

WORKING PAPER**SPAIN: CONTINUITY AND CHANGE IN PRECARIOUS EMPLOYMENT****John MacInnes**

Spain is of special interest to students of precarious employment for two reasons. Its rate of temporary employment, at around one in three workers, is more than twice the European average, over three times the level of the G7 countries (see Table 10.1) and has stubbornly resisted several regulatory reforms designed to reduce it. Spain is an outlier; only Poland comes close. Second, the feminization of employment has been astonishingly rapid.

Women's employment has almost trebled since 1985, bringing what was by far the lowest female participation rate in Europe close to the average for the EU15. However, unlike many other countries, part-time employment has played a limited role in this expansion.

One in five women in Spain were working part-time by 2008, along with just three per cent of men (see methodological note below). Spain illustrates a number of issues in gender and labour market segmentation analysis and shows the importance of analysing precarious employment in a social, political and historical context. While Spain's experience and the politics that have sustained it are unique, many instructive parallels can be drawn with South Korea, a quite distinct society.

Table 10.1 Temporary employees, selected countries, 2006

	<i>% of all employees</i>	<i>% who are women</i>
United States	4.2	48.2
Ireland	4.2	56.0
Australia	5.2	55.3
United Kingdom	5.6	56.0
Hungary	6.7	42.5
Denmark	9.6	56.5
Turkey	12.7	20.4
France	12.9	50.0
Italy	13.0	50.2
Canada	13.0	51.9
Germany	14.2	46.2
Japan	14.3	65.6
Netherlands	16.2	50.3
Finland	16.4	61.9
Sweden	16.8	56.0
Portugal	20.2	50.0
Poland	27.3	43.9
Spain	34.4	46.2
European Union 15	14.7	49.1
G7 countries	11.6	49.5

Source: OECD 2008.

THE SOCIAL, HISTORICAL AND POLITICAL CONTEXT

The Spanish Civil War led to four decades of Franco's brutal but sclerotic 'National Catholic' dictatorship. State regulation sought to substitute for any bargaining of interests that might lead to social or sectional conflict. In a futile attempt to avoid any destabilizing effects from a 'free' labour market, the state regulated what kind of work each occupation might do and even how it ought to be done in a series of *ordenanzas laborales* (labour ordinances). Men were guaranteed employment security and government permission was

needed to fire them (although in practice temporary seasonal jobs existed in agriculture and tourism). However, this was in an economy so weak that economic production only recovered its pre-civil war level in the 1950s, when half the male labour force still worked in agriculture, while by the 1960s up to one million Spaniards were temporary or seasonal migrant workers elsewhere in Europe (Stalker 2000).

In 1959, Opus Dei technocrats gained influence within the regime and set in place economic reforms, developing tourism and loosening state control. Economic growth improved, but when the dictatorship fell in 1975, five per cent of men and 14 per cent of women were illiterate, and one in four adults had never gone to school. Economic liberalization also unleashed all kinds of pent-up social and economic demands, so that in the course of the 1960s a variety of semi-clandestine organisations and movements flourished, including workplace unionism, but at any point it was possible for informal state toleration to switch to repression. Franco died in 1975 and a process of ‘negotiated democratization’ began, its fragility underlined by an attempted coup in 1981. Political parties and trade unions were legalized, elections held and a new constitution agreed, but with an emphasis on stability and continuity rather than a more definitive break with the past that, it was feared, might provoke a return to dictatorship or lead to civil war (Preston 2001).

The economic backdrop to democratization could hardly have been more difficult -- the 1970s oil shock and end of the long, global post-war boom. Internal migration and urbanization resulting from delayed industrialization and a late demographic transition -- in

1970, 36 per cent of Spain's population was under 20 -- meant that in the decade after 1975 the working-age population grew by over a quarter of a million people each year. The labour market had to absorb those expelled by the decline of agriculture and the overhaul of antiquated industries, as well as expatriate Spaniards in Europe returning home. Further challenges came from the patriarchal legacy of Franco's dictatorship. Women had been expected to leave employment upon marriage in order to raise children and care for their breadwinner husband. In 1970 less than one in ten married women were in employment. Until 1978, husbands signed wives' employment contracts because their permission was required for wives to work, apply for a passport or open a bank account. Female unemployment was negligible, but only because almost nine million women of working age were not in the labour market at all (Garrido 1992). This patriarchal division of paid and unpaid work was undermined by both the European-wide feminization of employment (Mason and Jensen 1995) and the new impetus the collapse of dictatorship gave to the women's movement (Threlfall 1985, 1996).

LABOUR MARKET REGULATION AND INDUSTRIAL RELATIONS IN THE TRANSITION TO DEMOCRACY

In order to avoid unrest from either labour or capital that might derail the fragile democratization process, business and labour leaders agreed to leave Franco's labour market regulation largely intact in the 1980 *Workers Statute* and Moncloa Pacts reached between unions, employers and government. The protection of those already in employment was prioritized, at the cost of high unemployment and inferior conditions for

new labour market entrants. Workers with permanent contracts could only be dismissed with the approval of the courts, which could decide if such dismissal was fair and order reinstatement or substantial compensation. Although such approval might be readily obtained, in practice employers could expect to pay significant amounts of compensation to secure workers' cooperation. For many *funcionarios* (civil servants) in the public sector, dismissal or redundancy was highly unlikely. Trade unions accepted wage moderation, unemployment and the dramatic expansion of temporary contracts a decade later, in return for the promise of a welfare state and a key role in collective bargaining (covering 80 per cent of workers) despite low union membership density (around 10 per cent). Thus, as in the UK in the early 1980s, significant increases in real and money wages continued even as unemployment peaked at 25 per cent in 1994. This arrangement could be made to work so long as the family continued to be the main welfare provider while the state modernized. Poor prospects for sons and daughters in precarious employment, unemployment or extended education were mitigated by the protection of their fathers. The proportion of public spending devoted to families with children (excluding education) did double by 2001, but only to 2 per cent. Denmark spent over 16 times as much per capita in that year (MacInnes 2006).

