

The Politics of Precarious Employment

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Outline

- Motivation & „Definitions“
- Employment rates: A German miracle?
- Structure of the German labour market
- Stability & Mobility
- Precarious Employment
- The unexpected emergence of a new German model
- Outlook

Motivation

- Fundamental transformation of the German labor market over the last one or two decades
- Strong political and academic attention to success, but also dual nature of German employment model
- Presentation based on ILO Employment Working Paper 45, IZA Discussion Paper 7609 „Has atypical work become typical in Germany?“ (to be improved)

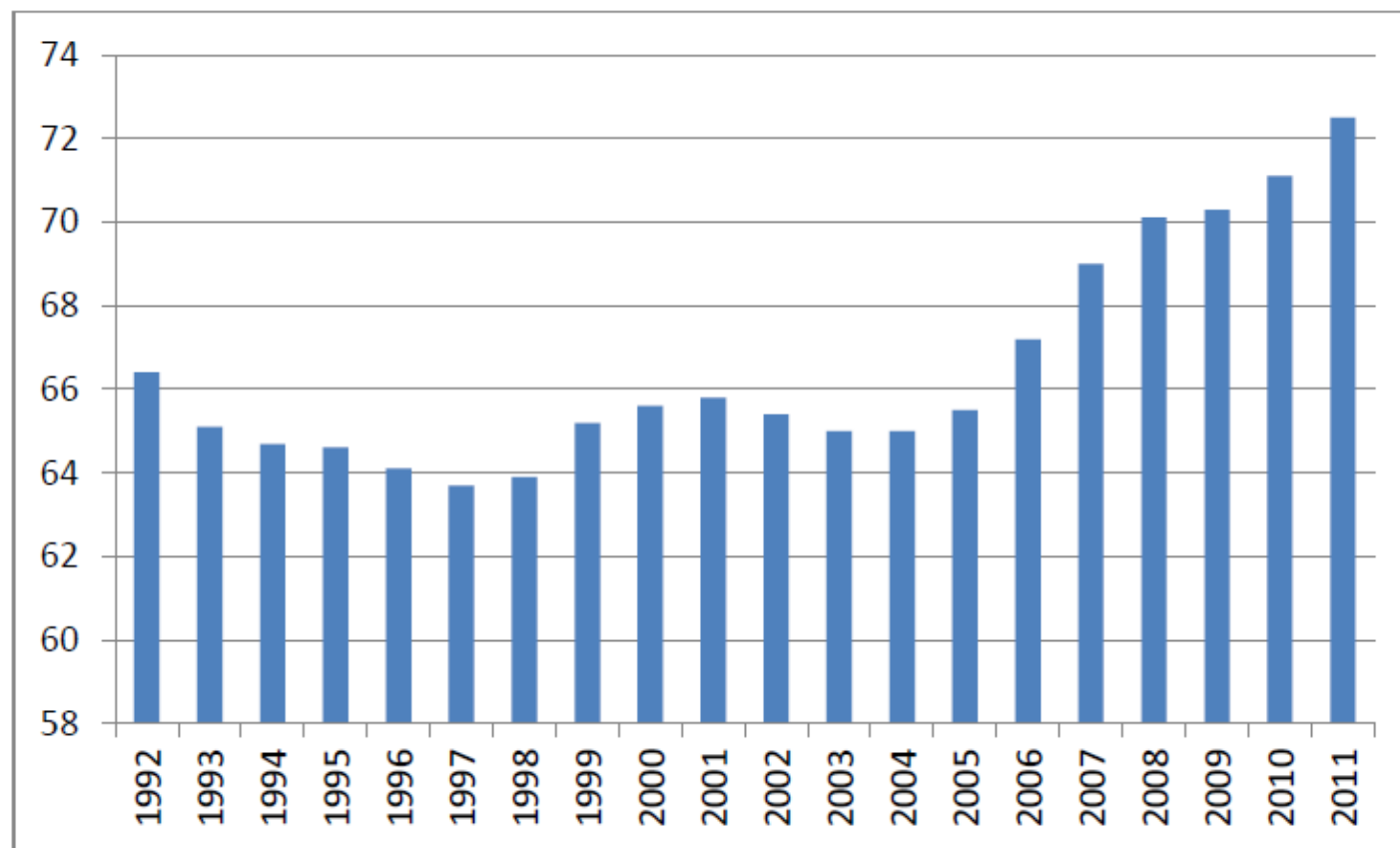
„Definitions“

- Standard vs. non-standard/ atypical (type of contract)
 - Standard: permanent full-time (dependent)
 - Non-standard: all other types of employment
 - Atypical: employment types less common or emerging

- Flexible vs. precarious employment (working conditions)
 - Flexible: working time (temporary, on-call, trust-based, overtime etc.)
 - Precarious: low pay, less training, less participation, job insecurity, less dismissal protection, stress etc.

