1. Introduction: Has the crisis exacerbated work inequalities?

Daniel Vaughan-Whitehead*

1. INTRODUCTION

International meetings on the crisis and possible recovery have emphasized the need to address inequalities, alongside the need to generate the requisite economic conditions.

The ILO and the IMF, in a joint document presented in 2010 at a joint conference on the crisis and prospective recovery, warned about the employment and social effects of the crisis:

In the wake of the current crisis there is an emerging view about the importance of growing inequality as one of the causes of global crises past and present. . . . it is vital to ensure that exit strategies are linked to a progressive recovery of the real economy and jobs and are fair in the sharing of the benefits and burdens of adjustment, especially in the protection of the most vulnerable. (ILO-IMF 2010: 8)

Inequalities in the world of work have unquestionably been affected by the crisis, although the effects vary from country to country and in accordance with policy responses to the crisis.

This book is aimed at providing an in-depth account of the effects of the crisis on inequalities in the world of work. Has the crisis exacerbated existing inequalities? Has it introduced new tensions and disparities to the labour market? And what types of policies, institutions and initiatives do we need to tackle such issues successfully?

We have sought to study work inequalities in a multi-dimensional fashion, looking at the effects of the crisis in a variety of complementary areas: employment, wages and incomes, working conditions and social dialogue. Another object of investigation is whether the crisis may halt Europe’s progress towards higher quality jobs and better working conditions.

The present introductory chapter is aimed at providing a first comprehensive assessment of national trends in inequalities in 30 European countries. In doing so, we shall try as far as possible to distinguish between the different sources of inequality that have developed during the crisis, while
also attempting to identify systematically which categories have been most vulnerable or most at risk. We shall also try to distinguish between the short-term effects of the crisis and the effects that might only reveal themselves in the longer term.

The chapters prepared by noted European specialists in this field present the inequalities story in individual countries. After providing an overview of the main issues with regard to inequality they present a series of case studies furnishing direct evidence of the concrete effects of the crisis on inequalities in individual enterprises or sectors, and on policy solutions adopted at local level to address such inequalities.

In this way, this volume is aimed at shedding light on one aspect of the crisis that has been poorly documented so far – its microeconomic effects at enterprise level – on various worker categories and the areas of work that directly concern them.

2. IS EVERYONE EQUAL IN THE ADJUSTMENTS DEMANDED BY THE CRISIS?

The first source of inequality unleashed by the crisis is the variegated impact of employment adjustments imposed on the workforce. Employment adjustments in response to the crisis differ not only between countries, but also between different categories of workers.

2.1 National Variations in the Impact of the Crisis on Employment

As shown in Figure 1.1, countries have not experienced the same employment effects. This is due, first and foremost, to the different effects of the crisis on the development of GDP, which has not been equally affected in all European countries. Harder hit have been countries such as Latvia, Lithuania, Estonia, Finland, Ireland and Hungary, while Germany and Poland have fared somewhat better. Poland, for instance, did not experience a fall in GDP in 2008–2009. Second, the timing of the crisis was also different: the impact on such countries as Hungary, Sweden and the United Kingdom was substantial and came relatively early, in 2008, while the crisis arrived much later – in 2009–2010 – in countries such as Bulgaria and Croatia. As a result, the latter are likely to continue to register poor growth in 2011, while the green shoots of recovery are already discernible in countries such as Sweden and the UK.

The pattern of employment–GDP changes presented in Figure 1.2 shows that a larger group below an imaginary 45-degree line shows fairly moderate employment losses. The countries which have performed best in
preserving employment include Austria, Germany and the Netherlands. In contrast, Estonia, Ireland, Latvia and Spain represent extreme cases of employment loss, as outliers, of a kind, in the left-hand corner. The Spanish labour market has been one of the hardest hit in the European
Work inequalities in the crisis

Union: in December 2009, unemployment rose to almost 20 per cent. Latvia, too, has a high unemployment rate.

Figure 1.3 on the elasticity of employment to GDP confirms these national variations. Employment overreacted in countries such as Spain (elasticity just below 2), but also Portugal and Ireland (above 1), while the same elasticity was very low in Austria, Germany, Malta, the Netherlands, Poland, Romania and Slovenia (elasticity less than 0.5).

National differences can also be explained by other factors, such as the demographic situation: for instance, with regard to Germany, the low entry of a new generation into the labour market explains a substantial part of the less dramatic effects on employment and participation.

The reaction of employment to changes in GDP clearly had immediate effects on unemployment rates. They increased dramatically – by between 6 and 10 percentage points – in the three Baltic states, Ireland and Spain, while in the EU27 the unemployment rate increased by an average of 2 percentage points (Figure 1.4). The lowest increases were in Croatia, Germany and the Netherlands, with a declining rate also in the former Yugoslav Republic of Macedonia.

2.2 Inequalities Arising from Employment Adjustments

The crisis has highlighted the polarization of the labour force: workers at the periphery of the labour force have been the first to be affected by employment cuts, with the core labour force remaining protected, at least

Source: Eurostat.

Figure 1.3  Employment elasticity to GDP, 30 European countries, 2008–2009

Union: in December 2009, unemployment rose to almost 20 per cent. Latvia, too, has a high unemployment rate.

Figure 1.3 on the elasticity of employment to GDP confirms these national variations. Employment overreacted in countries such as Spain (elasticity just below 2), but also Portugal and Ireland (above 1), while the same elasticity was very low in Austria, Germany, Malta, the Netherlands, Poland, Romania and Slovenia (elasticity less than 0.5).

National differences can also be explained by other factors, such as the demographic situation: for instance, with regard to Germany, the low entry of a new generation into the labour market explains a substantial part of the less dramatic effects on employment and participation.

The reaction of employment to changes in GDP clearly had immediate effects on unemployment rates. They increased dramatically – by between 6 and 10 percentage points – in the three Baltic states, Ireland and Spain, while in the EU27 the unemployment rate increased by an average of 2 percentage points (Figure 1.4). The lowest increases were in Croatia, Germany and the Netherlands, with a declining rate also in the former Yugoslav Republic of Macedonia.

2.2 Inequalities Arising from Employment Adjustments

The crisis has highlighted the polarization of the labour force: workers at the periphery of the labour force have been the first to be affected by employment cuts, with the core labour force remaining protected, at least

Source: Eurostat.

Figure 1.3  Employment elasticity to GDP, 30 European countries, 2008–2009

Union: in December 2009, unemployment rose to almost 20 per cent. Latvia, too, has a high unemployment rate.

Figure 1.3 on the elasticity of employment to GDP confirms these national variations. Employment overreacted in countries such as Spain (elasticity just below 2), but also Portugal and Ireland (above 1), while the same elasticity was very low in Austria, Germany, Malta, the Netherlands, Poland, Romania and Slovenia (elasticity less than 0.5).

National differences can also be explained by other factors, such as the demographic situation: for instance, with regard to Germany, the low entry of a new generation into the labour market explains a substantial part of the less dramatic effects on employment and participation.

The reaction of employment to changes in GDP clearly had immediate effects on unemployment rates. They increased dramatically – by between 6 and 10 percentage points – in the three Baltic states, Ireland and Spain, while in the EU27 the unemployment rate increased by an average of 2 percentage points (Figure 1.4). The lowest increases were in Croatia, Germany and the Netherlands, with a declining rate also in the former Yugoslav Republic of Macedonia.

2.2 Inequalities Arising from Employment Adjustments

The crisis has highlighted the polarization of the labour force: workers at the periphery of the labour force have been the first to be affected by employment cuts, with the core labour force remaining protected, at least

Source: Eurostat.
initially. It was only when the crisis deepened that the latter started to be
affected.

The chapters on, for instance, France, Spain and Sweden in this volume
illustrate how temporary workers have functioned as a sort of employ-
ment buffer in the crisis: nearly 50 per cent of employment losses in France
concerned temporary workers, and about 90 per cent of them in Spain.