High and inexorably rising long-term unemployment precipitated a major change to the system in 1984. Temporary contracts with negligible dismissal costs and no right of appeal to a court were introduced. Although commentators debated whether the firing costs associated with permanent contracts reduced labour flexibility or increased unemployment (Toharia 1985; Jimeno and Toharia 1994), no less than 90 per cent of all new contracts

issued over the next decade were temporary, coming to cover one third of all workers. Successive reforms designed to encourage flexibility by reducing protection for new permanent contracts or restricting use of temporary contracts have had little effect. After the 1997 reform, private sector temporary employment fell by four percentage points by 2003, but this was largely offset by a corresponding rise in the public sector. A more determined reform came in 2006, making it harder to keep the same employee on successive temporary contracts and offering substantial tax savings to employers who shifted workers to permanent contracts before 2007. This reduced private sector temporary employment by three percentage points but, ironically, left the public sector rate virtually unchanged (Banco de España 2008).

Those managing Spain's labour market achieved three things. First, economic disorder did not derail the political transition, no mean achievement considering that unemployment varied between 20 and 25 per cent for over a decade (between double and treble the average G7 rate). Second, sufficient modernization took place to produce buoyant growth, some improvement in labour productivity, substantial rises in the standard of living, the creation of a basic welfare state and significant new employment. As Figure 10.1 shows, in the two decades after 1985, employment increased by no less than five million jobs for women, and three and a half million for men. Third, the educational qualifications of the Spanish workforce improved dramatically. Within two decades of the transition, one in two young men and women went to university.

The downside of this continuity of approach was that temporary contracts became the key mechanism of adjustment to integration into a European market economy, thereby creating high levels of precarious employment. A two-tier labour market emerged, comprising workers who did or did not enjoy employment protection. This division was determined most strongly by age but also by gender, since the feminization of employment, the transformation of women's qualification levels and the legacy of the dictatorship's male-breadwinner system meant that the majority of new entrants to the labour market were women, while more 'insiders' continued to be men. This division has become entrenched and will only become harder to dismantle with the passing of time. There is evidence that this insider/outsider division does not now, if indeed it ever did, have much basis in the organization of the productive system itself (Polavieja 2006). On the contrary, it probably undermines the already weak pressures upon the state, capital or labour to look for high-trust (Fox 1974), high-productivity solutions in the Spanish labour market.

Since the transition, Spanish employers have enjoyed an almost limitless supply of labour. As the unemployment rate approached single figures at the turn of this century, increased immigration from Latin America and the Maghreb removed any prospect of labour shortages. Consequently, there has been limited attention to human resource management issues. This neglect has been exacerbated by the structure of collective bargaining bequeathed by the dictatorship, which has been blamed for encouraging capital and labour to concentrate on wages to the exclusion of other issues (Polavieja 2001). With plentiful labour supplies and wages for insiders partly protected from competition, few employers have striven to use labour creatively or respond to the needs of different workers (such as

parents) or seek worker-centred flexibility. Part-time employment was restricted by employer tax penalties until 1994 (Kravaritou-Manitakis 1988). Although it has since grown to account for one in five women workers, its level in Spain is low compared to the rest of Europe.

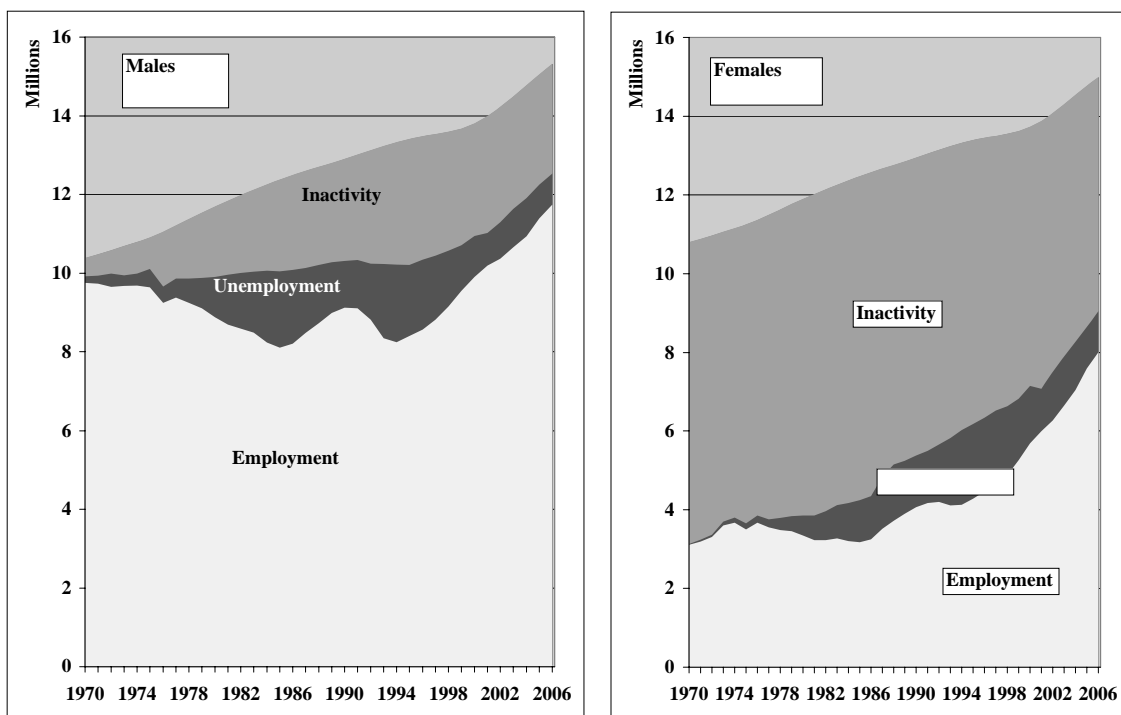
One result of Spain's labour market structure has been chronic low labour productivity, comparable within the EU only to Italy. Another has been a dreadful health and safety record. For one thousand workers each year between 1998 and 2007 employment in Spain was not only precarious but also fatal. No less than one million workers each year suffer an accident that leads to days off work. As we might expect, those in precarious work are over-represented in these statistics (Ministerio de Trabajo y Inmigración 2008).

