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## Nonstandard Work in Italy and Spain: The Quest for Flexibility at the Margin in Two Supposedly Rigid Labor Markets

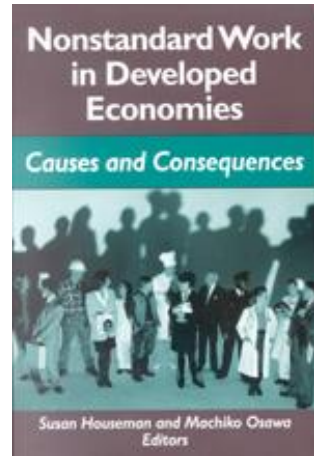
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# 4

## **Nonstandard Work in Italy and Spain**

### **The Quest for Flexibility at the Margin in Two Supposedly Rigid Labor Markets**

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Italy and Spain are two countries with very rigid labor markets, as defined by various indicators, such as direct firing costs, procedural restrictions to workforce adjustment, and other employment protection features (see, e.g., Grubb and Welles 1993; Barnard, Clark, and Lewis 1995; OECD 1999). They also share the “Mediterranean” lifestyle, with its extended families and low female work participation rates, as well as significant regional differences between the more developed northern regions and the more underdeveloped southern ones (although this duality is more striking in Italy). These two countries have also recently undergone deregulation, although to varying degrees and timing (for an earlier analysis, see Adam and Canziani 1998). In both countries, the pressing force for changes has been unemployment. It is doubtful, however, that this deregulation has ameliorated unemployment problems in these countries. Rather, dual labor market structures

have tended to develop, most notably in Spain, although it is unclear that what drives their current stability is institutional.

The purpose of this chapter is to compare the development of “nonstandard” work in Italy and Spain. Section 2 describes the main features of the Italian and Spanish labor markets. Section 3 discusses the notion of nonstandard work, while section 4 briefly describes the move toward nonstandard work in both countries. Section 5 begins the empirical part of the chapter by quantifying the size and evolution of nonstandard work, and section 6 analyzes the key characteristics of the main groups of nonstandard workers. Section 7 turns to the welfare of these workers, in terms of income, poverty, and job satisfaction. Finally, section 8 reflects on the role of nonstandard work as a weapon against unemployment.

## **BASIC FEATURES OF THE ITALIAN AND SPANISH LABOR MARKETS**

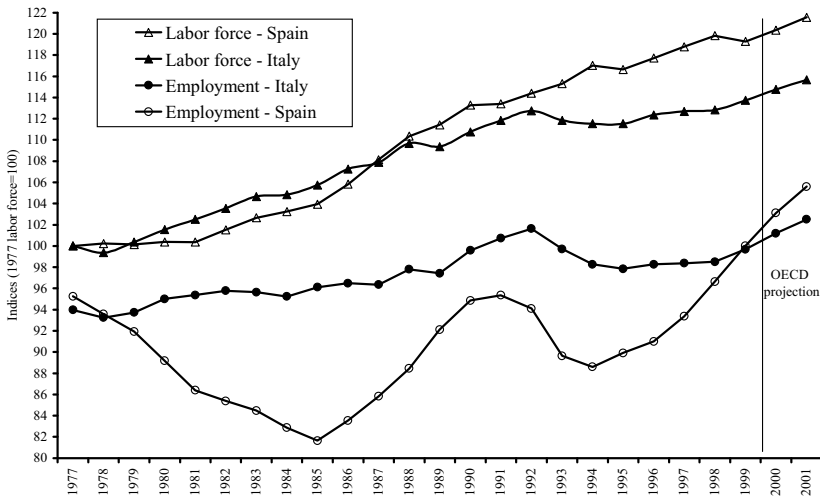
Figure 4.1 plots the evolution of employment in Italy and Spain since 1977<sup>1</sup> (all numbers are expressed as indices of the 1977 labor force to facilitate the comparisons). Labor force participation increased by 14 percent between 1977 and 2000 in Italy, and by 20 percent in Spain, with the main divergence between the two countries occurring in the 1990s. This faster growth in Spain, however, is deceptive, given the greater unemployment in Spain depicted in Figure 4.2. Of more importance is the way in which employment evolved in both countries. Thus, while in Italy, employment has increased more or less steadily (although it suffered a crisis in the early 1990s), in Spain, employment has experienced significant shifts. The first shift was a sharp downturn between 1977 and 1985, which reflects an adjustment from a pre-democratic, autarchic economy to the new competition within the European community. The second shift (1985–1991) occurred when the economy recovered at an unprecedented pace, helped by various factors, including entry into the European Union, lower oil prices, high profits achieved in the previous recession, and labor market reform that eased the use of fixed-term contracts. In the early 1990s, the European-wide crisis also affected Spain significantly. Finally, since 1994, and

more strongly since 1997, employment in Spain rose again at very high rates. Therefore, although in relative terms, employment has always been lower in Spain than in Italy throughout the period considered, by 1999, the two countries had reached similar levels.

Figure 4.2 plots unemployment, the flip side of Figure 4.1. Although the story in Italy is one of a slowly rising unemployment, driven by the inability of employment to expand as fast as the labor supply, in Spain, the labor supply has tended to be absorbed by the strong employment surges of the late 1980s and late 1990s. Thus, while unemployment in Spain was twice as great as in Italy in 1985 and again in 1994, the unemployment and employment data in the two figures both tend to converge in the 1990s.

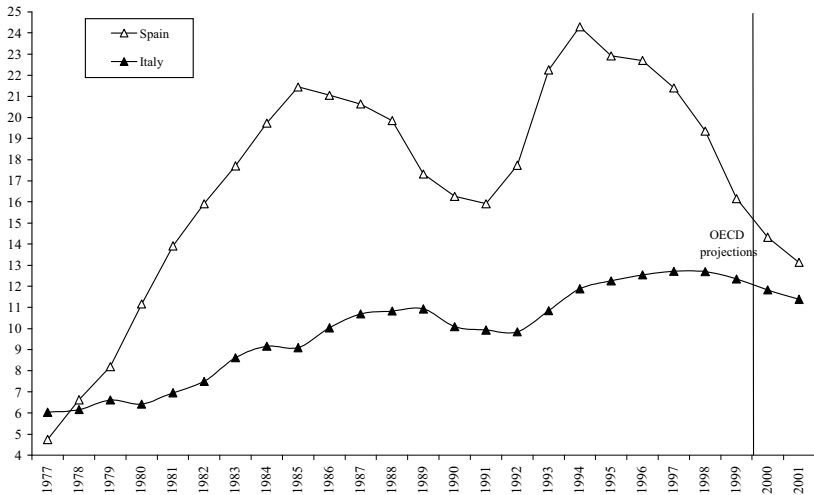
Figures 4.1 and 4.2 also include the Organization for Economic Cooperation and Development (OECD) projected evolution of labor force, which sees employment and unemployment rising until 2001. This is of interest for two reasons. First, the data more clearly reveal

**Figure 4.1 Employment and the Labor Force in Italy and Spain, 1977–2001**



SOURCE: OECD and European Labor Force Survey data.

**Figure 4.2 Unemployment Rate in Italy and Spain, 1977–2001 (% of labor force)**

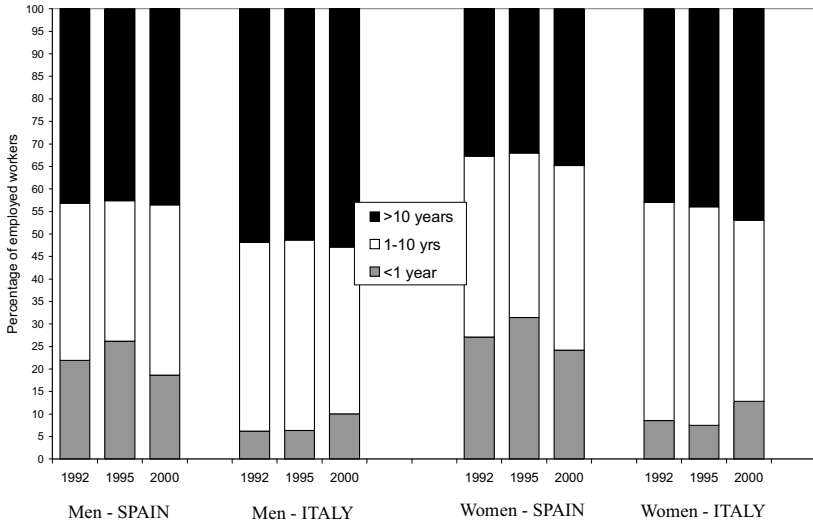


SOURCE: OECD and European Labor Force Survey data.

the process of employment recovery that has begun in Italy, suggesting an upsurge for the first time in ten years, similar to that observed in 1989–1991. Second, they pinpoint the strength of the Spanish employment growth, which despite the continuing rise in labor supply drives down unemployment to 13 percent, thus getting closer to Italy.