This particular group at risk of unemployment is clearly illustrated in
Figure 1.5, which shows how the share of temporary contracts in total
employment has declined rapidly in countries such as Spain, where they
represented 33 per cent of the labour force before the crisis before falling,
over a few short months, to 26 per cent. Lithuania, Poland and Sweden
have been similarly affected.

This is not to say that permanent workers have not been aff  ected by
layoffs; nevertheless, they have been relatively protected by the nature of
their labour contracts.

At the same time, part-time contracts have increased for both men and
women (Figure 1.6, overleaf). A number of countries and enterprises have
encouraged reductions in working hours, leading to a shift of workers
from full-time to part-time work to adjust to the economic slowdown (see
Section 2.3 on working time).

Employment adjustments by gender show an interesting result, namely
that males have been more directly aff ected by the crisis and consequent
layoffs. In all countries for which we have data the unemployment rate
of men has increased by more than the rate for women (Figure 1.7). The

Source: Eurostat.

Figure 1.4 Growth of unemployment rates, 30 European countries,
2008–2009 (in percentage points)
Work inequalities in the crisis

Source: Eurostat.

Figure 1.5  Evolution of temporary work, 30 European countries, 2007–2009 (percentage point change in the rate of temporary workers in total employment)

Source: Eurostat.

Figure 1.6  Evolution of part-time work, 30 European countries, 2007–2009 (percentage point change in the rate of part-time work in total employment)
Introduction

The difference is striking, and as high as 6 percentage points or more in the three Baltic countries, Ireland and Spain. This is mainly due to the fact that the impact of the crisis has fallen mainly on sectors such as construction and manufacturing, which traditionally are male-dominated. Women employed in less cyclically sensitive occupations have been relatively protected from unemployment to date. In some countries, this has led to a reduction in the gender unemployment gap, with a higher increase in unemployment among men, who generally enjoy lower unemployment rates. At the same time, it is important to note that women employed in male-dominated sectors have often been the first to be dismissed (Hogarth et al. 2009).

Moreover, women might be more likely to be affected later, mainly in 2011–2012, with a second wave of job losses expected in the public sector.

Young workers have been hardest hit by this process. Increasing youth unemployment has been particularly marked in the three Baltic states, Ireland and Spain, with an increase in the unemployment rate for workers below 25 years of age of 10–15 percentage points above the increase in the rate of unemployment among those above 25 years of age (Figure 1.8). This may in part reflect the principle of last in, first out – the ‘seniority principle’ – that has generally been applied by employers in their efforts to shed part of their labour force during the recession. The chapters of this book show that the seniority principle has been applied in many countries;

Source: Eurostat.

Figure 1.7 Unemployment increases by gender, 29 European countries, 2007–2009 (percentage points)
Work inequalities in the crisis in Sweden, it is even stipulated in the Labour Code. This also reflects the preponderance of young people on temporary contracts, and the fact that employers have found it easier not to renew such contracts or to shed temporary workers. The fact that young people are also often those with less work experience is another element increasing their unemployment risk during the recession; employers prefer to retain their most skilled employees in order not to deplete their human capital in anticipation of an upturn.

Interestingly, while older workers – between 50 and 60 years of age – are traditionally a vulnerable group in the labour market, they have been less affected by employment adjustments in a number of countries. This certainly reflects – in comparison to previous crises – the lower reliance on early retirement schemes, especially in a context of public debates on the possible extension of the retirement age within the framework of pension reforms.

The chapters in this volume also report that long-term unemployment has also increased during the crisis, with a higher percentage of workers below 25 years of age remaining unemployed for more than a year. At the same time, senior workers were found to have borne the brunt of increased long-term unemployment because of their difficulties in finding a new job after dismissal. In the United Kingdom, the share of older workers in long-term unemployment has multiplied twofold during the crisis; this is likely to get worse in the wake of the austerity plans and cuts in welfare spending announced and taken by the new Conservative-led coalition government in 2010–2011.

Source: Eurostat.

Figure 1.8 Unemployment increases by age, 29 European countries, 2007–2009 (percentage points)
Low-skilled workers have also been in the frontline with regard to job cuts. The initial impact of the recession saw the loss of relatively high-skilled jobs, especially in the financial services sector. Subsequently, however, those losing their jobs have been mainly the less skilled. In Sweden, employment among high-skilled workers has even increased, while that of unskilled workers fell sharply. The chapter on Spain shows that, in 2009, employment adjustments were much more severe in the lowest two wage deciles. Figure 1.9 (overleaf) shows that unemployment rates have increased most among low-skilled workers in almost all European countries.

The recession has also affected the activity rates of the disabled in the UK (Hogarth et al. 2009). Finally, the labour market situation of ethnic minority groups began to deteriorate in the recession. In the United Kingdom, their unemployment rate rose faster than that of whites. The situation was worse for Afro-Caribbean and African males in comparison to Indian, Pakistani and Bangladeshi males (Hogarth et al. 2009).

Interestingly, again in the United Kingdom some ethnic minorities have been relatively insulated from the recession because a high percentage of them live in London which, together with the South-east overall, is likely to recover relatively quickly from the recession in comparison to other regions.

People – generally men – from selected ethnic groups sometimes lose out because of their concentration in economic sectors that have suffered the most in the crisis. In the long term, minority unemployment may remain relatively high, especially after the planned employment cuts in the public sector, where ethnic minority groups are strongly represented.

2.3 Working Time Reductions to Avoid Unemployment: Core Employees at an Advantage?

Figure 1.10 clearly illustrates the extent to which changes in average working hours in most European countries have been used as an important adjustment variable. In Germany, in 2009, 1.1 million workers were affected by short-time working, complemented by other collectively agreed measures.

Figures 1.10 and 1.11 clearly illustrate how much the economic slowdown has been tackled by reducing hours instead of layoffs. Figure 1.11 in particular shows that nearly 90 per cent of the adjustment has been in the form of reduced working time. The use of such arrangements has been important in Austria, Germany, Cyprus and the Czech Republic, as well as in a wide variety of other countries. All countries have utilized this method in one way or another, and with greater or less success, in an effort to avoid putting all the burden on external adjustment of the labour force.
Work inequalities in the crisis

Part-time arrangements have also increased. This type of adjustment has affected men as much as women. In fact, more and more men have been moving to the service sector, as well as taking on an increasing share of part-time jobs. However, while the shift from full- to part-time contracts might help women to avoid job losses, this move has not been enough for men and has been accompanied by a substantial number of layoffs.

The fact that temporary workers have borne the brunt of employment...
adjustments suggests that this category of workers has not really been given any other alternative, such as working fewer hours. In most countries only permanent workers – that is, the core labour force – have been able to take advantage of the subsidies provided by governments to enable work sharing arrangements.

Figure 1.9  (continued)

Source: Eurostat.

Figure 1.10  Changes in usual working hours by country, 30 European countries, 2008–2009 (change)
2.4 Wage Inequalities Further Aggravated by the Crisis?

Wages have also been affected by the crisis in most European countries. When analysing this, it should be taken into account that the pre-crisis period was already dominated in most European countries – except the new EU member states of Central and Eastern Europe, where rapid growth was also converted into high double-digit real wage growth – by wage moderation, a decrease in the wage share and an increase in low pay and wage inequalities.

As recognized by the IMF, ‘[o]ver the past three decades, inequalities have widened in many countries, driven by various factors, including the diminishing share of wages in national income and increasing inequality within wage income . . . contributing to the emergence of imbalances nationally and internationally’ (IMF 2010). It was thus essential to capture the situation emerging from the crisis.