Finally, Spain's two-tier employment system depends heavily on the family to alleviate its effects. Young people or women who have less access to stable jobs will usually live in a household where someone, usually a father or male partner, has one. This arrangement was feasible in an era when most people married, and few divorced or separated (divorce was only legalised in 1981). In that era, multi-generational households were common and geographical mobility was unimportant for workers' careers. As these conditions change, and the male-breadwinner family disappears, the family is a less effective distributor of labour market resources.

THE EVOLUTION OF EMPLOYMENT IN SPAIN 1970–2006

Figure 10.1 shows how the working-age population has grown from around 21 to 30 million people since 1970. Since 1994 employment has risen rapidly, drawing in new workers, especially women and immigrants, as well as reducing unemployment. In the early 1980s, only one in four women of working age were employed, but by 2007 the female employment rate had doubled to 56 per cent, just four points below the EU15 average.

Figure 10.1 Men and women aged 16–64, employment, unemployment and inactivity, Spain, 1970–2006



Source: OECD 2008.

Table 10.2 shows the current distribution of employment in Spain by type of contract. Only half of the workforce is in full-time permanent employment, and almost two thirds of these workers are men. Part-time employment is virtually unknown for men. Part-time work is also more likely to be temporary than full-time work. Self-employment is common in Spain, in part because of the protection of small businesses, especially in the retail sector. Available labour market statistics make it very difficult to distinguish precarious self-employment adopted or maintained as preferable to unemployment, from self-employment that results from exploiting a strong labour or product market position. However, Table 10.2 confirms that the key feature of the Spanish labour market is the incidence of (overwhelmingly involuntary) temporary employment.

Table 10.2 Distribution of types of employment (thousands), Spain, 2006–7

	<i>Full-time</i>	<i>Part-time</i>	<i>All</i>
Permanent employees	9,929	900	10,829
% of all workers	49.8	4.5	54.3
% who are women	37	87	41
Temporary employees	4,503	1,048	5,551
% of all workers	22.6	5.3	27.8
% who are women	39	77	46
Self-employed and others	3,178	398	3,576
% of all workers	15.9	2.0	17.9
% who are women	27	67	31
All	17,610	2,346	19,956
% of all workers	88.2	11.8	100.0
% who are women	36	79	41

Source: INE various years, author's calculations.

Note: 2006 T1; 2007 T3 (see methodological note at end of chapter).

DEFINING PRECARIOUS EMPLOYMENT FROM THE SPANISH LABOUR FORCE SURVEY

Precarious employment is about more than just having a temporary contract or insufficient hours of work. Yet analyzing it as a multidimensional phenomenon depends upon the limits and possibilities of the available data sources, which in Spain mainly means the Labour Force Survey (*Encuesta de Población Activa* or EPA) (INE various years). Defining precarious employment through the EPA involves making a series of judgments about the relationship between unemployment and employment, as well as between the characteristics of employment that a respondent actually has and those they would prefer. It also requires us to make some educated guesses about the employment status of the self-employed, since they do not usually have contracts of employment that stipulate such characteristics as the duration of the contract or hours of work.

The EPA collects a range of information about respondents' conditions of employment and work history that are used here to define precarious employment. I define a worker as having 'precarious' employment if any of the following conditions apply:

- They have a contract that is temporary for a duration of less than five years, and they have less than five years' employment with their current employer.
- They have a contract that is discontinuous and they have less than five years' employment with their current employer.

- They are working part-time because they could not find a full-time job (part-time workers have the same employment rights as their full-time equivalents).
- They are working less than 30 hours a week and say they would prefer to work more hours.
- They have been unemployed for up to three months, previously worked and are looking for or would like employment at present.

These conditions capture ‘precariousness’ as represented by short-term, intermittent or short-hours work but they fail to capture some other dimensions and so underestimate its overall incidence. They take no account of multiple jobholding, where individuals assemble a range of different jobs to make ends meet. In addition, they take insufficient account of precarious self-employment. ‘Own account’ self-employed workers are much less likely to have contracts that detail such things as usual hours of work or permanence of employment. This makes it difficult to identify those who are forced into ‘self-exploitation’ for lack of alternative opportunities. While the EPA identifies workers who are underemployed (and would prefer to work more hours), we cannot identify those workers who work long hours because of low hourly pay rates. Nor does it allow us to say much about home-working (see Garcia-Ramon and Baylina 1998).

