition
- IV. The social welfare depends on full activity

THE ECONOMIC PROGRESS WILL INVOLVE THE SOCIAL PROGRESS

In the spirit of its founders, the European Community (originally called the European Economic Community) should enable an accelerated life quality rise by establishing a common market and drawing economic policies of Member States progressively closer together.

The Treaty of Rome leaves little room to affirm an autonomous social policy when it comes to formation of a common market, with logic of liberation and obstacle suppression. The preface and Articles 2, 3 and 117 of the Treaty show that the economic progress should involve social progress automatically. **Nevertheless, only the absolutely necessary measures of social attendance needed for the creation of a great market have already been subject of Member States' restrained dispositions in the Treaty.** Some progress has been made in the social security of migrating workers domain based on these rare ar-

rangements, and also in the equality of men and women social security matters.

The guarantee of free movement of persons principle efficiency in the European economic space, in 1971, stands in the regulation 1408/71 relating to social security of migrating workers. It is an essential principle of the liberal concept since it is meant to assure free movement of all production elements. Labor is viewed in such way here and the intention is not to improve national systems that in principle stay unchanged.

The history of directive 79/7, relating to the social welfare equality of men and women in the legal system, is a bit different. The directive has passed as recognition of Treaty article 119's direct effect on equal remuneration of men and women along with other instruments relating to equality of men and women. The direct effect was recognised because of the principle's fundamental nature in the Community's legal system, having in mind the fear of competition disturbances about female labor cost differences between Member States. But the directive 79/7 reflects a conventional concept of social gender relations based on the "male breadwinner" model.

THE SOCIAL PROGRESS MUST FOLLOW THE ECONOMIC PROGRESS (AS WE GIVE IT A LITTLE PUSH)

After the end of the eighties, we witness a certain deterioration of social achievements. The European Single European Act actually made the economic liberation pack up so the actors became aware of a new "level playing field": the European economic space. The social welfare is almost exclusively understood as an economic cost in the context of increasing competition.

Forms of social dumping unknown until then in Europe are discovered: the displacement of labor (Rush Portuguesa Affair) and displacement of enterprise (Hoover Affair). All the great common market promoted liberties leave room to re-evaluate certain aspects of social welfare with the Treaty's implacable and inherent logic concept. Generally, the Court of Justice has the difficult task to settle the conflict between an economic liberty guaranteed by the Treaty and a social achievement ignored by the same Treaty.

So the question is raised whether the obligation of weekly Sunday closing opposes the free provision of services, whether the obligation of one pension fund by social partners affects the free movement of capital, whether

the designation of a single organization to create a social welfare system constitutes a monopoly contrary to the freedom of competition, etc.

Those days, one rediscovered the considerations which led to the foundation of ILO and the Philadelphia Declaration: any internationalisation (Europeanisation) of economy calls for an internationalisation of the social.

Aimed at reforming the “social deficit” at the end of the eighties and beginning of the nineties, the Commission's initiatives multiplied in the European Union to accompany the economic liberation. That is when the directives about labourer's concern, maternity, European enterprise committee, working hours, The Charter of fundamental social rights, etc. were conceived.

The Recommendations about social welfare matters were adopted in the same context. On the one hand, recommendation on the convergence of objectives and social welfare policy, and on the other hand, recommendation on common criteria related to sufficient resources and benefits of the social welfare system. Let's mention also the “**modes de garde**” recommendation, which is a model of reconciliation of family and professional life in policy matters today.

The non-restrained nature is a characteristic of social welfare instruments. The ambition changed from Regulation to directive and then to the Recommendation due to political and legal purposes (lack of foundations in the Treaty). The idea is to install mutual surveillance machinery, which would allow convergence in progress. This machinery looks just like today's much discussed benchmarking, inspired by the idea that the quantitative and qualitative development indicators should permit an evaluation of national systems. Today is the time when everyone talks about studies, like M. Dispersyn's study on the “European social serpent”. This ambition of continuous evaluation has never been achieved due to absence of political will.

Nevertheless, it is important to concentrate on the contents of Recommendation 92/442, also called “convergence”, which (we did not realize at the time) makes a turn in the European social welfare concept. We often presented this recommendation as a model of a functional social welfare definition (as opposed to the analytical definition of ILO's 102 Convention) and as a perfect reconciliation of the Beveridge and Bismarck concepts of social welfare. However, if we take a closer look, there are five assigned missions of social welfare:

- 1 - guarantee of a resource level conformable to human dignity;
- 2 - privileges of a health service system;
- 3 - to protect social integration of all people and integration of those capable of remunerated work to the labor market;
- 4 - to grant benefits to the wage earning about preserving their quality of life when risks occur in a reasonable way related to their participation in social security;
- 5 - to extend social welfare to the unemployed.

What strikes me here is:

- The clear distinction between social welfare and social security, the latter meant only for sectors that allow sustaining workers' quality of life in the system of wage earning.
- The priority order. Whatever we thought, the Beveridge concept holds ground. Even if the number 4 states the need of social security to assure the function of income maintenance, it permits this maintenance to be done by intermediary contracting benefits!
- Potentially, the active social state is there, not only with the priority to guarantee a minimum of resources but especially with the idea of social and professional insertion. We cannot help imagining that the distinction between social and professional insertion is an idea from that era (the minimum welfare support was adopted only five years sooner), while today, only the second could stand in such a declaration.

THE SOCIAL PROGRESS IS SUBSIDIARY: THE SOCIAL WELFARE CANNOT ESTABLISH AN OBSTRUCTION OF COMPETITIVENESS

The Maastricht Treaty was adopted on February 7th 1992 in an almost "social frenzy" context, at least from the European Commission. The Treaty brutally calls out the Commission and overthrows radically the economic manoeuvres of Member States in social welfare matters:

- The subsidiary principle, expressed in article 3 at the demand of Great Britain, questions the legitimacy of a community intervention in social matters and more particularly in social welfare matters.
- The economic convergence criteria will use a quasi-immediate influence onto national social welfare systems.

It might be the moment to resolutely remind in this report's thread that the idea of a financial balance, which presents itself as a postulate today, is in fact a political choice. Whatever the case, the political objective of a so-

cial welfare financial balance appears in the seventies after the oil crisis for the first time. It was emphasised for some time already in some countries by employing organisations. Hence, there will be a direct connection between public finances and the budgetary balance of institutions (as those of social welfare) which partially depend on State subventions.¹

Nevertheless, the Maastricht Treaty, economy policy options adopted by governments is even more closely tied to restraints defined at a supranational level: mostly those established by the Maastricht Treaty, and especially the objective of public deficit reduction. The Economic and Monetary Union imposes a pressure to national economies on behalf of reductions and budgetary adjustments so that the costs of financing and social welfare implementation become much reduced.

Let's go back to the 79/7 directive relating to salary equality of men and women in the social security systems. That is actually the only European substantial (meaning not limited to a single coordination) and restrained legal instrument in the social welfare matter. It should be emphasised that it was implemented when European economies suffered hard blows from the oil crisis consequences. Reckoning the then appearing will to control the social security expenses in the boundaries of a sealed envelope, the elimination of direct discriminations and introduction of women social rights were interpreted in most cases as:

- a reduction of access possibilities to benefits,
- provision of services themselves (rate, top and bottom of service provision) for all of the social insurers, and
- by creating new categorisations of social insurers (personal application range of systems) which occasionally exhibit indirect discriminations towards women.²

Concerning men and women salary equality matters, the new reduction of the budgetary envelope (following the adoption of the Maastricht Treaty) punishes women twice. It makes an obstacle to the equality of men and women in employment access matters,³ and it frequently puts limits to access the social rights of "atypical" jobs as well as a "familiarising" of their rights which is damaging to women. Faced with the sudden arrival of different social eventualities, the economic and social security of women is since then sent back to the "family solidarity" which became even more fragile by evolution of the family structure.

Paradoxically, the adoption of directive 79/7 and particularly in the political-economic context of the last years,

we can declare that the social protection of women does not cease to be harmed. In fact, in social protection matters, the Court of Justice has always admitted the economic or institutional objective justifications put forward by the Member States to justify the indirect discriminations that got into the systems. The Commission has never fulfilled its role of control that was assigned to it by the directive itself. In the case of European law, the indirect discriminations will fully subsist with impunity.

This phenomenon raises a fundamental question: Is the implementation of the equality principle depending on the achievement of economic conditions determined at a European level? In other terms, can the achievement of those economic conditions pursue to the contempt of the fundamental principle of men and women equality? To rephrase this question even more clearly, what is the true status of men and women equality in Community's legal system: An ideal to reach or a fundamental principle; A bond of means or a bond of result? As I said on the subject of "objective" justifications receiving to indirect discriminations, the Court of Justice of the European Community has repeatedly decided in favour of the first hypothesis.