Employment rates: A German miracle? (1)

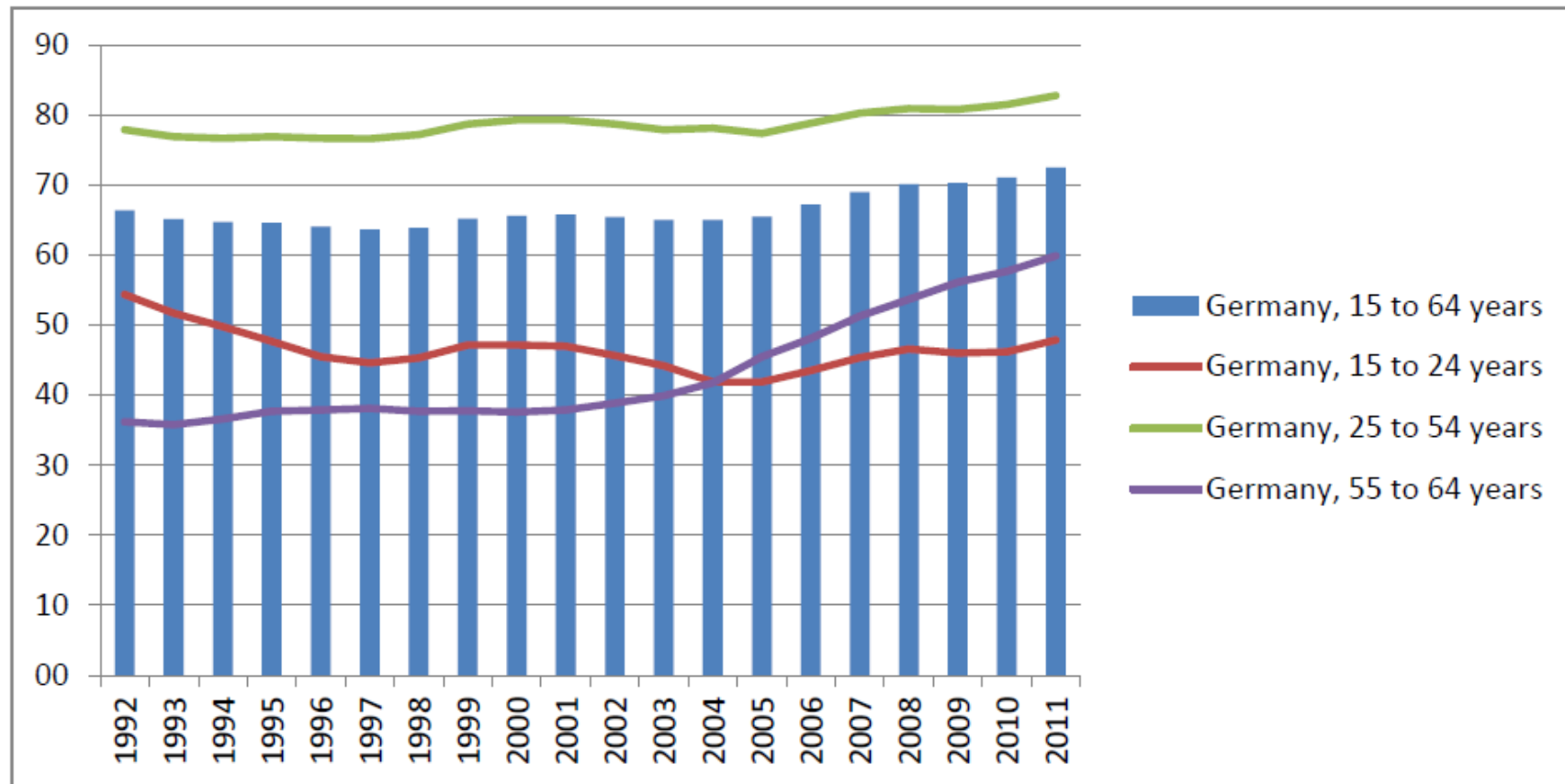
Figure 1: Employment rates, 1992-2011



Source: Eurostat.

Employment rates: A German miracle? (2)