Unlike some measures of precarious employment, our definition includes some of the unemployed. By definition, work where the risk of periodic unemployment is high is precarious, such as casual employment typified by very short employment contracts or

verbal agreements. It thus makes sense to include in the definition of the precariously employed those workers who have been employed, and want to be re-employed, whether or not they had a job in the survey reference week. The cut-off point chosen here, three months, is a straightforward trade-off between defining all unemployed as potentially precariously employed, and examining only those shifting back and forth between short contracts and unemployment who currently have a job.

Using this definition, just over 36 per cent of those working or recently employed and seeking work in Spain in 2006–7 were in precarious employment, being 32 per cent of men and 43 per cent of women. Most workers were in precarious employment because they had a temporary contract (over 70 per cent). Many of these contracts were very short. Of those who knew the length of their contract, over one quarter had contracts for less than one month's duration and almost half were for three months or less. Overall, around one in four precarious workers had been with their present employer for three months or less. Around 20 per cent either worked in a part-time job because they could not find a full-time job or worked part-time but wanted longer hours, and ten per cent were recently unemployed. Less than three per cent had a second job.

THE CHARACTERISTICS OF THE PRECARIOUS WORKFORCE

Table 10.3 shows the main characteristics of the precarious workforce. The most striking finding is the ubiquity of precarious employment. Although it is concentrated in some occupations, industries or types of worker (construction, unskilled workers, agricultural

workers and immigrants, especially recent arrivals) it is widespread in *all* of them. Although some regions have more precarious employment than others (almost half the workforce in Andalusia is in precarious employment), almost all have rates above 30 per cent. Around one quarter of men and one third of women with university degrees are in precarious employment, as are one in four technical and professional workers, and even one in ten 'directors and managers'. The difference between single and married men provides insights into the dynamics behind these trends -- precarious employment is strongly dependent on age, but this is offset to some extent by the much higher educational qualifications of younger workers, so that the returns to both age and education appear smaller than they actually are. Within educational categories, precarious employment decreases more strongly with age for men, while the precarious employment rate for women with university degrees is 50 per cent higher than that for men. An obvious explanation for this divergence is the impact of having children.

Table 10.3 Characteristics of precarious employment by sex, Spain, 2006–7

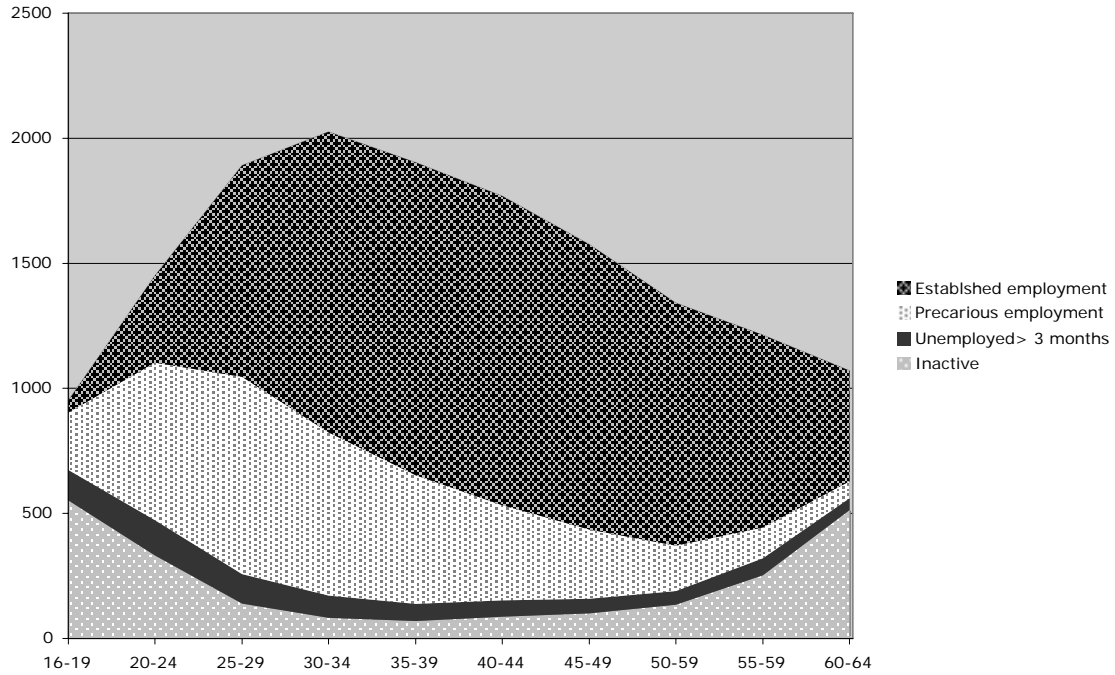
	<i>Men</i>		<i>Women</i>	
	<i>proportion</i>	<i>N ('000)</i>	<i>proportion</i>	<i>N ('000)</i>
Employment status				
Self-employed/employer	.14	2301	.26	888
Public employee	.21	1403	.36	1505
Private employee	.38	8285	.47	5689
Other	.54	103	.65	143
Civil status				
Single	.48	4502	.53	3083
Married	.22	7087	.36	4611
Occupation				
Agricultural workers	.65	344	.88	133
Directors & managers	.08	978	.19	427
Technical & professional	.21	2481	.31	2325
Administrators	.23	657	.36	1217
Service & sales	.30	1199	.49	2020
Skilled and semi-skilled	.35	5217	.44	564
Unskilled	.61	1478	.65	1663
Industry				
Agriculture & fishing	.41	703	.64	276
Manufacturing	.23	2504	.36	821
Construction	.53	2540	.42	140
Public services	.21	1357	.35	1545
Private services	.27	4989	.45	5650
Education				
Less than secondary	.40	2609	.51	1271
Completed secondary	.34	3328	.49	1874
Diploma, vocational training	.32	2718	.43	2117
Degree or equivalent	.24	3437	.35	3206

