

Liberalisation only at the margins?

The growth of temporary work in German core manufacturing sectors

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The debate about the growth of contingent work



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- Scholars focusing on employers' interests in retaining skilled workers → contingent work expands only in peripheral labour markets
- Scholars stressing the role of industrial relations → contingent work can creep into the core
- German export manufacturing sectors as critical case because they represent the “core” of the coordinated economy
- Temporary work is growing in these sectors too: **WHY?**

German manufacturing as critical case



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- Streeck (1991): High employment protection as “beneficial constraint” pushing employers to invest in training and in innovative human resource practices
 - Varieties of Capitalism: EPL as complementary institution to specific skills providing employers with comparative advantage on international markets
- Dualisation literature: workers in core sectors are protected from casualisation because employers need a stable specific-skilled workforce for production

Changes in the German model



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- **Work organisation:**
 - Some production segments have always been standardised;
 - Taylorisation of skilled work
 - Discrepance between skills and work organisation
- **Erosion of negotiated and legal employment protections:**
 - OECD indicator of EPL for temporary workers has decreased from 5 in 1985 to 1 since 2006
 - Decentralisation of bargaining and increasing pressure on works councils

Three interactive propositions on the effect of eroding negotiated and legislative employment protection on the growth of temporary work

Proposition 1 – Employers' preferences



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The VoC (and dualisation) approach predicts that employers will retain their specific-skilled workers despite the erosion of employment protections.

→ In German core manufacturing sectors only workers without specific skills have become more likely to be on a temporary contract over time

Proposition 2 – Weakening institutional constraints



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Marsden’s “entry tournaments” (2010): Under the erosion of labour market regulation new entrants are affected by temporary work and “stick around” in the hope of being hired.

→ *In German core manufacturing sectors specific-skilled workers have become more likely to be on a temporary contract over time.*

Proposition 3 - Routine and weakening institutions



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Temporary workers are more likely to be employed in routine jobs and increasingly so if employment protection erodes.

→ *In German core manufacturing sectors workers in highly routine job positions have become more likely to be on a temporary contract over time.*



- **Quantitative analysis**

- BiBB workers' surveys (5 waves from 1985 to 2012)
- Only bluecollar workforce in core manufacturing sectors
- Interactive regression model

- **Qualitative analysis**

- Interviews mit HR managers and labour representatives at company level and at sectoral level
- Analysis of press statements, union material, secondary literature