It is also worth considering the degree of labor mobility in both countries, given that this is an important element of labor market instability. Figure 4.3 shows the distribution of male and female employees in Italy and Spain in 1992, 1995, and 2000 by tenure in their current job.<sup>2</sup> The Spanish labor market has substantially higher mobility. In 1992 and 1995, the proportion of those with job tenure less than a year was more than 20 percent.<sup>3</sup> In Italy, it was roughly 5 percent in 1991 and 1994. The gap narrowed between the two countries in 2000, but Spain continued to have more workers with short tenures.

**Figure 4.3 Distribution of Employed Population by Tenure with the Current Employer, Spain and Italy, 1992, 1995, and 2000**



SOURCE: European Labor Force Survey.

### **INSTITUTIONAL DEFINITIONS OF STANDARD WORK ARRANGEMENTS**

Before moving on to the analysis of nonstandard work in the two countries, it is useful to analyze how standard work is defined. As in most countries, the “standard” work arrangement in Italy and Spain is a dependent, full-time, permanent (or “open-ended”) labor contract. Appendix A details the regulation of labor contracts in both countries.

In Italy, the standard contract was progressively expanded during the twentieth century with trade union action, the development of large industrial firms, and the rise of the welfare state. Both the 1947 Italian Constitution and the 1970 Workers’ Statute provide special rights only to permanent employees, then considered the weakest segment of overall employment in terms of social protection and working conditions. During the 1970s, both labor legislation and collective bargaining

focused specifically on “job security” (workplace stability), considered a public good under the “male bread-winner model” (Fagan and Rubery 1996), which characterizes the Italian social system. This political and social strategy led to a fairly strict limitation of employers’ power and practices, especially concerning firing and hiring in large firms, and provided several measures of employment protection. From a legislative and contractual point of view, “job security” became much more relevant than in the past.

More specifically, individual dismissals had to be justified, either as misconduct by the employee or an objective reason relating to the enterprise (Boeri 1997; Samek Lodovici 2000). An employee can challenge a dismissal by filing a written statement within 60 days. The case is heard by a special judge (*pretore del lavoro*) who decides whether the employer has demonstrated a justified motive. If the judge rules against the employer, the dismissal is void and the employer must compensate the worker for damage and reinstate him or her.<sup>4</sup>

In addition, standard workers also enjoy greater access to fringe benefits and unemployment benefits, although these tend to be more related to tenure than to the contract itself. For example, access to mobility benefits,<sup>5</sup> which are much more generous than unemployment benefits, requires two years of consecutive employment. Needless to say, self-employed workers are ineligible for any form of unemployment insurance and benefits (Dell’Aringa and Samek Lodovici 1997).

In Spain, 40 years of political dictatorship, with fairly paternalistic labor laws and rigid employment regulations (compensated for by a highly flexible wage system), was followed by a short experience of democracy in the late 1970s with sharp economic turmoil<sup>6</sup> and downturns. On the heels of this period, the 1980 Workers’ Statute created the main labor market regulations that currently exist and clearly established a preference for the open-ended contract as the “normal” labor contract.<sup>7</sup> Dismissals were severely restricted, and in many instances required prior administrative approval. Economic difficulties, for example, were not considered a fair cause for individual dismissal.<sup>8</sup> Nevertheless, the new regulations made it possible for firms to fire at will, provided they resorted to a more expensive, but easier and more certain, unfair dismissal procedure.<sup>9</sup> The situation changed in 1994, when the dismissal procedures were eased somewhat,<sup>10</sup> and again in 1997 when a special open-ended contract, with somewhat lower sever-

ance pay, was introduced. On the whole, however, it is still fair to say that employers can fire Spanish employees with an open-ended contract at will, but with a cost, which is generally deemed “high” by European standards.<sup>11</sup>

Other benefits, for example fringe benefits or unemployment insurance, are related more to seniority than to the contract itself. Needless to say, nonstandard dependent workers are bound to experience shorter employment spells and hence to have less access to those benefits, to the extent that these are not vested (which they are in many instances, especially when publicly provided); however, this lack of access is fundamentally unrelated to their contract status. For example, workers under fixed-term contracts in Spain may, on the surface, have no access to unemployment benefits. However, if they work six months under six different one-month contracts for six different employers, they will become eligible for benefits, regardless of whether the six months of work were consecutive or interspersed with spells of unemployment.

Thus, both in Italy and Spain, standard workers enjoy substantial protection from arbitrary action by firms. By most international comparisons (albeit with the inherent difficulties in such comparisons), the two countries rank high in terms of legal employment protection. This is the most significant difference, and it is against this that the situation of nonstandard workers must be judged.

## **THE MOVE TOWARD NONSTANDARD WORK**

Despite the preference for standard work arrangements in both Italy and Spain, both countries, urged on by unemployment, have tried to circumvent the rigidities in open-ended labor contracts. In both cases, the changes have not attempted to alter the nature of the core labor market, but rather have aimed at creating fringes in the labor market with less restrictive hiring and firing conditions. One of the early responses of the economy to the initial restrictive regulation was a flourishing underground economy and independent work, especially in Italy, and one of the side effects of the move toward nonstandard work has been the emergence of such activities, especially in Spain.



In Italy, the strict regulation of the labor market has been undergoing a transformation for some years (De Luca and Bruni 1993; Paci 1998). It is not an overall coherent reform, but rather, a series of incremental interventions and decrees that have modified the system as a whole. One of the most important changes in Italy in recent years is the diversification of employment contracts, leading to an expansion of temporary employment (including seasonal employment contracts, youth work-training, and apprenticeship contracts) and of “independent contractors,” those workers midway between dependent and independent work, and defined in the sociological literature as “second generation” self-employment (Bologna and Fumagalli 1997).

In recent years, this new form of self-employment (including freelance work, independent contractors,<sup>12</sup> “co-workers,” etc.) has increased rapidly, especially in northern Italy and in certain sectors (Semenza 2000). Much of the flexibility provided by work relations that depart from the standard model in Italy is to be attributed to these middle positions between wage work and self-employment. These new forms of employment are the result of both outsourcing on the demand side and a different way of conceiving work on the supply side, where work choices may be functionally linked to the workers’ life cycle (Bassanini and Donati 2001). Recent reforms, although with stricter eligibility rules, are substantially changing the working status of the new independent workers (e.g., they receive the same tax treatment as the dependent workers, a gradual increase of the pension contributions rate, and extension of some social assistance benefits such as coverage for hospitalization, family allowances, maternity leave). Although for dependent, nonstandard workers, there is a mild shift toward less regulation, the opposite is true for independent contractors. For this group, greater regulation offers some employment protection.

Dependent work has seen changes as well, although none are radical departures from recent policies. Changes have included the introduction of mobility procedures and benefits in collective layoffs; the abolition of the obligation to employ from official employment office waiting lists (1991); the introduction of various youth temporary employment contracts and the relaunching of apprenticeship schemes (1984, 1997); new rules and incentives for fixed-term and part-time work (1997, 2000); the introduction of temporary agency employment and the end of the public monopoly on job placement (1997); the intro-

duction of “graduality contracts” between companies and unions to encourage undeclared and irregular work;<sup>13</sup> and the decentralization of employment services at the local level (1997). An important element also introduced in 1997 (in the Treu package) was the substitution of a monetary penalty for automatically converting fixed-term workers into permanent ones when work extended (up to 30 days) beyond the official expiry date with the possibility to renew the contract once.

In Spain, the 1980 Workers’ Statute left the door open to exceptions to the normal, open-ended labor contract. These were established for clearly temporary activities, for which temporary contracts were allowed, as well as for initial contracts for youth (accepting what was already set up since 1978). In addition, the law allowed government to introduce other instances for using temporary contracts, even for performing the normal activities of firms (which would break the so-called “causality principle” for temporary hiring), as an “employment promotion measure.” This possibility was used for the first time in 1982, although the new contract was subject to various restrictions. The situation changed quite dramatically when the Socialist government, elected in late 1982, reformed the Workers’ Statute in 1984 by expanding the possibilities for using temporary contracts (mostly through the so-called “new line of business” contract) as well as maintaining the noncausal, fixed-term contract as a measure of employment promotion. This latter measure was made permanent, whereas in the past, it was removed when the employment situation improved.<sup>14</sup> In principle, the 1984 reform established two types of contracts: temporary contracts, to be used for temporary tasks, and fixed-term contracts, which could also be used to perform the “normal” activities of firms. This amendment to the Workers’ Statute, which also included other measures such as the regulation of part-time work, has been the cornerstone of labor market reform in Spain in the last 20 years (see, e.g., Malo and Toharia 2000).

Further reforms were introduced throughout the 1990s. In 1992, the fixed-term contract was restricted and unemployment benefits curtailed, and then again in 1994, amid a wholesale refurbishing of the statute, further efforts were made to foster part-time work, and the fixed-term contract was further restricted (limiting its use to specific groups). In 1995, temporary help agencies were legalized, and the monopoly of the public employment services was suspended. In 1997,

the fixed-term contract was altogether abolished, and a new open-ended contract was introduced. In 1998, part-time work was again reformed, and finally, in 2001, the 1998 reform of the part-time contract was reversed (in a move to make it more flexible), and the coverage of the new open-ended contract was expanded. These changes throughout the 1990s did not reduce the number of contracts signed; in fact, they increased. Firms, forced to move away from fixed-term contracts (as they were simply being eliminated), resorted to temporary contracts, thus somewhat paradoxically gaining flexibility given that the temporary contracts were less regulated and allowed much more flexible time spans.