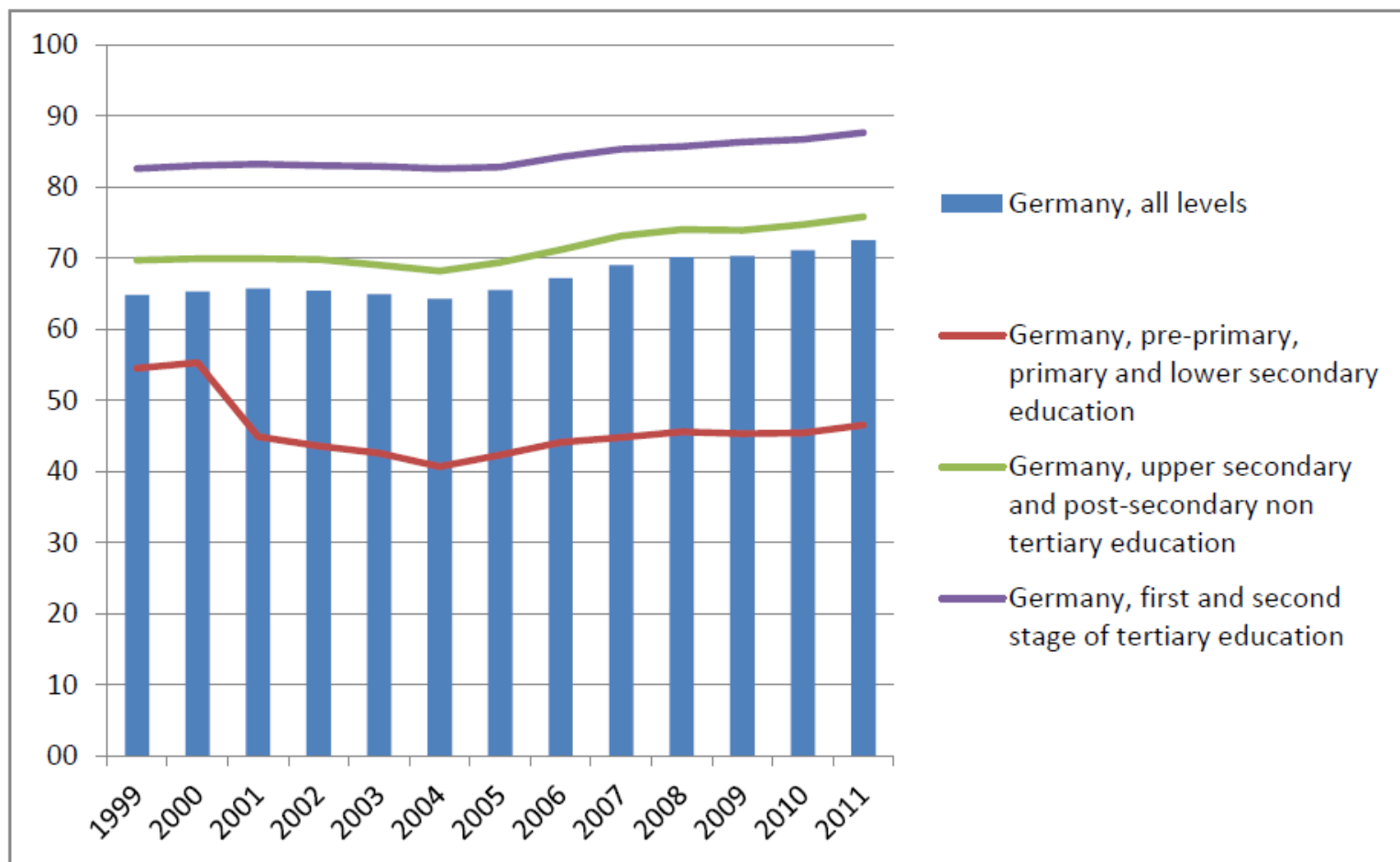
Figure 5: Employment rates by age groups



Source: Eurostat.

Employment rates: A German miracle? (3)

Figure 6: Employment rates by educational level



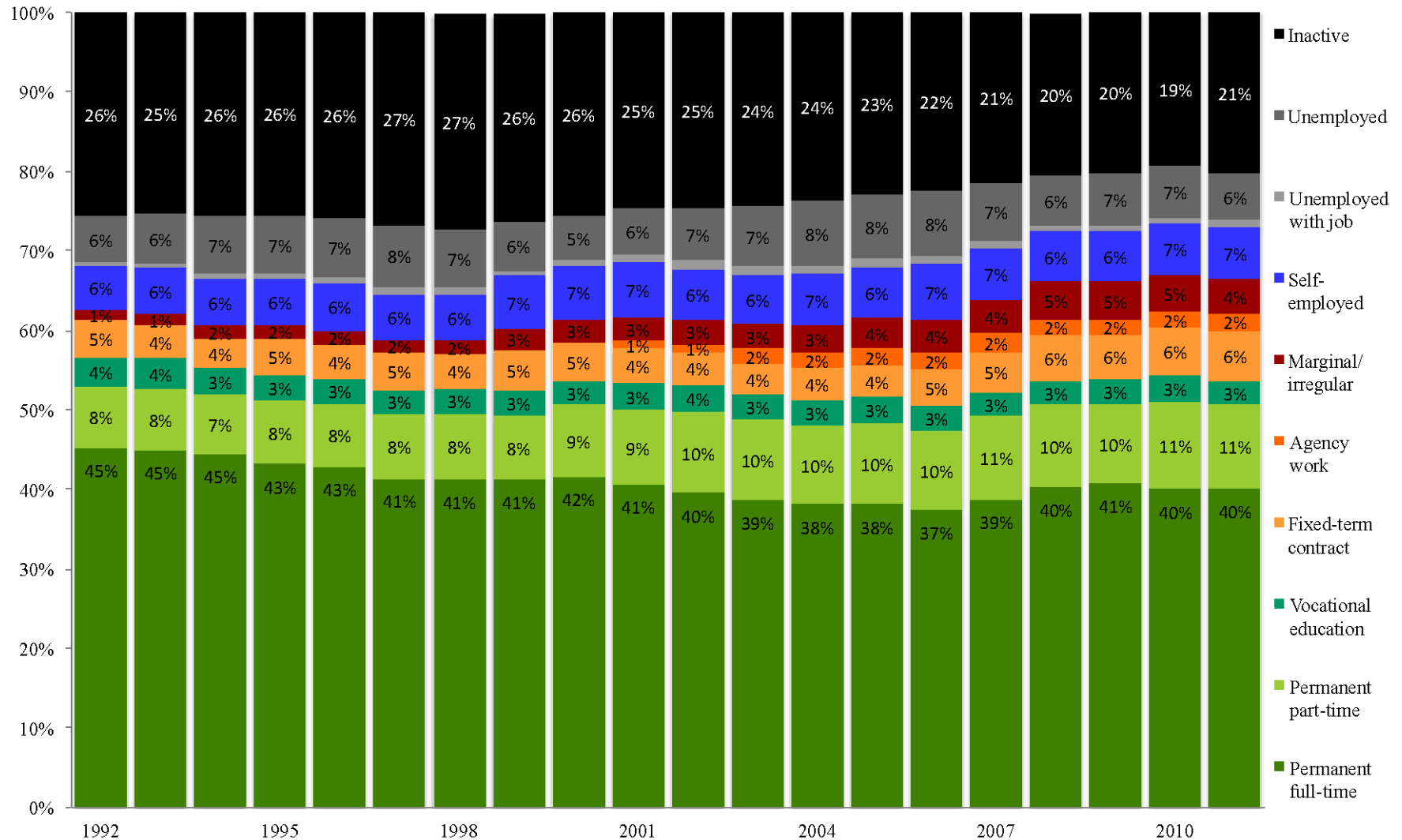
Source: Eurostat.