THE SOCIAL WELFARE DEPENDS ON FULL ACTIVITY

The Amsterdam Treaty was signed on October 2nd 1997 in a context of economic globalisation, favourable to the exacerbation of domination reports, social risks and uncertainty. That was the moment to remind about a part and importance of a strong social welfare in the European Union.

Now, the social welfare stays submitted to the rule of unanimity and it is assisted at the emergence of a new social priority. The promotion of employment entered into the Community objectives after the coming into force of the Amsterdam Treaty, becoming "a question of common interest" (article 2 of the EC Treaty). The new objective is to reach "a higher employment level" without weakening the competition. A new competence complementary to those of the Member States aims to elaborate a "co-ordinated employment strategy" to attain this objective. The key element of this strategy is made of common guiding lines, defined on the model of those adopted during the European Council of Essen.

Even though the subjects of consumption and the impact of social transfers onto the economy were predominant at the beginning, the subjects of competition and employment were those which guided the decisions.⁴ Those

two imperatives led the European and national decision-makers to brandish a new leitmotiv: reduction of employing costs.⁵ It is then a global reduction of the budgetary envelope of social welfare systems that is assisted. A reduction that is generally performed with a detriment of social welfare rights. Everybody knows today, after many studies made by OECD that the reduction of social costs has no incidence of influence on employment.

Some scientists, as Bernard Friot, start with the idea that the quota, a socialised wage element, sends the employer back to his workers. The use of social quotas for the payment of the unemployment allowance is a result of historical apprehension that dismissing is an unavoidable effect of the capitalist market which relieves the employer's responsibility ever since. We could consider since then that the general and structural reduction of employment is the state's or worker representative's acceptance of the idea that unemployment is not the responsibility of the employer.

It is precisely in this context that the idea of “employment ability” appears and becomes remarkably spread. This idea interprets above all the thought that unemployment responsibility is primarily that of the employer. And that thought passes all of the directing lines for employment. We attend, with regard to the Beveridgien ideal, to two landslides (which I would rather qualify as sideslips):

- 1) The social security is not considered from a viewpoint of worker's compensation (ex-post relating to risk) but rather like a tool of insertion to the work market (therefore ex-ante relating to risk). It should be dependent with integrity and priority to this objective.
- 2) From the idea of full employment, we pass on the implementation of full activity policies. It does not matter much about individuals, their status and in which conditions they will be put to work. The most important is they will cease to pressure the welfare budget and in that case, make admissions for those rare persons which are still considered as unqualified to work with legitimate causes.

This new context puts an end to an old illusion: the restraining nature (or the absence of the restraining nature) of European instruments is not concerned with the evolution of national systems. In fact, we witness the passing of a *soft law* in the forms of traditional instruments (communications or resolutions, not even more questions of recommendations) either in the form of new methods as the “directing lines” or the “open co-ordination method”. Philippe Pochet thinks that it is all about a response to

the subsidiary principle of Maastricht. We also witness a reappearance of fundamental rights in the most constructive and least restraining form.

The European systems have never so admirably acted conservatively towards the new and only authorised model of the Active Social State in all of these documents. What are the remarkable characteristics?

1. Employment of some unoccupied population categories, presented as an expense for the social security system (the long time unemployed, those claiming minimal wage, elderly workers, single mothers, etc.). This employment is simultaneously stimulated by action on the offer (more and more unconditional social cost reductions) and demand of work (salary raise of lowest incomes by fiscal and parafiscal means, improvement of some employment statuses as part time work, stricter conditioning of some social allowances, etc.). Nevertheless we should emphasise that this employment would practically and generally take place in problematic situations. That is mainly because it submits the least qualified labour (in order to respond to the work demand) to more and more uncertain employment statuses. Sometimes we ask ourselves whether those employment statuses respond to the demands of fundamental social rights.
2. Those measures are set to respect the demands of the Maastricht Treaty and the competition of enterprises.
3. The tendency to give more benefits of the social security system for the sake of persons whose incomes are the weakest under the condition that they are “really” unable to work (the handicapped, the disabled, the old and retired, etc.). We witness an increasing looseness of the “professional” character (or Bismarck character) of the legal system, and the application of contract prices for services.
4. Measures are foreseen (at the top of the socio-professional scale) to assist the establishment of a private or professional prudence. They come in the form of pension funds of an enterprise or a sector, on the one hand, and a stimulation of workers for financial participation in the company's capital or profit, on the other hand. These types of professional prudence benefit from fiscal and social stimulation, a natural policy to reduce the cost of social security or at least to win over an important deficit. Social security justifies the provision (“forfeiture”) of service failure in the legal system in two aspects: financing the system is one point of view and fiscal and parafiscal stimulation of private prudence is the other.

CONCLUSION

At the end of the eighties, the development of awareness of the need to give more social competence to the European Union held ground in concern to assure social progress at a European scale to respond to the Europeanisation of economy. Since then, history has shown that taking social welfare into consideration at a European level has risen, stimulated, and required a slow but certain deterioration of national systems.

It is also significant that it was considered to be about time to complete article 137 of the Treaty in Nice. It was written as follows: “the held dispositions in the property of the present article cannot refrain a Member State from maintaining or establishing stricter measures of welfare compatible with the present treaty”. Henceforth, it goes “...to define the fundamental principles of their social security system, nor to maintain or establish measures of welfare...”.

Philippe Pochet interprets this disposition as reference to actual polemics in the framework of European debates on the public pension systems. Some states would like to preserve themselves with this disposition from eventual privatisation. But this fear of such cunning irregularity and the national collapse reflex brought by it are denials of a need for social internationalisation as a necessary response to the internationalisation of economy. And we all know that in fact, there is not even a least effort of social welfare improvement at a national level today.

This overview is part of the Seminary “The Social Welfare, Means of Struggle for Social Cohesion and against Social Exclusion, Reference for European Institutions” organised by COFACE, Brussels, 29 January 2001, to be published.

NOTE

FOOTNOTES

¹ VIELLE, Pascale (1999) *Introduction au droit de la sécurité sociale*, Louvain-la-Neuve: Presses de l'UCL.

² DALY, Mary (1996) *The gender division of Welfare - The British and German welfare states compared*, Florence: European University Institute.

SOHRAB, Julia (1996) *Sexing the benefit - Women, social security and financial independence in EC Equality Law*, Dartmouth Publishing Company (Socio-Legal Studies Series).

VIELLE, Pascale, *Le cout indirect des responsabilités familiales (...)*, *op. cit.*

³ See conclusions of the report *Modèles de temps de travail dans l'Union européenne: politiques et innovations analysées dans une perspective de genre*, *op. cit.*

⁴ VIELLE, Pascale, *Introduction au droit de la sécurité sociale*, *op. cit.*

⁵ See the directing lines for employment 1998 and 1999, particularly the chapter “*Make the fiscal system more favorable to employment*”.

III.

SOCIAL
—
WELFARE
—
IN
—
CROATIA
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Nino
ŽGANEC

Zagreb, Croatia

SOCIAL WELFARE
IN THE REPUBLIC
OF CROATIA;
ON THE ROAD
TOWARDS REFORM

Social welfare is an activity of special concern for the Republic of Croatia. It is directed towards catering for the basic living needs of the socially most vulnerable groups of the population, *i.e.* those who are unable to overcome life's difficulties which they are facing, neither by themselves nor with the assistance of their family. The implementation of the social welfare system is based on the principle of subsidiarity which means that individuals are expected to try to solve their difficulties primarily within their own power and with the help of their environment. The role of the government is to assist every person, especially to contribute towards the prevention of the occurrence of adverse effects that may arise from social deprivation. The rights and the eligibility conditions, as well as other issues governing the prevention, mitigation and elimination of the causes and situations of social deprivation are regulated by the law. The Republic of Croatia, as a welfare state, assures the right to assistance to all its citizens under the same conditions. Social welfare includes a series of benefits and services aimed at securing subsistence to the persons who have been left without any subsistence means. It includes assistance such as financial aid and institutional care for people who are unable to take care of themselves or who can not cover full costs of such care. In addition, social welfare also includes a whole series of professional measures in the field of the family-law protection, the protection of children and youth, assistance to persons with disabilities and to the elderly. The activities undertaken by the social welfare staff may have a preventive character or they may be taken after a specific adverse circumstance has already occurred.