Nationality				
Spanish and born in Spain	.27	10293	.39	7050
Born EU15 (excl. Spain), USA, Canada	.60	1251	.62	971
Born elsewhere	.54	548	.59	447
Years of residence				
Under 5	.71	694	.70	600
5–9	.59	666	.62	479
10+	.38	327	.43	240
Total	.32	12092	.43	8225

Source: INE various years, author's calculations (see methodological note at end of chapter).

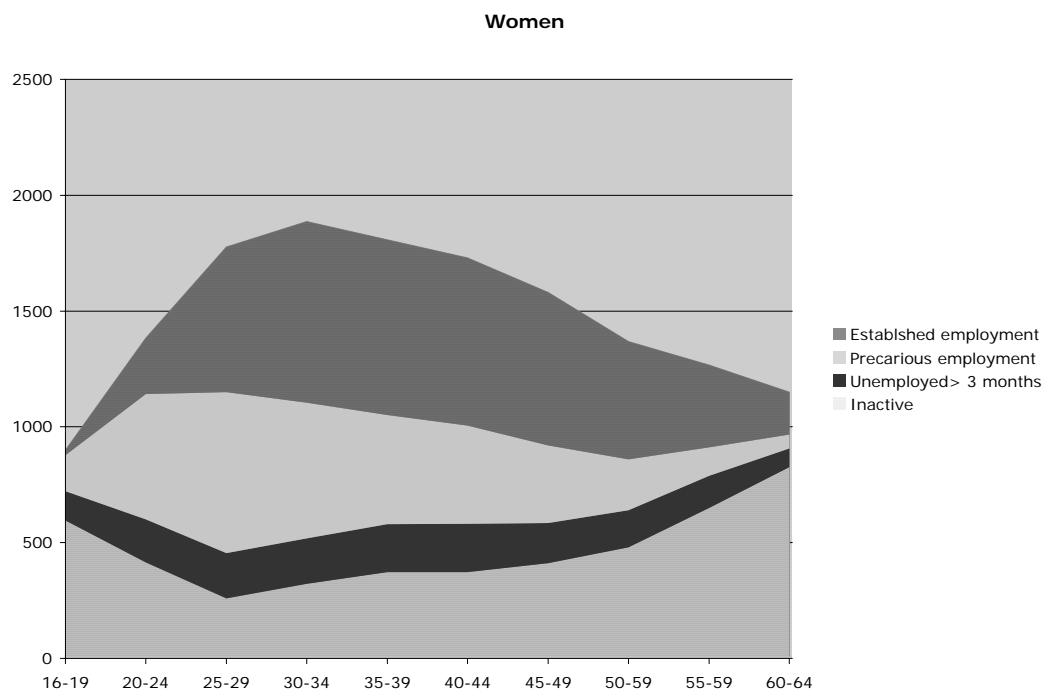
Age is an influential factor (Figures 10.2 and 10.3). Only around one quarter of the precarious workforce in Spain is over 40. It is because age is such an important factor that most of the precariously employed are single. Finally, not only are women heavily over-represented in all categories of precarious employment, there is still a large group of women, in spite of the improvement in the employment rate, who are not in the labour market at all, as shown in Figure 10.3.

Figure 10.2 Men: incidence of established and precarious employment, unemployment and inactivity by age, Spain, 2006–7



Source: INE various years, author's calculations (see methodological note at end of chapter).

Figure 10.3 Women: incidence of established and precarious employment, unemployment and inactivity by age, Spain, 2006–7



Source: INE various years, author's calculations (see methodological note at end of chapter).

As Table 10.4 shows, earnings in Spain depend heavily on job tenure. The more rapid transition of men into stable employment, and their ability to avoid breaks in employment for child-rearing, mean that while their median earnings increase with age through to their fifties, women's earnings stall after they reach their thirties. Thus young people, and women of all ages, face precarious work that is both insecure and badly paid.