Thus, in Italy, moves toward dependent, nonstandard work have been much milder than in Spain and have been introduced just recently (Samek Lodovici and Semenza 2001). For example, fixed-term work has been restricted to clearly temporary tasks and to youth labor market integration policies, and part-time work has been regulated based on the proportionality principle. The flip side of the situation is the growth of very flexible independent contractors, for whom some regulation has been introduced in recent years. The impression is that further moves could be undertaken should the labor market situation worsen in the next few years (something that at present does not seem plausible, at least in the short term). In Spain, on the other hand, the situation is inverse. Social agents believe that the move toward nonstandard work, especially regarding temporary or fixed-term work, has gone too far. However, the successive measures adopted to reduce the extent of temporary work (most notably in 1997)<sup>15</sup> have met with failure generally, and the issue remains alive.

## **QUANTIFYING NONSTANDARD WORK IN ITALY AND SPAIN**

We now present data on nonstandard work arrangements in Italy and Spain. The data come mainly from the European Community Household Panel (ECHP) and correspond to 1996.<sup>16</sup> This source offers the ability to make comparisons across categories, defined on a common statistical basis, and will also be the source for the welfare analysis below.

Table 4.1 presents data for the following categories: full-time permanent employees; part-time permanent employees; full-time temporary employees; part-time temporary employees; paid apprentices and trainees under special schemes; self-employed; and unpaid family workers.

It could be argued that all but full-time permanent employees represent the extent of nonstandard work, given that they depart from the standard defined above. However, it could be argued that, for various reasons, part-time permanent employees, paid apprentices and trainees, self-employed, and unpaid family workers could also be considered special categories. Part-time permanent employees fall very near the standard, apprentices and trainees are, by definition, in transitory positions, and self-employed and unpaid family workers depart from the usual "labor market," especially in Italy and Spain, where they tend to represent the past rather than the future, linked, as they are, to such traditional activities as agriculture and trade and hotels and restaurants.

**Table 4.1 The Extent of Nonstandard Work in Italy and Spain (%), 1996**

	All		Males		Females	
	Spain	Italy	Spain	Italy	Spain	Italy
Permanent full-time employees	44.6	56.4	47.5	57.0	39.3	55.1
Permanent part-time employees	1.6	4.3	0.5	1.4	3.7	10.0
Temporary full-time employees	23.6	6.8	23.7	6.5	23.4	7.3
Temporary part-time employees	3.0	1.6	1.1	0.9	6.7	2.8
Paid apprentices and trainees	1.2	1.3	1.3	1.3	1.0	1.5
Self-employed	21.0	25.0	23.2	29.1	16.7	1.3
Unpaid family workers	2.4	2.7	1.8	2.3	3.6	3.6
Unknown	2.5	1.8	0.9	1.6	5.6	2.3
Total	100	100	100	100	100	100

SOURCE: European Community Household Panel, third wave.

However, as already noted, there has been a growing trend in Italy for a specific category of self-employed workers. Despite these caveats, the following analysis will focus on full-time temporary, part-time temporary, and self-employed workers (including in some instances family workers).

It should be stressed that this classification derives from standard statistical classification criteria; that is, it is based on the respondents' own description of their contract situation. Thus, temporary work is a general expression that refers to any kind of contract that is of limited duration,<sup>17</sup> even though its precise limits may not be known (this occurs when the contract is signed for the duration of a certain task, which may be uncertain). On the other hand, part-time work is not defined by any legal arrangement; rather, the ECHP considers work fewer than 30 hours a week to be part-time, unless workers claim they work full-time when asked the reason for working less than this threshold.<sup>18</sup> This method and definition follows the usual Eurostat criterion generally used in the European Labor Force Survey.

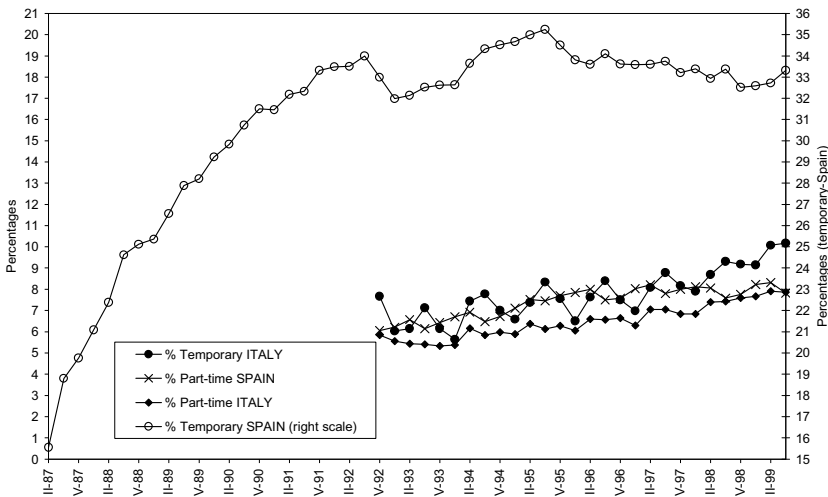
It should also be mentioned that other forms of nonstandard work are emerging in both countries, mainly "independent" workers, freelancers, and other forms that generally fall outside the realm of labor law. This is especially true in Italy, where the "second generation" self-employed, who make up an estimated one-third of the measured self-employed, have become the second most common form of employment after the standard open-ended contract (Bologna and Fumagalli 1997). This group of self-employed is mainly professional, skilled workers.<sup>19</sup> In Spain, the trend applies to the construction and personal and business services sectors, but no detailed information exists on its evolution and significance within the labor market.

The data in Table 4.1 show significantly more nonstandard work in Spain than in Italy. Under its broad definition, 55.4 percent of all employed individuals in Spain work under nonstandard arrangements, a proportion that could challenge the qualifier "standard." In Italy, 41.7 percent work in nonstandard arrangements, clearly below the 50 percent cutoff. Under the narrower criterion noted above that limits nonstandard work to temporary, full-, and part-time workers, however, 26.6 percent of Spain's employed population would be considered nonstandard, while only 8.4 percent of Italian workers fall in this category.

There are two main differences between the two countries: the share of full-time temporary workers in Spain is much larger than in Italy: 24 percent versus 7 percent, while self-employment is more common in Italy than in Spain. Part-time work composes a relatively small share of nonstandard work, although somewhat higher in Italy than in Spain owing mainly to the number of permanent part-time workers. The picture changes slightly by gender. Female part-time workers represent nearly 13 percent of total female employment in Italy and approximately 10 percent in Spain, the main difference again stemming from the number of permanent part-time workers. In any case, these numbers are far lower than those observed in other European countries.

Figure 4.4 shows the evolution of nonstandard work in Italy and Spain, as indicated by changing trends in part-time and temporary work among total employed. Figure 4.4 is based on ELFS data, which differ somewhat from those presented above. The series dates from the early 1990s, with the exception of temporary work in Spain, which dates from 1987 (the first year for which information is available).

**Figure 4.4 The Share of Part-Time and Temporary Employees in Italy and Spain, 1987–99**



SOURCE: European Labor Force Survey.

There are three striking trends in Figure 4.4. The first is the rapidly rising share of temporary work in Spain in the late 1980s and early 1990s. However, since 1992, the proportion has remained stable; it would seem that the Spanish economy had reached some “steady state” in terms of the proportion of temporary work.

The second clear trend is the rise, albeit more modest, in temporary work in Italy, with clear seasonal patterns. The more recent data show some acceleration in the rise of temporary work, as well as a diminishment in seasonal patterns, which may result from the 1997 Treu Act (see above). Nevertheless, the rate of variation is modest compared with Spain in the late 1980s (the two scales used for both series are the same).

The third trend is the modest rise in the share of part-time work in both countries, from roughly 6 percent in the early 1990s to approximately 8 percent in the late 1990s. It appears that both firms and workers have preferred different ways of achieving flexibility, involving higher, albeit maybe more unstable, hours and earnings. Still, the share of part-time work in female employment is close to 20 percent in Spain. Very little information is available on the other forms of non-standard work, including the underground economy, probably because they are still a new, and small, part of the economy.

We now present the characteristics of the three main groups of nonstandard workers: temporary workers, part-time workers, and self-employed. Table 4.2 compares the main characteristics of temporary workers and permanent workers in both countries as of April–May 1999. More women than men both in Italy<sup>20</sup> and in Spain work in temporary employment, although the differences are slightly higher in Italy. Temporary workers tend to be younger in both countries (but more so in Spain) than permanent workers.<sup>21</sup> It is striking that, despite being younger, temporary workers have lower educational attainment levels, especially in Spain and also for Italian males. This trend toward relatively unskilled work is confirmed by the data on occupations. Thus, temporary workers tend to be concentrated in elementary occupations, as well as service and sales occupations.