Generally, a decline in real wage progression may be observed around Europe. Declines have been particularly severe in countries where not only real wages but also nominal wages have fallen during the crisis. This is the case in Estonia, Latvia and Lithuania, as well as in other new EU member states from Central and Eastern Europe.

In other countries, the picture of real wage growth provided by Figure 1.12 confirms that real wages have continued to increase despite the crisis, even if at a much more moderate pace: that is, half the real wage increase – which was already small – reported in European countries before the
Introduction

The difference in annual real wage growth is particularly strong for countries that experienced rapid real wage growth before the crisis, such as the Baltic states and other Central and Eastern European countries, such as Hungary, Romania and Bulgaria, although real wage growth continued at a rapid pace in the latter two countries, mainly because the crisis started later, at the end of 2009. But this means that the fall is likely to be even more dramatic in 2010 and 2011.

The fall in the average wage is likely to be underestimated because of a composition effect, with average wages remaining artificially high in parallel with employment losses that have hit mainly unskilled and temporary employees who earn relatively lower wages; the retained labour force tends to comprise more skilled and better-paid employees. Layoffs of unskilled workers have thus induced increases in both the average wage and the median wage, but without any underlying improvement in the purchasing power of the remaining employees.

This is not true in a number of Central and Eastern European countries, however, especially the three Baltic states, but also Ireland, where wage falls have been particularly dramatic, accompanied by massive layoffs.

We should also add that the trend among employers in the crisis seems to have been to reduce bonuses rather than basic wages, which remain somewhat protected by collective bargaining. In the United Kingdom, bonuses fell dramatically in 2009, generally due to the automatic downward adjustment of profit-related payments (Hogarth et al. 2009). Similarly, in France profit-sharing schemes have been reduced systematically in parallel with


Figure 1.12 Annual real wage growth, 30 European countries, 2005–2007 compared to 2007–2009

Daniel Vaughan-Whitehead - 9780857937513
Downloaded from Elgar Online at 12/19/2018 12:03:49AM via free access
Work inequalities in the crisis

profit declines, highlighting the use of such schemes as a sort of wage flexibility tool in an effort to limit labour costs and thus to avoid layoffs. In general, wage declines have often been the result of a reduction in working time; cuts in working hours applied as an alternative to layoffs are often associated with lower wages.

It is also remarkable that, despite the composition effect – that is, the exit of low-paid workers from the labour market – the long-term increase (ILO 2010a) in low-paid workers (defined as those earning less than two-thirds of the median wage) seems to have been continuing during the crisis (Figure 1.13). This, again, is partly the result of wage moderation, especially among the low-skilled, and freezes in the legal minimum wage in countries such as Ireland or marginal increases, as in France and the United Kingdom. It is also notable that the number of low-paid workers has not increased in those European countries that decided instead to use the minimum wage as a protective tool against the crisis for the most marginal workers, including Poland and Portugal, but also, to a lesser extent, Belgium and a few other countries (Vaughan-Whitehead 2010). The crisis will thus reinforce the long-term low pay and related poverty trends in Europe. Today, 17.5 million people are experiencing ‘in-work’ poverty in the EU27 (ILO 2010a).

According to Eurofound (2010) survey results, 40 per cent of workers reported that their household had great difficulties or some difficulties making ends meet (Table 1.1), this proportion being particularly high among non-permanent workers and the self-employed.

Source: ILO (2010).

Figure 1.13 Increases in the number of low-paid workers, 14 European countries, 2007–2009 compared to 1995–2000
Alongside the increase in the number of low-paid workers in some European countries, wage differentials between those at the top and those at the bottom of the wage scale have also increased, as reported in this volume with regard to Bulgaria and Hungary. Similarly, in Sweden the crisis seems to have hit the first wage decile harder because the government has been protecting mainly the middle wage categories (see the chapter on Sweden). In the UK the recession had the effect of halting the pre-recession improvement in the relative position of the bottom decile wage.

These increases in wage inequality are also significant with regard to the composition effect that continues to operate in the opposite direction: the fact that there are fewer workers at the bottom of the wage scale because of layoffs normally generates less, not more, wage disparity. Again, this increase in wage inequalities may be due partly to the freezing of the minimum wage in a number of countries.

At the same time, evidence provided in some chapters in this volume – for example, for the United Kingdom – seems to suggest that the crisis has contributed to halting the ongoing reduction in the gender pay gap, which remains substantial in a number of European countries. Having said that, the gender pay gap has been reduced, even reversed, in Sweden during the crisis, confirming that the bulk of employment adjustment concerns the male labour force.

Young workers also tend to have suffered more from wage declines due to their lower bargaining power, especially for the majority of them confined in temporary and low-paid employment.

The wages of disabled workers have also been adversely affected. The wage gap between disabled and non-disabled workers had narrowed before the crisis, but widened again in the wake of the recession.

Wage cuts at least in a first phase seem to have been more substantial in the public sector in many European countries, aimed at preserving employment. As a result, the wage gap, which generally favours public sector employees, has been reduced, for instance, in Bulgaria. It has

Table 1.1  Percentage of workers in households having difficulties making ends meet, European countries, 2010

<table>
<thead>
<tr>
<th></th>
<th>Great difficulty</th>
<th>Some difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>12.2</td>
<td>26.0</td>
</tr>
<tr>
<td>Permanent contracts</td>
<td>9.7</td>
<td>24.9</td>
</tr>
<tr>
<td>Other forms of contract</td>
<td>19.0</td>
<td>31.8</td>
</tr>
<tr>
<td>Self-employed</td>
<td>12.3</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Source: Eurofound (2010).
been even reversed in the Baltic states, where wages in the public sector have fallen below those in the private sector. While this may be seen as a levelling effect, it may have serious detrimental effects on the motivation of public employees, and also on the overall quality of public services, with most skilled employees deciding to quit to join the private sector, especially in a context of employment cuts in this sector in 2010–2011. Budgetary cuts in public administration in most countries should lead to further wage cuts in the public sector, together with employment reductions, thereby making public employees the category most at risk.

2.5 Inequalities in Working Conditions: Deteriorating in the Crisis?

The crisis has also affected several other aspects of working conditions.

2.5.1 Stress at work – health and safety

As indicated by the IMF (2010), ‘layoffs are associated with a higher risk of heart attacks and other stress-related illness in the short term. In the long term, the mortality rate of laid-off workers is higher than that of comparable workers who kept their jobs.’ In the workplace, the effects of the crisis are not easy to capture. Interestingly, the number of serious accidents at work seems to have decreased during the crisis in a number of European countries. While this reflects the continuation of a general downward trend it may also be due to the new context brought about by the crisis: that is, less activity and thus also less intensity at work. Moreover, this decrease – as explained, for instance, in the chapter on the Netherlands – may also be due to a cut in the number of workers at the margin of the core labour market; that is, those on atypical short-term contracts who generally also have a higher probability of experiencing serious accidents and/or injuries at work. Similarly, the reduced activity in, for example, construction, a sector that generally generates a high proportion of accidents at work, may also contribute to this downward trend, which will have to be monitored closely during the recovery period.

There are mixed results on intensity at work. Recent results from Eurofound show that the proportion of workers estimating that their health and safety are at risk because of their work decreased from 28.6 per cent in 2005 to 24.2 per cent in 2010 (Eurofound 2010).

But this does not seem to hold for all the countries under study. The chapter on Turkey reports increasing intensity at work, as well as increasing harassment and bullying. The situation also seems to have deteriorated rapidly in Spain. Case studies in Croatia are also reporting increased intensity at work in those companies that have instigated massive layoffs and thus had to redistribute the – albeit now smaller – burden of work.
Introduction

Among fewer employees. Moreover, Eurofound results also show that in 2010 one-quarter of employees – and more, one-third, among manual workers – also reported that their work negatively affected their health, a figure which is still high (Eurofound 2010).