Table 10.4 Index of annual earnings by age, type of contract and sex, and by job tenure and sex, Spain, 2002

	Men		Women	
	Permanent	Temporary	Permanent	Temporary
Age (mean earnings)				
20–29	100(=€16.8k)	100(=€13.8k)	100(=€13.8k)	100(=€11.3k)
30–39	139	113	132	106
40–49	167	115	143	91
50–59	180	115	138	77
60+	165	107	119	79
All	148	107	127	98
Job tenure (all contract types) (median earnings)				
<1 year		100 (=€13.1k)		100(=€10.1k)
1–3 years		117		118
4–10 years		143		142
11–20 years		183		183
21–29 years		210		213
30+ years		225		239

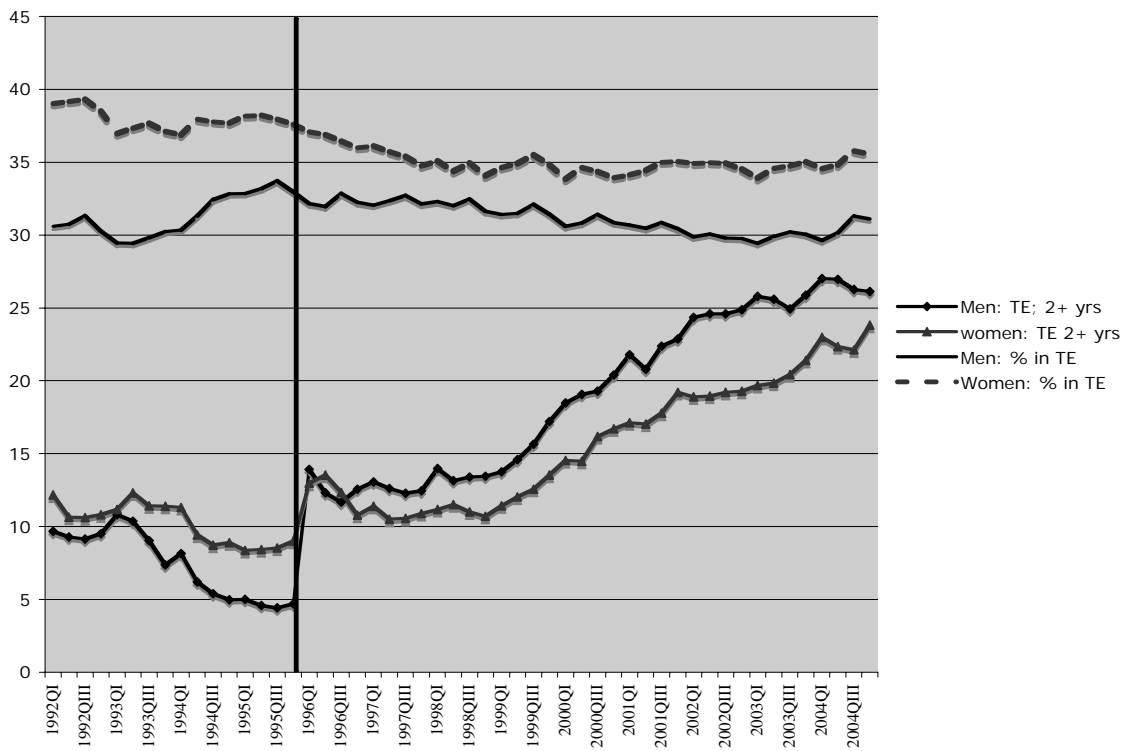
Source: Encuesta de estructura salarial 2002, author's calculations.

THE USE OF TEMPORARY CONTRACTS

Analysis by Garrido (1992) and others (Fernandez *et al.* 1991) has shown little evidence of employers directly substituting temporary for permanent contracts (which is what we might expect given the protection of the latter). Rather, what happened after 1984 was that employers started to use such contracts for almost all new hires. Others have shown that temporary contracts have been associated with bringing down long-term unemployment rates, but have also been associated with substantial ‘churning’; in effect, a succession of different workers come to occupy the same or similar posts over time (Adam and Canziani 1998; Alba 1997; Amuedo-Dorantes 2000; Blanes *et al.* 1996; Polavieja 2001, 2005; Toharia and Malo 2000). The conversion rate to permanent employment from a temporary contract is low and has, unavoidably, fallen with the extension of temporary contracts

(Polavieja 2005). One of the few positive aspects of the current situation is that the rapid expansion of employment over the last decade has led to an increase in the proportion of employees on temporary contracts who have been able to establish some minimal degree of seniority. Between the end of the 1990s and 2004, the proportion of employees on temporary contracts who had been with their employer at least two years doubled to almost one in four such workers, as shown in Figure 10.4.

Figure 10.4 Proportion of all employees on temporary contracts and proportion of temporary contract workers with two or more years' job tenure, Spain, 1992–2004



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source: INE various years, author's calculations (see methodological note at end of chapter).

Even more striking is the very small impact that the high volume of precarious employment has on the overall pattern of employment seniority. The UK, as we saw in Table 10.1, has one of the lowest rates of temporary employment in Europe, some six times lower than that of Spain. At the same, the UK shows a high conversion rate from temporary to permanent employment -- up to one half of temporary workers move on to permanent jobs on contract completion, compared to less than one in ten in Spain. Yet if we compare the distribution of lengths of seniority of employees in the two countries, the similarity of results is striking (Table 10.5). Despite the UK's reputation as a 'hire and fire' economy where dismissal of employees is straightforward and inexpensive for employers, particularly in the initial year of employment, Spain has many more workers with extremely short lengths of service (see O'Reilly *et al.* in this volume). This is especially true for women. However the proportion of workers who have been with the same employer for more than five years or more than ten years is almost the same in both countries. The difference between the countries, as Table 10.6 shows, is that in Spain most employees with less than a few years' job tenure are on temporary contracts.