In any case, the differences are larger in Spain. On average, there is a 7 percentage point difference between Spanish male temporary and permanent workers across the various occupations, and only a 4.3 percentage point difference among Italian men. For females, the differences are also somewhat higher in Spain: 4.6 percentage points on

**Table 4.2 Characteristics of Temporary and Permanent Employees, Italy and Spain, 1999 (%)**

	ITALY				SPAIN			
	Men (60.1)		Women (39.9)		Men (62.1)		Women (37.9)	
	Permanent (90.5)	Temp (9.5)	Permanent (86.8)	Temp (13.2)	Permanent (68.6)	Temp (31.4)	Permanent (65.1)	Temp (34.9)
Age group								
15–29 years	19.9	47.3	22.9	46.7	16.7	52.3	21.3	55.7
30–39 years	32.0	27.5	33.8	31.3	28.7	24.5	32.3	25.5
40–49 years	29.1	13.6	28.6	14.7	29.2	14.3	28.7	12.8
50–64 years	19.0	11.6	14.8	7.4	25.4	8.9	17.6	6.0
Level of education								
No education/primary school	12.0	16.4	8.0	10.9	28.3	30.4	20.9	18.9
Lower secondary level	40.8	41.4	28.3	28.4	30.8	43.2	27.9	37.8
Upper secondary level	37.1	34.1	48.9	44.1	22.5	16.9	22.3	21.3
University	10.1	8.1	14.8	16.6	18.4	9.5	29.0	22.0
Occupational groups (1 digit ISCO-88)								
Managers	2.8	1.1	0.9	0.3	3.8	0.6	1.2	0.2
Professionals	6.2	5.9	9.1	9.6	11.7	6.0	19.9	12.6
Technicians	18.0	12.3	31.1	23.0	11.7	5.2	11.8	7.4
Clerks	12.6	9.1	21.0	16.8	9.7	3.7	20.6	14.8
Services and sales workers	9.8	10.1	14.4	17.1	11.9	8.7	19.8	27.1
Crafts/skilled blue collars	24.4	28.2	7.5	7.8	24.4	35.4	3.1	5.4

(continued)



**Table 4.2 (continued)**

	ITALY				SPAIN			
	Men (60.1)		Women (39.9)		Men (62.1)		Women (37.9)	
	Permanent (90.5)	Temp (9.5)	Permanent (86.8)	Temp (13.2)	Permanent (68.6)	Temp (31.4)	Permanent (65.1)	Temp (34.9)
Plant and machine operators	15.2	10.0	6.6	4.1	16.1	12.8	4.2	5.9
Elementary occupations	8.5	22.3	9.5	21.4	9.5	27.0	19.4	26.6
<b>Industries</b>								
Agriculture	2.4	11.8	1.3	9.6	2.9	8.4	0.9	4.9
Mining and energy	2.2	1.0	0.5	0.2	2.4	1.0	0.5	0.3
Manufacturing	31.9	20.3	22.7	14.3	28.7	21.4	12.4	14.2
Construction	9.5	16.5	1.1	1.2	8.9	32.3	1.1	1.2
Wholesale and retail, repairs	9.4	10.2	11.0	10.6	12.9	10.2	14.5	18.3
Hotels and restaurants	2.1	4.5	2.9	6.3	3.7	5.2	5.1	9.9
Transportation, communications	8.4	5.4	3.6	2.5	7.8	4.9	3.6	2.8
Financial services	4.4	0.8	4.1	2.3	4.5	0.6	3.3	1.9
Business services	3.5	4.8	6.4	7.6	5.4	4.8	9.5	8.6
Public administration	13.5	11.1	10.4	11.7	10.2	3.8	10.2	4.5
Education, health	9.4	8.4	29.8	23.0	8.4	4.6	26.7	18.8
Other services	3.3	5.19	6.2	10.8	4.1	2.7	12.3	14.6
<b>Work status</b>								
Full-time	98.7	76.1	87.5	59.8	99.0	93.2	87.4	72.4
Part-time	1.3	23.9	12.5	40.2	1.0	6.8	12.6	27.6

SOURCE: European Labor Force Survey.

average versus 3.8 percentage points for Italy. Temporary work tends to be concentrated in more volatile sectors, such as agriculture, construction, and tourism. Again, the differences are larger in Spain, although only for males, a result attributable to the differences in the construction sector.

On the whole, temporary workers tend to be concentrated, both in Spain and in Italy, in relatively less-skilled occupations; in addition, individuals who hold these jobs are relatively young. This is interesting, especially given the rather high proportion of temporary workers in Spain, because it implies that rather than opening the labor market as a whole, the move toward nonstandard work has catered to special segments of labor demand, where transitory work needs are more prevalent. Despite the large hole created by temporary work in Spain, it appears to have remained concentrated in activities and occupations where it might not pay to offer the worker a permanent status. In Italy, the thrust of the legislation has always been to allow temporary contracts for temporary tasks; it is quite interesting that in Spain, despite the much wider extent of legislation, the actual reach has not been, in general, different.

Of course, the question that arises is whether temporary tasks warrant that one-third of the workforce have a temporary status, especially when comparing the situation in Italy, with presumably similar seasonal peaks of activity. This is a difficult question to answer. One element to be taken into account is the resilience of the share of temporary workers in the face of the various reforms introduced in the 1990s aimed at curbing such work. This resilience might support the argument that the roughly one-third of temporary employees represents a collective choice by firms based on their economic situation. On the other hand, there is a general belief that the proportion is too high given the temporary needs of firms. This view is evident in the 1997 agreement, whose aim was to foster employment stability by reducing the proportion of temporary workers. Thus, there seems to be a conflict between the microeconomic behavior of firms and the aggregate view of the social partners (and society at large). We shall return to this point in our concluding remarks.

Turning to part-time work, Table 4.3 presents the main characteristics of part-time and full-time workers in both countries as of April–May 1999. Not surprisingly given the large proportion of temporary

**Table 4.3 Characteristics of Full-Time and Part-Time Workers, Italy and Spain, 1999 (%)**

	ITALY				SPAIN			
	Men (60.1)		Women (39.9)		Men (62.1)		Women (37.9)	
	Full-time (96.8)	Part-time (3.2)	Full-time (84.2)	Part-time (15.8)	Full-time (97.2)	Part-time (2.8)	Full-time (82.2)	Part-time (17.8)
<b>Age groups</b>								
15–29 years	21.7	37.0	25.5	26.6	26.9	61.4	32.9	35.2
30–39 years	31.7	28.4	32.3	39.7	27.6	19.9	30.3	28.3
40–49 years	28.3	16.3	27.8	22.6	25.0	9.6	23.9	19.7
50–64 years	18.4	18.2	14.4	11.1	20.5	9.1	12.9	16.8
<b>Level of education</b>								
No education/primary school	12.1	19.2	7.5	13.3	29.3	15.8	17.5	32.6
Lower secondary level	41.0	38.3	27.1	34.5	34.8	31.7	30.5	35.4
Upper secondary level	36.9	34.7	49.2	44.1	20.5	28.4	23.2	16.3
University	10.0	7.9	16.3	8.1	15.4	24.1	28.9	15.8
<b>Occupational groups (1 digit ISCO-88)</b>								
Managers	2.8	0.6	0.9	0.2	2.8	0.8	1.0	0.1
Professionals	6.1	6.4	10.1	3.9	9.7	18.5	19.1	9.3
Technicians	17.7	14.0	31.9	20.9	9.7	10.4	11.3	5.8
Clerks	12.3	11.1	20.9	18.0	7.8	8.7	20.4	9.9
Services and sales workers	9.8	12.2	13.0	24.1	10.6	21.5	21.6	25.9
Crafts/skilled blue collars	24.8	22.7	7.9	5.79	28.3	11.6	4.2	2.2
Plant and machine operators	15.1	7.2	6.7	3.69	15.2	8.8	5.4	2.1

Elementary occupations	9.1	25.8	8.6	23.4	14.9	19.7	17.0	44.7
Armed forces	2.5	0.0	0.0	0.0	1.0	0.0	0.0	0.0
Industries								
Agriculture	3.0	10.7	1.9	4.3	4.6	6.1	2.6	0.9
Mining and energy	2.2	1.2	0.5	0.3	2.0	0.9	0.5	0.2
Manufacturing	31.6	12.4	22.9	15.0	26.8	13.0	14.7	5.4
Construction	10.0	11.0	1.0	1.4	16.6	4.7	1.3	0.6
Wholesale and retail, repairs	9.4	11.9	9.9	16.6	12.0	14.2	16.1	14.4
Hotels and restaurants	2.2	4.3	2.8	6.3	3.9	14.5	6.3	9.0
Transportation, communications	8.3	5.0	3.7	2.2	6.9	5.9	3.5	2.5
Financial services	4.2	1.2	4.0	3.8	3.4	1.1	3.1	1.2
Business services	3.5	5.4	5.6	11.3	5.1	10.5	8.2	13.4
Public administration	13.2	18.1	11.0	8.0	8.3	3.2	9.3	3.0
Education, health	9.2	10.8	31.5	15.9	6.9	16.2	25.9	15.2
Other services	3.3	8.0	5.2	15.1	3.5	9.5	8.5	34.2
Type of labor contract								
Permanent	93.4	36.8	91.6	69.8	69.9	24.5	69.2	45.9
Temporary	6.7	63.2	8.4	30.2	30.1	75.5	30.8	54.1