The proportion of workers working at very high speed declined from 25.4 per cent in 2005 to 22.6 per cent in 2010 (Table 1.2). It seems, however, to have increased for unskilled workers, from 28.8 to 29.8 per cent. At the same time, the proportion of those working at high speed between one-quarter and three-quarters of their time has increased from 34.2 to 36.7 per cent. The increase is more significant among female workers than male workers, and also more important for atypical forms of contract than for those on permanent contracts. Workers of all categories are affected, although, interestingly, the increase is along the occupational scale. Although these data mainly trace long-term trends they may also indicate that the crisis may not have particularly decreased intensity at work, especially among the most vulnerable workers, such as women, the unskilled and those on atypical forms of contract.

At the same time, the recession has also increased the reported level of disability, with a notable rise in work-related disability resulting from psychological problems.

<table>
<thead>
<tr>
<th>Table 1.2</th>
<th>Health and safety risks, European countries, 2005–2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>Percentage reporting health and safety at risk because of work</td>
<td>28.6</td>
</tr>
<tr>
<td>Percentage reporting working at very high speed almost all the time</td>
<td>25.4</td>
</tr>
<tr>
<td>Male</td>
<td>26.3</td>
</tr>
<tr>
<td>Female</td>
<td>24.2</td>
</tr>
<tr>
<td>Atypical contracts</td>
<td>27.5</td>
</tr>
<tr>
<td>Permanent contracts</td>
<td>25.8</td>
</tr>
<tr>
<td>Percentage reporting working between one-quarter and three-quarters of their time at very high speed</td>
<td>34.2</td>
</tr>
<tr>
<td>Male</td>
<td>36.1</td>
</tr>
<tr>
<td>Female</td>
<td>31.8</td>
</tr>
<tr>
<td>Atypical contracts</td>
<td>34.6</td>
</tr>
<tr>
<td>Permanent contracts</td>
<td>31.3</td>
</tr>
<tr>
<td>High-skilled clericals</td>
<td>33.1</td>
</tr>
<tr>
<td>Low-skilled clericals</td>
<td>34.8</td>
</tr>
<tr>
<td>High-skilled manuals</td>
<td>38.7</td>
</tr>
<tr>
<td>Low-skilled manuals</td>
<td>30.5</td>
</tr>
</tbody>
</table>

Source: Eurofound (2010).
Longer spells of unemployment or inactivity impact negatively on people’s health, particularly in terms of psychological wellbeing. Evidence in the United Kingdom shows that psychological stress because of job losses in the crisis has affected mainly men. In Greece, people’s pessimism has been growing about their personal economic situation. According to a survey carried out in May 2010 (VPRC 2010), the number of employed and unemployed people who said that their personal economic situation had worsened increased by 9 percentage points. Also, 70 per cent reported that their situation had deteriorated in the past 12 months, and more than 80 per cent were expecting their situation to further deteriorate in the future; 71 per cent also reported that they were fairly exposed to the risk of poverty.

Another source of stress at work is discriminatory practices, which have increased further over the past few years, affecting 6.2 per cent in 2010 compared to 4.8 per cent in 2005 (Table 1.3). Particularly striking is discrimination by employment status, with workers on atypical forms of contract and unskilled workers being particularly affected. National surveys also show significant gender and ethnic discrimination in the workplace, for instance in Denmark and Ireland (Bond et al. 2010) but also other countries, an aspect that will need to be further documented in the crisis.

The recession is also having indirect effects on families in the sense that stress related to job loss may lead to relationship problems that affect both men and women. It may also be that women may be more affected by the impact of job loss in the household, given reports of increased domestic violence, relationship breakdowns and reduced divorce settlements, with associated longer-term concerns over children’s wellbeing. In Sweden, the crisis is expected to have long-term adverse effects on fertility. This type of implication will clearly have repercussions long after the recession.

Table 1.3 Proportion of workers experiencing discrimination at work, European countries, 2005–2010 (in percentage of total workers)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All workers</td>
<td>4.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Permanent contracts</td>
<td>4.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Other forms of contracts</td>
<td>6.5</td>
<td>9.7</td>
</tr>
<tr>
<td>High-skilled clericals</td>
<td>4.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Low-skilled manuals</td>
<td>3.8</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: Eurofound (2010).
2.5.2 Work and family life

Work–life balance and diversity initiatives have also been given lower priority by employers during the current recession. This is likely to exacerbate one – not particularly encouraging – long-term trend identified by Eurofound, namely that the percentage of workers considering that their working hours fit in very well with their family commitments decreased from 31.1 per cent in 2005 to 30.1 per cent in 2010.

As a result of the crisis, although women have been less affected by employment adjustments, they have suffered from a general decrease in family-friendly arrangements. Especially where demand for labour has decreased most employers have proved to be less keen on facilitating work–life reconciliation among their employees. Women with childcare responsibilities are often at a greater disadvantage in comparison to either men or other women in continuous employment. Single mothers, older women and those with lower skills and long-standing disabilities were especially negatively affected, as in the United Kingdom (Hogarth et al. 2009).

It is also important to note that the public sector has been in the vanguard of diversity and work–life balance policies, so that the current wave of budgetary restrictions in this sector may also have a marked impact on such practices.

2.5.3 Vocational training and lifelong learning

Within the crisis there is some evidence of a reduction in training programmes carried out by individual enterprises as shown here in enterprise case studies. In a context of excessive labour supply, employers also have a tendency to recruit those employees who impose the least costs with regard to training. Country experiences, however, differ widely in this respect. The Danish model, for instance, is based on significant training for the unemployed, complemented by strong labour reallocation (activation) after the period of training. This has also been the case with regard to the Swedish flexicurity model in the crisis, as shown in Chapter 11. In contrast, Spain is characterized by a lack of vocational training and lifelong learning in individual firms, also due to a model based on temporary labour. Naturally, enterprises will not be willing to retain employees who are unskilled and do not have much enterprise-specific training.

This fall in training expenditure at enterprise level, combined with reduced training programmes financed by the state, can only have a detrimental effect on human capital and the quality of employment in the long term, well after the crisis. Interestingly, Eurofound results also show that the percentage of workers who believe that their job offers good prospects for career advancement did not change from 2005 to 2010, remaining
stable, albeit at a very low 31 per cent. At the same time, this percentage has decreased among atypical workers, while slightly increasing among permanent workers (Eurofound 2010).

2.6 Inequalities with Regard to Access to Social Dialogue

Social dialogue seems to have played an important role in the crisis. It has made it possible to negotiate alternatives to layoffs in a number of companies and sectors, generally through wage or/and working time reductions. Social dialogue has also played a role in the negotiation of shorter working hours in Germany. Companies without trade unions or works councils also benefitted from national agreements on short-time working and also copied other working time measures. On the other hand, in a majority of other European countries, companies and workers not covered by social dialogue were unable to benefit from these possibilities and generally relied on immediate employment cuts to cope with declining activity.

Second, social dialogue has helped to limit the effects of the crisis on working conditions. For instance, the fact that wages are negotiated through collective bargaining in France, with also extension mechanisms to cover enterprises that were not part of the original agreement, helped to limit the adverse effects on wage growth. In contrast, in countries in which there was no wage bargaining, such as Estonia, Latvia and Lithuania, wage cuts were much more immediate and substantial, involving even falls in nominal wages.

This potential role of social dialogue means that workers who do not have access to it are disadvantaged, especially during a recession. Workers on the margins of the labour market, such as temporary workers, agency workers, domestic workers and the self-employed, are traditionally not covered by social dialogue, which has only aggravated the effects of the crisis on these more vulnerable categories. Social dialogue and its contents should be extended to vulnerable groups.