Table 10.5 Job tenure by sex, Spain and UK, 2006 (thousands)

<i>Job tenure</i>	<i>Spain</i>		<i>UK</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
Up to 3 months	8.8	11.0	4.4	4.1
3+ to 6 months	5.2	6.3	4.6	4.6
6+ months to 1 year	7.5	8.4	8.8	10.2
1+ years to 5 years	26.7	30.0	33.1	33.9
5+ to 10 years	16.2	16.1	18.8	20.0
10+ years	35.7	28.3	30.2	27.1
N (thousands)	11,831	8,124	12,454	12,081

Source: OECD 2008.

Table 10.6 Percentage of employees on temporary contracts by length of service, Spain and the UK, 2006–7

<i>Time with current employer</i>	<i>UK</i>		<i>Spain</i>	
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>
Up to 3 months	23.8	26.4	87.2	86.7
3+ to 6 months	18.3	19.9	78.9	74.8
6+ months to 1 year	11.7	13.7	64.3	60.3
1+ years to 5 years	4.9	6.2	32.8	31.6
5+ to 10 years	2.1	2.5	12.1	15.7
10+ years	1.0	1.7	4.0	6.6
N (thousands)	12,396	12,024	9,382	6,997

Source: INE various years, author's calculations; UKLFS 2007T2.

Note: 2006T1; 2007T3 (see methodological note at end of chapter).

The system of employment contract regulation in Spain, which is supposed to increase employment and make jobs secure, does not work. Despite the rhetoric of the social partners, there has been no serious attempt at any fundamental reform. The system also discriminates against women, despite its formally gender egalitarian character and the tremendous expansion in female employment. Women may enjoy equal rights, guaranteed by the constitution, and theoretically parents and mothers receive an impressive range of benefits under work-life balance legislation. Provided they have worked for six months in the five years prior to childbirth, women are eligible for 16 weeks maternity leave on full pay, and on return to work are entitled to work for one hour less each day until their child is nine months old (on full pay) and to reduce their work hours by up to one half (with a corresponding reduction in pay) until the child is six. However, in practice women's position is much more problematic. The absence of any rapid or affordable way to

challenge unlawful behaviour means that the law can easily be flouted. For example, female potential employees are asked about their plans for a family, pregnant women are dismissed, recruiters advertise openly for men or women and substantial 'voluntary' unpaid overtime is often required as an indication of loyalty (Torns 1995, 1997). The most telling evidence is the pattern of childbirth itself. Although, as we have seen, women are over-represented in precarious work, it is precisely those in such work who are least likely to become mothers in the first place. Thus in the first six months of 2008, while there were one quarter of a million births, only eighty thousand maternity leaves were granted. Most women have children when they are out of the labour market or unemployed. Very few women on temporary contracts risk becoming pregnant and taking advantage of the maternity leave to which they are entitled. Thus while the crude birth rate for women aged 16 to 44 not in employment was over 40 per 1,000 women in this period, the equivalent for women with permanent contracts was 19, and for private sector workers on temporary contracts a mere *five* per 1,000.

One of the fundamental problems of the Spanish labour market has been an almost inexhaustible supply of labour on terms which Spanish employers have been prepared to offer. One result has been almost no innovative human resource management in Spain (Prieto 1991), and as a consequence of this, dismal labour productivity. Only Italy (whose labour market shares many features with Spain) has a similarly poor record of recent labour productivity growth. As Pérez-Díaz and Carlos Rodríguez (1995: 171) point out, employment security has 'had little to do with any purposeful attempt on the part of government or business to increase workers' commitment to their workplace or companies,

nor have the workers understood legal provisions for employment security along these lines either'. Another result has been little pressure on employers to explore hours or schedules, such as part-time jobs, that might suit the needs of those with elder or child-care obligations, And finally, as we have seen, the precariousness of much employment makes it risky for younger men and women to withdraw from the labour market temporarily to have children, especially if they have a relatively secure job. It is easy to exit the labour market but difficult to re-enter it (Cousins 2005).

THE NATURE OF SPAIN'S DUAL LABOUR MARKET

Spain clearly has a dual labour market. Not only is it divided between those with relative job security and those without it, but the precariousness of the latter contributes to the security of the former through the 'buffer effect' (Polavieja 2001; Bentolila and Dolado 1994), whereby fluctuations in the demand for labour can be concentrated on temporary workers. Wages for insiders have proved insensitive to unemployment while labour productivity has stayed poor. Meanwhile, the formal requirement to pay temporary workers the same rate has been rather easily avoided, as evidenced by the data in Table 10.4.

Dual labour markets have usually been explained in terms of the advantage to employers of matching the kind of contract they offer to the nature of the labour they employ (Doeringer and Piore 1971; Atkinson and Meager 1986; Hunter and MacInnes 1993; Goldthorpe 2000). Employers wishing to maximise the productivity and loyalty of the workers they employ, while keeping costs (mostly wages) as low as possible, face several dilemmas.

Offering greater security of employment might increase worker loyalty and reduce labour turnover but might also increase worker complacency and bargaining power. It might also reduce the firm's ability to respond to changes in the level of demand for workers of different types. Conversely, reducing labour security precludes almost any kind of 'high trust' employment relationship that might best harness the productive potential of the workforce. The choices employers make are heavily dependent on the nature of the work employees do, the state of the labour market, and the way in which these are regulated by collective bargaining with labour or by state legislation. They are also structured by the implicit or explicit gender contract between the state, labour and capital that determines the terms on which reproductive work is performed and paid for, and parents' ability to temporarily alter their employment relationship to prioritise child care.