Regression analysis

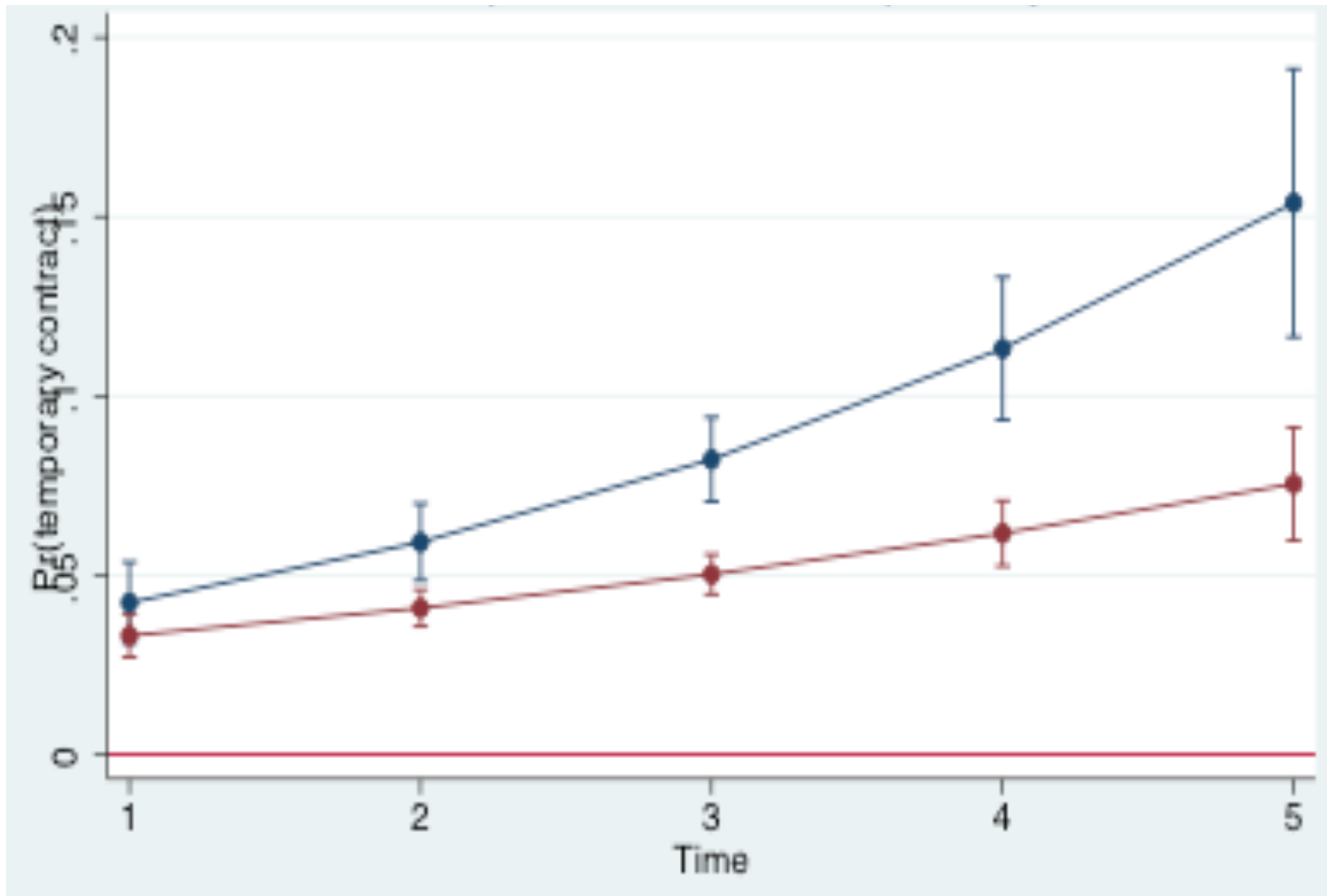


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