THE STRUCTURE OF THE SYSTEM

The social welfare activities in the Republic of Croatia are carried out by:

- centres of social welfare,
- social welfare homes (for various beneficiaries: homes for children without parental care, homes for persons with disabilities, homes for the elderly and infirm, homes for re-socialisation),
- centres for assistance and care.

The funds for carrying out these social welfare activities and for financing the social welfare rights are secured in the state budget and in the budgets of units of local and regional self-government. Social welfare services may also be provided by religious communities, corporations, associations and other domestic and international physical and legal persons by means of the resources they have secured for that purpose by themselves. Social welfare centres may be established exclusively by the Republic of Croatia, while social welfare homes and centres for assistance and care may be established by the above mentioned subjects as well. The proceedings for granting social welfare rights are conducted by the centres of social welfare which operate at the local level, in almost all larger towns.

The Croatian social welfare system includes financial support, social welfare services and institutional care which is governed by the Social Welfare Act (*Narodne novine*, Nos., 73/94 and 27/01).

In the year 2000, the Croatian government spent 0.58 per cent of the GDP for only social assistance, while 1 per cent was spent for all social welfare services. These figures underrate the real expenditure because they do not include the costs of salaries and other material costs which would have probably accounted for a considerable portion of the expenditure, especially in the institutional care sub-component. In addition to the state-level expenditure, there is also the expenditure at the local level which the law regulates that local governments are obliged to allocate specific sums for social welfare from their own revenues. Such allocations are usually intended for assistance in covering housing costs, although some wealthier municipalities, such as Zagreb, tend to spend larger portions of their resources for a wider range of social welfare services, while the poorer ones tend to spend less. The total expenditure for social welfare at the local level, including some additional social welfare services, amounted to 0.6 per cent of the GDP in 1999.

In the administrative sense, financial benefits and services in the field of social welfare are the responsibility of the national network of centres of social welfare. There are 79 of these centres with 26 local offices. Zagreb, for example, has one centre of social welfare with 11 local offices.

Previously, these offices used to be independent centres, but have been united. In the year 2001, the social welfare sector employed more than 8,500 staff, of which 2,000 worked in the centres of social welfare and 6,500 in the social welfare institutions.

SOME FEATURES OF THE SOCIAL WELFARE SYSTEM

The Croatian system of social assistance and social welfare has, since the formation of the Croatian national state, passed through three developmental stages. It is now facing its fourth stage within the strategy of development of the entire social security system. By presenting the past evolution of the system of social assistance and social welfare, one will develop a better understanding of the forthcoming reforms.

(1) Croatia inherited its system of social assistance and social welfare from the pre-war socialist era when it was a part of the former Yugoslavia which was regulated by the Social Protection Act. Regarding the social assistance, there used to be three types of benefits for persons without sufficient income – permanent, temporary and one-time financial assistance. However, just before the dissolution of the former Yugoslav state, the so-called “social minimum” was introduced which was intended for households and not for individuals, and its level depended on the property situation and number of members of the beneficiary's family. During the war, to be more precise in 1992, Croatia had two parallel state-level systems of provision for socially deprived citizens of which one dealt with the war victims and the other with the rest of the socially deprived population.

(2) In March 1993, the Government of the Republic of Croatia adopted the Social Programme, and in August of the same year its amendments were passed. The Social Programme came about under difficult war circumstances when many people became drastically impoverished with their subsistence being at risk. The war victims, *i.e.* displaced persons and refugees were in the most difficult position and it needs be pointed out that in the year 1992 the number of displaced persons and refugees reached 700,000 which accounted for 15% of the total Croatian population. Displaced persons and refugees were receiving a special support from the state which will not be discussed in this paper. The Social Programme provided new types of assistance, which were a kind of expansion or variant of the existing types. The so-called “social cards” were introduced for the purpose of granting the rights to

social assistance provided by the Social Programme. In the year 1993, social cards were issued to 5.4% of the population of Croatia.

There were many Non-Government Organizations (NGOs) which participated in the implementation of the Social Programme. These NGOs appeared during the war and they created a significant social policy civil sector which contributed to the maintenance of social cohesion in the difficult war circumstances. The most important domestic humanitarian organisations were the Croatian Caritas and the Croatian Red Cross, however, many international humanitarian organisations appeared for the first time and some withdrew later on. In addition to the assistance by international organisations and direct assistance from foreign countries, the Croatian emigrant community provided extensive aid which helped the Croatian citizens, primarily by supporting the defence of independent Croatia.

The Social Programme, together with other programmes of assistance to war victims, may be comprehended as a symbol of strong solidarity in the time of war when national energies were mainly focused on overcoming a hard challenge facing the Croatian society in its efforts to defend the newly created state (Puljiz 1993). The history of defensive wars of other countries demonstrates similar examples of national cohesion. An illustration of this is the British solidarity in the Second World War which resulted in the famous social reform of Lord W. Beveridge. This matter was suggestively discussed by R. Titmuss, the most significant British social policy theoretician of the 20th century (Puljiz 1997).

(3) The third stage in the development of the system of social assistance and social welfare started after the adoption of the Social Welfare Act in June 1997 (*Narodne novine*, No. 73/97). That law entered into force in early 1998 and its adoption practically meant the transition from a war-time to a peace-time system of social assistance and social welfare. By that law, the social assistance beneficiaries were given the following benefits: right to counselling, assistance in overcoming specific difficulties, assistance for maintenance, assistance for covering housing costs, one-time financial assistance, allowance for assistance and care, assistance and care at the beneficiary's home, personal disability benefit, training for independent life and work, care outside the beneficiary's own home and other forms of assistance. In that law, some old forms of social assistance were replaced by the new ones, such as assistance for maintenance which became the basic form of

social assistance. It also included some new rights: personal disability benefit for handicapped persons and assistance for covering housing costs. Furthermore, it reinforced the previously neglected principle of subsidiarity which affirmed the responsibility of an individual and a family for their own social security. That principle was developed predominantly in the social teaching of the Catholic Church and it was defined by Pope Pius XI in the 1931 Encyclical *Quadragesimo anno* which, among other things, states as follows: "... it is... wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do..." (Spicker 1991). The application of the principle of subsidiarity redefines the role of the central government and lower management levels in the social sphere. The state is placed in a changed relationship towards the citizens and social groups, which is also important for achieving the approach of an active social state. Moreover, this law has regulated that at least 5% of the revenues from the local community budgets must be allocated for social assistance (primarily for housing needs). However, the result of this was that in many local communities these funds were not spent for designated purposes. Therefore, in the future regulations, this provision will have to be better elaborated and its application will have to be supervised more efficiently.

The 1997 Social Welfare Act opened up wider possibilities for operations of private and NGOs in the social sector. As a result, several NGOs and private persons established social welfare institutions, primarily homes for the elderly, broadening in this way the array of services offered to the citizens (Jurčević 2000). After the Social Welfare Act entered into force, many applications were filed for the opening of private social welfare institutions. Fosterhood, *i.e.* placement of socially deprived children and other social welfare beneficiaries in families who received payments for this, was expanded especially in the northern parts of the country. There have been many private contracts on inheritance, life-long maintenance of deprived persons and similar. This shows that de-etatised and de-institutionalised social welfare structures already existed in some forms which is significant for the development of the new social policy approach.

(4) The fourth stage of the development of social assistance and social welfare which will be marked by new

changes and are partly contained in the Draft Law on Amendments to the Social Welfare Act of February 2002. Such amendments will "... provide for normative prerequisites for gradual decentralisation of the social welfare system in so far as it relates to the financial and organisational arrangements, and especially by creating preconditions for the transfer of foundation rights over homes for the elderly and infirm persons whose founder was the Republic of Croatia" (Draft..., p. 15). The Draft Law regulates that units of local self-government would participate in the financing of the centres of social welfare starting from 1 July 2001 which will be achieved by redistributing the funds collected from taxes and other instruments for the benefit of local units. Furthermore, local and regional units will take over foundation rights over homes for the elderly and infirm persons. Local units will be represented on the new management boards – bodies for management of centres of social welfare, and they will also have authority regarding the appointments and dismissals of the centres' directors.