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SOURCE: European Labor Force Survey.

workers among part-time employees, the latter tend to share some of the features of temporary workers. However, there are also significant differences. First, male part-time workers are, to a large extent, temporary workers in Italy and Spain, and also quite young, especially in Spain; however, their share in part-time work is quite small (around 25 percent). Spanish female part-time workers tend to be younger than full-time workers, although this is not the case in Italy, where the modal group among part-time workers is 30–39 years. Female part-time workers also tend to be more unskilled, as suggested by their lower level of education and, above all, by their strong concentration in the elementary occupations (mostly in Spain) and in the sales and services occupations (mostly in Italy), these being the two least skill-demanding occupational groups. Personal services as well as tourism concentrate the largest shares of part-time females in both countries.

On the whole, part-time work does not seem to have made strong inroads in either Italy or Spain. Despite the efforts to promote it, especially among women, young Italian and Spanish women are more inclined to work full-time, and are moving away from the traditional role of child-rearing that the cultural values have tended to assign their mothers (Comi 2001). The low fertility rates and the rapidly increasing female labor force participation rates are evidence of these trends. The existence of other forms of nonstandard, flexible arrangements, such as independent work and the underground economy in Italy and temporary work in Spain, seem to be the main factor behind these trends.

Finally, Table 4.4 presents the characteristics of self-employed using the same variables included in the preceding two tables. To avoid possible biases, the agricultural sector has been omitted from the analysis. The most striking feature of Table 4.4 is that self-employed workers are significantly older than employees. Thus, 70 percent of both Italian male and female self-employed are age 40 or over, whereas the corresponding figures for employees are 46 percent (males) and 40 percent (females). In Spain, the self-employed are somewhat younger (60 percent of men and 58 percent of women are age 40 or older), but they are still, on average, older than employees. Correspondingly, their level of education is also lower.

The occupational breakdown is not very significant, given that the classification bears in part on the position of the worker in the production process. Thus, the concentration in services and craftsmen (and

**Table 4.4 Characteristics of Nonagricultural Self-Employed and Dependent Workers, Italy and Spain, 1999 (%)**

	ITALY				SPAIN			
	Men (59.6)		Women (40.4)		Men (62.9)		Women (37.1)	
	Self-employed (25.2)	Employee (74.8)	Self-employed (28.0)	Employee (72.0)	Self-employed (20.5)	Employee (79.5)	Self-employed (15.7)	Employee (84.3)
Age groups								
15–29 years	14.8	22.2	4.7	25.9	14.1	27.9	15.2	33.1
30–39 years	15.7	31.7	24.4	33.6	25.5	27.2	27.1	29.9
40–49 years	20.5	27.9	41.2	26.9	29.0	24.6	28.0	23.3
50–64 years	49.1	18.2	29.8	13.7	31.3	20.3	29.7	13.8
Level of education								
No education/primary school	34.2	11.5	25.1	7.7	37.3	27.5	37.0	19.6
Lower secondary level	32.9	40.7	38.2	27.9	31.7	34.7	32.8	31.2
Upper secondary level	25.3	37.5	17.4	49.2	17.1	21.4	15.5	22.2
University	7.6	10.3	19.3	15.3	13.8	16.3	14.7	27.0
Occupational groups (1 digit ISCO-88)								
Managers	4.9	2.8	1.2	0.8	34.7	2.9	42.5	0.8
Professionals	6.4	6.5	11.7	9.4	8.3	10.5	9.7	17.7
Technicians	9.1	17.9	3.9	30.7	7.2	10.0	5.7	10.4
Clerks	0.4	12.6	8.3	20.8	1.4	8.1	3.8	18.9
Services and sales workers	31.8	10.1	65.7	15.0	5.0	11.7	25.6	23.0
Crafts/skilled blue collars	28.6	24.5	13.0	7.4	27.0	26.9	5.3	3.5
Plant and machine operators	3.2	15.0	0.6	6.4	13.7	15.3	3.6	4.9

(continued)

**Table 4.4 (continued)**

	ITALY				SPAIN			
	Men (59.6)		Women (40.4)		Men (62.9)		Women (37.1)	
	Self-	Employee	Self-	Employee	Self-	Employee	Self-	Employee
	employed (25.2)	(74.8)	employed (28.0)	(72.0)	employed (20.5)	(79.5)	employed (15.7)	(84.3)
Elementary occupations	15.7	8.3	6.8	9.5	2.7	13.5	3.8	20.7
Armed forces	0.0	2.4	0.0	0.0	0.0	1.0	0.0	0.0
Industries								
Mining and energy	0.1	2.2	0.0	0.5	0.3	2.1	0.1	0.4
Manufacturing	17.1	31.9	21.8	22.1	15.6	27.6	9.4	13.4
Construction	18.1	10.4	0.6	1.1	18.1	17.0	1.4	1.2
Wholesale and retail, repairs	37.9	9.8	55.2	11.2	28.0	12.6	46.5	16.1
Hotels and restaurants	6.5	2.4	2.9	3.4	10.9	4.4	16.1	6.9
Transportation, communications	2.8	8.4	0.4	3.5	11.5	7.2	1.6	3.4
Financial services	1.5	4.2	0.7	4.0	2.2	3.9	2.0	3.6
Business services	6.9	3.7	4.2	6.7	7.9	4.9	6.7	8.5
Public administration	0.1	13.8	0.1	10.8	0.0	8.6	0.1	8.4
Education, health	2.2	9.7	10.6	29.7	2.5	7.7	6.0	24.7
Other services	6.8	3.6	3.6	6.9	3.1	3.9	10.1	13.4
Work status								
Part-time	87.0	96.8	88.6	84.2	97.0	97.2	84.1	81.8
Full-time	13.0	3.2	11.4	15.8	3.0	2.8	15.9	18.2

SOURCE: European Labor Force Survey.

also “managers” in Spain) is related to the fact that these people work on their own. Construction, trade, and tourism are more prevalent among self-employed. General industrial concentration is higher in Italy, where the mean between the distribution of employees and self-employed is 8.4 for males (compared with 5.5 in Spain) and 8.0 for females (7.2 in Spain). This suggests a more concentrated distribution of self-employment in Italy.

On the whole, self-employment in Italy and Spain is hardly a new development. Although the proportion of self-employed workers is relatively stable over time, these are workers who, in general, are in traditional activities in the construction, trade, and hotels/restaurants sectors. New trends in nonstandard work may be found, especially in Italy, in the externalization of work that is quite common in construction and services. These workers are formally self-employed, but they depend on a single provider for work. The frontier between “labor” and “mercantile” exchanges is rather thin in cases such as these.

## **THE WELFARE OF NONSTANDARD WORKERS**

The final element in our analysis is the consequences for workers of their status as nonstandard workers. We present data from the ECHP covering the period 1994–1996. On the basis of the classification used in Table 4.1, we review nonstandard workers’ wages (only available for employees), poverty levels, job and general satisfaction, and transitions from nonstandard work.

Table 4.5 presents information on wage and poverty of the different work categories defined in Table 4.1. Wage data suggest that temporary workers earn less per hour than permanent workers, the differences being somewhat larger in Spain than in Italy. However, before concluding that there is discrimination against workers in Spain, one should remember that wage differences are explained by many other factors beyond the contract type. For example, temporary workers tend to be much younger and less skilled, two factors likely to affect wages between temporary and permanent workers. Econometric evidence is inconclusive on this point, and even the methods for determining whether the differences are discriminatory are subject to



**Table 4.5 Wage and Poverty Indicators of Various Workers, Italy and Spain, Circa 1995**

	Hourly wage (PPP Ecu) <sup>a</sup>		% below poverty Line 1		% below poverty Line 2		% in persistent poverty	
	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain
Permanent full-time employees	6.5	7.6	6.2	4.5	5.4	5.0	2.0	1.8
Permanent part-time employees	6.7	7.8	2.4	5.6	4.4	6.1	1.1	3.4
Fixed-term full-time employees	4.5	4.5	28.0	13.5	22.4	19.6	12.9	7.3
Fixed-term part-time employees	5.3	4.6	28.3	21.6	30.0	19.7	15.7	8.5
Paid apprentices and trainees	4.6	3.9	21.1	23.5	21.3	30.1	13.2	22.1
Self-employed	—	—	14.9	22.6	19.1	20.5	10.3	9.6
Unpaid family workers	—	—	19.5	27.2	20.8	24.9	11.6	11.2

NOTE: “Poverty line 1” refers to current (1996) monthly household income (in adult equivalent per capita terms). “Poverty line 2” refers to total household income in previous (1995) year (in adult equivalent per capita terms). Persistent poverty is living below poverty line 2 in the three waves for which data exist (data refer to the years 1993, 1994, and 1995).