3. EXPLANATORY FACTORS BEHIND WORK INEQUALITIES

The national and local stories presented in this volume show that a number of factors have combined to explain the variations in the employment impact of the crisis. Of course the variegated fall in GDP documented earlier provides a first explanation. But it clearly does not explain all of it and especially not why countries confronted by the same
economic shock have not performed similarly on the employment front. We must therefore investigate the potential effects of a number of other factors. In particular, it seems essential to distinguish the situation that prevailed before the crisis, especially in terms of labour market models, from the responses to the crisis, especially from a policymaking angle, and finally also with regard to the role of institutions. Case studies in each chapter (listed in Table 1.4) illustrate the role of these different factors.

3.1 The Characteristics of Labour Market Models Prior to the Crisis

The ways in which employment has been adjusted to the crisis in individual European countries is obviously closely related to their labour market model. These models range from the flexible numerical flexibility dominant in ‘Anglo-Saxon-type’ countries (Ireland and the United Kingdom) to the external (or internal) functional flexibility based on ‘education-based’ mobility which is dominant in Scandinavian countries, such as Denmark and Sweden, encompassing also the internal flexibility based on the use of working time arrangements practised in Austria, France, Finland and Germany and, finally, the high external and wage flexibility found in Southern European countries (Italy, Portugal and Spain) and many Central and Eastern European countries.

Not surprisingly, the impact of the macro shocks on unemployment has been highest in the Anglo-Saxon-type countries (especially Ireland), but also in Southern (especially Spain) and Central and Eastern European (especially Estonia, Latvia and Lithuania) economies.

The outcome of the crisis in a number of countries reflects their prior overreliance on the expansion of the low pay sector, and on the growth of atypical forms of contracts, as in Italy and Spain. In Spain, not only were one-third of employees working on fixed-term contracts before the crisis – most with a duration of less than six months – but 85 per cent of them did so involuntarily.

In Germany, the core labour force seems to have been better protected. While those on normal contracts benefited from working time arrangements to avoid layoffs, workers on temporary contracts – generally also on part-time arrangements, such as mini-jobs – simply did not have their contracts renewed. The dual system of vocational training somehow helped to better integrate outsiders, mainly young people (see Chapter 6).

At the same time, services and the public sector continue to be based on growth in low-paid jobs.
### Table 1.4  List of case studies in the volume

<table>
<thead>
<tr>
<th>Companies/sectors</th>
<th>Main focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baltic states</strong></td>
<td>● Different adjustment strategies through employment, wages and working time and categories concerned</td>
</tr>
<tr>
<td>● Five Estonian industrial (private) enterprises</td>
<td>● Wage cuts, unpaid leaves and effects on inequality and working conditions</td>
</tr>
<tr>
<td>● Estonian police force (public)</td>
<td>● Negotiated alternatives to job cuts and effects on working conditions</td>
</tr>
<tr>
<td><strong>Bulgaria</strong></td>
<td>● Employment main adjustment variable to output collapse</td>
</tr>
<tr>
<td>● Chemical company</td>
<td>● Negotiated alternatives to job cuts and effects on working conditions</td>
</tr>
<tr>
<td>● Construction company</td>
<td>● Employment main adjustment variable to output collapse</td>
</tr>
<tr>
<td>● Clothing company</td>
<td>● Adjustments on different fronts</td>
</tr>
<tr>
<td><strong>Croatia</strong></td>
<td>● Categories concerned by job and wage cuts (temporary, subcontracted)</td>
</tr>
<tr>
<td>● T&amp;V construction</td>
<td>● Inequalities in adjustments (of working hours, etc.)</td>
</tr>
<tr>
<td>● FNC building materials</td>
<td>● Shared adjustments via social dialogue</td>
</tr>
<tr>
<td>● Electronic components firm</td>
<td>● Subcontracted, older, and production workers most concerned</td>
</tr>
<tr>
<td>● ABC shipbuilding</td>
<td>● Use of short time</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>● Vocational training, social dialogue and role of youth employment</td>
</tr>
<tr>
<td>● Automobiles and machine-tools</td>
<td>● Hard adjustment through significant job losses and role of trade unions</td>
</tr>
<tr>
<td>● Collective agreements on vocational training</td>
<td>● Soft adjustment through working time, wage cuts and trade strategy</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>● Adjustment mechanisms: ‘Cassa Integrazione Guadagni’ scheme; through temporary workers</td>
</tr>
<tr>
<td>● Multinational electronics company</td>
<td>● Flexibility schemes and industrial relations</td>
</tr>
<tr>
<td>● Food processing company</td>
<td>● Use of partial unemployment benefit</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>● Impact on young people between education and employment</td>
</tr>
<tr>
<td>● Two family firms in the South</td>
<td>● Impact on young people between education and employment</td>
</tr>
<tr>
<td>● Company FIAT at Pomigliano</td>
<td>● Impact on young people between education and employment</td>
</tr>
<tr>
<td><strong>The Netherlands</strong></td>
<td>● Use of partial unemployment benefit</td>
</tr>
<tr>
<td>● Truck-producing firm</td>
<td>● Impact on young people between education and employment</td>
</tr>
<tr>
<td>● School of vocational education</td>
<td>● Impact on young people between education and employment</td>
</tr>
</tbody>
</table>


**Introduction**

**Table 1.4** (continued)

<table>
<thead>
<tr>
<th>Companies/sectors</th>
<th>Main focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>• Construction sector&lt;br&gt;• Three automobile companies&lt;br&gt;Employment shock and effects on different categories of workers&lt;br&gt;Time flexibility, role of trade unions and social dialogue</td>
</tr>
<tr>
<td>Sweden</td>
<td>• Automobile company Volvo&lt;br&gt;• Aluminium components company Profilgruppen&lt;br&gt;Swedish flexicurity, temporary layoffs, training, wage freeze&lt;br&gt;Employment but also working time adjustments, and collective agreements</td>
</tr>
<tr>
<td>Turkey</td>
<td>• Industrial enterprises in the region of Bursa&lt;br&gt;Adjustment mechanisms and social dialogue</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>• Three companies in the security sector&lt;br&gt;Effects of intensified competition on employment, hours, wages and skills</td>
</tr>
</tbody>
</table>

**3.2 The Influence of Policy Responses to the Crisis**

The collection of national stories presented in this volume shows that European countries have been particularly active in their policy responses to the crisis. To underline this, each chapter presents a detailed table with a list of policy measures taken during the crisis, notably with regard to the labour market. Most of the 30 European countries on which we collected data first put in place packages to counter the crisis and only then recovery measures to boost demand and economic growth. Fiscal stimuli were provided and governments have been particularly imaginative on the labour market front, with a series of arrangements, generally subsidized by the state, aimed at avoiding layoffs.

The chapter on Germany shows how working time reduction schemes have been used extensively based on public funding; this policy probably explains the ‘German miracle’.

Policies aimed at extending unemployment benefits have been shown to be particularly effective also on the macro side, compared to other measures, such as public works and job creation incentives (Institute Flagship Report, ILO 2010b).

Finally, most countries have implemented specific subsidies (direct job subsidies, wage subsidies or reductions in payroll taxes) to protect the groups most vulnerable to job cuts. The best performing programme against youth unemployment has been the one implemented in Sweden.
which offers specific measures for young people, with a direct effect on their propensity to keep a job or engage in training during the recession, thus avoiding an increase in long-term unemployment among younger workers.

At the same time, it is important to distinguish between initial anti-crisis programmes from the policy shifts that occurred most recently in 2010 in a number of countries. Most European countries at the beginning of the crisis – early and mid-2008 – implemented Keynesian-type expansionary policies in order to stimulate demand and sustain wages and incomes, notably by increasing expenditure on training and education, but also sectoral support, for instance, for construction (as in Sweden) and increases in unemployment benefits. The same countries shifted to a more restrictive policy in the second half of 2009 and early 2010 in order to limit budget deficits. This has led to a major policy reversal, in the public sector but also in services and other sectors, a process that we present in our conclusion as one of the paradoxes of the crisis.