THE ROLE OF SOCIAL WELFARE IN FAMILY POLICY OBJECTIVES

The social welfare system is composed of three main components:

- *Financial support:* It is aimed at providing financial assistance to all those who have problems of an economic nature, but also to those facing specific problems related to disability, long-term illness, etc. Financial assistance for economic problems may be provided either on a regular basis or on single occasions – to those who experience temporary difficulties. The income threshold for eligibility to regular assistance is rather strict and it had been kept at the level of 350 KN until March 2001 when it was raised to 400 KN. The benefit is low (an individual receives 100% of the threshold amount, while a family receives additional amounts for each family member, depending on their age, but it is usually less than 100 per cent of the base). Beneficiary targeting is more or less good,¹ and having in mind the amounts of financial support, it is likely that there is the element of self-evidency of beneficiaries. The number of beneficiaries of regular and one-time assistance is on the increase and in late 2001 it amounted to over 100,000 or more than 2% of the population. The government is particularly distressed because of the large number of unemployed and able-bodied persons among the recipients of that support (over 50%) who are usually not encour-

aged enough to seek new employment. Priority is, therefore, given to education and other initiatives related to this category. In addition to the regular and one-time assistance, there are also other types of financial assistance, including rent allowance, allowance for care at home, allowance for disability and allowance for covering various costs, for example, the costs of food, clothing and footwear, heating, etc. Many of these allowances are subject to means test, although the threshold for eligibility for them may not be higher than that for the regular assistance.

- *Social welfare services:* In addition to financial support, the system also offers other services pertaining to the field of social welfare, including counselling services, assistance for persons with mental or physical disability, counselling about family problems, care for children in case of separation or divorce, care for homeless children (including help in finding accommodation - foster care), and assistance for individuals and families faced with some specific difficulties, e.g. alcoholism, delinquency, etc. The 1998 Family Act (*Narodne novine*, No. 162/98) broadened the range of tasks dealt with in relation to family problems.
- *Institutional care:* Some persons are also helped through institutional care which can roughly be divided into three categories: for children and youth, for persons with mental and physical disability and for adults and the elderly. In the year 2001, Croatia had 112 institutions of which 100 were financed from the State Budget. Of the government-financed institutions, there were 14 for children and youth (891 beneficiaries), 24 for persons with mental and physical disability (3,024 beneficiaries) and 62 for adults and the elderly (13,538 beneficiaries).

In addition to what has been mentioned above, there are also other elements of the social protection system which can, generally speaking, be assigned to the category of social assistance and social welfare: firstly, financial support paid by the State Institute for the Protection of Family, Motherhood and Youth (as a part of the Ministry of Labour and Social Welfare) and secondly, services provided by the Croatian Employment Office aimed at granting financial support to unemployed persons and actively helping them to find employment. The most important financial benefit is the children's allowance which is granted subject to means-test and whose expenditure in 2000 amounted to nearly 0.8 per cent of the GDP. The recent changes (including the expansion of coverage to children

of unemployed persons, farmers and craftsmen) converted this from a benefit for households with children and low income (paid by employed persons on a mandatory basis) into a kind of social welfare benefit granted subject to means-test (although under an imperative condition – there must be children in the household). The children's allowance and the Employment Office scheme are closely interrelated and synergistic with the social welfare system. The Employment Office services have a particularly important role, in view of a large share of unemployed persons in the social assistance recipients. The family policy is focused on raising the quality of life for families, but it also has a population policy component, which means that it has influence on demographic reproduction. Since, in our circumstances, it also has strong elements of fight against poverty, it is all the more complementary to the system of social assistance and welfare.

THE DEVELOPMENT OF SOCIAL WELFARE IN THE REPUBLIC OF CROATIA

The Croatian system of social welfare is faced with many problems. In the nineties, *i.e.* in the war and post-war period, little progress was made in the field of the social welfare policy. That period saw a massive and uncoordinated increase in the financial support and in the number of its beneficiaries, with an emphasis on specific groups, such as Homeland War defenders whose income situation was not necessarily poor, but their voice had great political power. Although the number of social problems related to relocation of the population is possibly on the decrease, the lack of economic growth in the post-war period raised the number of some additional problems of which the most important one is growing unemployment and its influence on the social welfare system through the increase in the number of beneficiaries. In the social field, other significant problems include the rise in family abuse and juvenile delinquency. The absence of social policy development in the nineties was complimentary with inadequate professional development and training of the majority of staff in that sector. There are no modern information systems and databases for planning, policy development, as well as control and evaluation of the existing programmes because of the limited use of information technology. One of the legacies of the war is a high degree of centralisation. Although the activities of NGOs and groups for the promotion of civil society (especially in the field of humanitarian assistance) have intensified, there has been no sys-

tematic development of co-operation between the public and the private sector. Also, there is a practice of institutionalising the groups of the population who would probably be more effectively cared for within the local communities or in alternative care arrangements. An additional aspect in the context of the forthcoming Association and Stabilisation Agreement is compatibility of the Croatian social welfare system with the standards and guidelines of the European Union.

Several weaknesses can be observed in the functioning of the system up to now. These are the following:

- non-transparency of the system; deficient information and scientific background about the social situation, *i.e.* about the actual and potential beneficiaries and effects of the measures that have been undertaken;
- education of the staff inadequately adapted to the present and future needs of the system; lack of lifelong education; lack of quality staff on the key points of the system who would be the driving force of its transformation;
- low level of information about social rights leading to misunderstanding, blockades and inefficiency of the measures undertaken to combat poverty and social deprivation;
- insufficiently founded and changeable criteria for the identification, implementation and evaluation of various measures in the system;
- excessive centralisation of the system resulting in its being closed, rigid and non adjusted to the needs of the beneficiaries and the local community;
- excessive institutionalisation of the system and poor co-operation with the local bodies, private and not-for-profit sector;
- undeveloped preventive and active functions of the system, especially with regard to the measures of integration of beneficiaries into the world of work and into the society.

In order to respond to these problems, the Ministry of Labour and Social Welfare has prepared a specific number of steps it is planning to take in relation to the planning and implementation of the reforms in the social welfare sector. The amendments to the Social Welfare Act adopted in March 2001 marked the beginning of a gradual decentralisation of the system. In the first stage, decentralisation covered the homes for the elderly and expenditure for maintenance of centres of social welfare and this is to be followed by the preparations of a thorough decentrali-

sation of the whole system. The work on a general reform strategy is going to start on 1 March 2002 which will include the plans for co-operation between the public and the private sector, de-institutionalisation, development of independent professional bodies in the field of social policy and social work, and further elaboration of the plans for decentralisation. The implementation of the reform is planned to start as from the year 2003 onwards.

In parallel with the process of development of social welfare reform, the Ministry of Labour and Social Welfare has also been developing the National Programme for the Reduction of Poverty whose aim is to be an instrument of a thorough assessment of the social benefits policy.

In view of the noticed weaknesses and the already undertaken measures, the *long-term aims of the reform* to be achieved in relation to the strategy of development of the social assistance and social welfare system are to be:

- based on high ethical and professional principles;
- a transparent activity related to the situation and the needs of the beneficiaries;
- a contribution to the material and psychosocial well-being of the citizens;
- an obligation and responsibility of the local community in the first place;
- a significant contribution of non-governmental organisations and social environment;
- divided in the administrative and legal, as well as professional activities;
- a “new” area of private initiative;
- a support for the integration of the poor and socially deprived persons into the society and the world of work.

To simplify, it is possible to speak about two categories of measures in the strategy of development of social assistance and social welfare: the first category relates to the raising of effectiveness and the second one to the modernisation of the system of social assistance and social welfare.

Raising the level of effectiveness of the system

Improvement in transparency, information and scientific background of the system

The available information on the social situation, on the measures taken in the social assistance and social welfare system, and on their consequences is insufficient and

limited, and is, therefore, not sufficient for a well-founded social policy and action in this area. What sufficiently proves that, is the fact that it was only the recent research by the World Bank and the State Statistical Office that gave rather reliable information on the social picture and poverty in the Croatian society. For that reason, it is necessary to systematically follow, in terms of documentation, and carry out a scientific research of a number of features in order to have a fuller insight into the social situation, into the adequacy and effectiveness of the measures of social assistance and social welfare. It is especially important to collect and analyse the data about the poor and socially deprived citizens, actual and potential beneficiaries of social assistance and social welfare, and, in accordance with that, adopt and apply social measures, and evaluate their effects. For that purpose, the following should be done:

- carry out the *informatisation of the system*, including standardised monitoring of the data about beneficiaries, measures and effects of the system of social assistance and social welfare;
- the Ministry of Labour and Social Welfare should establish the *Institution for Social Work (Social Assistance and Social Welfare)* which would process the data and information at the level of the entire system, carry out analyses, evaluate measures, prepare proposals for the improvement of the activities, design social programmes, laws implementing and other regulations;
- establish the *Institute for Social Policy* aimed at systematic scientific research of social policy, particularly in the field of social assistance and social welfare; the Institute would follow the basic social processes, the procedures for adoption of social policy measures and their effects in the society; it would engage in comparative research of the Croatian and European social policies.