<sup>a</sup> Purchasing Power Parity based on the value of the European currency unit.

SOURCE: European Community Household Panel.

debate. Recent estimates for Spain (Davia and Hernanz 2000) suggest that, once the characteristics of the jobs and the workers themselves are controlled, the difference would be favorable to temporary workers.

Part-time workers, when taken together, have lower hourly wages (not shown in the table). However, once the duration of the contract is controlled, as in Table 4.5, they appear to earn more. This is a result that is fairly general, as suggested in previous work (Cebrián, Moreno, and Toharia 2001; Villosio and Garrone 2001), which also suggests that the dichotomy between part-time and full-time is far from clear for all countries, and that a more disaggregated breakdown in terms of the working week would be more sensible in most cases.

On the whole, the wage information does not clearly indicate that nonstandard workers are “worse off.” Those under temporary contracts do earn less per hour, but this is, to a large extent, a consequence of their characteristics: younger and less skilled. In the case of part-time workers, when controlling for the duration of their contract, their hourly wage is higher.

Table 4.5 also includes three poverty indicators. The first two are the percentage of people in each group whose household income (defined in terms of monthly total earnings and of yearly total income) is below a “poverty line,” defined as 50 percent of the average household income for each country, defined in adult-equivalent terms.<sup>22</sup> The third measure attempts to address the likely—and correct—criticism that the two previous indicators may capture situations of transitory low income. Thus, rather than considering those in poverty for any one year, this last indicator measures “persistent poverty,” defined as being in poverty (according to the indicator based on yearly income) in each of the three observations available.

The analysis of these poverty indicators suggests several conclusions. First, permanent part-time workers have poverty levels similar to those of permanent full-time workers. Similarly, there are no significant differences between temporary part-time and full-time workers. In other words, the main differences among employees refer to the duration of the contract rather than the duration of the working week.

The second conclusion is that differences between temporary and permanent workers are larger in Italy than in Spain, especially in the case of persistent poverty. Third, paid apprentices and trainees show the highest poverty indicators, especially in Spain.

Of more interest, however, is the situation of the self-employed. They are clearly worse off than permanent employees; however, their relative position vis-à-vis temporary workers varies in both countries. Although in Italy, they tend to be better off, in Spain, they are worse off. This should be interpreted in terms of the gap between temporary and permanent workers, which is clearly higher in Italy than in Spain. A comparison of the various indices—lower persistent poverty and their higher cross-section indicator—also suggests more variability in income for the Spanish self-employed. Finally, unpaid family workers tend to be in a worse position than self-employed workers; the specific concentration of these workers in terms of industries and occupations is probably behind this result.

Additional elements needed to assess the relative well-being of nonstandard workers are provided by the information on job satisfaction included in Table 4.6. The index used is the proportion of people whose satisfaction score is five or six on a scale of one to six.<sup>23</sup> The most striking differences are found for job security, type of work, and number of working hours. Nonstandard work provides, by definition, less job security, which might explain why temporary workers are less satisfied on this measure. One interesting aspect is the difference between permanent workers in Spain and Italy. In Spain, the proportion of those satisfied with their job security is significantly higher than in Italy. One interpretation is that the wedge between permanent and temporary work is considered wider by Spanish permanent workers, who may perceive less threat to their position owing to the large segment of temporary workers. Self-employed worker satisfaction is similar to that of permanent employees in Italy, but it is clearly lower in Spain, although it tends to be higher than it is for temporary workers.

Temporary and permanent workers in Italy, but not in Spain, have different levels of satisfaction, probably owing to the larger reach of temporary work in Spain. In both countries, unpaid family workers report lower satisfaction levels.

In terms of the number of working hours, nonstandard workers are less satisfied than permanent workers in both Italy and Spain. This is interesting because the specific working time dimension included in the classification (namely, part-time versus full-time) does not appear to be significant, implying that part-time workers are not particularly

**Table 4.6 Satisfaction with Various Aspects of Work, Italy and Spain, 1996 (%)**

	SATISF-1		SATISF-2		SATISF-3		SATISF-4		SATISF-5		SATISF-6		SATISF-7	
	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain
Permanent full-time employees	18.8	19.4	53.4	70.6	50.1	59.9	40.0	48.3	42.3	56.0	41.1	54.6	49.7	57.7
Permanent part-time employees	10.0	20.1	44.8	69.4	41.6	46.3	50.9	62.2	53.9	61.1	47.2	64.5	52.2	67.2
Fixed-term full-time employees	13.9	15.5	16.1	25.1	35.8	50.2	26.2	39.5	29.4	46.4	36.3	50.3	39.3	46.3
Fixed-term part-time employees	3.4	13.2	15.5	30.4	33.1	41.8	27.6	37.0	37.3	56.5	42.2	59.3	45.7	52.0
Paid apprentices and trainees	12.2	22.2	17.7	36.7	39.5	58.4	27.1	52.6	28.0	61.2	34.7	62.2	43.7	69.9
Self-employed	15.4	13.1	43.1	39.3	53.4	57.4	21.9	26.2	31.3	43.3	47.9	55.7	58.0	67.7
Unpaid family workers	1.5	12.8	48.5	29.1	35.3	31.2	19.5	22.4	28.0	29.4	46.2	51.0	68.6	77.9

SATISF-1: satisfaction with earnings in present job

SATISF-2: satisfaction with job security in present job

SATISF-3: satisfaction with type of work in present job

SATISF-4: satisfaction with number of working hours in present job

SATISF-5: satisfaction with working times (daytime, nighttime, shifts, etc.) in present job

SATISF-6: satisfaction with working conditions/environment in present job

SATISF-7: satisfaction with distance to work/commuting in present job

SOURCE: European Community Household Panel (percentage of workers whose satisfaction score is 5 or 6 on a 1–6 scale).

unhappy (vis-à-vis their full-time counterparts) with their working time.

Table 4.7 presents information on more general indicators of satisfaction not specifically related to the job currently held. The first indicator refers to satisfaction with “work or main activity” and may be considered a summary indicator of overall job satisfaction (as opposed to its various aspects, as considered in Table 4.6). In Italy, there are clear differences between permanent full-time employees and the self-employed, on the one hand, and the remaining categories, on the other. In Spain, although these differences are evident, they are much less pronounced, indicating once again that nonstandard workers seem to fare more poorly in Italy. The other significant indicator reported in Table 4.7 refers to satisfaction with their financial situation. In this case, a clear difference exists between permanent workers (only full-time for Italy) and the other nonstandard categories. The findings tend to mirror those based on the poverty indicators included in Table 4.5. In this case, however, the differences appear to be larger in Spain than in Italy, probably owing to the general lower satisfaction of permanent employees in Spain.

Finally, Table 4.8 addresses work transition between 1995 and 1996. Three transitions are included: an *improvement* (labeled “better”), that is, achieving a permanent status (or a full-time status for permanent part-timers); *deterioration* (“worse”), including a transition to all other employment statuses; and *joblessness*, both searching for work or not. Permanent full-time employees and self-employed workers have the most stable situations. Approximately 80 percent to 85 percent remained in the same situation for the two years observed. For all other categories, the probability of remaining in the same job situation is generally less than 50 percent, although improving the situation is not always the most prevalent destination.

The time span of this information is too limited to extract substantial conclusions. However, the information does suggest that being a nonstandard worker is, for many, a relatively transitory situation. Of course, it could be that workers in nonstandard contracts rotate between work and unemployment, as the data in Table 4.8 suggest. However, longer-term data are needed to better assess this hypothesis.

In Italy, permanence in a work contract is relatively common for part-time women, and the percentage of conversion from part-time to

**Table 4.7 Satisfaction with Various Aspects of Life, Italy and Spain, 1996 (%)**

	SATISF-1		SATISF-2		SATISF-3		SATISF-4	
	Italy	Spain	Italy	Spain	Italy	Spain	Italy	Spain
Permanent full-time employees	40.5	57.6	19.9	24.7	49.1	56.5	25.2	27.5
Permanent part-time employees	24.5	58.6	13.0	27.9	57.9	58.4	31.6	34.8
Fixed-term full-time employees	29.3	45.9	11.5	16.4	43.4	53.1	28.6	24.9
Fixed-term part-time employees	19.2	38.6	13.3	9.3	50.5	47.1	33.2	35.0
Paid apprentices and trainees	29.3	56.9	9.5	21.3	38.6	55.3	26.8	31.4
Self-employed	42.7	49.8	17.8	16.1	51.0	54.5	16.0	16.8
Unpaid family workers	24.3	33.1	13.5	14.4	50.2	56.1	24.6	28.8

SATISF-1: satisfaction with work or main activity

SATISF-2: satisfaction with financial situation

SATISF-3: satisfaction with housing situation

SATISF-4: satisfaction with amount of leisure time

SOURCE: European Community Household Panel (percentage of workers whose satisfaction score is 5 or 6 on a 1–6 scale).