This shift may also change the outcome in terms of inequalities. Employment cuts have generally been higher in the private sector, but the crisis recently extended to public sector employees. Many European governments are planning rationalizations and reductions of public deficits and budgetary reductions, including cuts in employment and wages in the public sector. This happened earlier in countries such as Croatia and Hungary and has emerged more recently in countries such as France, Germany, Romania and the United Kingdom.

In Germany and the United Kingdom, the public sector was less affected in 2008–2009, but has been going through a period of employment cuts in 2010, which will continue in 2011, generally due to a combination of downsizing and increased outsourcing in reaction to the crisis.

This could change the inequality outcomes of the crisis. While, as we have seen, men have been hardest hit, employment and wage cuts in the public sector and in services, which are female-dominated, will mainly impact women, thus reversing the narrowing gender pay gap and unemployment gap generated by the crisis so far. Other categories of employees, more skilled and older, but also disabled and lone parents, are also likely to be directly affected by the cuts in budgetary expenditure. Employees from ethnic minority groups will also be hit because of their concentration in the public sector.

3.3 The Role of Institutions: A European Best Practice?

We have seen that, while some European countries have experienced a steep increase in unemployment, employment in other economies has not fallen in parallel with a significant decline in GDP. Labour market institutions can explain such cross-country differences.
We have also seen that the particular policies implemented have played a role. But it is important to note in this regard that governments have generally used arrangements or schemes already in place prior to the crisis, extending or more actively supporting them. The chapter on Germany shows, however, that the short-time working or partial unemployment schemes already in place before the crisis began have been modified in several respects, for instance by increasing the maximum duration from 6 to 24 months in 2009, extending exemptions from social security contributions and also simplifying the administrative requirements facing firms wishing to take up this scheme. The same happened in France with regard to its partial unemployment, time accounts and even its profit-sharing schemes.

Spain has also tried to implement new policies in favour of working time reductions, which are seen as a better alternative to excessive external flexibility, but without much success.

This sheds light on the importance of having reputable institutional arrangements in place. The comparison between Italy and Spain is illuminating. These two countries have traditionally relied on temporary workers as an external flexibility source. Faced with a fall in GDP of a similar magnitude Italy should have experienced the same type of employment losses and unemployment increase as Spain, but thanks to the ‘Cassa Integrazione Guadagni’ system employment losses were halved and workers kept in the labour market. This institution was key to mitigating employment effects in both the northern and the southern parts of the country.

In the UK labour market, institutions already in place at the outset of the crisis, such as the JobCentre Plus and Rapid Response Services, achieved broader activation, with more intensive support for all job seekers.4 Incentives for employers who recruit and train the unemployed were also introduced and extra funding provided for training.

In Sweden, focused action and funding via specific programmes to young people helped directly to limit unemployment increases among this more vulnerable category of workers whom, as we have seen, have been hardest hit in other countries. Legislation also helps to ensure that disabled people are not easy targets for job cuts.

The role of institutionalized social dialogue was also essential in a number of cases. It helped to avoid layoffs in a number of countries, and its absence led to harder adjustments in countries which lack such social dialogue institutions, as in Central and Eastern Europe. Similarly, social dialogue was key to the implementation of working time arrangements in Germany.

The national differences with regard to wage growth described earlier in this chapter can also be explained partly by institutional differences. Countries that lack collective bargaining have experienced immediate and
dramatic wage falls, while countries with a tradition of social dialogue and wage bargaining – with the possible exception of Ireland – have been able to limit wage declines, as well as employment adjustments. In France, for instance, wage increases had already been negotiated so that wages remained fairly protected from the shock of the crisis, unless workers’ representatives themselves decided to negotiate, trading wage cuts for maintaining employment. Even in such cases, negotiated wage decreases have been less severe than those imposed unilaterally by the management in many Central and Eastern European countries.

4. THE PARADOXES OF THE CRISIS

The behaviour and response to the crisis of the majority of European governments is certainly encouraging. By and large, they have undoubtedly helped to mitigate the employment and social effects of the crisis. At the same time, the same combination of pre-crisis labour market models, policy responses and institutional features leaves us with a number of paradoxes which the crisis highlighted. These will have to be addressed if increasing work inequalities are to be mitigated in the future.

4.1 Paradox 1: Some Inequalities Arising from the Crisis will Become Visible only Much Later

In their analyses of the potential effects of the crisis, most of the chapters in this volume reach the conclusion that it is essential, first, to distinguish between the short-term and long-term effects of the crisis and, second, that the effects on inequality will certainly become more critical and more visible in the long term, in almost every area of the world of work covered here.

While projections suggest that most European economies will start to recover during 2011 they also predict that employment levels will not pick up until the middle of the next decade. This lag in employment – and even more in wage – adjustments will have serious effects on work inequalities.

First, in terms of the quality of jobs, employment adjustments will have an impact on the human capital side. For instance, unskilled and semi-skilled workers have been particularly affected by layoffs, which will undermine their ability, first, to find a job at all, but also to find one of the same quality or wage level. This is also why we expect the number of low-paid workers to continue to increase in the coming period. The productive capacity of young people will be devalued by an extensive
period of worklessness or in precarious employment. This will also affect ‘highly qualified’ young people. Studies have shown that obtaining a high-level diploma in the middle of such a deep economic crisis will affect their employment and wage prospects throughout their carrier. They may miss out on getting onto the first rung of the career ladder.

Long-term employment rates in the next few years, but also other qualitative information, will help us to comprehend the long-term effects on at-risk categories, such as migrant workers and the disabled.

Second, as regards wages, they are expected to lag behind economic recovery in the coming period. Wage inequalities are also expected to grow further, precisely because of the better prospects of employees who managed to keep their jobs during the crisis than those who lost them and may now have to accept lower quality and lower paid jobs. The skill premium will thus contribute to increasing the gap between those at the bottom and those at the top of the wage scale, and also exacerbate other types of disparity. It will also depend on the employment model that countries select. We saw, for instance, that the continuous expansion of the low pay employment sector in Germany may have had direct consequences on inequalities in the world of work.

4.2 Paradox 2: Tenuous – in Contrast to Structural – Decreases in Work Inequalities During the Crisis

Related to the fact that all the effects of the crisis will be more visible in the long term is a second paradox, namely that almost all decreases in inequalities in the world of work that may have been observed during the crisis – and are reported in this volume – are mostly tenuous, in the sense that they do not seem to reflect structural changes and thus may not indicate substantial improvements in inequality. We shall look at three examples.

(i) Gender gaps. Since the crisis has tended to hit male-dominated sectors harder, it has to some extent helped to reduce the gender gap in employment and thus also in unemployment rates: women’s employment rates are traditionally lower and unemployment rates higher than for men. This led some experts to highlight that the crisis may have had some good effects after all, perhaps decreasing work inequalities between men and women on the labour market.

At the same time, the fact that many men were forced to shift from full-time to part-time employment to avoid losing their jobs has also led some to believe that, for once, not only women but also men were forced into involuntary part-time working. Such decreases in inequality, however, are merely artificial and temporary phenomena and not likely to be robust.
First, the reduced gender gap in employment and unemployment is due not to the improved situation of women on the labour market – there was no greater access of women to certain jobs, especially higher level jobs – but rather to a deterioration in the position of men in the crisis, who started to face a similar situation to that traditionally experienced by women.

Second, these are only temporary reductions in the gender gap that occurred during the two years of the crisis (2008–2009). Already in 2010, the gender employment gap started to increase again, for instance in Italy and elsewhere, as reported in this volume. As soon as recovery sets in – especially in the male-dominated sectors hit hardest, such as construction and manufacturing – hirings will affect mostly men, thus immediately putting the gender gap on an upward trend.