Employment rates: A German miracle? (4)

Reform dynamics or politics

- No „master plan“ or social pact
- But effects of a sequence of smaller changes
- Mixture of
 - (a) long-run effects of business restructuring, adaption within collective bargaining and actors' adaptation (micro and meso-level)
 - (b) effects of several waves of labor market reforms, in particular combination of de-regulation of non-standard work (marginal part-time, agency work) and activation reforms (Hartz package) – with some unintended effects
- Trying to lower barriers to job creation without questioning the core institutional setup (dismissal protection, unemployment insurance, training model)

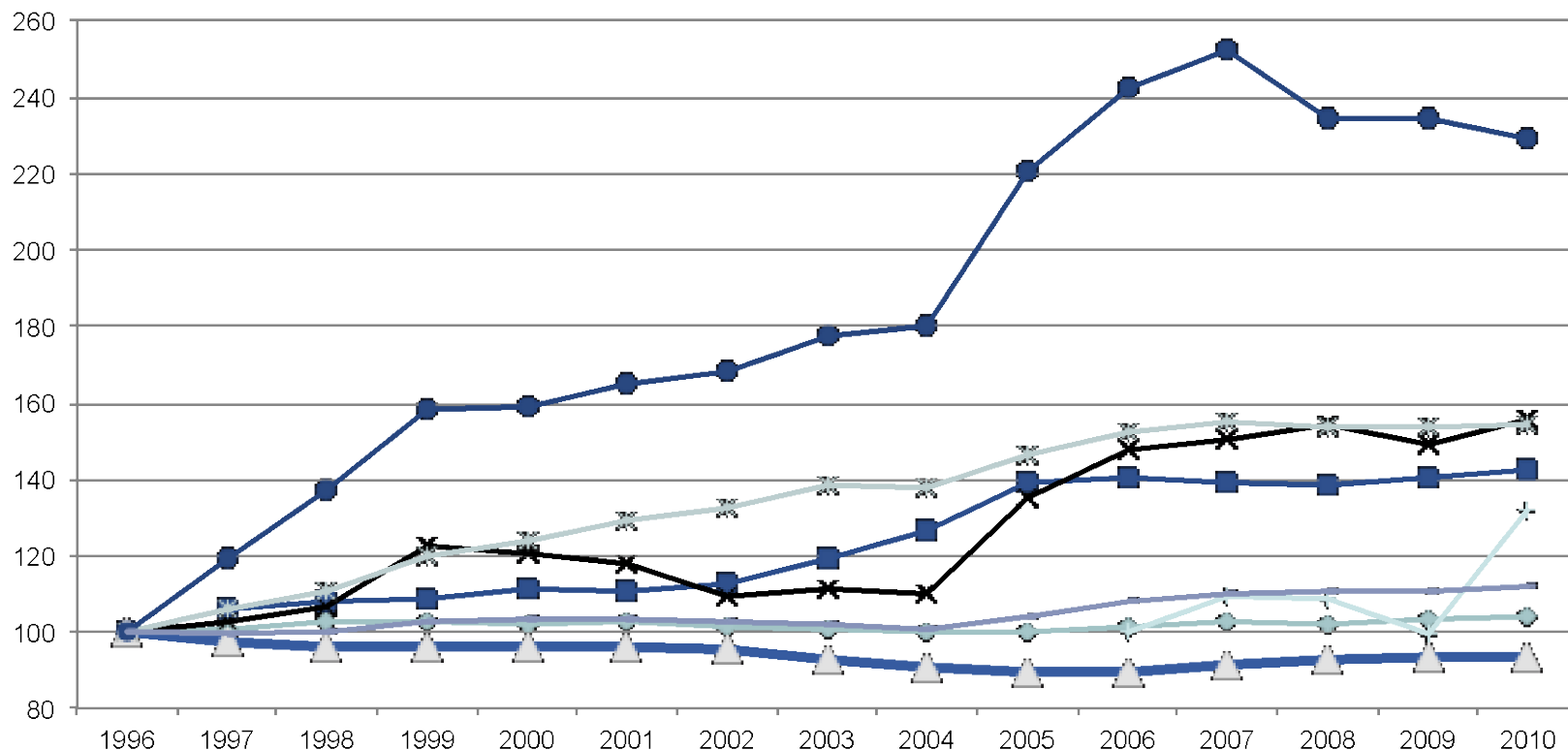
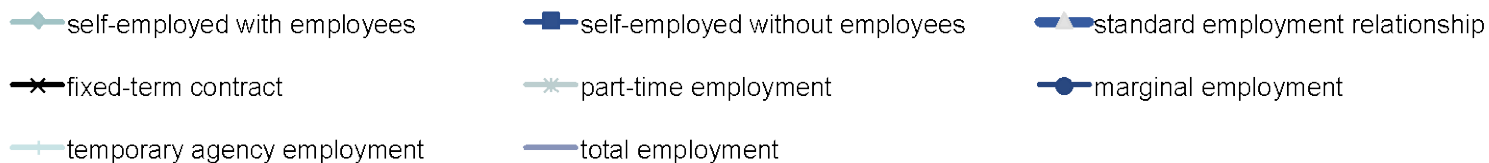
Structure of the German labour market (1)