**Table 4.8 Comparison of Work Situations in 1995 and 1996 (%)**

	ITALY				SPAIN			
	Same	Worse	Better	Jobless	Same	Worse	Better	Jobless
Permanent full-time employees	83.9	10.7		5.4	86.9	8.2		4.9
Permanent part-time employees	45.5	10.7	27.7	16.1	44.6	13.0	28.3	14.1
Fixed-term full-time employees	41.4	12.4	29.2	16.9	54.9	7.3	15.3	22.5
Fixed-term part-time employees	28.8	32.7	13.5	25.0	25.4	27.1	17.0	30.5
Paid apprentices and trainees	20.8	18.2	31.2	29.9	13.0	29.6	16.7	40.7
Self-employed	83.9	3.5	2.8	9.8	78.4	7.0	2.9	11.7
Unpaid family workers	43.5	15.8	1.8	38.8	27.1	25.2	1.2	46.5

NOTE: "Same": refers to the situation being the same in both years. "Better": refers to a worker who moved to a permanent status (for permanent part-time: the worker achieves a full-time status). "Worse": refers to all other employment situations. "Jobless": means the person is no longer working (for whatever reason).

SOURCE: European Community Household Panel.

full-time drops with increasing age (Isfol 1998). As for temporary workers, recent data<sup>24</sup> show that temporary contracts were the mode of entry into dependent employment for 30 percent of young people who found a job in 1995 and in 1997, while 20 percent became self-employed. Of those entering with a temporary contract, only 21 percent went on to a permanent employment contract within three years (36 percent within five years), while 38 percent (27 percent within five years) were still employed with a temporary contract, and 38 percent (30 percent within five years) were either unemployed or out of the labor force. Moving into stable employment from temporary work is more common for men in the northern regions, and for those with higher education in all regions.

In Spain, where the proportion of temporary workers has remained stable for the past eight years, the characteristics of temporary workers remain basically the same over time, especially in terms of age.<sup>25</sup> This implies that as they grow older, temporary workers cease to be temporary. A cohort approach, based on the age of birth, suggests that integration into permanent work is still the dominant feature of labor market careers in Spain, although at a lower pace than in the past.

On the whole, nonstandard workers appear to be poorer and less satisfied than standard employees. However, and this is a key point, nonstandard workers do not appear to get trapped in their situation. On the contrary, many end up in a permanent, "standard" situation. If this is the case, and this is probably more so in Spain than in Italy, social policy should be more concerned with situations that may trap workers (given that exceptions may exist to the general rule) than with nonstandard work itself, the causes of which may be more structural and less institutional. A further point relates to the length of time it takes nonstandard workers, especially younger individuals, to attain a standard status, given that this could also be deemed too long (although, obviously, this is a value judgment). In addition, the possible inefficiencies involved in the current Spanish situation should not be overlooked. We shall return to these in our conclusion.



## CONCLUSION

In this chapter, we have compared nonstandard work in Italy and Spain, which share various institutional features in the labor market, particularly their presumed rigidity vis-à-vis workers who hold a permanent status, as well as other social and cultural values. However, although current unemployment rates appear to be converging, the Spanish experience over the last 20 years has been plagued with higher joblessness. This has meant a more aggressive response by policymakers, who have tried to fight this problem through a variety of measures, including various labor market reforms aimed at breaking the dominant standard model, and then subsequently restoring it.

What are the lessons to be learned from these experiences? First, nonstandard work does not appear to be increasing, at least not significantly. The upward trend is clearer in Italy, but the share of nonstandard work arrangements is not high, although newer forms of independent work are expanding quickly. In Spain, on the other hand, the declared objective is to *reduce* the extent of nonstandard work, mostly temporary work.

Is nonstandard work a solution to unemployment? In both countries, a period of high employment followed the introduction of more nonstandard forms of work—in Spain after the 1984 reforms, and in Italy after the 1997 reforms. However, it is far from clear that one could relate the two phenomena (no matter what policymakers might have claimed, especially in Spain).

Is nonstandard work creating different categories, strata, or “classes” of workers? The Spanish case would suggest that jobs are segmented. In addition, income and mobility data suggest that nonstandard workers are in no worse a position in terms of welfare and are not permanently trapped in their situation.

Is nonstandard work a response to the need for flexibility in uncertain market conditions, including seasonal variations? Very likely this is so. In Italy, this needed flexibility has been channeled mainly through the underground economy and, more recently, through new forms of self-employment, although more recently the expanded possibilities for using fixed-term contracts and temporary work have also enlarged the share of this flexible employment form.

The question remains why the Spanish economy appears to need one-third of its employees in a temporary status, while Italy does well with only a 10 percent to 15 percent temporary workforce. It is true that, in Italy, more than 60 percent of new hires are nonstandard work contracts and other forms of nonstandard work, mainly independent work, as well as the underground economy, and these forms of employment may fill, at least in part, the gap between the figures presented. However, labor mobility figures, as represented by the proportion of employed workers with tenure of less than a year (see Figure 4.4), suggest much greater labor mobility in Spain.

There are, then, two basic questions in the case of Spain. First, why do firms appear to have such a strong preference for temporary (or fixed-term) contracts? Second, does the current rate of temporary work imply some level of social inefficiency? The first question may be answered rather straightforwardly: temporary contracts are simply cheaper; conversely, firing costs are too high. This answer, dear to some Spanish economists (see, e.g., Dolado, García, and Jimeno 2002) is not fully satisfactory. As mentioned, the recent experiments to reduce the costs of permanent contracts have not met with the expected success. The number of permanent contracts did increase substantially, but many of the contracts were likely a “deadweight” effect (contracts now registered in search of the bonuses, which would have been signed in any case. See Malo and Toharia 1999). Are firms being myopic? Probably not, given that there are other, “psychological” costs; firms have become accustomed to these contracts over the past 15 years and are reluctant to hire employees under a permanent status because of their greater uncertainty. Therefore, an initial cost calculation (in favor of temporary work) has become so embedded in firms’ behavior (especially smaller ones) that its reversal is not as simple as a mere cost reversal.

This naturally leads to the second question. Is the proportion of temporary workers inefficiently high? First, the proportion of temporary workers sharply increased until 1992 and has remained stable since, suggesting that firms had reached a “steady state” in their needs for temporary workers (rooted in the inherent uncertainties of market economies, as well as on seasonal patterns, which may be more pronounced in Spain). This implies that firms do not want to have all their workers under temporary contracts: permanent contracts do have

advantages, as all personnel experts have known at least since Henry Ford's \$5 wage.<sup>26</sup> This seems to imply that there is some "optimal" level of temporary workers. Is the current Spanish level an optimal level? At the social level, probably not, as the usual declarations by the various social partners suggest. If not, does it follow that firms are being inefficient? It could be, but an alternative, more appealing interpretation, in our view, is a gap between private efficiency and social efficiency. In other words, temporary work would be generating negative externalities (not taken into account in a firm's behavior). Such externalities could include an inadequate level of training, the possible side effects on the wage formation process,<sup>27</sup> problems with the unemployment compensation system, and more generally with social protection,<sup>28</sup> or a delay in family formation and the related low fertility rates (although these are certainly due to other factors as well). In addition, and most important, firms may be hiring too many temporary workers because other firms are doing the same. In other words, there is a "coordination failure" similar to that involved, for example, in adopting inefficient QWERTY keyboards in typewriters and computers.<sup>29</sup> Firms might meet their needs to use temporary work differently, but only if all other firms did the same.

Of course, this is only our interpretation of the Spanish situation, and further research is needed, but it appears to be consistent with the views expressed by the social partners in Spain. It suggests, though, that the search for labor market flexibility, if taken too far, may create unexpected inefficiencies along with some, albeit small, social distress.

The Italian labor market appears to be more diversified than that in Spain. The increase in nonstandard work arrangements is the result of different factors, some common to all western countries, others peculiar to the Italian tradition and regulatory system. The recent easing of the regulation of nonstandard work contracts in Italy has also contributed to the growth of these employment contracts.

Common factors on the demand side can be attributed to the increasing role and greater diversification of the private service sector, together with the quest for more flexible organizational patterns in the industrial sector (owing to the increased volatility of final demand and greater global competition). Other features include the fragmentation of the production processes and the outsourcing of services and activities, which are facilitated by technological innovations. Supply-side

factors are linked to the increased labor participation of new segments of the labor force who have a lower attachment to the labor market: women, youth, and older people. In addition, the supply of labor is more stratified than in the past and, on average, presents higher educational and professional levels and a stronger individual capacity to bargain for working conditions.

The peculiar composition of nonstandard work arrangements in Italy is, on the other hand, linked to the specific institutional and regulatory position of labor contracts. The low use of temporary and part-time contracts and the large share of self-employment and of employment in the shadow economy is the result of specific economic, social, and cultural factors (De Luca and Bruni 1993; Reyneri 1996; Bologna and Fumagalli 1997).