*Raising educational levels of the social welfare staff,
introducing post-graduate studies and lifelong education*

In the forthcoming period, the education of social workers and other staff will have to be harmonised with the needs of an active social policy which will be developed in the field of social assistance and social welfare. In this respect it is necessary to:

- *improve the education of the professions which are fundamental for the sector* (social workers, social pedagogues, psychologists, lawyers) in the reformed curricula, greater attention should be directed towards social rights, social planning, taking social actions, animating and em-

- powering beneficiaries, mobilising the resources of the civil society, activities of the not-for-profit sector, social entrepreneurship and the like; it is, therefore, necessary to introduce in the curriculum the elements of an active approach and search for solutions beyond government measures, which has not been sufficiently present;
- organise *post-graduate and doctoral studies in social work and social policy* to educate quality professionals and scientific workers who take lead in the processes of modernisation of the system of social assistance and social welfare;
 - establish *lifelong education of the staff* in the social assistance and social welfare system, which is necessary for the adoption of innovations and active participation in the development processes.

Effectively informing about social rights and social programmes; ratification of the European Social Charter

Social rights and human rights are interrelated and if they are unknown and neglected, a democratic development of the society is put at risk. Almost all countries are faced with the phenomenon of *non take up* of social assistance and social welfare by potential beneficiaries, who are in need of them. The majority of analysts agree that the basic cause of that is the potential beneficiaries' fear of stigma in the community where they live, insufficient education, not being acquainted with the rights, complicated procedures for the granting of benefits, and similar reasons. In order to improve the level of information about social rights provided to beneficiaries and to the whole society, it is necessary to do the following:

- improve the *education of the staff about social rights*;
- *improve the level of information given to beneficiaries* through the centres of social welfare by starting free hot-lines, internet pages, etc., all this with the goal of easily informing the potential beneficiaries about social rights, procedures for granting such rights and obligations arising from them, changes that are taking place, etc.;
- encourage *non-governmental organisations* to spread information about social rights and possibilities for other forms of assistance for the socially deprived population;
- improvement of an effective exercise of social rights should be enhanced by the *ratification of the 1961 European Social Charter* signed by Croatia in March 1999; the key article in the Charter is Article 13 (Right to social and medical assistance) which has 4 paragraphs: the

first one defines the right to social and medical assistance, the second relates to the non-discrimination of beneficiaries of social and medical assistance, the third prescribes the right to counselling and assistance in overcoming a situation of need and the fourth speaks about the right to social and medical assistance for citizens of the contracting parties; after the ratification of the 1961 Charter, it will be necessary to *ratify*, no later than within 5 years, *the 1996 Revised Social Charter* whose ratification is prepared by a number of countries, including many post-socialist countries, less developed than Croatia (Croatia should, therefore, not be behind in that process);

- with the ratification of the European Social Charter, Croatia will enter the European system of application and supervision; it will at the same time improve the *regular national reporting and discussion* about the social situation, social rights, social policy and its effects; generally speaking, the ratification of the Charter should be conducive to the improvement of social circumstances in the country and represent a critical step in the Europeanisation of the Croatian social policy and social law.

Modernisation of the system

Re-defining the criteria for the exercise of rights in the social assistance and social welfare system

In Croatia, a large number of beneficiaries receive not only permanent assistance, but also some other forms of benefits, especially one-time financial assistance. The granting of one-time financial assistance often calls into question its basic purpose, that is, support for overcoming immediate material difficulties. For this and for other reasons, it is necessary to gradually stabilise the criteria for granting rights in the system of social assistance and social welfare. In this regard it is necessary to:

- *adjust the level of social assistance* with the inflation rate *in due time* and make sure for its regular distribution, that is, to stabilise the system at the achieved level;
- in the long term, *define the official national poverty line* and determine the level of benefits accordingly; that line should start from the category of absolute poverty; likewise, the level of assistance should be assessed in view of other benefits, like the minimum pension, in order to eliminate the so-called *poverty trap*;

- in the foreseeable future, Croatia should introduce the category of the *so-called minimum income* implying basic subsistence needs and the minimum standard of living; such standard should be established objectively; the minimum income would constitute some kind of anchor in the social security system, and would at the same time be a criterion for the determination of other benefits. “Various social security benefits would be defined in relation to the minimum income. Therefore, the introduction of minimum income may be useful in the development of an integrated model for responding to the poverty and social exclusion.” (Šućur 2000).

Decentralisation of the social assistance and social welfare system

The Croatian system of social assistance and social welfare is too centralised, therefore, non-flexible and closed to local communities and the civil society. Decentralisation is, accordingly, a logical step in the transformation of the system which should contribute to its effectiveness. Decentralisation means the establishment of an intermediary level between an individual and the state and it implies a kind of territorialisation of social action which makes possible for operations of various formal and informal groups in the social sector (Castel 1995). Decentralised systems are more comprehensive because they cover larger portions of the population and are closer to the beneficiaries because their needs may be better identified and met in such systems.

De-etatisation and de-institutionalisation of social assistance and social welfare

De-etatisation and de-institutionalisation are important dimensions of the social assistance and social welfare reform. Namely, it is not enough just to decentralise the social assistance and social welfare because that would mean simply to transfer the state's social distribution from higher to lower levels, without any substantial changes to the structure of the system itself. For this reason, it is necessary to carry out de-etatisation and, possibly, de-institutionalisation of different forms of social activities. The advantages of such an approach are numerous because it helps reducing the costs and offers to the beneficiaries a wider array of social services. For that purpose, it is necessary:

- to include, to the greatest possible degree, *other subjects* in the efforts aimed at the meeting of social needs of

deprived individuals and groups, such as: private entrepreneurs, not-for-profit organisations, families and other social groups; the tax system should be adapted in that regard in order that it may encourage the operations of non-governmental organisations;

- to give preference to the *approach of self-help and empowerment of beneficiaries*; “The favourableness of the combined policy approach is also the development of an *active citizenship*. Another favourableness is also the decentralisation, which means pluralism in the service delivery”;
- to *widen the humanitarian network, reinforce its services and raise its responsibility*, precisely because such organisations are more elastic than the state ones and they are more familiar with the area in which they operate. “Their strengthening creates prerequisites for the application of a welfare mix model. In that regard Croatia has considerable possibilities, because they are a kind of 'internal' reserves of a ramified network of disabled people's organisations, their equipment, financial resources, experienced staff and motivation”;
- to *include persons with developmental difficulties in the community* “... which creates within the community (local environment) conditions for rehabilitation, equal opportunities and social integration of all persons with developmental difficulties. This model may be realised by joint efforts of the persons with difficulties themselves, their families, other members of the community and relevant services in the field of social welfare, health, education and professional training. The basic goal of such an approach is to develop a system which would encompass all persons with difficulties who need assistance, with the use of resources which are realistic and bearable in the national context”;
- to care for the *elderly persons, the advantages of the non-institutional approach in the local community* are encouraging the activities of beneficiaries and their families, making sure that the care “is provided in a natural family environment, that it is flexible and may satisfy various needs of the beneficiaries, that it promotes the use of the existing and new social resources, that it disburdens the state and has a preventive character”;
- in order to co-ordinate the activities on the regional and local levels it is necessary to *establish social councils* whose members would be representatives of the authorities, private and not-for-profit organisations, and beneficiaries of social assistance and social welfare.

The new function of social assistance in the process of integration into the labour market and into the society

There is a prevailing attitude that unemployment benefits and social assistance, as passive measures, should be as much as possible transformed into active measures aimed at the inclusion of the beneficiaries in the world of work. In criticising social benefits, arguments are usually heard that they are disincentive to work, that they do not enhance self-help and, therefore, ultimately result in the increase in the poverty and social exclusion. Such criticism, most often heard in the U.S.A., is sometimes excessive, but it nevertheless indicates that there is a need to re-conceptualise the social assistance from a passive form into an active form.

In that connection, the “workfare” policy model is advocated to a great extent. Such programmes of the inclusion of unemployed people have been established not only in the U.S.A., but in other countries as well (e.g. UK, Denmark, France). The case of France is especially interesting because in 1988 it replaced the passive social assistance and unemployment benefit by the so-called “minimum inclusion income” (in French RMI). It is based on a kind of contract between the individual and the state – *contrat-emploi-solidarité* (contract-employment-solidarity) under which the state gives a minimum income to the unemployed person or socially excluded individual, but, in return, the state obliges him or her to search for employment, undergo education or perform other forms of community work. Croatia may develop small programmes of inclusion, primarily in the local community and in co-operation with NGOs. Two years ago the Croatian Employment Office launched for the first time such programmes of employment which were implemented in small work groups, most frequently in the field of social welfare and environment protection, reconstruction of destroyed houses, settlements and similar. These were community work projects initiated by the local community and had a not-for-profit character, so they were not competitive to the economic projects on the market. Among such programmes, the second important ones were the social programmes (e.g. assistance for the elderly and infirm persons).