A strong dual labour market develops when 'core', or 'service contract', employees are offered relative security and their commitment is maintained by the promise of substantial returns to seniority. Meanwhile, for jobs in which labour productivity can be readily secured by other means, or in which firm-specific knowledge or skills are either unimportant or cannot be taken elsewhere, or where other barriers exist to labour turnover (such as horizontal occupational segregation by sex or the sex-typing of skills), a 'labour contract' (analogous to a temporary contract or, more generally, precarious employment conditions) may be issued. Where labour market regulation offers greater protection, permanent contracts will be more akin to the service contracts, and employers more likely to choose the temporary contract alternative. This produces the well known cross-country correlation between the rate of temporary employment and degree of employment

protection associated with permanent jobs (Booth *et al.* 2002). Where the supply of labour clearly exceeds demand, employers will feel less need to offer service contracts, since the threat of unemployment will increase worker loyalty, even in the context of low conversion ratios. Finally, the system as a whole will have a large degree of inertia. The state, trade unions, employers and workers themselves do not continuously reassess and recalculate what their best interests are, but rather tend to work within a familiar *status quo* as their point of departure unless quite strong pressures force them to change. This is not just a matter of intellectual conservatism, but of the real difficulties and uncertainties facing any substantial institutional reform.

Toharia and Malo (2000) and others (Dolado *et al.* 2001) have argued that this simple model fits the Spanish experience rather well. Employers have chosen to rely on temporary contracts not only to achieve 'flexibility at the margin' but also to avoid paying the costs they perceive to be associated with permanent contracts and have been free to do so because unemployment has generally been high. However as Polavieja (2006) has pointed out, nothing in the nature of Spain's economy explains why it should have a dual labour market with a secondary sector (at least as measured by temporary contracts) twice or three times larger than other similar economies. He argues that Spain's dual labour market has led to a polarization of employment between insiders (with permanent contracts) and outsiders (on temporary contracts) across both 'core' and 'peripheral' jobs. This pattern is consistent with our findings about the ubiquity of temporary contract work across gender, occupation and education levels, with its concentration in younger workers and more recent

entrants to the labour market, and with the rising seniority of temporary contract workers as employment expanded after the mid-1990s.

Polarization also explains employers' lack of interest in developing practical policies that make it easier for women to combine employment with the greater burden of unpaid domestic and care work that they continue to perform. One result is that the dramatic feminization of employment has not undermined many dimensions of gender inequality, such as vertical or horizontal occupational segregation and pay. Another result, as we have seen, is that women suffer disproportionately more than men from precarious work, whether as new entrants or as potential mothers who might seek to exit and re-enter employment.

Polarization has occurred because the introduction of temporary contracts has been virtually the *only* major change to Spanish labour market regulation since the dictatorship, apart from the removal of formal discrimination on grounds of sex. It thus bore the brunt of pressure for change in the system as Spain became more integrated into the European economy. This has been compounded by the relative lack of interest in thorough reform of the labour market shown by successive governments. The Socialist Party would face stern opposition from its traditional allies in the trade union confederations, while the Popular Party has little interest in liberal ideology and has other priorities, such as moral conservatism and the danger posed to the unity of Spain by peripheral nationalisms.

This polarization has led to the very high levels of precarious employment suffered by Spain. Although women have been drawn into the labour market in great numbers, as we have seen, they are not only far more likely to be precariously employed but, even if well qualified, have less chance of achieving an ‘insider’ job that could make temporary withdrawal from the labour market a realistic option. It is not surprising that in Spain the average age of women at the birth of their first child has been rising rapidly (MacInnes 2005).

Until now Spain has enjoyed the benefits of being a relatively low-wage economy within the European Union, and domestic capital has sheltered underneath a canopy of local regulation and protection that has enabled it to pass on the costs of poor productivity to domestic consumers, as OECD reports (OECD 2005) routinely note. With the enlargement of the EU and increased competition from former Eastern Bloc countries and the Maghreb in employment areas such as call centres and automobile assembly, the Spanish economy may find new employment creation increasingly difficult.

This does not mean that the only solution to Spain’s extremely high level of precarious employment lies in making insiders’ jobs more precarious. It does, however, mean finding a way out of the two-tier labour market impasse that has emerged. This can happen only if the social partners are able to find some way to overhaul labour market regulation and collective bargaining in ways that break more decisively with Franco’s legacy. Effective action on the part of the social partners would require the trade union confederations to elicit greater solidarity from their members in insider jobs. It would also require

revolutionary change in many employers' attitudes towards industrial relations and human resource management. Furthermore, it would require a strategic policy approach to this question on the part of the state, together with the capacity to implement it in practice.

METHODOLOGICAL NOTE

Unless otherwise stated, all employment data cited in this chapter are from the author's analysis of the *Encuesta de Población Activa* (EPA). The EPA (INE various years) is undertaken on a continuous basis so that results each quarter form a nationally representative sample of individuals and households. Households take part in the survey for six successive quarters. This provides a useful panel element to the survey, but since the anonymized data matrices released by the Instituto Nacional de Estadística do not reveal in which quarter households enter the survey, using data from more than one quarter results in double counting of any households that participated in both quarters. However, information from any one quarter represents the labour market situation only in that quarter, rather than the year as a whole, and like any economy, employment in Spain (such as that in the tourist industry or agriculture) experiences seasonal variations. To overcome this problem, two quarters from successive years have been used (January to March 2006 and July to September 2007) separated by six quarters so that no household is repeated. The result approximates the average experience in Spain across this period.

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