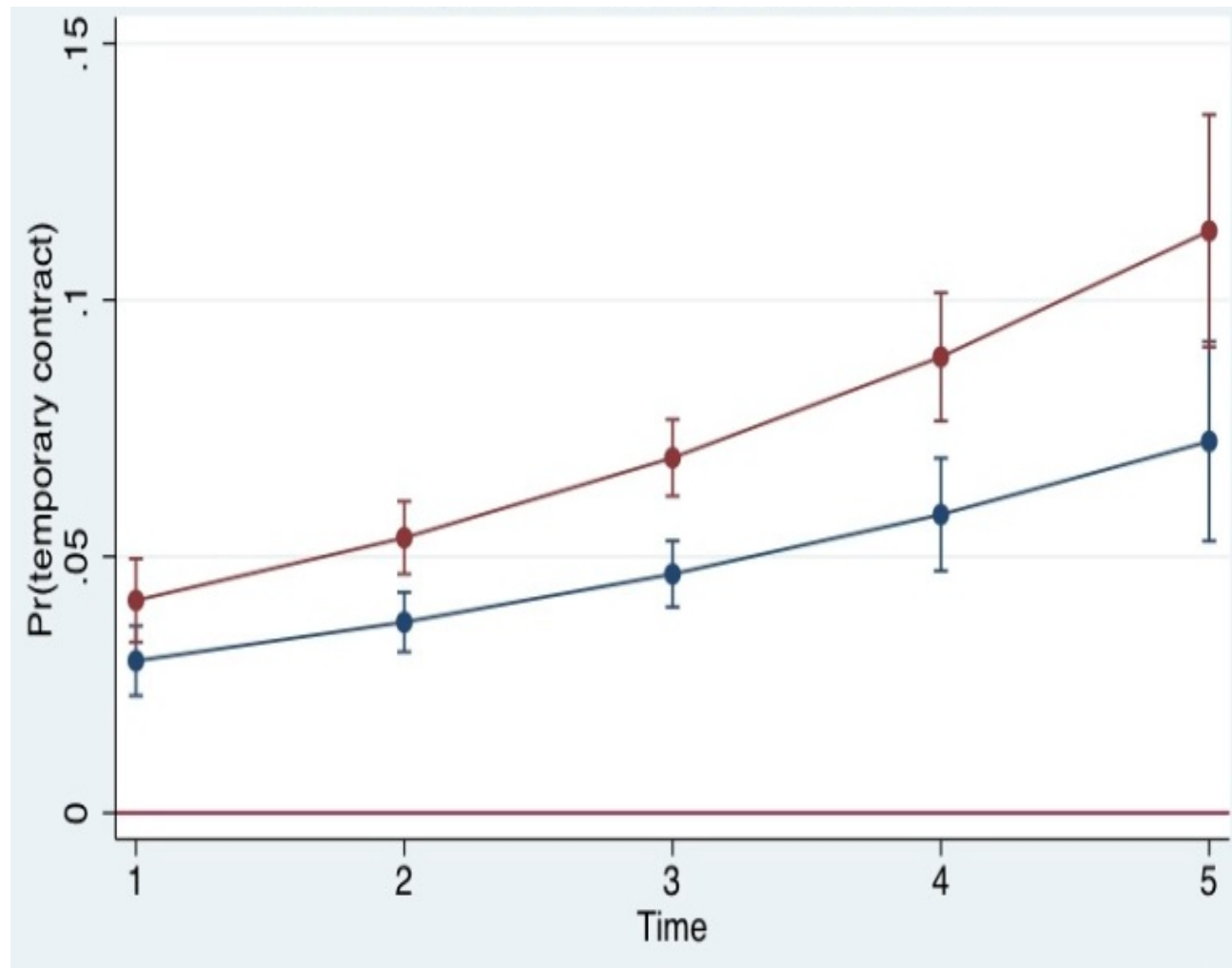
Regression model with four interaction terms between job routine, skill specificity and time:

$$\text{Temporary contract} = \beta_0 + \sum \beta_1 \text{CONTROLS}_{it} + \beta_2 \text{routine}_{it} + \beta_3 \text{skill specificity}_{it} + \beta_4 \text{time}_{it} + \beta_5 \text{time}_t * \text{routine}_{it} + \beta_6 \text{time}_{it} * \text{skill specificity}_{it} + \beta_7 \text{skill specificity}_{it} * \text{routine}_{it} + \beta_8 \text{time}_{it} * \text{skill specificity}_{it} * \text{routine}_{it} + \varepsilon_{it}$$

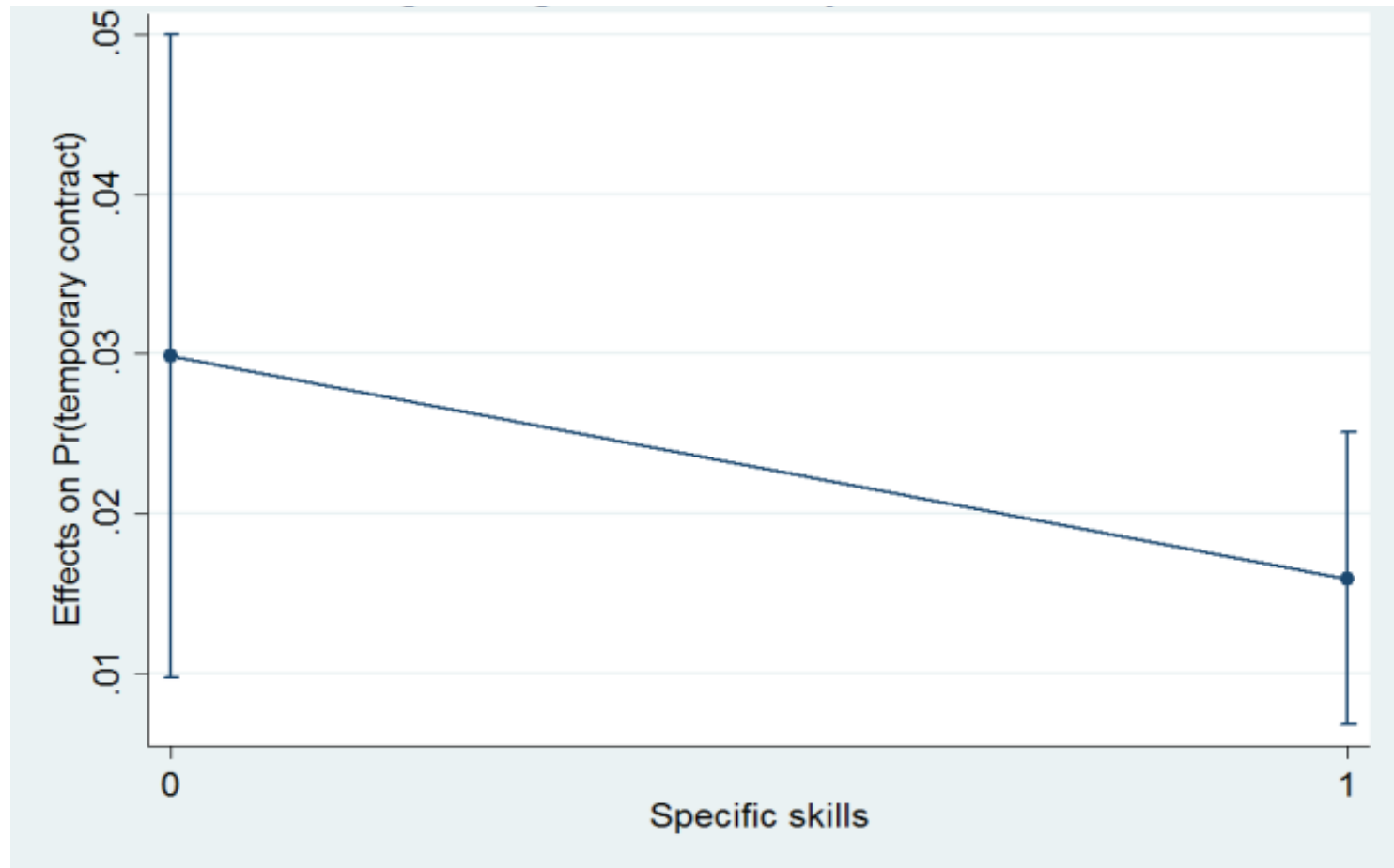
Predicted probabilities of skill specificity with 95% confidence interval