In view of “workfare programmes”, it is necessary to:

1. establish a close *co-operation between the institutions of social assistance and social welfare, on the one hand, and the employment system, on the other hand*, and work towards engaging social welfare beneficiaries in small-scale, local and flexible work programmes;

2. at the level of local communities, *establish bodies of co-ordination between social and work programmes, non-governmental organisations and local authorities*, with a view to spread the active measures for combating unemployment, poverty and exclusion;
3. develop a *strategy for the inclusion of the unemployed and poor persons in the labour market*, which means that new purposes and dimensions must be assigned to the system of social assistance and social welfare, within the approach of an active welfare state.

The strategy of development of the system of social assistance and social welfare should be linked with the employment promotion strategy, the family policy and the population policy.

CONCLUSION

The social welfare system of the Republic of Croatia finds itself at the turning point which includes many reform efforts that have been planned. The authors of the reform in this complex process may rely on some of the strengths existing within the system, but it is also necessary to have in mind many potential problems.

The reform process definitely includes the highly educated and trained professional staff (social workers, psychologists, social pedagogues, lawyers, etc.), and a relatively well-developed infrastructure. One of the greatest potential problems may be the one related to the fear and uncertainty of the new organisation which will inevitably require some new rules and new procedures. These problems will have to be addressed by careful interpretation of new solutions and gradual introduction of novelties. In the process of the reform, the holders of the social welfare reform (the Ministry and external groups of experts) can also rely on considerable assistance from their colleagues from other countries whose knowledge and experience might help eliminate the fear and indicate that some of the planned solutions have been functioning well for many years. For the preparations of the reform, the Republic of Croatia has already received international financial assistance, and having in mind the scope of the planned reform efforts there will undoubtedly be necessary to find considerable financial resources for their implementation.

FOOTNOTE

¹ The Economic Welfare and Vulnerability Study made by the World Bank established that about one half of the funds spent on the 1998 programme was targeted at the lower fifth of the population.

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POVERTY, WELFARE
POLICY AND SOCIAL
TRANSFERS: THE CASE
OF THE REPUBLIC
OF CROATIA

In general, the art of government consists in taking as much money as possible from one class of citizens to give to the other.

VOLTAIRE (1694-1778),
French writer and philosopher

And distribution was made to each as had need.

ACTS 4:35

A decent provision for the poor is the true test of civilization.

Samuel JOHNSON (1709-1784),
English lexicographer and writer

Almighty God! Thou who holdest in thy hand the minds of men, deliver us from fatal arts and science... give us back ignorance, innocence and poverty which alone can make us happy and are precious in thy sight. (Discourse on the Arts and Science, 1750: 27)

Jean Jacques ROUSSEAU (1712-1778),
French philosopher, social and political theorist

WHETHER ECONOMISTS SHOULD CONSIDER DISTRIBUTIONAL ISSUES AT ALL?

Some argue that discussion of distributional issues is detrimental to objectivity in economics and economists should restrict themselves to analysing only the efficiency aspects of social issues. One can assert that only efficiency matters, but this in itself is a value judgment.

Second, decision-makers care about the distributional implications of policy. If economists ignore distribution,

then policymakers will ignore economists. Policymakers may thus end up focusing only on distributional issues and pay no attention at all to efficiency. The economist who systematically takes distribution into account can keep policymakers aware of both efficiency and distributional issues.

A related question is whether government ought to be involved in changing the income distribution. Some important traditions of political philosophy suggest that government should play no redistributive role. However, even the most minimal government conceivable influences the income distribution.

There are a number of distinct approaches to providing the recipe for an optimal distribution of income. **Normative theories** tend to be more egalitarian:

- **Utilitarianism** – associated with the maxim of the greatest happiness to the greatest number of people, so maximize social welfare is to equalize the marginal utility from income.
- **Uncertainty** – in an uncertain context the expected sum of utility will be maximized by an equal distribution.
- **Social welfare function** – Rawl's assertion about original position where people have no knowledge of what their place in society is to be: will they be rich or poor, and redistribution is insurance against disastrous outcome.

Positive theories are generally more pessimistic about redistributive prospects:

- **Independent utility function** – independence is tied to specific goods (health care or education), so with many “haves” emerges a free rider problem.
- **Majority voting** – a vote maximizing political party therefore has an incentive to propose redistribution from the richer segment to the poorer majority.
- **Income insurance** – redistribution is based on the idea of income uncertainty and possibilities for insurance, individuals can gain from ensuring an average income in all period provided the transaction costs of the policy do not fully swamp the potential gain.
- **Buying protection** – the rich will be happy to see the potential revolutionaries bought off.

To understand poverty, it is essential to examine the economic and social context, including institutions of the state, markets, communities, and households.

POVERTY IS MULTIDIMENSIONAL

The persistence of poverty is linked to its interlocking multidimensionality: it is dynamic, complex, institutionally embedded, and a gender- and location-specific phenomenon. The patterns and shape of poverty vary by social group, season, location, and country. Poverty differences cut across gender, ethnicity, age, location (rural versus urban), and income source.

In households, children and women often suffer more than men. In the community, minority ethnic or religious groups suffer more than majority groups, the rural poor more than the urban poor; among the rural poor, landless wagers suffer more than small landowners or tenants. These differences among the poor reflect highly complex interactions of cultures, markets, and public policies.

The state has been largely ineffective in reaching the poor. The role of NGOs in the lives of the poor is limited, and the poor depend primarily on their own informal network. Households are crumbling under the stress of poverty. The social fabric, poor people's only insurance is unravelling.

How poverty is created

Numerous characteristics of a country's economy and society, as well as some external influences, create and perpetuate poverty:

- political instability and civil strife;
- systemic discrimination on the basis of gender, race, ethnicity, religion, or caste;
- ill-defined property rights or unfair enforcement of rights to agricultural land and other natural resources;
- high concentration of ownership and asymmetrical tenancy arrangements;
- corrupt politicians and rent-seeking public bureaucracies;
- economic policies that discriminate against or exclude the poor from the development process and accentuate the effects of other poverty-creating processes;
- large and rapidly growing families with high dependency ratios;
- market imperfections owing to high concentration of productive assets and distortionary public policies;
- external shocks owing to changes in the state of nature (for example, climatic changes) and conditions in the international economy.

Absolute poverty can be alleviated if at least two conditions are met:

- economic growth must occur – or mean income must rise – on a sustained basis;
- economic growth must be neutral with respect to income distribution or reduce income inequality.

Generally, poverty cannot be reduced if economic growth does not occur. Successful poverty alleviation rests on providing **opportunities, security and empowerment**. Creating opportunities for the poor to lift themselves out of poverty requires action to create an economic environment more conducive to equitable growth. Supporting the long-term poor and extending the safety net to mitigate impoverishment due to transitional shocks will result in greater security. Creating institutions that enable the poor to directly affect policies and social processes will make State interventions more effective in combating poverty. These three elements of the anti-poverty strategy are clear complements and reinforce the positive effects of each other.

HOW TO MEASURE POVERTY OR WHO IS POOR

A person considers himself to be poor because he has a Cadillac but his neighbor has a BMW.

A) Using the distribution of money income among households (Table 1)

Table 1
 The distribution of money
 income among households
 for USA

Year	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Highest fifth	Top 5 percent
1967	4.0	10.8	17.3	24.2	43.8	17.5
1972	4.1	10.5	17.1	24.5	43.9	17.0
1977	4.4	10.3	17.0	24.8	43.6	16.1
1982	4.1	10.1	16.6	24.7	44.5	16.2
1987	3.8	9.6	16.1	24.3	46.2	18.2
1992	3.8	9.4	15.8	24.2	46.9	18.6
1996	3.7	9.0	15.1	23.3	49.0	21.4

The table suggests the presence of a lot of inequality and it has increased.

B) To compute the number of people below the **poverty line**, a fixed level of real income is considered enough to provide a minimally adequate standard of living.