Third, the fact that women have suffered less than men from employment adjustments does not mean that they have not faced discriminatory practices in the crisis. Evidence in this volume shows that in those sectors in which gender representation is balanced, women have been laid off more rapidly than men. Chapter 13 on the United Kingdom also highlights other forms of gender bias, for instance with regard to access to unemployment benefits, reduced entitlement of lone parents to income support without a job search requirement and the gender bias in pay systems. In other countries covered in this volume women seem also to have experienced more wage cuts than men rather than employment losses. The evidence provided in the various chapters also shows that the reduction or removal of arrangements to reconcile work and family life observed during the crisis has also increased stress at work, mainly for female workers.

Fourth, while the 2008–2009 crisis seems to have hurt women less than men, the situation has been changing rapidly in 2010–2011 alongside the second wave of reforms aimed at reducing budget deficits, involving significant cuts in both employment and wages in the public sector, in which a higher proportion of women are employed.

Overall, we thus cannot claim that the crisis has structurally changed the gender gaps that prevailed before the crisis. Both males and females have been affected – even if in different ways and with different timings – especially from the household point of view, where losses have just been accumulated, for instance with a male breadwinner losing his job, combined with a significant wage cut and increased stress at work for the woman.

(ii) Similar to the gender employment gap, the first years of the crisis seem to be showing that the crisis has affected employees in the private sector more directly, who have experienced a higher propensity to be laid
off. This has not been the case everywhere, as shown for instance by the significant employment cuts in the public sector in some countries, such as Bulgaria, even in the first months of the crisis. Furthermore, the new series of reforms in the public sector instituted in most European countries will hurt public employees much more than private employees, in terms of both employment and wages.

On this last issue, many analysts have said that the significant reduction of wages in the public sector would help, after all, to reduce the wage gap between the private and the public sector since wages in the latter are above those in the former in a number of countries. This reduced gap would – generally according to the same analysts – be particularly justified, given that public sector employees traditionally enjoy better job protection and in fact have been less affected than employees in the private sector in the first two years of the crisis. But here again, the reduced wage gap has been driven by the deterioration of wages in one sector – the public sector – rather than better wages in the private sector. Moreover, we know that lower wages in the public sector may lead to a deterioration of employees’ motivation and a decline in the quality of public services that in the end may affect everyone. In Bulgaria, the crisis has resulted in the wage gap which existed prior to the crisis – with lower wages in the private sector – even being reversed: wages in the public sector are now lower, a phenomenon that may lead to problems in attracting young people and better qualified employees into public sector jobs, especially since this sector also no longer – and this trend may be observed throughout Europe – enjoys its traditional employment protection due to the increasing outsourcing of former public activities to the private sector (see, for example, the police in Estonia).

(iii) Our final example is health and safety. The lower number of accidents at work or lower intensity at work within the crisis, as reported in many chapters in this volume, may be somewhat artificial, being due only to falling production rather than to structural improvements in work organization. Without deeper structural changes the sudden increase in activity as a result of economic recovery may lead once again to health and safety problems. Moreover, we have seen that the situation is not the same everywhere. While work sharing and internal flexibility in general seem to have led to improvements in health and safety, in contrast, intensity at work has been found to have increased in those countries and companies where immediate layoffs were instituted, leaving the remaining employees with an even greater burden and stress at work, as shown in the case studies presented in this volume, notably for Turkey, Croatia and Spain (for instance, in the automobile sector).
4.3 Paradox 3: Greater Use of Internal Flexibility Within an External Flexibility-based Paradigm

The chapters in this volume show that European countries have used a range of flexibility tools. Germany, for instance, stands out as a champion of internal numerical flexibility through working time reductions, whereas the United Kingdom exhibits much greater external numerical and wage flexibility.

But the crisis has shown that those countries that have relied on external flexibility adjustments, such as Spain, have experienced severe difficulties on the employment front. Massive reliance on temporary contracts for nearly 20 years has left the country vulnerable and employment has plunged in response to the economic slowdown.

Other countries that have developed such atypical forms of work, including Poland and Slovenia, have also experienced automatic adjustments of employment, with temporary contracts being used as a buffer in the crisis. The human cost of this policy should be more properly evaluated, especially in light of the long-term adverse effects on the affected employees’ career and pay prospects. This led Spain to limit and better regulate companies’ recourse to temporary work contracts. It also encouraged the IMF to advise implementation of a different economic model from the one used by Spain so far: ‘A review of Spain’s employment experience relative to that of other countries concluded that temporary contracts became the weak link in labour markets during the recent crisis, leading to large employment losses, affecting disproportionately some sectors, and making other possible shock absorbing mechanisms almost irrelevant’ (IMF 2010).

Paradoxically, countries that had shifted to more liberal labour markets in the 1990s – such as Germany, by means of the Hartz reforms – have mainly had recourse in the crisis to internal flexibility measures, such as working time reductions. Similarly, several countries, including Austria, have used such arrangements – which have generally proved effective – to avoid a rapid increase in unemployment in the recession.

Compared to previous economic crises, in the current recession European enterprises have had much more recourse to internal flexibility tools. Moreover, economies able to rely on strong internal flexibility have, to date, been able to avoid major increases in unemployment. Their effects on inequality are also better. As the IMF recognizes, ‘these programmes can spread the burden of the downturn more evenly across workers and employers, reduce future hiring costs, and protect workers’ human capital until the labour market recovers’.

Nevertheless, despite this interesting and unexpected lesson from the
crisis, several countries – as well as employers’ organizations in a number of European countries – have called for an increase in the number of temporary contracts in anticipation of possible future economic crises. Temporary contracts, after declining immediately as a buffer during the tempest, have started to grow again rapidly in 2010, as shown in Figure 1.14. The figure shows that in 2008–2009 the percentage of temporary workers among the total number of employees fell rapidly, generally due to a fall in the number of temporary workers much larger than the fall in overall employment. The picture has been reversed in a majority of countries in 2009–2010, with the proportion of temporary workers this time increasing as a percentage of total employment, due to the immediate hiring of this type of employee as economic recovery gets under way, even though the general number of employees continues to decline (if at a more moderate pace than in 2008–2009). The reversal of the trend was particularly striking in Portugal, Romania, France, Italy, Cyprus, Turkey and Hungary, but also discernible in Scandinavia, for example, in Finland and Sweden.

This trend is confirmed in most other contributions in this volume. The chapter on Sweden in this volume shows clearly that Swedish managers intend to develop temporary forms of contracts in the event of another crisis. This would allow them to adjust their employment quickly to changes in production volumes. In Germany, there is also a strong probability that the trend towards the expansion of the low pay sector (mainly in services and the public sector) through more atypical forms of contract will continue, despite its use of forms of internal flexibility during the crisis. Although it is too early to draw conclusions on whether the current increase will merely compensate for the fall registered during the crisis or whether the proportion of temporary workers will in the end increase – although we have indications that this second scenario is more realistic – the figures clearly show that the crisis may well induce employers (even where they have successfully relied on internal flexibility to face the crisis) to rely much more than hitherto on temporary workers as a major mechanism of external flexibility to adjust to changes in economic activity.

Is this new trend desirable? Could it not deepen structural inequalities? And what should be the role of the state in this process?

We should try to answer such questions without entering again into a direct conflict between internal and external flexibility. A few countries – such as Germany and Italy – have tried to extend institutional arrangements, such as shorter working time, to workers under atypical forms of contract, illustrating a possible combination of internal and external flexibility. The Swedish experience has also shown a combination of training with external flexibility. Other flexibility tools, such as pay flexibility – for
Figure 1.14 Changes in number of temporary workers, 30 European countries, 2008–2009 compared to 2009–2010
instance, through profit-sharing schemes, that seem to have played a role in the UK and France – also need to be further investigated in the future.