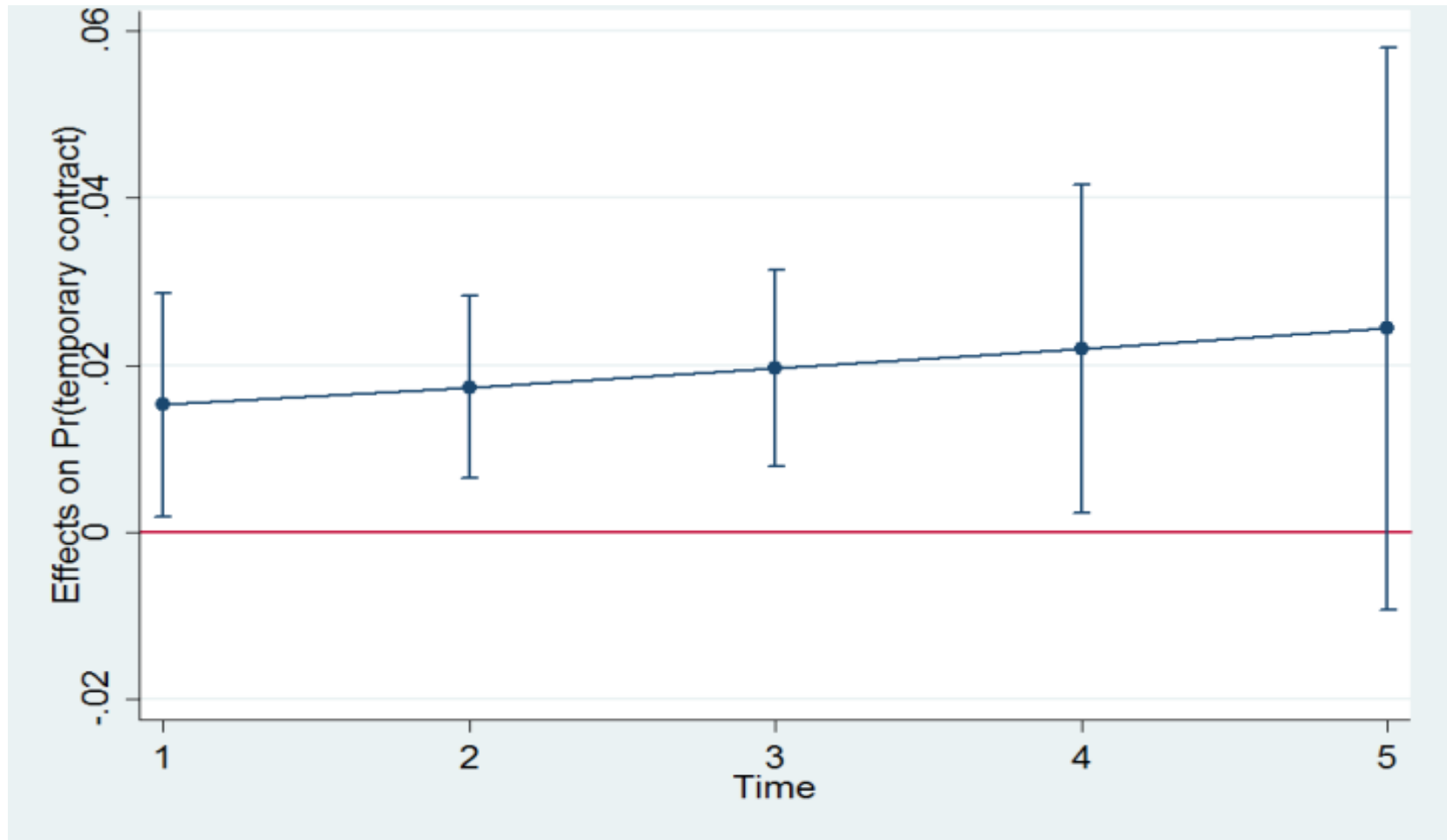
Predicted probabilities of job routine with 95% confidence interval



Average Marginal Effects of routine at different values of skill specificity



Average Marginal Effects of routine among specific skilled workers over time



Is stable employment necessary?



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- Skills are not so specific because the work is standardised
- Even for skilled positions, temporary workers can be employed because the required time for on-the-job training is short
- Temporary workers stick around in the hope of getting a permanent contract. Employers use temporary contracts in the transition period between training and permanent work

	1986	1992	1998	2006	2012	Rate difference (1986-2012)
Within the total workforce (%)						
	4.45	6.26	8.26	8.25	10.37	+6.23
Among specific skilled workers (%)						
	4.56	4.74	6.12	8.06	7.05	+2.49
Among specific-skilled workers by age (%)						
15-25	9.32	6.83	18.29	37.7	33.33	+24.01
45-65	6.63	5.19	9.55	15.32	14.44	+7.81

The role of weakening institutions



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- The Hartz reforms represented a turning point for employers' use of temporary work
- Works councils accepted the use of temporary work under the pressure of outsourcing – some did not have bargaining power (e.g. BMW Leipzig)
- Works councils still manage to push skilled workers up the career ladder and therefore temporary workers occupy unskilled positions.

	permanent workers	temporary workers
Overqualification (%)^a		
1986	24.9	35.2
1992	26	32
1998	43	62.5
Overskilling (%)^b		
1998	5.9	13.3
2006	15	23
2012	11.2	21.3

Summing up



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- Skilled workers have become less likely to be on a temporary contract over time compared to workers without specific skills (HP1) – but this is also due to resilient industrial relations institutions, rather than only to employers' interests;
- However, skilled workers have also been affected by temporary work (HP2) thanks to the routine nature of jobs and to the “stickiness” of workers;
- Temporary workers are increasingly employed in routine positions (HP3) but not necessarily because they are lower skilled – also due to internal labour market rules.

Conclusion



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- Industrial relations are central for explaining the growth of temporary work: Both erosion and resilience contribute to explain its patterns and mechanisms;
- Liberalisation of the employment relationship has the potential to spread in the core too;
- Further research should be done in “new” sectors such as e.g. IT.