Source: GSOEP, authors' calculation.

Structure of the German labour market (2)

Change of employment types 1996 to 2010 (1996=100)



Source: Federal Statistical Office (destatis).

Structure of the German labour market (3)

Marginal part-time work („Minijobs“)

- up to 400 EUR earnings per month (2013: 450 €) are exempt from employee social contribution and income tax-free, both as first and second job, but for the overall income above the threshold extremely high marginal tax rates apply
- about 7.5 mio. marginal part-time workers, expanded in 2003 to promote supplementary earnings and flexible employment in private services
- popular with employers who can take advantage of the tax/contribution relief and reduce gross wages accordingly
- popular also with employees (in particular medium income households searching for some additional earnings)
- pervasive in sectors such as retail trade and restaurants, with high share of women
- Minijobs are no stepping stones

Structure of the German labour market (4)

Temporary agency work (TAW) – A second tier type of employment

- liberalized 2003 to promote reintegration of the unemployed, in particular abolition of maximum assignment limit and synchronization ban + introduction of equal pay But: deviation from equal pay is possible if there is a sectoral collective agreement
- TAW wage scale is significantly below user sector wages (e.g. metal working)
- mainly concentrated in blue collar manufacturing occupations - long-term assignments side by side with directly employed workers („internal outsourcing“)
- Agency workers have an above average risk of in-work poverty („Aufstocker“) and take a major part of labor market risks
- Current legal rules make progression to direct employment rather difficult (but sectoral agreements)

Structure of the German labour market (5)

Marginal part-time

- mostly medium-skilled service sector jobs, second-earners, pensioners, women, working unemployed

Fixed-term contracts

- about 50% vocational training, stable conversion rates of about 50% of all „genuine“ fixed-term jobs, particular issue in public, social, academic sector

Temporary agency work

- concentrated in more routine occupations in production, logistics, services

Self-employment and freelancer

- increasingly important in high-skilled and low-skilled service sector occupations

Low pay

- in particular in areas outside collective bargaining

Stability & Mobility (1)