4.4 Paradox 4: Anti-crisis Solutions Reproducing the Inequalities of Dual Labour Markets

While some countries have launched a series of measures to limit the employment effects of the crisis, we have seen that only a fraction of the labour force has been given an opportunity to take advantage of such programmes. While Germany, for instance, has relied on working time reductions to avoid unemployment, this option has benefitted mainly the core labour force – skilled workers in manufacturing who remain covered by strong legal protection against dismissals – while another adjustment, this time external, at the margins of the labour market, has taken place, with employment losses among temporary workers (generally unskilled but also young skilled) and those with atypical forms of contract, such as those in mini-jobs or atypical part-time contracts. When the crisis began, employers started by laying off agency workers (about 300,000), so that the employment decline could basically be limited to this category of workers. The same happened through the non-renewal of fixed-term contracts.

It is important to note that such dual markets seem to have prevailed in many European countries, while others, with much more liberal labour markets – such as the Baltic countries – have relied purely on quantitative labour adjustments.

Even in countries with different labour market models, for instance the European ‘champion’ for temporary work, Spain, and the welfare-oriented, protective labour market of Sweden, have ultimately instituted the same type of employment adjustments, and on a similar scale, due to the existence of this dual employment system.

Similarly, in France the dual labour market led to a dual adjustment, external for temporary workers and internal for core employees. Such non-standard workers are not only disadvantaged in terms of employment stability, but also less protected by social insurance.

According to the IMF:

one labour market policy that appears to have aggravated the pain during the recession is the dual labour market system, which was introduced to make labour markets more flexible . . . These disparities between the permanent and temporary workforce risk becoming entrenched as the temporary workforce has less access to on-the-job training and thus acquire less human capital than their permanent peers, which in turn worsens their prospective employment opportunities. (IMF 2010: 5 and 36)
Although complementary measures will be put in place for the most vulnerable groups, we shall see below that such targeted programmes have not been very effective, and certainly not sufficient to compensate for the adverse effects of the dual labour markets reported in most European countries. Certainly, the crisis is showing a need to move towards a more equal distribution of risks.

4.5 Paradox 5: The Ineffectiveness of Targeted Programmes for Vulnerable Groups

Despite some targeted actions to protect the most vulnerable groups from the impact of the crisis, inequalities have increased rapidly. Specific initiatives have been unable to impede the rapid increase in youth unemployment or the systematic laying-off of less qualified workers, not to mention discriminatory practices against immigrant workers. The increased difficulties facing disabled people trying to find jobs in the crisis also highlights the need for support programmes for them.

This lack of effectiveness might be due to the limited scale of these initiatives in terms of financial, human and administrative resources. In this regard, it is notable that where more has been invested, better results have been achieved, as shown by the favourable outcomes of the youth programme implemented by the Swedish government. The problem with many programmes aimed at helping vulnerable groups is that their coverage has been too small. The authorities at both national and local level, as well as social partners should therefore propose new approaches to improve their extent and effectiveness. However, this objective is likely to be at odds with current attempts by governments to reduce deficits.

But more generally, such limited results during – but also before – the crisis tend to show the limits of the targeted approach. For protecting vulnerable categories, especially when individual workers often cumulate several adverse features – youth, lack of skills, migrant – targeted programmes are not enough and inequalities need to be tackled on different fronts simultaneously: labour market, wages, social protection, education and tax policy. More research is needed on the variety of tools and policies available and the optimal ways to combine them to successively reduce inequalities in the world of work.

Such more comprehensive and ambitious programmes against inequality should be further legitimized by the fact that not only were work inequalities exacerbated by the crisis, but recognized as a major cause of the crisis (ILO 2010a; ILO-IMF 2010).
4.6 Paradox 6: Key Role of Education and Training in the Crisis Threatened by New Restrictive Budgetary Policies

The fact that the crisis has hit unskilled workers harder, in terms of both employment and wages, underlines the importance of education. Programmes promoting training, further supported by government subsidies, have also led to interesting and positive outcomes in the crisis, as illustrated by the case studies in the UK chapter in this volume. Nevertheless, the current policies aimed at reducing expenditure in all related sectors, such as education, health, training and also labour market measures, in a majority of European countries could halt this active policy aimed at avoiding losses in human capital. The effects of this new orientation may be seen in the short term, but will be especially apparent in the long term, since they may affect the probability of present and future unemployed persons finding jobs, particularly jobs of sufficient quality, in terms of both contents and wages.

5. CONCLUSIONS

The financial and economic crisis of 2008–2009 has been the most severe since the Great Depression, as shown by successive quarters of economic contraction in most EU countries. Its impact on the employment side has also been on a large scale. According to ILO data, global unemployment has reached 210 million, 30 million of which is the direct result of the 2008–2009 crisis. At the same time, the crisis has further aggravated wage moderation and wage inequalities which have been identified by a number of economists as a major cause of the crisis: the purchasing power of wages was curtailed to such an extent that massive household borrowing was needed to make up the difference, contributing significantly to the financial bubble that finally collapsed, generating the current financial and economic crisis. The kind of long-term adverse trends observed over the past ten years – such as wage moderation, the long-term decline in the wage share, increased wage inequality between the top and the bottom and an increase in the number and proportion of low-paid workers – may be further aggravated by the crisis. This volume documents, for instance, the increase in the number and proportion of low-paid workers, for instance in the chapters on Bulgaria, Germany and Spain.

It is for these reasons that the ILO, at recent G20 meetings, has pushed the more advanced economies to do all they can to generate employment-led, but also income-led, growth.

In this regard, the European experience within the crisis, reviewed in
this comparative volume, furnishes an important lesson, namely that policies and institutions count in terms of employment and also work inequalities. More than in other regions, the combination of stimulus packages, subsidies to preserve investment and employment stability and social dialogue has helped to limit the shocks with regard to employment and social cohesion. Such lessons should be heeded when redesigning labour markets and implementing institutional reforms.

At the same time, our findings highlight a number of unexplored aspects of the crisis, potential new sources of inequality due to the crisis and the profiles of employees who have suffered the most. We have seen that those particularly hard hit include men, young people, the unskilled, employees on temporary contracts and generally those on the margins of the core labour market. We have also seen that the groups at risk can also change over time, as shown by the new risk of both employment and income losses among public sector employees, which may put additional groups of workers at increased risk, such as women and migrant workers.

Furthermore, the impact on inequalities must be analysed, not only at the point of adjustment, but also much later, since the effects on human capital, skills, career and income prospects may be revealed only in the longer term, such as the effects on health, demographics and society as a whole. This underlines the need for continuous monitoring of inequalities in the world of work.

The message of this volume can be summarized in simple terms. Not only did work inequalities contribute to generating the economic crisis, but these inequalities have only got worse as a result of it. Our general economic system will thus continue to be at risk until we properly address inequalities. This should motivate policymakers and actors on all sides to develop a powerful agenda and a full set of policies to address inequalities within the complexities of the world of work.

To be effective, such concerted action will have to go well beyond targeting programmes for this or that group or to address this or that source of inequality. Rather it must be established as the focus of our choice not only of labour market policies, but also of economic model and form of society.

NOTES

* I would like to thank the authors of all the other chapters for their contribution to this introductory chapter through the numerous discussions we had during this project. I am also grateful to Jaan Masso and Kristen Sobeck for their precious help in preparing some of the comparative graphs.

1. On the other hand, application of this same principle is prohibited in a number of other countries, including the Netherlands, on the grounds of non-discrimination.
Introduction

3. First, internal and external flexibility represent strategies which are applied inside a company or in the labour market; second, flexibility derives either from variation of workload (numerical) or from organizational adaptability (functional).
4. However, in the UK ALM services were privatized. Moreover, the gross replacement rate is one of the lowest in the EU, as is the level of ALM expenditure.

BIBLIOGRAPHY