A specific feature of the Italian labor market is its low mobility. Even within employment, the flow from one type of contract to another is limited. Workers tend to remain employed in the same contractual arrangement during their careers. This is especially true in the case of part-time work. The entry pattern into employment is very important. Remaining in a nonstandard contract may generate a vicious cycle of precariousness, which is reflected in lower levels of social security protection (Rostagno and Utili 1998), training, and professional upgrading.

Permanence in part-time and temporary work is greater for women than for men, who have higher probabilities of changing to full-time and permanent contracts. The possibility of going from nonstandard to standard employment depends also on the economic conditions of the various areas. In the strongest areas, the probability of shifting to standard contracts is much higher than in other, less-developed areas.<sup>30</sup>

In Italy, nonstandard work contracts usually imply less favorable working, training, and earning conditions compared with permanent full-time jobs, even if nonstandard dependent work is subject to the same regulatory framework as standard dependent work (Istat 2000; Isfol 1998). This could be one reason for low levels of satisfaction among nonstandard Italian workers. The concentration of nonstandard work among women, youth, and low-skilled workers calls for specific policies to support their permanence in the labor market as well as their professional upgrading.

## Notes

1. The numbers implicit in these figures have been reconstructed by the authors from various sources to solve the methodological breaks in the series.
2. These figures are from the European Labor Force Survey (ELFS). We would like to thank Terry Ward, of Alphametrics Ltd. (United Kingdom), and Dominique Gaudron, of Algoé (Paris), for making these data available to us.
3. It should be noted that the 2000 figure is not strictly comparable to those for previous years given that questions about tenure in the LFS changed in 1999. Since 1999, a distinction is made between tenure with the employer and tenure with the current contract, whereas before the question referred to tenure in the current job, which was generally interpreted as tenure with the current contract. However, the numbers for 2000 in Figure 4.4 refer to tenure with the current employer, which is higher to the extent that people may be hired several times by the same employer.
4. Reinstatement is compulsory only in establishments with more than 15 employees. Should the worker not wish to be reinstated, she or he receives additional compensation amounting to 15 months' pay. Smaller firms may choose between rehiring or paying compensation, which depends on length of service and size of the firm (the average compensation is equal to 2.5 to 6 months' wages, reaching 10 months' wages for workers with at least 10 years of tenure and 14 months for workers with a tenure of at least 20 years).
5. Mobility benefits are more generous than the ordinary unemployment benefits. Eligible workers must have been employed for at least 12 months and been laid off within collective dismissals due to restructuring, economic crisis, or bankruptcy of industrial companies with more than 15 employees or commercial companies with more than 200 employees. The mobility benefit is 80 percent of gross remuneration during the first year of unemployment, with a maximum threshold equivalent to about 65 percent of the remuneration of the average worker.
6. Inflation reached 25 percent in 1977.
7. For an early analysis of these changes, see Fina, Meixide, and Toharia (1989), originally written in 1983.
8. This does not imply that economic dismissals were illegal; they just had to follow a more complicated procedure involving negotiations with workers and the intervention of administrative authorities.
9. Because such dismissal does not involve labor courts, a simple administrative meeting between the parties, where the actual severance to be paid is agreed, is enough; this happens in 70 percent of the dismissals undertaken by firms. The most significant point here is that firms could avoid reinstatement of the worker in almost all situations, with the only exception being those involving the violation of basic union or human rights.
10. By restricting even more the possibilities of reinstatement and trying to clarify the economic situations under which the dismissal was to be considered fair. Still, the proportion of dismissals agreed before going to courts remained unchanged and

the amounts agreed did not show any turnaround, thus suggesting that firms, and workers, did not perceive any significant change.

11. The severance pay of unfair dismissal is 45 days' wages per year of seniority with a maximum of 42 months' wages. The new contract introduced in 1997 reduced this to 33 days, wages with a maximum of 24 months' wages. Theoretically, fair dismissals carry a cost of 20 days' wages with a maximum of 12 months' wages. Although no precise information exists, the presumption of most analysts is that actual dismissal costs are closer to the 45 days' wages limits. See, for example, Malo and Toharia (1999).
12. According to the civil code (art. 409) *independent contracts* are defined as "a coordinate and continuous service, mainly individual even if not subordinate."
13. This contractual arrangement implies that the firms have to gradually formalize the irregular work position of their employees. At the same time, the "emerging process" of the black market work can be carried out in a period of time agreed on with the unions without any economic sanctions. Moreover, firms receive from the state fiscal deductions and benefits, as if they were creating new employment (Meldolesi 1998; Reyneri 1998).
14. The regulation of these contracts established a minimum contract period of six months, and the possibility of renewals up to a maximum of three years. Also, these contracts carried severance pay at a rate of 12 days of wages per year of seniority. The worker could not sue the employer for unfair dismissal at the expiry of the contract.
15. Interestingly, the new open-ended contract not only carried lower severance pay but also enjoyed substantial reductions of social charges to the point that, for up to a two-year time horizon, hiring a worker under a permanent new contract was marginally cheaper (including the costs of dismissals at the unfair rate) than carrying out such a contract under a temporary status. The question is why the new contract has not been used more extensively.
16. The ECHP is a European-wide project, the first wave of which was carried out in 1994. Six waves of interviews have been conducted, although only data from the first three were available at the time of writing (May 2001). The ECHP is a panel study, which follows households and individuals over time, and contains substantial information on individuals and their households, including all sources of income. The main drawback of the ECHP is its relatively small sample size, which prevents detailed analysis in some countries and for some variables. Italy and Spain do not pose particular problems in this respect. Our use of this data is under contract no. ECHP/15/00 between Eurostat and the University of Alcalá.
17. That is, it includes workers under fixed-term as well as all kinds of purely temporary contracts.
18. This is important for Italy: if a strict 30-hour threshold is adopted as criterion, the number of part-time workers would actually increase. This is due to the fact that the formal work week of many full-time workers, mostly in education, is less than 30 hours.

19. In fact, it only emerged when, in 1996, the government introduced a special pension fund for the self-employed excluded from the public pension system (including those with VAT numbers).
20. These average national data are a bit misleading in the Italian case, due to the significant territorial differences in economic and social development. For example, although part-time work in northern Italy is mainly female, in southern Italy it is more diffused among men; and in the case of fixed-term contracts, in the North are mainly concentrated among young people, and in the South, they are mainly diffused among adult men.
21. In Italy, work training contracts and apprenticeship contracts are included in fixed-term contracts.
22. The equivalence scale (generally known as the OECD scale) attributes a weight of 1 to the first adult, 0.7 to the successive ones, and 0.5 to children under age 14.
23. Alternative indicators, such as the average score or the proportion of those unsatisfied (scores 1 or 2), could have been used; however, they all tend to provide a similar picture.
24. Data are from answers to a specific question on the labor market situation three and five years after the first temporary job; questions were introduced in the October 1999 Labor Force Survey (Istat 2000).
25. See Toharia et al. (1997) and Malo and Toharia (2000). These analyses take a longer view than those based on Labor Force Survey data, which only follows people for 15 months. For analyses based on this latter data, see Toharia (1996), Alba-Ramirez (1997), Güell and Petrongolo (2000), and Amuedo-Dorantes (2000).
26. See also Sumner Slichter's 1919 Ph.D. dissertation on the turnover of factory labor. This point should not be overemphasized, though. It is only meant to remind that permanent contracts are advantageous to employers. It does not imply that this is the only force behind such contracts. Industrial relations is a much more two-sided matter.
27. This was a popular consequence mentioned in the early 1990s because it was thought that the existence of a large pool of temporary workers would allow permanent workers to bargain for higher wages, thus imparting an inflationary bias to the collective bargaining system. See Bentolila and Dolado (1994), and Jimeno and Toharia (1993). Later wage developments seem to have disproved these arguments.
28. In the sense that unemployment compensation provided to temporary workers is much more costly, given their high turnover rates; in terms of pensions, one could think of the lower contribution period in the long run, which might create problems far in the future.
29. See, for example, Ray (1998), chapter 5. The idea of a "coordination failure" goes back to the work of Paul Rosenstein-Rodan in the 1940s.
30. Part-time employment appears slightly higher in the north compared to the central and the southern regions, owing to the sectoral composition of the regional economies. On the other hand, the spread of fixed-term employment is more varied

from a territorial point of view, its rate being particularly high in the southern area of the country, with peaks of 17 percent of female occupation. Here, too, the growth rates of contractual fixed-term employment are higher than the national average. The intense use in the south of temporary work contracts, where the official unemployment rate is around 22 percent (compared to the national average of 12 percent and the average in the north of 6 percent) with high peaks of youth unemployment, is an expression of a greater job precariousness; however, it also indicates a greater fluidity of entry in a job market in a traditionally closed and selective Italian market.

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# **Nonstandard Work in Developed Economies**

## **Causes and Consequences**

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