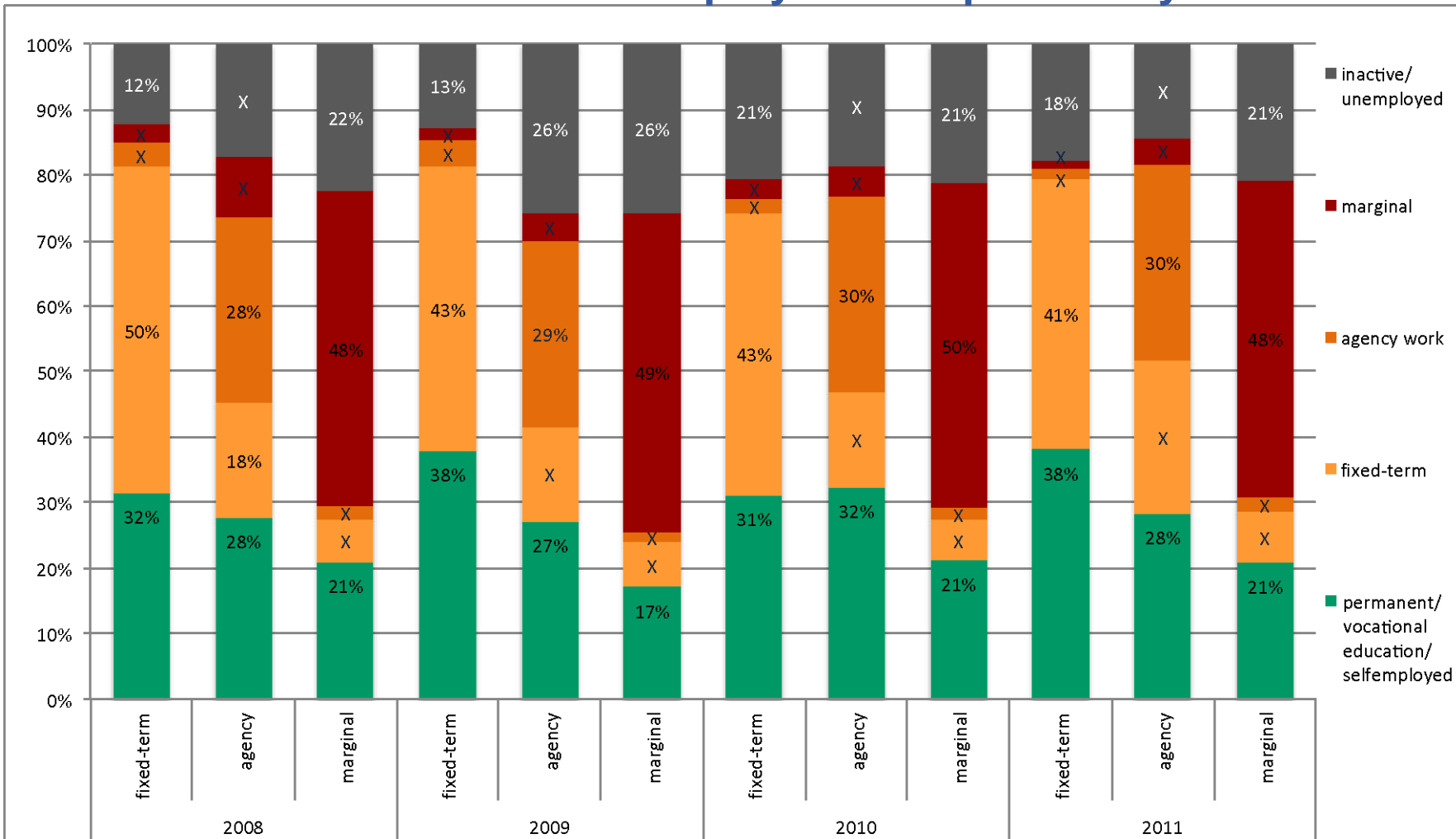
Table 1: Distribution of dependent employees by tenure brackets, 2000 to 2011

	<1 month	1 to <6 months	6 to <12 months	1 to <3 years	3 to <5 years	5 to <10 years	10 years and over	Total declared
2000	3.4%	4.7%	7.5%	14.0%	11.4%	20.2%	38.9%	100.0%
2001	3.8%	4.4%	7.9%	14.1%	11.8%	18.2%	39.8%	100.0%
2002	3.4%	4.1%	7.6%	13.8%	13.2%	17.1%	40.8%	100.0%
2003	2.7%	3.8%	6.9%	13.6%	13.9%	17.6%	41.5%	100.0%
2004	2.9%	4.1%	6.4%	11.4%	14.5%	18.7%	42.1%	100.0%
2005	2.7%	4.4%	6.7%	12.2%	13.1%	19.8%	41.2%	100.0%
2006	3.0%	4.9%	7.0%	11.9%	11.5%	20.6%	41.0%	100.0%
2007	3.1%	5.1%	7.3%	12.2%	10.9%	20.3%	41.0%	100.0%
2008	3.2%	5.3%	7.8%	13.1%	10.9%	19.6%	40.2%	100.0%
2009	2.6%	4.7%	7.6%	13.8%	11.2%	18.7%	41.4%	100.0%
2010	2.9%	4.9%	7.0%	13.4%	12.2%	17.0%	42.7%	100.0%
2011	3.1%	5.1%	7.5%	12.6%	12.2%	16.3%	43.2%	100.0%

Source: OECD Employment Statistics Database.

Stability & Mobility (2)

Transition from non-standard employment in previous year



Source: SOEP 2007-2011, longitudinal (two-wave) weighting for individuals, own calculations. X insufficient number of cases (<50)

Precarious Employment (1)