While there is clearly **some arbitrariness** in determining what is adequate, the notion of a poverty line still pro-

vides a useful benchmark. (To compute the poverty line, the first step is to estimate minimum cost of a diet that meets adequate nutritional standard. The second step is to find the proportion of income spent on food in families of different sizes. The poverty line is then found by multiplying the reciprocal of this proportion by the cost of the “adequate” diet.)

The poverty line for a **family of four in 1996 in USA was \$16,036**. During the same year, the median income – the level half the families were above and half below – was \$35,492. In 1996, 36.5 million people were below the poverty line, 13.7 percent of the population. Poverty rate has changed over time so the incidence of poverty in the USA is considerably lower now than it was three decades ago (Table 2).

Year	Poverty rate (%)	Year	Poverty rate (%)
1959	22.4	1979	11.7
1960	22.2	1982	15.0
1965	17.3	1985	14.0
1970	12.6	1989	12.8
1976	11.8	1996	13.7

Table 2
 Poverty rate in USA

In contemplating policies that might alleviate poverty, it is sometimes helpful to know how far the poverty population lies below the poverty line. The poverty gap measures how much income would have to be transferred to the poverty population to lift every household's income to the poverty line (assuming the transfers had no effects on the recipients' work effort). In 1996, the poverty gap stood at roughly \$80 billion.

Practice which is conventional among OECD poverty researchers is taking 50 (or 60, 70) percent of median national equivalent disposable income (or consumption) as poverty line.

The conventions and limitations of data

Data on the income distribution and the poverty rate receive an enormous amount of public discussion. It is therefore important to understand the conventions used to construct these figures and their limitations:

- Census income consists only of the family's cash receipts.
- The official figures ignore taxes.
- The official figures exclude in-kind transfers from the government.

- Income is measured annually.
- There are problems in defining the unit of observation.

Any poverty number depends critically on the choice of methodology, especially on the poverty line chosen. For that reason it is often hard to compare poverty rates across countries, these comparisons can be meaningless if the countries' poverty lines are widely different.

Former political system and poverty

In former socialist countries full employment was ensured, job security was guaranteed and unemployment usually actual illegal. There was every incentive to expand employment, and none to economize on labor use. Employers were paid relatively low net wages with particular low returns to education. In addition to their central role in providing the employment guarantee, a number of social functions devolved to enterprise, including the provision of many social services. The enterprise often provided to their employees goods in short supply, and considerable amount of compensation was in-kind (housing, food, other subsidies) rather than as a part of the explicit wage. Economic risk-taking was discouraged.

The poor and attitudes towards them. Social assistance for the poor played a highly subsidiary role. The employment guarantee, widespread transfers, free or almost free health and child care and education, combined with high labour force participation rates for women and subsidization of essential products, were the principal instruments for prevention of poverty. However, the role of social assistance was not comparable to that it typically has in the rich Western countries, neither in terms of its extent nor consideration for the poor. In part this was due to the fact that poverty was not widespread, and in part to the ideological taboo that preferred not to see poverty, since in an ideal socialist system poverty would be eliminated. Anti-poverty policy thus dealt only with “excess” cases of alcoholics, handicapped, etc. and was undertaken half-heartedly by local authorities or, if tolerated, by charitable organizations.

Not surprisingly, the “capitalist” poor, who, under the new system, were given the chance to educate their children, migrate to cities, or make successful careers in state or party-sponsored institutions, often proved the strongest supporters of socialist regimes. But, in regard to the “socialist poor” the authorities were generally indifferent. Not only did the existence of the poor mock the regime's claim that poverty was a capitalist phenomenon, communist ideologues genuinely regarded such people as

aberrations. They argued that if everyone was guaranteed free schooling, to be followed by a steady state job and all the benefits that go with it, if everyone could avail of generous family allowances, and, after retiring, could enjoy adequate pension, then the fault for being poor lay with these people and not the system. Poverty was not only viewed as social pathology and an implicit denial of the “perfectness” of the system but rather as an explicit **anti-social choice** by the poor (“the poor do not want to work” hence “they do not want to contribute to the building of the new society” hence “they are anti-social elements, parasites”). The communist view had logic: if perfect society is here, and its virtues are self-evident, only the ill-disposed and wicked people can refuse to participate in such an endeavour. Communist authorities therefore encouraged the stigma in which other citizens anyway tended to hold the poor. And, to make their plight worse, communist authorities discouraged non-government organizations from helping them, because they distrusted all non-governmental initiatives and viewed them as politically motivated ploys to acquire influence by helping the disenfranchised.

Why is inequality an obstacle to economic growth especially in transitional countries?

There is a negative impact from inequality to growth:

- High inequality leads to **sharper crisis** in response to external shock as distributional conflicts between the rich and the poor impairs functioning of newly establishing democracy.
- Higher inequality leads to significantly **higher violent crime** because of relatively higher pay-off from crime to those who are poor.
- Inequality also leads to **deterioration of the (small) social capital** and **lower participation** in civil society thus reducing opportunities for the poor to influence policies.

Croatia, like ex-Yugoslavia after all, was not a classic planned-economy. It can be said that until the beginning of the transition process, unemployment and low levels of qualifications and education were the most important determinants of poverty. In other words, the danger of marginalization was directly linked to exclusion from the world of work. If employment or unemployment is one of the determinants of the need for welfare benefits, another one is the amount of the wage earned. In many cases low and irregular wages are an important cause of poverty.

With a per capita income over US\$ 4,500 Croatia is the second richest of the former republics of Yugoslavia. Its output structure resembles that of a Western economy. Social indicators, such as infant mortality, literacy or life expectancy are similar to other European countries. The system of social transfers is one of the most extended in the region. However, all these factors by themselves do not preclude the existence of absolute poverty; its extent depends, in fact, on how income and transfers are distributed.

Using an **internationally comparable** standard across transition economies (4.30 US dollars a day per person at purchasing power parity) it was found that the incidence of absolute poverty in Croatia is very low. This international standard, however, may not reflect adequately specific conditions of each society. For policy makers what matters is the extent of poverty based on nationally relevant standards.

There is no **national** official poverty line in Croatia. The World Bank study has estimated the level of total expenditures (including non-food items) of households in Croatia at which families, after paying for essential non-food expenditures, just attain minimal nutritional needs. This level of expenditures represents therefore an **absolute poverty line** and amounts to 41,500 HRK per year (in 1998 prices) for a couple with two children or 15,474 HRK for an “equivalent adult” (Table 3). Only around 10 percent of the Croatian population fall below this nationally specific poverty line.

The analysis of poverty has revealed that the **poverty gap** is 1.8 percent of total consumption, and that on average the consumption of a poor household is 20.7 percent below the poverty line. To bring all poor above the poverty line with perfect targeting (*i.e.*, each poor person is given a transfer exactly equal to the poverty gap) would cost 1 percent of GDP; and to give to all poor the amount equivalent to the poverty line would require 4 percent of GDP. Therefore, it would be affordable for Croatia to completely eliminate absolute poverty.

Table 3
 Absolute poverty in 1998 in
 Croatia

Internationally comparable poverty line (USD 4.30/day at PPP)	7,321 HRK/year
National absolute poverty line	15,474 HRK/year
Poverty rate with international line	4.0%
Poverty rate with national line	8.4%

Those who have the misfortune to be poor are seriously deprived

Life of the poor differs in many respects from the non-poor. The poor tend to live in overcrowded, poorly maintained dwellings; their diet is limited to basic staples (especially for the urban poor who can afford little beyond basic staples such as bread, potatoes or milk); and, they are poorly educated. Only few have savings; they are often immobile, and their social networks are very limited.

The poor have distinct characteristics...

The poverty profile is dominated by two groups: poorly educated individuals and the elderly.

Almost seventy-five percent of the poor live in families where the head has **primary education** or less. They are likely to have bad prospects for finding employment when they are **not employed**, or have low earnings when they are employed. The risk of poverty is particularly high when poor education is combined with unemployment.

Low pension benefits or no pension at all in old age is the second cause of poverty: 40 percent of the poor live in households with a **retired** person. In 1998 as many as 25 percent of all retirees did not receive pension benefits and about half of pension beneficiaries received pensions that were below the poverty line.