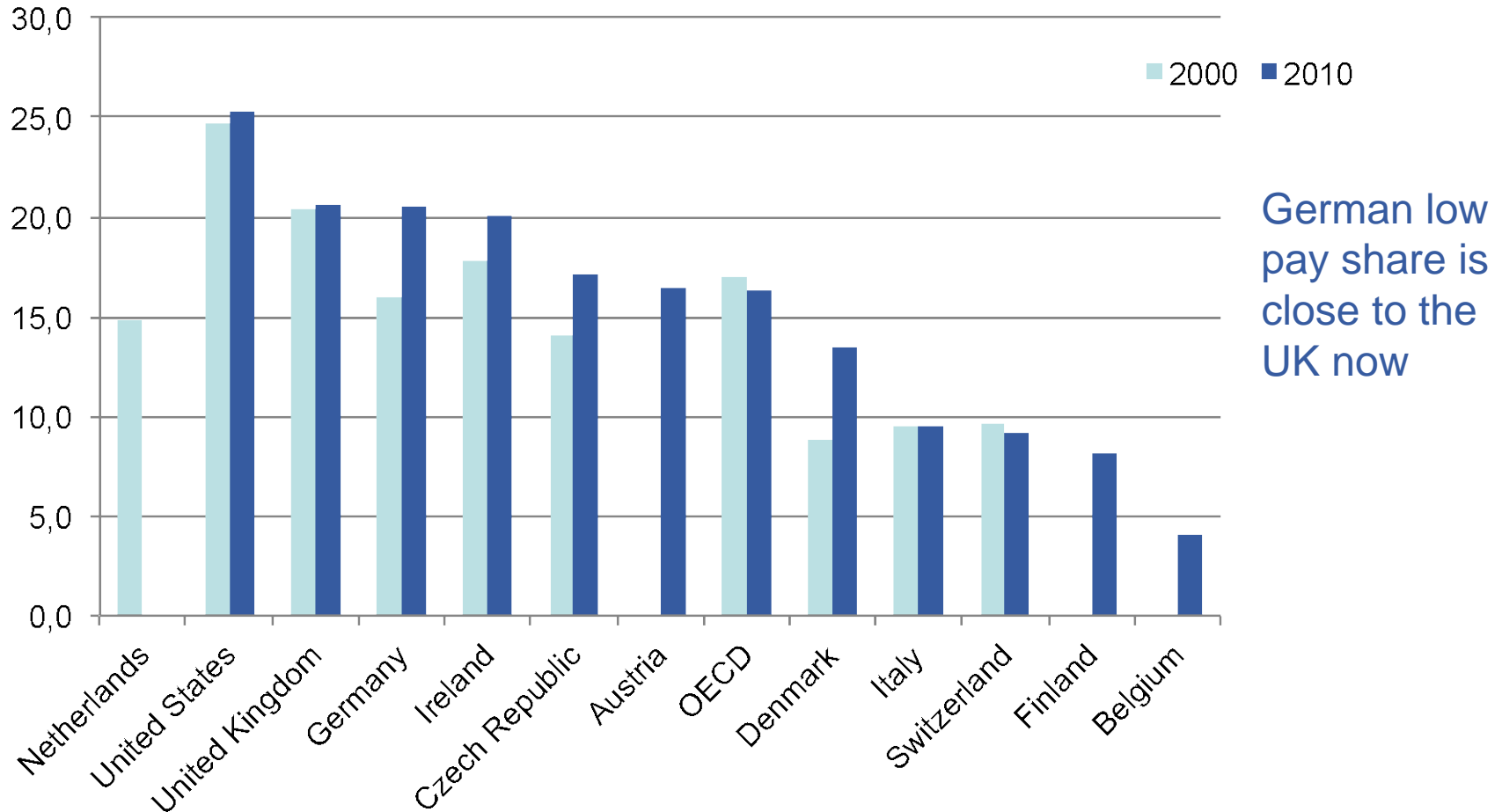
Table 3: Low pay by type of job

	Total	Standard employment	Non-standard contracts				
			All non-standard contracts	Part-time work	Fixed-term contracts	Marginal part-time work	Temporary agency workers
Total	20.6	10.8	49.8	20.9	33.5	84.3	67.7
Women	26.5	15.1	47.6	19.2	35.5	84.8	72.9
Men	15.8	8.1	53.7	34.3	31.6	83.4	65.4
Less than upper secondary education	52.8	22.7	77.8	44.7	62.2	88.1	85.5
Upper secondary education	17.7	12.1	39.4	17.1	36.2	77.2	57.6
Tertiary education	1.7	0.5	8.3	2.7	5.7	61.4	20.7
Selected occupational groups							
Academic occupations	3.0	1.0	10.5	3.5	5.7	64.9	/
Technicians and equivalent non-tech. occupations	7.6	4.0	24.9	4.7	17.3	68.1	29.2
Office clerks	23.4	10.9	48.1	13.2	39.4	80.3	62.5
Service and sales occupations	42.3	28.4	65.4	30	58.3	88.6	72.1
Crafts	16.1	11.1	48.7	32.6	31.3	81.0	47.6
Machine operators and assemblers	23.7	17.1	60.6	33.2	39.7	89.3	63.0
Laborers	61.5	39.7	79.2	56.3	70.7	90.3	89.2

Source: Federal Statistical Office.

Precarious Employment (2)