In combination with limited opportunities the poor are likely to be stuck in long term poverty

Poverty in Croatia has already many features of a permanent state: the poor are unlikely to escape poverty easily. This is due to two basic reasons:

- There are limited economic opportunities because growth so far has not **generated enough jobs**. Despite positive economic growth in 1995-98, the net change in employment was persistently negative: many old jobs have been destroyed and very few new jobs have been created. **Growth has benefited primarily those who kept their jobs**. But for those locked outside employment, the effect was close to nil, if not negative. Furthermore, **over-regulation of employment**, especially constraints on layoffs, is limiting opportunities for small businesses and flexible working arrangements, both of which could constitute a viable alternative to wage employment for the poor.
- The poor are at a **disadvantage** to benefit even from this limited set of opportunities. Once locked outside

employment, unemployed and economically inactive have limited possibilities to break the circle of impoverishment. Over half of the unemployed are long-term unemployed, so analysis of labor market flows suggests that both unemployed and inactive are unlikely to find a new job. Most of the working age individuals who are not employed have either very **low educational endowments** (primary) or **narrowly formed skills** (vocational schools graduates). Those who are currently locked outside remunerative employment due to their level of education are also likely to see their limited opportunities perpetuated for their children.

- In addition, **inequality is high, and the poor are likely to be also socially excluded**. The gap between the rich and the poor in Croatia is wider than in middle or low-inequality countries. Increase in inequality was a normal result of transition, as markets started to reward scarce skills and entrepreneurship. However, inequality in Croatia rose to levels far exceeding those generally observed in transition and market economies.

Absolute poverty in Croatia is low, but this diagnosis is deceptively comfortable. Inequality is high; Croatia would have had even a lower poverty rate, if inequality were in a range of other CEE countries. The type of economic growth that Croatia had failed to generate is enough economic opportunities, and the poor are at a disadvantage to benefit from these opportunities.

CAUSES OF POVERTY IN CROATIA

The poverty profile reveals two main economic causes of poverty:

- limited employment opportunities and
- inadequacy of a social safety net.

Poverty is not limited to certain areas or groups of population: although certain ethnic groups (Serbs, Albanians, Romanians, Bosnian Muslims) have higher poverty, **the poor live in all regions and are predominantly Croats**. Moreover, the analysis of poverty risks shows that higher regional poverty risks are themselves primarily a result of lower educational attainment of population in these areas. War accompanied by high inflation contributed to a sharp deterioration in living standards in 1991–95 and sharpened pre-existing inequities. At the same time, many vulnerable families fell through the cracks of the inherited social protection system. But the war is not the **only** cause of poverty in Croatia nowadays: since 1995

the **economic policies** pursued by the government have tended to exacerbate income inequality.

Since the beginning of transition, the Croatian Government has **relied excessively on early retirement to ease pressures in the labor market**. This policy created a gap between the falling number of contributors to the pension system and to the State transfer system in general, and the growing number of beneficiaries. As a result transfer recipients had to rely on smaller benefits. The poverty profile, which is dominated by the elderly and non-employed, can be traced to these developments. On the other hand, real wages of those who are employed have reached pre-transition levels. This recovery was also far from equitable and is likely to turn out unsustainable. The public sector has been the leader of rapid wage increases. Sectors under the direct or indirect control of the State (40 percent of employees) absorbed almost all the economy-wide increases in real wage bill between 1997 and 1999.

High and growing expenditures for social insurance and protection in Croatia are the consequence of the large number of persons who depend on assistance from the state (pensioners, the unemployed and, in general, economically inactive persons) with the shrinking number of contributors. This has led to **higher taxes on labor** (workers receive only about a half of what it costs a firm to employ them, a larger wedge than in other European countries, resulting in a higher tax burden on the economy) making it more expensive as a factor of production and limiting the demand for labor. This generally high tax pressure pushed economic activity underground, contributing to corruption and higher rents.

Economic policies and welfare in Croatia

An analysis of welfare in Croatia is difficult because of the lack of any reliable statistical indicators, and the inconsistency of the figures that are available. The Croatian Government spends over 25 percent of GDP on various social programs, but **achieves little real redistribution**, because most social spending is costly and poorly targeted, while relatively well targeted social assistance programs are small and fragmented, so instead of reducing inequality, general welfare system acts to enhance it.

Since the bulk of transfers are pensions, weaknesses of the welfare system in Croatia in helping the poor can be traced to problems of the pension system. One can argue that this is not a failure of the pension system *per se* (the social insurance system has other objectives), but expendi-

tures of pension funds are rising rapidly (from 12 percent of GDP in 1998 to 14 in 1999) and there is a deficit in the pension system covered from general revenues of the Government, drawing on budget resources that could otherwise be redirected towards the poor. The incidence analysis shows that pensions do represent a transfer to the relatively well off, and fail to protect adequately the elderly and disabled from falling into poverty.

Steps that are underway to reform the pension system will decrease poverty among pension beneficiaries introducing a separate redistributive component within the social insurance system, but will leave open the issue of coverage.

Immediate and short term action

Welfare programmes brought in by the new Welfare Law have in theory many desirable features. Nevertheless, the indicators available make it impossible to tell how effective they are in practice. Only on the basis of some special research programme will it be possible to determine how much welfare is really successfully directed to those who are truly poor and to what measure it helps them to avoid actual indigence. Thus, for the moment in Croatia there are no data enabling the vertical and horizontal efficacy of the system, and one has to refrain from making any final appraisal.

The key question of economic policy is how to bring employment in the unofficial economy into the legal framework and thus expand the base of taxpayers. This presumes re-examination of the factors that lay behind the move to work in the unofficial economy. The small number of new jobs in the official economy and moving to work in the grey zone can largely be attributed to the **high level of labour costs** (especially the high rates of contribution for retirement and healthcare insurance, together almost 40 percent of gross pay). The situation could be improved if the **total rate of contributions were cut down to about 20–25%**, which would correspond to the situation in OECD countries, although this would mean certain reductions of welfare rights for a given period of time. Increasing hiring in the official economy, which would mean greater employment and make it easier to bear the burdens of financing public needs, would palliate the negative consequences of this reduction.

Long-term action in policies to foster opportunities: opportunities, security and empowerment

Equitable growth is of utmost importance for several reasons:

- First, it will raise incomes of the working poor giving them an opportunity to escape poverty.
- Second, it will provide employment opportunities for the unemployed and inactive workers - a group with especially high poverty risk.
- Third, it will provide the tax base for programs to alleviate poverty among those who cannot escape poverty otherwise.

Three conditions are required to achieve equitable growth:

- sustaining macroeconomic stability,
- creating an enabling environment for private businesses,
- increasing investment in human capital.

This would involve **redefining the frontier between the state and the market** on efficiency grounds: the state should withdraw from activities that are inherently a market domain. A thorough public expenditure review is the first step in this direction. A reform of the **education system** needs to be put in place to help workers adapt to the market economy and to foster an entrepreneurial culture.

Empowerment is the ability of the poor to influence the institutions and policies that affect their lives.

There are many aspects of voicelessness and powerlessness that could be grouped in three blocks:

- a lack of formal democracy,
- an immature civil society,
- a weak enforcement of laws - in Croatia, especially anti-discrimination laws - leading to infringement of human rights.

Fostering civil society will require bringing about a change in the nature of the existing NGOs and social movements by creating an enabling institutional environment, *i.e.* a framework for encouraging poor people themselves to take an active role. Such an environment is best created through:

- Tolerance: Collective action on the part of the poor is more likely where the political environment is not hostile and punitive. In this context ethnic reconciliation and efforts to bring about social peace are crucial preconditions for thriving grass root social organization.
- Credibility: The extent to which, in their relations with the poor, public officials can be relied upon to behave

like good partners. This includes specific actions to improve the transparency of decision making.

- Predictability: The extent to which Government programs are stable in content, form and procedural requirements, since they then provide scope for organizing around them.
- Rights: The extent to which (a) the benefits received under programs are recognized as moral or, better, legal entitlements, and (b) there are recognized (preferably legal) mechanisms that the beneficiaries can access to ensure that these entitlements are actually released.

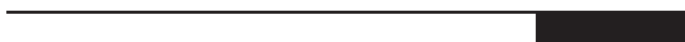
Finally, empowerment aiming at upholding the rule of law will include first and foremost the enforcement of anti-discrimination laws by:

- reorganizing the civil service, improving the capacity and monitoring the administration at the local level;
- judicial reform, eliminating undue influences on the nomination of judges and improving the access of all citizens to courts;
- reform of the media, including measures to turn the State media into public service broadcasters.

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Bibliotheca ZBORNICI, Book 16

**EMPLOYMENT POLICIES
AND WELFARE REFORM**

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Drago Čengić
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Publisher:

Institute of Social Sciences Ivo Pilar

Language Editor:

Vesna Hajnić

Corrector:

Ivana Ferić

Design:

Zlatko Rebernjak

Preparation for Print:

TERCIJA, Zagreb

Print:

M.A.K.-GOLDEN, Zagreb

Printed 500 copies