Change of low pay share in some OECD countries

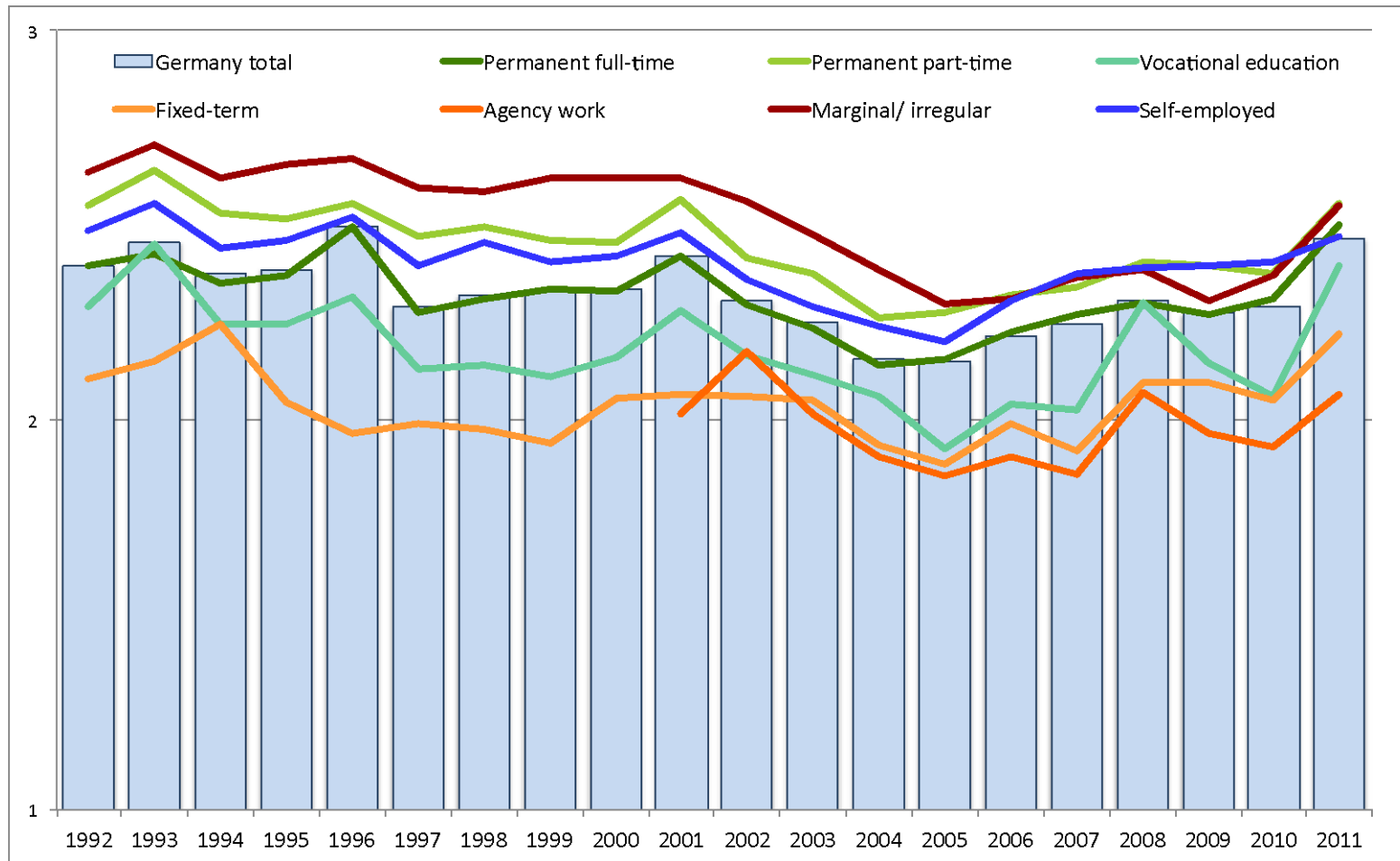


Source: OECD.

Precarious Employment (3)

Average worries about job security by employment type

(1) Very concerned ... (3) not concerned at all



Source: SOEP 1992-2011, cross-sectional weighting for individuals, own calculations.

Precarious Employment (4)

Atypical, flexible, precarious?

- Standard contracts are stable and still dominant in some sectors and occupations.
- But many additional jobs have been created outside the core of the German model.
- These jobs can be described as non-standard, atypical, flexible, not necessarily precarious in terms of pay level, employment instability, involuntary character or low transition rates.
- Service sector occupations are most affected – and they benefitted the most from partial labor market deregulation.

The unexpected emergence of a new German model (1)

1. Germany seems to have found a solution for employment increase/unemployment decline— quite different from pessimistic statements from the late 1990s/early 2000s.
2. Job creation in service sector without undermining quality production in manufacturing = „purified“ core of skilled production + larger flexible work force in manufacturing and services (dualization).
3. German economy can obviously adjust to changing competitive environment and demand fluctuations effectively – better than expected at the beginning of the crisis.

The unexpected emergence of a new German model (2)

- Variety of job types is on the increase, this creates new issues for policy makers:
 1. Defining appropriate and fair distribution of different components of labor market flexibility across different groups of workers (core vs. margin), current issues: stronger equal pay principle in agency work, better social protection of self-employed
 2. Setting minimum standards of remuneration and employment stability without major (negative) impact on employment and access to the labor market (in particular general minimum wage)
 3. Effective activation policies for the low-skilled and long-term unemployed (but at the same time tendency to curtail ALMPs)

The unexpected emergence of a new German model (3)

- Our analysis shows the potential beneficial effects of prior reforms – after some delay significant actors' adjustment to changing conditions.
- There are significant effects of actors' behavior on labor market outcomes (even in the absence of big institutional reforms).
- Quite successful institutional arrangements can emerge without a „master plan“ or an explicit social pact.
- They may be viable for the time being, but require further adaptation later on.

Outlook

- Labor market segmentation is here to stay, but the different segments and borderlines will probably change structure and size, driven by market forces and actors' adaptive action.
- Where collective bargaining is weak we will probably see more government intervention setting stricter regulatory standards (TAW, minimum wage).
- This can lead to new structural problems, eventually triggering more deregulatory policies again.

Thank you for your attention!

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